Saras Group Interim Financial Report as of 30th September 2017

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Statutory and Control Bodies

BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	Chief Executive Officer and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	Executive Vice President, General Manager and Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
GIOVANNI MORATTI	Director
GABRIELE PREVIATI	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
GIOVANNI FIORI	Stand-in Auditor
PINUCCIA MAZZA	Stand-in Auditor

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY SpA

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 the trading.

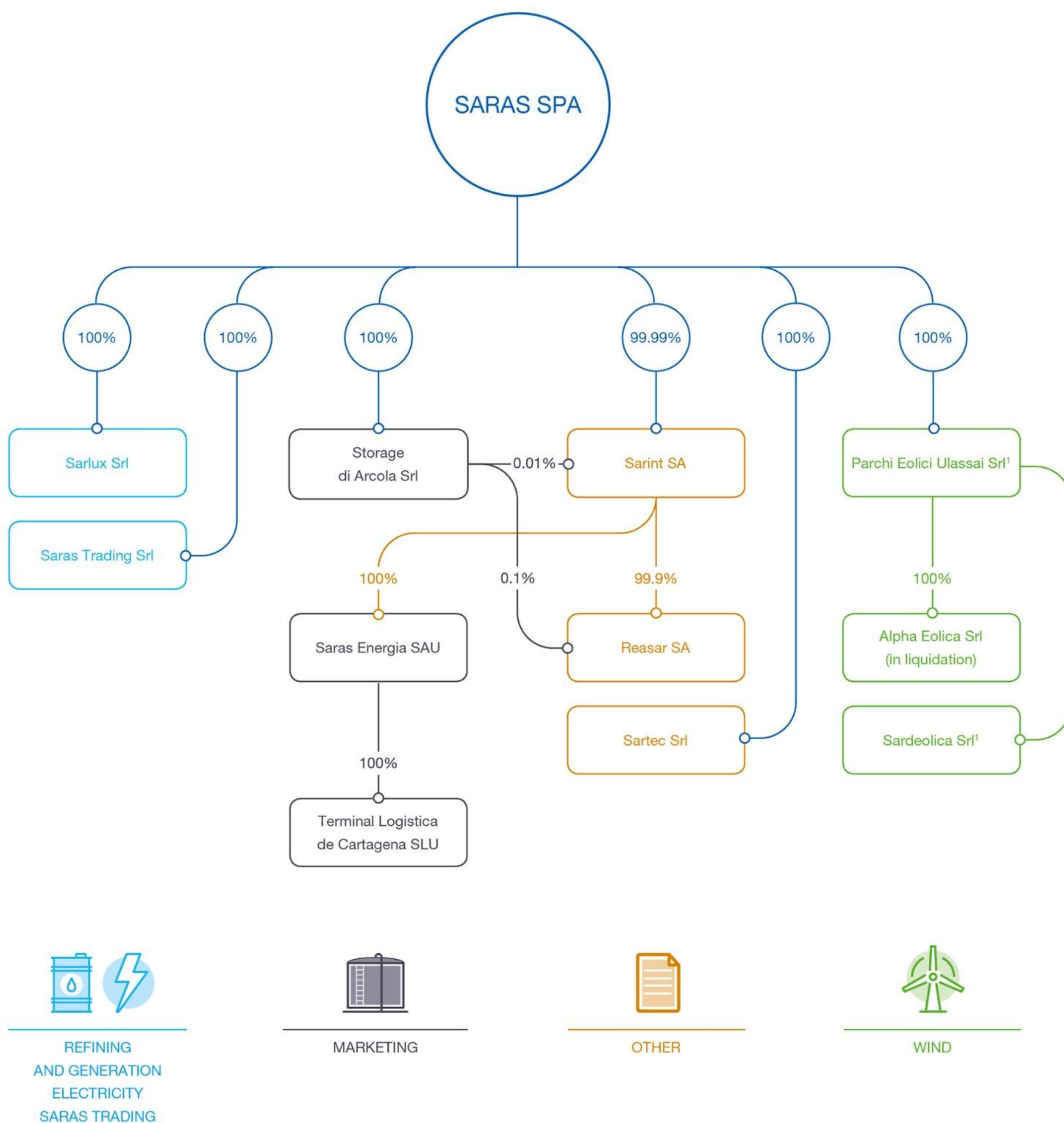
Both directly and through its subsidiaries, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and extra-EU countries. In particular, in 2016 approximately 2.30 million tons of oil products were sold in the Italian wholesale market, and a further 1.79 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 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 35% 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 research services to the petroleum, energy and environment industries, via its subsidiary Sartec Srl.

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 2017.



1) On 27th June 2017 the respective Shareholders' Meeting approved the merger by incorporation project of Parchi Eolici Ulassai Srl into Sardeolica Srl. The above mentioned deal, whose financial and fiscal effects will be effective from 1st January 2017, was completed with the registration of the merger act at the Milan Business Register dated 4 October 2017.

Saras Stock Performance

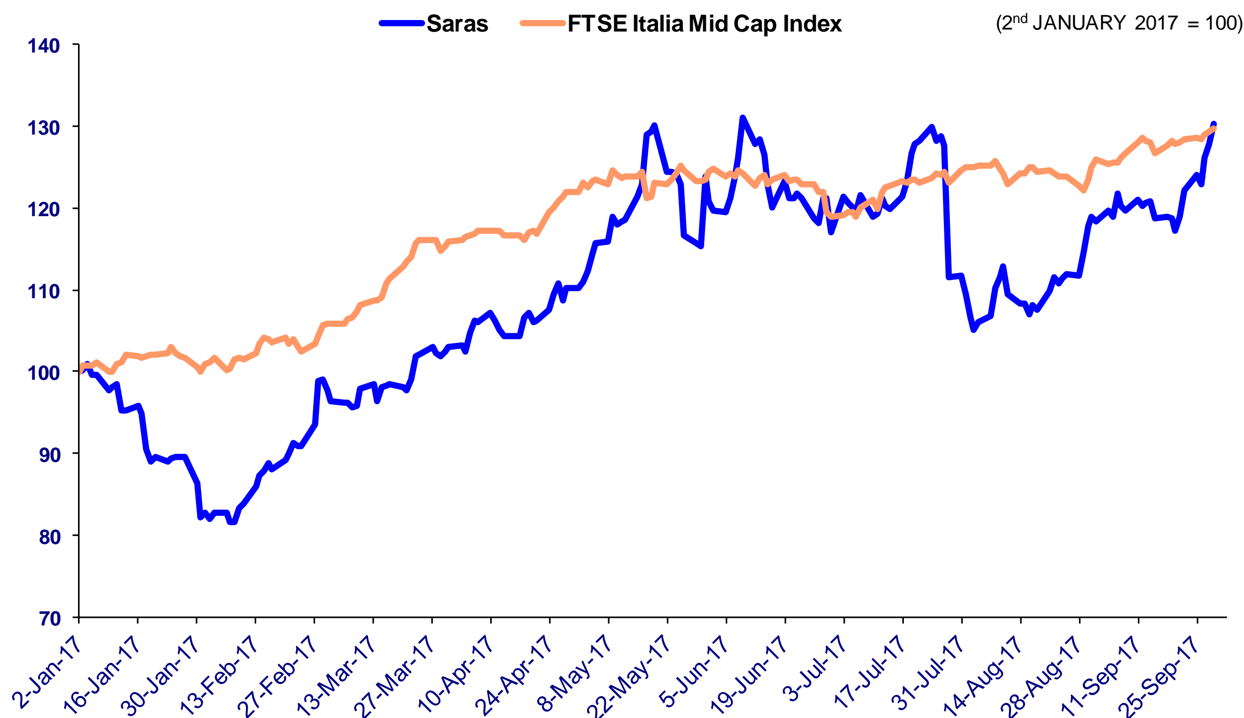
The following data show Saras' share prices and daily volumes, traded during the first nine months of 2017.

SHARE PRICE (EUR)	9M/17
Minimum price (07/02/2017)	1.418
Maximum price (09/06/2017)	2.282
Average price	1.901
Closing price at the end of the first nine months of 2017 (30/09/2017)	2.268

DAILY TRADED VOLUMES	9M/17
Maximum traded volume in EUR million (18/01/2017)	59.9
Maximum traded volume in number of shares (million) (18/01/2017)	38.0
Minimum traded volume in EUR million (14/07/2017)	2.1
Minimum traded volume in number of shares (million) (14/07/2017)	1.0
Average traded volume in EUR million	8.1
Average traded volume in number of shares (million)	4.3

The Market capitalization at the end of the first nine months of 2017 was equal to approximately EUR 2,157 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 2017, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Non-GAAP measure
Alternative performance indicators

In order to give a representation of the Group's operating performance better reflecting the more recent market dynamic, and in line with the standard practice in the oil industry, the operating results and the Net Result are displayed excluding inventories gain and losses and non-recurring items and reclassifying derivatives. Such figures, called "comparable", are financial measures not defined by the International Accounting Standards (IAS/IFRS) and they are not subject to audit.

Until Q1/17, the "comparable" operating results and the Net Result were reported evaluating oil inventories based on the LIFO methodology (rather than FIFO methodology, which is adopted in the Financial Statements prepared according to IFRS accounting principles), because LIFO methodology tends to sterilize economic effects of the inventories changes and does not include end-of-period revaluations and write-downs. Furthermore, non-recurring items by nature, relevance and frequency were excluded, as well as the fair value of the open positions of derivatives on oil and exchange rates, both from the operating results and from the Net Result.

From H1/17, with the aim to more analytically reflect such effects and align the calculation of "comparable" results to the sector best and more recent practices, the operating results and the Net Result, are displayed valuing inventories with FIFO methodology, excluding unrealised inventories gain and losses, due to changes in the scenario, by valuing beginning-of-period inventories at the same unitary value of the end-of-period ones. Moreover the realised and unrealised differentials on oil and exchange rate derivatives with hedging nature which involve the exchange of physical quantities are reclassified in the operating results, as they are related to the Group industrial performance, even if non accounted under the hedge accounting principles. Non-recurring items by nature, relevance and frequency and derivatives related to physical deals not of the period under review, are excluded by the operating results and the Net Result Comparable.

Non-Gaap financial measures should be read together with information determined by applying the International Accounting Standards (IAS/IFRS) and do not stand in for them.

In order to allow comparison, Q3/16 and 9M/16 financial results have been reclassified on the back of the new criteria of calculation of the "comparable" results and compared to the ones previously published.

Comparable EBITDA

EUR Million	9M 2016	9M 2016 reclassified	Q3/16	Q3/16 reclassified
***Reported* EBITDA**	**430.7**	**430.7**	**95.7**	**95.7**
Inventories at LIFO - inventories at FIFO	(67.3)		(5.6)	
Realized result of derivatives and net FOREX	(8.8)		8.7	
Gain / (Losses) on Inventories		(25.4)		13.2
Hedging derivatives and net FOREX		1.5		7.3
Non-recurring items	4.2	4.2	1.7	1.7
***Comparable* EBITDA**	**358.8**	**411.2**	**100.5**	**118.0**

Comparable Net Result

EUR Million	9M 2016	9M 2016 reclassified	Q3/16	Q2/16 reclassified
***Reported* NET RESULT**	**151.9**	**151.9**	**22.4**	**22.4**
Inventories at LIFO - inventories at FIFO net of taxes	(46.5)		(3.9)	
Fair value of derivatives' open positions net of taxes	8.2		6.7	
Gain / (Losses) on Inventories net of taxes		(17.7)		9.1
Derivatives related to future deals		0.0		0.0
Non-recurring items	2.9	2.9	1.2	1.2
***Comparable* NET RESULT**	**116.5**	**137.1**	**26.4**	**32.7**

Key financial and operational Group Results[1]

Group consolidated income statement figures

EUR Million	9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
REVENUES	5,658	4,754	19%	1,729	1,676	3%
EBITDA	303.1	430.7	-30%	161.8	95.7	69%
Comparable EBITDA	**412.6**	**411.2**	**0%**	**160.1**	**118.0**	**36%**
EBIT	139.3	260.6	-47%	105.0	38.6	172%
Comparable EBIT	**248.9**	**241.2**	**3%**	**103.8**	**61.0**	**70%**
NET RESULT	109.4	151.9	-28%	54.9	22.4	145%
***Comparable* NET RESULT**	**161.6**	**137.1**	**18%**	**51.7**	**32.7**	**58%**

Other Group figures

EUR Million	9M 2017	9M 2016	Q3/17	Q3/16
NET FINANCIAL POSITION	**110**	**215**	**110**	**215**
CAPEX	**138.2**	**56.4**	**38.3**	**37.6**

Comments to First Nine months of 2017 Group Results

Group revenues in 9M/17 were EUR 5,658 million. The difference versus EUR 4,754 million in the first nine months of last year is mainly due to the increase of the average refined products prices versus the same period of last year. More precisely, in 9M/17 gasoline quotations had an average of 536 $/ton (versus the average of 449 $/ton in 9M/16), diesel quotations stood at an average of 471$/ton (versus the average of 377 $/ton in 9M/16) and low sulphur fuel oil price averaged 304 $/ton (versus 203 $/ton in 9M/16). As a consequence, the Refining segment increased its revenues by approx. EUR 760 million, also taking into account the higher refinery runs. Similarly, revenues of the Marketing Segment increased by approx. EUR 132 million. Finally, revenues of the Power Generation segment were also higher by approx. EUR 18 million versus 9M/16.

