

Saras Group  
Interim Financial  
Report as of  
30th September 2018



# Table of contents

<b>Statutory and Control Bodies</b>	<b>3</b>
<b>Group Activities</b>	<b>4</b>
<b>Structure of the Saras Group</b>	<b>5</b>
<b>Saras Stock Performance</b>	<b>6</b>
<b>REPORT ON OPERATIONS</b>	<b>7</b>
<b>Non Gaap measure – Alternative performance indicator</b>	<b>7</b>
<b>Key financial and operational Group Results</b>	<b>7</b>
<b>Oil Market and Refining Margins</b>	<b>10</b>
<b>Segment Review</b>	<b>13</b>
<b>Refining</b>	<b>13</b>
<b>Marketing</b>	<b>16</b>
<b>Power Generation</b>	<b>17</b>
<b>Wind</b>	<b>18</b>
<b>Other Activities</b>	<b>19</b>
<b>Strategy and Outlook</b>	<b>20</b>
<b>Investments by business Segment</b>	<b>21</b>
<b>Risk Analysis</b>	<b>22</b>
<b>Main events after the end of the First Nine Months of 2018</b>	<b>24</b>
<b>Other Information</b>	<b>24</b>
<b>INTERIM CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>25</b>
<b>Explanatory Notes To The Consolidated Financial Statements</b>	<b>29</b>

# Statutory and Control Bodies

## BOARD OF DIRECTORS

MASSIMO MORATTI	Chairman and Director
DARIO SCAFFARDI	Chief Executive Officer, General Manager and Director
ANGELO MORATTI	Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
GIOVANNI MORATTI	Director
GILBERTO CALLERA	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director
FRANCESCA LUCHI	Independent Director
LEONARDO SENNI	Independent Director

## BOARD OF STATUTORY AUDITORS

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

## EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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## 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 Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (10.4 on the Nelson Index <sup>(\*)</sup>). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl, and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity. To best exploit these extraordinary resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This context also includes the subsidiary Saras Trading SA, incorporated in Geneva in September 2015, which deals with acquiring crude and other raw materials for the Group's refinery, selling its refined products, and also performing trading activities, acting in one of the main markets for trading oil commodities.

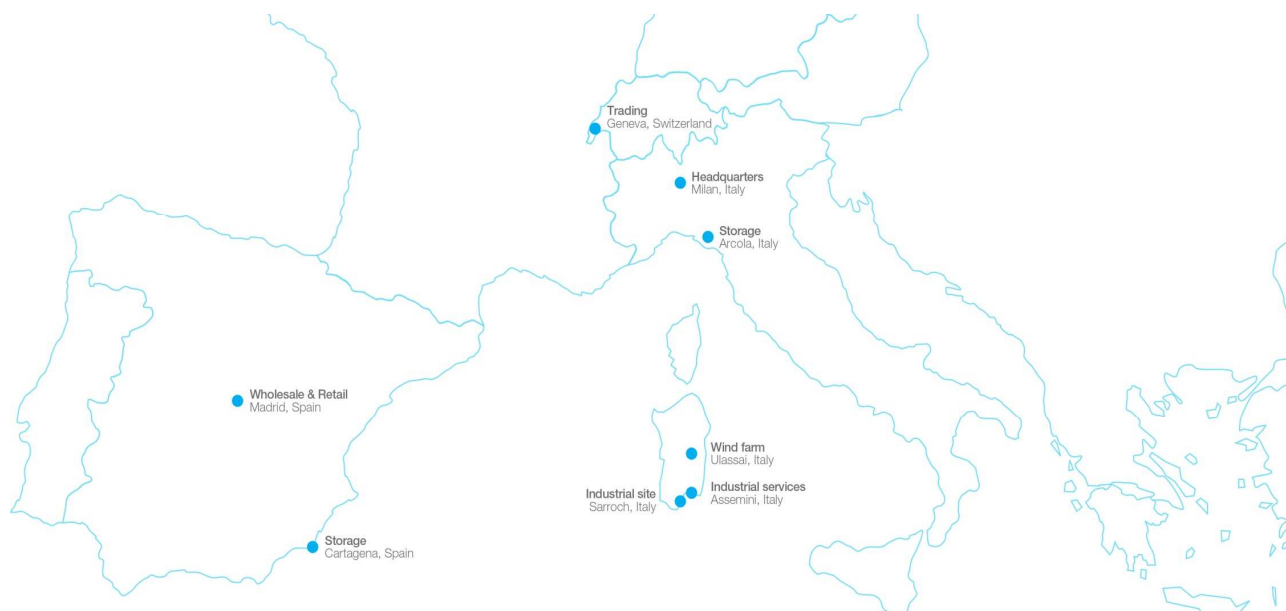
The Group sells and distributes oil products directly, and through its subsidiaries, such as diesel, gasoline, diesel fuel for heating, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and non-European countries. In particular, in 2017 approximately 2.17 million tonnes of petroleum products were sold in Italy on the wholesale market, and a further 1.48 million tonnes were sold on the Spanish market through its subsidiary Saras Energia SAU, active both on the wholesale and retail channels.

In the early 2000s, the Saras Group also undertook the task of producing and selling electricity by means of an IGCC plant (Integrated Gasification Combined Cycle), which has an installed power of 575 MW and is also managed by the subsidiary Sarlux Srl. The feedstock used by the IGCC plant is the heavy products of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to more than 45% of the electricity requirements in Sardinia.

In addition, the Group manufactures and sells electricity from renewable sources in Sardinia, via the Ulassai wind farm. The farm, operational since 2005, is managed by the subsidiary Sardeolica Srl and has an installed capacity of 96 MW.

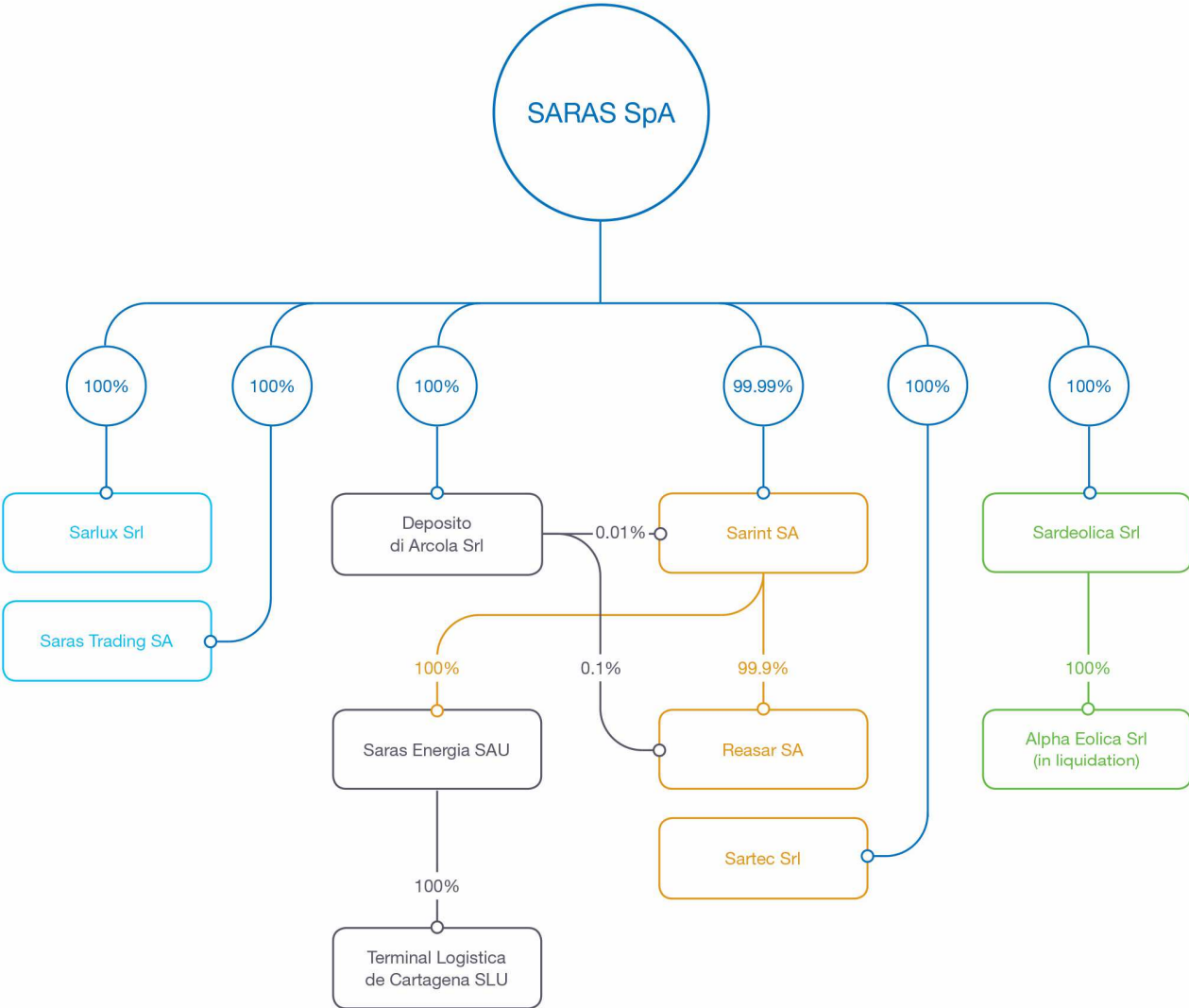
Lastly, the Group provides industrial engineering and research services to the petroleum, energy and environment industries, via its subsidiary Sartec Srl.

<sup>(\*)</sup> 11.7 including the IGCC plant



# 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 30/09/18.



# Saras Stock Performance

The following data relate to Saras' share prices and the daily volumes, traded during the nine months of 2018.

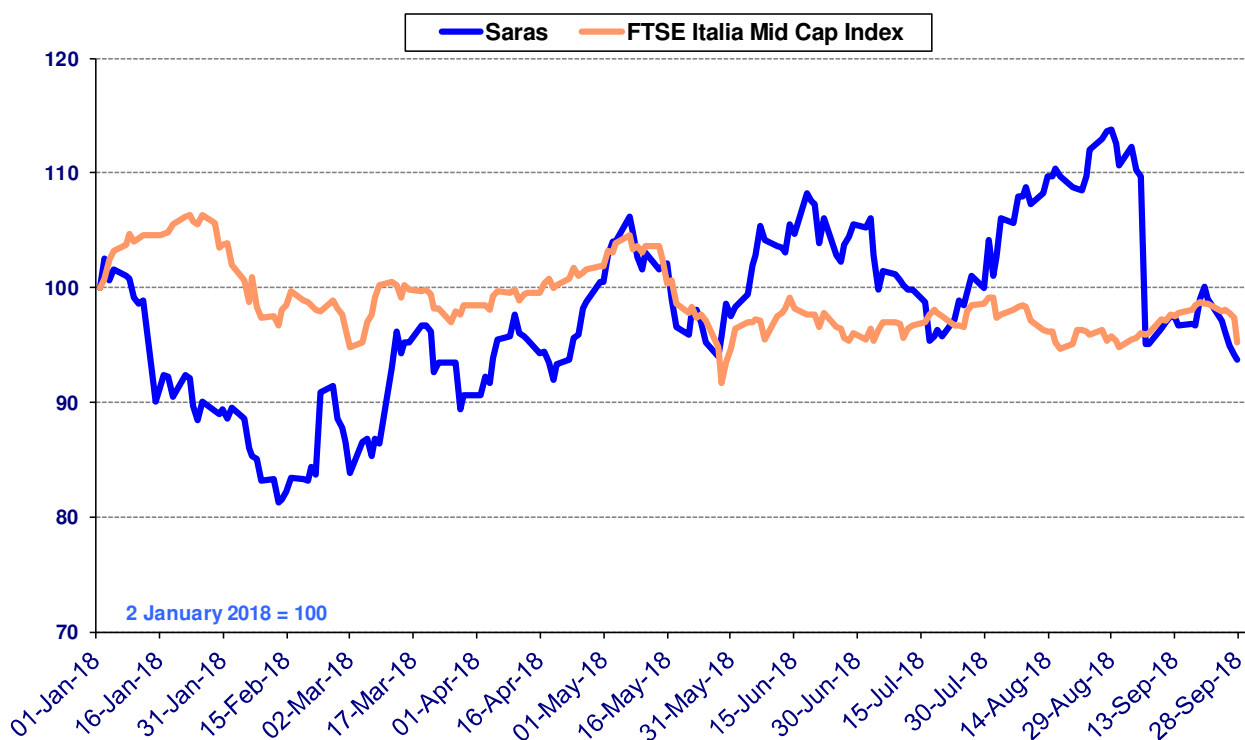
SHARE PRICE (EUR)	9M/18
Minimum price (13/02/2018)	1.598
Maximum price (29/08/2018)	2.238
Average price	1.923
Closing price at the end of the first nine month of 2018 (28/09/2018)	1.843

DAILY TRADED VOLUMES	9M/18
Maximum traded volume in EUR million (06/09/2018)	56.9
Maximum traded volume in number of shares (million) (06/09/2018)	30.4
Minimum traded volume in EUR million (20/08/2018)	1.6
Minimum traded volume in number of shares (million) (20/08/2018)	0.8
Average traded volume in EUR million	7.5
Average traded volume in number of shares (million)	4.0

The Market capitalization at the end of the first nine months of 2018 was equal to approximately EUR 1,753 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 2018, 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 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.

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.

## Key financial and operational Group Results

EUR Million	9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
REVENUES	8,961	5,658	58%	3,370	1,729	95%
EBITDA	448.0	303.1	48%	176.6	161.8	9%
<i>Comparable EBITDA</i>	<i>272.8</i>	<i>412.6</i>	<i>-34%</i>	<i>122.4</i>	<i>160.1</i>	<i>-24%</i>
EBIT	318.8	139.3	129%	132.3	105.0	26%
<i>Comparable EBIT</i>	<i>143.6</i>	<i>248.9</i>	<i>-42%</i>	<i>78.1</i>	<i>103.8</i>	<i>-25%</i>
NET RESULT	154.1	109.4	41%	72.7	54.9	32%
<i>Comparable NET RESULT</i>	<i>59.0</i>	<i>161.6</i>	<i>-64%</i>	<i>44.1</i>	<i>51.7</i>	<i>-15%</i>

EUR Million	9M 2018	9M 2017	Q3/18	Q3/17
NET FINANCIAL POSITION	74	110	74	110
CAPEX	131	138	46	38

## Comments to First Nine Months of 2018 Group Results

**The Groups revenues in 9M/18 were EUR 8,961 million.** The difference compared to EUR 5,658 million in the first nine months of last year is due to the higher average oil prices and rising oil and products trading activity of the subsidiary Saras Trading SA. In particular, in 9M/18 the price of gasoline averaged at 684 \$/ton (compared to the average of 536 \$/ton in 9M/17), while the price of diesel averaged out to 639 \$/ton (compared to the average of 471 \$/ton in 9M/17). This increase in the prices resulted in higher revenues of approximately EUR 2,935 million in the Refining segment and approximately EUR 310 million in the Marketing segment. Finally, the revenues from the Power Generation segment were higher by approximately EUR 60 million compared to first nine months of last year also thanks to higher CIP6/92 tariff.

