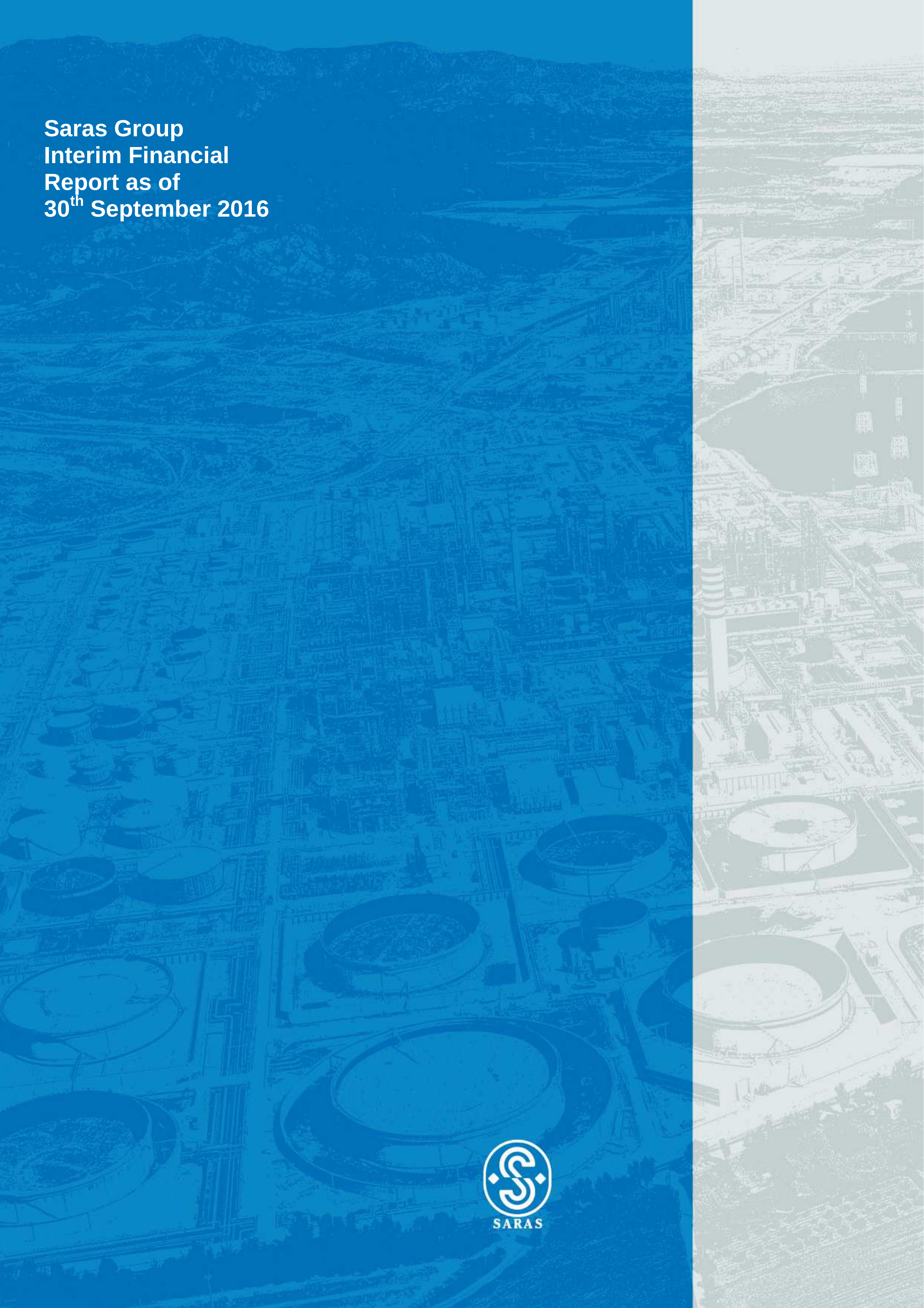
Saras Group
Interim Financial
Report as of
30th September 2016



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Statutory and Control Bodies

BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman
MASSIMO MORATTI	Chief Executive Officer
ANGELO MORATTI	Vice Chairman
DARIO SCAFFARDI	Executive Vice President and General Manager
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GABRIELE PREVIATI	Director
ANDREY NIKOLAYEVICH SHISHKIN	Director
GILBERTO CALLERA	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director

BOARD OF STATUTORY AUDITORS

GIANCARLA BRANDA	Chairman
GIOVANNI LUIGI CAMERA	Permanent Auditor
PAOLA SIMONELLI	Permanent Auditor
PINUCCIA MAZZA	Stand-in Auditor
GIOVANNI FIORI	Stand-in Auditor

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY S.p.A.

Group Activities

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Group's refinery in Sarroch, on the South-Western coast of Sardinia, is one of the biggest sites in the Mediterranean area in terms of production capacity (15 million tons per year, corresponding to 300,000 barrels per day), and one of the most advanced in terms of complexity (Nelson Index equal to 10.0). Owned and managed by the subsidiary Sarlux Srl, the refinery enjoys a strategic location at the heart of the Mediterranean Sea and is regarded as a model of efficiency and environmental sustainability, thanks to a wealth of know-how, technology and human resources accumulated in more than 50 years of business. In order to fully exploit such valuable assets, Saras introduced a business model based on the integration of its Supply Chain, with a very tight coordination between refinery operations and commercial activities. Precisely for this purpose, a subsidiary called Saras Trading SA has been incorporated in Geneva in September 2015. Based in one of the most important global hubs for the trading of oil commodities, Saras Trading purchases crude oils and other feedstock for the Group refinery, sells the refined oil products, and it is also active in third party trading.

Both directly and through its subsidiaries, the Saras Group sells and distributes oil products including 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 extra-EU countries. In particular, in 2015 approximately 2.57 million tons of oil products were sold in the Italian wholesale market, and a further 1.39 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.

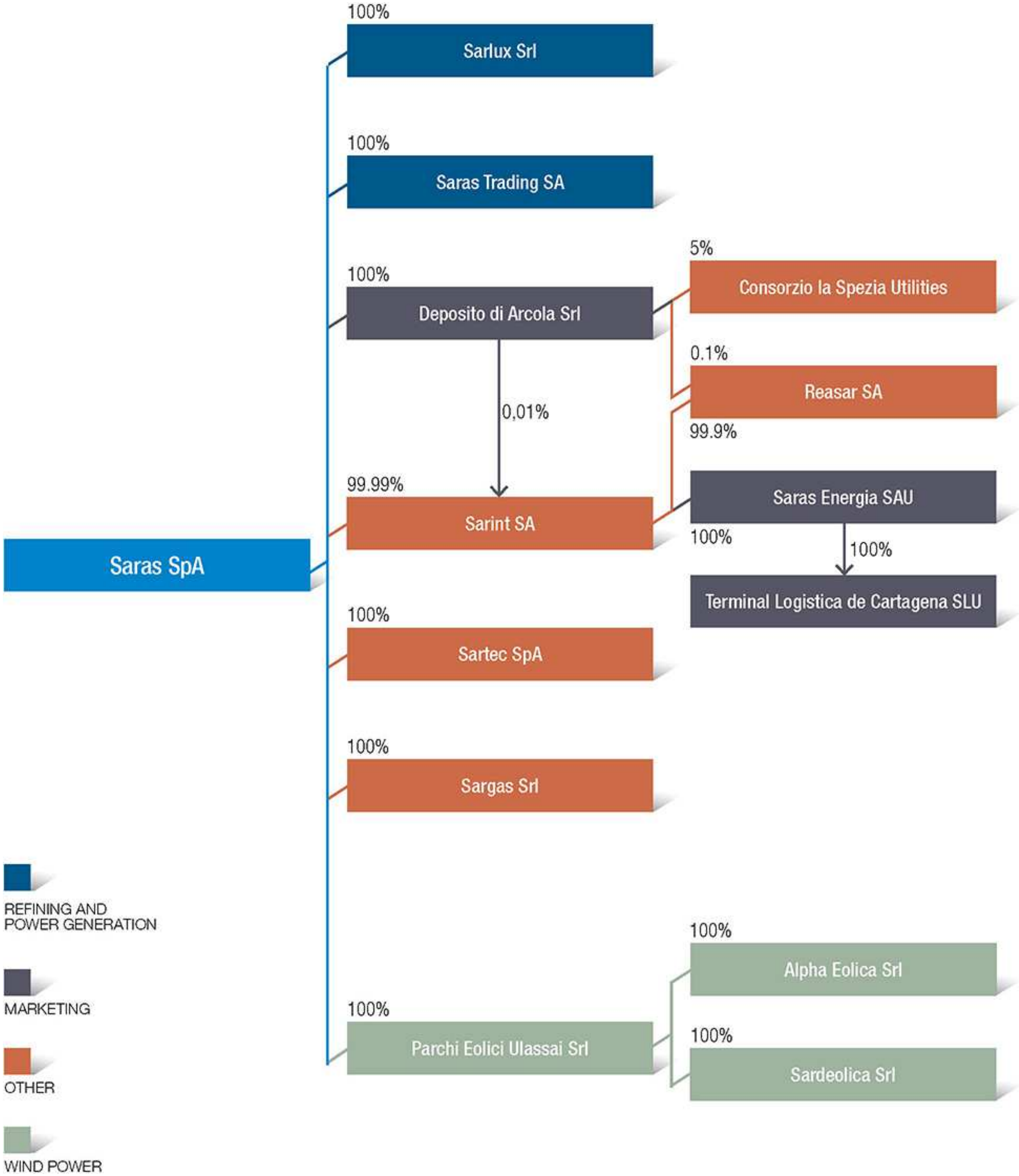
In the early years 2000s, the Saras Group entered also in the power generation business with the construction of an IGCC plant (Integrated Gasification plant with Combined Cycle power generation), which has a total installed capacity of 575MW and it also is owned and managed by the subsidiary Sarlux Srl. The feedstock used by the IGCC plant is obtained from the heavy oil products of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to more than 30% of the electricity requirements in Sardinia.

Moreover, still in Sardinia, the Group produces and sells electricity from renewable sources, through a wind farm situated in Ulassai. The wind farm which started operations in 2005, is owned and managed by the subsidiary Sardeolica Srl and it has an installed capacity equal to 96MW.

Lastly, the Saras Group provides industrial engineering and scientific research services to the petroleum, energy and environment industries, via its subsidiary Sartec SpA, and it operates also in the research and development of gaseous hydrocarbons.

Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment as of 30th September 2016.



Saras Stock Performance

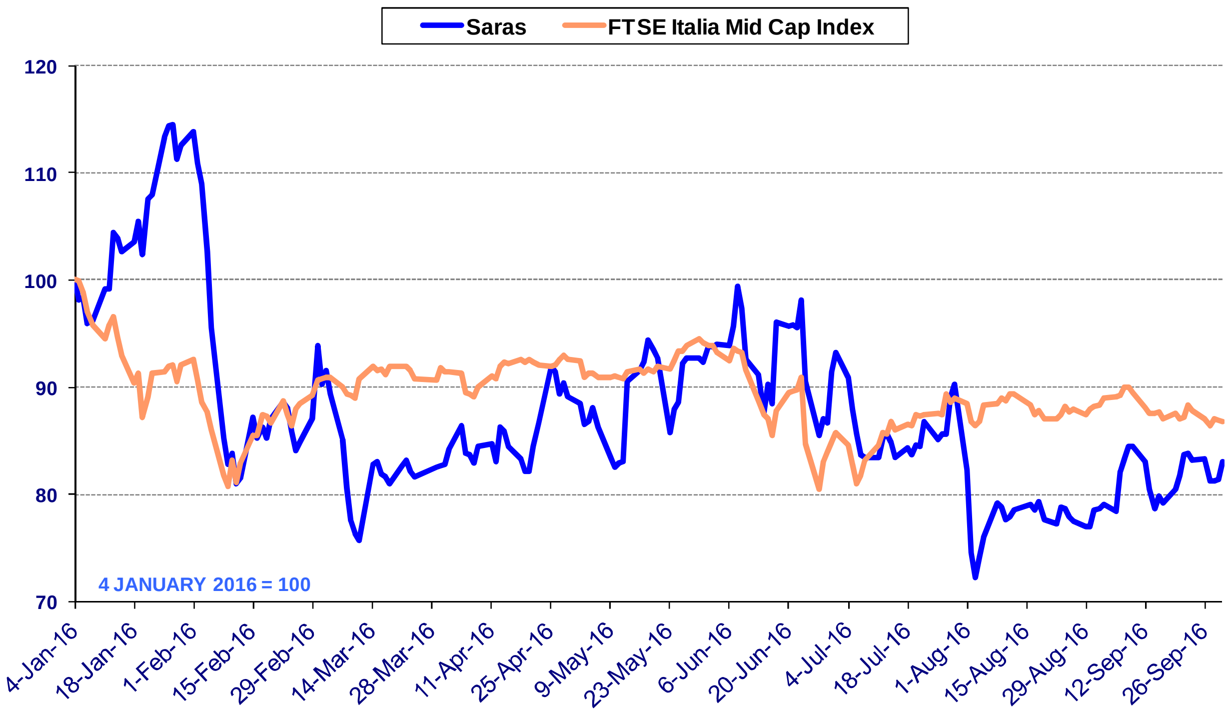
The following data show Saras' share prices and daily volumes, traded during the first nine months of 2016.

SHARE PRICE (EUR)	9M/16
Minimum price (03/08/2016)	1.230
Maximum price (27/01/2016)	1.952
Average price	1.495
Closing price at the end of the first nine months of 2016 (30/09/2016)	1.415

DAILY TRADED VOLUMES	9M/16
Maximum traded volume in EUR million (13/05/2016)	39.2
Maximum traded volume in number of shares (million) (13/05/2016)	25.4
Minimum traded volume in EUR million (18/08/2016)	2.0
Minimum traded volume in number of shares (million) (18/08/2016)	1.5
Average traded volume in EUR million	11.4
Average traded volume in number of shares (million)	7.6

The Market capitalization at the end of the first nine months of 2016 was equal to approximately EUR 1,346 million and the number of shares outstanding was approximately 936 million.

