GROUP CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS FOR SARAS S.P.A. AS AT 31 DECEMBER 2016

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SARAS GROUP PROFILE

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the south-west coast 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 (10.0 on the Nelson Index). Located in a strategic position in the middle of the Mediterranean, the refinery is 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 as one of the main markets for trading oil commodities.

OIL AND CRUDE PRODUCTS SOLD IN ITALY AND SPAIN THROUGH RETAIL AND WHOLESALE NETWORKS

4.09
million barrels

The Group sells and distributes oil products directly, and through its subsidiaries, such as diesel, petrol, 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 2016 approximately 2.30 million tonnes of petroleum products were sold in Italy on the wholesale market, and a further 1.79 million tonnes were sold on the Spanish market through its subsidiary Saras Energia SAU, active both on the wholesale and retail market.

In the 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 35% 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.

ENERGY ELECTRICITY PRODUCTION FROM IGCC PLANT (Integrated Gasification Combined Cycle)

4,000,000,000
kWh/year

CONTRIBUTIONS TO SARDINIA'S ENERGY REQUIREMENT

35%

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

MILESTONES

The 1960s

Start of operations

1962
Saras is founded by Mr. Angelo Moratti.

1965
Sarroch refinery begins operations

1968
Start-up of a new Crude Distillation Unit (Topping) and of the Fluid Catalytic Cracking plant (FCC).

The 1970s

Revamping plants

1970
Start-up of the Alkylation Unit (ALKY) and of a waste water treatment plant.

The 1980s

Increase in conversion capacity

1983
Start-up of the Visbreaking Unit (VSB) and of a Vacuum plant (Vacuum)

1984
Start-up of a new Reforming Catalytic unit (CCR).

Late 1980s
upgrading of the FCC Unit, with capacity increased up to 94,000 bl/day

The 1990s

Environment, new technologies, and expansion into the wholesale market

1992
start-up of the first Mild HydroCracking Unit (MHC1)

Mid ’90s:
Saras begins to operate in the wholesale market in Spain (Saras Energia) and Italy (Arcola Petrolifera)

The 2000s

IPO and further investments in high technology and environment

2001
- Start-up of the Integrated Gasification Combined Cycle plant (IGCC)
- Start-up of a second Mild HydroCracking Unit (MHC2)
- Start-up of an Etherification Unit (TAME)

2005
the Ulassai wind park starts operations, with an installed capacity of 72 MW

2006
IPO to grow the business and explore new opportunities.

2007
increase in conversion capacity, leading to significant improvements in the production of automotive diesel.

2008
- achievement of EMAS environmental registration (Eco Management Audit Scheme)
- Start-up of the Tail Gas Treatment Unit and Sulphur recovery (TGTU)
- Start-up of the gasoline desulphurisation unit (U800)

2009
- Sales of petrol and diesel with 10 ppm (parts per million) sulphur content begins. Significant reduction of indirect SO_2emissions.
- Saras is the first refinery in Italy to obtain the AIA authorisation (Integrated Environmental Authorisation), which represents part of a journey to improve the technical and structural characteristics of the plant, in order to minimise the environmental impact of the production activities
- Extension of the retail network in the Southern areas of Spain, through the integration of 71 new service stations acquired from ERG.
- Inauguration of the artwork “La cattura dell’Ala del Vento” created by the artist Maria Lai, and dedicated to the Ulassai wind farm.
- During maintenance of plant MHC1, there was a tragic event in which three workers died.
- Completion of an important cycle of maintenance and investments, critical for the future growth of the company, on the following Units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2, and VSB

MILESTONES

The 2010s

Focus on safety, environment, efficiency and improvements in profitability

2010

– start of the “Project Focus”, whose purpose is improving production efficiency, effectiveness of the operations, and cutting costs.

– Saras becomes a certified member of the OCIMF (Oil Companies International Marine Forum), and it is now allowed to perform “vetting” operations within the SIRE Programme managed by OCIMF.

– Bond issue on the Luxembourg Stock Exchange, restricted to institutional investors, with a total nominal amount of EUR 250 million and a maturity of 5 years.

2011

– “Project Focus” achieves positive outcomes and is also extended to "Planning" and "Supply & Trading".

– The Group relies on its commercial and operational flexibility to overcome the shortage of Libyan crude oils, as a consequence of the civil war which devastates that country

– The ten-year shutdown for scheduled maintenance of the entire IGCC plant is performed.

– The subsidiary “Sardeolica Srl” increases the installed capacity of the Ulassai wind farm from 72 to 96 MW.

2012

– The Board of Directors of Saras SpA approves the Group Business Plan 2013 – 2017, which is focused on activities aimed at improving effectiveness and efficiency, as well as pursuing new commercial opportunities

– In the Refining segment, MildHydroCracking-2 (MHC2) is revamped.

– In a competitive environment, which becomes increasingly harder due to the recession in the Eurozone, the Saras Group continues to aim to be a leading operator in terms of safety and efficiency within its sector.

2013

– The industrial strategy of the Group remains focused on striving to achieve operating performance excellence.

– A major corporate reorganisation is completed, by transferring the business operations of the Refining segment of Saras SpA to the subsidiary Sarlux Srl.

– At the end of April, Rosneft acquires 13.70% of the share capital of Saras SpA from majority shareholders, Gian Marco and Massimo Moratti, and, in mid-June, an additional 7.29% via a public offer to purchase in the open market.

2014

– The Saras Group pursues “asset management” initiatives whose aim is cost reduction, increase of energy efficiency and the coordination of its refining business activities and operational management.

– Bond issue on the Austrian multilateral trading system, with a total nominal amount of EUR 175 million and a maturity of 5 years.

– Important five-year turnaround activities are successfully carried out at the Fluid Catalytic Cracking plant (FCC), and its two main ancillary units: Alkylation (Alky) and Etherification (TAME).

– Arcola Petrolifera Srl was merged into Saras SpA, with effect for accounting and tax purposes as of 1 January 2014.

– On 29 December 2014, Sarlux Srl purchases a business unit of Versalis SpA, including approximately 80% of the production units of the Versalis petrochemical complex in Sarroch, Sardinia to achieve considerable industrial and organisational synergies, and further strengthen the international competitive landscape.

2015

– 2015 marks a structural change for oil markets: more balanced crude prices, greater availability of non-standard types of crude, recovery in consumption of petroleum products, streamlining of the European refining system, reduction of spare capacity at global level and correction of some market distortions, contribute to the recovery in refining margins, mostly benefiting complex refineries such as that of the Saras Group.

– In order to take full advantage of the opportunities offered by the market, the Saras Group has adopted an innovative business model based on the integrated management of the supply chain (or of the raw material materials supply chain). This highly profitable and sophisticated model is based on the extraordinary characteristics of flexibility and high conversion of the Sarroch refinery, in addition to the close coordination between planning experts, traders and experts in the operational management of plants.

- On 15 October, the Capital Markets Day of the Saras Group was held at the Sarroch refinery and the Business Plan 2016-2019, which is based on the optimal execution of the integrated "Supply Chain" management model and on a series of improvement initiatives related to reliability, energy efficiency and developments of the site configuration, with moderate investments and short re-entry periods, was presented at the event.

- On 19 October, Rosneft sold about 8.99% of the share capital of Saras SpA to an expert group of institutional international investors, and reduced its shareholding to 12%.

- On 10 December, Saras signed a five-year bank loan agreement, for an amount of EUR 265 million, to refinance existing debt and support general corporate requirements.

2016

- As in the previous year, 2016 was also a positive year for the European refining industry, due to continuing market conditions marked by a wide range crude oils, including non-conventional types, whose processing favours complex, integrated and high conversion sites such as the Saras plant. Also, as regards global demand for refined products, 2016 was a year of solid growth (+1.5 mb/d compared to 2015).

- Saras Trading SA has been fully operational in Geneva since January, with the objective of achieving a logistical advantage, positioning itself in the heart of one of the main markets for trading oil commodities. Saras Trading is a fundamental element in the implementation of the integrated management of the Supply Chain model and, in addition to providing for purchases of raw materials and the sale of refined products from the refinery, it also performs independent crude oil and petroleum product trading activities.

- In February, following the resignation of the non-executive director Igor Ivanovich Sechin, Andrey Nikolayevich Shishkin was co-opted as a new member of the Board of Directors of Saras SpA, who until 2012 was the Deputy Minister of Energy for the Russian Federation and currently holds the role of Vice President of Rosneft for "Energy, Localization and Innovation".

- On 22 April, the Shareholders voted to distribute a dividend of EUR 0.17 for each share (corresponding to a dividend yield of 10.8%), totalling EUR 159.1 million. The return to the payment of a dividend after many years has been made possible by improved refining market conditions, and the excellent results in the year 2015.

- The year 2016 saw the Saras Group engaged in a process of major financial optimisation aimed at seizing the opportunities offered by the low interest rates resulting from the expansionary policies of the European Central Bank. In detail, on 12 September Saras, proceeded with the early repayment of five-year bonds issued in July 2014, with a total par value of EUR 175 million and a fixed annual coupon rate of 5%. Also in September, the maturity of the financing agreement for EUR 50 million was extended from 2018 to March 2020. In October, a financing contract was converted into a Revolving Credit Facility for EUR 255 million, with a maturity date of December 2020. And finally, again in October, the maturity of a financing contract of EUR 150 million was extended from March 2019 to September 2021.

LETTER TO SHAREHOLDERS

2016 was influenced by various political events, whose often unexpected results have determined a high degree of volatility in the global market. In spite of this, the economy has continued to grow, leading to an increase in raw materials. The cost of oil, in particular, has increased from a minimum of 25 dollars in January up to 55 dollars in the last few weeks of December. In this context, refining margins have dropped slightly compared to the record levels of 2015, remaining however at perfectly satisfactory levels for the refining industry in Europe. However, the best results were achieved by high conversion and integration refineries like the one in the Group, which was best placed to exploits the plentiful offer of crude oil, even in the case of non conventional types.