**The Group's reported EBITDA in 9M/18 was EUR 448.0 million,** well above the EUR 303.1 million in 9M/17. This difference was almost entirely attributable to the Refining segment that, even if operated in a less favourable market environment and achieved lower volumes compared to the same period last year, enjoyed a positive scenario effect inventories. On opposite, such effect was negative in 9M/17.

**The reported Group Net Result, equal to EUR 154.1 million,** compared to EUR 109.4 million in 9M/17, essentially due to the reason shown at EBITDA level. In 9M/18, amortisation and depreciation charges were lower (EUR 129.2 million as compared to EUR 163.8 million in 9M/17) following changes to the amortisation plan for the IGCC plant, which took place in Q4/17. On the opposite the financial charges (of EUR 12.2 million) were slightly higher than in the same period of last

year, and other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative by approximately EUR 90 million in 9M/18 compared to a positive amount of approximately EUR 29 million in 9M/17.

**The comparable Group EBITDA was EUR 272.8 million in 9M/18**, down from EUR 412.6 million achieved in 9M/17. This result was mainly due to the Refining segment which operated in a less favourable market scenario and achieved had lower runs, only partially offset by better results achieved in the Power and Marketing segments. **The comparable Group Net Result in 9M/18 was EUR 59.0 million**, versus EUR 161.6 million in 9M/17.

**Investments in 9M/18 were EUR 130.9 million** mainly focused on the Refining segment (EUR 115.9 million).

## Comments to Third Quarter 2018 Group Results

**The Groups revenues in Q3/18 were EUR 3,370 million** up 95% versus the EUR 1,729 million in the third quarter of last year as effect of higher average oil prices in the period and rising trading activity of the subsidiary Saras Trading SA. In Q3/18 the price of gasoline averaged at 713 \$/ton (compared to the average of 544 \$/ton in Q3/17), while the price of diesel averaged out to 669 \$/ton (compared to the average of 485 \$/ton in Q3/17). This increase in the prices resulted in higher revenues of approximately EUR 1,475 million in the Refining segment and approximately EUR 145 million in the Marketing segment. The revenues from the Power Generation segment were higher by approximately EUR 28 million compared to Q2/17 mainly thanks to higher CIP6/92 tariff.

**The Group's reported EBITDA in Q3/18 was EUR 176.6 million**, higher than the EUR 161.8 million in Q3/17 almost entirely due to the Refining segment. In fact, in the third quarter of 2018 the positive effect of the scenario on the inventory differences between the beginning and end of the period, due to the sharp rise in the Brent price, more than offset lower unitary refining margins compared to the same period of last year.

**The reported Group Net Result was equal to EUR 72.7 million**, compared to EUR 54.9 million in Q3/17, essentially due to the reason shown at EBITDA level. In Q3/18, amortisation and depreciation charges were lower (EUR 44.3 million as compared to EUR 56.8 million in Q3/17) following above mentioned changes to the amortisation plan for the IGCC which took place in Q4/17. The financial charges (of EUR 5.5 million) were slightly above the level of the same quarter last year. Finally other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative in both the periods under analysis and equal to approximately EUR -25 million in Q3/18 and EUR -26 million in Q3/17.

**The comparable Group EBITDA was EUR 122.4 million in Q3/18**, down from EUR 160.1 million in Q3/17. This result was mainly due to the Refining segment that operated in a favourable market scenario but achieved lower unitary margins due to higher Brent prices. During the summer, the refinery operated at full capacity delivering a good industrial performance while the runs in September were influenced by the shutdown of the distillation units as a consequence of a fire that affected some refinery service areas. **The comparable Group Net Result in Q3/18 was EUR 44.1 million**, down from EUR 51.7 million in the same quarter of last year.

**Investments in Q3/18 were EUR 45.9 million** mainly focused on the Refining segment (EUR 40.6 million).

The tables below present the details of the calculation of comparable EBITDA and comparable Net Result for the third quarter and first nine months of 2017 and 2018.

### Calculation of the Group comparable EBITDA

EUR Million	9M 2018	9M 2017	Q3/18	Q3/17
<b>Reported EBITDA</b>	448.0	303.1	176.6	161.8
Gain / (Losses) on Inventories	(160.6)	44.7	(47.4)	0.9
Hedging derivatives and net FOREX	(69.2)	44.6	(36.0)	(10.5)
Non-recurring items	54.6	20.2	29.2	7.8
<b>Comparable EBITDA</b>	<b>272.8</b>	<b>412.6</b>	<b>122.4</b>	<b>160.1</b>

In 9M/17, non recurring items mainly refer to a provision made 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.

In 9M/18 the non-recurring items refer to the change of the fair value of CO<sub>2</sub> hedging derivatives and to a provision related to CO<sub>2</sub> costs of past years.

It is worth noting that in 9M/18, thanks to the final allocations of energy efficiency certificates received from the GSE, the gains realized on the sales of the same (EUR 18.8 million of which EUR 7.0 million in Q3/18), were considered recurring by nature, relevance and frequency, and therefore, they contribute to the determination of Comparable results, being related to the recurring industrial activity.

### Calculation of the Group comparable Net Result



EUR Million	9M 2018	9M 2017	Q3/18	Q3/17
<b>Reported NET RESULT</b>	<b>154.1</b>	<b>109.4</b>	<b>72.7</b>	<b>54.9</b>
Gain & (Losses) on Inventories net of taxes	(115.8)	32.2	(34.2)	0.9
Derivatives related to future deals	1.0	0.2	(3.0)	(4.1)
Non-recurring items net of taxes	19.7	19.8	8.7	0.0
<b>Comparable NET RESULT</b>	<b>59.0</b>	<b>161.6</b>	<b>44.1</b>	<b>51.7</b>

In 9M/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.

In 9M/18, the non-recurring items refer to the above mentioned provision net of taxes and to interest charges following the outcome of a litigation on past port taxes.

## Net Financial Position

The Net Financial Position as at 30<sup>th</sup> September 2018 was positive by EUR 74 million, compared to the positive amount of EUR 87 million as at 31 December 2017. The cash flow generated by operations was absorbed by the investments, the dividend payment on May 2018 and the inventories increase.

EUR Million	30-Sep-18	31-Dec-17
Medium/long-term bank loans	(58)	(59)
Bonds	(199)	(198)
Other medium/long-term financial liabilities	0	0
Other medium/long-term financial assets	7	8
<b>Medium-long-term net financial position</b>	<b>(249)</b>	<b>(249)</b>
Short term loans	(2)	(0)
Banks overdrafts	(29)	(4)
Other short term financial liabilities	(23)	(125)
Fair value on derivatives and realized net differentials	(4)	2
Other financial assets	70	43
Cash and Cash Equivalents	310	422
<b>Short-term net financial position</b>	<b>323</b>	<b>337</b>
<b>Total net financial position</b>	<b>74</b>	<b>87</b>

# 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 <sup>(1)</sup>	Q1/17	Q2/17	Q3/17	9M/17	Q1/18	Q2/18	Q3/18	9M/18
<b>Crude oil price and differential (\$/bl)</b>								
Brent Dated (FOB Med)	53.7	49.6	52.1	51.8	66.8	74.4	75.2	72.2
Urals (CIF Med)	52.5	48.9	51.0	50.8	65.2	72.8	74.4	70.9
"Heavy-light" price differential	-1.2	-0.8	-1.1	-1.0	-1.6	-1.6	-0.8	-1.3
<b>Crack spreads for refined oil products (\$/bl)</b>								
ULSD crack spread	10.3	10.6	13.0	11.3	12.1	13.7	14.4	13.4
Gasoline 10ppm crack spread	11.3	12.5	13.1	12.3	8.7	10.3	10.2	9.7
<b>Reference margin (\$/bl)</b>								
EMC Benchmark	+3.3	+3.8	+4.6	+3.9	+1.7	+2.2	+2.4	+2.1

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

## **Crude oil prices:**

The first quarter of 2018 opened with crude oil at around 67 \$/bl. The strengthening phase which had begun in the latter months of 2017 continued and was due to a series of concurrent factors including the agreement to extend the production cuts to all of 2018, which was reached in Vienna at the end of November by the OPEC producers and other major producers (Russia, in particular), the drop in inventories worldwide, the geopolitical tensions and finally growth in demand. Brent surpassed 70 \$/bl to then weaken from mid-February mainly on account of the continuous increases in US production (tight oil), as well as in Canada and Brazil. The quarter closed at 67.3 \$/bl, with the average settling at 66.8 \$/bl, up by over 13 \$/bl compared to the average in the same quarter last year.

In the second quarter of 2018, the reduction in production by OPEC countries and Russia reached record levels (about 50% more than the agreed cuts of 1.7 mbl/d) due to geopolitical tensions in Nigeria and Libya and the involuntary cuts of Venezuela and Mexico, which have been only partially offset by production increases in the United States, Canada, Brazil and Kazakhstan. Brent prices rose to over 80 \$/bl in mid-May, the highest level reached since 2014, also due to the US exit from the nuclear agreement with Iran. The possible response of increased volumes placed on the market by OPEC and non-OPEC countries, which was reflected in the Vienna meeting on 22 June during which it was decided to increase production by about 1 mbl/d, weighed on Brent price. The quarter closed at 77.9 \$/bl and the average was 74.4 \$/bl.

Brent prices followed a downward trend in July and August. The increases in production by Saudi Arabia, Russia and US helped to alleviate market fears and kept final consumer prices stable during the driving season. Starting from the second half of August the prices of the Brent rose again in the wake of a series of concomitant factors: the continuous decline of Venezuelan production, the approach of the November 4 date from which the United States sanctions against the Iran will have an effect and, finally, growing concern on the very thin crude spare capacity on a global level. The third quarter closed at 83.7 \$/bl and the average was 75.2 \$/bl.

## **Price differential between "heavy" and "light" crude oils ("Urals" VS. "Brent"):**

The first quarter of 2018 was characterised by the implementation of the previously announced production cuts which mainly affected the less expensive "heavy-sour" crude oil. However, the spread between "Ural" and "Brent" averaged at -1.6 \$/bl, increasing up to -3.0 \$/bl at the beginning of March. This dynamic was particularly affected by the drop in demand, following the planned shut downs for maintenance of the Russian and Asian refineries, and the increased competition from alternative crude oil (mainly Iraqi).

In April the "Ural" vs. "Brent" differential progressively widened to reach -3.5 \$/bl at the end of April, the highest level since April 2012. The strong discount supported exports to Asia. This dynamic, in conjunction with the end of the scheduled maintenance period and with fears of lower availability of heavy crude oil from Iran, greatly reduced the differential and brought it on a par with the Brent in early June. The average for the quarter was -1.6 \$/bl.

In the second half of July the Ural differential vs. Brent has gradually widened to about -2.0 \$/bl, mainly due to increases in production by Russia. Subsequently, the Ural strengthened against the Brent until it approached parity in the first days of September in the wake of the strong demand from the Chinese refineries. The average for the quarter was -0.8 \$/bl.

## **"Crack spreads" of the main refined products** (i.e. the difference between the value of the product and the cost oil)

In January and February 2018, the gasoline crack spread was rather weak and hit its lowest levels of the last few years due to accumulation of the product caused, among other things, by the increased processing required by the cold wave that hit the Northern hemisphere and the increase in the price of crude oil at a seasonally low period for demand. From the second half of March there was a marked recovery that coincided with the shift to summer specifications, closing the quarter at above 11 \$/bl. The average crack spread of gasoline was 8.7 \$/bl in Q1/18.

In April, the gasoline crack spread weakened again due to lower demand growth, driven largely by higher retail prices, and by high production levels, especially by US refineries. The latter in particular, due to the use of very light crude qualities, maximized their gasoline yields. In May the gasoline crack spread was supported in the seasonal increase in demand, however the above mentioned factors along with high inventory levels kept it on levels below recent years ones. The average in Q2/18 was 10.3 \$/bl.

The gasoline crack spread strengthened in the summer months until reaching its annual high in the first days of August (13.6 \$/bl on 3rd of August). This improvement was determined by the seasonal growth in demand, which allowed European refineries to export significant volumes to the United States also due to logistical problems that limited local supply. On the supply side, no significant climatic phenomena took place (compared to the same period of the previous year, during which margins had been supported by the stop of about 20% of the US refining capacity due to the hurricane that fell on the shores of the Gulf of Mexico), while some unplanned refinery stops took place in Germany and Brazil. Starting from the end of August, the sharp increase in the price of crude oil, coinciding with a slowdown in seasonal demand, penalized the crack spread of gasoline, which closed the quarter at 6 \$/bl. The average in Q3/18 was 10.2 \$/bl.

Turning now to middle distillates, in Q1/18 the crack spread of diesel remained stable at satisfactory levels, benefiting from strong demand for heating gasoil, driven by cold winter weather especially in the United States and a lower supply from South American refineries due to planned and extraordinary maintenance. The average crack spread of diesel was 12.1 \$/bl in Q1/18.

Also Q2/18 diesel demand was strong and higher than that of gasoline thanks to robust global economic growth. This dynamic along with rather low inventories levels and strong jet fuel request sustained the crack spread of diesel which posted an average of 13.7 \$/bl in Q2/18.