The following graph shows the daily performance of Saras' share price during the first nine months of 2016, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Key financial and operational Group Results[1]

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 adopted in the Financial Statements prepared according to IFRS accounting principles), because LIFO methodology does not include end-of-period revaluations and write-downs, hence providing a more representative view of the Group's operating performance. Furthermore, for the same reason, non-recurring items and the "*fair value*" of the open positions 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	Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
REVENUES	1,676	1,960	-14%	1,773	4,754	6,673	-29%
EBITDA	95.7	87.0	10%	267.3	430.7	561.9	-23%
Comparable EBITDA	**100.5**	**214.6**	**-53%**	**134.2**	**358.8**	**611.0**	**-41%**
EBIT	38.6	32.0	21%	210.5	260.6	371.4	-30%
Comparable EBIT	**43.5**	**159.6**	**-73%**	**77.3**	**188.8**	**443.4**	**-57%**
NET RESULT	22.4	46.6	-52%	129.7	151.9	276.7	-45%
***Adjusted* NET RESULT**	**26.4**	**109.8**	**-76%**	**50.0**	**116.6**	**296.8**	**-61%**

Other Group figures

EUR Million	Q3/16	Q3/15		Q2/16	9M 2016	9M 2015	
NET FINANCIAL POSITION	**215**	**42**		**147**	**215**	**42**	
CAPEX	**37.6**	**20.6**		**27.8**	**94.0**	**64.7**	

Comments to First Nine months of 2016 Group Results

Group revenues in 9M/16 were EUR 4,754 million. The difference versus EUR 6,673 million in the first nine months of last year is mainly due to the lower oil prices, which influenced the revenues of the Refining and Marketing segments. More precisely, in 9M/16 gasoline quotations had an average of 449 $/ton (versus the average of 589 $/ton in 9M/15), while diesel quotations stood at an average of 377 $/ton (versus the average of 524 $/ton in 9M/15). As a consequence, the Refining segment reduced its revenues by approx. EUR 1,506 million, also taking into account the lower refinery runs and sales of finished products. Similarly, revenues of the Marketing Segment decreased by approx. EUR 370 million,

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

notwithstanding a slight increase of the volumes sold. Finally, revenues of the Power Generation segment were also lower by approx. EUR 46 million versus 9M/15, due to the reduction in value of the CIP6/92 power tariff, following the updated outlook for prices of crude oil & gas used in its calculation procedure.

Group *reported* EBITDA in 9M/16 was EUR 430.7 million, versus EUR 561.9 million in 9M/15, with the difference almost entirely due to the Refining segment, which operated in a market characterised by crack spreads less favourable than those available in the same period of last year, and carried out a heavier maintenance programme.

Group *reported* Net Result stood at EUR 151.9 million, down from EUR 276.7 million in 9M/15, basically for the same reasons discussed at EBITDA level. Moreover, the charges for depreciation and amortisation were equal to EUR 170.2 million in 9M/16 (versus EUR 190.5 million in 9M/15), the interest charges were approx. EUR 23 million (versus approx. EUR 27 million in 9M/15), while the other financial items (which include also the result of the derivative instruments used for hedging purposes, the net Forex results, and the "*fair value*" of the derivative instruments still open at the end of the period) summed up to a net financial charge of approx. EUR 20 million in 9M/16 (versus a net financial income of approx. EUR 45 million in 9M/15).

Group *comparable* EBITDA amounted to EUR 358.8 million in 9M/16, down from EUR 611.0 million earned in 9M/15. As per the comments already made for the *reported* results, that difference can be primarily attributed to the effects of the scenario in the Refining segment. Furthermore, the above mentioned reduction in EBITDA was reflected down to the bottom line, with the **Group *adjusted* Net Result standing at EUR 116.6 million in 9M/16**, versus EUR 296.8 million in the same period of last year.

Finally, **CAPEX in 9M/16 was equal to EUR 94.0 million**, in line with the scheduled programme, and mainly directed to the Refining segment (EUR 85.7 million).

Comments to Third Quarter 2016 Group Results

Group Revenues in Q3/16 were EUR 1,676 million. Similarly to the comments already made for the first nine months, the difference versus EUR 1,960 million earned in Q3/15 is mainly related to the reference scenario, characterised by lower quotations for refined oil products, which led to revenues' reductions worth approx. EUR 220 million in the Refining segment, and approx. EUR 59 million in the Marketing segment. More precisely, in Q3/16 gasoline quotations averaged at 461 $/ton (versus 563 $/ton in Q3/15), and diesel quotations stood at 408 $/ton (versus 482 $/ton in Q3/15).

Group *reported* EBITDA in Q3/16 was EUR 95.7 million, versus EUR 87.0 million in Q3/15. Such difference derives mainly from the Marketing segment which had a negative result in Q3/15. However, when looking at the bottom line, **in Q3/16 the Group *reported* Net Result stood at EUR 22.4 million**, down from EUR 46.6 million in Q3/15, mainly as a consequence of the difference in financial income and charges in the two quarters under comparison. Indeed, in Q3/16 the result of the derivative instruments used for hedging purposes, the net Forex results, and the "*fair value*" of the derivative instruments still open at the end of the period summed up to a financial charge of EUR 0.5 million, while in Q3/15 the same items summed up to a financial income of EUR 39.5 million. Moreover, in Q3/16 the interest charges were EUR 9.9 million (of which approx. EUR 4 million of extraordinary charges related to the early redemption of the bond issued on 17th July 2014), while in Q3/15 the interest charges were EUR 7.1 million.

Group *comparable* EBITDA amounted to EUR 100.5 million in Q3/16, down versus EUR 214.6 million earned in Q3/15, mainly because of the lower results in the Refining segment. Moreover, the **Group *adjusted* Net Result was equal to EUR 26.4 million**, versus EUR 109.8 million in the same quarter of last year.

CAPEX in Q3/16 was overall equal to EUR 37.6 million, of which EUR 33.7 million dedicated to the Refining segment.

In the following tables can be found the detailed calculations of the *Comparable* EBITDA and the *Adjusted* Net Income, starting from the *reported* results, for the third quarter and the first nine months of 2016.

Calculation of the Group *comparable* EBITDA

EUR Million	Q3/16	Q3/15	9M 2016	9M 2015
***Reported* EBITDA**	**95.7**	**87.0**	**430.7**	**561.9**
Inventories at LIFO - inventories at FIFO	(5.6)	85.5	(67.3)	10.4
Non-recurring items	1.7	0.0	4.2	0.0
Realized result of derivatives and net FOREX	8.7	42.1	(8.8)	38.7
***Comparable* EBITDA**	**100.5**	**214.6**	**358.8**	**611.0**

Calculation of the Group *adjusted* Net Result

EUR Million	Q3/16	Q3/15	9M 2016	9M 2015
***Reported* NET RESULT**	**22.4**	**46.6**	**151.9**	**276.7**
(Inventories at LIFO - Inventories at FIFO) net of taxes	(3.9)	61.3	(46.5)	7.4
Non-recurring items net of taxes	1.2	0.0	2.9	17.2
Fair value of derivatives' open positions net of taxes	6.7	1.9	8.2	(4.5)
***Adjusted* NET RESULT**	**26.4**	**109.8**	**116.6**	**296.8**

Net Financial Position

The Net Financial Position on 30th September 2016 stood cash-positive at EUR 215 million, further improved versus the already cash-positive position on 31st December 2015 (EUR 162 million). Indeed, the robust cash flow generated from operations in the first nine months of 2016 exceeded the outflows due to the CAPEX made in the period, the dividends distributed in May 2016, the changes in working capital employed (including the oil inventories), and also the instalments paid to Iran in the second and third quarter of 2016 for the crude oil purchased in 2012.

EUR Million	30-Sep-16	31-Dec-15
Medium/long-term bank loans	(356)	(412)
Bonds		(174)
Long-term net financial position	**(356)**	**(586)**
Short term loans	(83)	(68)
Debts due to banks	(30)	(21)
Other short term financial liabilities	(44)	(69)
Fair value on derivatives and realized net differentials	(4)	23
Other financial assets	56	21
Cash and Cash Equivalents	670	857
Other Loans	6	5
Short-term net financial position	**571**	**748**
Total net financial position	**215**	**162**

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 (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.

Average Values[1]	Q1/16	Q2/16	Q3/16		9M/16
Crude Oil prices and differential ($/bl)					
Brent Dated (FOB Med)	33.9	45.6	45.9		41.8
Urals (CIF Med)	32.7	44.3	44.4		40.5
"Heavy-Light" price differential	-1.2	-1.3	-1.5		-1.3
***Crack spreads* for refined oil products ($/bl)**					
ULSD *crack spread*	7.8	9.2	8.9		8.6
Gasoline 10ppm *crack spread*	13.5	12.7	9.4		11.9
Reference Margin ($/bl)					
EMC Benchmark	+3.6	+2.6	+2.0		+2.7

(1) Sources: "Platts" for prices and crack spreads, and "EMC – Energy Market Consultants" for the reference refining margin EMC Benchmark

Crude oil prices:

Q1/16 started with crude oil quotations on a descending path, mainly due to persistent oversupply in the market, along with signals of further deterioration in global economic conditions, and strong turbulences shaking the financial markets. Brent Dated fell to its lowest quotation in more than 10 years, reaching 26 $/bl on the 20th of January. Later, between February and March, prices posted a remarkable recovery, due to data showing diminishing production of "*tight oil*" in the USA, and rumours of a possible agreement between crude oil producing countries to freeze output, in order to rebalance the market. As such, the period closed at 38.7 $/bl, with a quarterly average equal to 33.9 $/bl.

The rising trend of crude quotations continued also in April, notwithstanding the failure to reach a production agreement at the OPEC negotiations, held in Doha on the 17th of April. Indeed, unexpected production outages in Nigeria, Ghana, Kuwait and Canada resulted in the temporary removal from the market of 1.5 million barrels per day (mb/d) of crude oil. As such, Dated Brent could reach its highest quotation of the quarter at 50.7 $/bl, on the 8th of June. In the following weeks, however, the price rebound lost its steam, both because of the continuing increases in Iranian production (which stood at 3.7 mb/d in June, back to pre-embargo levels in just a few months from being readmitted to the market), and also because of growing uncertainties about the future of the European Union, following the outcome of the "Brexit" referendum held in the United Kingdom on the 23rd of June. Overall, Brent Dated averaged at 45.6 $/bl in Q2/16, up almost 11 $/bl versus the previous quarter.

Brent quotations continued to decline for the entire month of July, reaching their lowest value for Q3/16 at 40.3 $/bl, on the 1st of August. Indeed, against a backdrop of uncertainty related to declining oil consumption and extraordinarily high inventories of refined products, the OPEC crude oil production reached new records, boosted by Saudi Arabia, Iraq and Iran. In August, however, quotations began to rise again, thanks to increased runs in refineries across Middle East, Asia and the United States. Crude oil inventories started to decrease and, on the 18th of August, Brent Dated bounced to its highest value in the quarter at 49.8 $/bl. Finally, in September quotations moved within a narrow trading range between 45 and 49 $/bl, due to counterbalancing forces. On one hand, there was downward pressure due to constantly rising production on a global scale (sustained by the usual OPEC members, but also by other producing countries that do not below to the cartel, such as Russia and Kazakhstan). On the other hand, there was also a bullish effect coming from the expectations for an agreement to cut or freeze production, to be reached during the meetings in Algeri, at the end of September. Overall, the average of Brent Dated quotations in Q3/16 was equal to 45.9 $/bl, broadly in line with the average of the previous quarter.

Price differential between "heavy" and "light" crude oil grades ("Urals" vs. "Brent"):

During Q1/16 the "heavy-light" crude oil price differential posted a quarterly average equal to -1.2 $/bl. In general, notwithstanding the sabotage of the crude oil pipelines in the northern territories of Iraq in mid-February, there was large availability of heavy sour grades, both of Russian and Saudi origins. Indeed, spring maintenance of Russian refineries made important volumes of Urals available for export, towards North Europe and the Mediterranean Basin.

Moreover, beginning with March, the market found renewed availability of the Iranian heavy crude oil barrels, following the lifting of the sanctions. The "heavy-light" differential widened accordingly, and it reached -2.4 $/bl in mid-May, as a consequence of the strong competition between Iran, Saudi Arabia and Iraq, which are fighting a commercial battle to increase their market shares in Europe. In the second part of the quarter, however, Russian refineries resumed operations, hence reducing the quantity of Urals crude oil available for export. The differential shrank and its average in the second quarter settled at -1.3 $/bl, broadly unchanged versus the previous quarter.

Afterwards, in July, Urals crude oil posted its strongest performance against Brent since the end of 2015, bringing the "heavy-light" differential to very narrow values (equal to -0.5 $/bl). Between August and September, however, export volumes of heavy sour grades towards Europe increased. This allowed the differential to widen again, reaching its widest level on the 13th of September, at -2.7 $/bl. As such, the quarterly average in Q3/16 stood at -1.5 $/bl, slightly wider than the average in the second quarter.

<u>Crack spreads</u> **<u>of the main products</u>** (i.e. the difference between the value of the product and the price of the crude):
During Q1/16, the gasoline *crack spread* progressively strengthened, reaching interesting values especially towards the end of the quarter, in coincidence with the switch to summer grade specifications. Demand was robust in the Persian Gulf region and also in West African countries, and in particular in Nigeria. Moreover, inventory levels decreased across the main logistic hubs, and the average of the gasoline *crack spread* settled at 13.5 $/bl in Q1/16.

In Q2/16 however, the gasoline *crack spread* gradually softened, due to climbing crude oil prices along with massive increases in refinery output on a global scale. Indeed, foreseeing robust consumption, thanks also to affordable prices at the retail stations, all the refineries in the United States of America, Europe and Asia, pushed operations up to maximum capacity, increasing their yields in light distillates. For that reason, notwithstanding the growth in consumption, gasoline stocks went back up in the logistic hubs across the globe. Gasoline *crack spread* came under pressure and, overall, it averaged at 12.7 $/bl in Q2/16.

The scenario described above continued also for the first two months of Q3/16 and, on the 20th of July, gasoline *crack spread* dropped to 6.6 $/bl, which is its lowest level since the end of 2014. Subsequently, from beginning of September, gasoline posted a decent recovery due, in part, to demand increases in Nigeria, Egypt and Algeria, and in part, also to operational problems on line 1 of the "US Colonial" pipeline, which caused an interruption to the flows of refined products from Houston to the US Atlantic Coast. Consequently, many cargoes of European gasoline sailed across the Atlantic towards the USA, and the *crack spread* came back to double digit figures, with the Q3/16 quarterly average at 9.4 $/bl.

Moving to the analysis of the middle distillates, in Q1/16 consumption of automotive gasoil (diesel) remained relatively low and the diesel *crack spread* couldn't even be supported from heating gasoil's demand, because winter temperatures turned out warmer than seasonal averages. Given the circumstances, and with all the refineries running at full capacity in order to produce gasoline, middle distillate inventories reached extremely high levels. The average of the diesel *crack spread* was therefore equal to 7.8 $/bl in Q1/16.

However, middle distillate fortunes improved in Q2/16, and the diesel *crack spread* posted the average of 9.2 $/bl, up by almost 1.5 $/bl versus the previous quarter. Such trend was due to the progressive decrease of the gasoil inventories, mainly thanks to a rebound in consumption in various Asian countries, where a drought reduced hydroelectric production, and forced them to generate electricity with emergency systems, powered by gasoil engines.