Group *reported* EBITDA in 9M/17 was EUR 303.1 million, versus EUR 430.7 million in 9M/16. Such difference is almost entirely due to the Refining segment whose industrial performance was below expectations largely offset by higher runs, and that was influenced by negative scenario effect on inventories that, on the opposite, was positive in the same period of last year. Moreover the positive effect of hedging derivatives is not reflected in the *reported* EBITDA. The result was also negatively affected by a provision made in H1/17 in relation to a dispute related to energy efficiency certificates.

Group *reported* Net Result stood at EUR 109.4 million, down from EUR 151.9 million in 9M/16. The decrease discussed at EBITDA level has been partially offset by other items. In details the charges for depreciation and amortisation were lower than in the same period of previous year (EUR 163.8 million versus EUR 170.1 million in 9M/16), as well as interest charges that decreased by 65% (approx. EUR 8 million versus approx. EUR 23 million in 9M/16) thanks to to the renegotiation of some credit lines and the early repayment of bonds, carried out in 2016. Finally the other financial items (which comprise the realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were positive by approx. EUR 29 million in 9M/17, while in the same period of last year they were negative of approx. EUR 20 million.

Group *comparable* EBITDA amounted to EUR 412.6 million in 9M/17, broadly in line with the EUR 411.2 million earned in 9M/16. In details, the higher profitability of the Marketing segment offset the modest decline of Refining, Power

[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.

and Wind segments. The **Group *comparable* Net Result, standing at EUR 161.6 million in 9M/17,** is up 18% versus the same period of last year.

Finally, **CAPEX in 9M/17 was equal to EUR 138.2 million**, in line with the scheduled programme, and mainly directed to the Refining segment (EUR 123.1 million).

Comments to Third Quarter 2017 Group Results

Group Revenues in Q3/17 were EUR 1,729 million, up 3% versus EUR 1,676 million earned in Q3/16. As mentioned for the 9M/17 results it is mainly related to the reference scenario, characterised by higher average quotations for refined oil products, which led to revenues' increase worth approx. EUR 36 million in the Refining segment, approx. EUR 7 million in the Marketing segment and approx. EUR 7 million in the Power segment. More precisely, in Q3/17 gasoline quotations averaged at 544 $/ton (versus 461 $/ton in Q3/16), diesel quotations stood at 485 $/ton (versus 408 $/ton in Q3/16) and, finally, low sulphur oil quotations stood at an average of 300 $/ton (versus 247 $/ton in Q3/16).

Group *reported* EBITDA in Q3/17 was EUR 161.8 million, versus EUR 95.7 million in Q3/16. Such difference derives mainly from the Refining segment that benefited from more favourable market conditions compared to Q3/16, while the quarter has not been influenced by material effect deriving from inventories (as effect of average oil prices broadly in line with the one of the previous quarter). When looking at the bottom line, **in Q3/17 the Group *reported* Net Result stood at EUR 54.9 million**, much higher than the EUR 22.4 million in Q3/16, as effect of the above described increase of the EBITDA in part counterbalanced by the difference of the other financial items (which comprise the realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) in the two quarters under analysis. In fact such item was negative by approx. EUR 26 million in Q3/17, while it had no effect on the net result in Q3/16.

Group *comparable* EBITDA amounted to EUR 160.1 million in Q3/17, up versus EUR 118.0 million earned in Q3/16, mainly because of the higher results in the Refining segment that was in the position to fully exploit particularly favourable market conditions in the quarter despite some unplanned maintenance. The growth of the EBITDA was reflected into the **Group *comparable* Net Result that was equal to EUR 51.7 million**, up 58% versus the EUR 32.7 million earned in the same quarter of last year.

CAPEX in Q3/17 was overall equal to EUR 38.3 million, of which EUR 35.1 million dedicated to the Refining segment.

In the following tables can be found the detailed calculations of the *Comparable* EBITDA and Net Income, starting from the *reported* results, for the third quarter and the first nine months of 2017.

Calculation of the Group *comparable* EBITDA

EUR Million	9M 2017	9M 2016	Q3/17	Q3/16
***Reported* EBITDA**	**303.1**	**430.7**	**161.8**	**95.7**
Gain / (Losses) on Inventories	44.7	(25.4)	0.9	13.2
Hedging derivatives and net FOREX	44.6	1.6	(10.5)	7.3
Non-recurring items	20.2	4.2	7.8	1.7
***Comparable* EBITDA**	**412.6**	**411.1**	**160.1**	**118.0**

The non-recurring items mainly refer to a provision made in 2017 in relation to a dispute related to energy efficiency certificates, assigned and to be assigned to the subsidiary Sarlux. In Q3/17 they refer to a reclassification.

Calculation of the Group *comparable* Net Result

EUR Million	9M 2017	9M 2016	Q3/17	Q3/16
***Reported* NET RESULT**	**109.4**	**151.9**	**54.9**	**22.4**
Gain & (Losses) on Inventories net of taxes	32.2	(17.7)	0.9	9.1
Derivatives related to future deals	0.2	0.0	(4.1)	0.0
Non-recurring items net of taxes	19.8	2.9	0.0	1.2
***Comparable* NET RESULT**	**161.6**	**137.1**	**51.7**	**32.7**

In H1/17, the non-recurring items refer to the provision related to interests requested by the counterparty on past supplies and which are currently under negotiation, on top of the above mentioned provision related to energy efficiency certificates.

Net Financial Position

The Net Financial Position on 30th September 2017 stood cash-positive at EUR 110 million, versus the cash-positive position of EUR 99 million as of 31st December 2016. Indeed, the cash flow generated from operations in the first nine months of 2017 exceeded the final instalment of the debt to Iran related to the crude oil purchased in 2012, the CAPEX made in the period by and the payment of the dividends distributed in May 2017.

EUR Million	30-Sep-17	31-Dec-16
Medium/long-term bank loans	(169)	(183)
Other medium/long-term financial assets	5	6
Medium-long-term net financial position	**(164)**	**(178)**
Short term loans	(18)	(16)
Banks overdrafts	(4)	(39)
Other short term financial liabilities	(81)	(77)
Fair value on derivatives and realized net differentials	(25)	(35)
Other financial assets	71	84
Cash and Cash Equivalents	332	359
Short-term net financial position	**274**	**276**
Total net financial position	**110**	**99**

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		Q1/17	Q2/17	Q3/17	9M/17
Crude Oil prices and differential ($/bl)									
Brent Dated (FOB Med)	33.9	45.6	45.9	41.9		53.7	49.6	52.1	51.8
Urals (CIF Med)	32.7	44.3	44.4	40.5		52.5	48.9	51.0	50.8
"Heavy-Light" price differential	-1.2	-1.3	-1.5	-1.3		-1.2	-0.8	-1.1	-1.0
***Crack spreads* for refined oil products ($/bl)**									
ULSD *crack spread*	7.8	9.2	8.9	8.6		10.3	10.6	13.0	11.3
Gasoline 10ppm *crack spread*	13.5	12.7	9.4	11.8		11.3	12.5	13.1	12.3
Reference Margin ($/bl)									
EMC Benchmark	+3.6	+2.6	+2.0	+2.7		+3.3	+3.8	+4.6	+3.9
EMC Benchmark (Δ fuel oil) (2)						+3.0	+3.0	+4.3	+3.4

(1) Sources: "Platts" for prices and crack spreads, and "EMC – Energy Market Consultants" for the reference refining margin EMC Benchmark
(2) Net of the distortive effect of the strengthening of fuel oil crack spread compared to the same period of the previous year

Crude oil prices:
Q1/17 started with Brent quotations of approx. 55 $/bl, pushed by the effect of the announcement of OPEC countries, of a production cut of 1.2 mbl/d since January 2017, to which some non-OPEC countries joined, committing for additional 0.6 mbl/d cuts (half of which by Russia). Such historical decision triggered a sharp upward movement of Brent Dated quotations by approx. 10 $/bl only in December. In January and February Brent quotations remained confined within a tight band ranging from approx. 53 to 56 $/bl waiting for confirmation of the actual implementation of the announced productions cuts and the corresponding compensation put in place by the countries non committed to the cuts. Brent started a declining path in March, also due to the net reduction in the speculative positions of investment funds. The quarter closed at 51.9 $/bl, with a quarterly average of 53.7 $/bl.

The sequence of data regarding the US production and inventories growth, coupled with the increase in production volumes in Libya and Nigeria, which are exempt from productive cuts, have gradually weakened oil prices since the second half of April. After a slight increase in quotations in view of the OPEC Summit of 25th of May, which agreed to extend overall cuts until the first quarter of 2018, in order to rebalance the market and reduce the level of oil inventories, Brent price jumped back in June to reach around 47 $/bl. Overall, Brent closed the second quarter with an average of 49.6 $/bl.

The month of July was characterized by a certain stability of Brent's quotation, which remained at levels below 50 $/bl. Starting from August, crude oil prices have undergone a strengthening phase driven by strong demand figures and declining oil inventories level. In addition, US tight oil production experienced a halt, boosting bullish positions by investment funds. The quarter ended at 57.2 $/bl, marking an average of 52.1 $/bl.

Price differential between "heavy" and "light" crude oil grades ("Urals" vs. "Brent"):
Q1/17 was characterised by the implementation of the announced production cuts which focused on the less valuable grades and the therefore on the "heavy-sour" ones. At the same time higher volumes of production from US, Libya and Kazakhstan increased the availability of "light-sweet" grades. Such evolution in the supply mix was not reflected in the "Ural" vs. "Brent" differential, that posted a quarterly average of -1.2 $/bl, keeping the same levels as the same quarter of the previous year. Some crudes coming from Middle East (such as for example Bashra Light and Dalia) were more severely impacted and reduced their discounts to Brent, while higher Libyan production led to lower premia on some light crudes in the Mediterranean area such as Azeri Light and Saharan Blend.

Since April, Ural price has been supported by the high volumes processed at Russian refineries and by the effect of the production curtailments thus reducing its differential versus Brent. This differential further narrowed in June, also because of lower exports from the port of Primorsk due to planned maintenance work on a pipeline, which have not been offset by higher loadings at the ports of Ust-Luga or Novorosiysk. The Q2/17 average differential stood at -0.8 $/bl.

By mid-August export restrictions on the Baltic area due to the aforementioned logistical factors, coupled with the growth in demand from European refineries, further reduced the differential to the point of Ural price reaching the parity with Brent. Starting from the second half of August, the recovery of export volumes, especially from the port of Primorsk, and the beginning of the autumn maintenance period of Russian refineries, resulting in a reduction in the demand for crude, led to a rather marked enlargement of the differential which was later closed at the end of September with the return to production of some local refineries. The third quarter average differential was -1.1 $ / bl.

***Crack spreads* of the main products** (i.e. the difference between the value of the product and the price of the crude):
In the first weeks of 2017 the gasoline *crack spread* progressively strengthened, settling on values above the seasonal ones, pushed by strong demand from Mexico, US and Asia and by technical issues at some Latin America refineries. Afterwards, the weakening of the West Africa demand, mainly due to the removal of the subsidies to gasoline retail prices in Nigeria which dampened demand, led *crack spread* to a minimum of 8.3 $/bl on 7th March. Later in March it marked a sharp recovery in conjunction with the summer specifications, closing the quarter above 12 $/bl. The average of the gasoline *crack spread* stood at 11.3 $/bl in Q1/17.