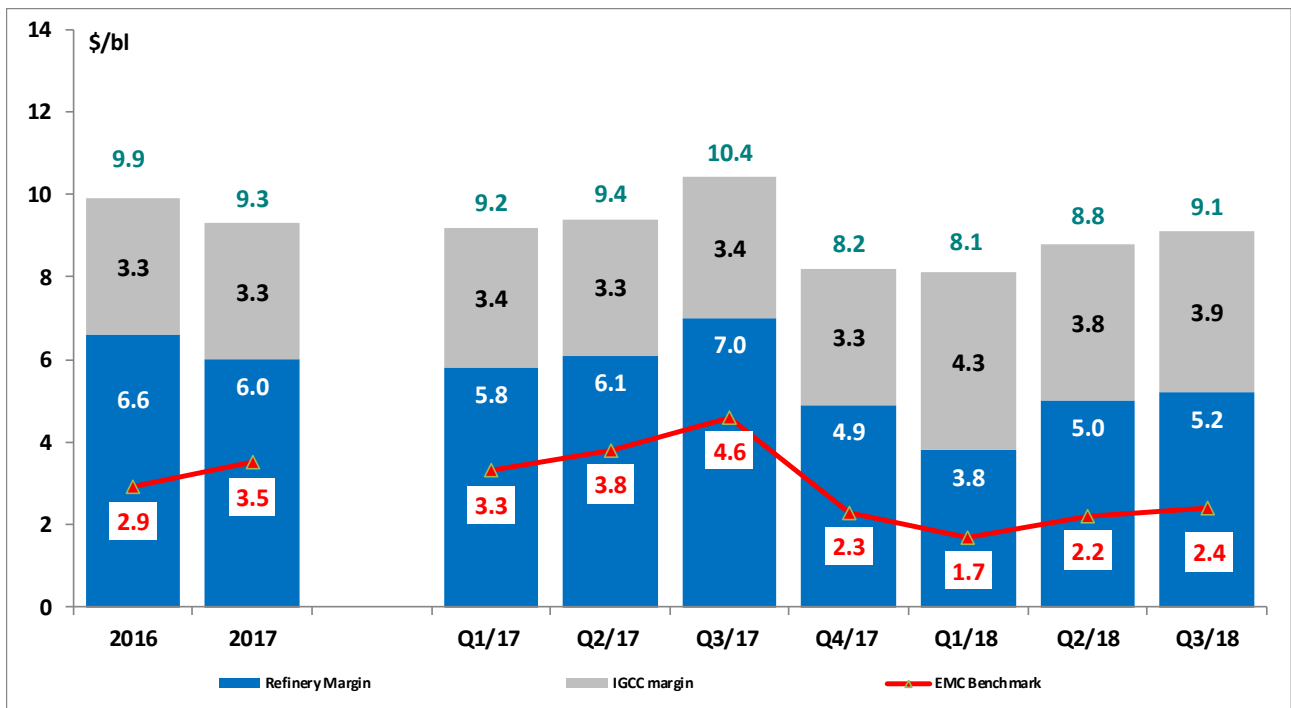
In the summer months, diesel showed a similar trend to that of gasoline and the crack spreads strengthened until August. Demand continued to be robust due to sustained global economic growth. In particular, the intense exploration activity in the Permian basin is supporting US demand. The rapid increase in the price of crude in September reduced the crack spread of diesel but to a lesser extent compared to gasoline and it started to rise towards the end of September in conjunction with the autumn maintenance period at global level. The average of the diesel crack spread was therefore equal to 14.4 \$/bl in Q3/18.

### **Refining Margin:**

As regards the analysis of the profitability of the refining sector, Saras traditionally uses the refinery margin calculated by EMC (Energy Market Consultants) as a reference for a medium complexity coastal refinery, located in the Mediterranean Basin, which processes a feedstock made up of 50% Brent and 50% Urals crude oils.

This reference margin (called the "EMC Benchmark") averaged 3.5 \$/bl in 2017. In detail, in the first quarter the EMC averaged 3.3 \$/bl and then strengthened to 3.8 \$/bl in the second quarter and to 4.6 \$/bl in the third quarter thanks to high gasoline and diesel crack spreads during the summer months driven both by structural factors, including strong global demand, and contingent factors (unplanned maintenance at some refineries). Finally, the margin averaged 2.3 \$/bl in the last quarter as a consequence of seasonal weakening of the gasoline and fuel oil cracks and the rapid rise in Brent. Such conditions, together with further strengthening of the price of crude oil, continued in the initial months of 2018 and the reference margin posted an average of 1.7 \$/bl in the first quarter. In the second quarter of 2018 some improvements in gasoline and diesel crack spreads led to an average EMC of 2.2 \$/bl and then further strengthened in Q3/18 averaging 2.4 \$/bl thanks to better crack spreads during the summer months.

As shown in the graph below, thanks to the flexibility and complexity of its plants, the Saras Group refinery achieved a higher refinery margin than the EMC Benchmark reference margin. However, the size of the Saras premium above the EMC Benchmark is variable and mainly depends on the specific market conditions, as well as the performance of industrial and commercial operations in each quarter.



**Refining Margin:** (comparable EBITDA Refining + Fixed Costs) / Refinery runs in the period

**IGCC Margin:** (EBITDA IGCC plant + Fixed Costs) / Refinery runs in the period

**EMC Benchmark:** margin calculated by EMC (Energy Market Consultants) with 50% Urals – 50% Brent crude oil slate

## Segment Review

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

## Refining

The Sarroch refinery (South-West of Cagliari) is one of the biggest in the Mediterranean in terms of production capacity and also in terms of the complexity of plants. Located in a strategic position in the centre of the Mediterranean, it has a production capacity of 15 million tons/year, which corresponds to approximately 17% of the total distillation capacity in Italy. The main operating and financial information is provided below.

EUR Million	9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
EBITDA	282.8	131.6	115%	121.2	103.4	17%
<b>Comparable EBITDA</b>	<b>80.4</b>	<b>236.4</b>	<b>-66%</b>	<b>50.5</b>	<b>96.7</b>	<b>-48%</b>
EBIT	200.4	46.9	327%	92.6	74.1	25%
<b>Comparable EBIT</b>	<b>(2.0)</b>	<b>151.8</b>	<b>-101%</b>	<b>21.9</b>	<b>67.4</b>	<b>-68%</b>
CAPEX	115.9	123.1		40.6	35.1	

## Margins and refinery runs

		9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
<b>REFINERY RUNS</b>	Tons (thousand)	9,882	10,524	-6%	3,354	3,608	-7%
	Barrels (million)	72.1	76.8	-6%	24.5	26.3	-7%
	Bl/day (thousand)	264	281	-6%	266	286	-7%
<b>COMPLEMENTARY FEEDSTOCK</b>	Tons (thousand)	965	1,028	-6%	388	354	10%
<b>EXCHANGE RATE</b>	EUR/USD	1.194	1.114	7%	1.163	1.175	-1%
<b>EMC BENCHMARK MARGIN</b>	\$/bl	2.1	3.9		2.4	4.6	
<b>SARAS REFINERY MARGIN</b>	\$/bl	4.7	6.3		5.2	7.0	

## Comments to First Nine months of 2018 Results

**Crude refinery runs during 9M/18 stood at 9.88 million tons** (72.1 million barrels, corresponding to 264 thousand barrels per day), down by 6% compared to 9M/17. Complementary feedstock amounted to 0.97 million tons compared to 1.03 in the first nine months of 2017. This dynamic is mainly due to a maintenance carried out and lower than expected operating performance (in Q2/18). The scheduled maintenance was completed in the first half of the year, while the third quarter was affected by the fire which, on the night of 18<sup>th</sup> September, involved a service area leading to the distillation unit that were temporarily shut down.

**The comparable EBITDA amounted to EUR 80.4 million** in 9M/18, with a Saras refinery margin of +4.7 \$/bl (as is usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 236.4 million and a Saras refinery margin of +6.3 \$/bl in 9M/17. As always, the comparison between the two quarters must take into account market conditions and the specific performance of the Saras Group, both from an operational and commercial perspective.

With regard to market conditions, the increase in crude oil prices in 9M/18 combined with other market factors resulted in a penalisation of approx. EUR 165 million compared to 9M/17 (also including the increase in the cost of "consumption and losses"). The weakening of the gasoline crack spread was more than offset by the strengthened diesel crack spread, with a positive net effect on the gross margin of approximately EUR 30 million, compared to 9M/17. The effect of the EUR/USD exchange rate (1 EUR was worth 1.1942 USD in 9M/18 and 1.1140 in 9M/17) reduced the value of production by approximately EUR 25 million.

With regard to operational performance, in 9M/18 production planning (which involves optimising the mix of the crude oils for processing, the management of semi-finished products, and the production of finished products, including those with special formulations) resulted in an EBITDA lower by approximately EUR 10 million compared to 9M/17, mainly due to a less advantageous crude oil mix available.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) resulted in an EBITDA essentially in line with 9M/17.

Commercial management (involving the supply of crude and additional raw materials, the sale of finished products, the rental costs of oil tankers, and inventory management, including mandatory stocks) generated EBITDA higher by approximately EUR 20 million compared to 9M/17, due to inventories management and trading activity.

**Investments made in 9M/18 were EUR 115.9 million**, in line with the scheduled maintenance programme and the business plan.

## Comments to Third Quarter 2018 Results

**Crude refinery runs during Q3/18 stood at 3.35 million tons** (24.5 million barrels, corresponding with 266 thousand barrels per day), down by 7% compared to the same period in 2017. Complementary feedstock amounted to 0.39 million tons compared to 0.35 in the third quarter of 2017. In the third quarter no planned maintenance took place and in the summer the refinery was able to operate without limitation posting a sound industrial performance. September runs instead, were influenced by the fire in a service area leading to the distillation units that were stopped for a few days.

**The comparable EBITDA amounted to EUR 50.5 million** in Q3/18, with a Saras refinery margin of +5.2 \$/bl. This compares with a comparable EBITDA of EUR 96.7 million and a Saras refinery margin of +7.0 \$/bl in Q3/17. As always, the comparison between the two quarters must take into account market conditions and the specific performance of the Saras Group, both from an operational and commercial perspective.

More in detail with reference to market conditions, the increase in crude oil prices in Q3/18 combined with other market factors and the above mentioned fire, resulted in a penalisation of approx. EUR 75 million compared to Q3/17 (also including the increase in the cost of "consumption and losses"). The weakening of the gasoline crack spread was offset by the strengthened diesel crack spread and the average EUR/USD exchange rate was quite stable (1 EUR was worth 1.1629 USD in Q3/18 and 1.1746 in Q3/17).

With regard to operational performance, production planning and execution of production activities delivered results essentially in line with Q3/17.

Commercial management instead generated an EBITDA higher by approximately EUR 30 million compared to Q3/17 thanks to inventories management and the trading activity.

**Investments made in Q3/18 were EUR 40.6 million.**

## Crudes processed and yields of finished products

**The mix of crudes that the Sarroch refinery processed in 9M/18** had an average density of 33.7°API, and is therefore slightly lighter than the average density processed in 9M/17. A more detailed analysis of the crude oil grades shows an increase in the percentage of light crude oils with a very low sulphur content ("light extra sweet") and a reduction in the percentage of medium crude oils with a high sulphur content ("medium sour"). The weight of light crudes with low sulphur content ("light sweet") and of heavy crude oils with low and high sulphur content ("Heavy sour/sweet") remained broadly stable instead. This processing mix was partly due to contingent plant set-up situations (arising from maintenance carried out in the period) and to economic and commercial choices in view of market supply conditions.

	9M 2018	9M 2017	Q3/18
Light extra sweet	37%	34%	37%
Light sweet	13%	13%	13%
Medium sweet/extra sweet	0%	0%	0%
Medium sour	34%	37%	33%
Heavy sour/sweet	17%	16%	18%
Densità media del grezzo	°API	33.5	33.6

**Turning to the analysis of finished product yields**, we note that in 9M/18 the yield of the light distillates (28.3%) was higher than in 9M/17. The yield of middle distillates (50.4%) instead was broadly stable vs 9M/17, as well as LPG yields (2.1%). Finally fuel oil yield was lower (5.1%) as opposed to a higher yield of TAR (7.5%). These changes are mainly due to the maintenance activity carried out in the period and commercial choices.

		9M 2018	9M 2017	Q3/18
LPG	Tons (thousand)	224	233	79
	yield (%)	2.1%	2.0%	2.1%
NAPHTHA + GASOLINE	Tons (thousand)	3,074	3,132	1,015
	yield (%)	28.3%	27.1%	27.1%
MIDDLE DISTILLATES	Tons (thousand)	5,462	5,808	1,953
	yield (%)	50.4%	50.3%	52.2%
FUEL OIL & OTHERS	Tons (thousand)	556	859	148
	yield (%)	5.1%	7.4%	3.9%
TAR	Tons (thousand)	819	787	307
	yield (%)	7.5%	6.8%	8.2%

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

## Marketing

The Saras Group conducts its Marketing business in Italy and in Spain directly and through its subsidiaries, primarily in wholesale channels. The main operating and financial information is provided below.

EUR Million	9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
EBITDA	19.9	12.1	65%	9.5	6.4	48%
<b>Comparable EBITDA</b>	<b>16.0</b>	<b>11.9</b>	<b>34%</b>	<b>8.8</b>	<b>3.6</b>	<b>144%</b>
EBIT	15.8	8.0	96%	8.1	4.9	65%
<b>Comparable EBIT</b>	<b>11.9</b>	<b>7.8</b>	<b>51%</b>	<b>7.4</b>	<b>2.5</b>	<b>196%</b>
CAPEX	1.5	0.6		1.2	0.1	

## Sales

		9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
<b>TOTAL SALES</b>	<b>Tons (thousand)</b>	<b>2,763</b>	<b>2,720</b>	<b>2%</b>	<b>942</b>	<b>936</b>	<b>1%</b>
of which: in Italy	Tons (thousand)	1,593	1,635	-3%	556	592	-6%
of which: in Spain	Tons (thousand)	1,170	1,085	8%	386	344	12%

## Comments to First Nine months of 2018 Results

According to data collected by UP (Unione Petrolifera – the Oil Industry Union), in 9M/18 total oil consumption was up by 1.5% on the Italian market, which represents the main wholesale channel of the Saras Group. In the period, new car registrations decreased by 2.8%, with diesel vehicles accounting for 53% of the total (compared to 56.6% in 9M/17). The Saras Group reduced by 3% its own sales volumes in Italy.

In Spain, the data collected by CORES indicates increases of more than 3% in the first 8 months of 2018. In detail, on the Spanish market the total fuel consumption (gasoline + diesel) was approximately 19.1 million tonnes, up by 2.4% compared to the same period of the previous year, with gasoline increasing by about 4% and diesel by 2%. In this framework, the Spanish subsidiary Saras Energia increased its volumes sold by 8%.

**Comparable EBITDA for the Marketing segment amounted to EUR 16.0 million**, down versus the EUR 11.9 million of 9M/17 mainly thanks to better wholesale margins obtained in Italy.

## Comments to Third Quarter 2018 Results

In Q3/18 total oil consumption was up by 1% on the Italian market and by 3% in the Spanish market.

In Q3/18, the Saras Group decreased its sales volumes in Italy by 6% while it increased them by 12% in Spain, keeping the Group volumes substantially stable.

**Comparable EBITDA for the Marketing segment amounted to EUR 8.8 million**, down versus the EUR 3.6 million of Q3/17 mainly thanks to better wholesale margins obtained in Italy.