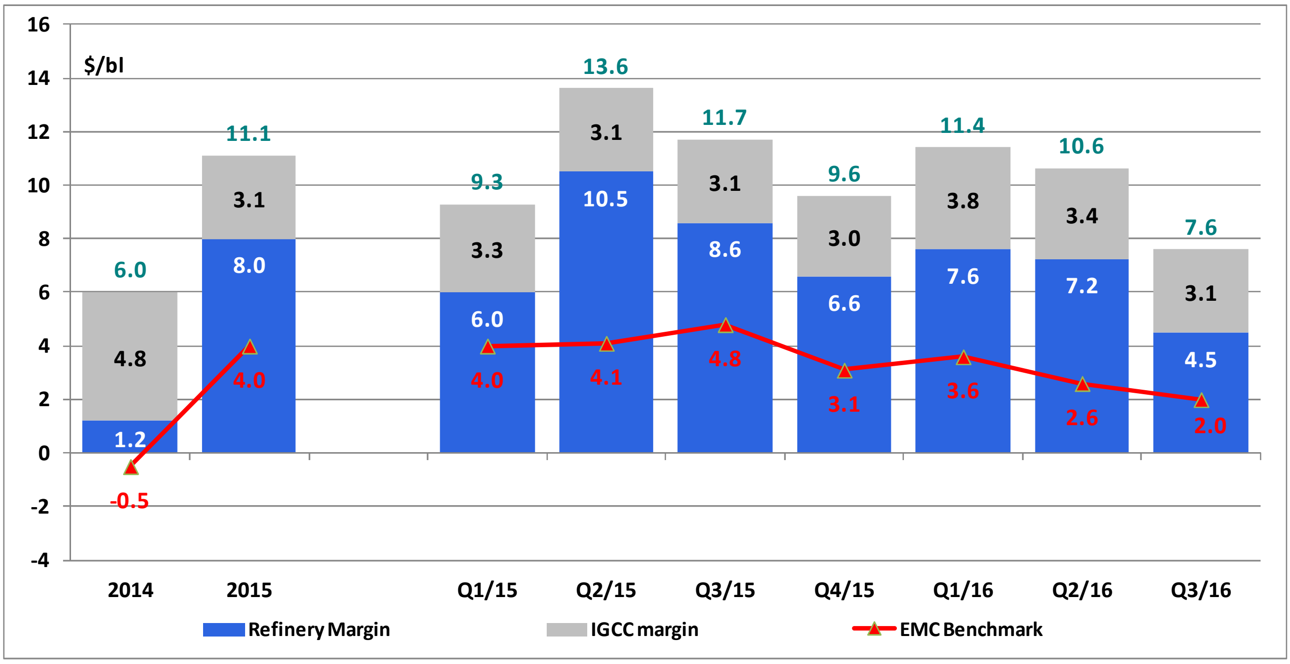
In Q3/16 diesel *crack spread* remained under pressure during July and August, due to declining freight costs, that created favourable arbitrage conditions for gasoil cargoes moving from Middle East and USA to Europe. Afterwards, at the beginning of September, gasoil in the Mediterranean Basin found support from robust demand for agricultural and automotive applications. Finally, good support came also from the decision of the Moroccan Government to increase its strategic storage up to 30 days of forward demand cover, in order to allow continuity of supply even during the scheduled maintenance of the SAMIR refinery. As a result, diesel *crack spread* posted an average of 8.9 $/bl in Q3/16, broadly in line with the previous quarter.

Due to the previously discussed trends for gasoline and diesel *crack spreads*, refining margins suffered in July and August. However, in September, margins moved along a recovery path, thanks also to the growing number of refineries undergoing their scheduled maintenance activities.

<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 Basin, which processes a feedstock made of 50% Brent and 50% Urals crude oils.

The above mentioned margin (called "EMC Benchmark") reached record-high levels for the entire duration of 2015 (with a yearly average equal to +4.0 $/bl), thanks to crude oil oversupply and a progressive increase in consumption of refined oil products (gasoline, in particular). However, the supportive scenario convinced all refineries to run at full capacity and, as a consequence, oil products' supply exceeded consumption. Inventories of finished products began to stock-up during 2016, and the EMC Benchmark softened accordingly. Its average stood at +3.6 $/bl in the first quarter of 2016, +2.6 $/bl in the second quarter of 2016, and +2.0 $/bl in the third quarter of 2016.

Saras Group's refinery, thanks to the flexibility and complexity of its industrial units, manages to achieve a higher refining margin than the EMC Benchmark (please refer to the following graph). However, the premium of the Saras margin above the EMC Benchmark does vary from quarter to quarter, according to the specific market conditions and the performance of Saras industrial and commercial operations in each individual quarter.



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

With the purpose of providing a consistent disclosure of the results for each business of the Saras Group, the financial information of the individual companies within the Group have been calculated and reported according to the same business segments adopted in all previous Financial Reports, including also the intercompany services, which ceased to exist as a consequence of some corporate reorganisations, at the same economic conditions applied in the previously existing contracts.

Refining

Sarroch refinery is positioned on the South-Western coast of Sardinia, and it is one of the largest and most complex refineries in the Mediterranean area. It enjoys a strategic location in the centre of the Mediterranean Sea, and it has a production capacity of 15 million tons per year, which corresponds to approximately 15% of Italy's total refining capacity. Below are the financial and operational highlights of this segment:

EUR Million	Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
EBITDA	36.4	37.1	-2%	209.9	260.7	385.7	-32%
***Comparable* EBITDA**	**39.5**	**155.4**	**-75%**	**77.7**	**188.7**	**434.8**	**-57%**
EBIT	7.2	9.0	-20%	180.4	172.8	281.0	-39%
***Comparable* EBIT**	**10.3**	**127.3**	**-92%**	**48.2**	**100.8**	**348.1**	**-71%**
CAPEX	**33.7**	**18.7**		**26.3**	**85.7**	**56.7**	

Margins and refinery runs

		Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
REFINERY RUNS	Tons (thousand)	3,597	3,672	-2%	3,209	9,686	11,090	-13%
	Barrels (million)	26.3	26.8	-2%	23.4	70.7	81.0	-13%
	Bl/day (thousand)	285	291	-2%	257	258	297	-13%
COMPLEMETARY FEEDSTOCK	Tons (thousand)	442	247	79%	538	1,365	739	85%
EXCHANGE RATE	EUR/USD	1.117	1.112	0%	1.129	1.116	1.114	0%
EMC BENCHMARK MARGIN	$/bl	2.0	4.8		2.6	2.7	4.3	
SARAS REFINERY MARGIN	$/bl	4.5	8.6		7.2	6.3	8.4	

Comments to First Nine months of 2016 Results

Refinery crude oil runs in 9M/16 stood at 9.69 million tons (70.7 million barrels, corresponding to 258 thousand barrels per calendar day), down 13% versus the first nine months of last year. On the contrary, the runs of other feedstock complementary to crude oil were equal to 1.37 million tons, increased by 85% versus 9M/15. Such differences are mainly due to the scheduled maintenance programme, which involved distillation units and also conversion units, and it was heavier than the programme carried out in 9M/15.

***Comparable* EBITDA was EUR 188.7 million in 9M/16**, with Saras refinery margin standing at +6.3 $/bl. This compares with *comparable* EBITDA at EUR 434.8 million and Saras refinery margin equal to +8.4 $/bl in the same period of 2015. As usual, the comparison between the two periods must take into account the different market conditions and also the specific performance of the Saras Group, both from the operational and from the commercial perspective.

More specifically, when analysing the market conditions, the lower crude oil prices in 9M/16 brought an advantage worth approx. EUR 95 million versus 9M/15 (including also the reduction in the cost of the "consumption & losses"). On the contrary, the weaker *crack spreads* of the main refined products (diesel in particular) reduced the value of the refinery production by approx. EUR 300 million versus 9M/15. Finally, the effect of the exchange rate Euro/US dollar was neutral, because the averages were broadly equal in the two periods under comparison (1.1162 US Dollars for 1 Euro in 9M/16, vs. 1.1144 in 9M/15).

From an operational point of view, in 9M/16 the production planning (which consists in the optimization of the crude mix to be refined, the management of semi-finished products, and the production of finished products, including specialty products) achieved an increase in EBITDA worth approx. EUR 8 million versus 9M/15. However, the production execution (which takes into account the penalisation due to maintenance and the higher consumption versus technical targets for some utilities like, for instance, fuel oil, steam, electricity, and fuel gas) produced an EBITDA worth approx. EUR 21 million less than in the first nine months of last year. To this regard, it should be mentioned that the production execution was particularly smooth in Q3/16, hence allowing to recover a sizeable part of the penalisations occurred in Q1/16, due to the heavy scheduled maintenance cycle.

Moving to the commercial performance (which concerns the procurement of crude oil and other kinds of complementary feedstock, sale of finished products, chartering and inventory management, including also compulsory stocks) it can be noticed that it delivered approximately the same EBITDA in the two periods under comparison.

Finally, according to the trends of the margins commented in the Chapter dedicated to “Oil Market and Refining Margins”, in Q3/16 the Group implemented a production planning strategy which changed the oil inventory mix held in storage as of 30th September 2016, versus the mix in storage as of 30th June 2016. This was done in order to capture higher margins with the sales to be made in Q4/16. However, the accounting principles used to evaluate oil inventories caused an underestimation of Q3/16 EBITDA, because the above mentioned change of oil inventory mix between 30th September and 30th June would be worth approx. EUR 30 million, according to our estimates.

Refining CAPEX in 9M/16 was EUR 85.7 million, due to the important maintenance programme carried out during the first part of the period.

Comments to Third Quarter 2016 Results

Refinery crude oil runs in Q3/16 stood at 3.60 million tons (26.3 million barrels, corresponding to 285 thousand barrels per calendar day), almost in line with the 3.67 million tons of crude oil processed in the same quarter of last year. However, the runs of complementary feedstock increased by 79% versus Q3/15, reaching 0.44 million tons, both for commercial and operational choices.

***Comparable* EBITDA was EUR 39.5 million** and Saras refinery margin was +4.5 $/bl in Q3/16, whereas in Q3/15 the *comparable* EBITDA stood at EUR 155.4 million and Saras refinery margin posted an average of +8.6 $/bl.

With regards to market conditions, comments for the quarter are similar to those already made for the first nine months. Indeed, the lower quotations for crude oil in Q3/16 brought an advantage worth approx. EUR 15 million versus Q3/15 (including also the reduction in the cost of the “consumption & losses”). Conversely, the weaker *crack spreads* of both diesel and gasoline, reduced the value of the refinery output by approx. EUR 135 million versus Q3/15. The effect of the Euro/US dollar exchange rate was instead neutral in the two quarters under comparison (1.1166 US Dollars for 1 Euro in Q3/16, versus 1.1117 in Q3/15).

From an operational point of view, in Q3/16 the production planning generated an EBITDA lower by approx. EUR 6 million versus Q3/15. On the contrary, the production execution delivered an EBITDA worth approx. EUR 22 million more than in Q3/15, thanks to the absence of scheduled maintenance activities and also to the lower consumption of utilities (which came closer to the technical limits than in Q3/15).

Finally, the commercial performance in Q3/16 produced an EBITDA higher by approx. EUR 5 million versus Q3/15.

However, as already commented in the results of the first nine months, in Q3/16 the Group implemented a production planning strategy which changed the oil inventory mix held in storage as of 30th September 2016, versus the mix in storage as of 30th June 2016. This was done in order to capture higher margins with the sales to be made in Q4/16. However, the accounting principles used to evaluate oil inventories caused an underestimation of Q3/16 EBITDA, because the above mentioned change of oil inventory mix between 30th September and 30th June would be worth approx. EUR 30 million, according to our estimates.

Refining CAPEX in Q3/16 was EUR 33.7 million.

Crude Oil slate and Production

The crude mix processed by the Sarroch refinery in 9M/16 has an average density of 33.4°API, and it is lighter than the mix processed in 9M/15 (32.8°API). When looking in more details at the various crude grades used in the feedstock, it can be noted a remarkable increase in the percentage of the crude oils with average density and high sulphur content (the so called *“medium sour”* grades), with a corresponding decrease in the percentage of heavy crude oils (both “*heavy* *sour*" and "*heavy sweet*"). Moreover, the increased quantities of feedstock complementary to crude oil (1,365 ktons in 9M/16, versus 739 ktons in 9M/15) led to a decrease in the runs of light crude oils with low sulphur content (mainly "*light extra sweet*" grades, but also "*light sweet*" ones). These changes in the feedstock mix are mainly due to economic and commercial choices, but also to the contingent configuration of the refinery, deriving from the important maintenance cycle carried out in Q1/16.

		Q3/16	9M 2016	9M 2015
Light extra sweet		29%	32%	40%
Light sweet		8%	10%	14%
Medium sweet/extra sweet		0%	0%	1%
Medium sour		45%	38%	13%
Heavy sour/sweet		19%	21%	32%
Average crude gravity	°API	33.4	33.4	32.8

Moving on to the finished product slate, it can be observed that in 9M/16 the yields in LPG (2.3%) and light distillates (28.3%) reached very high levels, even greater than in the first nine months of last year, because the refinery tried to exploit in full the good commercial opportunities existing for those products (especially during H1/16). Conversely, the yield in middle distillates decreased (48.7%), because maintenance activities were carried out in Q1/16 on the "MildHydroCracking Unit 2" (MHC2), and the timing was purposely chosen taking into consideration the less favourable market conditions for middle distillates. Lastly, the yield of heavy distillates slightly increased versus last year.

		Q3/16	9M 2016	9M 2015
LPG	Tons (thousand)	73	252	242
	yield (%)	1.8%	2.3%	2.0%
NAPHTHA + GASOLINE	Tons (thousand)	1,034	3,130	3,049
	yield (%)	25.6%	28.3%	25.8%
MIDDLE DISTILLATES	Tons (thousand)	2,078	5,386	6,196
	yield (%)	51.4%	48.7%	52.4%
FUEL OIL & OTHERS	Tons (thousand)	283	710	699
	yield (%)	7.0%	6.4%	5.9%
TAR	Tons (thousand)	319	858	884
	yield (%)	7.9%	7.8%	7.5%

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	Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
EBITDA	5.1	(3.2)	257%	3.0	5.5	1.6	250%
***Comparable* EBITDA**	**5.0**	**6.1**	**-17%**	**(0.5)**	**1.3**	**1.6**	**-18%**
EBIT	3.7	(4.7)	179%	1.5	1.2	(8.1)	115%
***Comparable* EBIT**	**3.6**	**4.6**	**-22%**	**(1.9)**	**(3.0)**	**(3.2)**	**7%**
CAPEX	**0.5**	**0.4**		**0.3**	**0.9**	**0.9**	

Sales

		Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
TOTAL SALES	Tons (thousand)	1,063	1,013	5%	995	3,061	2,984	3%
of which: in Italy	Tons (thousand)	606	680	-11%	574	1,760	1,940	-9%
of which: in Spain	Tons (thousand)	458	333	37%	421	1,301	1,044	25%

Comments to First Nine months of 2016 Results

According to data collected by UP (Unione Petrolifera), during 9M/16 sales of oil products increased by 0.3% in the Italian market, which represents the main output for the wholesale activities of the Saras Group. In Spain instead, data compiled by CORES show that consumption of oil products decreased (-0.6%) versus the same period of last year.