In a good position in terms of cutting edge plants and a favourable market, the Group has made a commitment to make improvements at industrial, commercial and financial levels. In the last year our special operating model, based on the integrated management of the supply chain, has been further reinforced thanks to the support from Saras Trading SA The latter, operating in Geneva since January, has worked in very close cooperation with the refinery operating deparment and has been able to exploits numerous market opportunities, also evaluating them in relation to the actual availability of units on site, planned maintenance schedules and the specific equipment configuration requirements needed.

This optimisation, together with the commitment and professionality of our personnel, has allowed us to achieve again solid results in the recently ended financial year, and to maintain a positive financial position of around 100 million Euros, in spite of significant investments made during the financial year, and the payment of around 160 million Euros in dividends last May.

Today, our task is that of implementing the initiatives needed to retain our leadership in the sector and beyond, in the next decade, and so prevail against our international competitors who are becoming ever more aggressive. To achieve this objective, we have drawn up an Industrial Plan for the 2017-2020 period which aims to operative excellence through the development of the site configuration, optimisation of costs and increases in energetic efficiency, taking advantage of the technological innovations offered by the "Industria 4.0".

Experts previsions indicate a middle-term period characterised by international regulatory trends, progressively more focused to the protection of health and the environment. In particular, the "IMO Marpol VI" regulations, which will impose a drastic reduction in the percentage of sulphur present in combustion fumes from maritime engines from January 2020, will play a fundamental role. It is therefore anticipated that consumption of combustible oil used as bunker fuel will decrease and, in consequence, that quantity discounts for heavy crude oil will show a marked increment. In these circumstancecs, our site in Sarroch would be clearly advantaged by the integration of the refining plant with the IGCC plant for the production of electric energy, which processes heavy fuel very efficiently and profitably, in full respect of HSE regulations.

It is precisely in view of this aspect, relating to the environment, health and safety, that we wish to highlight a new record achievement of which we are extremely proud. In the 2016 FY, our industrial site has registered the best absolute result for accident rates in its history, with values markedly lower than the average for the industry as indicated from data collected at European level by Concawe. A similar record derives from the continuous attention of all personnel involved, irrespective of their role, and the commitment they show every day to the culture of safety. We thank them all most sincerely.

In conclusion, thanks to our primary quality asset, made up of a group of workers at the highest professional level, and a middle-term favourable period, we face future challenges with confidence, certain of being able to continue to generate value for our stakeholders and for the community in which we operate.

Chief Executive Officer
Massimo Moratti

The Chairman
Gian Marco Moratti

REPORT ON OPERATIONS SARAS GROUP

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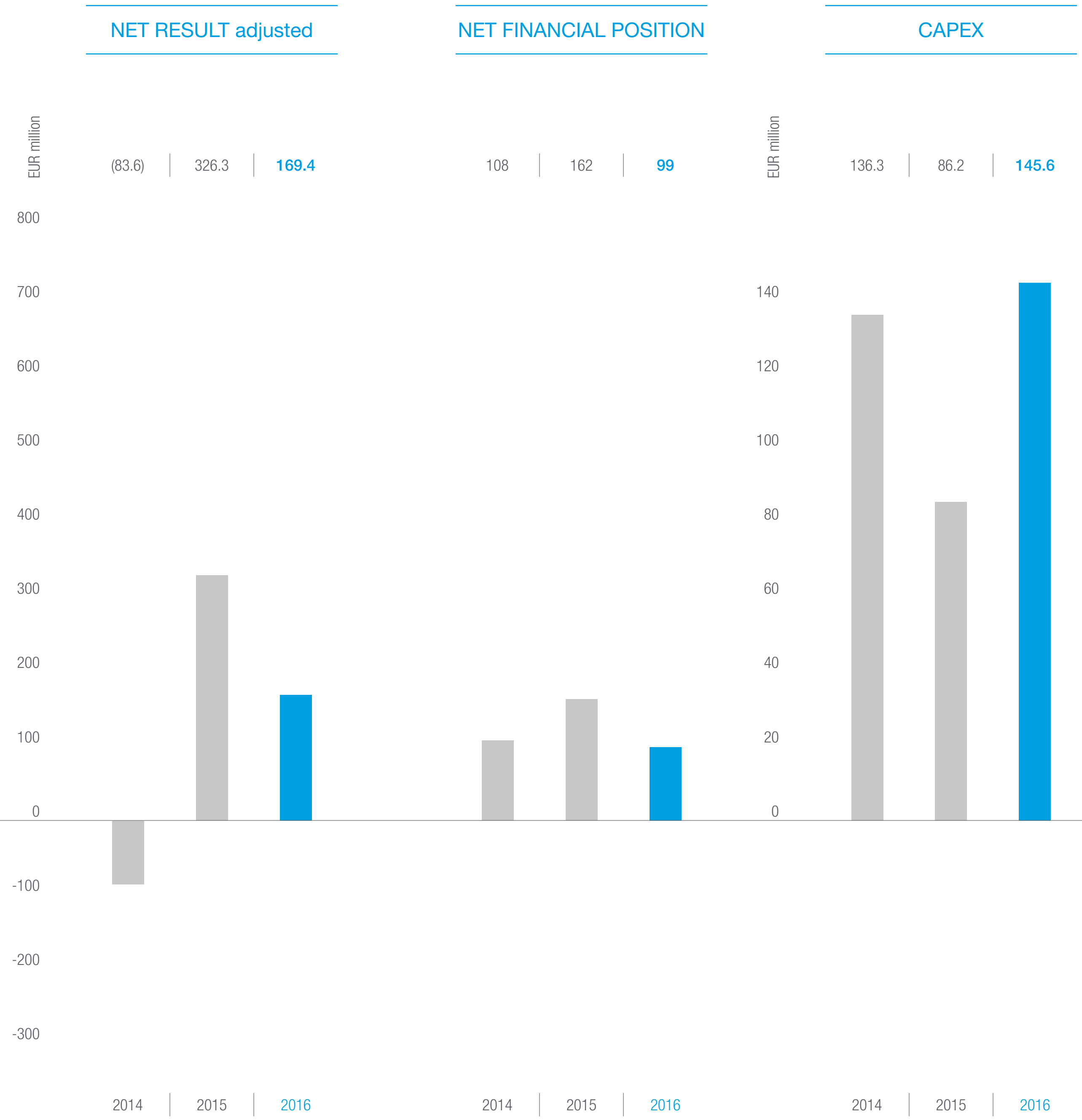
MAIN CONSOLIDATED FINANCIAL AND OPERATING FIGURES


NET RESULT adjusted
NET FINANCIAL POSITION
CAPEX
EUR million
(83.6)
326.3
169.4
108
162
99
EUR million
136.3
86.2
145.6
800
700
600
500
400
300
200
100
0
-100
-200
-300
140
120
100
80
60
40
20
0
2014
2015
2016
2014
2015
2016
2014
2015
2016

MAIN CONSOLIDATED FINANCIAL AND OPERATING FIGURES

EUR million		2016	2015	Change %
REVENUES		6,870	8,238	-17%
EBITDA		638.1	556.0	15%
EBITDA comparable [1]		**506.6**	**741.0**	**-32%**
EBIT		391.4	310.6	26%
EBIT comparable [1]		**279.8**	**518.9**	**-46%**
Net Result		196.3	223.7	-12%
Net Result adjusted [2]		**169.4**	**326.3**	**-48%**
Shares outstanding, '000,000 (average no.)		935	931	
Adjusted NET RESULT [2] per share (EUR)		**0.18**	**0.35**	
NET FINANCIAL POSITION		**99**	**162**	
CAPEX		**146**	**86**	
REFINERY RUNS	thousand tons	12,962	14,550	-11%
	million barrels	94.6	106.2	-11%
	thousand barrels/day	259	291	-11%
FOREX	EUR/USD	1.107	1.110	0%
EMC BENCHMARK MARGIN	$/bl	2.9	4.0	
SARAS REFINING MARGIN	$/bl	6.6	8.0	
IGCC ELECTRICITY PRODUCTION	MWh/1000	4,588	4,450	3%
POWER TARIFF	EURcent/KWh	8.1	9.6	-15%
IGCC MARGIN	$/bl	3.3	3.1	6%
TOTAL MARKETING SALES	thousand tons	4,084	3,961	3%
of which in Italy	thousand tons	2,298	2,573	-11%
of which in Spain	thousand tons	1,787	1,388	29%

1. Comparable EBITDA/EBIT calculated in accordance with IFRS accounting standards, corrected for non-recurring items by nature, relevance and frequency, fair value of derivatives on oil and exchange rates, and valuing inventories based on the LIFO method which does not include year-end revaluations and write-downs.

2. Adjusted Net Result: The NET RESULT is correct due to the difference between inventories valued according to the LIFO method and inventories valued according to the FIFO method after tax, non-recurring items by nature, relevance and frequency after tax and changes in the fair value of derivatives on oil and exchange rates after tax. The comparable and adjusted data are not subject to revision.

STATUTORY BODIES

BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	CEO and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	Executive Vice Chairman, General Director and Director
ANGELOMARIO MORATTI	Chairman Saras Energia and Director
GABRIELE MORATTI	Director
GABRIELE PREVIATI	Director
ANDREY NIKOLAYEVICH SHISHKIN	Board Director
GILBERTO CALLERA	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director

BOARD OF STATUTORY AUDITORS

GIANCARLA BRANDA	Chairman
GIOVANNI LUIGI CAMERA	Auditor
PAOLA SIMONELLI	Auditor
GIOVANNI FIORI	Deputy Auditor

RESPONSIBLE OFFICER

FRANCO BALSAMO	Chief Financial Officer

AUDITING COMPANY

EY SpA

CORPORATE GOVERNANCE

The company complies with the Corporate Governance Code prepared by the Corporate Governance Committee and published by Borsa Italiana SpA in March 2006, as subsequently amended (the "Corporate Governance Code"), as described in the annual report on Corporate Governance approved by the Board of Directors (the “Board”) and published within 21 days after the Meeting called for the approval of the 2016 financial statements.