## 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 Million	9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
EBITDA	135.8	143.4	-5%	45.2	47.6	-5%
<i>Comparable EBITDA</i>	<b>166.9</b>	<b>148.3</b>	<b>13%</b>	<b>62.4</b>	<b>55.4</b>	<b>13%</b>
EBIT	97.0	72.2	34%	32.2	22.8	41%
<i>Comparable EBIT</i>	<b>128.1</b>	<b>77.1</b>	<b>66%</b>	<b>49.4</b>	<b>30.6</b>	<b>61%</b>
<b>EBITDA ITALIAN GAAP</b>	<b>70.8</b>	<b>65.2</b>	<b>9%</b>	<b>28.4</b>	<b>36.4</b>	<b>-22%</b>
<b>EBIT ITALIAN GAAP</b>	<b>57.2</b>	<b>19.4</b>	<b>195%</b>	<b>23.8</b>	<b>20.1</b>	<b>18%</b>
<b>CAPEX</b>	<b>12.8</b>	<b>13.8</b>		<b>3.8</b>	<b>2.6</b>	

## Other figures

		9M 2018	9M 2017	Var %	Q3/18	Q3/17	Var %
PRODUZIONE ENERGIA ELETTRICA	MWh/1000	3,145	2,959	6%	1,170	1,203	-3%
TARIFFA ELETTRICA	Eurocent/KWh	9.6	8.7	11%	9.6	8.7	11%
MARGINE IGCC	\$/bl	4.0	3.4	18%	3.9	3.4	15%

## Comments to First Nine months of 2018 Results

In 9M/18, the Electricity Generation segment conducted the maintenance work on two "Gasifier – combined cycle Turbine" and on one the two "gas washing line trains". Electricity production reached 3.145 TWh, up by 6% compared to the first nine months of last year, due to a lighter maintenance programme and a better operating performance compared to the same period of last year.

**Comparable EBITDA stood at EUR 166.9 million**, up 13% compared to EUR 148.3 million achieved in 9M/17. This difference is due to the lower fixed costs thanks to the lighter maintenance cycle conducted and the increase in the value of the CIP6/92 tariff (+11%) that more than offset higher feedstock (TAR) costs. Sales of steam and hydrogen (not subject to the equalisation procedure) were about EUR 5 million higher than in 9M/17. It should be noted that the difference between comparable and reported EBITDA is attributable to the change of the fair value of CO<sub>2</sub> hedging derivatives.

**Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 70.8 million in 9M/18**, up 9% versus the EUR 65.2 million achieved in the same period last year. The difference is due to the combined effect of higher electricity production (+6%), higher CIP6/92 tariff (+11%), the above mentioned higher sales of hydrogen and steam and lower fixed costs. Conversely, the cost of acquiring raw materials (TAR) and CO<sub>2</sub> costs increased compared to the same period of last year.

**Investments amounted to EUR 12.8 million**, in line with the forecasts.

## Comments to Third Quarter 2018 Results

In Q3/18 the Power Generation Segment operated at full capacity, without any maintenance activity which could have limited its output, as well as in the same period of previous year. The maintenance work on one "Gasifier – combined cycle Turbine" planned straddling the third and the fourth quarters was postponed to next year. Electricity production reached 1.170 TWh, broadly in line with the third quarter of last year.

**Comparable EBITDA was equal to EUR 62.4 million**, vs. EUR 55.4 million achieved in Q3/17. This difference is due to the higher the value of the CIP6/92 tariff (+11%) and to the sales of steam and hydrogen (not subject to the equalisation procedure) that were up by EUR4.5 million versus Q3/17. Such effects offset higher feedstock (TAR) costs linked to rising oil prices. It should be noted that the difference between comparable and reported EBITDA is attributable to the change of the fair value of CO<sub>2</sub> hedging derivatives.

**Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 28.4 million in Q3/18**, down vs. The EUR 36.4 million achieved in the same period last year. The difference is due to the combined effect of lower electricity production (-3%) only partially offset by higher CIP6/92 tariff (+11%) and the above mentioned higher sales of hydrogen and steam. Conversely, the raw materials (TAR) and CO<sub>2</sub> costs increased compared to the same period last year.

**Investments amounted to EUR 3.8 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 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
EBITDA	6.8	14.4	-53%	0.9	3.6	-75%
<i>Comparable EBITDA</i>	6.8	14.4	-53%	0.9	3.6	-75%
EBIT	3.4	11.0	-69%	(0.2)	2.5	-108%
<i>Comparable EBIT</i>	3.4	11.0	-69%	(0.2)	2.5	-108%
CAPEX	0.2	0.1		0.1	0.1	

## Other figures

		9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
<b>ELECTRICITY PRODUCTION</b>	MWh	119,490	111,307	7%	19,593	28,587	-31%
<b>POWER TARIFF</b>	EURcent/KWh	5.3	4.7	14%	6.7	4.4	51%
<b>INCENTIVE TARIFF</b>	EURcent/KWh	9.9	10.7	-8%	9.9	10.7	-8%

## Comments to First Nine months of 2018 Results

**In 9M/18 the comparable EBITDA for the Wind Power segment (equal to the IFRS EBITDA) stood at EUR 6.8 million**, compared to EUR 14.4 million in 9M/17.

In detail, the volumes produced increased by 7% compared to the same period last year, thanks to better wind conditions in the first half of 2018. This dynamic was partially offset by the reduction of the Incentive Tariff (-0.8 Eurocent/kWh compared to 9M/17). Moreover, the incentive period expired on approximately 70% of volumes produced. Finally the electricity tariff rose by 0.6 Eurocent/kWh compared to 9M/17.

## Comments to Third Quarter 2018 Results

**In Q3/18 the comparable EBITDA for the Wind Power segment (equal to the IFRS EBITDA) was equal to EUR 0.9 million**, compared to EUR 3.6 million in Q3/17.

In detail, the volumes produced decreased by 31% compared to the same period last year due worse wind conditions. Electricity tariff was higher than in Q3/17 (+2.3 Eurocent/kWh compared to Q3/17). With reference to the Incentive Tariff, it is worth noting that in Q3/18 it was 0.8 Eurocent/kWh lower than in Q3/17 and the incentive period expired on approximately 90% of volumes produced.

## Other Activities

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

EUR Million	9M 2018	9M 2017	Change %	Q3/18	Q3/17	Change %
EBITDA	2.7	1.6	70%	(0.2)	0.8	-125%
<i>Comparable EBITDA</i>	2.7	1.6	70%	(0.2)	0.8	-125%
EBIT	2.2	1.2	77%	(0.4)	0.8	-150%
<i>Comparable EBIT</i>	2.2	1.2	77%	(0.4)	0.8	-150%
CAPEX	0.5	0.6		0.2	0.4	

## Strategy and Outlook

With its high conversion configuration, integration with the IGCC plant and an operational model based on integrated supply chain management, the Saras Refinery in Sarroch (Sardinia) occupies a leading position among European sites. Given such features, the Group is well positioned with respect to the expected evolution of the market of reference, especially with regard to the IMO – Marpol VI Regulations that, as from 1<sup>st</sup> January 2020, envisage a reduction in the sulphur content of marine fuel emissions, and will lead to favourable conditions for sites like the one in Sarroch. The Group plans to pursue initiatives to improve the operational performance and reliability of its plants, optimise costs and complete the substantial investment cycle started in 2015. To further strengthen this process, an important digitalization programme has been launched which will leverage on existing assets, such as the huge amount of data and the know-how of the Group's people, increasing the operational and commercial flexibility that has always characterized the Group's business model. The aim is to harness the opportunities offered by the foreseeable evolution of the reference scenario, as to maintain a leadership position in the next decade.

The year 2018 opened with Brent on the maximum levels of the last 3 years (about 70 \$/bl) also thanks to the growth in demand. In the first half of the year the supply was influenced by the production cuts implemented by OPEC and Russia, by some geopolitical tensions in Libya and Nigeria and by the involuntary reductions of Venezuela and Mexico, which were only partly offset by rising volumes from United States. In mid-May, the Brent hit 80 \$/bl following the announcement of the US exit from the nuclear agreement with Iran and then fall back thanks to the response of the OPEC countries (Saudi Arabia in particular) that decided to increase their supply by around 1 mbl/d. From the second half of August, the prices of the Brent rose again in the wake of the continuous decline of Venezuelan production, the approach of the date of November 4 starting from which the US sanctions against Iran will have effect and growing concerns about the limited global oil spare capacity. Brent current forward curves point to approx. 76 \$/bl for the last quarter of the year.

Looking at the demand side, in the report published in October 2018, the International Energy Agency (IEA) trimmed the annual global demand growth that nonetheless is expected to be strong (+1.3 mbl/d) driven by non-OECD countries (primarily China).

The foreseeable scenario for the last quarter of the year is confirmed as positive for middle distillates with robust crack spreads and quite low inventories approaching the winter period, which typically sees an increase in the consumption of heating oil. Experts predict that the weakness of the gasoline crack spread, penalized by the sharp rise in the price of crude oil, is set to persist even if they anticipate a slight recovery compared to the values recorded in October. All in all, considering the above described conditions and that there is no significant maintenance activity planned, the Saras Group will aim to achieve, in Q4/18, a premium above the EMC benchmark margin of approx. 2.5 ÷ 3.0 \$/bl (net of maintenance).

From an operational standpoint, in the Refinery segment, scheduled maintenance was carried out regularly in the first half of the year and annual activity was substantially completed. In the fourth quarter, the scheduled activities will take place on the Catalytic Reforming “CCR”. Overall, yearly crude runs are expected at 13.6÷13.8 million tons (corresponding to 99÷101 million barrels), plus further 1.2 million tons of complementary feedstock (corresponding to approx. 8.5 million barrels).

With reference to the Power Generation segment, the heaviest part of the annual maintenance programme was realised in the first half of the year. The maintenance activity planned on one “Gasifier – Combined Cycle Turbine” train, between the third and the fourth quarter maintenance was postponed to next year. Total production of electricity in 2018 is expected to recover compared to previous year, reaching approx. 4.30 TWh (vs. 4.09 TWh produced in 2017).

In the Marketing segment the profitability achieved previous year thanks to the costs and clients portfolio optimisation actions undertaken will be consolidated.

Finally, with regard to the Wind segment, in 2018 the incentive period on 42 of the 48 wind turbines expired, while the remaining 6 will remain incentivised until 2025. The subsidiary Sardeolica in July obtained a positive opinion on the environmental compatibility for the expansion project of the Ulassai wind farm (located in the municipality of Ulassai and Perdasdefogu) for a capacity of an additional 30 MW and started the procurement process.

## Investments by business Segment

EUR Million	9M 2018	9M 2017	Q3/18	Q3/17
<b>REFINING</b>	115.9	123.1	40.6	35.1
<b>POWER GENERATION</b>	12.8	13.8	3.8	2.6
<b>MARKETING</b>	1.6	0.6	1.2	0.1
<b>WIND</b>	0.2	0.1	0.1	0.1
<b>OTHER</b>	0.5	0.7	0.2	0.4
<b>Total</b>	<b>130.9</b>	<b>138.2</b>	<b>45.9</b>	<b>38.3</b>

# Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible mitigation 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 mitigate 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 implementing documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.
- Regulatory dispositions relating to energy efficiency titles and their 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 top of raw materials derived from crude oil supplied by Saras, also 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

The Saras Group operates in compliance with the current regulations on data protection regarding its customers, employees, suppliers and all those with whom it comes into contact daily. In particular, on 25 May 2018 entered in force the new European Regulation no. 679/2016 (the so-called "GDPR") concerning the protection of personal data. The Saras Group activated a project aimed at implementing the new measures required by the GDPR and aligning its procedures and processes with the changes introduced by this Regulation.

# Main events after the end of the First Nine Months of 2018

On the night of 18<sup>th</sup> September, a violent storm hit the Sarroch area, on the south-west coast of Cagliari where the refinery is located, causing the flooding of some settling tanks that struck by lightning caught fire. The fire was contained and shut down in a few hours and involved a service area related to the distillation units that were temporarily stopped. A distillation unit (T2) was restarted almost immediately, a second one (T1) at the end of September and finally the last distillation unit (RT2) was back in operation on 15 October.

On 12<sup>th</sup> October 2018 the Industry Council announced the favorable outcome and announced the issuance of the Single Authorization provision relating to the project related to the expansion of the Ulassai wind farm of Sardeolica Srl.

## Other Information

### Research and Development

Saras did not undertake meaningful "Research and Development" activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first nine months of 2018.

### Own shares

During the first nine months of 2018 no transactions took place, involving the sale or purchase of Saras SpA own shares. Therefore, as of 30<sup>th</sup> September 2018, 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 2018 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 27<sup>th</sup> of April 2018, the company paid, on the 23<sup>rd</sup> of May 2018, a dividend equal to EUR 0.12 per each of the 936,010,146 ordinary shares in circulation, for a total payment of EUR 112,321,217.52.



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position as at 30<sup>th</sup> September 2018

Thousands of euros		30/09/2018	31/12/2017
<b>ASSETS</b>	(1)		
<b>Current assets</b>	5.1	<b>2,269,655</b>	<b>1,960,049</b>
Cash and cash equivalents	5.1.1	309,838	421,525
Other financial assets	5.1.2	174,593	98,291
Trade receivables	5.1.3	461,575	391,400
Inventories	5.1.4	1,132,313	875,269
Current tax assets	5.1.5	36,865	24,562
Other assets	5.1.6	154,471	149,002
<b>Non-current assets</b>	5.2	<b>1,193,747</b>	<b>1,197,112</b>
Property, plant and equipment	5.2.1	1,046,078	1,020,210
Intangible assets	5.2.2	127,593	152,691
Other investments	5.2.3	502	502
Deferred tax assets	5.2.4	12,376	15,969
Other financial assets	5.2.5	7,198	7,740
<b>Total assets</b>		<b>3,463,402</b>	<b>3,157,161</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>	5.3	<b>1,813,622</b>	<b>1,530,482</b>
Short-term financial liabilities	5.3.1	161,169	183,068
Trade and other payables	5.3.2	1,380,108	1,150,284
Current tax liabilities	5.3.3	215,260	120,366
Other liabilities	5.3.4	57,085	76,764
<b>Non-current liabilities</b>	5.4	<b>532,871</b>	<b>554,383</b>
Long-term financial liabilities	5.4.1	256,643	257,140
Provisions for risks and charges	5.4.2	165,381	122,085
Provisions for employee benefits	5.4.3	10,865	10,250
Deferred tax liabilities	5.4.4	5,081	4,848
Other liabilities	5.4.5	94,901	160,060
<b>Total liabilities</b>		<b>2,346,493</b>	<b>2,084,865</b>
<b>EQUITY</b>	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		897,197	765,904
Net result		154,156	240,836
<b>Total equity</b>		<b>1,116,909</b>	<b>1,072,296</b>
<b>Total liabilities and equity</b>		<b>3,463,402</b>	<b>3,157,161</b>

# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1<sup>st</sup> January – 30<sup>th</sup> September 2018

## CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD 1ST JANUARY - 30TH SEPTEMBER 2018

Thousands of euros	(1)	1st January 30th September 2018	of which non recurring	1st January 30th September 2017	of which non recurring
Revenues from ordinary operations	6.1.1	8,848,343		5,638,505	
Other income	6.1.2	112,316	5,821	19,734	
<b>Total revenue</b>		<b>8,960,659</b>	<b>5,821</b>	<b>5,658,239</b>	<b>0</b>
Purchases of raw materials, replacement parts and consumables	6.2.1	(7,817,083)		(4,779,288)	
Cost of services and sundry costs	6.2.2	(582,175)	(24,278)	(463,658)	(15,253)
Personnel costs	6.2.3	(113,332)		(112,210)	
Amortisation/depreciation and write-downs	6.2.4	(129,225)		(163,798)	
<b>Total costs</b>		<b>(8,641,815)</b>	<b>(24,278)</b>	<b>(5,518,954)</b>	<b>(15,253)</b>
<b>Operating result</b>		<b>318,844</b>	<b>(18,457)</b>	<b>139,285</b>	<b>(15,253)</b>
Net income (charges) from equity investments					
Financial income	6.3	224,169		215,514	
Financial charges	6.3	(326,378)	(3,625)	(194,779)	
<b>Result before taxes</b>		<b>216,635</b>	<b>(22,082)</b>	<b>160,020</b>	<b>(15,253)</b>
Income tax	6.4	(62,479)	6,020	(50,598)	4,789
<b>Net result</b>		<b>154,156</b>	<b>(16,062)</b>	<b>109,422</b>	<b>(10,464)</b>
<b>Net result attributable to:</b>					
Shareholders of the parent company		154,156		109,422	
Third-party minority interests		0		0	
<b>Net earnings per share – base (euro cents)</b>		<b>16.49</b>		<b>11.69</b>	
<b>Net earnings per share – diluted (euro cents)</b>		<b>16.49</b>		<b>11.69</b>	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 30TH SEPTEMBER 2018

Thousands of euros	1st January 30th September 2018	1st January 30th September 2017
<b>Net result (A)</b>	<b>154,156</b>	<b>109,422</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Effect of translation of the financial statements of foreign operations	86	(76)
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial effect IAS 19 on employee post-employment benefits	0	
<b>Other profit/(loss), net of the fiscal effect (B)</b>	<b>86</b>	<b>(76)</b>
<b>Total consolidated net result (A + B)</b>	<b>154,242</b>	<b>109,346</b>
<b>Total consolidated net result attributable to:</b>		
Shareholders of the parent company	154,242	109,346
Third-party minority interests	0	0

(1) Please refer to the Notes to the consolidated financial statements, section 6 "Notes to the Income Statement"

(2) Comparison carried out to reflect the effects of the introduction of the new principle IFRS 15, as explained in par. 2.2 of the Notes to the Consolidated Financial Statements

## Consolidated Statement of Changes in Equity to 30<sup>th</sup> September 2018

Thousands of euros	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) period	Total Equity Attributable to the Parent Company	Third-party Minority Interests	Total Equity
<b>Balance as at 31/12/2016</b>	<b>54,630</b>	<b>10,926</b>	<b>660,841</b>	<b>196,330</b>	<b>922,727</b>	<b>0</b>	<b>922,727</b>
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 result				109,422	109,422		109,422
<i>Total net result</i>			<i>1,413</i>	<i>240,836</i>	<i>242,419</i>	<i>0</i>	<i>242,419</i>
<b>Balance as at 30/09/2017</b>	<b>54,630</b>	<b>10,926</b>	<b>764,983</b>	<b>109,422</b>	<b>939,961</b>	<b>0</b>	<b>939,961</b>
Conversion effect balances in foreign currency			(151)		(151)		(151)
Actuarial effect IAS 19			751		751		751
Reserve for stock option plan			321		321		321
Net result				131,414	131,414		131,414
<i>Total net result</i>			<i>(889)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Balance as at 31/12/2017</b>	<b>54,630</b>	<b>10,926</b>	<b>765,904</b>	<b>240,836</b>	<b>1,072,296</b>	<b>0</b>	<b>1,072,296</b>
Allocation of profit previous year			240,836	(240,836)	0		0
Distribution of dividends			(112,321)		(112,321)		(112,321)
Conversion effect balances in foreign currency			86		86		86
Reserve for stock option plan			1,489		1,489		1,489
First time adoption IFRS 9			1,204		1,204		1,204
Net result				154,156	154,156		154,156
<i>Total net result</i>			<i>86</i>	<i>154,156</i>	<i>154,156</i>	<i>0</i>	<i>154,156</i>
<b>Balance as at 30/09/2018</b>	<b>54,630</b>	<b>10,926</b>	<b>897,197</b>	<b>154,156</b>	<b>1,116,909</b>	<b>0</b>	<b>1,116,909</b>

## Consolidated Statement of Cash Flows for the period to 30<sup>th</sup> September 2018

Thousands of euros	(1)	1/1/2018- 30/09/2018	1/1/2017- 30/09/2017
<b>A - Initial cash and cash equivalents</b>		<b>421,525</b>	<b>359,175</b>
<b>B - Cash flow from operating activities</b>			
Net result	5.5	154,156	109,422
Unrealised exchange rate differences on bank current accounts		25,364	2,898
Amortisation/depreciation and impairment losses	6.2.4	129,225	163,798
Net change in risk provisions	5.4.2	43,296	(1,150)
Net change in provision for employee benefits	5.4.3	615	508
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	3,826	15,428
Net interest		12,195	8,288
Income tax set aside	6.4	58,653	35,170
Change in the fair value of derivatives	5.1.2 - 5.3.1	4,135	33,292
Other non-monetary components	5.5	2,779	1,838
<b>Profit (loss) for the period before changes in working capital</b>		<b>434,243</b>	<b>369,492</b>
(Increase)/Decrease in trade receivables	5.1.3	(70,175)	138,821
(Increase)/Decrease in inventories	5.1.4	(257,044)	(123,781)
Increase/(Decrease) in trade and other payables	5.3.2	229,824	(76,476)
Change other current assets	5.1.5 - 5.1.6	(17,772)	(8,679)
Change other current liabilities	5.3.3 - 5.3.4	71,064	87,786
Interest received		365	54
Interest paid		(12,560)	(8,342)
Taxes paid	5.3.2	(54,502)	(21,553)
Change other non-current liabilities	5.4.5	(65,159)	(78,016)
<b>Total (B)</b>		<b>258,284</b>	<b>279,306</b>
<b>C - Cash flows used in investing activities</b>			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(129,995)	(138,199)
(Increase)/Decrease in other financial assets	5.1.2	28,463	42,705
<b>Total (C)</b>		<b>(101,532)</b>	<b>(95,494)</b>
<b>D - Cash flows used in financing activities</b>			
Increase/(decrease) m/l-term financial payables	5.4.1	(497)	(14,621)
Increase/(decrease) short-term financial payables	5.3.1	(130,257)	(99,674)
Distribution of dividends and treasury share purchases		(112,321)	(93,601)
<b>Total (D)</b>		<b>(243,075)</b>	<b>(207,896)</b>
<b>E - Cash flows for the period (B+C+D)</b>		<b>(86,323)</b>	<b>(24,084)</b>
Unrealised exchange rate differences on bank current accounts		(25,364)	(2,898)
<b>F - Final cash and cash equivalents</b>		<b>309,838</b>	<b>332,193</b>

For the Board of Directors  
The Chairman  
Massimo Moratti



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

## 1. Introduction

## 2. Basis of preparation and changes of Group accounting policies

- 2.1 Basis of preparation
- 2.2 New accounting standards, interpretations and changes adopted by the Group
- 2.3 Consolidation scope
- 2.4 Use of estimates

## 3. Reporting by business and geographical segment

- 3.1. Introduction
- 3.2 Segment reporting

## 4. Impairment test of goodwill and intangible assets with an indefinite useful life

## 5. Notes to the statement of financial position

- 5.1 Current assets
  - 5.1.1 Cash and cash equivalents
  - 5.1.2 Other financial assets
  - 5.1.3 Trade receivables
  - 5.1.4 Inventories
  - 5.1.5 Current tax assets
  - 5.1.6. Other assets.
- 5.2 Non-current assets
  - 5.2.1 Property, plant and equipment
  - 5.2.2 Intangible assets
  - 5.2.3 Other equity investments
  - 5.2.4 Deferred tax assets
  - 5.2.5 Other financial assets
- 5.3 Current liabilities
  - 5.3.1 Short-term financial liabilities
  - 5.3.2 Trade and other liabilities
  - 5.3.3 Current tax liabilities
  - 5.3.4 Other liabilities
- 5.4 Non-current liabilities
  - 5.4.1 Long-term financial liabilities
  - 5.4.2 Provisions for risks and charges
  - 5.4.3 Provisions for employee benefits
  - 5.4.4 Deferred tax liabilities
  - 5.4.5 Other liabilities
- 5.5 Equity

## 6. Notes to the income statement

- 6.1 Revenues
  - 6.1.1 Revenues from core business
  - 6.1.2 Other income
- 6.2 Costs
  - 6.2.1 Raw materials, consumables and supplies
  - 6.2.2 Services and sundry costs
  - 6.2.3 Personnel expense
  - 6.2.4 Depreciation, amortisation and impairment losses
- 6.3 Financial income and charges
- 6.4 Income taxes

## 7. Other Information

- 7.1 Main legal actions pending
- 7.2 Related party transactions

## 1 Introduction

Publication of the condensed consolidated financial statements of Saras Group for the period ended at 30 September 2018 was authorised by the Board of Directors on 29<sup>th</sup> October 2018.

Saras S.p.A. (the Parent) is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, 195 "Sulcitana" Km. 19. It is jointly controlled by MOBRO S.p.A. and Massimo Moratti S.A.P.A., which own 20.01% each and 40.02% jointly of the share capital (excluding treasury shares), under the shareholders' agreement signed by the two companies on 1 October 2013 and subsequently renewed on 1 October 2016. The company is established until 31 December 2056, as stated in its articles of association.

Saras S.p.A. operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished products. Saras 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 S.r.l. and a wind farm run by the subsidiary Sardeolica S.r.l..

## 2. Basis of preparation and changes to Group accounting policies

### 2.1 Basis of preparation

The condensed consolidated financial statements for the period ended 30 September 2018 were prepared pursuant to IAS 34 - Interim Financial Statements.

The condensed consolidated financial statements do not provide all the information required in the preparation of the annual consolidated financial statements. For that reason, these condensed consolidated financial statements shall be read together with the consolidated financial statements at 31 December 2017.

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

The standards and interpretations which had already been issued at the preparation date of these condensed consolidated financial statements and which became effective during the year are listed below.

#### IFRS 9 – Financial Instruments

In July 2015, the IASB issued the final version of IFRS 9 - Financial Instruments replacing IAS 39 - Financial Instruments and all previous versions of IFRS 9. IFRS 9 comprises three parts:

1. classification and measurement of the financial instruments on the basis of the model of business entity and the characteristics of cash flows generated by the same financial instruments;
2. impairment of financial instruments on the basis of a new and single impairment model based on the recognition of the losses expected by an entity. This model does not apply to equity instruments and provides for operating simplifications for trade receivables;
3. 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. Early application was 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 decided to adopt the new standard on the date it became effective.

Following the new provisions governing the classification and measurement of financial instruments introduced by IFRS 9, during the previous year, the Group carried out a detailed analysis of the instruments currently in portfolio and the related accounting balances at 31 December 2017. For each category identified, the Group first analysed the accounting treatment under IAS 39, compared with the classification under IFRS 9, considering the specific contractual characteristics of the instruments and the classification options allowed by the standard. The analysis identified the following impacts:

#### Non-controlling interests

They were previously recognised at cost in accordance with IAS 39. Under IFRS 9, they are recognised at fair value, with a balancing entry in the income statement or the statement of comprehensive income. These interests (Sarda Factoring and Consorzio La Spezia Utilities) are of a modest value. Consequently, the estimate of the current value had no significant quantitative effects on the financial statements.

#### Factored trade receivables

Trade receivables were previously measured at amortised cost which is substantially equal to their nominal amount as there were no transaction costs. Under IFRS 9, these components are considered as debt instruments to be measured at fair value. Indeed, as they are not held to maturity, they cannot be allocated to a hold-to-collect business model as required by IFRS 9 in order to measure a financial asset at amortised cost. The new classification under IFRS 9 has no impact on the carrying amount of these receivables. Indeed, in general, the fair value of a short-term trade receivable can be deemed to reasonably approximate its nominal amount when there are no significant transaction costs.

#### Financial liabilities to be renegotiated

The carrying amount of the liabilities to be renegotiated at 31 December 2017 was recalculated in accordance with the new calculation approach defined by IFRS 9 and, when re-opening the balances at 1 January 2018, the difference compared to the carrying amount calculated under IAS 39 was adjusted with a balancing entry in shareholders' equity. This difference amounts to EUR 1,204 thousand.

With respect to the other financial statements captions covered by the analysis (Other current receivables at amortised cost, Guarantee deposits, Intragroup loans in the separate financial statements, derivatives, financial liabilities), no potential impacts arose from the introduction of IFRS 9 such to require detailed analyses.

With respect to impairment rules, the analysis highlighted the following:

- most of the receivables arising from the Group's operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees);
- most of the receivables arising from cargo trading activities (with a significant unit value) are characterised by very tight payment terms (i.e., a few days after the delivery of the goods);
- the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions;
- the credit losses historically incurred by the Group are negligible.

Consequently, it is estimated that the credit risk attributable to the expected loss on performing loans - a new factor to be included in the estimate of the allowance for impairment under IFRS 9, may be considered irrelevant.

At present, the Saras Group does not apply hedge accounting rules to its derivative portfolio. Following this accounting policy, the application of the new rules introduced by IFRS 9 starting from 1 January 2018 had no accounting impact on the opening balance or the presentation of derivatives in the statement of financial position. However, given the simplifications introduced on this issue by IFRS 9 and the larger number of circumstances which could be managed under hedge accounting rules, in the future, the Group may carry out further analyses in view of the potential application of hedge accounting to its derivative portfolio.

#### IFRS 15 - Revenue from Contracts with Customers

IFRS 15, which was issued in May 2014, introduces a new five-step model that applies to revenue from contracts with customers. Under IFRS 15, an entity shall recognise revenue that reflects the consideration to which it expects to be entitled in exchange for goods or services to customers.

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

The Group decided to apply the new standard starting from its mandatory effective date, using the full retrospective approach.

IFRS 15 introduces a new revenue recognition model which applies to all contracts with customers with the exception of those that fall under the scope of other IFRS, such as leases, insurance contracts and financial instruments. The fundamental steps for revenue recognition under the new model are as follows:

the identification of the contract with the customer;

- identify the performance obligations in the contract;
- determine the transaction price;

the allocation of the price to the contract's performance obligations;

- recognise revenue when (or as) the entity satisfies a performance obligation.

In 2017, the Group analysed the impact of the adoption of the new standard. The main findings are given below. The Group earns revenues from the sale of oil products, according to the following transaction classes: Oil sales (Cargo, Transfer Stock), wholesale and network sales (the latter limited to the sale outlets of the Spanish subsidiary). Furthermore, it earns revenues from the sale of electricity to a private operator and GSE S.p.A., while other income is generated, in particular, by the grants related to the feed-in tariff for the generation of electricity from renewable sources, white certificates for energy-saving projects, emission trading charges, sale of biodiesel certificates and other residual income.