In particular, the increased sales of oil products in the Italian market derive from growing demand of fuel oil used as bunker in the maritime sector (+13%, equal to +260ktons). On the contrary, demand of fuel oil for other applications declined by 34%. Finally, with regards to road transportation fuels, the positive performance of gasoil (+0.2%, equal to +36ktons) has only partially compensated the reduction in gasoline demand (-2.0%, equal to -118ktons). Wholesale margins declined versus 9M/15, mainly because of competitive pressure from inland refineries, which all run at maximum capacity in order to exploit the favourable trend of the refining margins. In such a context, the Saras Group reduced by 9% its sale volumes, optimising its distribution channels and achieving a commercial margin broadly in line with the same period of last year.

Moving to the analysis of the Spanish market, the drop in consumption of gasoil (-4.0%, equal to -789ktons) was largely compensated by the increase in demand for kerosene (+12.2%, equal to +420ktons) and for fuel oil (+4.5%, equal to +190ktons). Instead, gasoline consumption remained broadly flat (+0.1%, equal to +2ktons). The Spanish subsidiary Saras Energia increased its sales by 25%, and continued its policies of sale channels' optimisation, in order to contrast the decline of its profitability.

According to the trends in sales and margins discussed in the previous paragraphs, **the *comparable* EBITDA of the Marketing segment stood at EUR 1.3 million in 9M/16**, substantially in line with EUR 1.6 million in 9M/15.

Comments to Third Quarter 2016 Results

According to data collected by UP, oil products' sales in the Italian market declined by 1.9% during Q3/16, while the data compiled by CORES for the Spanish market show a modest increase in consumption (+0.3%) versus the same period of 2015.

However, when analysing more deeply the Italian market, it can be noticed that consumption of fuel oil used as bunker in the maritime sector grew by 21% (equal to +162ktons), while demand of fuel oils for other applications declined by 54% (equal to -188ktons). Moreover, also demand of road fuels declined, with gasoline down by -2.1% (equal to -45ktons), and total gasoils down by -0.4% (equal to -26ktons). With regards to margins, some improvement signals materialized during the quarter, notwithstanding the market continues to be oversupplied and competition remains intense. The Saras Group reduced sales by 11% and, also thanks to this rationalisation, it managed to improve its commercial margin versus Q3/15.

Moving to the analysis of the Spanish market, it should be highlighted that the increase oil products' demand derives mainly from stronger consumption of kerosene for aviation purposes (+12%, equal to +159ktons) and fuel oils (+9.4%, equal to +131ktons). On the contrary, gasoil declined by -4.0% (equal to -260ktons), while demand for gasoline remained broadly unchanged (+0.4%, equal to +5ktons). In this scenario, the Spanish subsidiary Saras Energia increased its sales by 37%, climbing from 333ktons in Q3/15 to 458ktons in Q3/16, while its commercial margin decreased.

The *comparable* EBITDA of the Marketing segment stood at EUR 5.0 million, improved versus the previous quarters, and slightly below the result of EUR 6.1 million achieved in Q3/15.

Power Generation

Below are the main financial and operational data of the Power Generation segment, which uses an IGCC power plant (Integrated Gasification and Combined Cycle power generation) 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	Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
EBITDA	50.9	51.5	-1%	49.2	146.2	161.2	-9%
***Comparable* EBITDA**	**52.6**	**51.5**	**2%**	**51.7**	**150.4**	**161.2**	**-7%**
EBIT	25.8	27.2	-5%	24.5	72.1	88.7	-19%
***Comparable* EBIT**	**27.5**	**27.2**	**1%**	**27.0**	**76.3**	**88.7**	**-14%**
EBITDA ITALIAN GAAP	**40.2**	**42.7**	**-6%**	**44.5**	**101.3**	**131.5**	**-23%**
EBIT ITALIAN GAAP	**23.5**	**26.9**	**-13%**	**28.3**	**52.5**	**84.3**	**-38%**
CAPEX	**3.0**	**1.4**		**0.9**	**6.6**	**6.5**	

Other figures

		Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
ELECTRICITY PRODUCTION	MWh/1000	1,239	1,150	8%	1,241	3,344	3,407	-2%
POWER TARIFF	**Eurocent/KWh**	**8.1**	**9.6**	**-16%**	**8.1**	**8.1**	**9.6**	**-16%**
POWER IGCC MARGIN	$/bl	3.1	3.1	0%	3.4	3.4	3.2	6%

Comments to First Nine months of 2016 Results

The entire cycle of maintenance activities scheduled on the IGCC plant for the year 2016 was carried out during Q1/16, and it involved two trains of "Gasifier – combined cycle Turbine" and one of the "H_2S Absorbers". **The production of electricity in 9M/16 was equal to 3.344 TWh,** down by 2% vs. 9M/15, because last year maintenance was carried out in Q1/15 for one of the three trains of "Gasifier – combined cycle Turbine" and one of the "H_2S Absorbers", and it was only started towards the end of Q3/15 on the second train of "Gasifier – combined cycle Turbine" (to be later completed in Q4/15).

***Comparable* EBITDA was EUR 150.4 million**, down versus EUR 161.2 million in 9M/15. Such difference is mainly due to the lower value of the CIP6/92 tariff (-16%), as a consequence of the updated outlook for the prices of crude oil and gas used in its calculation procedure. Moreover, the sales of hydrogen and steam (which are not subject to the equalisation procedure) in 9M/16 were lower by approx. EUR 8.2 million, versus the sales made in 9M/15.
It should be further noticed that the difference between the *comparable* and the *reported* EBITDA can be attributed to provisions for liabilities worth approx EUR 2.5 million in Q2/16, and further EUR 1.7 million in Q3/16.

Moving to the Italian GAAP EBITDA, it stood at EUR 101.3 million in 9M/16, down versus EUR 131.5 million in the first nine months of last year. Such difference is primarily due to the lower value of the CIP6/92 tariff, combined with the lower production and sale of electricity, and the lower sales of hydrogen and steam mentioned in the previous paragraph. On the other hand, the decline in the procurement cost of the TAR feedstock (-25%) had a positive impact on 9M/16 EBITDA, partly compensating the negative effects discussed above.

CAPEX in 9M/16 was EUR 6.6 million, coherently with the scheduled maintenance activities carried out in the period.

Comments to Third Quarter 2016 Results

In Q3/16 the Power Generation Segment operated at full capacity, without any maintenance activity which could have limited its output. **The production of electricity reached a very high level at 1.239 TWh**, up by 8% vs. the production in Q3/15, when instead maintenance activities began on one train of "Gasifier – combined cycle Turbine".

***Comparable* EBITDA was EUR 52.6 million**, slightly up from EUR 51.5 million in Q3/15. The difference is mainly due to the higher sales of steam and hydrogen versus the same quarter of last year (not subject to the equalisation procedure), as well as to the lower impact of the fixed costs. Those factors, together, more than offset the decline in the value of the CIP6/92 tariff. As for the difference of EUR 1.7 million between *comparable* and *reported* EBITDA, please refer to the explanation provided in the comments for the results of the first nine months.

Moving to the analysis of the Italian GAAP EBITDA, it was equal to EUR 40.2 million in Q3/16, slightly down vs. EUR 42.7 million in the same quarter of last year, because the lower value of the CIP6/92 tariff was almost entirely offset by the higher production of electricity, the decline in the procurement cost of TAR feedstock(-18%), the smaller impact of the fixed costs and also by the higher sales of hydrogen and steam.

Finally, CAPEX in Q3/16 was EUR 3.0 million.

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). Below are the financial and operational highlights of the segment.

EUR million	Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
EBITDA	2.1	1.3	68%	4.6	16.6	13.0	28%
***Comparable* EBITDA**	**2.1**	**1.3**	**68%**	**4.6**	**16.6**	**13.0**	**28%**
EBIT	1.0	0.1	809%	3.4	13.3	9.6	39%
***Comparable* EBIT**	**1.0**	**0.1**	**809%**	**3.4**	**13.3**	**9.6**	**39%**
CAPEX	**0.3**	**0.1**		**0.1**	**0.4**	**0.1**	

Other figures

		Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
ELECTRICITY PRODUCTION	MWh	22,159	20,049	11%	49,039	148,775	122,816	21%
POWER TARIFF	EURcent/KWh	4.1	5.1	-20%	3.5	3.7	4.7	-22%
INCENTIVE (prev. GREEN CERTIFICATES)	EURcent/KWh	10.0	7.7	30%	8.3	10.0	9.8	2%

Comments to First Nine months of 2016 Results

In 9M/16 the *comparable* EBITDA of the Wind segment (equal to the IFRS EBITDA) stood at EUR 16.6 million, up from EUR 13.0 million achieved in 9M/15, mainly due to more favourable wind conditions, which boosted production of electricity by 21% versus the same period of last year. Also the Incentive Tariff increased by 0.2 Eurocent/kWh vs. the value of the Green Certificates (the incentive mechanism valid until the end of 2015), while the Power Tariff diminished by 1.0 EURcent/kWh versus 9M/15.

To this regards, as it was already explained in the previous Interim Reports, it should be mentioned that the Ministerial Decree issued on 6th July 2012, introduced a new mechanism of economic incentives applicable for the electricity produced by all the renewable sources, with the exception only of the production of photovoltaic energy. In particular, the Decree established that, for all the plants which started operations after 01.01.2013, the old incentive mechanism based on the Green Certificates must be replaced by a new incentive mechanism based on the system of the “lowest-bid auctions”. On the contrary, for all the plants which started operations before 31.12.2012 (as it is the case of Sardeolica Srl), the Decree established that the mechanism based on the Green Certificates should remain valid until 31.12.2015. Beyond such date, those plants with the period of incentive expiring after 2015, shall receive an Incentive Tariff in replacement of the Green Certificates. The value of such Incentive Tariff, however, is based upon the same formula used to calculate the price at which the Green Certificates were purchased by the National Grid Manager (GSE).

Comments to Third Quarter 2016 Results

In Q3/16 the *comparable* EBITDA of the Wind segment (equal to the IFRS EBITDA) stood at EUR 2.1 million, up from EUR 1.3 million achieved in Q3/15. Such difference was mainly due to the higher value of the Incentive Tariff (+2.3 Eurocent/kWh vs. the value of the Green Certificates in Q3/15), and also to higher power production (+11%, thanks to more favourable wind conditions). The combined effect of the above factors more than offset the drop of the Power Tariff (-1.0 Eurocent/kWh vs. Q3/15).

Other Activities

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

EUR Million	Q3/16	Q3/15	Change %	Q2/16	9M 2016	9M 2015	Change %
EBITDA	1.3	0.5	182%	0.6	1.8	0.5	230%
***Comparable* EBITDA**	**1.3**	**0.5**	**182%**	**0.6**	**1.8**	**0.5**	**230%**
EBIT	1.0	0.3	215%	0.6	1.3	0.2	550%
***Comparable* EBIT**	**1.0**	**0.3**	**215%**	**0.6**	**1.3**	**0.2**	**550%**
CAPEX	**0.1**	**0.1**		**0.2**	**0.3**	**0.5**	

Strategy and Outlook

The first nine months of 2016 witnessed similar conditions for crude oil supply, as those of the previous year. Indeed, even though there was a slowdown of production activities in the USA and some unexpected disruptions in Nigeria and Canada, global crude oil supply continued to grow. The main protagonists were the OPEC countries that kept producing at full capacity and, in September, reached 33.6 million barrels per day (mb/d) – the highest level in the past 8 years. Moreover, remarkable production increases came also from important countries outside of the Cartel, such as Russia and Kazakhstan. Consequently, notwithstanding the ongoing discussions concerning possible cuts and freezes of the oil production, the markets continue to be oversupplied, and non-conventional grades should remain abundant also in 2017.

Looking at consumption of refined products, in its recent report dated October 2016, the International Energy Agency (IEA) updated its estimates for global demand growth which, after hitting the 5-year high in 2015 (+1.8 mb/d versus 2014), it's expected to grow further by +1.2 mbl/d in 2016 and also in 2017, supported by robust consumption in Europe, India and Russia, in spite of the softening trends recently observed in China.

Analysing the profitability of the main categories of refined products, it can be noted that gasoline, after setting record-high levels for the entire year 2015 and the first quarter of 2016, began to cool down in the second quarter, mainly because of the slowing demand in China, Brazil and Japan. It later started a recovery in September, thanks to demand spikes in North Africa and following the operational problems of the "US Colonial" pipeline, which attracted many European gasoline cargoes towards the US East Coast. In the last quarter of 2016, the change to winter specifications could exert some pressure on gasoline crack spreads. However, for 2017 the international experts predict renewed strength for gasoline, that will be supported by affordable retail prices, and will represent approx. one third of the global demand growth for refined products.

The outlook for middle distillates, instead, remains uncertain due to the high inventories accumulated during the previous quarters, which depress the profitability of these products. Nonetheless, weather forecasts anticipate a colder than usual winter this year. These circumstances could boost demand for heating gasoil in various Central European countries, with Germany, France and the United Kingdom among the most relevant ones. Such possibility would, in turn, allow a gradual normalisation of the inventories, and a progressive improvement of middle distillates' *crack spreads* during the winter season. Yet, it is probable that the European refineries will continue to suffer the competitive pressure of their Middle Eastern competitors also in 2017.

Under such circumstances, the market scenario forecasted for the last quarter of 2016 could be characterised by an improving *crack spread* for gasoil, which could partially compensate the weaker margin expected for gasoline. At the same time, crude oversupply should confirm the interesting discounts for the non-conventional crude grades. The "EMC Benchmark" reference margin could remain close to the level achieved in the third quarter, because its calculation formula refers only to standard crudes like Brent and Urals, while it does not take into account the price discounts available for the non-conventional crude oils.

On the other hand, the above scenario could prove more favourable for the Saras Group that, as already demonstrated during the first nine months, can rely on a versatile and flexible refinery and it can capture market opportunities in a dynamic manner, purchasing multiple kinds of feedstock, choosing from time to time the ones which have the best economics (e.g. non-conventional crude oils, other feedstock complementary to crude oil, etc.).

The Group believes that its refining margin for the entire year 2016 could achieve an average premium of approx. 4 $/bl above the EMC Benchmark.

Finally, with regards to the operations of the Sarroch refinery, the scheduled maintenance activities in the first semester of the year were carried out smoothly and according to plans. Subsequently, the third quarter has been completely maintenance-free and, in Q4/16, there will be the turnaround in the "Northern Plants", a limited maintenance at the Topping – Vacuum train called "T2-V2", and the change of catalyst in the MildHydroCracking Unit "MHC1". Overall, refinery crude runs for the full year 2016 are expected to reach approx. 13.5 million tons (i.e. 98 million barrels), with further runs for approx. 1.5 million tons of other feedstock complementary to crude oil.

Moving to the IGCC plant in the Power Generation segment, the entire scheduled maintenance for the year 2016 has been completed during Q1/16. Total production of electricity for 2016 is expected as usual between 4.4 ÷ 4.5 TWh.