In that report, also prepared pursuant to Art. 123-*bis*, paragraph one of D.Lgs. 24 February 1998, no. 58 (the Consolidated Finance Act or “TUF”), as subsequently amended, the salient features of the Saras Corporate Governance system are described, as well as the functioning of its various components, with particular reference to compliance with the guidelines contained in the Corporate Governance Code.

The corporate organisation of Saras SpA complies with the provisions of the Italian Civil Code and with other regulations specific to corporations, and in particular with the provisions of Legislative Decree 58 of 24 February 1998 (“TUF”). The Company is structured in accordance with the traditional model for administration and control, with a Board of Directors tasked with managing the Company. Within the Board, there is a “Remuneration and Nomination Committee”, an “Audit and Risks Committee”, and a “Board of Statutory Auditors”, whose tasks include monitoring compliance with legislation and with the Articles of Association, and controlling the adequacy of the Company’s organisational structure, internal audit system and administrative and accounting systems.

On 28 April 2015, the Shareholders' Meeting entrusted the task of auditing its annual and consolidated financial statements for the financial years 2015-2023, as well as the task of limited auditing of half-year reports within the same period, to the audit firm Reconta Ernst & Young SpA: (“EY”).

The same Meeting also appointed the members of the new Board of Directors and the new Board of Statutory Auditors, which will remain in office for a period of three years until the date of the Shareholders’ Meeting called for the approval of the financial statements for the year ended 31 December 2017.

The report provides details of the role and tasks of the Board of Directors, listing the functions that can and cannot be delegated, and providing up-to-date information on its composition and the meetings held in 2016 and in the first months of 2017. In particular, it is recognised that on 29 February 2016, following the presentation of the resignation of Igor Sechin Ivanovich, the Board of Directors internally co-opted Andrey Nikolayevich Shishkin as a non-executive and non-independent director.

The Shareholders' Meeting on 22 April 2016 confirmed the appointment of Andrey Nikolayevich Shishkin as director, who shall remain in office until the Shareholders' Meeting that will be convened to approve the financial statements as at 31 December 2017

The Board of Directors has nominated as the Lead Independent Director Gilberto Callera, also the Remuneration and Appointments Committee (composed of Gilberto Callera, Laura Fidanza and Gabriele Previati) and the Control and Risk Committee, currently composed of non-executive independent directors, Gilberto Callera, Adriana Cerretelli, Laura Fidanza, Isabelle Harvie-Watt and Gabriele Previati.

Both Committees have the consultative and advisory functions, as intended in the Code of Conduct, and met regularly during 2016 and in the first few months of 2017, as illustrated in detail in the Report on Corporate Governance.

The report also describes the internal control system of the Company, for which the Board of Directors is responsible and which establishes the guidelines and periodically reviews the operational adequacy and effectiveness, using the Risk Management and Control Committee and the Internal Audit Department.

The Board appointed Dario Scaffardi as Executive Vice President, the executive director responsible for overseeing internal control system operations.

The Company has also appointed the Chief Financial Officer, Dr Franco Balsamo, as the director in charge of financial reporting, according to the Article 154-*bis* of the Consolidated Finance Act.

Since January 2006 the Company has had an "organisation, management and control model", updated on many occasions, in implementation of the legislation relating to the "Rules governing the administrative liability of companies pursuant to Legislative Decree. 231/2001, which is overseen by a especial supervisory body.

The Group’s Code of Ethics (approved by the Board of Directors of Saras SpA on 1 August 2016 and subsequently implemented by the Boards of Directors of other companies in the Group) is also attributable to the internal control system which replaces the Codes of Ethics of the individual companies first in force and expresses, in a single document, the common values and principles which underpin the action of the Saras Group and which must be observed by all employees, collaborators and all those who establish relations or relationships with the Group.

Lastly, the Report describes the contents of the internal rules for managing inside information and the creation of a list of persons with access to such information, as well as the Procedure on internal dealing[1], procedures for related party transactions, and the Code of Conduct for Saras Group Directors, as adopted by the Company’s Board of Directors.

1. Both documents have been integrated and updated in implementation of the rules contained in art. 17 of European Regulation No. 596 of 16/4/2014 on market abuse (and which has repealed Directive 2003/6/EC of the European Parliament and the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC) (the so-called. “MAR"), as well as of the Implementing Regulation (EU) 2016/1055 of the European Commission of 29 June 2016.

REGULATORY FRAMEWORK

The most important regulations in 2016 relating to the energy, environment and health and safety at work sectors are as follows:

- D.L. 244 of 30 December 2016 implementing the so-called "Milleproroghe" decree containing extensions on the matter of Sistri, thermal energy plants and thermoregulatory and heat metering systems;
- Directive (EU) 2016/2284 of the European Parliament and Council of 14 December 2016 concerning the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (so-called NEC Directive);
- Law No. 225 of 1 December 2016 Fiscal provisions of the conversion into law of Legislative Decree No. 193/2016. The law contains amendments to the Consolidated Act on excise duties and to Legislative Decree No. 42/2004;
- Legislative Decree no. 222 of 25 November 2016, concerning "*Identification of procedures subject to authorisation, certified reporting of starting activities (SCIA), tacit consent and communication and definition of administrative arrangements applicable to certain activities and processes*";
- Ministerial Decree of 16 November 2016 containing urgent provisions governing the natural gas market;
- Law No. 199 of 29 October 2016 on the extension of offences pursuant to Legislative Decree No. 231/2001 relativamente alle violazioni delle norme di sicurezza sul lavoro Of which al D. Lgs. 81/2008;
- Ministerial Decree No. 228 of 17 October 2016 concerning the minimum contents and formats of the complaint and notification reports of administrative offences pursuant to art. 29 quattuordecies of Legislative Decree No.152/2006;
- Ministerial Decree No. 200 of 29 September 2016 on major accident risks containing the regulation on the consultation of the population on external emergency plans;
- Ministerial Decree of 21 September 2016 updating the integrated text of the electricity market rules;
- Law No. 170 of 12 August 2016 containing legislative delegation in the field of plastic bags, combustion plants and the quality of petrol and diesel;
- Legislative Decree of 4 August 2016 on the reorganisation, streamlining and simplification of the Port Authority rules;
- Ministerial Decree of 23 June 2016 containing the rules on incentives for energy produced from renewable sources other than photovoltaic;
- Ministerial Decree of 25 July 2016 on trading greenhouse gas emissions and the tariffs charged by operators for the activities set out in Legislative Decree No. 30/2013;
- Legislative Decree No. 141 of 18 July 2016 containing supplementary provisions to Legislative Decree 102/2014 on directive No. 2012/27/Eu on energy efficiency';
- Ministerial Decree No. 172 of 15 July 2016 on the rules and technical standards for dredging operations in sites of national interest (SIN);
- Ministerial Decree No. 173 of 15 July 2016 concerning permissions to dump seabed excavation and dredging materials in the sea;
- Ministerial Decree of 6 July 2016 transposing Directive 2014/80/EU on the protection of groundwater against pollution and deterioration;
- Legislative Decree No. 127 of 30 June 2016 containing regulations for reordering the rules on services conferences;
- Ministerial Decree No. 138 of 6 June 2016 containing the regulations on the rules of forms of consultation of workers of establishments at risk of a major accident in emergency plans pursuant to Legislative Decree No. 105/2015;
- Ministerial Decree of 31 May 2016 containing the establishment of the inter-ministerial commission governing fuels relevant to air pollution;
- Ministerial Decree of 26 May 2016 regarding the AIA (integrated environmental authorisation permit) and containing the criteria to consider when determining financial guarantee amounts;
- Legislative Decree No. 50 of 18 April 2016 containing the implementation of Directives 2014/23/EU, 2014/24/EU and 2014/25/EU on concessions and public contracts (so-called new contracts code);
- Ministerial Decree No. 99 of 8 April 2016 containing the regulation for transposing Directives 2014/77/EU and 2014/99/EU that update the references relating to the analysis and test methods contained in Directive 98/70/EC (quality of petrol and diesel fuels for motor vehicles and in directive 2009/126/EC (vapour recovery during refuelling of motor vehicles);
- Directorial Decree of the Ministry of the Environment of 15 March 2016, Prot. No. 86 approval of forms for the presentation of the application of AIA (integrated environmental authorisation permit) with specific reference to the request for a review;
- Directive of the European Parliament and Council of the European Union 2016/802/EU relating to a reduction in the sulphur content of certain liquid fuels;
- Law No. 21 of 25 February 2016 containing extension provisions for landfills, combustion and energy plant emissions (converted into Legislative Decree 210/2015 "Milleproroghe", or "One thousand extensions" 2016);
- Legislative Decree no. 39 of 15 February 2016 concerning the classification, labelling and packaging of substances and mixtures in implementation of Directive 2014/27/EU.

EQUITY MARKETS PERFORMANCE

2016 has been a year characterised by high volatility in global stock markets that have faced periods of sudden drops in price (in particular in February and June), followed by equally rapid periods of price hikes.

Overall, the Milan Stock Exchange was the worst, with the "FTSE Mib" index closing the year down by 10.2%, followed the Athens stock exchange, where the "ASE Large-cap" index lost 5%, and then by Madrid, where the "IBEX 35" index lost 2%.