The Group analysed these transaction classes considering the above five steps indicated by the standard:

- identify the contract, the customer and the relevant contractual clauses
- identify the goods or services covered by the performance obligation in the contract, including guarantees, options, ancillary and multiple services
- determine the transaction price, including variable, financial, non-monetary and amending components
- allocate any variable or discount factors to the performance obligations
- recognise revenue in profit or loss when the performance obligation is satisfied, checking the transfer of control and any acceptance, repurchase, deposit and other significant clauses.

Furthermore, the clauses providing for the invoicing of ancillary costs were analysed, including, in particular, the transport costs related to Cargo sales.

The use of contracts based on a standard form which uniquely highlights the main characteristics of the transaction (buyer, seller, product, delivery, quantity, quality, laydays, payment condition, price, laytime and demurrage, etc.) facilitates the creation of similar categories of transactions with respect to Oil sales.

The oil sale categories and the peculiarities on which the analysis mainly focused were as follows:

#### Cargo sales

These refer to the sale of oil products by vessel, where revenue is recognised upon the transfer of control of the asset identified based on generally recognised international commercial conditions (In.co.term). These contracts do not include performance obligations other than the sale of the asset or financial or discount policies. Any recharging of transport costs, managed on behalf of the buyer and recharged to the same, is considered, similarly to demurrage costs, if any, an ancillary charge to the characteristic performance, which does not configure an independent sale transaction in which Saras acts as the agent. The consideration is determined based on the qualitative characteristics of the product, checked by an independent expert who observes the loading or unloading of the vessel, depending on the trade condition applied. Therefore, these transactions did not highlight the need to modify the accounting treatments applied to date.

#### Stock transfers

These refer to the sale of oil products by delivering the product to a third-party depository where it can be collected by the buyer. From the moment the product is delivered to the depository, the seller ceases to have title to the product. Indeed, title thereto is transferred to the buyer in line with the tax registers and the seller can no longer dispose of it. Saras recognises the revenue from the sale in this moment. Similarly to Cargo sales, an independent experts checks the quality of the product delivered upon its delivery at the depository. Therefore, these transactions did not highlight the need to modify the accounting treatments applied to date.

#### Trading

Since 2016, the Group has launched its business, focusing on optimisation and trading through the subsidiary Saras Trading SA. These transactions essentially follow the above structure of oil and product sales, purchasing and selling the physical product and, when the company only acts as the trader within the Group, it is not necessary to identify the roles of agent and principal at consolidation level. Therefore, these transactions did not highlight the need to modify the accounting treatments applied to date.

Electricity sales are recognised in profit or loss upon the supply of the energy to one of the two buyers, while measuring the electricity supplied and subsequently invoicing the agreed price. None of the above specific cases covered by IFRS 15, which may modify the revenue measurement and recognition criteria currently in place, apply.

As regards other income, sales have been reclassified under revenues with restatement of the comparative figures included in the consolidated income statement as follows:

- the feed-in tariff on the generation of electricity from renewable sources (wind), which previously consisted in the allocation of green certificates which could be sold independently, is now considered as revenue from the entity's ordinary activity, as described in IFRS 15: as it is now an integral part of the sale price, it is no longer separately classified. In the condensed consolidated financial statements as at 30 September 2017 this item was stated for EUR 11,948 thousand.



- revenues from the sale of biodiesel certificates as they are generated by the core product of ordinary refining activities. In the condensed consolidated financial statements as at 30 September 2017 this item was stated for EUR 33,278 thousand.

- similarly to the recharging of transport costs, revenues from the recharging of demurrage costs to oil product buyers are considered as ancillary charges to the ordinary performance and do not configure an independent sale transaction. In the condensed consolidated financial statements as at 30 September 2017, this item was stated for EUR 8,213 thousand.

Conversely, revenues from white certificates for energy-savings projects and the granting of contributions for emission trading charges are maintained under other income as they are not generated by the ordinary activities of the entity that manufactures the products sold to customers, as per IFRS 15.

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

The amendments concern the conflict between the 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 an activity that does 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 should apply them retrospectively if they decide to apply them in advance.

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

These amendments clarify how to account for deferred taxes relating to debt instruments valued at fair value. This standard, which is expected to come into force on 1 January 2017, has not been approved by the European Union.

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

IASB has issued amendments to IFRS 2 Share-based payment 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 liability-settled share-based payment; accounting in the eventuality of an amendment in the terms and conditions of a share-based payment transaction modifies its classification from a cash-settled to an equity-settled transaction. 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 apply. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments had no significant effects on the consolidated financial statements.

#### IFRS 16 Leases

IFRS 16, which was issued in January 2016, replaces IAS 17 Leases, 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 criteria for the recognition, measurement, presentation and disclosure of leases, requiring lessees to recognise all leases on the basis of a single model similar to that used for finance leases in accordance with IAS 17. The standard provides for two exemptions for the recognition of lessees - leases relating to "low value" assets (for example personal computers) and short-term leases (for example the lease term is 12 months or less) On the commencement date of a lease, the lessee will recognise a liability for lease payments (the lease liability) and an asset that represents the right of use of the underlying asset for the term of the lease (the right-of-use asset). Lessees shall recognise separately the interest on the lease liability and the amortisation of the right-of-use asset.

They shall also remeasure the lease liability when specific events take place (for example: a change in the conditions of the lease, a change in future lease payments due to a variation in an index or rate used for determining those payments). The lessee shall generally recognise the amount of the new measurement of the lease liability as an adjustment of the right-of-use asset.

Under IFRS 16, lessees shall provide more detailed information compared to 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 facilitations.

The Group began the analysis activities to assess the impacts of the new IFRS introduction.

The analysis consists of the following stages:

- mapping all types of leases in place in 2017;
- collecting and analysing in detail all leases underlying the types identified during the mapping stage;
- defining the applicability of the new standard to individual types/leases;

- determining the accounting effects of the new standard.

The analysis is currently underway. No particularly large impacts are expected since the Group did not enter into any significant leases.

#### IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The objective of this interpretation is that of establishing the exchange rate to be used in the translation of advances in foreign currency, paid or received. In the presence of paid or received advances, the exchange rate to be used to convert assets, liabilities, revenues or costs identified at a later time is the one used to convert the advance. This interpretation, which is expected to come into force on 1 January 2018, has not yet been endorsed by the European Union.

### 2.3 Consolidation scope

Consolidated subsidiaries are listed below.

Consolidated on a line-by-line basis	% of investment
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Terminal Logistica de Cartagena S.L.U.	100%
Reasar S.A.	100%
Sardeolica S.r.l.	100%
Alpha Eolica S.r.l. (in liquidation)	100%
Saras Trading S.A.	100%
<b>Other equity investments measured at fair value</b>	
Consorzio La Spezia Utilities	5%
Sarda Factoring	5,95%

The consolidation scope is unchanged compared to 31 December 2017.

### 2.4 Use of estimates

The preparation of financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The application of these estimates and assumptions affects both the recognition of certain assets and liabilities and the assessment of contingent assets and liabilities. The main estimates are used in determining the value in use of the cash flow-generating activities and the estimation of provisions for risks and charges and provisions. Estimates and valuations are reviewed periodically and the effects of each of them are taken to profit or loss. A summary of the most significant estimates is provided in the Group's consolidated financial statements at 31 December 2017, to which reference should be made.

## 3. Reporting by business and geographical segment

### 3.1 Introduction

The Saras Group's business segments are:

1. refining;
2. marketing;
3. generation of electricity via the combined cycle plant;
4. generation of electricity via wind farms;
5. other activities.

1. The refining activities carried out by Parent Saras S.p.A. and subsidiary Sarlux S.r.l. relate to the sale of oil products obtained:

- upon completion of the entire production cycle, ranging from the sourcing of raw materials to the refining and production of finished products, which is carried out at the company's site in Sarroch, Sardinia;
- and, in part, by acquiring oil products from third parties.

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 organised on own base (Sarroch), on a third party's base pursuant to a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and by Deposito di Arcola S.r.l. for the logistics management of the Arcola depot (SP);
- in Spain, by Saras Energia SA, for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of depots located throughout the country, the most important of which, the Cartagena terminal, is owned by the company itself.

3. The electricity generated by the combined cycle plant refers to the sale of the electricity generated by the Sarroch power station owned by Sarlux S.r.l.. Sales take place exclusively with G.S.E. S.p.A. and benefit from the feed-in tariff under CIP 6/92.

4. The electricity generated 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 reinsurance activities carried out for the Group by Reasar S.A. and research for environmental sectors undertaken by Sartec S.r.l..

The management monitors the operating results of the business segments separately, in order to determine the allocation of resources and assess 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 at 31 December 2017.

### 3.2 Segment reporting

A breakdown by segment is shown below. For further details, reference should be made to the specific sections of the Report on operations:

Income statement 30th September 2018	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	9,675,203	414,623	1,629,584	9,740	24,377	11,753,527
to be deducted: intersectoral revenues	(2,848,878)	(41,699)	(699)	0	(13,908)	(2,905,184)
<b>Revenues from third parties</b>	<b>6,826,325</b>	<b>372,924</b>	<b>1,628,885</b>	<b>9,740</b>	<b>10,469</b>	<b>8,848,343</b>
Other operating revenues	133,086	37,199	4,853	1,477	467	177,082
to be deducted: intersectoral revenues	(61,922)	(383)	(1,904)	(203)	(354)	(64,766)
<b>Other income from third parties</b>	<b>71,164</b>	<b>36,816</b>	<b>2,949</b>	<b>1,274</b>	<b>113</b>	<b>112,316</b>
Depreciation/amortisation and write-downs	(82,358)	(38,862)	(4,054)	(3,427)	(524)	(129,225)
<b>Gross operating result</b>	<b>200,449</b>	<b>96,961</b>	<b>15,830</b>	<b>3,414</b>	<b>2,190</b>	<b>318,844</b>
Financial income (a)	196,211	31,333	299	59	13	227,915
Financial charges (a)	(328,067)	(212)	(1,828)	(14)	(3)	(330,124)
Income tax	(20,678)	(37,590)	(3,463)	(143)	(605)	(62,479)
<b>Profit (loss) for the period</b>	<b>47,915</b>	<b>90,492</b>	<b>10,838</b>	<b>3,316</b>	<b>1,595</b>	<b>154,156</b>

<b>Total directly attributable assets (b)</b>	<b>1,858,975</b>	<b>1,290,460</b>	<b>206,242</b>	<b>80,110</b>	<b>27,615</b>	<b>3,463,402</b>
<b>Total directly attributable liabilities (b)</b>	<b>1,812,785</b>	<b>213,662</b>	<b>285,782</b>	<b>20,370</b>	<b>13,894</b>	<b>2,346,493</b>

Investments in tangible fixed assets	115,530	12,823	1,139	156	405	130,053
Investments in intangible fixed assets	356	0	414	0	66	836

Income statement 30th September 2017	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	5,976,606	376,302	1,314,879	17,180	22,234	7,707,201
to be deducted: intersectoral revenues	(2,013,559)	(40,335)	(1,392)	0	(13,410)	(2,068,696)
<b>Revenues from third parties</b>	<b>3,963,047</b>	<b>335,967</b>	<b>1,313,487</b>	<b>17,180</b>	<b>8,824</b>	<b>5,638,505</b>
Other operating revenues	73,557	11,924	5,795	1,444	430	93,150
to be deducted: intersectoral revenues	(72,609)	(190)	(24)	(217)	(377)	(73,417)
<b>Other income from third parties</b>	<b>948</b>	<b>11,734</b>	<b>5,771</b>	<b>1,227</b>	<b>54</b>	<b>19,734</b>
Depreciation/amortisation and write-downs	(84,646)	(71,137)	(4,129)	(3,412)	(473)	(163,798)
<b>Gross operating result</b>	<b>46,921</b>	<b>72,231</b>	<b>8,018</b>	<b>10,960</b>	<b>1,158</b>	<b>139,285</b>
Financial income (a)	217,280	161	325	49	12	217,827
Financial charges (a)	(199,347)	4,670	(2,285)	(111)	(19)	(197,092)
Income tax	(22,640)	(22,009)	(2,333)	(3,283)	(334)	(50,598)
<b>Profit (loss) for the period</b>	<b>42,214</b>	<b>55,053</b>	<b>3,725</b>	<b>7,615</b>	<b>817</b>	<b>109,422</b>

<b>Total directly attributable assets (b)</b>	<b>1,269,711</b>	<b>1,300,098</b>	<b>272,170</b>	<b>91,133</b>	<b>28,123</b>	<b>2,961,234</b>
<b>Total directly attributable liabilities (b)</b>	<b>1,473,365</b>	<b>230,716</b>	<b>275,777</b>	<b>27,254</b>	<b>14,158</b>	<b>2,021,273</b>

Investments in tangible fixed assets	123,101	13,801	314	76	611	137,903
Investments in intangible fixed assets	0	0	257	1	40	298

(a) Calculated without taking into account intercompany eliminations.

(b) Total assets and liabilities are calculated after inter-segment eliminations.

#### 4. Impairment test of goodwill and the intangible assets with an indefinite useful life

The Group carries out impairment tests each year (31 December) and when circumstances indicate the possibility of a reduction of the recoverable value of goodwill. The impairment test on goodwill and intangible assets with indefinite useful life is based on the calculation of value in use. The variables used to determine the recoverable value of the various cash-generating units (CGU) have been presented in the consolidated financial statements at 31 December 2017.

In reviewing their indicators of impairment, the Group takes into account, among other factors, the relationship between its market capitalization and its book value. At 30 September 2018, the Group's market capitalization 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 particular reference to recognised goodwill, the updates of the scenario analyses carried out on the reference CGUs do not highlight any indicators of impairment. Consequently, the directors have not carried out an impairment test at 30 September 2018 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	30/09/2018	31/12/2017	Change
Bank and postal deposits	307,789	419,621	(111,832)
Cash	2,049	1,904	145
<b>Total</b>	<b>309,838</b>	<b>421,525</b>	<b>(111,687)</b>

Bank deposits mainly refer to Saras SpA for EUR 122,277 thousand and Saras Trading S.A. for EUR 154,389 thousand. For further details on the company's net financial position, reference should be made to the relevant section of the Report on Operations and the statement of cash flows.

##### 5.1.2 Other financial assets

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

Current financial assets	30/09/2018	31/12/2017	Change
Current financial derivatives	104,223	55,553	48,670
Deposits to secure derivatives	68,167	40,883	27,284
Other assets	2,203	1,855	348
<b>Total</b>	<b>174,593</b>	<b>98,291</b>	<b>76,302</b>

Financial derivatives comprise both the positive fair value of existing instruments at the reporting date and the positive differentials realised and not yet received: the increase of both items is due to the rise in the prices of oil products and of CO2 charges.