With regards to the Marketing segment, margins continue to remain under pressure, notwithstanding a gradual recovery in European oil products' consumption trends. The Group will prudentially continue to pursue its consolidation strategy, aimed at optimizing the mix of sales channels, in order to achieve break-even level for the full year *comparable* EBITDA of the Marketing segment.

In the Wind segment, the subsidiary Sardaeolica presented in April 2016 its request for the Environmental Impact Assessment procedure ("V.I.A. – Valutazione di Impatto Ambientale") with regards to the upgrading project of its wind farm in Ulassai (located on lands belonging to the municipalities of Ulassai and Perdasdefogu). The upgrade aims at increasing the installed capacity by further 30 MW. Moreover, the Group is moving forward with the procedures required to obtain the construction permits ("Autorizzazione Unica") regarding a project in the municipality of Onanì (NU), with installed capacity of approx. 15 MW. From the operational stand-point, the good wind conditions recorded in the first semester, lead us to forecast a high power production for the full year, as well as solid financial results for this segment.

Investments by business Segment

EUR Million	Q3/16	9M 2016	9M 2015
REFINING	33.7	85.7	56.7
POWER GENERATION	3.0	6.6	6.5
MARKETING	0.5	0.9	0.9
WIND	0.3	0.4	0.1
OTHER	0.1	0.3	0.5
Total	**37.6**	**94.0**	**64.7**

Main events after the end of the First Nine months of 2016

On the **25th of October 2016**, Saras signed an amendment to the contract for its EUR 150 million bank loan, which led to a decrease of the interest rate payable by Saras to the lenders.

On the **25th of October 2016**, with regards to the wholly owned subsidiary Sarlux Srl, the Port Authority of Cagliari issued a temporary renewal of the concession granted to the Southern Plant, for the rights to use various relevant facilities. The temporary concession will be valid until 30th June 2017, when a new President of the Port Authority will be appointed, and will receive the powers to issue permanent concessions.

On the **28th of October 2016**, Saras signed a waiver to the contract for its EUR 255 million bank loan, which transforms the loan into a “revolving credit facility”, and it reduces the interest rate payable by Saras to the lenders.

Risk Analysis

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

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

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

Financial risks

Price fluctuation risk

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

Exchange rate risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Other risks

Risk related to the procurement of crude oil

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

Risks of interruption of production

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

Environmental risk

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

Regulatory risk

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

Dependencies on third parties

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

Protection of Personal Data

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

Other Information

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 2016.

Own shares

During the first nine months of 2016 Saras SpA did not purchase nor sell own shares. However, on the 5th of April 2016, according to the outcome of the “Stock Grant Plan 2013 – 2015”, 4,255,920 ordinary shares of Saras SpA were assigned to the management of the Saras Group. Therefore, on the 30th of September 2016, the own shares held in treasury by the company were equal to 14,989,854 (corresponding to 1,576% of the company’s issued share capital), while the ordinary shares in circulation were equal to 936,010,146.

Non-recurring and unusual Transactions

During the first nine months of 2016 there were no activities originated from non-recurring and/or unusual transactions, and there are no open positions originating from such transactions.

Dividends

Following the authorisation received by the Ordinary Shareholders Meeting of Saras SpA held on the 22nd of April 2016, the company paid, on the 25th of May 2016, a dividend equal to EUR 0.17 per each of the 936,010,146 ordinary shares in circulation, for a total payment of EUR 159,121,724.82.

Early Redemption of Bonds

On the 12th of September 2016, Saras SpA proceeded with the early redemption of the bonds issued on the 17th of July 2014. The bonds, with maturity date originally due on the 17th of July 2019, had a total principal amount equal to EUR 175 million, a fixed 5% yearly coupon, and were listed on the “Third Market”, the multilateral trading facility managed by the Vienna Stock Exchange (Wiener Börse AG).

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of: 30th September 2016 and 31st December 2015

EUR thousand	30/09/2016	31/12/2015
ASSETS		
Current assets	**1,754,127**	**1,929,396**
Cash and cash equivalents	670,131	856,843
Other financial assets	81,395	89,533
Trade receivables	166,655	260,636
Inventories	671,397	564,803
Current tax assets	24,906	32,194
Other assets	139,643	125,387
Non-current assets	**1,262,399**	**1,388,180**
Property, plant and equipment	981,402	1,033,546
Intangible assets	199,038	227,416
Other equity interests	502	502
Deferred tax assets	75,757	121,714
Other financial assets	5,700	5,002
Total assets	**3,016,526**	**3,317,576**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**1,447,053**	**1,444,696**
Short-term financial liabilities	186,299	203,097
Trade and other payables	1,008,702	1,043,440
of which with related parties:		*3*
Current tax liabilities	174,810	123,412
Other current liabilities	77,242	74,747
Non-current liabilities	**691,840**	**987,976**
Long-term financial liabilities	356,127	585,848
Provisions for risks and charges	68,587	90,426
Provisions for employee benefits	11,573	11,445
Deferred tax liabilities	4,996	4,717
Other non-current liabilities	250,557	295,540
Total liabilities	**2,138,893**	**2,432,672**
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	660,166	595,688
Profit/(loss) for the period	151,911	223,660
Total equity attributable to owners of the Parent company	**877,633**	**884,904**
Minority interests	0	0
Total equity	**877,633**	**884,904**
Total liabilities and shareholders' equity	**3,016,526**	**3,317,576**

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st January – 30th September 2016 and 2015

Consolidated Income Statement for the periods: 1st January - 30th September 2016 and 2015

EUR thousand	1st January 30th September 2016	of which non recurring	1st January 30th September 2015	of which non recurring
Revenues from ordinary operations	4,672,107		6,587,993	
Other income	82,387		84,889	
Total revenues	**4,754,494**	***0***	**6,672,882**	***0***
Purchases of raw materials, spare parts and consumables	(3,824,249)		(5,600,514)	
Cost of services and sundry costs	(388,715)	(4,204)	(396,865)	
Personnel costs	(110,849)		(113,570)	
Depreciation, amortisation and write-downs	(170,088)		(190,540)	(22,914)
Write-offs and reversals of write-offs for Sarlux\GSE contract				
Total costs	**(4,493,901)**	***(4,204)***	**(6,301,489)**	***(22,914)***
Operating results	**260,593**	***(4,204)***	**371,393**	***(22,914)***
Net income/(charges) from equity interests				
Financial income	71,638		299,610	
Financial charges	(114,849)		(282,244)	
Profit/(loss) before taxes	**217,382**	***(4,204)***	**388,759**	***(22,914)***
Income tax for the period	(65,471)	1,320	(112,063)	5,652
Net profit/(loss) for the period	**151,911**	***(2,884)***	**276,696**	***(17,262)***
Net profit/(loss) for the period attributable to:				
Owners of the Parent Company	151,911		276,696	
Minority interests	0		0	
Earnings per share - basic (EUR cent)	**16.26**		**29.89**	
Earnings per share - diluted (EUR cent)	**16.26**		**29.89**	

Statement of Comprehensive Income for the periods: 1st January - 30th September 2016 and 2015

EUR thousand	1st January 30th September 2016	1st January 30th September 2015
Net result for the year (A)	**151,911**	**276,696**
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	(60)	7
Items included in comprehensive income which will not be reclassified subsequently to profit or loss		
IAS 19 actuarial effect on end-of-service payments	0	0
Income / (loss), net of fiscal effect (B)	**(60)**	**7**
Consolidated Comprehensive Result for the period (A + B)	**151,851**	**276,703**
Net consolidated Comprehensive Result for the year attributable to:		
Owners of the Parent Company	151,851	276,703
Minority interests	0	0

Statement of Changes in Consolidated Shareholders' Equity: From 31st December 2014 to 30th September 2016

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 31/12/2014	**54,630**	**10,926**	**856,034**	**(261,847)**	**659,743**	**0**	**659,743**
Appropriation of previous year's profit			(261,847)	261,847	0		0
Reserve for share plan			1,147		1,147		1,147
Effect of translation of F/S in foreign currency			0		0		0
Net profit/(loss) for the period				276,696	276,696		276,696
Total comprehensive profit/(loss) for the period			*0*	*276,696*	*276,696*		*276,696*
Balance as of 30/09/2015	**54,630**	**10,926**	**595,334**	**276,696**	**937,586**	**0**	**937,586**
Reserve for share plan			383		383		383
Effect of translation of F/S in foreign currency			14		14		14
IAS 19 actuarial effect			(43)		(43)		(43)
Net profit/(loss) for the period				(53,036)	(53,036)		(53,036)
Total comprehensive profit/(loss) for the period					*0*		*0*
Balance as of 31/12/015	**54,630**	**10,926**	**595,688**	**223,660**	**884,904**	**0**	**884,904**
Appropriation of previous year's profit			223,660	(223,660)	0		0
Dividends			(159,122)		(159,122)		(159,122)
Effect of translation of F/S in foreign currency			(60)		(60)		(60)
Net profit/(loss) for the period				151,911	151,911		151,911
Total comprehensive profit/(loss) for the period			*(60)*	*151,911*	*151,851*		*151,851*
Balance as of 30/09/2016	**54,630**	**10,926**	**660,166**	**151,911**	**877,633**	**0**	**877,633**

Consolidated Cash Flows Statement as of:
30th September 2016 and 30th September 2015

EUR thousand	1/1/2016-30/09/2016	1/1/2015 - 30/09/2015
A - Cash and cash equivalents at the beginning of the period	**856,843**	**633,544**
B - Cash generated from/(used in) operating activities		
Net Profit / (Loss) for the period	151,911	230,083
Unrealised exchange losses/(gains) on bank accounts	(806)	(1,937)
Amortisation, depreciation and write-downs of fixed assets	170,088	135,546
Net change in provisions for risks and charges	(21,839)	(7,240)
Net change in employee benefits	128	(161)
Net change in deferred tax liabilities and deferred tax assets	46,236	74,751
Net interest income (expense)	13,001	7,878
Accrued income tax	19,235	19,481
Change in fair value of derivatives	5,641	22,775
Other non cash items	(60)	772
Profit (Loss) before changes in working capital	**383,535**	**481,948**
Increase)/Decrease in trade receivables	93,981	(168,546)
(Increase)/Decrease in inventory	(106,594)	1,415
Increase/(Decrease) in trade and other payables	(34,738)	(290,958)
Change in other current assets	(6,968)	43,570
Change in other current liabilities	51,840	58,326
Interest received	601	336
Interest paid	(13,602)	(8,214)
Tax paid	(17,182)	(6)
Change in other non-current liabilities	(44,983)	(21,188)
Total (B)	**305,890**	**96,683**
C - Cash flow from/(used in) investing activities		
(Investments) in tangible and intangible assets	(89,566)	(57,440)
Change in financial assets	30,618	0
Total (C)	**(58,948)**	**(57,779)**
D - Flusso monetario da (per) attività di finanziamento		
Increase/(Decrease) in medium/long term borrowings	(174,006)	0
Increase/(Decrease) in short term borrowings	(101,332)	111,322
Dividends and buy-backs of own shares	(159,122)	0
Total (D)	**(434,460)**	**111,322**
E - Cashflow for the period (B+C+D)	**(187,518)**	**150,226**
Unrealised exchange losses/(gains) on bank accounts	806	1,937
F - Cash and cash equivalents at the end of the period	**670,131**	**785,707**

For the Board of Directors
The Chairman
Gian Marco Moratti

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH SEP. 2016

1. Introduction

Publication of the abbreviated consolidated financial statements of Saras Group for the period closed as at 30 September 2016 was authorised by the Board of Directors on 07 November 2016.

Saras SpA (the Parent Company) is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, 195 "Sulcitana" Km. 19. The Company is jointly controlled by Gian Marco Moratti S.A.P.A. and Massimo Moratti S.A.P.A., representing, respectively, 25.01% and, in aggregate, 50.02% of the Share Capital of Saras SpA, pursuant to the shareholders' agreement executed by them on 1 October 2013. The company is established until 31 December 2056, as stated in its articles of association.

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

2. Basis of preparation and change of the Group accounting policies

2.1 Basis of preparation

The abbreviated consolidated financial statements for the period ended 30 September 2016 were prepared pursuant to IAS 34 - Interim Financial Statements.

The abbreviated consolidated financial statements do not provide all the information requested in the preparation of the annual consolidated balance sheet. For that reason, it is necessary to read these abbreviated consolidated financial statements together with the consolidated financial statement for the year ended 31 December 2015.

2.2 New accounting standards, interpretations and changes adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in preparing the consolidated financial statements at 31 December 2015. The Group was not an early adopter of any new standard, interpretation or amendment issued but not yet in force. The application of the new standards, amendments and interpretations in force since 1 January 2016 has not had any significant impact on these abbreviated consolidated financial statements.

2.3 Consolidation scope

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

	% owned
Consolidated on a line-by-line basis	
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.U.	100%
Terminal Logistica de Cartagena S.L.U.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai Srl and subsidiaries:	100%
Sardeolica Srl	100%
Alpha Eolica Srl	100%
Saras Trading S.A.	100%
Equity investments recognised at cost	
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

Compared to 31 December 2015, there are no changes in the scope of consolidation.

2.4 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective assessments and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The application of these estimates and assumptions affects both the recognition of certain assets and liabilities and the assessment of contingent assets and liabilities. The main estimates are used in determining the value in use of the cash flow-generating activities and the estimation of provisions for risks and charges and provisions. The estimates and judgments are reviewed periodically and the effects of each of them are recorded in the income statement. A summary of the most significant estimates, unchanged at 30 September 2016 compared to the previous year, is provided in the Group's consolidated balance sheet at 31 December 2015, to which reference should be made.

3. Information by business segment and geographical area

3.1 Preliminary remarks

The Saras Group's business segments are:
1. refining;
2. marketing;
3. generation of power by the combined cycle plant;
4. generation of power by wind farms;
5. other activities.

1. The refining activity, carried out by the controlling company Saras SpA and by the subsidiary Sarlux Srl refers to the sale of petroleum 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;
- and, in part, by acquiring oil products from third parties.

The finished products are sold to major international operators.

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 Saras SpA (Wholesale Division), to wholesale customers (wholesalers, buying consortia, municipal utilities and retailers of oil products) and oil companies through a logistics network organised on own base (Sarroch), on a third party's base pursuant to a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and by Deposito di Arcola Srl for the logistics management of the Arcola depot (SP);
- 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 subsidiary Terminal Logistica de Cartagena SLU.

3. Generation of power by the combined-cycle plant relates to the sale of electricity generated at the Sarroch power plant owned by Sarlux Srl. The sale is exclusively carried out with the client G.S.E. (Gestore dei Servizi Energetici S.p.A.), and benefits from the CIP 6/92 concession system.