On the contrary, the London Stock Exchange had the best performance with a 14.4% growth on the reference "FTSE 100 UK" index despite the unexpected outcome of the referendum in favour of leaving the European Union. “Brexit”). The American "S&P 500" index also closed up, which was up by 9.5%, as well as the "Dax" index in Frankfurt and the French "CAC 40" index, which closed the year up by 6.9% and 4.9% respectively.

Finally, the Japanese "Nikkei 225" index closed the year almost unchanged, similarly to the composite index "FTSE EuroFirst 300", which summarises the performance of 300 European companies with the highest capitalisation.

The following graphs give a visual representation of the afore-mentioned fluctuating stock prices, using as a "base 100" reference, the share prices at 1 January 2016.

By analysing the performance of the various stock indices in detail, their performance and high volatility can be correlated with the significant political/economic events that occurred in 2016.

In the first two months of the year, fears over the growth of emerging economies (mainly China), gave rise to heavy losses in share prices on the international financial markets, which fell to their lowest levels in the last two years. Bank shares in the Eurozone were hit particularly hard because of their high exposure. Moreover, a climate of growing aversion to risk, disadvantaged the stock exchanges of peripheral countries, especially in Europe. In mid-February, Athens recorded a drop of 38%, and the FTSE MIB contracted by 26% with respect to values at the start of the year.

Then, from the second half of February, there was a gradual recovery of market indexes - which nevertheless remained at levels generally lower than those at the start of the year - linked to more reassuring news on the prospects for growth in emerging countries, with expectations of the continuation of expansionist monetary policies in both the Eurozone and also in other advanced economies, as well as the recovery of the prices of raw materials.

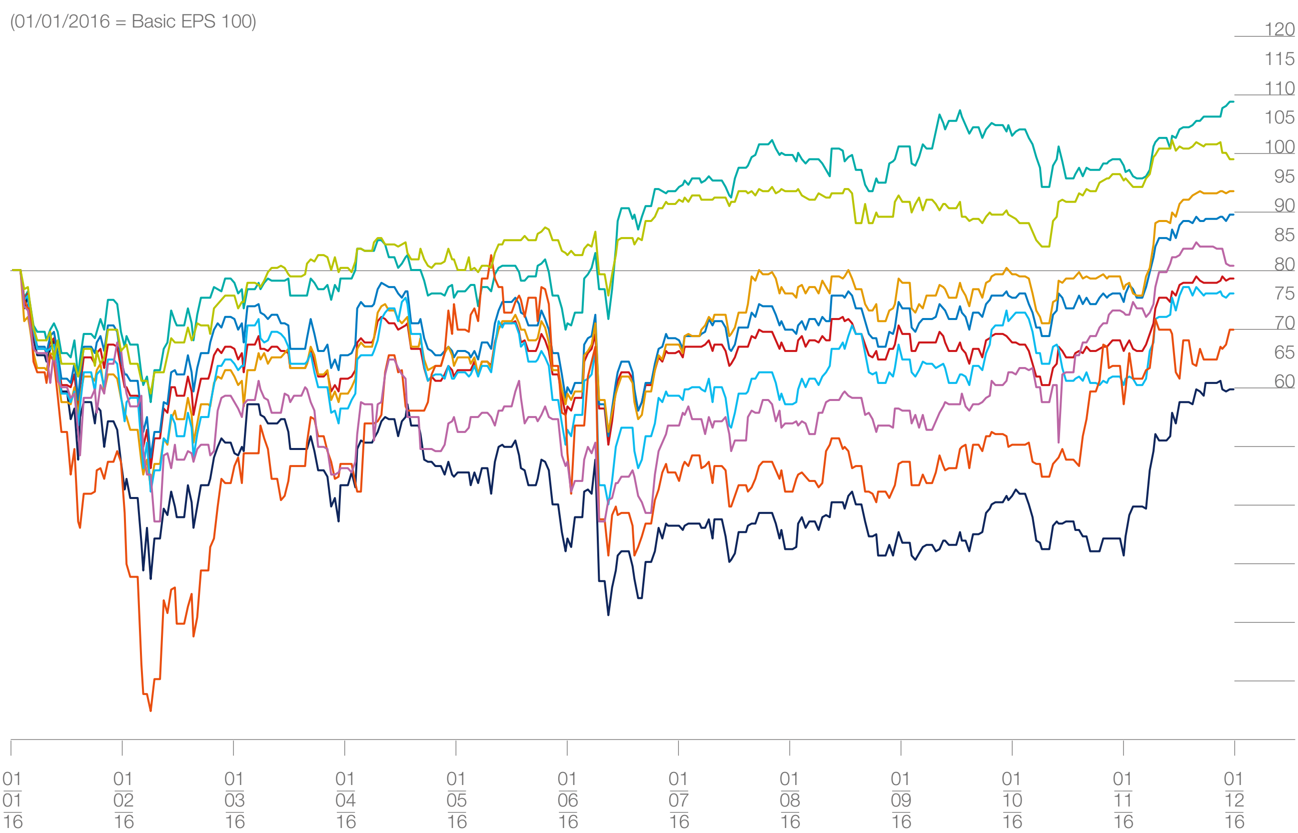
In April and May, the stock exchanges of the main developed countries recorded few variations. After that, the unexpected outcome of the referendum in the United Kingdom (which voted to leave the European Union on 23 June), triggered a new phase of high turbulence in financial markets and a sharp fall in stock prices between the end of June and the beginning of July.

Once again, the stock markets hardest hit were those of the Eurozone, because of concerns relating to a possible contagion to certain other countries, within which there are strong anti-European tensions. The yield of long-term government bonds of the main advanced economies remained at very low values, due to the strongly expansionary tendency of central banks. In June, even the yield of German ten-year government bonds entered negative territory for the first time.

In the remainder of the third quarter, the conditions of global financial markets gradually improved and tensions arising from the British referendum were reabsorbed, also due to the continuous stimulation of Central Banks with their accommodating monetary policies, and the positive growth (albeit small) of the global economy. The main stock indices closed the quarter up compared to the minimum reached at the end of June, and in particular the "FTSE 100 UK" proved to be the most robust index, up 6.1% compared to the start of the year.

Finally, the fourth quarter was characterised by waiting for significant political events and their implications on the real economy and financial markets. Specifically, the most significant appointments were the American elections (8 November) and the Italian constitutional referendum (4 December). The winning of the American election by Trump, albeit unexpected, was welcomed by markets and strengthened the recovery of global share prices. In Italy, the negative referendum result sparked a political crisis which led to the formation of a new government, albeit in continuity with respect to the previous one. This policy option reassured the Italian financial market, and the "FTSE Mib" was up by 17.3% in the last quarter, recovering part of the losses made in previous quarters.

MAIN WORLD MARKET INDICES (SOURCE: BLOOMBERG)



FTSE 100 UK Index: index of 100 stocks most representative of the UK market

Standard & Poor's 500 Index:: index of 500 stocks most representative of the USA market chosen fromall sectors of the economy

DAX Index: index of 100 stocks most representative of the German market

CAC 40 Index : index of 40 stocks most representative of the French market

NIKKEI 225 Index: index of 225 stocks most representative of the Japanese market

FTSE Euro First 300 Index: representative index of 300 European companies with the highest capitalisation

IBEX 35 Index : index of 35 stocks most representative of the Spanish market

ASE Large Cap Index: index of 25 stocks most representative of the Greek market

FTSE MIB Index: index of 40 stocks most representative of the Italian market

SARAS SHARE PERFORMANCE

Below, data are shown on daily prices and volumes of Saras's shares from 1 January 2016 to 31 December 2016.

SHARE PRICE (EUR)	2016
Minimum Price (03/08/2016) *	1.230
Maximum Price (27/01/2016) *	1.952
Average Price	1.517
Closing Price on 30/12/2016	1.720

* Minimum and maximum prices refer to official reference prices on the closing of each trading day.

DAILY TRADING VOLUMES	2016
Maximum volume in EUR m (13/05/2016)	39.2
Maximum volume in number of shares (m) (13/05/2016)	25.4
Minimum volume in EUR m (18/08/2016)	2.0
Minimum volume in number of shares (m) (18/11/2016)	1.3
Average volume in EUR m	10.1
Average volume in number of shares (m)	6.7

At 30 December 2016, the market capitalisation was EUR 1,636 million and, on the same date, there were approximately 936 million shares outstanding. Moreover, at the end of 2016 Saras SpA held in treasury 14,989,854 own shares, equal to 1.576% of share capital. For details on own shares held in treasury and on the share movements during the year, reference is made to the Report on Operations of Saras SpA.

The following graph shows a comparison between the daily performance of Saras's share price and the FTSE Italia Mid Cap Index of the Italian Stock Exchange in Milan.