The upward trend in gasoline *crack spread* continued in April exceeding 15 $/bl, then folded back to average values closer to those of the same period of the previous year and in line with the usual seasonal ones. The strong Asian demand (India, Pakistan and Indonesia) was offset by the increase in production especially in the US which also led to an increase in gasoline storage. The average crack spread was thus 12.5 $/bl in Q2/17.

Good *crack spreads* recorded in the first part of the year were confirmed in the summer months due to strong fuel demand (also from US) and unscheduled maintenance at some European refineries, including the Pernis plant, close to the port of Rotterdam. In the last days of August, gasoline crack spread exceeded 20 $/bl in the aftermath of Harvey's hurricane, which temporarily discharged about 4 mbl/d of refining capacity in Texas and Louisiana (approx. 20% of total US capacity), and then held up well up to mid-September. Then brought back around 10 $/bl in the second half of the month as US refineries came back in operation. The average gasoline crack spread was thus 13.1 $/bl in Q3/17.

Finally moving to the middle distillates, Q1/17 diesel *crack spread* remained on good levels benefiting from strong gasoil heating demand, driven by cold weather especially in the northern hemisphere combined with the spring maintenance cycle of global refineries. The *crack spread* slightly weakened in March also as effect of the increase of exports from Russia. The average diesel *crack spread* was 10.3 $/bl in Q1/17.

In April, the diesel *crack spread* benefitted from a brief upswing due to the spring maintenance, and then fold slightly in relation to the increase in refinery runs driven by strong light distillates margins. The average for Q2/17 was 10.6 $/bl, almost in line with the first quarter of the year.

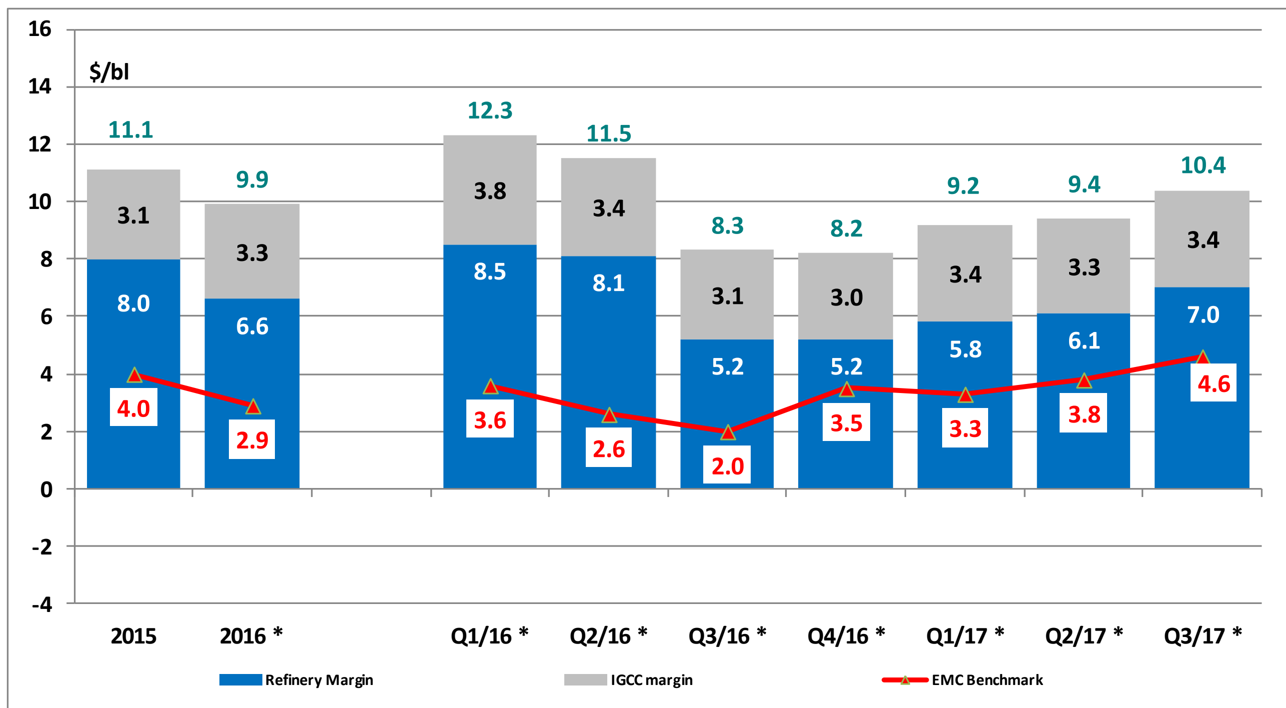
In the summer months, diesel crack spread remained at very strong levels driven by US and European demand (the latter positively influenced by the boom in tourism) but also by some unscheduled maintenance (in particular the Elefsis refinery in Greece has stop the production of gasoil). This led to an increase in imports from the United States which temporarily halted at the end of August due to the aforementioned effects of hurricanes that hit the Gulf of Mexico, triggering a further strengthening of margins in September. The average diesel *crack spread* was 13.0 $/bl in Q3/17.

Refining Margin:
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), and then it settled at an average of 2.9 $/bl in 2016. The first quarter of 2017 averaged 3.3 $/bl, then it strengthened to 3.8 $/bl in Q2/17 and then to 4.6 $/bl in Q3/17. The last was boost, among other, by very high diesel and gasoline crack spreads driven both by structural, such us strong global fuel demand, and contingent factors (unplanned maintenance). The first nine months were supported by the strength of fuel oil, that has a high relevance in the yields of the EMC model. Such an unusual evolution in fuel oil margins, is driven by lower available volumes, as a consequence of higher duties levied by the Russian government on the exports of the domestic refineries, worsened by lower use of heavy grades in the refineries given their lower discounts to Brent after the implementation of OPEC cuts from January 2017.

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.

Specifically, in the first nine months of 2017, the higher level reached by the crack spread of fuel oil compared to the same period of the previous year, led to a rise in the reference margin EMC Benchmark, which Saras could only partially capture having a production of fuel oil significantly lower than that modelled in the reference margin (about 6% compared to 15% of the EMC Benchmark). Net of this distorting effect, worth approx. 0.5 $/bl, in the first nine months of the year the reference margin (EMC Benchmark) would have been 3.4 $/bl (compared to 3.9 $/bl) and the Saras margin premium 2.9 $/bl (compared to 2.4 $/bl).



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

(*) Refining margins for 2016 and 2017 refer to Refining comparable EBITDA calculated with the new criteria

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	9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
EBITDA	131.6	260.6	-49%	103.4	36.4	184%
***Comparable* EBITDA**	**236.4**	**241.1**	**-2%**	**96.7**	**57.0**	**70%**
EBIT	46.9	172.8	-73%	74.1	7.2	931%
***Comparable* EBIT**	**151.8**	**153.2**	**-1%**	**67.4**	**27.8**	**142%**
CAPEX	**123.1**	**85.7**		**35.1**	**33.7**	

Margins and refinery runs

		9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
REFINERY RUNS	Tons (thousand)	10,524	9,686	9%	3,608	3,597	0%
	Barrels (million)	76.8	70.7	9%	26.3	26.3	0%
	Bl/day (thousand)	281	258	9%	286	285	0%
COMPLEMETARY FEEDSTOCK	Tons (thousand)	1,028	1,365	-25%	354	442	-20%
EXCHANGE RATE	EUR/USD	1.114	1.116	0%	1.175	1.117	5%
EMC BENCHMARK MARGIN	$/bl	3.9 (*)	2.7		4.6 (*)	2.0	
SARAS REFINERY MARGIN	$/bl	6.3	7.1		7.0	5.2	

(*) Net of the distorting effect of the strengthening of fuel oil crack spread compared to the same period of previous year, EMC Benchmark would have been equal to 3.4 $/bl in 9M/17 and to 4.3 $/bl in Q3/17.

Comments to First Nine months of 2017 Results

Refinery crude oil runs in 9M/17 stood at 10.52 million tons (76.8 million barrels, corresponding to 281 thousand barrels per calendar day), up 9% versus 9M/16. The runs of other feedstock complementary to crude oil, on the opposite, declined compared to 9M/16, reaching 1.03 million tons (versus 1.37 million tons in the same period of previous year). It is worth noting that the maintenance program involved both distillation and conversion units, and was less burdensome than the one carried out in 9M/16 and mainly concentrated in the first quarter of the year.

***Comparable* EBITDA was EUR 236.4 million in 9M/17**, with Saras refinery margin standing at +6.3 $/bl. This compares with *comparable* EBITDA at EUR 241.1 million and Saras refinery margin equal to +7.1 $/bl in the same period of 2016. 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 in detail, when analysing the market conditions in 9M/17, the increase of oil prices along with some other market dynamics, led to a penalisation of approx. EUR 70 million versus 9M/16 (including also the increase of the cost of

“consumptions & losses”). On the opposite the strengthening of the *crack spreads* of both gasoline and diesel increased the value of the production by approx. EUR 120 million versus 9M/16. The effect of the exchange rate EUR/USD was instead neutral in the period and it remained broadly in line with the same period of last year (1.1140 US Dollars for 1 EUR in 9M/17 versus 1.1162 in 9M/16). Finally, the effect of inventories changes and the results of derivative instruments and the net Forex, led to an EBITDA penalisation of approx. EUR 20 million compared to 9M/16.

It it worth noting that the *comparable* EBITDA was influenced also by higher variable costs mainly due to higher price of electricity purchases (due to the reference scenario) and a lower contribution of energy efficiency certificates compared to the same period of last year.

From an operational standpoint, in 9M/17 production planning (which consists in the optimization of the crude mix to be refined, the management of semi-finished products, the production of finished products, including specialty products) led to an EBITDA lower by approx. EUR 25 million versus 9M/16 (mainly as a consequence of a utilization of a mix of crudes less favorable than the one processed in the same period of previous year that enjoyed extremely supportive market conditions).

However, the production execution (which takes into account the penalization due to maintenance, both scheduled and un-scheduled, and the higher consumption versus technical targets for some utilities, for instance, fuel oil, steam, electricity, and fuel gas) produced an EBITDA approx. EUR 10 million higher than in 9M/16, thanks to a lighter maintenance cycle compared to the same period of last year and despite a less favorable operating performance.

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 positively contributed to the results and was in line with the same period of last year.

Refining CAPEX in 9M/17 was EUR 123.1 million, in line with to the maintenance program and the investments envisaged for the period.

Comments to Third Quarter 2017 Results

Refinery crude oil runs in Q3/17 stood at 3.61 million tons (26.3 million barrels, corresponding to 286 thousand barrels per calendar day), almost in line with crude oil processed in the same quarter of last year. However, the runs of complementary feedstock decreased by 20% versus Q3/16, reaching 0.35 million tons, mainly on the back of commercial choices. It is worth noting that planned maintenance was modest in both quarter under analysis.

***Comparable* EBITDA was EUR 96.7 million** and Saras refinery margin was +7.0 $/bl in Q3/17, whereas in Q3/16 the *comparable* EBITDA stood at EUR 57.0 million and Saras refinery margin posted an average of +5.2 $/bl.

With regard to the market conditions, the increase of oil prices in Q3/17 led to a penalisation of approx. EUR 5 million versus Q3/16 (including also the increase of the cost of “consumptions & losses”). On the opposite the much stronger gasoline and diesel *crack spreads* boost the value of the production by approx. EUR 90 million versus Q3/16. Finally the strengthening of EUR vs USD had a negative effect of EUR 10 million (1.1746 US Dollars for 1 EUR vs. 1.1166 in Q3/16).

Moving to the operating performance, in Q3/17 production planning led to an EBITDA lower by approx. EUR 10 million versus Q3/16. The production execution produced an EBITDA approx. EUR 20 million lower than in Q3/16 mainly due to some unplanned maintenance.

Finally, the commercial performance delivered an EBITDA approx. EUR 5 million below Q3/16.

Refining CAPEX in Q3/17 was EUR 35.1 million.