4. The 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 financial statements for the year ended 31 December 2015.

3.2 Segment information

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

	Refining	Marketing	Power Generation	Wind Power	Other	Total
30th September 2015						
Revenues from ordinary operations	6,459,144	1,561,639	397,225	5,831	17,910	8,441,749
less: intersegment revenues	(1,799,330)	(6,670)	(40,448)	0	(7,308)	(1,853,756)
Revenues from third parties	**4,659,814**	**1,554,969**	**356,777**	**5,831**	**10,602**	**6,587,993**
Other revenues	103,352	1,833	18,766	12,829	148	136,928
less: intersegment revenues	(51,661)	0	(253)	0	(125)	(52,039)
Other revenues from third parties	**51,691**	**1,833**	**18,513**	**12,829**	**23**	**84,889**
Amortisation and depreciation	**(104,633)**	**(9,710)**	**(72,459)**	**(3,395)**	**(343)**	**(190,540)**
Operating profit (a)	**281,078**	**(8,150)**	**88,703**	**9,561**	**201**	**371,393**
Financial income (a)	303,285	3,317	8,246	846	332	316,026
Financial charges (a)	(293,000)	(4,173)	(411)	(889)	(187)	(298,660)
Income taxes	(84,965)	890	(25,322)	(2,558)	(108)	(112,063)
Net result for the period (a)	**206,398**	**(8,116)**	**71,216**	**6,960**	**238**	**276,696**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,084,432**	**486,086**	**631,320**	**92,181**	**21,251**	**3,315,270**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,577,972**	**395,040**	**344,220**	**46,922**	**13,530**	**2,377,684**
Investments in tangible assets	55,989	662	6,488	134	453	**63,726**
Investments in intangible assets	698	255	0	0	40	**993**

	Refining	Marketing	Power Generation	Wind Power	Other	Total
30th September 2016						
Revenues from ordinary operations	4,349,124	1,186,909	338,921	5,498	19,414	5,899,866
less: intersegment revenues	(1,192,516)	(5,223)	(23,454)	0	(6,566)	(1,227,759)
Revenues from third parties	**3,156,608**	**1,181,686**	**315,467**	**5,498**	**12,848**	**4,672,107**
Other revenues	120,142	5,225	23,181	15,091	201	163,840
less: intersegment revenues	(71,635)	(23)	(9,636)	(11)	(148)	(81,453)
Other revenues from third parties	**48,507**	**5,202**	**13,545**	**15,080**	**53**	**82,387**
Amortisation and depreciation	**(87,871)**	**(4,260)**	**(74,162)**	**(3,347)**	**(448)**	**(170,088)**
Operating profit (a)	**172,752**	**1,202**	**72,071**	**13,272**	**1,296**	**260,593**
Proventi finanziari (a)	71,629	305	873	58	18	72,883
Financial income (a)	(112,300)	(2,360)	(1,095)	(306)	(15)	(116,076)
Income taxes	(41,646)	(597)	(19,359)	(3,518)	(351)	(65,471)
Net result for the period (a)	**90,435**	**(1,450)**	**52,490**	**9,506**	**948**	**151,929**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,918,841**	**361,568**	**619,525**	**94,253**	**22,339**	**3,016,526**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,519,167**	**270,093**	**320,974**	**17,104**	**11,555**	**2,138,893**
Investments in tangible assets	84,321	719	6,625	309	278	**92,252**
Investments in intangible assets	1,389	196	0	106	44	**1,735**

(a) Calculated without taking into account intercompany eliminations.
(b) Total assets and liabilities are calculated after intercompany eliminations.

4. Test of impairment of value of goodwill and intangible assets with indefinite useful life (Impairment test)

The Group carries out impairment tests each year (31 December) and when circumstances indicate the possibility of a reduction of the recoverable value of goodwill. The impairment test on goodwill and intangible assets with indefinite useful life is based on the calculation of value in use. The variables used to determine the recoverable value of the various cash-generating units (CGU) have been presented in the consolidated financial statements at 31 December 2015. In reviewing their indicators of impairment, the Group takes into account, among other factors, the relationship between its market capitalization and its book value.

As at 30 September 2016, the Group's market capitalisation was higher than its net asset value, thus indicating the absence of a potential impairment of the tangible and intangible assets recorded in the financial statements: accordingly, the directors have not carried out an impairment test.

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:

	30/09/2016	31/12/2015	Change
Bank and postal deposits	668,580	855,362	(186,782)
Cash	1,551	1,481	70
Total	**670,131**	**856,843**	**(186,712)**

Bank deposits are mainly attributable to Saras SpA (EUR 572,016 thousand), Sarlux Srl (EUR 64,056 thousand), Sardeolica Srl (EUR 12,264 thousand), Saras Energia SAU (EUR 8,105 thousand) and Reasar SA (EUR 7,207 thousand). For further details on the company’s net cash position, reference is made to the relevant section of the Report on Operations and the cash flow statement.

5.1.2 Other financial assets

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

	30/09/2016	31/12/2015	Change
Derivative instruments	25,150	68,387	(43,237)
Other financial assets	56,245	21,146	35,099
Total	**81,395**	**89,533**	**(8,138)**

‘Derivative instruments’ comprises the positive fair value of derivatives outstanding at the end of the period under review. ‘Other financial assets’ consists mainly of the derivative guarantee deposits.

5.1.3 Trade receivables

This item totalled EUR 166,655 thousand, a decrease of EUR 93,981 thousand compared with 31 December 2015, mainly due to improving collection times.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during the period under review:

	30/09/2016	31/12/2015	Change
Raw materials derived from crude oil	169,714	146,427	23,287
Semi-finished products and work in progress	65,927	59,226	6,701
Finished products and goods held for resale	344,331	268,359	75,972
Advance payments	3,101	1,259	1,842
Spare parts and consumables	88,324	89,532	(1,208)
Total	**671,397**	**564,803**	**106,594**

The increase, compared with 31 December 2015, is a result of both increased amounts in stock at period-end, which went up to 1,820 ktons form 1,582 ktons, and also of the dynamics in the prices of crude oil and refined products.

The recording of inventories at net realisable value led to a write-down of the crude oil inventories of around EUR 0.4 million. The carrying amount of inventories does not differ from their market value.

No inventories are used as collateral for liabilities.

On 30 September 2016, the Sarroch refinery held third party oil products in the amount of EUR 20.7 million.

5.1.5 Current tax assets

Current tax assets break down as follows.

	30/09/2016	31/12/2015	Change
VAT	1,691	1,514	177
IRES (corporate income tax, including income tax of foreign companies)	2,174	17,467	(15,293)
IRAP (regional income tax)	3,508	633	2,875
Other tax receivables	17,533	12,580	4,953
Total	**24,906**	**32,194**	**(7,288)**

Receivables for IRES and IRAP comprise tax payments for amounts due for fiscal year 2016 and the change is attributable to the use of the 2015 surplus when paying the 2015 balance, while the Other Credits mainly include, in addition to tax refunds requested or paid on a provisional basis (EUR 9,140 thousand), the recognition of the tax credit related to the acceleration of 2014/2015 investments under Art.18 DL 91/14 (EUR 4,714 thousand), less the credit amount used to offset other tax payments during the period.

5.1.6 Other assets

The balance breaks down as follows:

	30/09/2016	31/12/2015	Change
Accrued income	750	464	286
Prepaid expenses	15,805	6,361	9,444
Other receivables	123,088	118,562	4,526
Total	**139,643**	**125,387**	**14,256**

Deferred charges mainly relate to insurance premiums.

‘Other receivables’ mainly comprise:

- the credit of EUR 12,267 thousand owed to the Sarlux Srl subsidiary by the Equalisation Fund for the Electricity Sector for the recognition, under Title II, point 7 bis, of CIP regulation no. 6/92, of fees arising under Directive 2003/87/EC (Emission Trading), in application of the resolution of the Electricity and Gas Authority dated June 11, 2008, ARG/elt 77/08, referring to the first nine months of 2016;
- recovery of the amount paid by Sarlux Srl to GSE of EUR 41,806 thousand, as described in section 7.1;
- white certificates (Energy Efficiency Certificates - TEE) for EUR 40,315 thousand, corresponding to energy savings in the Sarroch refinery (EUR 19,851 thousand in 2015). The sale of the certificates is executed on an appropriate regulated market or via bilateral agreements between market operators. The certificates are valued at the average market price for the period January - September 2016 (EUR 128.92 per certificate for the period compared to EUR 104.74 for 2015). It is noted that, with regard to the award of such certificates, the Sarlux Srl subsidiary, like most of the companies affected by this incentive, is undergoing documentary inspections by the GSE in order to ascertain compliance with applicable legislation. The GSE, pending the completion of the aforementioned verification activities, has temporarily suspended assignments;
- Receivable in the amount of EUR 17,960 thousand, due to the subsidiary Sarlux Srl following recognition of the status as an "energy-consuming enterprise" by the Electricity Sector Equalization Fund. The rebate is provided pursuant Decree Law no. 83 of 22 June 2012, which identifies companies with significant power consumption entitled to rebates on the payment of general system costs. The Company has already been classified as an "energy-consuming business" for 2013 and thinks that it has the necessary requirements to obtain it for 2014 (already requested), for 2015 and 2016 as well. Please note that there is an ongoing review by a member of the European Commission of Brussels to determine whether the rebate represents "State aid": the company, together with other industry operators, believes there is no basis for drawing such a conclusion.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

COST	31/12/2014	Additions	(Disposals)	Other changes	31/12/2015
Land & buildings	216,361	352	(307)	4,658	221,064
Plant & machinery	2,910,493	15,171	(1,018)	92,104	3,016,750
Industrial & commercial equipment	28,360	123	(108)	356	28,731
Other assets	501,565	569	(462)	21,587	523,259
Assets under construction and payments on account	133,973	68,801		(97,076)	105,698
Total	**3,790,752**	**85,016**	**(1,895)**	**21,629**	**3,895,502**

ACCUMULATED DEPRECIATION	31/12/2014	Depreciation	(Disposals)	Other changes	31/12/2015
Land & buildings	101,612	8,268	(307)	56	109,629
Plant & machinery	2,141,972	159,938	(903)	6,318	2,307,325
Industrial & commercial equipment	21,216	1,986	(55)		23,147
Other assets	404,824	17,471	(440)		421,855
Total	**2,669,624**	**187,663**	**(1,705)**	**6,374**	**2,861,956**

NET BOOK VALUE	31/12/2014	Additions	(Disposals)	(Depreciation)	Other changes	31/12/2015
Land & buildings	114,749	352	0	(8,268)	4,602	111,435
Plant & machinery	768,521	15,171	(115)	(159,938)	85,786	709,425
Industrial & commercial equipment	7,144	123	(53)	(1,986)	356	5,584
Other assets	96,741	569	(22)	(17,471)	21,587	101,404
Assets under construction and payments on account	133,973	68,801	0	0	(97,076)	105,698
Total	**1,121,128**	**85,016**	**(190)**	**(187,663)**	**15,255**	**1,033,546**

COST	31/12/2015	Additions	(Disposals)	Other changes	30/9/2016
Land & buildings	221,064	92	(59)	114	221,211
Plant & machinery	3,016,750	14,213	(2,246)	46,606	3,075,323
Industrial & commercial equipment	28,731	23	(21)	383	29,116
Other assets	523,259	185	(56)	10,896	534,284
Assets under construction and payments on account	105,698	77,739	(10)	(57,695)	125,732
Total	**3,895,502**	**92,252**	**(2,392)**	**304**	**3,985,666**

ACCUMULATED DEPRECIATION	31/12/2015	Depreciation	(Disposals)	Other changes	30/9/2016
Land & buildings	109,629	4,594	(20)		114,203
Plant & machinery	2,307,325	125,472	(2,018)		2,430,779
Industrial & commercial equipment	23,147	1,285	(18)	1	24,415
Other assets	421,855	13,072	(60)		434,867
Total	**2,861,956**	**144,423**	**(2,116)**	**1**	**3,004,264**

NET BOOK VALUE	31/12/2015	Additions	(Disposals)	(Depreciation)	Other changes	30/9/2016
Land & buildings	111,435	92	(39)	(4,594)	114	107,008
Plant & machinery	709,425	14,213	(228)	(125,472)	46,606	644,544
Industrial & commercial equipment	5,584	23	(3)	(1,285)	382	4,701
Other assets	101,404	185	4	(13,072)	10,896	99,417
Assets under construction and payments on account	105,698	77,739	(10)	0	(57,695)	125,732
Total	**1,033,546**	**92,252**	**(276)**	**(144,423)**	**303**	**981,402**

The item ‘Land and buildings’ chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 63,884 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,898 thousand and land largely relating to the Sarroch and Arcola sites belonging to the Sarlux Srl subsidiary and the Deposito di Arcola Srl subsidiary, respectively, with a carrying amount of EUR 40,226 thousand.

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

The item ‘Industrial and commercial equipment’ includes equipment for the chemical laboratory and the control room for refining activities, as well as miscellaneous production equipment.

‘Other assets’ mainly includes tanks and pipelines used to carry the products and crude oil of Group companies (Sarlux Srl Saras Energia SA and Deposito Arcola Srl).

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

The item increased by EUR 92,252 thousand year-on-year, mainly reflecting technological work on refinery plants.

The main depreciation rates used are as follows.