Derivative guarantee deposits include the balance at 30 September 2018 of deposits to guarantee open positions in derivative instruments requested by the counterparties with which the group uses such instruments.

##### 5.1.3 Trade receivables

Trade receivables amount to EUR 461,575 thousand, up by EUR 70,175 thousand on the 2017 year-end balance. They are shown net of the allowance for impairment, which amounts to EUR 9,447 thousand (unchanged compared to 31 December 2017).

##### 5.1.4 Inventories

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

Inventories	30/09/2018	31/12/2017	Change
Raw materials, consumables and supplies	448,758	326,606	122,152
Unfinished products and semi-finished products	80,163	62,596	17,567
Finished products and goods	489,701	378,892	110,809
Spare parts and raw materials, supplies	113,691	107,175	6,516
<b>Total</b>	<b>1,132,313</b>	<b>875,269</b>	<b>257,044</b>

The increase in oil inventories is mainly due to the rise in the price of oil products.  
The measurement of inventories at their net realisable value did not result in any write-downs.

No inventories are used as collateral for liabilities.

### 5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	30/09/2018	31/12/2017	Change
VAT credit	57	1,595	(1,538)
IRES credits	16,024	3,972	12,052
IRAP credits	16,386	12,960	3,426
Other amounts due from the tax authorities	4,398	6,035	(1,637)
<b>Total</b>	<b>36,865</b>	<b>24,562</b>	<b>12,303</b>

IRES (corporate income tax) and IRAP (regional tax on production activities) receivables refer to prior year excess taxation. The change is due to the taxes of the reference period.

### 5.1.6. Other assets.

The balance breaks down as follows:

Other assets	30/09/2018	31/12/2017	Change
Accrued income	1,697	1,565	132
Prepaid expenses	13,076	10,370	2,706
Other short-term loans	139,698	137,067	2,631
<b>Total</b>	<b>154,471</b>	<b>149,002</b>	<b>5,469</b>

Prepayments mainly relate to insurance premiums and charges for the biofuel regulations for the Parent.

"Other receivables" mainly comprise:

- the credit of EUR 33,147 thousand owed to the Sarlux Srl subsidiary by the Equalisation Fund for the Electricity Sector for the recognition, under Title II, point 7 bis, of CIP regulation no. 6/92, of fees arising under Directive 2003/87/EC (Emissions 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 the year;
- recovery of the amount paid by the subsidiary Sarlux S.r.l. to GSE of EUR 28,744 thousand, as described in section 7.1;
- white certificates of EUR 35,727 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 49,741 thousand in 2017); for additional information, reference should be made to section 7.1;

Note that during the period of reference the Sarlux Srl subsidiary collected the entire amount of EUR 14,176 thousand payable thereto following recognition of the status of "energy-consuming company" for 2014. The company had already obtained the status of "energy-consuming company" for the years 2013, 2014 and 2016 and is confident that it also meets the requirements to obtain it for 2015, 2017 and 2018.

## 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	31/12/2017	Increases	Decreases	Write-downs	Other changes	30/09/2018
Land and buildings	225,652	196	(931)	0	435	225,352
Plant and machinery	3,220,527	24,417	(2,942)	0	84,956	3,326,958
Industrial and commercial equipment	38,682	109	(319)	0	2,281	40,753
Other assets	566,663	1,171	(3,317)	0	21,931	586,448
Tangible fixed assets under construction	143,434	104,160	0	0	(110,965)	136,629
<b>Total</b>	<b>4,194,958</b>	<b>130,053</b>	<b>(7,509)</b>	<b>0</b>	<b>(1,362)</b>	<b>4,316,140</b>

Depreciation Fund	31/12/2017	Depreciation/Amortisation	Use	Write-downs	Other changes	30/09/2018
Land and buildings fund	122,524	3,430	374	0	0	126,328
Plant and machinery fund	2,583,901	81,506	(2,942)	0	(1,168)	2,661,297
Industrial and commercial equipment fund	27,154	2,440	(163)	0	(1)	29,430
Other assets	441,169	15,010	(3,171)	0	(1)	453,007
<b>Total</b>	<b>3,174,748</b>	<b>102,386</b>	<b>(5,902)</b>	<b>0</b>	<b>(1,170)</b>	<b>3,270,062</b>

Net Value	31/12/2017	Increases	Decreases	Depreciation/Amortisation	Write-downs	Other changes	30/09/2018
Land and buildings	103,128	196	(1,305)	(3,430)	0	435	99,024
Plant and machinery	636,626	24,417	0	(81,506)	0	86,124	665,661
Industrial and commercial equipment	11,528	109	(156)	(2,440)	0	2,282	11,323
Other assets	125,494	1,170	(146)	(15,011)	0	21,934	133,441
Tangible fixed assets under construction	143,434	104,160	0	0	0	(110,965)	136,629
<b>Total</b>	<b>1,020,211</b>	<b>130,052</b>	<b>(1,607)</b>	<b>(102,387)</b>	<b>0</b>	<b>(190)</b>	<b>1,046,078</b>

'Land and buildings' chiefly include industrial buildings, offices and warehouses with a carrying amount of EUR 56,339 thousand, office buildings in Milan and Rome belonging to the Parent with a carrying amount of EUR 2,672 thousand and land largely relating to the Sarroch and Arcola sites belonging to the subsidiaries Sarlux S.r.l. and Deposito di Arcola S.r.l., respectively, with a carrying amount of EUR 40,013 thousand.

'Plant and machinery' mainly relates to the refining and combined-cycle power plants at Sarroch.

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

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

'Assets under construction and payments on account' reflect costs incurred mainly for investment in tanks, and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes.

The caption increased by EUR 130,052 thousand during the period, mainly reflecting technological work on refinery plants.

The main depreciation rates used are as follows.

	I.G.C.C. plant	other Assets
Industrial buildings (land and buildings)	until 2031	5.5%
Generic plant (plant and machinery)	until 2031	8.4%
Highly corrosive plant (plant and machinery)	until 2031	11.7%
Pipelines and tanks (plant and machinery)		8.4%
Thermoelectric plant (plant and machinery)	until 2031	
Wind farm (plant and machinery)		10.0%
Equipment (plant and machinery)	until 2031	25.0%
Electronic office equipment (other assets)		20.0%
Office furniture and machinery (other assets)		12.0%
Vehicles (other assets)		25.0%

## 5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	30/09/2018
Industrial patent and original work rights	47,846	471	0	0	806	49,123
Concessions, licences, trademarks and similar rights	50,155	12	0	0	0	50,167
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	21,909
Other	519,898	0	0	0	3	519,901
Intangible assets under construction	1,550	353	0	0	0	1,903
<b>Total</b>	<b>641,358</b>	<b>836</b>	<b>0</b>	<b>0</b>	<b>809</b>	<b>643,003</b>

Depreciation Fund	31/12/2017	Depreciation/Amortisation	Use	Write-downs	Other changes	30/09/2018
Industrial patent and original work rights	42,339	2,441	0	0	(708)	44,072
Concessions, licences, trademarks and similar rights	24,431	774	0	0	611	25,816
Other	421,897	23,623	0	0	2	445,522
<b>Total</b>	<b>488,667</b>	<b>26,838</b>	<b>0</b>	<b>0</b>	<b>(95)</b>	<b>515,410</b>

Net Value	31/12/2017	Increases	Decreases	Depreciation/Amortisation	Write-downs	Other changes	30/09/2018
Industrial patent and original work rights	5,507	471	0	(2,441)	0	98	5,051
Concessions, licences, trademarks and similar rights	25,724	12	0	(774)	0	(611)	24,351
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,909
Other	98,001	0	0	(23,623)	0	1	74,379
Intangible assets under construction	1,550	353	0	0	0	0	1,903
<b>Total</b>	<b>152,691</b>	<b>836</b>	<b>0</b>	<b>(26,838)</b>	<b>0</b>	<b>(512)</b>	<b>127,593</b>

Amortisation of intangible assets totalled EUR 26,838 thousand, and was calculated using the annual rates shown below.

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

The main items are set out in detail below.

### Concessions, licences, trademarks and similar rights

This caption mainly refers to the concessions relating to Estaciones de Servicio Caprabo S.A. (merged into Saras Energia S.A.U.) for the operation of the petrol stations in Spain, and to Sardeolica S.r.l. for the operation of the Ulassai wind farm, which will be fully amortised in 2026 and 2035, respectively.

### Goodwill

This caption mainly relates to the goodwill recognised for the subsidiary Sardeolica S.r.l. (EUR 21,408 thousand), which was paid to acquire this company. It was justified given the projection of future cash flows expected by the subsidiary Sardeolica S.r.l. until 2035 when its concessions expire.

### Other intangible assets

This caption mainly includes the value (EUR 67.5 million) of the long-term contract for the supply of electricity under the CIP6 regime signed between the subsidiary Sarlux S.r.l. and GSE S.p.A.. This contract, which expires in 2020, was measured in accordance with IAS 36 criteria. At 31 December 2017, an independent appraisal confirmed the recognised amount. The analyses carried out do not highlight significant changes during the period in the main assumptions included in the appraisal.

### 5.2.3 Other equity investments

Other equity interests break down as follows:

Other investments	30/09/2018	31/12/2017	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 2018, for EUR 12,376 thousand, refers to deferred tax assets believed to be recoverable from future taxable income as envisaged under the group's plans.

### 5.2.5 Other financial assets

As at 30 September 2018, the balance was EUR 7,198 thousand (EUR 7,740 thousand in the previous year) and was mainly represented by the long-term share of a financial receivable due to the parent company Saras SpA by third parties.

## 5.3 Current liabilities

### 5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	30/09/2018	31/12/2017	Change
Current bank loans	1,695	496	1,199
Bank current accounts	28,536	4,163	24,373
Financial derivatives	108,358	53,731	54,627
Other short-term financial liabilities	22,580	124,678	(102,098)
Total	161,169	183,068	(21,899)

'Current bank loans and borrowings' include the short-term portion of bank loans and borrowings raised by the Group, which are measured at amortised cost. The terms and conditions of the loans and bonds are described in note "5.4.1 - Long-term financial liabilities".

'Current bank accounts' comprise the credit lines balance used by the Group as part of the performance of its ordinary activities.

'Financial derivatives' comprise the negative fair value of the financial derivatives in place at 30 September 2018: the increase of such items during the period is due to the rise in the prices of oil products.

'Other current financial liabilities' essentially include receipts related to receivables factored without recourse and without notification, received from customers and not paid back to 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	30/09/2018	31/12/2017	Change
Customers advances account	419	3,481	(3,062)
Payables to current suppliers	1,379,689	1,146,803	232,886
<b>Total</b>	<b>1,380,108</b>	<b>1,150,284</b>	<b>229,824</b>

'Advances from customers' relate to payments on account received from customers for the supply of oil products.

'Payables to suppliers' mainly comprise the payables related to the provision of raw materials. The increase on the previous year-end balance is essentially due to the rise in the purchase costs of raw materials in the period.

### 5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	30/09/2018	31/12/2017	Change
Payables for VAT	53,668	29,556	24,112
IRES payables (and income tax foreign firms)	46,901	28,364	18,537
IRAP payables	120	223	(103)
Other tax payables	114,571	62,223	52,348
<b>Total</b>	<b>215,260</b>	<b>120,366</b>	<b>94,894</b>

The change in 'VAT payables', which refer to the payable of the period of Italian and foreign companies, comprises the taxes paid on account by Italian companies in December 2017 in accordance with the law.

The change in the IRES payable reflects the tax liability of the period and the previous year outstanding balance, while the change in the 'IRAP payables' is due to the taxable income of the period of Italian companies.

'Other tax payables' mainly include payables for excise duties on products released for consumption by the Parent, Saras S.p.A., (EUR 106,436 thousand) and the subsidiary Saras Energia S.A.U. (EUR 3,493 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	30/09/2018	31/12/2017	Change
Payables employee benefit and social security	9,909	11,658	(1,749)
Payables due to employees	26,547	22,009	4,538
Payables due to others	4,438	28,328	(23,890)
Accrued liabilities	2,622	1,421	1,201
Deferred income	13,569	13,348	221
<b>Total</b>	<b>57,085</b>	<b>76,764</b>	<b>(19,679)</b>

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.

'Other payables' mainly refer to port fees previously assessed by the Customs Authority in relation to the Parent for the 2005-2007 period. Following the unfavourable outcome of the relevant litigation, the company paid these fees in July of this year.

## 5.4 Non-current liabilities

### 5.4.1 Long-term financial liabilities

This item breaks down as shown below.

Long-term financial liabilities	30/09/2018	31/12/2017	Change
Non-current bonds	198,585	198,342	243
Non-current bank loans	49,235	49,975	(740)
Other long-term financial liabilities	8,823	8,823	0
<b>Total</b>	<b>256,643</b>	<b>257,140</b>	<b>(497)</b>



It comprises the medium/long-term portions of the bank loans taken out by the Parent and renegotiated in the previous year. These are summarised as follows (values in millions of euros):

Values expressed in millions of euro	Commencement / renegotiation of the payable	Original amount	Base rate	Residual at 31/12/2017	Residual at 30/09/2018	Maturities	
						1 year	beyond 1 year to 5 years
<b>Sams SpA</b>							
Unicredit	April 2017	50	6M Euribor	50.0	49.2		49.2
Pool financing	October 2016	265	6M Euribor	-	-		-
Bond	December 2017	200	1.70%	198.3	198.6		198.6
<b>Total liabilities to banks for loans</b>				<b>248.3</b>	<b>247.8</b>	-	<b>247.8</b>

'Long-term financial liabilities' comprise:

- a bond for a total nominal value of EUR 200 million, maturing on 28 December 2022 with a fixed annual coupon of 1.70%;
- a EUR 50 million loan, taken out by Saras SpA, subject to the following covenants: in financial terms the company will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5, 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; in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.  
Failure to comply with these covenants will give the banking syndicate the right to demand early repayment of the loan.

On the last verification date, all financial covenants had been met.

#### 5.4.2 Provisions for risks and charges

Provisions for risks and future liabilities break down as follows:

Funds for risks and charges	31/12/2017	Provisions	Use	Other changes	30/09/2018
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO2 quotas fund	43,940	98,245	32,560	0	109,625
Other funds for risks and charges	59,107	5,299	27,688	0	36,718
<b>Total</b>	<b>122,085</b>	<b>103,544</b>	<b>60,248</b>	<b>0</b>	<b>165,381</b>

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

The provision for CO2 allowances (EUR 109,625 thousand) was accrued pursuant to Legislative decree no. 216 of 4 April 2006, which introduced limits on CO2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased and the Group accrued an amount of EUR 98,245 thousand during the period to face such gap. In order to mitigate the risk related to the market value of such CO2 charges, the Group has put in place financial derivatives whose positive fair value as at September 30<sup>th</sup>, 2018 is classified among the "Other financial Assets".