Crude Oil slate and Production

The crude mix processed by the Sarroch refinery in 9M/17 had an average density of 33.5°API, broadly in line with the one reported in 9M/16 (33.4° API). When looking in more detail at the various crude grades used in the feedstock, it can be noticed an increase in the percentage of crudes processed light with low and extra low sulphur content (“*light sweet*” and *“light extra sweet”*) while heavy grades both with low and high sulphur content (so called “*heavy sour/sweet*”) decreased. Finally, the percentage of crudes light with average density and high sulphur content (so called “*medium sour*”) remained stable. This changes in the feedstock mix are mainly due to the contingent refinery configuration (deriving from the specific maintenance cycle carried out in H1/17), and also to economic and commercial choices due, among others, to the different supply condition as a consequence of OPEC production cuts that focused on heavy grades and the large availability of light grades on the market.

		9M 2017	9M 2016	Q3/17
Light extra sweet		34%	32%	38%
Light sweet		13%	10%	11%
Medium sweet/extra sweet		0%	0%	0%
Medium sour		37%	38%	35%
Heavy sour/sweet		16%	21%	16%
Average crude gravity	°API	33.5	33.4	34.5

Moving to the production slate, it can be observed that in 9M/17 the yield in middle distillates (50.3%) increased compared to the first nine months of 2016, because the refinery tried to exploit in full the good commercial opportunities existing for those products (especially during Q3/17). On the opposite, the yields in LPG (2.0%) and light distillates (27.1%) were moderately lower than in 9M/16. Finally, TAR yield was quite low (6.8%) also as effect of the planned maintenance on the VisBreaking (in Q1/17) and the IGCC plants (in H1/17), while fuel oil yield was high (7.4%) in order, among others, to take benefit from the strong demand of this product.

		9M 2017	9M 2016	Q3/17
LPG	Tons (thousand)	233	252	83
	yield (%)	2.0%	2.3%	2.1%
NAPHTHA + GASOLINE	Tons (thousand)	3,132	3,130	1,065
	yield (%)	27.1%	28.3%	26.9%
MIDDLE DISTILLATES	Tons (thousand)	5,808	5,386	2,028
	yield (%)	50.3%	48.7%	51.2%
FUEL OIL & OTHERS	Tons (thousand)	859	710	234
	yield (%)	7.4%	6.4%	5.9%
TAR	Tons (thousand)	787	858	304
	yield (%)	6.8%	7.8%	7.7%

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	9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
EBITDA	12.1	5.4	122%	6.4	5.1	26%
***Comparable* EBITDA**	**11.9**	**1.3**	**830%**	**3.6**	**5.0**	**-28%**
EBIT	8.0	1.2	570%	4.9	3.7	32%
***Comparable* EBIT**	**7.8**	**(3.0)**	**363%**	**2.5**	**3.6**	**-31%**
CAPEX	**0.6**	**0.9**		**0.1**	**0.5**	

Sales

		9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
TOTAL SALES	**Tons (thousand)**	**2,720**	**3,061**	**-11%**	**936**	**1,063**	**-12%**
of which: in Italy	Tons (thousand)	1,635	1,760	-7%	592	606	-2%
of which: in Spain	Tons (thousand)	1,085	1,301	-17%	344	458	-25%

Comments to First Nine months of 2017 Results

According to the data collected by UP (Unione Petrolifera), during the first nine months of 2017 oil products sales decreased by 1.4% in the Italian market, which represent the main output channel for the wholesale marketing activities of the Saras Group. In Spain instead, data compiled by CORES show a progressive increase in the consumption of 2.5% compared to the same period of 2016.

In particular, the demand decline in Italy is the result of declining sales of gasoline (-4.2% equal to -241ktons), while gasoil demand declined by 0.8%. The sum of fuels (gasoline + gasoil) equal to approx. 23 million tons, was down 1.6% (-377ktons). In 9M/17 new car registrations increased by 9%, with diesel vehicles accounting for 56.6% of the total, broadly in line with 9M/16. Nonetheless, wholesale margins increased versus 9M/16, thanks also to a lower production pressure from refineries, especially inland ones. In this context, Saras Group reduced by 7% the sales volumes continuing the activity of optimization of the portfolio of clients, started in the second half of last year, as well as the costs cutting actions, delivering therefore a material improvement in the gross commercial margin.

Moving to the analysis of the Spanish market in the first 9 months of 2017, gasoil demand increased by 2.4%, and gasoline demand by 2.0%. The Spanish subsidiary Saras Energia reduced volumes sold by 17%, and improved the operating profitability thanks to higher retail and wholesale margins.

Thanks to the improvement of wholesale margins and the cost cutting actions described in the above paragraphs, ***comparable* EBITDA in the Marketing segment was equal to EUR 11.9 million,** well above the EUR 1.3 million of 9M/16.

Comments to Third Quarter 2017 Results

According to data collected by UP, oil products' sales in the Italian market declined by 2.7% during Q3/17, while the data compiled by CORES for the Spanish market show an increase in consumption of +2.2% in the summer compared to the same period of previous year.

Analyzing in greater detail the Italian market, the demand for bunker grew by 4.5%, (equal to +81ktons), while fuel oils for other uses lost about 15% (or approx. -60ktons). Fuel demand also declined, with gasoline falling by -6.3% (-241ktons), and total gasoil dropping by -2.6% (-174ktons). Saras Group reduced its sales volumes on the Italian market by 2% and achieved a higher EBITDA than in Q3/16, albeit with stable margins, thanks to lower costs continuing the profit recovery path undertaken.

When analyzing the Spanish market, it should be noted that the positive change in consumption is mainly attributable to increased demand for jet fuel (+ 7%). Gasoil and gasoline consumption, on the other hand, grew by about 1% in the summer months. In this market, the Spanish subsidiary Saras Energia reduced sales volumes by 25%, from 458ktons in Q3/16 to 344ktons in Q3/17, while keeping costs stable and therefore the operating margin contracted.

The *comparable* EBITDA of the Marketing segment stood at EUR 3.6 million, lower than the EUR 5.0 million reported in Q3/16.

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	9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
EBITDA	143.4	146.2	-2%	47.6	50.9	-6%
***Comparable* EBITDA**	**148.3**	**150.4**	**-1%**	**55.4**	**52.6**	**5%**
EBIT	72.2	72.1	0%	22.8	25.8	-12%
***Comparable* EBIT**	**77.1**	**76.3**	**1%**	**30.6**	**27.5**	**11%**
EBITDA ITALIAN GAAP	**65.2**	**101.3**	**-36%**	**36.4**	**40.2**	**-9%**
EBIT ITALIAN GAAP	**19.4**	**52.5**	**-63%**	**20.1**	**23.5**	**-15%**
CAPEX	**13.8**	**6.6**		**2.6**	**3.0**	

Other figures

		9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
ELECTRICITY PRODUCTION	MWh/1000	2,959	3,344	-12%	1,203	1,239	-3%
POWER TARIFF	**Eurocent/KWh**	**8.7**	**8.1**	**7%**	**8.6**	**8.1**	**7%**
POWER IGCC MARGIN	$/bl	3.4	3.4	0%	3.4	3.1	10%

Comments to First Nine months of 2017 Results

The entire cycle of maintenance activities scheduled on the IGCC plant for the year 2017 was carried out during the first half of the year. In detail, in the first quarter the scheduled maintenance activity involving two trains of "Gasifier – combined cycle Turbine" and on a one the two "gas washing line trains" was performed, while in the second quarter the maintenance involved the third "Gasifier – combined cycle Turbine". The electricity production was equal to 2.96 TWh, down 12% versus the first nine months last year, as a result of a heavier maintenance cycle compared to the same period of previous year and a lower operating performance in Q1/17.

***Comparable* EBITDA was EUR 148.3 million**, broadly in line with EUR 150.4 million achieved in 9M/16. The difference is due to higher fixed costs related to the heavy maintenance program performed in H1/17. Such effect was offset by higher CIP6/92 tariff (+7%) and by the sales of hydrogen and steam (which are not subject to the equalization procedure) that in 9M/17 were approx. EUR 9 million higher than in 9M/16. Finally, it is worth noting that the difference between *comparable* and *reported* EBITDA is mainly due to a reclassification.

Moving to the Italian GAAP EBITDA, it stood at EUR 65.2 million in 9M/17, down versus EUR 101.3 million achieved in the same period of last year. The difference comes from the combined effect of lower production of electricity (-12%) and the increase of the procurement cost of TAR feedstock weighing approx. EUR 8 million. Such factors have been partially offset by higher CIP6/92 tariff (+7%) and the above mentioned higher sales of hydrogen and steam in 9M/17 (for approx. EUR 9 million).

CAPEX in 9M/17 was EUR 13.8 million, coherently with the scheduled maintenance activities carried out in the period.

Comments to Third Quarter 2017 Results

In Q3/17 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 1.20 TWh**, slightly below the 1.24 TWh in Q3/17.

***Comparable* EBITDA was EUR 55.4 million**, up 5% compared to EUR 52.6 million achieved in Q3/16. The difference is due the higher CIP6/92 tariff (+7%) and by the sales of hydrogen and steam (which are not subject to the equalization procedure) that in Q3/17 were approx. EUR 2 million higher than in Q3/16. Finally, it is worth noting that the difference between *comparable* and *reported* EBITDA is mainly due to a reclassification.

Moving to the analysis of the Italian GAAP EBITDA, it was equal to EUR 36.4 million in Q3/17, vs. EUR 40.2 million in the same quarter of last year, because the higher value of the CIP6/92 tariff and higher sales of hydrogen and steam

(+EUR 2 million) were counterbalanced by lower electricity produced and higher procurement cost of TAR feedstock (EUR 2 million).

Finally, CAPEX in Q3/17 was EUR 2.6 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	9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
EBITDA	14.4	16.6	-13%	3.6	2.1	70%
***Comparable* EBITDA**	**14.4**	**16.6**	**-13%**	**3.6**	**2.1**	**70%**
EBIT	11.0	13.3	-17%	2.5	1.0	150%
***Comparable* EBIT**	**11.0**	**13.3**	**-17%**	**2.5**	**1.0**	**150%**
CAPEX	**0.1**	**0.2**		**0.1**	**0.3**	

Other figures

		9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
ELECTRICITY PRODUCTION	MWh	111,307	148,775	-25%	28,587	22,159	29%
POWER TARIFF	EURcent/KWh	4.7	3.7	27%	4.4	4.1	9%
INCENTIVE TARIFF	EURcent/KWh	10.7	10.0	7%	10.7	10.0	7%

Comments to First Nine months of 2017 Results

In 9M/17 *comparable* EBITDA of the Wind segment (which is equal to the IFRS EBITDA) stood at EUR 14.4 million, down versus EUR 16.6 million achieved in 9M/16, mainly due to less favorable wind conditions compared to 9M/16. As a consequence electricity production was 25% lower than those of the same period of last year, partially offset by higher power tariff (+1.0 EURcent/kWh vs 9M/16), as well as by higher value of the Incentive Tariff (+0.7 EURcent/kWh vs. 9M/16).

Comments to Third Quarter 2017 Results

In Q3/17 the *comparable* EBITDA of the Wind segment (equal to the IFRS EBITDA) stood at EUR 3.6 million, up from EUR 2.1 million achieved in Q3/16. Such difference was mainly due to the higher power production (+29%, thanks to more favourable wind conditions) and the increase of the power tariff (+0.3 EURcent/kWh vs Q3/16), as well of the Incentive Tariff (+0.7 EURcent/kWh vs. Q3/16).

Other Activities

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

EUR Million	9M 2017	9M 2016	Change %	Q3/17	Q3/16	Change %
EBITDA	1.6	1.8	-11%	0.8	1.3	-37%
***Comparable* EBITDA**	**1.6**	**1.8**	**-11%**	**0.8**	**1.3**	**-37%**
EBIT	1.2	1.3	-5%	0.8	1.0	-23%
***Comparable* EBIT**	**1.2**	**1.3**	**-5%**	**0.8**	**1.0**	**-23%**
CAPEX	**0.5**	**0.3**		**0.4**	**0.1**	

Strategy and Outlook

In the first nine months of 2017 the European refining industry continued to benefit from positive market conditions, with total crude oil supply abundant notwithstanding the implementation of the production cuts since the beginning of January, enforced, by OPEC members and other relevant suppliers (Russia in primis). Indeed, in front of 1.8 million barrels per day (mbl/d) removed from the market (1.2 mbl/d by OPEC and further 0.6 mbl/d by non-OPEC), material increase in supply from other sources took place. Global supply continued to be robust thanks to the recovery of E&P activities in the USA (tight oil from shale rocks) and in the North-Eastern area of the Caspian Sea (the "Kashagan" oil field), in addition to the increase of exports from Libya and Nigeria.