	I.G.C.C. plant	Other Assetsi (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%
Equipment (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%

During the previous year, Sarlux Srl has been formally started to activities aimed to the acquisition of an additional ten-year renewal of concessions for the use of public lands on which the service facilities of the Sarroch refinery (wastewater treatment, desalination sea water, blow-down, flare and landing stage) are located, issued by the Port Authority of Cagliari and expired on 31 December 2015. The Port Authority resolved to renew the concessions on 18 May 2016 and is awaiting the final opinion of the Ministry of Economic Development.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

COST	31/12/2014	Additions	Disposals	Write-downs/ Reversals of impaiment losses	Other changes	31/12/2015
Industrial & other patent rights	42,174	395			38	42,607
Concessions, licences, trademarks & similar rights	57,645			(4,914)	(3,902)	48,829
Goodwill	21,909					21,909
Other intangible assets	527,997				(2,700)	525,297
Assets in progress & payments on account	22,838	744		(18,396)	(2,094)	3,092
Total	**672,563**	**1,139**	**0**	**(23,310)**	**(8,658)**	**641,734**

ACCUMULATED AMORTISATION	31/12/2014	Amortisation	Disposals	Write-downs/ Reversals of impaiment losses	Other changes	31/12/2015
Industrial & other patent rights	38,713	714				39,427
Concessions, licences, trademarks & similar rights	21,046	2,108			(3,721)	19,433
Goodwill	0					0
Other intangible assets	326,670	31,599			(2,811)	355,458
Total	**386,429**	**34,421**	**0**	**0**	**(6,532)**	**414,318**

NET BOOK VALUE	31/12/2014	Additions	Disposals	Write-downs/ Reversals of impaiment losses	Other changes	(Amortisation)	31/12/2015
Industrial & other patent rights	3,461	395			38	(714)	3,180
Concessions, licences, trademarks & similar rights	36,599			(4,914)	(181)	(2,108)	29,396
Goodwill	21,909				0	0	21,909
Other intangible assets	201,327				111	(31,599)	169,839
Assets in progress & payments on account	22,838	744		(18,396)	(2,094)	0	3,092
Total	**286,134**	**1,139**	**0**	**(23,310)**	**(2,126)**	**(34,421)**	**227,416**

COST	31/12/2015	Additions	Disposals	Write-downs/ Reversals of impairment losses	Other changes	30/09/2016
Industrial & other patent rights	42,607	181	(74)		(21)	42,693
Concessions, licences, trademarks & similar rights	48,829				(1)	48,828
Goodwill	21,909					21,909
Other intangible assets	525,297	29			108	525,434
Assets in progress & payments on account	3,092	1,525			(3,700)	917
Total	**641,734**	**1,735**	**(74)**	**0**	**(3,614)**	**639,781**

ACCUMULATED AMORTISATION	31/12/2015	Amortisation	Disposals	Write-downs/ Reversals of impairment losses	Other changes	30/09/2016
Industrial & other patent rights	39,427	512	(54)			39,885
Concessions, licences, trademarks & similar rights	19,433	1,383				20,816
Goodwill	0					0
Other intangible assets	355,458	23,769			835	380,062
Total	**414,318**	**25,664**	**(54)**	**0**	**835**	**440,763**

NET BOOK VALUE	31/12/2015	Additions	Disposals	Write-downs/ Reversals of impairment losses	Other changes	(Amortisation)	30/09/2016
Industrial & other patent rights	3,180	181			(21)	(512)	2,828
Concessions, licences, trademarks & similar rights	29,396			0	(1)	(1,383)	28,012
Goodwill	21,909				0	0	21,909
Other intangible assets	169,839	29	0		(727)	(23,769)	145,372
Assets in progress & payments on account	3,092	1,525	0	0	(3,700)	0	917
Total	**227,416**	**1,735**	**0**	**0**	**(4,449)**	**(25,664)**	**199,038**

Amortisation of intangible assets totalled EUR 25,664 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%

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

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

Goodwill

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

Other intangible assets

The mainly includes the value of the long-term contract for the supply of electricity under the CIP6 regime signed with Sarlux Srl and Gestore dei Servizi Elettrici SpA (GSE). This contract, which expires in 2020, was measured according to the criteria of IAS 36 and, on 31 December 2015, an independent appraiser confirmed its carrying amount.

5.2.3 Equity investments

The table below shows the list of investments held as at 30 September 2016, indicating the main information relating to subsidiaries:

Company name	HQ	Currency	Share Capital	% owned by Group as of 09-16	% owned by Group as of 12-15	% of share capital	Shareholder	% of voting rights	Category
Deposito di Arcola S.r.l.	Arcola (SP)	EUR	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sarint S.A. and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.U. and subsidiary:	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Terminal Logistica de Cartagena S.L.U.	Cartagena (Spain)	EUR	3,000	100.00%	0.00%	100.00%	Saras Energia S.A.	100.00%	Subsidiary, disposed
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	100,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l.and subsidiaries:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	468,046	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect subsidiary
Sargas S.r.l.	Uta (CA)	EUR	10,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Trading S.A.	Geneva (Switzerland)	CHF	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Consorzio La Spezia Utilities	La Spezia	EUR	122,143	5.00%	5.00%	5.00%	Deposito di Arcola S.r.l.	5.00%	Other equity interests
Sarda Factoring	Cagliari	EUR	9,027,079	4.01%	5.95%	5.95%	Saras S.p.A.	5.95%	Other equity interests

In order to guarantee the loan taken from Sardeolica Srl and paid off in advance on June 30, 2016, all of the shares thereof were originally pledged to the financing banks. The guarantee will be extinguished later this year.

5.2.3.1 Other equity interests

Other equity interests break down as follows.

	30/09/2016	31/12/2015
Consorzio La Spezia Utilities	7	7
Sarda Factoring	495	495
Total	**502**	**502**

5.2.4 Deferred tax assets

The balance, at 30 September, equals EUR 75,757 thousand, and substantially consists of

- net deferred tax assets of the parent company, Saras S.p.A., for EUR 48,918 thousand, including EUR 35,412 thousand in tax assets on tax losses to be used for the purposes of IRES National Consolidation;
- Net deferred tax assets of the subsidiary Sarlux Srl totalling EUR 14,010 thousand, mainly consisting of:
  a) deferred tax assets of EUR 69,103 thousand for the straight-line reporting of revenues from the sale of electricity to the GSE– IAS 17 and IFRIC 4;
  b) deferred tax assets for EUR 5,155 thousand relating to tax loss carryforwards yet to be offset under the National Consolidation IRES;
  c) deferred tax liabilities for EUR 26,552 thousand relating to the excess and accelerated depreciation;
  d) deferred tax liabilities for EUR 35,835 thousand relating to the GSE contract value.
- Net deferred tax assets of the subsidiary Saras Energia SAU of EUR 16,054 thousand, which mainly comprised tax assets on tax losses.

These taxes are considered recoverable on the basis of the prospects of future profitability of the Group.

5.2.5 Other financial assets

As at 30 September 2016, the balance was EUR 5,700 thousand (EUR 5,002 thousand in the previous year) and was mainly represented by the long-term share of a financial receivable due to the parent company Saras SpA by third parties.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

	30/09/2016	31/12/2015	Change
Bank loans (portion expiring within 12 months)	83,000	68,439	14,561
Bank accounts	30,496	20,647	9,849
Derivative instruments	28,838	45,294	(16,456)
Other short term financial liabilities	43,965	68,717	(24,752)
Total short-term financial liabilities	**186,299**	**203,097**	**(16,798)**
Total long-term financial liabilities	**356,127**	**585,848**	**(229,721)**
Total financial liabilities	**542,426**	**788,945**	**(246,519)**

The terms and conditions of the loans and bonds are explained in note “5.4.1 - Long-term financial liabilities” below.

The item "Bank loans (portion due within 12 months)" includes the current portion of the following short-term loans obtained by the Parent Company and described in the paragraph below "Long-term financial liabilities".

The item Derivative financial instruments is represented by the negative fair value of derivatives outstanding at the end of the period.

The item "Other current liabilities" essentially includes receipts related to receivables sold with non-recourse factoring transactions without notification, received by customers and not relegated to the factors.

The bank loans and the bonds are measured with the amortised cost method.

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	30/09/2016	31/12/2015	Change
Advances from customers: portion due within the period	418	28,684	(28,266)
Trade payables: portion due within the period	1,008,284	1,014,756	(6,472)
Total	**1,008,702**	**1,043,440**	**(34,738)**

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

The item ‘Payables to suppliers’ is substantially in line with respect to 31 December 2015; the item also includes the residual debt relating to the supply of crude oil purchased in the course of 2012 from Iran, for which payment in tranches began in May and which continued regularly during the quarter.

5.3.3 Current tax liabilities

This item breaks down as shown below.

	30/9/2016	31/12/2015	Change
VAT	45,908	36,120	9,788
IRES (corporation tax) and income tax of foreign companies	0	0	0
IRAP (regional income tax)	3,372	8,456	(5,084)
Other tax payables	125,530	78,836	46,694
Total	**174,810**	**123,412**	**51,398**

As regards 'VAT payables', the position reflects the normal trend of turnover made by the Group in Italy, together with the component attributable to the Spanish subsidiary Saras Energia S.A.U. (EUR 9,520 thousand).

In relation to “IRAP payables”, the change is justified by lower taxable income recorded in the period compared to the previous year

The item "Other tax payables" mainly includes payables for excise duties on products released for consumption by the parent company Saras SpA (EUR 116,308 thousand) and the subsidiary Saras Energia S.A.U. (EUR 4,258 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below.

	30/9/2016	31/12/2015	Change
Social security payables: portions due within one period	9,652	11,516	(1,864)
Due to personnel	24,874	23,277	1,597
Payables to Ministry for grants	15,679	15,679	0
Other payables	22,079	22,771	(692)
Other accrued liabilities	2,477	649	1,828
Other deferred income	2,481	855	1,626
Total	**77,242**	**74,747**	**2,495**

The item "Due to personnel" includes salaries for September not yet paid and the accrued portion of additional monthly payments, as well as bonuses for the achievement of corporate goals.

The item "Payables to Ministry for grants" relates to the advance (EUR 15,679 thousand) received by the subsidiary Sardeolica Srl for the construction of the Ulassai wind farm by the Ministry of Economic Development for which the company has not yet obtained its final concession decree. On 4 October 2016, the subsidiary received the final Settlement Deed for two of the three production units that were the subject of a rebate by means of a contribution, for an amount of EUR 10,147 thousand; as regards the remainder, the subsidiary expects to receive the final Settlement Deed shortly.

The item "Other payables" mainly refers to liabilities for port taxes (EUR 19,514 thousand) previously determined by the Customs Authority in respect of the Parent Company, for the period 2005-2007. The Company lost the appeal it filed with the Provincial Tax Commission and is now awaiting for a hearing to be scheduled before the Regional Tax Commission.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below.

	30/09/2016	31/12/2015	Change
Bond	0	174,007	(174,007)
Bank loans	356,127	411,841	(55,714)
Total long-term financial liabilities	**356,127**	**585,848**	**(229,721)**

On 6 March 2015, the company signed a five-year loan agreement for EUR 150 million with a syndicate of leading national and international banks. The loan is not backed by collateral. It carries an interest rate equal to Euribor plus a fixed annual spread and is repayable in seven instalments, of which the first, equal to 5% of principal, is due on 6 March 2016 and the last on 6 March 2019.

On 10 December 2015, Saras SpA signed a loan agreement in the amount of EUR 265 million falling due in June 2020, with a syndicate of leading national and international banks. The loan is not secured by collateral; the interest rate is Euribor plus a fixed annual spread. The loan is repayable in eight instalments, the first of which, equal to 10% of principal, in December 2016 and the last in June 2020.

Furthermore, on 16 July 2015, Saras SpA signed a loan agreement for an amount of EUR 50 million, maturing in three years, with a syndicate of national and international credit institutions. This loan is not backed by collateral. It carries an interest rate equal to Euribor plus a spread and is repayable upon maturity in a bullet payment on 15 July 2018. In the third quarter of 2016, the terms of this funding were renegotiated by reducing the fixed component of the interest rate.

On 8 September 2016, the parent company Saras SpA repaid the bond loan issued in 2014 early, totalling a nominal value of EUR 175 million, while on 30 June 2016, the subsidiary Sardeolica S.r.l. repaid the loan taken out on 6 December 2005 and which matured in December 2016 early, with the payment of the capital share equal to EUR 19,612 thousand: both operations are part of a policy to restructure the Group's medium-long term financial debt.

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 31/12/15	Net book value at 30/09/2016	Maturity			Collateral
						1 year	from 1 to 5 years	after 5 years	
Saras S.p.A.									
Loan in pool	6-Mar-15	150.0	Euribor 6M	148.4	126.3	30.0	96.3		
Loan in pool	10-Jul-15	50.0	Euribor 6M	49.7	49.7		49.7		
Loan in pool	10-Dec-15	265.0	Euribor 6M	262.7	263.1	53.0	210.1		
				460.8	**439.1**	**83.0**	**356.1**		
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	19.4	-		-		
				19.4	**-**	**-**	**-**		
Total payables to banks for loans				**480.2**	**439.1**	**83.0**	**356.1**	**-**	**-**

The loans obtained by Saras S.p.A. (EUR 150 million signed on 6 March 2015; EUR 50 million signed on 15 July 2015; EUR 265 million signed on 10 December 2015) are subject to the following 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, with both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months as measured 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 syndicate of lending banks has the right to demand early repayment of the loan.

As of the last date of the contractually scheduled verification, financial and corporate covenants were met.

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows.

	31/12/2015	Additions	Decrease for use and reversals	Other changes	30/09/2016
Provision for dismantling of plants	18,979	0	0	0	18,979
Provision for CO2 allowances	45,241	14,442	(36,826)	0	22,857
Other provisions	26,206	4,277	(3,732)	0	26,751
Total	**90,426**	**18,719**	**(40,558)**	**0**	**68,587**

The provisions for dismantling plants relate to the future costs of dismantling plant and machinery, which are made wherever there is a legal and constructive obligation to be met in this regard.

The Provision for CO_2 allowances, amounting to EUR 22,857 thousand, arises from the existence of quantitative limits on the CO_2 emissions of the plants established pursuant to Legislative Decree No. 216 of 4 April 2006; overcoming these limits creates the obligation to purchase allowances in the market for any excess CO_2. emitted. The provisions in question represent allowances required and not yet purchased.

As part of the "Allocation Plan" of emission allowances for the 2013-2020 period, the Sarroch production site was the subject of an allocation of 2,764,116 tons of CO_2 for 2016; within this allocation, the part technically attributable to the refining plants, calculated by applying a methodology consistent with the provisions of the new allocation plan, amounted to 2,156,017 tons of CO_2, while that relating only to the cogeneration plant was equivalent to 608,099 tons of CO_2. This results in the following situation:
- for the refinery plants, the actual emissions as at 30 September totalled 2,021,119 tons of CO2; the shortfall for the period, net of purchases and sales of quotas carried out, has been the subject of provision (361,611 quotas for a value of EUR 1,930 thousand);
- for the cogeneration plant, the actual emissions as at 30 September totalled 2,792,344 tons of CO2; the shortfall for the period, net of purchases and sales of quotas carried out, has been the subject of provision (2,344,632 shares for a value of EUR 12,513 thousand).

During the year, EUR 36,826 thousand was used from the provisions to buy (and deliver) allowances relating to the previous year;

The item "Other risk provisions" mainly relates to provisions made to cover probable legal and tax liabilities, as well as charges related to the acquisition of the Versalis business unit that will be incurred by the subsidiary Sarlux S.r.l. and reimbursed by the seller (EUR 9,599 thousands).

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	30/09/2016	31/12/2015	Change
Employee end-of-service payments	11,573	11,351	222
Other supplementary pension funds	0	94	(94)
Total	**11,573**	**11,445**	**128**

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

On 30 June 2010, following the cancellation by the Parent Company of the agreement establishing Saras Corporate Pension Fund (CPAS), the fund was dissolved and put into liquidation, with the possibility for workers to transfer the credits accrued up to that date to another supplementary pension scheme or of redeeming the funds completely. The trade unions disputed the dissolution of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. During 2015, two rulings were announced concerning the settlement of the disputes in question, both favourable to the Company; the counterparties filed an appeal against those sentences in Appellate Court and in the Court of Cassation, respectively. The Parent Company, based also on the opinion of counsel handling the matter, is confident that the correctness 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 31.12.2014	**11,917**
Accruals for defined contribution plan (TFR)	5,866
Interest	274
Actuarial (gains) / losses	43
Deductions	(837)
Payments to supplementary pension schemes (or to as INPS treasury funds)	(5,912)
Balance at 31.12.2015	**11,351**
Accruals for defined contribution plan (TFR)	4,741
Deductions	(4,519)
Balance at 30.09.2016	**11,573**

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

Balance at 31.12.2014	**94**
Accrual for the year	
Amount used during the year	
Balance at 31.12.2015	**94**
Accruals for defined contribution plan (TFR)	
Amount used during the period	(94)
Balance at 30.09.2016	**0**

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,996 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows.