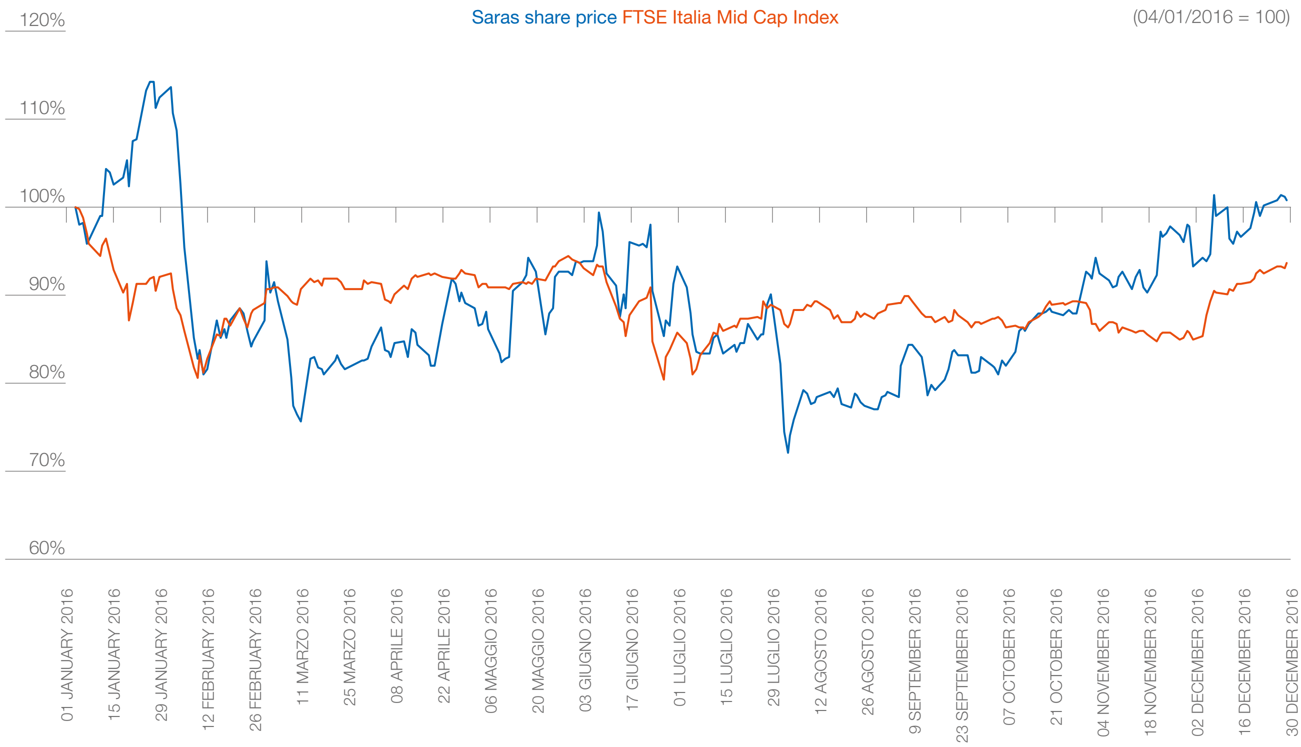
Saras shares opened 2016 with a price of EUR 1.705 on 4 January, and recorded a strong upward trend in the first month of the year (+12.6%). This trend contrasted with the index of medium-capitalisation shares listed on the Borsa Italiana (the so-called index "FTSE Italia Mid Cap") that, much like the other main international indexes, lost about 8%.

The performance of Saras's shares is explained by the expectations of very robust refining margins also for 2016. Moreover, the strong fall in the price of Brent Dated, which also fell to its lowest price in the last ten years at 26 $/bl on 20 January, provided important support to Saras's share prices. As of early February, however, this trend reversed, as crude abruptly bounced back to over 33 $/bl (up by about 27%), and Saras's share price realigned with the FTSE Italia Mid Cap index.

In the second quarter, the share price recovered a good part of its negative performance in the first quarter, and on 30 June closed the first half-year down by 8.6% compared to the start of the year. In the meantime, Brent prices continued to rise, reaching 48 $/bl at the end of the half-year, a level almost twice the minimum in January.

The third quarter opened in a context of high tension in the financial markets in the wake of the outcome of the referendum in the United Kingdom, which triggered a period of a sharp fall in stock prices. Saras's shares initially moved in line with the market and after a ranging market period in July, at the start of August it was negatively impacted by the revised profitability estimates over the

SARAS SHARES PRICE

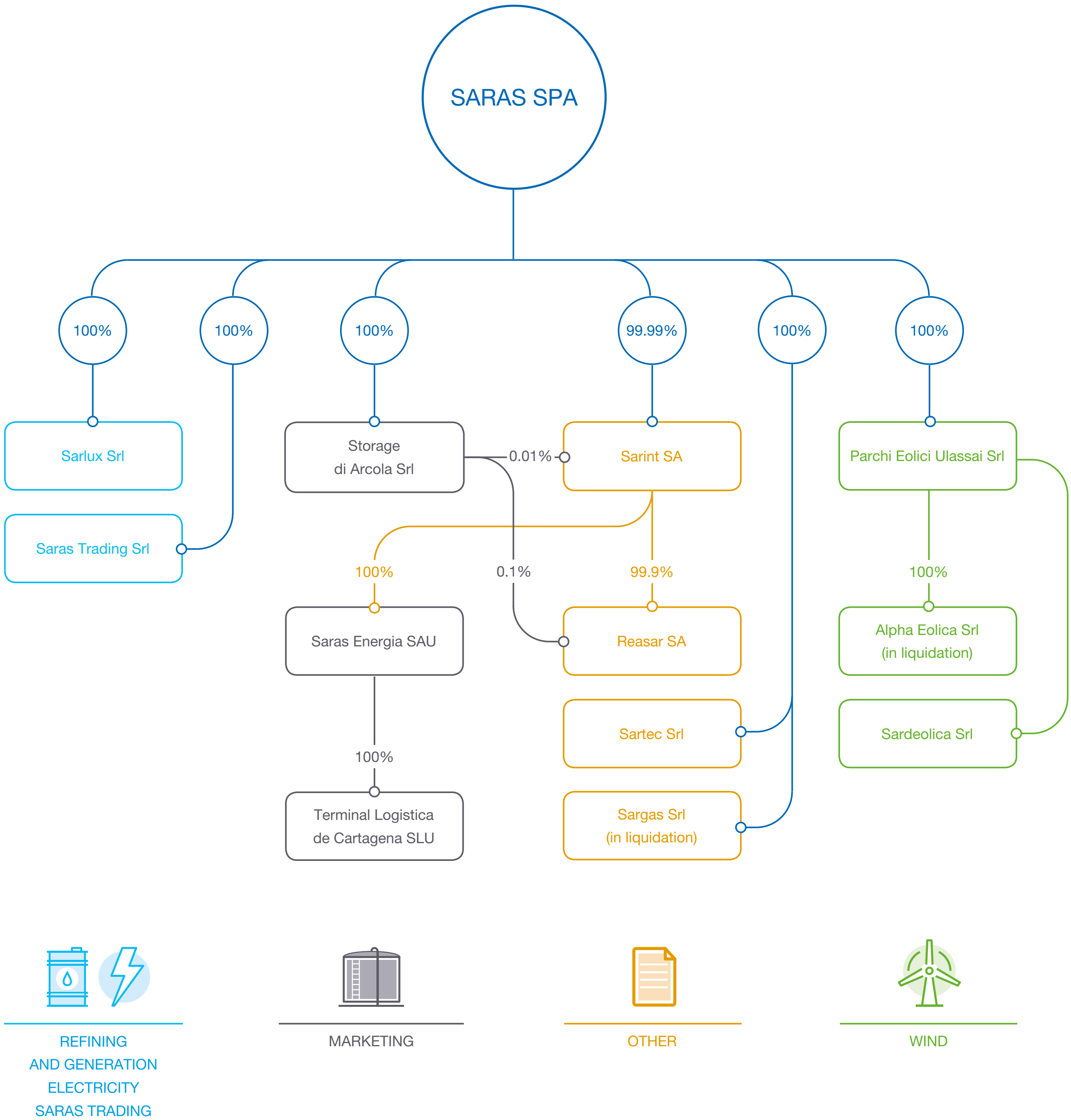


year, after the publication of the results of the first half-year.

In the fourth quarter, a strengthening of the EMC benchmark margin in October and November, linked mainly to the autumn maintenance cycle of European, American and Asian refineries, offered support to the share price, which had then overtaken the FTSE Italia Mid Cap index again.

Finally, in December, performance was up for the whole Italian financial market, which benefited from greater political clarity, following the appointment of a new government, in continuity with the previous one. These circumstances, together with the rise in interest rates by the FED and the announcement of production cuts by OPEC, particularly buoyed banking and oil sector shares. Saras's shares ended the year up by just 1% compared to the share price at the start of the period, outperforming the FTSE Italia Mid Cap index, which closed down by more than 6%.

STRUCTURE OF THE SARAS GROUP



The graph represents the structure of the Saras Group and the various sectors of activity with the leading companies for each sector at 31 December 2016.

REGISTERED OFFICES OF THE CONSOLIDATED COMPANIES

Saras SpA
SS. Sulcitana 195, Km 19
09018 Sarroch – Cagliari

Sarlux Srl
SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Deposito di Arcola Srl
Via XXV Aprile 18
19021 ARCOLA - La Spezia

Sartec SpA
Grogastu
Traversa 2^ Strada Est
09032 Assemini - Cagliari

Sargas Srl
Sesta Strada Ovest
Z.I. Macchiareddu
09010 Uta - Cagliari

Parchi Eolici Ulassai Srl
Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Consorzio la Spezia Utilities
Via Giovanni Minzoni, 2
19121 La Spezia

Sardeolica Srl
Strada Ovest – Zona Industriale Mac-chiareddu
09010 Uta – Cagliari

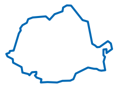
Saras Trading SA
Rue Philippe-Plantamour 18-20
1201 Geneve (Switzerland)
Switzerland

Sarint SA
12 Avenue de la Porte Neuve
2227 Luxembourg
Luxembourg

Reasar SA
31, Rue du Puits Romain
8070 Bertrange (Luxembourg)
Luxembourg

Saras Enegia SAU
Plaza Carlos Trias Bertan 4
Planta 2°
28020 Madrid
Spain

Terminal Logistica for Cartagena SLU
Plaza Carlos Trias Bertan 4
Planta 2°
28020 Madrid
Spain



Alpha Eolica Srl (in liquidation)
Bucaresti Ploiesti n. 69-71
Camera n. 22, Etaj 2
Bucarest
Romania


Impianto U800
Impianto U800

COMMENT TO SARAS GROUP RESULTS

Below are key consolidated economic and financial figures, shown in comparison with the data related to the previous year. In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the operating results (EBITDA and EBIT) and the Net Results are provided, also with an evaluation of oil inventories based on the LIFO methodology (instead of the FIFO methodology used in the Financial Statements prepared according to IFRS). The LIFO methodology does not include year-end revaluations and write-downs and provides a clearer picture of the Group's operating performance. Furthermore, and for the same reason, non-recurrent items by nature, relevance and frequency are not considered, neither is the fair value of the open positions of derivatives on oil and exchange rates, both in terms of operation and net result. Operating Results and Net Results calculated as above are called respectively "comparable" and "adjusted", and they are not subject to audit.