Moving to oil prices, Brent stayed quite stable at 55 $/bl until March, and then progressively weakened closing the first half at approx. 47 $/bl, level reached before the announcement of the production curtailments, despite the decision to roll over the cuts until the first quarter of 2018. From August, anyway, Brent entered in a ascending path that led it up to approx. 60 $/bl, value at which it looks to be settled. This dynamics originates from data above expectations in the third quarter on the demand side as well as in terms of oil inventories drawing. However, looking at the oil market as a whole it is evident some pressure on the premia of light sweet grades and on the discounts of some heavy sour grades because the increased production of the above mentioned countries concerns primarily light sweet grades, while the OPEC cuts affect mainly heavy sour crude oils.

The scenario look positive also looking at the demand side. In the report published in September, the International Energy Agency (IEA) revised up the global demand forecast to +1.6 mbl/d in 2017, thanks to robust consumption especially in USA, India and China but also in the wake of data above expectations with reference to European demand.

Moving to the profitability of the main refined products, it can be noticed that in the 9M/17, gasoline reached satisfactory levels (average *crack spread* at approx. 12 $/bl broadly in line with 9M/16) as well as middle distillates (diesel crack spread stood above 11 $/bl recovering versus the average of 8.6 achieved in 9M/16). Finally it is worth noting the unusual strength of fuel oil *crack spread* mainly due to higher duties levied by the Russian government on the exports of the domestic refineries, but also to the lightening of the global crude slate as a consequence of OPEC production cuts since January 2017, that focused on the heaviest grades. These conditions reduced the supply and pushed the *crack spread* of fuel oil at highest levels of the last 4 years.

Such market conditions are positive for the refining industry as a whole and particularly for simple refineries, such as the ones modelled to estimate the reference margin EMC Benchmark given their high fuel oil yields, reducing the chances to generate a premium versus the reference margin for complex refiners.

The foreseeable scenario for the last quarter of the year is positive for medium distillates with robust crack spreads and moderate inventory levels ahead of the winter period that typically sees an increase in gasoil consumption, while a seasonal weakening is expected for the gasoline crack spread. There are no structural factors that might led, in the short term, to a normalisation of the fuel oil crack spread which should therefore remain at historically high levels, supporting the EMC Benchmark reference margin. In view of the factors described above, and also considering that there are no significant maintenance activities on the plants, the Group believes to be able to deliver, in the last quarter of the year, a Saras refining margin premium with respect to the EMC Benchmark improving compared to the one recorded in the first nine months of the year.

From an operational standpoint, in the Refinery segment, 2017 was characterized by a low maintenance cycle, higher runs, lower fixed costs and lower EBITDA reductions due to plants unavailability. In details, the scheduled maintenance activities in 9M/17 were carried out according to plans. For the remaining part only minor activities will take place on the Alkylation "ALKY", the "TAME", and the Catalytic Reforming "CCR". Overall, yearly crude runs are expected at 14.3 million tons (corresponding to 105 million barrels), plus further 1.4 million tons of complementary feedstock (corresponding to approx. 10 million barrels).

With reference to the Power Generation segment, the whole annual maintenance program was completed in H1/17. Therefore, total production of electricity in 2017 is expected between 4.00÷4.10 TWh.

In relation to the Marketing segment, the margins are foreseen on a recovery path in 2017 also thanks also to the efforts undertaken to optimize costs and the clients portfolio.

Finally, in the Wind segment, the subsidiary Sardeolica continues the necessary steps to clear the Environmental Impact Assessment procedure ("V.I.A. – Valutazione di Impatto Ambientale") with regards to the upgrading project of its wind farm in Ulassai for an additional capacity of 30 MW.

Investments by business Segment

EUR Million	9M 2017	9M 2016	Q3/17	Q3/16
REFINING	123.1	85.7	35.1	33.7
POWER GENERATION	13.8	6.6	2.6	3.0
MARKETING	0.6	0.9	0.1	0.5
WIND	0.1	0.4	0.1	0.3
OTHER	0.7	0.3	0.4	0.1
Total	**138.2**	**94.0**	**38.3**	**37.6**

Main events after the end of the First Nine months of 2017

On **4th October 2017** the merger by incorporation of Parchi Eolici Ulassai Srl into Sardeolica Srl was completed with the registration of the merger act at the Milan Business Register.

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

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 hedging 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

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 with hedging nature.

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 characteristics of the business carried out by the group is conditioned by the legislation of the countries in which it operates. With regard to this, Saras is committed to a continuous activity of monitoring and constructive dialogue with national and local institutions aimed at researching joint activities and promptly evaluate the applicable normative amendments, acting on minimising the economic impact deriving from them. In this context, the most significant elements among the main regulatory developments, relate to:

- Regulations relating to the reduction of national emissions of determined atmospheric pollutants and the relative impact of the same on the limits indicated in the current AIA permit.
- The view of the European Commission and the AAEG implenting documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.
- Regulatory dispositions relating to energy efficiency titles and their conse consequences for the GSE.
- Regulation relating to the fact that 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.

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 nine months of 2017.

Own shares

During the first nine months of 2017 no transactions took place, involving the sale or purchase of Saras SpA own shares. Therefore, as of 30th September 2017, Saras SpA held in treasury 14,989,854 own shares, corresponding to 1.576% of the company's issued share capital.

Non-recurring and unusual Transactions

During the first nine months of 2017 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 20th of April 2017, the company paid, on the 24th of May 2017, a dividend equal to EUR 0.10 per each of the 936,010,146 ordinary shares in circulation, for a total payment of EUR 93,601,014.60.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of: 30th September 2017

Thousands of euros	30/09/2017	31/12/2016
ASSETS		
Current assets	1,709,400	1,689,200
Cash and cash equivalents	332,193	359,175
Other financial assets	174,205	120,662
Trade receivables	284,800	423,621
Inventories	745,675	621,894
Current tax assets	41,173	36,402
Other assets	131,354	127,446
Non-current assets	1,163,382	1,205,184
Property, plant and equipment	965,925	964,263
Intangible fixed assets	167,208	194,894
Other investments	502	502
Deferred tax assets	24,607	39,775
Other financial assets	5,140	5,750
Total assets	2,872,782	2,894,384
LIABILITIES AND EQUITY		
Current liabilities	1,477,424	1,423,241
Short-term financial liabilities	232,633	203,377
Trade and other payables	968,403	1,044,879
Current tax liabilities	199,692	102,812
Other current liabilities	76,696	72,173
Non-current liabilities	455,397	548,416
Long-term financial liabilities	168,817	183,438
Funds for risks and charges	101,305	102,455
Provisions for employee benefits	11,049	10,541
Deferred tax liabilities	4,979	4,719
Other non-current liabilities	169,247	247,263
Total liabilities	1,932,821	1,971,657
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	764,983	660,841
Profit/(loss) for the period	109,422	196,330
Total equity attributable to the parent company	939,961	922,727
Minority interests	0	0
Total equity	939,961	922,727
Total liabilities and shareholders' equity	2,872,782	2,894,384

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st January – 30th September 2017

Consolidated Income Statement for the periods 1st January - 30th September 2017

Thousands of euros	1st January 30th September 2017	of which non-recurring	1st January 30th September 2016	of which non-recurring
Revenues from ordinary operations	5,585,066		4,672,107	
Other income	73,173		82,387	
Total returns	5,658,239	*0*	4,754,494	*0*
Purchases of raw materials, replacement parts and consumables	(4,779,288)		(3,824,249)	
Cost of services and sundry costs	(463,658)	(15,253)	(388,715)	(4,204)
Personnel costs	(112,210)		(110,849)	
Depreciation, amortisation and write-downs	(163,798)		(170,088)	
Total costs	(5,518,954)	*(15,253)*	(4,493,901)	*(4,204)*
Operating result	139,285	*(15,253)*	260,593	*(4,204)*
Net income (charges) from equity investments				
Financial income	215,514		71,638	
Financial charges	(194,779)		(114,849)	
Profit/(loss) before taxes	160,020	*(15,253)*	217,382	*(4,204)*
Income tax	(50,598)	4,789	(65,471)	1,320
Net profit/(loss) for the period	109,422	*(10,464)*	151,911	*(2,884)*
Net profit/(loss) for the period attributable to:				
Shareholders of the parent company	109,422		151,911	
Minority interests	0		0	
Earnings per share - base (euro cents)	11.69		16.26	
Earnings per share - diluted (euro cents)	11.69		16.26	

Statement of Comprehensive Income for the periods: 1st January - 30th September 2017

Thousands of euros	1st January 30th September 2017	1st January 30th September 2016
Net result for the period (A)	109,422	151,911
Components of total profit that may subsequently be reclassified in the profit (loss) for the period		
Conversion effect balances in foreign currency	(76)	(60)
Components of total profit that will subsequently not be reclassified in the profit (loss) for the year		
Actuarial effect IAS 19 on employee end-of-service payments		0
Other profit/(loss), net of the fiscal effect (B)	(76)	(60)
Consolidated Comprehensive Result for the period (A + B)	109,346	151,851
Net consolidated comprehensive result for the period attributable to:		
Shareholders of the parent company	109,346	151,851
Minority interests	0	0

Statement of Changes in Consolidated Shareholders' Equity: From 31st December 2015 to 30th September 2017

Thousands of euros	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Period	Total equity attributable to the parent company	Third-party minority interests	Total net equity
Balance as at 31/12/2015	54,630	10,926	595,688	223,660	884,904	0	884,904
Allocation of profit previous year			223,660	(223,660)	0		0
Distribution of dividends			(159,122)		(159,122)		(159,122)
Conversion effect balances in foreign currency			(60)		(60)		(60)
Net profit/(loss) for the period				151,911	151,911		151,911
Comprehensive net profit (loss) for the period			*(60)*	*151,911*	*151,851*	*0*	*151,851*
Balance as at 30/09/2016	54,630	10,926	660,166	151,911	877,633	0	877,633
Conversion effect balances in foreign currency			93		93		93
Reserve for stock option plan			812		812		812
Actuarial effect IAS 19			(230)		(230)		(230)
Net profit/(loss) for the period				44,419	44,419		44,419
Comprehensive net profit (loss) for the period			*675*	*44,419*	*45,094*	*0*	*45,094*
Balance as at 31/12/2016	54,630	10,926	660,841	196,330	922,727	0	922,727
Allocation of profit previous year			196,330	(196,330)	0		0
Distribution of dividends			(93,601)		(93,601)		(93,601)
Conversion effect balances in foreign currency			(76)		(76)		(76)
Reserve for stock option plan			1,489		1,489		1,489
Net profit/(loss) for the period				109,422	109,422		109,422
Comprehensive net profit (loss) for the period			*1,413*	*109,422*	*110,835*	*0*	*110,835*
Balance as at 30/09/2017	54,630	10,926	764,983	109,422	939,961	0	939,961

Consolidated Cash Flows Statement as of: 30th September 2017

Thousands of euros	1/1/2017-30/09/2017	1/1/2016- 30/09/2016
A - Initial cash and cash equivalents	359,175	856,843
B - Cash flow from (for) activities in the period		
Net profit /(Loss) for the period	109,422	151,911
Unrealised exchange rate differences on bank current accounts	2,898	(806)
Depreciation and write-downs of fixed assets	163,798	170,088
Net change provision for risks	(1,150)	(21,839)
Net change in provision for employee benefits	508	128
Net change in deferred tax liabilities and deferred tax assets	15,428	46,236
Net interest	8,288	13,001
Income tax set aside	35,170	19,235
Change FV derivatives	33,292	5,641
Other non-monetary components	1,838	(60)
Profit (loss) of operating activities before changes in working capital	369,492	383,535
(Increase)/Decrease in trade receivables	138,821	93,981
of which with related parties:	*0*	*0*
(Increase)/Decrease in inventories	(123,781)	(106,594)
Increase/(Decrease) in trade and other payables	(76,476)	(34,738)
of which with related parties:	*113*	*113*
Change other current assets	(8,679)	(6,968)
Change other current liabilities	87,786	51,840
Interest received	54	601
Interest paid	(8,342)	(13,602)
Taxes paid	(21,553)	(17,182)
Change other non-current liabilities	(78,016)	(44,983)
Total (B)	279,306	305,890
C - Cash flow from (for) investment activities		
(Investments) in tangible and intangible fixed assets	(138,199)	(89,566)
- of which paid capitalised interest payable	*0*	*0*
(Increase)/Decrease in other financial assets	42,705	30,618
Total (C)	(95,494)	(58,948)
D - Cash flow from (for) financing activities		
Increase/(Decrease) m/l-term financial payables	(14,621)	(174,006)
Increase/(Decrease) short-term financial payables	(99,674)	(101,332)
(Decrease) short-term financial payables for reimbursements for the period	0	0
Distribution of dividends and treasury share purchases	(93,601)	(159,122)
Total (D)	(207,896)	(434,460)
E - Cash flow for the period (B+C+D)	(24,084)	(187,518)
Unrealised exchange rate differences on bank current accounts	(2,898)	806
F - Final cash and cash equivalents	332,193	670,131

For the Board of Directors
The Chairman
Gian Marco Moratti

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1. Introduction

Publication of the condensed consolidated financial statements of Saras Group for the period closed as at 30 September 2017 was authorised by the Board of Directors on 6 November 2017.