	30/9/2016	31/12/2015	Change
Deferred income	248,985	293,967	(44,982)
Other	1,572	1,573	(1)
Total	**250,557**	**295,540**	**(44,983)**

The change compared with 31 December 2015 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 Sarlux S.r.l. and G.S.E. which was accounted for according to IFRIC 4. (Gestore dei Servizi Energetici SpA).

Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease.

These revenues have therefore been accounted for on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of gas, which is a determining factor for the electricity tariff.

5.5 Shareholders' equity

The shareholders' equity breaks down as follows:

	30/09/2016	31/12/2015	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	660,166	595,688	64,478
Profit/(Loss) for the period	151,911	223,660	(71,749)
Total Shareholders Equity	**877,633**	**884,904**	**(7,271)**

Share capital
At 30 September 2016, 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 660,166 thousand, a net decrease of EUR 64,478 thousand compared with the previous period. The net decrease was the combined result of:

- allocation of the income from the prior fiscal year:
    - Reserve, EUR 64,538 thousand;
    - Dividend distribution, EUR 159,122 thousand;
- negative effect of translation of foreign currency financial statements of foreign subsidiaries for EUR 60 thousand

Net Result
The consolidated net income for the period amounted to EUR 151,911 thousand.

Dividends
On 22 April 2016, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31 December 2015, resolved to pay a dividend of EUR 0.17 for each of the 936,010,146 ordinary shares in issue, for a total of EUR 159,122 thousand, taking them from profit for fiscal year 2015.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item ‘Revenues from ordinary operations’ breaks down as follows.

	30/09/2016	30/09/2015	Change
Sales and services revenues	4,341,087	6,215,489	(1,874,402)
Sale of electricity	321,344	361,943	(40,599)
Other revenues	8,883	9,002	(119)
Change in contract work in progress	793	1,559	(766)
Total	**4,672,107**	**6,587,993**	**(1,915,886)**

The sales and service revenues decreased by EUR 1,874,402 thousand, because of the declining trend of the prices of oil products and the lower volumes sold by.the wholesale business.

Revenues from the sale of electricity include EUR 315,847 thousand relating to the gasification plant of subsidiary Sarlux S.r.l. and EUR 5,497 thousand relating to the wind farm owned by subsidiary Sardeolica S.r.l.

Revenues from the sale of electricity by Sarlux Sr. reflect the reporting of figures on a straight-line basis, calculated according to the remaining duration of the contract that expires in 2020, principally taking into account the tariff amount and forward curves of both the price of gas and projections of the EUR/USD exchange rate until the contract expires. The projections are reviewed when there are significant changes.
It is worthy of 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 conservatively in accordance with Law Decree 69/2013 (‘Doing Decree’).

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

6.1.2 Other income

The following table shows a breakdown of other income:

	30/09/2016	30/09/2015	Change
Revenues for storage of mandatory stocks	2,370	3,376	(1,006)
Sales of sundry materials	409	265	144
Grants	15	12,803	(12,788)
Chartering of tankers	1,810	898	912
Recoveries from claims and damages	409	782	(373)
Reimbursment of emission trading charges	12,267	17,914	(5,647)
Other income	65,107	48,851	16,256
Total	**82,387**	**84,889**	**(2,502)**

The item "Contributions" mainly reflected the revenues from green certificates obtained by the subsidiary Sardeolica Srl: as of 2016, the electricity produced by the wind farm in question is no longer recognised by assigning green certificates for the current financial year, with a supplementary component of energy sales tariffs, classified in "Other revenues" in this report.

The item ‘Reimbursement of emissions trading charges’ comprises income posted by the subsidiary Sarlux S.r.l., 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 decrease compared to the same period last year is due to the change in the price of the quotas (from EUR 5.23/quota in the first nine months of 2016 to EUR 7.41/quota in the first nine months of 2015).

The item "Other revenues" mainly includes revenues relating to energy efficiency certificates (white certificates for EUR 20,464 thousand compared to EUR 16,455 thousand in the same period last year) accrued 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

	30/09/2016	30/09/2015	Change
Purchases of raw materials	2,721,350	4,472,696	(1,751,346)
Purchases of semifinished materials	201,257	217,830	(16,573)
Purchases of spare parts and consumables	51,271	31,126	20,145
Purchases of finished products	955,182	811,944	143,238
Change in inventories	(104,811)	66,918	(171,729)
Total	**3,824,249**	**5,600,514**	**(1,776,265)**

Costs for the purchase of raw materials, replacement parts and consumables fell EUR 1,776,265 thousand from the same period during the previous year, mainly due to the above-mentioned trend in crude oil and petroleum product prices.

6.2.2 Cost of services and sundry costs

	30/09/2016	30/09/2015	Change
Service costs	347,002	351,160	(4,158)
Rent, leasing and similar costs	9,073	10,169	(1,096)
Provisions for risks and charges	18,293	21,773	(3,480)
Other operating charges	14,347	13,763	584
Total	**388,715**	**396,865**	**(8,150)**

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

The item "Lease expenses" includes the costs incurred by the parent company and the subsidiary Sarlux, relating to the rental of the Milan office, the state concessions at the Sarroch site and the rental of equipment, and those of the subsidiary Saras Energia SAU for rentals of the network of distributors.

The provisions for risks mainly comprise the provision relating to the CO2 quotas relating to the period considered not yet purchased at 30 September 2016. The item ‘Other operating charges’ chiefly comprises indirect taxes (combined municipal tax on property – IMU and, atmospheric emission taxes) and membership fees.

The item ‘Other operating charges’ chiefly comprises indirect taxes (combined municipal tax on property – IMU and, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

“Personnel costs” break down as follows.

	30/09/2016	30/09/2015	Change
Wages and salaries	75,893	79,228	(3,335)
Social security	23,541	24,213	(672)
Employee end-of-service payments	4,741	4,482	259
Other costs	3,383	2,977	406
Directors’ remuneration	3,291	2,670	621
Total	**110,849**	**113,570**	**(2,721)**

The "Plan for the free assignment of shares of the Company to the management of the Saras Group" (the "2013/2015 Stock Grant Plan" or the "Plan") has come to a conclusion.

On February 29, 2016, the Board of Directors verified the achievement of the performance targets in accordance with Article 5 of the Plan and, in the next meeting on March 14, it resolved to grant 4,255,920 shares to the beneficiaries of the Plan.

In the third quarter of 2016, the new ‘Plan to grant free company shares to the Saras Group management’ (the "Stock Grant Plan 2016/2018" or the "Plan") was launched, by assigning the maximum number of shares for the recipients of the Plan.

6.2.4 Depreciation, amortisation and impairments

Depreciation and amortisation figures are shown below.

	30/09/2016	30/09/2015	Change
Amortisation and write-downs of intangible assets	25,664	48,708	(23,044)
Depreciation and write-downs of tangible assets	144,424	141,832	2,592
Total	**170,088**	**190,540**	**(20,452)**

The item "Amortisation and write-downs of intangible assets" in the previous period reflected the write-down of the costs incurred by the parent company for exploration to ascertain the presence of natural gas fields in Sardinia, recognised as intangible assets.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	30/09/2016	30/09/2015	Change
Financial income :			
- from financial assets recorded under current assets	0	180	(180)
Other income:			
- Interest on bank and post office accounts	617	381	236
- Fair value of derivatives held at the reporting date	16,320	21,138	(4,818)
- Positive differences on derivatives	17,287	196,349	(179,062)
- Other income	586	2,167	(1,581)
Exchange gains	36,828	79,395	(42,567)
Total Financial Income	**71,638**	**299,610**	**(227,972)**
Financial charges :			
- Fair value of derivatives held at the reporting date	(27,672)	(15,147)	(12,525)
- Negative differences on derivatives	(24,563)	(104,256)	79,693
- Other (interest on loans, late payment interest, etc.)	(24,258)	(30,009)	5,751
Exchange losses	(38,356)	(132,832)	94,476
Total Financial Charges	**(114,849)**	**(282,244)**	**167,395**
Total	**(43,211)**	**17,366**	**(60,577)**

The table below shows net income/charges by type:

	30/09/2016	30/09/2015	Change
Net interest income / (expense)	(23,641)	(29,628)	5,987
Net result from derivative financial instruments	(18,628)	98,084	(116,712)
- Realised gains (losses)	*(7,276)*	*92,093*	*(99,369)*
- Fair value of the open positions	*(11,352)*	*5,991*	*(17,343)*
Net exchange gains/(losses)	(1,528)	(53,437)	51,909
Other	586	2,347	(1,761)
Total	**(43,211)**	**17,366**	**(60,577)**

The decrease in net interest, equal to EUR 5,987 thousand, is due to the Group's afore-mentioned medium-long term financial debt restructuring activities, that has led to both a lower average indebtedness and to an improvement in interest rates.

The fair value of derivative instruments held at 30 September 2016 reflected a net loss of EUR 11,352 thousand (compared with a net gain of EUR 5,991 thousand during the same period of the previous year).

Please note that the derivative financial instruments being considered relate to hedging transactions for which "hedge accounting" has not been adopted.

6.4 Income tax

Income tax can be shown as follows.

	30/09/2016	30/09/2015	Change
Current taxes	17,509	108,710	(91,201)
Deferred tax (income)/expense, net	47,962	3,353	44,609
Total	**65,471**	**112,063**	**(46,592)**

Current taxes mainly comprise IRES for the period, net of the use of losses carried forward, as part of the national consolidation, amounting to EUR 9,401 thousand and IRAP calculated on the taxable income of the consolidated companies, amounting to EUR 7,638 thousand. The lower taxable amounts for the period justify the change compared to the same period last year.

The difference between deferred tax assets and liabilities for the period essentially arises from the realisation of the tax asset due to the use of tax losses in the Consolidated National IRES (EUR 37,604 thousand) and the release of other deferred taxes on temporary differences between the book basis and the tax basis of assets and liabilities (EUR 10,358 thousand).

7. Other information

For information on subsequent events, reference should be made to the relevant section in the Report on Operations.

7.1 Main legal actions pending

The Parent Company Saras SpA, Sarlux Srl, and Sareolica Srl were audited and assessed by the tax authorities; this led, in some cases, to disputes pending before tax courts.
Group companies are also involved in legal actions brought in various ways by different plaintiffs.
Even in the presence of varying decisions on the part of the courts in relation to pending litigation, it was considered that any liabilities arising therefrom can be generally deemed remote; where instead the liability is probable, specific provisions were made.
Moreover, as regards the Sarlux Srl subsidiary, there are ongoing disputes about the non-recognition of the qualification of the IGCC plant as cogeneration and the subsequent alleged obligation to purchase "green certificates"; companies producing electricity from non-renewable sources or cogeneration (pursuant to Legislative Decree no. 79/99 and the Authority for Electricity and Gas - AEEG - no. 42/02) are in fact subject to the obligation to purchase green certificates for a certain percentage of electricity fed into the grid until the year 2014.

Specifically:

i) Generation 2002-2005. An ad hoc AEEG committee, after inspecting the IGCC plant in 2007, came, a posteriori, to a different interpretation than what it made during the generation period relative to the above resolution. As a result, the AEEG deemed that the company was required to buy green certificates for the years from 2002 to 2005; Sarlux initiated administrative proceedings for all the years in question. In March 2015, the Council of State granted, in its final decision, Sarlux's appeal for years 2002-2005, voiding the outcome of the inspection and the challenged acts that had obliged the company to buy green certificates. On 23 July 2015, the Italian Electricity and Gas Authority resolved, on one hand, that

the GSE, in compliance with the cited ruling, would repay Sarlux for the net costs it had incurred to buy the green certificates, about EUR 12.1 million, and, on the other hand, submitted a question to the Italian Council of State to obtain clarifications with regards to other net costs incurred by Sarlux, amounting to about EUR 5.6 million, which, based on a literal interpretation of the ruling, should also be returned to Sarlux. The State Council, in its judgment of 16 June 2016, rejected all the claims of the Authority, establishing conclusively that Sarlux S.r.l was entitled to a claw back all sums subject of the original judgment;
ii) 2009 Generation. The Council of State, in the decision mentioned in the paragraph above, did not pronounce on one of the points appealed (hydrogen produced by the plant qualifying as "useful heat"), an interpretation that, if granted, would have allowed the subsidiary to be deemed a cogeneration plant with reference to 2009 Generation also. Sarlux, believing founded the pleas submitted in the appeal to the State Council, initiated new proceedings before the TAR in order to obtain a favourable decision in relation to its claim that the cogeneration resulting from the production of hydrogen is "useful heat";
iii) 2011 and subsequent generation. As regards production in 2011, 2012, 2013, and 2014 the Company submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered the resolution still in effect. GSE instead deemed that, starting with the 2012 obligation (2011 and subsequent generation), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial Decree of 4 April 2011, and therefore rejected the Company's request. Sarlux Srl therefore lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the generation of years 2011, 2012, 2013, and 2014 in accordance with GSE's calculation of EUR 75.8 million and immediately submitted a claim for a refund to the AEEG, obtaining EUR 11.7 million for the generation relative to 2011, EUR 15.1 million for 2012, and EUR 14.6 million for 2013. The appeal to the Regional Administrative Court relative to the 2012 generation, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and deems that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not post any expenses or any revenue with reference to the generation from 2011 onward.

7.2 Transactions with related parties

The effect on Saras Group's Balance Sheet and Income Statement, deriving from transactions or positions with related parties, is not significant.

7.3 Disclosure of 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 mainly 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 is 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

Sub-paragraphs 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 level at 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 listed prices, as 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).

Accordingly, the following table breaks down the assets and liabilities measured at fair value by the Group at 30 September 2016 according to the relevant fair value hierarchy:

Assets	commodities		Exchange rates		Interest rates	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
FUTURES	11,605		986			
SWAPS	12,324				210	
OPTIONS	24					
Total	**23,953**	**0**	**986**	**0**	**210**	**0**

Liabilities	commodities		Exchange rates		Interest rates	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
FUTURES	(15,603)			(9)		
SWAPS	(11,585)				(1,512)	
OPTIONS	(129)					
Total	**(27,317)**	**0**	**0**	**(9)**	**(1,512)**	**0**

Measurement 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 entered into by the Parent Company (but also by subsidiary Sardeolica Srl) to hedge 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 which the instruments were created;
- For commodity-based derivatives, based on account statements on open positions that are periodically received from the clearing broker through which these instruments are stipulated.

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 valuation does not consider the counterparty risk as the effect is not significant considering the existing security deposits.

It is worth remembering that the fair value of non-current assets held for sale was determined based on the sale price negotiated with the counterparty, net of expenses related to the transaction.

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

The Group's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.
There were no transfers between the fair value hierarchy compared to the previous year.

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