During the period, EUR 32,560 thousand was used from the provisions to buy (and deliver) allowances relating to the previous year.

'Other risk provisions' mainly relate to provisions made to cover probable legal and tax liabilities (including those described in section 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 transferor.

#### 5.4.3 Provisions for employee benefits

The following table shows the changes in 'Post-employment benefits':

Provisions for employee benefits	30/09/2018	31/12/2017	Change
Post-employment benefits	10,865	10,250	615
<b>Total</b>	<b>10,865</b>	<b>10,250</b>	<b>615</b>

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

#### 5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 5,081 thousand, relate to the foreign subsidiaries.

### 5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/09/2018	31/12/2017	Change
Deferred income straight-line reporting Sarlux/Gse	93,848	158,747	(64,899)
Other payables	1,053	1,313	(260)
<b>Total</b>	<b>94,901</b>	<b>160,060</b>	<b>(65,159)</b>

The change compared with 31 December 2017 is mainly due to the decrease in 'Deferred income' posted by the subsidiary Sarlux S.r.l. This caption relates to the recognition of the agreement for the sale of energy between the subsidiary and G.S.E. S.p.A. Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract has essentially been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l. These revenues have therefore been accounted for on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of gas, which is a determining factor for the electricity tariff.

### 5.5 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	30/09/2018	31/12/2017	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	897,197	765,904	131,293
Net profit (loss) for the period	154,156	240,836	(86,680)
<b>Total</b>	<b>1,116,909</b>	<b>1,072,296</b>	<b>44,613</b>

#### Share capital

At 30 September 2018, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

#### Legal reserve

The legal reserve, which is unchanged from the previous year-end balance, is equal to one-fifth of the share capital.

#### Other reserves

This caption totals EUR 897,197 thousand, up by a net EUR 131,293 thousand compared with the previous year-end balance. The net decrease was the combined result of:

- the allocation of the prior year profit (EUR 240,836 thousand)
- the decrease due to the allocation of dividends, as approved by the shareholders in their meeting of 27 April 2018 (EUR 112,321 thousand);
- the positive effect of the translation of foreign currency financial statements of foreign subsidiaries (EUR 86 thousand);
- the EUR 1,489 thousand increase in the reserve for the bonus issue to all employees under the company's stock grant plans;
- the EUR 1,204 thousand increase due to the first-time adoption of IFRS 9.

Pursuant to IAS 1.1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

#### Profit for the period

The profit for the period amounts to EUR 154,156 thousand.

#### Dividends

On 27 April 2018, Saras S.p.A.'s shareholders, in their ordinary meeting called to approve the financial statements at 31 December 2017, resolved to pay a dividend of EUR 0.12 for each of the 936,010,146 outstanding ordinary shares, for a total of EUR 112,321 thousand, distributed during the first half.

## 6. Notes to the income statement

### 6.1 Revenues

#### 6.1.1 Revenues from core business

The item 'Revenues from ordinary operations' breaks down as follows.

Revenues from ordinary operations	30/09/2018	30/09/2017	Change
Revenue from sales and services	8,441,147	5,276,366	3,164,781
Sale of electricity	393,312	352,340	40,972
Other remuneration	12,888	9,265	3,623
Change in contract work in progress	996	534	462
<b>Total</b>	<b>8,848,343</b>	<b>5,638,505</b>	<b>3,209,838</b>

Revenues from sales and services rose by EUR 3,164,781 thousand, mainly as a result of the performance of the price of oil products. During the first nine months of 2018, the Group's purchases and sales of raw materials and oil products rose on the same period of the previous year, partially following the increased operations of the subsidiary Saras Trading SA.

Revenues from the sale of electricity mainly comprise EUR 367,675 thousand relating to the gasification plant and EUR 19,261 thousand relating to the RIU of the Sarlux S.r.l. subsidiary, and EUR 6,376 thousand relating to the wind farm owned by the Sardeolica S.r.l. subsidiary.

Revenues from the sale of electricity by the subsidiary Sarlux comprise the effect of the recognition of figures on a straight-line basis, calculated over the residual term of the contract that expires in 2020, principally taking into account the tariff amount and the forward curves of both the price of gas and the projected EUR/USD exchange rate until the contract expires. The projections are reviewed when there are significant changes.

Other fees mainly refer to the revenues earned by the subsidiaries Sartec S.r.l. and Reasar SA in their respective business segments.

#### 6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	30/09/2018	30/09/2017	Change
Compensation for storage of mandatory stocks	6,116	2,939	3,177
Sale various materials	440	372	68
Grants	1,228	1,233	(5)
Chartering	3,995	10	3,985
Recovery for claims and compensation	1,266	229	1,037
CO2 charges reimbursement	32,807	11,733	21,074
Other revenues	66,464	3,218	63,246
<b>Total</b>	<b>112,316</b>	<b>19,734</b>	<b>92,582</b>

'Repayment of CO2 charges' refers to the revenues recognised by the subsidiary Sarlux S.r.l. following the obtainment, pursuant to Title II, point 7-bis of CIP measure no. 6/92, of the repayment of the charges incurred as part of the application of Directive 2003/87/EC (Emission Trading) as per AEEG's resolution no. 77/08. The increase on the same period of the previous year is mainly due to the rise in the value of the relevant allowances.

'Other income' comprises income related to energy efficiency credits both realised during the period on sales to the market and allocated during the period.

### 6.2 Costs

The following table shows a breakdown of the main costs.

#### 6.2.1 Raw materials, consumables and supplies

Purchase of raw materials, consumables and supplies	30/09/2018	30/09/2017	Change
Purchase of raw materials	4,576,431	2,867,028	1,709,403
Purchase semi-finished products	168,597	153,579	15,018
Purchase supplies and consumables	63,088	50,164	12,924
Increase in property, plant and equipment	(9,088)	(3,576)	(5,512)
Purchase finished products	3,274,157	1,835,713	1,438,444
Change in inventories	(256,102)	(123,620)	(132,482)
<b>Total</b>	<b>7,817,083</b>	<b>4,779,288</b>	<b>3,037,795</b>

Costs to purchase raw materials, consumables and supplies rose by EUR 3,037,795 thousand on the same period of the previous year due to the price trend of oil products and the volumes purchased during the period. As described in section 6.1, during the first nine months of 2018, the Group's purchase and sale of raw materials and oil products rose on the same period of the previous year, also as a consequence of the increased operations of the subsidiary Saras Trading SA.

### 6.2.2 Services and sundry costs

Cost of services and sundry costs	30/09/2018	30/09/2017	Change
Costs for services	555,435	446,262	109,173
Capitalisations	(16,444)	(17,913)	1,469
Costs for use of third-party goods	11,443	9,786	1,657
Provisions for risks	24,288	15,262	9,026
Other operating costs	7,453	10,261	(2,808)
<b>Total</b>	<b>582,175</b>	<b>463,658</b>	<b>118,517</b>

Service costs mainly comprise maintenance, rentals, transport, electricity, CO2 charges as per Directive 2003/87/EC (Emissions Trading) and other utilities, as well as bank charges.

'Use of third party assets' includes the costs incurred by the Parent and the subsidiary Sarlux S.r.l. (for the lease of its offices in Milan, the state concession at the Sarroch site and the lease of equipment) and the subsidiary Saras Energia S.A.U. to lease the network of distributors.

The 'Provision for risks' item includes the allowance for previous year charges in relation to the application of Directive 2003/87/EC (Emissions Trading).

'Other operating costs' chiefly comprise indirect taxes (municipal tax on property and air emission taxes) and membership fees.

### 6.2.3 Personnel expense

The breakdown of 'Personnel expense' is as follows:

Personnel costs	30/09/2018	30/09/2017	Change
Salaries and wages	85,749	82,229	3,520
Increases in fixed assets for internal work	(6,596)	(4,123)	(2,473)
Social security contributions	24,852	24,209	643
Post-employment benefits	5,029	4,757	272
Other costs	2,882	2,734	148
Remuneration to the Board of Directors	1,416	2,404	(988)
<b>Total</b>	<b>113,332</b>	<b>112,210</b>	<b>1,122</b>

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

### 6.2.4 Depreciation and write-downs

Amortisation and depreciation figures are shown below.

Purchase of raw materials, consumables and supplies	30/09/2018	30/09/2017	Change
Depreciation of intangible fixed assets	26,838	25,817	1,021
Depreciation of tangible fixed assets	102,387	137,981	(35,594)
<b>Total</b>	<b>129,225</b>	<b>163,798</b>	<b>(34,573)</b>

Depreciation of tangible assets decreased by EUR 35,594 thousand on the previous year, mainly as a consequence of the review of the useful life of I.G.C.C.'s plant in the last quarter of the previous year.

### 6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

Financial income	30/09/2018	30/09/2017	Change
Bank interest income	365	54	311
Unrealised differences on derivatives	92,408	78,238	14,170
Realised differences on derivatives	57,456	57,146	310
Other income	213	(191)	404
Profit on exchange rates	73,727	80,267	(6,540)
<b>Total</b>	<b>224,169</b>	<b>215,514</b>	<b>8,655</b>

Financial charges	30/09/2018	30/09/2017	Change
Unrealised differences on derivatives	(69,203)	(68,917)	(286)
Realised differences on derivatives	(158,606)	(41,510)	(117,096)
Interest expenses on loans and other financial charges	(12,560)	(8,342)	(4,218)
Other financial charges	(6,948)	(11,643)	4,695
Exchange rate losses	(79,061)	(64,367)	(14,694)
<b>Total</b>	<b>(326,378)</b>	<b>(194,779)</b>	<b>(131,599)</b>

The table below shows net income/charges by type:

Financial income and Financial charges	30/09/2018	30/09/2017	Change
Net interest	(12,195)	(8,288)	(3,907)
Result of derivative instruments, of which:	(77,945)	24,957	(102,902)
<i>Realised</i>	(101,150)	15,636	(116,786)
<i>Fair value of open positions</i>	23,205	9,321	13,884
Net exchange rate differences	(5,334)	15,900	(21,234)
Others	(6,735)	(11,834)	5,099
<b>Total</b>	<b>(102,209)</b>	<b>20,735</b>	<b>(122,944)</b>

The change in this caption is mainly due to the significant fluctuations in the price of raw materials and oil products recorded in the first half of the year compared to the same period of the previous year.

The fair value of derivative instruments held at 30 September 2018 reflected a net gain of EUR 23,205 thousand (compared with a net gain of EUR 9,321 thousand during the same period of the previous year).

These derivatives relate to hedging transactions not subject to "hedge accounting" rules.

### 6.4 Income tax

Income taxes may be analysed as follows.

Income tax	30/09/2018	30/09/2017	Change
Current taxes	58,505	35,552	22,953
Net deferred tax assets	3,974	15,046	(11,072)
<b>Total</b>	<b>62,479</b>	<b>50,598</b>	<b>11,881</b>

Current taxes comprise the IRAP and IRES taxes calculated on the taxable income of consolidated companies.

The change in deferred taxes reflects the recovery, during the first nine months of 2017, of the Italian consolidated companies' previous year tax losses. Such recovery continued and was completed in the previous year and was not performed in the first nine months of 2018.

## 7. Other Information

For information on the events after the reporting date, reference should be made to the relevant section in the Report on operations.

### 7.1 Main legal actions pending

The Parent Saras S.p.A., Sarlux S.r.l. and Sareolica S.r.l. were subject to a tax audit by the tax authorities which 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 accruals were made to the provisions for risks. In detail, the appeal lodged by the Company in connection with the long-standing dispute with the Customs Authority concerning customs duties for the 2005-2007 period was rejected at second instance during the period to which this report refers. As a consequence, in July the Parent disbursed EUR 17,539 thousand, plus interest on the outstanding amount.

Moreover, as regards the subsidiary Sarlux S.r.l., there are ongoing disputes about the non-recognition of the categorisation of the IGCC plant as cogeneration and the subsequent alleged obligation to purchase "green certificates"; the companies producing electricity from non-renewable or cogeneration sources (pursuant to Legislative decree no. 79/99 and the Resolution of the Electricity and Gas Authority - AEEG - no. 42/02) are, in fact, subject to the obligation to purchase green certificates for a certain percentage of electricity fed into the grid. Specifically:

i) 2002-2005 generation An ad hoc AEEG committee, after inspecting the IGCC plant in 2007, came, a posteriori, to a different interpretation than what it made during the generation period relative to the above resolution. As a result, the AEEG deemed that the company was required to buy green certificates for the years from 2002 to 2005; Sarlux initiated administrative proceedings for all the years in question. In March 2015, the Council of State allowed, in its final decision, Sarlux's appeal for the years from 2002-2005, voiding the outcome of the inspection and the challenged acts that had obliged the company to buy green certificates. In 2018, the GSE completed the repayment of the amount paid by Sarlux.

ii) 2009 Generation. The Council of State, in the above decision, did not deliver any opinion on one of the items appealed (hydrogen produced by the plant qualifying as "useful heat"), an interpretation that, if granted, would have enabled the subsidiary to be considered a cogeneration plant, including with reference to 2009 Generation. As it believes in the reasons already included in the appeal filed with the Council of State, Sarlux commenced new proceedings to obtain recognition of the validity of its reasons about the cogeneration arising from the production of hydrogen as "useful heat". This applies to all units, including the third one, for which, meanwhile, it paid green certificates, net of the expected reimbursement, in February 2017.

iii) 2011 and subsequent generation As regards production in 2011, 2012, 2013, and 2014 the Company submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered the resolution still in effect. GSE instead deemed that, starting with the 2012 obligation (2011 and subsequent generation), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial Decree of 4 April 2011, and therefore rejected the Company's request. Sarlux Srl therefore lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the 2011, 2012, 2013 and 2014 generation years in accordance with GSE's calculation worth EUR 67.0 million and immediately submitted a claim for reimbursement to the AEEG, obtaining EUR 11.7 million for the 2011 generation year, EUR 15.1 million for 2012 and EUR 14.6 million for 2013. The appeal to the Regional Administrative Court relative to the 2012 generation, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and 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, receivables for white certificates (TEE) in relation to benefits recognised against energy savings achieved under specific projects that have been preliminarily authorised by GSE are recognised under other assets (as described in point 5.1.6 - Other assets).

In 2016 GSE began a series of investigations to examine all the projects, despite these having been preliminarily authorised; as a result of said investigations, in 2017 it redetermined the company's TEE quota in respect of the projects investigated.

The Group commenced administrative proceedings against the outcome of the above investigations and reflected its assessment of the risk inherent to the possible outcome of the proceedings in the financial statements.

In the first half of 2018, GSE accepted, in part and for some of the projects, the objections raised by the subsidiary, and issued its final decision: the effects of these developments are adequately reflected in this financial report.

## **7.2 Related party transactions**

The transactions carried out by Saras Group with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. During the period, there were new types of related party transactions.