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

Saras SpA operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished oil 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 changes of the Group accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements for the period ended 30 September 2017 were prepared pursuant to IAS 34 - Interim Financial Statements.

The condensed 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 condensed consolidated financial statements together with the consolidated financial statement for the year ended 31 December 2016.

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 2016. The Group was not an early adopter of any new standard, interpretation or amendment issued but not yet in force.
Standards and interpretations which, at the date of the Group's half-yearly consolidated financial statements, had been issued but were not yet in force are illustrated below.

IFRS 9 – Financial Instruments

In July 2015, the IASB issued the final version of IFRS 9 Financial Instruments replacing IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 is divided in three parts:

- classification and measurement of the financial instruments on the basis of the business model of the entity and the characteristics of cash flows generated by such financial instruments;
- impairment of financial instruments on the basis of a new and unique impairment model based on the recognition of an entity's expected losses. This model is not applied to equity instruments and calls for the simplification of trade receivables, from an operational point of view;
- hedge accounting based on a more flexible approach than that indicated in IAS 39.

IFRS 9, endorsed by the European Union, is effective for annual periods beginning on or after 1 January 2018, with early application permitted. With the exception of hedge accounting, the retrospective application of the standard is required, but it is not necessary to provide comparative information. As regards hedge accounting, the standard is generally applied prospectively, with certain limited exceptions.

The Group will adopt the new standard as of the date of its entry into force. Starting from 2016 the Group began preliminary analysis of the impact of all three aspects covered by IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduced a new five-step model that will apply to revenue from contracts with customers. IFRS 15 prescribes that an entity will recognise revenue that reflects the consideration to which the entity expects to be entitled in exchange for goods or services to customers.

The new standard will supersede all current IFRS requirements on revenue recognition. This standard is effective for annual periods beginning on or after 1 January 2018, with full retrospective or amended application. Early application is permitted.

The Group expects to apply the new standard starting on the obligatory effective date, using the full retrospective application method.

The standard establishes a new model of recognition of revenues, which will be applied to all contracts stipulated with clients with the exception of those that fall under the scope of other IAS/IFRS standards such as leasing contracts, insurance contracts and financial instruments. The fundamental steps for the accounting of revenues according to the new model are:

- the identification of the contract with the customer;
- the identification of the contract’s performance obligations;
- the determination of the price;
- the allocation of the price to the contract’s performance obligations;
- the revenue recognition criteria when the entity satisfies each performance obligation.

Sale contracts to the Group’s existing customers require the exchange of goods (oil or electricity and any services) with the clear identification of the contractual obligations and the relative payments, which can be fixed or variable on the basis of an objective calculation method. The detailed impact deriving from the future application of the standard are still in the process of being analysed.
Taking into account the most significant changes introduced by the standard, the analyses carried out so far and still pending have not yet highlighted any significant impact for the Group.

Amendments to IFRS 10 and to IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments concern the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or assigned to an associate or by a joint venture. The amendments clarify that the profit or loss resulting from the sale or assignment of activities that constitute a business as defined by IFRS 3, between an investor and an associate or joint venture, must be fully recognised. Any profit or loss resulting from the sale or assignment of assets that do not constitute a business is only recognised up to the limits of the stake held by third-party investors in the associate or joint venture. IASB has indefinitely postponed the date of application of these amendments, but an entity opting for early aplication should apply them retrospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB Disclosure Initiative and require an entity to supply additional information that allow the users of financial statements to evaluate the variations in liabilities linked to financing activities, including both variations linked to cash flows and non-monetary variations. At the time of the initial application of this amendment the entity need not present comparative information relating to previous financial periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of these amendments will require the Group to supply additional information.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

These amendments clarify how to account for deferred tax assets relating to debt instruments measured at fair value. This standard, which is expected to come into force on 1 January 2017, has not been endorsed by the European Union. These amendments are not applicable to the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

IASB has issued amendments to IFRS 2 Shared-based payments which deal with three main issues: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of a share-based payment settled net of tax withholdings; accounting if an amendment to the terms and conditions of a share-based payment transaction modifies its classification from cash-settled to equity-settled. At the time of adoption, entities must apply the amendments without restating previous financial periods, but the retrospective application is allowed if chosen for all three amendments and if other criteria are complied with. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is evaluating the effect of these amendment on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 defines the standards for the recognition, measurement, presentation and disclosure of leases, requiring lessees to recognise all lease agreements in the financial statements on the basis of a single model similar to that used for accounting for finance leases in accordance with IAS 17. The standard recognises two exemptions for the recognition by lessees - lease agreements relating to "low value" assets (for example personal computers) and short-term lease agreements (for example the lease term is 12 months or less) At inception of a lease, the lessee will recognise a liability for the lease payments (the lease liability) and an asset that represents the right of use of the leased item for the duration of the contract (the right-of-use asset). Lessees will need to account separately for the interest expense on the lease liability and the depreciation of the right-of-use asset.

Lessees will also need to remeasure the lease liability on the occurrence of specific events (for example: a change in the conditions of the lease contract, a change in future lease payments due to a variation in an index or rate used for determining those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment of the right-of-use asset.

IFRS 16 requires from lessees more detailed disclosure compared to that required from IAS 17.

The standard will come into force for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessee can choose to apply the standard using a fully retrospective approach or a modified retrospective approach. The transitional measures included in the standard allow some leeway.

The Group began its analysis and expects to complete it in 2018.

2.3 Consolidation scope

Subsidiaries that are included in the Group's basis of consolidation are listed below.

Consolidated on a line-by-line basis	**% owned**
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie Srl	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	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%

In the course of the first half the liquidation of the subsidiary Sargas Srl, totally owned by Saras SpA, was completed. On 27 June 2017 the shareholders' meetings of the subsidiaries Parchi Eolici Ulassai Srl (parent company) and Sardeolica Srl (subsidiary) voted for the reverse merger of the two companies, whereby Parchi Eolici Ulassai Srl will be merged into the subsidiary Sardeolica Srl; such transaction was completed with the registration of the merger in the Milan Companies' Register on 4 October 2017.

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, from time to 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 valuation of contingent assets and liabilities. The main estimates are used in determining the value in use of the cash-flow generating assets and the estimation of provisions and impairments. 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 is provided in the Group's consolidated financial statements at 31 December 2016, to which reference should be made.

3. Information by business segment and geographical area

3.1 Introduction

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 activities carried out by parent company Saras S.p.A. and subsidiary Sarlux S.r.l. relate to the sale of oil and gas 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 S.p.A. (Wholesale Division), to wholesale customers (wholesalers, buying consortia, municipal utilities and retailers of oil products) and oil companies through a logistics network comprised of own base (Sarroch), a third party's base pursuant to a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and Deposito di Arcola Srl for the logistics management of the Arcola depot (SP);
- in Spain, by Saras Energia S.A.U., for own or independent service stations, supermarkets and resellers, through a wide network of depots located throughout the Iberic Peninsula, of which the most important, the one in Cartagena, belongs to the company.

3. Generation of power by the combined-cycle plant relates to the sale of electricity generated at the Sarroch plant owned by Sarlux S.r.l. The output is sold solely to G.S.E. (Gestore dei Servizi Energetici S.p.A.), and benefits from the CIP 6/92, a favourable tariff plan.

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

5. Other activities include the reinsurance business undertaken for the Group by Reasar S.A. and research for environmental sectors undertaken by Sartec S.p.A.

The management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the consolidated financial statements for the year ended 31 December 2016.

3.2 Segment reporting

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

Income statement 30th September 2017	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	5,935,115	376,302	1,314,879	5,232	22,234	7,653,762
to be deducted: intersectoral revenues	(2,013,559)	(40,335)	(1,392)	0	(13,410)	(2,068,696)
Revenues from third parties	**3,921,556**	**335,967**	**1,313,487**	**5,232**	**8,824**	**5,585,066**
Other operating revenues	115,048	11,924	5,795	13,392	430	146,589
to be deducted: intersectoral revenues	(72,609)	(190)	(24)	(217)	(377)	(73,417)
Other income from third parties	**42,439**	**11,734**	**5,771**	**13,175**	**53**	**73,173**
Depreciation and write-downs	(84,646)	(71,137)	(4,129)	(3,412)	(473)	(163,797)
Gross operating result	**46,921**	**72,231**	**8,018**	**10,960**	**1,158**	**139,285**
Financial income	217,280	161	325	49	12	217,827
Financial charges	(199,347)	4,670	(2,285)	(111)	(19)	(197,092)
Income tax	(22,640)	(22,009)	(2,333)	(3,283)	(334)	(50,598)
Profit (loss) for the period	**42,214**	**55,053**	**3,725**	**7,615**	**817**	**109,422**
Total directly attributable assets (b)	1,269,711	1,300,098	272,170	91,133	28,123	2,961,234
Total directly attributable liabilities(b)	1,473,365	230,716	275,777	27,254	14,158	2,021,273
Investment in tangible fixed assets	123,101	13,801	314	76	611	137,903
Investimenti in intangible fixed assets	-	-	257	1	40	298

Income statement 30th September 2016	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	4,349,124	338,921	1,186,909	5,498	19,414	5,899,866
to be deducted: intersectoral revenues	(1,192,516)	(23,454)	(5,223)	0	(6,566)	(1,227,759)
Revenues from third parties	**3,156,608**	**315,467**	**1,181,686**	**5,498**	**12,848**	**4,672,107**
Other operating revenues	120,142	23,181	5,225	15,091	201	163,840
to be deducted: intersectoral revenues	(71,635)	(9,636)	(23)	(11)	(148)	(81,453)
Other income from third parties	**48,507**	**13,545**	**5,202**	**15,080**	**53**	**82,387**
Depreciation and write-downs	(87,871)	(74,162)	(4,260)	(3,347)	(448)	(170,088)
Gross operating result	**172,752**	**72,071**	**1,202**	**13,272**	**1,296**	**260,593**
Financial income (a)	71,629	873	305	58	18	72,883
Financial charges (a)	(112,300)	(1,095)	(2,360)	(306)	(15)	(116,076)
Financial charges	(41,646)	(19,359)	(597)	(3,518)	(351)	(65,471)
Profit (loss) for the period	**90,435**	**52,490**	**(1,450)**	**9,506**	**948**	**151,929**
Total directly attributable assets (b)	1,918,841	619,525	361,568	94,253	22,339	3,016,526
Total directly attributable liabilities (b)	1,519,167	320,974	270,093	17,104	11,555	2,138,893
Investment in tangible fixed assets	84,321	6,625	719	309	278	92,252
Investimenti in intangible fixed assets	1,389	-	196	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 lives (Impairment test)

The Group carries out impairment tests each year (at 31 December) and when circumstances indicate the possibility of a reduction of the recoverable amount of goodwill. The impairment test on goodwill and intangible assets with indefinite useful lives is based on the calculation of value in use. The variables used to determine the recoverable amount of the various cash-generating units (CGU) have been presented in the consolidated financial statements at 31 December 2016.