SARAS GROUP CONSOLIDATED FINANCIAL FIGURES:

EUR million	2016	2015
REVENUES	**6,870**	**8,238**
EBITDA	638.1	556.0
EBITDA comparable	**506.6**	**741.0**
EBIT	391.4	310.6
EBIT comparable	**279.8**	**518.9**
NET RESULT	196.3	223.7
Adjusted NET RESULT	**169.4**	**326.3**
NET FINANCIAL POSITION	**98.8**	**162**
CAPEX	**145.6**	**86.2**

Comments to Group 2016 results

Group revenues in FY/16 were EUR 6,870 million. The difference compared to EUR 8,238 million made in the year 2015 is mainly due to the fall in oil prices that influenced revenues of the refining and marketing segments. More precisely, in 2016 petrol prices were on average 462 $/ton (compared to 557 $/ton in 2015) while the price of diesel fuel was on average 395 $/ton (versus 494 $/ton in 2015). The refining segment therefore generated lower revenues by approximately EUR 1,020 million, also due to the effect of lower crude runs (-11%). Furthermore, the marketing segment achieved lower revenues by about EUR 314 million, despite a slight increase in volumes sold (+3%). Finally, revenues for the Electricity Generation segment were lower by about EUR 50 million compared with the financial year 2015, as a consequence of the reduction of the value of the electricity tariff CIP6/92.

Group reported EBITDA in FY/16 was EUR 638.2 million, up by EUR 556.0 million in FY/15, with the difference almost entirely attributable to the refining segment. In fact, despite the financial year 2016 having offered a market context characterised by lower margins compared to the previous year, and operational management having been affected by a more demanding maintenance programme, the profit reported in 2016 was able to benefit from higher sales volumes than the previous year and also an appreciation of oil inventories (with bullish performance of crude oil and petroleum product prices), while in the financial year 2015, oil inventories decreased in value due to the drop in prices, in particular in the second half of the year.

Group reported Net Profit, equal to EUR 196.3 million, was slightly lower compared to the EUR 223.7 million made in the previous year. In fact, despite a higher EBITDA result (mentioned above) and amortisation and depreciation substantially in line (EUR 246.7 million, compared with EUR 245.4 million in 2015), in the financial year 2016 other financial items (which comprise the profit from derivative instruments used for hedging, net exchange rate differences, and the fair value of the positions of derivatives that were still open at the end of the financial year) were down by EUR -47.8 million, while in the previous year these other financial items were up by about EUR +68.0 million. Finally, in the financial year 2016, interest payable was down by about 15% compared to the previous year (approximately EUR -30.0 million, compared with EUR 35.3 million in 2015), due to renegotiating certain credit lines and to the early repayment of bonds.

The comparable Group EBITDA has been confirmed at EUR million 506.6 for the 2016 financial year, reduced from the EUR million 741.0 for the 2015 financial year. The difference is mainly due to the refining segment which, as already mentioned in the comments to the results reported, operated in a market context marked by lower margins and has performed a more demanding maintenance programme compared to the previous year. However, this fall in EBITDA was also reflected in the Group**adjusted Net Profit, which in 2016 was equal to**

EUR 169.4 million, compared with EUR 326.3 million made in the previous year. The tables below present the details of the calculation of comparable EBITDA and adjusted Net Result for the financial years 2015 and 2016.

DETAILS ON THE CALCULATION OF COMPARABLE EBITDA:

EUR million	2016	2015
EBITDA reported	**638.1**	**556.0**
LIFO inventories - FIFO inventories	(138.3)	108.4
non-recurring items	26.2	12.5
profit made on derivatives and net exchange differences	(19.5)	64.1
EBITDA comparable	**506.6**	**741.0**

In the financial year 2016, as in 2015, non-recurring items mainly refer to provisions for charges related to legal and tax disputes.

DETAILS ON THE CALCULATION OF ADJUSTED NET PROFIT

EUR million	2016	2015
Reported NET RESULT	**196.3**	**223.7**
(LIFO inventories - FIFO inventories) net of tax	(95.3)	75.8
non-recurring items after tax	45.5	29.7
Fair value open positions of derivatives net of tax	22.9	(2.8)
Adjusted NET RESULT	**169.4**	**326.3**

In the financial year 2016, as in 2015, "non-recurring items net of tax" include write-downs of tangible and intangible fixed assets and tax assets, in addition to the already mentioned charges related to legal and tax disputes.

Finally, investments for 2016 amounted to EUR 145.6 million, in line with the planned programme, and mainly dedicated to the Refining segment (EUR 133.6 million) as well as to a lesser extent to the electricity generation segment (EUR 9.6 million).

NET FINANCIAL POSITION

The Net Financial Position at 31 December 2016 was positive and equal to EUR 99 million (compared with EUR 162 million at 31 December 2015). The generation of cash flow coming from operational management, which was also very robust in the financial year 2016, enabled investments made in the year, dividends distributed in May 2016, changes to working capital and the payment of taxes to be covered. Finally, it is recalled that during the year - more in detail in the second, third and fourth quarter - payments were made relating to crude purchased from Iran in 2012.

SARAS GROUP CONSOLIDATED FINANCIAL FIGURES:

EUR million	2016	2015
Medium and long-term bank loans	(183)	(412)
Other medium and long-term bonds	0	(174)
Other medium and long-term financial assets	6	5
Net medium and long-term financial position	**(177)**	**(581)**
Current bank loans	(16)	(68)
Payables to banks for bank overdrafts	(39)	(21)
Other short-term financial liabilities	(77)	(69)
Fair value derivatives and net differentials made	(35)	23
Other financial assets	84	21
Cash and cash equivalents	359	857
Net short-term financial position	**276**	**743**
Total Net financial position	**99**	**162**

SEGMENT REVIEW

To coherently outline the performance of the Group's activities, the information on individual companies refers to the business segments identified in the Financial Statements of previous years, also including the valuation of intersectoral services that no longer exist as a result of extraordinary company transactions, under the same conditions provided for in previous contracts.

REFINING

The Saras Group is active in the Refining sector by means of the Sarroch refinery, which is one of the biggest in the Mediterranean in terms of production capacity (15 million tons/year), and also in terms of the complexity of plants, it is ranked among the best in Europe (10 on the Nelson Index). Its location on the coast south-west of Cagliari gives it a strategic position in the middle of the Mediterranean, and assures proximity of both the various crude supplier countries and the main consumption of refined products markets.

Average values year [1]	2016	2015
Crude Oil ($/bl)		
Price of Brent Dated (FOB Med)	43.7	52.4
Price of Urals (CIF Med)	42.5	51.9
"Heavy-Light" price differential	-1.2	-0.5
Prices of Refined Products ($/ton)		
ULSD	395.0	493.8
Gasoline 10ppm	462.4	557.2
HSFO	205.6	254.8
Crack spreads ($/bl)		
crack spread ULSD	9.2	13.8
crack spread Petrol	11.6	14.4
crack spread HSFO	-11.1	-11.9
Other indicators of profitability		
EMC Benchmark margin ($/bl)	+2.9	+4.0
USD/EUR forex	1.107	1.110

1. Source Platts for prices and crack spreads, and **EMC** for the reference refining margin called "EMC Benchmark"

N.B.**"Brent Dated"** is the light sweet reference crude oil (Platts' FOB Med quotations), while **"Urals"** is the heavy sour reference crude oil (Platts' CIF Med quotations)

Reference Market

In the course of the financial year 2016, the oil market followed a generally bullish trend with Brent Dated prices gradually rising from their lowest value of 26 $/bl in January, in the wake of macroeconomic data that showed a slowdown in the global economy, up to the highest values of about 55 $/bl in the last few weeks of the year due to the changing attitude of OPEC countries as regards the reintroduction of production cuts.

On average, the price of Brent remained relatively stable at around 44$/bl, about 17% less than in the previous year. For most of the year, OPEC countries continued to produce at full capacity and the supply of crude remained well above demand, also for non-conventional types (such as, for example, medium and heavy crude with a high sulphur content). This set of circumstances created favourable conditions for high-conversion, integrated and flexible refineries like that of the Saras Group.

As regards the consumption of refined products, the low crude price led to moderate fuel prices, especially those for motor vehicles, with the result that overall demand continued to grow at a good pace (+1.5 mb/d compared to 2015, which was also a year of exceptional recovery).

The combination of these factors, together with the reduction in spare capacity at global level, initially buoyed margins. The refining industry therefore produced at full capacity, in excess of actual requirements for finished products. Accordingly, over the financial year, finished products accumulated, stored in the main logistics centres in Europe, Asia and America, that further slowed the progress of margins. Overall, 2016 was therefore a good year, but with lower margins compared to 2015.

Here below there is a detailed analysis of the trends followed by crude oil and refined products prices, as well as the European reference refining margin (EMC Benchmark), which is the most relevant for the geographical context in which Saras Group refining segment conducts its operations.

Crude oil prices (Source Platts):

The first quarter of 2016 opened with crude oil prices down, mainly because of the continuing conditions of excess production, signs of further deterioration of economic conditions and global financial markets shaken by strong turbulence. Brent then fell to the lowest price for more than a decade, dropping to 26 $/bl on 20 January. Then, between

February and March, crude oil prices showed a remarkable recovery as a result of data which showed a slowing down of the production of tight oil in the USA, and items relating to the possibility of new agreements between producer countries to freeze the supply of crude oil and rebalance the market. The quarter therefore closed at 38.7 $/bl, with an average of 33.9 $/bl.