In reviewing its indicators of impairment, the Group takes into account, among other factors, the ratio of its market capitalisation to the carrying amount of its equity. At 30 September 2017, the Group's market capitalisation was higher than the carrying amount of its net assets, thus indicating the absence of a potential loss in value of reported tangible and intangible assets. With specific reference to recognised goodwill, updates of the scenario analyses carried out on the reference CGUs has not highlighted any impairment indicators. Consequently, the directors have not carried out an impairment test at 30 September 2017 for the assets mentioned above.

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:

Cash and cash equivalents	30/09/2017	31/12/2016	Change
Bank and postal deposits	330,342	357,542	(27,200)
Cash	1,851	1,633	218
Total	**332,193**	**359,175**	**(26,982)**

Bank deposits are mainly attributable to Saras SpA (EUR 230,990 thousand), Sarlux Srl (EUR 2,892 thousand), Sardeolica Srl (EUR 5,278 thousand) and Saras Trading S.A. (EUR 47,494 thousand). For further details on the company's net debt position, reference is made to the relevant section of the Report on Operations or the cash flow statement.

5.1.2 Other financial assets
The table below shows the breakdown of other financial assets:

Current financial assets	30/09/2017	31/12/2016	Change
Bonds	482	482	0
Current financial derivatives	103,555	37,041	66,514
Deposits to secure derivatives	65,802	83,125	(17,323)
Other assets	4,366	14	4,352
Total	**174,205**	**120,662**	**53,543**

The item "Derivative financial instruments" comprises both the positive fair value of existing instruments at the period-end date and the positive differentials realised and not yet received.

The item "Derivative guarantee deposits" includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee positions open as of 30 September 2017.

5.1.3 Trade receivables
The trade receivables amount to EUR 284,800 thousand, with an increase on the comparable amount on 31 December 2016, or EUR 138,821 thousand.

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

Inventories	30/09/2017	31/12/2016	Change
Raw materials, supplies and consumables	253,365	165,755	87,610
Unfinished products and semi-finished products	54,631	59,961	(5,330)
Finished products and goods	343,537	303,308	40,229
Spare parts and raw materials, supplies	94,142	92,870	1,272
Total	**745,675**	**621,894**	**123,781**

The increase in the value of oil inventories is mainly due to the increase in stored quantities.
The recording of inventories at net realisable value did not lead to a write-down of inventories.
The carrying amount of inventories does not differ from their market value.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

This item totalled EUR 41,173 thousand, an increase of EUR 4,771 thousand compared with the previous year.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/09/2017	31/12/2016	Change
Accrued income	675	216	459
Pre-paid expenses	12,241	8,253	3,988
Other short-term receivables	118,438	118,976	(538)
Total	**131,354**	**127,445**	**3,909**

Deferred charges mainly relate to insurance premiums.

'Other receivables' mainly comprise:
- receivable of EUR 11,827 thousand owed to the Sarlux Srl subsidiary by the Equalisation Fund for the Electricity Sector for the recognition, under Title II, paragraph 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 2017;
- recovery of the amount paid by the subsidiary Sarlux Srl to GSE of EUR 28,744 thousand, as described in section 7.1 in relation to Green Certificates;
-white certificates for EUR 41,941 thousand for energy savings made by the Sarroch refinery (EUR 38,747 thousand in 2016); for more details, reference is made to section 7.1;
- 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 2014, has requested the classification for 2015 and thinks that it has the necessary requirements to obtain this classification for 2016 and 2017 as well.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	30/09/2017
Land and buildings	223,817	41	(5)	0	3,050	226,903
Plant and machinery	3,097,838	19,994	(5,773)	0	79,304	3,191,363
Ind. and comm. equipment	29,216	157	(146)	0	237	29,464
Other goods	538,938	260	(1,725)	0	36,106	573,579
Tangible fixed assets under construction	135,564	117,449	0	0	(120,343)	132,670
Total	**4,025,373**	**137,901**	**(7,649)**	**0**	**(1,646)**	**4,153,979**

Depreciation Fund	31/12/2016	Provisions	Use	Write-downs	Other changes	30/09/2017
Land and buildings fund	117,192	4,674	0	0	(84)	121,782
Plant and machinery fund	2,476,327	114,790	(1,466)	0	(3,674)	2,585,977
Ind. and comm. equipment fund	24,922	933	(113)	0	0	25,742
Other goods	442,669	13,562	(1,678)	0	0	454,553
Total	**3,061,110**	**133,959**	**(3,257)**	**0**	**(3,758)**	**3,188,054**

Net Value	31/12/2016	Increases	Decreases	Provisions	Write-downs	Other changes	30/09/2017
Land and buildings	106,626	41	(5)	(4,674)	0	3,133	105,121
Plant and machinery	621,510	19,994	(11,077)	(118,628)	0	93,587	605,386
Ind. and comm. Equipment	4,294	157	(259)	(933)	0	463	3,722
Other goods	96,269	260	(3,403)	(13,746)	0	39,830	119,026
Tangible fixed assets under construction	135,564	117,449	2,174	0	0	(122,517)	132,670
Total	**964,263**	**137,901**	**(12,570)**	**(137,981)**	**0**	**14,496**	**965,925**

The item "Land and buildings" chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 61,877 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 3,018 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 di Arcola Srl).

The item "Assets under construction 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 137,901 thousand, mainly reflecting technological work on refinery plants.

The main depreciation rates used are as follows:

	I.G.C.C. plant	Other Assets (annual rates)
Industrial buildings (land and buildings)	until 2020	5.50%
Generic plant (plant and machinery)	until 2020	8.38%
Highly corrosive plant (plant and machinery)	until 2020	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric plant (plant and machinery)	until 2020	
Wind farm (plant and machinery)		10.00%
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 period under review, Sarlux Srl has formally started activities aimed to obtain 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 of 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 has released a provisional 10-year renewal, pending the definitive deed.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	30/09/2017
Industrial patent and original work rights	43,789	380	109	0	1	44,279
Concessions, licences, trademarks and similar rights	48,829	0	0	0	1,308	50,137
Goodwill and intangible assets with indefinite life	21,909	0	0	0	(389)	21,520
Other intangible assets	527,856	0	(543)	0	2,689	530,002
Intangible assets under construction	2,334	1	(1,817)	0	(1)	517
Total	**644,717**	**381**	**(2,251)**	**0**	**3,608**	**646,455**

Depreciation Fund	31/12/2016	Provisions	Use	Write-downs	Other changes	30/09/2017
Industrial patent and original work rights	40,361	725	0	0	1	41,087
Concessions, licences, trademarks and similar rights	21,278	772	0	0	1,919	23,969
Goodwill and intangible assets with indefinite life	0	0	0	0	(293)	(293)
Other intangible assets	388,184	23,527	0	0	2,773	414,484
Total	**449,823**	**25,024**	**0**	**0**	**4,400**	**479,247**

Net Value	31/12/2016	Increases	Decreases	Provisions	Write-downs	Other changes	30/09/2017
Industrial patent and original work rights	3,427	380	109	(725)	0	1	3,192
Concessions, licences, trademarks and similar rights	27,551	0	0	(772)	0	(611)	26,168
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,813
Other intangible assets	139,673	0	(543)	(24,320)	0	(85)	115,518
Intangible assets under construction	2,334	1	(1,817)	0	0	(1)	517
Total	**194,894**	**381**	**(2,251)**	**(25,817)**	**0**	**(611)**	**167,208**

Amortisation of intangible assets totalled EUR 25,817 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 and into 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 by the projection of future cash flows expected to be generated by Sardeolica Srl until 2035, when its concessions expire.

Other intangible assets

This item mainly includes the value of the long-term contract, of EUR 97.5 million, for the supply of electricity under the CIP6 regime signed by the subsidiary Sarlux Srl and Gestore dei Servizi Elettrici SpA (hereafter, GSE). This contract, which expires in 2020, was measured according to the criteria of IAS 36 and, on 31 December 2016, an independent appraiser confirmed its carrying amount; the analyses performed do not show any significant changes to the main assumptions underlying the independent valuation.

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

Other investments	30/09/2017	31/12/2016	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	**502**	**502**	**0**

5.2.4 Deferred tax assets

The balance at 30 September 2017, of EUR 24,607 thousand, is mainly made up of prepaid net taxes of the subsidiary Sarlux Srl set against straight line reported revenues – as per IAS 17 and IFRIC 4 - of the excess and accelerated depreciation and of the value of the GSE contract.
The variation, with respect to the comparison period, mainly refers to the use of IRES tax assets arising from losses in previous financial years and the release of deferred tax assets arising from temporary differences.

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 2017, the balance was EUR 5,140 thousand (EUR 5,750 thousand in the previous year) and was mainly represented by the long-term portion 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.

Short-term financial liabilities	30/09/2017	31/12/2016	Change
Current bank loans	18,370	15,525	2,845
Bank current accounts	3,951	38,644	(34,693)
Financial derivatives	128,930	71,783	57,147
Other short-term financial liabilities	81,382	77,425	3,957
Total	**232,633**	**203,377**	**29,256**

The item "Current bank loans" includes the short-term portions of bank loans obtained by the Group, which are measured with the amortised cost method. The terms and conditions of the loans and bonds are explained in the note "5.4.1 - Long-term financial liabilities" below.

The item "Bank current accounts" include the balance of credit lines used by the Group in the carrying of normal business activities.

“Derivative instruments” includes the negative fair value of the derivatives outstanding at 30 September 2017.

The item "Other short-term financial liabilities" essentially includes receipts related to receivables sold with non-recourse factoring transactions without notification, received from customers and not yet paid to the factors.

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	**30/09/2017**	**31/12/2016**	**Change**
Customers advances account	2,869	1,102	1,767
Payables to current suppliers	965,534	1,043,777	(78,243)
Total	**968,403**	**1,044,879**	**(76,476)**

The balance of “Supplier Payables” includes payables for crude oil purchased in 2012 from Iran, the payment of which, initiated in the previous year, was completed during the current financial year.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	**30/09/2017**	**31/12/2016**	**Change**
Payables for VAT	40,488	25,653	14,835
IRES payables (and income tax foreign firms)	34,958	207	34,751
IRAP payables	0	9,876	(9,876)
Other tax payables	124,246	67,076	57,170
Total	**199,692**	**102,812**	**96,880**

The change in “VAT payables” is due to the tax advance payment made, by law, by the Italian companies in December 2016 but not recurring during the year.
The variation for IRES payables relates to residual taxable amounts for this period, after offsetting previous losses, while the variation in “IRAP payables” relates to the taxable amounts of the Italian companies for the period.
The item “Other tax payables” mainly includes payables for excise duties on products released for consumption by the parent company, Saras SpA (EUR 115,341 thousand), and the subsidiary Saras Energia S.A.U. (EUR 4,663 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:

Other current liabilities	**30/09/2017**	**31/12/2016**	**Change**
Payables employee benefit and social security institutions	9,335	10,733	(1,398)
Payables due to employees	24,838	20,148	4,690
Payables due to others	25,294	25,108	186
Accrued liabilities	1,800	1,213	587
Deferred liabilities	15,429	14,971	458
Total	**76,696**	**72,173**	**4,523**

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 "Other payables" mainly refers to liabilities for port taxes previously determined by the Customs Authority in respect of the Parent Company, for the period 2005-2007. The appeal filed with the Provincial Tax Commission has seen the Company lose. A hearing should now 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:

Long-term financial liabilities	30/09/2017	31/12/2016	Change
Non-current bank loans	168,817	183,438	(14,621)
Total	**168,817**	**183,438**	**(14,621)**

This item includes medium/long term portions of bank loans obtained by the Parent Company and renegotiated in the course of the previous year, summarised as follows:

Values expressed in millions of euro	Commencement of the payable	Original amount of the payable	Base rate	Residual at 31/12/2016	Residual at 30/09/2017	Maturities			Mortgage Guarantee
						1 year	beyond 1 year to 5	beyond 5 years	
Saras SpA									
Pool financing	October 2016	150	Euribor 6 m	148.7	119.1	18.4	119.1		
Pool financing	October 2016	50	Euribor 6 m	49.7	49.7		49.7		
Total liabilities to banks for loans				**198.4**	**168.8**	**18.4**	**168.8**		

The loans of EUR 150 million and EUR 50 million, taken out by Saras SpA, are subject to:

- financial covenants (involving compliance with the following ratios: Net debt/EBITDA <3.5 and net debt/shareholders' equity <1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months) at 31 December each year; and
- other restrictions, mainly in relation to the company's ownership structure, involving the prohibition to change business activities, to reduce its share capital, to sell the majority of its significant shareholdings or to sell a significant portion of its non-current assets;

If the company fails to comply with these covenants and restrictions, the syndicate of lending banks has the right to accelerate the repayment of the loan.