The upward price trend continued to April, despite the failure of the OPEC negotiations on 17 April at Doha. In fact, unexpected production interruptions in Nigeria, Ghana, Kuwait and Canada, temporarily removed about 1.5 million barrels per day (mb/d) of crude oil from the market. Then on 8 June Brent Dated reached the highest price in quarter, 50.7 $/bl. In the following weeks, however, the bullish movement lost momentum, both due to continuous increases in production in Iran (which in a few months it had returned to close to the pre-embargo levels, with production of about 3.7 mb/d in June), and also due to the climate of uncertainty about the future prospects of the European Union after the outcome of the referendum on 23 June in the United Kingdom. Overall, Brent closed the second quarter with an average of 45.6 $/bl, up by about 11 $/bl compared to the previous quarter.

Brent prices continued the downward trend for the whole of July, reaching its lowest price in the third quarter on 1 August, at 40.3 $/bl. In fact, in a climate of uncertainty dictated by slowing oil consumption and particularly high inventories of refined products, OPEC crude oil production made new records, driven by Saudi Arabia, Iraq and Iran. In August, however, prices started to rise again, due to the increase in refining runs in Middle Eastern, Asian and American countries. Inventories of crude oil showed signs of decline, and Brent Dated reached the highest price in the third quarter on 18 August, at 49.8 $/bl. In September, prices were finally confined in a narrow band between 45 and 49 $/bl, due to conflicting factors. On the one hand, they negatively influenced the data on global production which continued to rise (backed by the usual OPEC countries, but also by producers outside the cartel, such as Russia and Kazakhstan). By contrast, there was a bullish effect due to the expectations of an agreement on cuts or production freezes, during meetings in Algiers at the end of September. Overall, the average price of Brent Dated in the third quarter was 45.9 $/bl, substantially in line with the average in the previous quarter.

In October and November, a ranging market continued with the Brent price oscillating between 40 $/bl and 50 $/bl, pending confirmation about OPEC production cuts. The formal announcement then finally arrived on 30 November. The OPEC countries established a production reduction of 1.2 mb/d starting from January 2017. They were also joined by some countries that are not members of the cartel, that were committed to further cuts of 0.6 mb/d (half of which by Russia). This historic decision triggered a sharp upward movement in crude oil prices. More precisely, Brent Dated reached the highest price of the year, 55.4 $/bl on 28 December, and closed the year at 54.9 $/bl at 30 December, with a recovery of about 10 $/bl in just over a month. The average in the fourth quarter was 49.3 $/bl, up by over 3 $/bl compared with the average for the previous quarter.

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

During Q1/16, the "heavy-light" crude oil price differential averaged -1.2 $/bl. In general, despite the sabotaging of pipelines in northern Iraq in mid-February, there was still plenty of availability of heavy crude and with a high sulphur content, both of Russian and Saudi Arabian origin. In particular, the spring maintenance of Russian refineries enabled the export of significant volumes of Urals to Northern Europe and the Mediterranean.

In addition, starting from March, Iranian heavy crude oil was also on the market, because of the end of the embargo. The heavy-light price differential thus expanded reaching -2.4 $/bl in mid-May, as a result of the competition between Iran, Saudi Arabia and Iraq to increase their market shares with European customers. In the second part of the quarter, however, the return to production of Russian refineries reduced the volumes of Urals available for export. The price differential then contracted and its average in the second quarter was -1.3 $/bl, largely unchanged compared to the previous quarter.

Then, in July, Urals crude oil achieved its strongest performance against Brent since the end of 2015, bringing the price differential between heavy-light to very low values (-0.5 $/bl). Between August and September, however, the increase in heavy sour crude oil intended for Europe gave way to the price differential opening up again. It peaked on 13 September at -2.7 $/bl. Therefore, the average of the price differential in the third quarter was -1.5 $/bl, i.e. slightly up compared to the average of the second quarter.

Then, in the fourth quarter, the price differential between heavy-light fell again, due to higher volumes of light crude oil available on the market. In particular, in October the reopening of the ports of Es Sider, Ras Lanuf and Zueitina, allowed the growth of exports of Libyan crude up to about 600,000 bl/d. Similarly, a ceasefire between the Nigerian government and the Niger Delta rebels enabled the conditions of force majeure to be revoked for productions of Bonny Light, Qua Iboe and Forcados. Given the above circumstances, the average of the price differential between heavy-light in the fourth quarter almost halved (-0.8 $/bl) compared to the previous quarter.

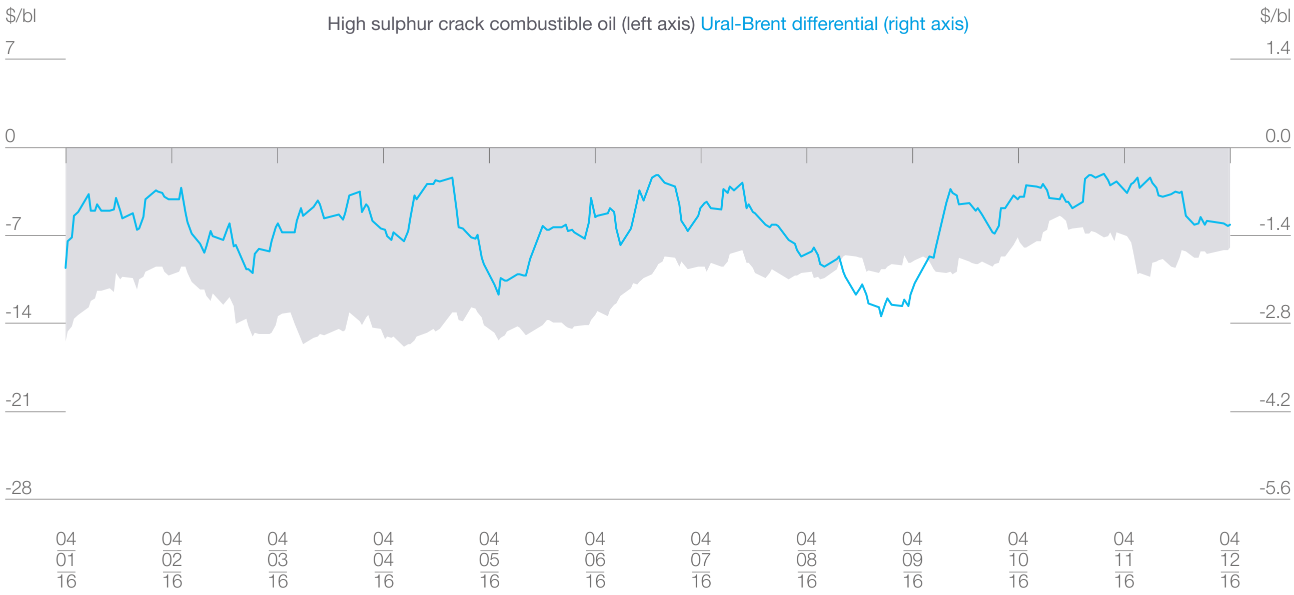
Crack spreads of the main refined products (i.e. the difference between the value of the product and the cost of crude oil):

During the first quarter of 2016, the crack spread of petrol was gradually strengthened, with interesting values especially toward the end of March, also coinciding with the shift to summer specifications. Demand was weak in both the Persian Gulf regions and West African countries, in particular in Nigeria. Petrol stocks also fell globally, and the quarterly average for the crack spread of petrol was therefore 13.5 $/bl.

In the second quarter of 2016, however, the crack spread of petrol gradually fell, both due to the effect of rising crude oil prices, and a huge increase in production globally. In fact, by providing robust consumption increments, also due to accessible pump prices, American, Asian and European refineries operated at full capacity, favouring the yield of light distillates. For this reason, despite increasing consumption, stocks reached high values, and the crack spread of petrol having contracted, it averaged 12.7 $/bl in the second quarter of 2016.

This scenario continued for the first two months of the third quarter and, on 20 July, the crack spread of petrol fell to 6.6 $/bl, which represents the lowest since the end of 2014. From early September, however, petrol recovered slightly, due in part to increased demand in Nigeria, Egypt and Algeria, and also partly to operating problems on line 1 of the "US Colonial" pipeline, which blocked flows of refined products leaving from Houston

PRICE DIFFERENTIAL OF "URAL-BRENT" CRUDE OIL, AND THE CRACK SPREAD OF FUEL OIL (SOURCE: PLATTS)



and intended for the entire Atlantic coast of the USA. This drew numerous loads of European petrol to the East Coast, and the crack spread returned to double figures again. The average for the third quarter then closed at 9.4 $/bl.

The crack spread of petrol increased in the fourth quarter, due to low consumption (in particular in West Africa and the Middle East), and the simultaneous reduction of production resulting from the conventional cycle of autumnal maintenance of global refineries. In fact, this autumn the maintenance stops were particularly intense, as a result of the postponement of numerous interventions initially proposed in 2015, but delayed to be able to exploit the refining margins peak. With regard to the above, the quarterly average for the crack spread of petrol was 11.0 $/bl, a sharp recovery compared to the previous quarter.

Turning to medium distillates, in the first quarter of the year 2016, diesel consumption was relatively low and the crack spread could not even benefit from the application of heating oil, as the winter was milder than the seasonal average. In these circumstances, and with refineries at full capacity to produce petrol, stocks of gas oils reached extremely high levels. The average crack spread of diesel was therefore 7.8 $/bl in the first quarter of 2016.

The fate of middle distillates, however, improved during the second quarter of 2016, and the crack spread of diesel was on average 9.2 $/bl, up by about 1.5 $/bl compared to the previous quarter. This trend is due to the progressive reduction in stocks, mainly due to an increase in consumption in Asian countries, where drought reduced the production of hydroelectric energy, and emergency generators powered by diesel engines had to be deployed.