On the last verification date, the financial covenants were compliant.

5.4.2 Provisions

Provisions break down as follows.

Funds for risks and charges	31/12/2016	Provisions	Use	Other changes	30/09/2017	Change
Plant dismantling fund	19,052	0	(14)	0	19,038	(14)
Charges for CO2 quotas fund	37,877	19,127	(25,659)		31,345	(6,532)
Other funds for risks and charges	45,526	15,192	(9,796)		50,922	5,396
Total	**102,455**	**34,319**	**(35,469)**	**0**	**101,305**	**(1,150)**

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

The provision for CO_2 allowances, entered for EUR 31,345 thousand, stems from the existence of quantitative limits on CO_2 emissions of the plants pursuant to Legislative Decree No. 216 of 4 April 2006; exceeding these limits implies the obligation to purchase, on the specific market, allowances which represent the quantities of excess CO_2. The provisions in question reflect allowances required and not yet purchased.

The item "Other provisions" mainly relates to provisions made to cover probable legal and tax liabilities (including those described at point 7.1), 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.

5.4.3 Post-employment benefits

The following table shows the changes in "Employee severance payments":

31/12/2016	**10,541**
Provision part for defined contributions	4,757
Uses	(4,249)
30/09/2017	**11,049**

Employee severance 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.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,979 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/09/2017	31/12/2016	Change
Deferred income straight-line reporting Sarlux / Gse	167,933	245,946	(78,013)
Other payables	1,314	1,317	(3)
Total	**169,247**	**247,263**	**(78,016)**

The change compared with 31 December 2016 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux Srl. The item in question relates to the application of IFRIC 4 to the accounting of the agreement for the sale of energy between Sarlux S.r.l. and G.S.E. (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 Equity

Equity comprises the following:

Shareholders' equity	30/09/2017	31/12/2016	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	764,983	660,841	104,142
Net profit (loss) for the period	109,422	196,330	(86,908)
Total	**939,961**	**922,727**	**17,234**

Share capital
On 30 June 2017, the share capital of EUR 54,630 thousand, fully subscribed and paid up, was represented by 951,000,000 ordinary shares without 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 764,983 thousand, a net increase of EUR 104,142 thousand on the comparable period. The net decrease was the combined result of:

- allocation of profit of the prior fiscal year (net profit of EUR 196,330 thousand);
- dividend distribution, EUR 93,601 thousand;
- effect of translation of foreign currency financial statements of foreign subsidiaries, EUR 76 thousand;
- an increase of EUR 1,489 thousand relating to the establishment of a reserve for the allocation of bonus shares to management under the companies' share-based payment plans.

Pursuant to IAS 1, sections 1 and 97, it is worthy of note that no changes in equity were made with owners of the company's shares.

Net Result
The consolidated net profit for the period amounted to EUR 109,422 thousand.

Dividends
On 20 April 2017, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31 December 2016, resolved to pay a dividend of EUR 0.10 for each of the 936,010,146 ordinary shares outstanding, for a total of EUR 93,601 thousand, out of profit for fiscal year 2016.
These dividends were fully paid during May 2017.

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:

Revenues from ordinary operations	30/09/2017	30/09/2016	Change
Revenue from sales and services	5,234,875	4,341,087	893,788
Sale of electricity	340,392	321,344	19,048
Other remuneration	9,265	8,883	382
Change to work in progress made-to-order	534	793	(259)
Total	**5,585,066**	**4,672,107**	**912,959**

The sales and service revenues increased by EUR 893,788 thousand, mainly because of the prices of petroleum products.

Revenues from the sale of electricity essentially comprise those relating to the gasification plant of the subsidiary Sarlux S.r.l. These revenues include the effect of 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. These 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 the item “Other income”:

Other operating revenues	30/09/2017	30/09/2016	Change
Compensation for storage of mandatory stocks	2,939	2,370	569
Sale various materials	372	409	(37)
Grants	13,181	15	13,166
Chartering of tankers	10	1,810	(1,800)
Recovery for claims and compensation	229	409	(180)
CO2 charges reimbursement	11,733	12,267	(534)
Other revenue	44,709	65,107	(20,398)
Total	**73,173**	**82,387**	**(9,214)**

The item "Contributions" primarily includes revenues related to the incentive-based tariff awarded to the subsidiary Sardeolica Srl for the production of electricity from renewable sources, which replaced the reimbursement of green certificates the subsidiary had benefited from in previous periods. This item was included in the “sale of electricity” item in the previous period.

The item “Reimbursement of emissions trading charges” comprises revenues 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 item "Other revenues" mainly includes income relating to energy efficiency certificates accrued during the period, as well as services provided by the subsidiary Sarlux Srl on the Sarroch site to leading operators in the oil sector for EUR 9,097 thousand.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

Purchases of raw materials, replacement parts and consumables	30/09/2017	30/09/2016	Change
Purchase of raw materials	2,867,028	2,721,350	145,678
Purchase semi-finished products	153,579	201,257	(47,678)
Purchase supplies and consumables	50,164	52,670	(2,506)
Increase tangible fixed assets	(3,576)	(1,399)	(2,177)
Purchase finished products	1,835,713	955,182	880,531
Change in inventories	(123,620)	(104,811)	(18,809)
Total	**4,779,288**	**3,824,249**	**955,039**

Costs for the purchase of raw materials, replacement parts and consumables increased by EUR 955,039 thousand compared to the same period during the previous year, mainly due to crude oil and petroleum product prices.

6.2.2 Service and sundry costs

Cost of services and sundry costs	30/09/2017	30/09/2016	Change
Costs for services	446,262	363,242	83,020
Capitalisations	(17,913)	(16,240)	(1,673)
Costs for use of third-party goods	9,786	9,073	713
Provision for risks	15,262	18,293	(3,031)
Other operating charges	10,261	14,347	(4,086)
Total	**463,658**	**388,715**	**74,943**

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well bank charges. The increase, of EUR 83,020 thousand, compared to the first nine months of the previous year, is due mainly to a particularly demanding maintenance cycle implemented at the gasification combined cycle plant of the subsidiary Sarlux Srl.

The item "Rent, leasing and similar costs" includes costs incurred by the Parent Company and the subsidiary Sarlux Srl (for the lease of its offices in Milan, the state concession at the Sarroch site and the leasing of equipment) and by the subsidiary Saras Energia S.A.U. for leases of the network of distributors.

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

6.2.3 Personnel costs

"Personnel costs" break down as follows:

Personnel costs	30/09/2017	30/09/2016	Change
Salaries and wages	82,229	78,577	3,652
Increases in assets for internal work	(4,123)	(3,516)	(607)
Social security charges	24,209	24,373	(164)
Employee end-of-service payments	4,757	4,741	16
Other costs	2,734	3,383	(649)
Remuneration to the Board of Directors	2,404	3,291	(887)
Total	**112,210**	**110,849**	**1,361**

The cost of personnel, in consideration of the substantial stability of the Group's average workforce, is in line with the first nine months of the previous year.

6.2.4 Depreciation, amortisation and impairments

Depreciation and amortisation figures are shown below.

Purchases of raw materials, replacement parts and consumables	30/09/2017	30/09/2016	Change
Depreciation of intangible fixed assets	25,817	25,664	153
Depreciation of tangible fixed assets	137,981	144,424	(6,443)
Total	**163,798**	**170,088**	**153**

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

Financial income	30/09/2017	30/09/2016	Change
Bank interest income	54	617	(563)
Unrealised differentials on fin. derivatives	78,238	16,320	61,918
Realised differentials on fin. Derivatives	57,146	17,287	39,859
Other income	(191)	586	(777)
Profit on exchange rates	80,267	36,828	43,439
Total	**215,514**	**71,638**	**143,876**
Financial charges	**30/09/2017**	**30/09/2016**	**Change**
Unrealised differentials on fin. derivatives	(68,917)	(27,672)	(41,245)
Realised differentials on fin. Derivatives	(41,510)	(24,563)	(16,947)
Interest expenses on loans and other financial charges	(8,342)	(24,258)	15,916
Other	(11,643)	0	(11,643)
Exchange rate losses	(64,367)	(38,356)	(26,011)
Total	**(194,779)**	**(114,849)**	**(75,585)**

The table below shows net income/charges by type:

Financial income and Financial charges	30/09/2017	30/09/2016	Change
Net interest	(8,288)	(23,641)	15,353
Result of derivative instruments, of which:	24,957	(18,628)	43,585
Realised	15,636	(7,276)	22,912
Fair value of the open positions	9,321	(11,362)	20,683
Net exchange rate differences	15,900	(1,528)	17,428
Other	(11,834)	586	(12,420)
Total	**20,735**	**(43,211)**	**63,946**

The fair value of derivative instruments held at 30 September 2017 reflected a net gain of EUR 24,957 thousand (compared with a net cost of EUR 18,628 thousand during the same period of the previous year), essentially due to commodity market prices.

The item “Other financial expenses” includes the provision of EUR 11,643 thousand, implemented in the period relating to interest payments required by counterparties on past supplies and which are currently in the process of negotiation.

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

6.4 Income tax

Income tax totals EUR 50,598 thousand and includes:

- current IRAP and IRES taxes calculated on the company’s consolidated taxable profit net of total IRES loss carryforwards still available;
- deferred tax assets and liabilities for the period, which arise from the difference between IRES tax assets and the reversal of deferred tax assets arising on temporary differences between book value and tax basis.

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.

The Group Companies are involved in legal disputes filed by different plaintiffs for various reasons. Although there are some difficulties in predicting the relative outcomes, it is considered that the likelihood of liabilities is remote and therefore no provisions were set aside in these financial statements.

Although the decisions made by the tax courts were contradictory with regard to the alleged violations, the company assumes that probability of any liability is remote; where instead the liability was deemed probable, appropriate provisions were made.

Moreover, with reference to the subsidiary Sarlux Srl, there are ongoing disputes regarding the non-recognition of the IGCC plant's qualification as a cogeneration plant and the consequent alleged obligation to buy "green certificates"; companies generating electricity not deriving from renewable sources or cogeneration (as defined by Legislative Decree 79/99 and AEEG Resolution 42/02) are required to purchase green certificates for a certain percentage of electricity fed into the grid.
Specifically:

i) Production 2009. 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 production 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";

ii) 2011 and subsequent production. 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 totalling EUR 76.0 million and immediately submitted a claim for a refund to the AEEG, obtaining EUR 11.7 million for the production relative to 2011, EUR 15.1 million for 2012, EUR 14.6 million for 2013 and EUR 7.5 million for 2014. The appeal to the Regional Administrative Court relative to the 2012 production, 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 argues 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.

Furthermore, the subsidiary Sarlux has implemented investments over the last few years on the production site of Sarroch which, on the basis of current legislation, have given rise to energy savings for which the same subsidiary has received or is expecting to receive energy efficiency certificates (TEE, or white certificates).
In the course of the last financial year GSE has initiated a preliminary investigation with all operators in the sector benefiting from such certificates aimed at verifying the existence of the prerequisites provided for by the legislation for the recognition of the same.
In the course of the first half of 2017 GSE issued some measures to the subsidiary Sarlux, contesting both the certificates assigned in the past and those not yet assigned with regard to some projects.
Faced with such measures, the subsidiary, with external legal support, has undertaken some preliminary actions and has made specific prudential provisions for the amount estimated to cover the risk associated with such disputes.

7.2 Related-party transactions

The transactions carried out by Saras Group with related parties mainly concern the sale of goods, the provision of services and arrangements of a financial nature. During the period there have been no new types of transactions with related parties.