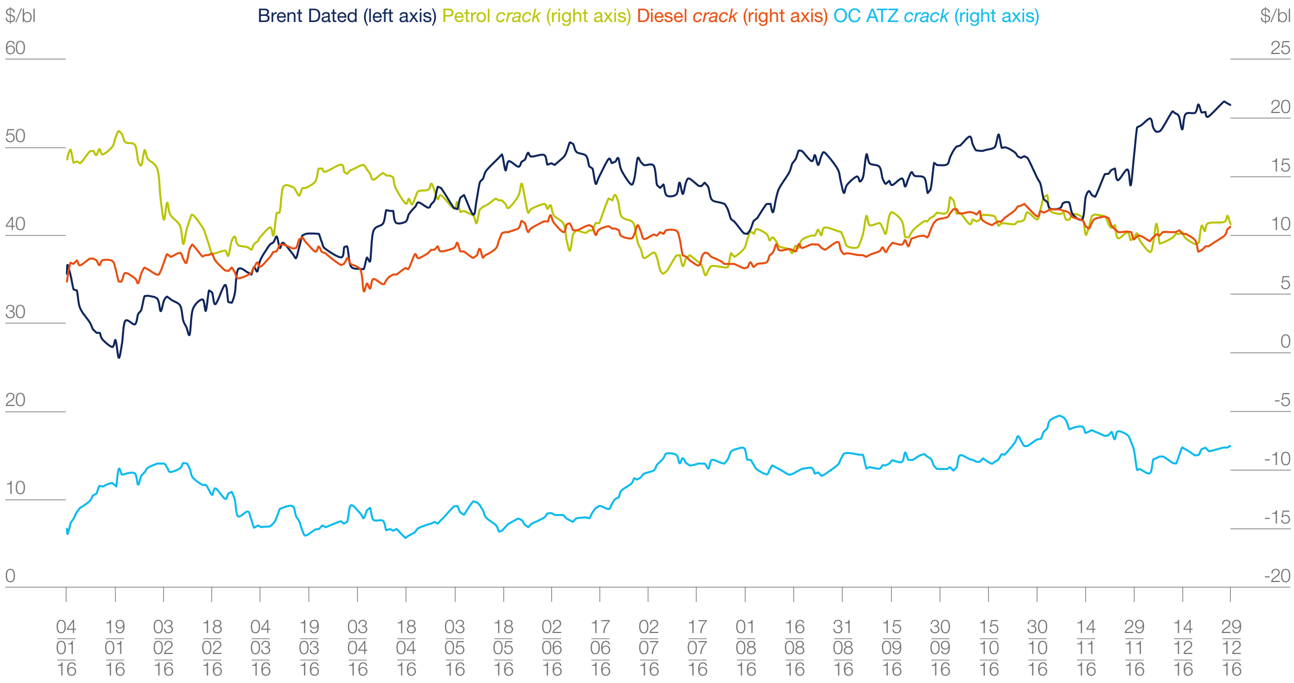
In the third quarter then the crack spread of diesel remained under pressure between July and August, because of lower freight costs, which encouraged arbitrations from the Middle East and the USA. At the beginning of September, however, diesel found support in the Mediterranean basin due to strong demand for agricultural and transport uses. Finally, Morocco's decision to raise stocks to cover 30 days of demand, to deal with the maintenance shutdown of the SAMIR refinery was also welcome. As a result, the crack spread of diesel averaged 8.9 $/bl in the third quarter, substantially in line with the previous quarter.

Finally, in the last quarter of 2016 the crack spread of diesel strengthened compared with the previous quarter, amounting to an average value of 11 $/bl, due to the combination of the effects of the already mentioned autumn maintenance, and the seasonal lowering of temperatures that encouraged the consumption of diesel fuel heating, especially in the regions of central and northern Europe

Reference refining margin

As regards the analysis of the profitability of the refining sector, Saras uses the refining margin calculated by EMC (Energy Market Consultants) as a reference for a medium complexity coastal refinery, located in the Mediterranean and with a crude oil load in processing, comprising 50% Brent and 50% Urals. This reference margin (called "EMC Benchmark") reached record levels in the year 2015 (average +4.0 $/bl), because of the abundant supply of crude oil and the gradual increase in the consumption of refined products (especially petrol). However, the rewarding market circumstances led all refineries to produce at maximum capacity and the supply of refined products exceeded consumption. Therefore, stocks gradually built up

PRICE DIFFERENTIAL OF "URAL-BRENT" CRUDE OIL, AND THE CRACK SPREAD OF FUEL OIL (SOURCE: PLATTS)



Crack spread: difference between the price of a finished product (e.g. petrol or diesel) and the price of the reference crude oil (e.g. Brent Dated)

in 2016, with a consequent reduction of the EMC Benchmark margin, which averaged +3.6 $/bl in the first quarter, +2.6 $/bl in the second quarter and +2.0 $/bl in the third quarter of 2016. Finally, the EMC Benchmark margin bounced back to +3.5 $/bl in the fourth quarter, also because of a strengthening of fuel oil (mainly due to the increase in export duties of this product by Russian refineries), in view of the high percentage of this product present in the yields of the refinery modelled by EMC.

Main operating results

REFINERY RUNS	2016	2015	%
CRUDE			
Thousand tons	12,962	14,550	-11%
Million barrels	94.6	106.2	-11%
Thousand barrels/day	259	291	-11%
ADDITIONAL LOADS			
Thousand tons	1,598	1,026	56%

Crude refinery runs during FY/16 stood at 12.98 million tons (94.6 million barrels, corresponding to 259,000 barrels/day), down by 11% on FY/15. Added to this are the additional crude load runs, including semi-finished products such as vacuum gas oil and straight run residues, for another 1.60 million tons (+56% compared to FY15). These differences are mainly due to more expensive scheduled maintenance than the previous year, and also to the occurrence of an unexpected fault on the CCR unit in December.

RAW MATERIALS BY TYPE		2016	2015
Light extra sweet		33%	40%
Light sweet		9%	13%
Medium sweet/extra sweet		0%	1%
Medium sour		39%	17%
Heavy sour/sweet		19%	29%
Average Density	°API	33.3	33.7

The mix of crudes that the Sarroch refinery processed in 2016 had an average density of 33.3°API, and is therefore slightly heavier than the mix processed in 2015 (33.7°API). By analysing in detail the classes of crude used, it is possible to note in particular a marked increase in the percentage of processing of average crudes with a high sulphur content (so-called "medium sour"), which is only partially offset by the fall in heavy crude (both "heavy sour" and "heavy sweet"). Moreover, the greater use of additional loads to crude (1,598 ktons, versus 1,026 ktons in 2015) resulted in a decrease in the processing of light crude with a low sulphur content (mainly "light extra sweet", but also "light sweet"). These changes in the processing mix are due to economic and commercial choices, and also to specific plant set-up situations arising from maintenance downtime cycles.

RAW MATERIALS BY ORIGIN	2016	2015
North Africa	9%	14%
North Sea	2%	1%
Middle East	34%	20%
Russia and Caspian region	26%	31%
West Africa	21%	28%
Others	8%	6%

Changing the analysis to finished product yields, it can be seen that in 2016 yields of LPG (2.1%) and light distillates (28.4%) reached rather high levels because of the good commercial opportunities existing for these products (especially in the first half-year). Conversely, the yield of middle distillates fell in percentage terms (49.1%), also due to the scheduled maintenance work carried out in the first quarter at the “MildHydroCracking 2" (MHC2) plant. Finally, the yield of fuel oil (5.9%) fell compared to the previous year, whereas production of TAR remained almost constant, to ensure the right load amounts at the IGCC electricity production plant.

PRODUCTION		2016	2015
GPL	thousand tons	303	307
	Yield (%)	2.1%	2.0%
NAPHTHA + GASOLINE	thousand tons	4,140	4,072
	Yield (%)	28.4%	26.1%
MIDDLE DISTILLATES	thousand tons	7,150	7,986
	Yield (%)	49.1%	51.3%
FUEL OIL & OTHERS	thousand tons	854	1,055
	Yield (%)	5.9%	6.8%
TAR	thousand tons	1,181	1,158
	Yield (%)	8.1%	7.4%

Note: The balance to 100% of production comprises “Consumption & Losses”

Main financial results

	2016	2015	%
EBITDA	418.3	337.1	24%
EBITDA comparable	**279.6**	**510.5**	**-45%**
EBIT	281.5	204.8	37%
EBIT comparable	**162.8**	**396.6**	**-59%**
CAPEX	**133.6**	**75.0**	

The comparable EBITDA amounted to EUR 279.6 million in the financial year 2016, with a Saras refining margin of +6.6 $/bl. This compares with a comparable EBITDA of EUR 510.5 million, which in the past was made by a Saras refining margin of +8 $/bl, in a market which is more favourable to the refining sector (for this purpose, the EMC Benchmark reference margin averaged +4.0 $/bl in FY/15, compared with an average of +2.9 $/bl in 2016).

More specifically, from a point of view of market conditions, FY/16 was characterised by a weakening of the crack spreads of the main refined products (especially diesel), which resulted in a strong fall in production value compared to 2015, only partly offset by the fall in the price of crude oil (which determine the cost of "Consumption and Losses"). Moreover, still at macro level, there are no appreciable effects as regards the EUR/USD exchange rate, which has remained largely unchanged.

The comparison between the two periods must however take into account, in addition to market conditions, the specific performance of the Saras Group, both from an operational and commercial point of view. Thus, operationally, in 2016 production planning (which consists of optimising the mix of the crudes for processing, in the management of semi-finished products, and in the production of finished products, including those with special formulations) made about EUR 16 million less EBITDA compared to the previous year, due to changes in discounts of crude purchased and the fewer opportunities available to sell special formulation products.

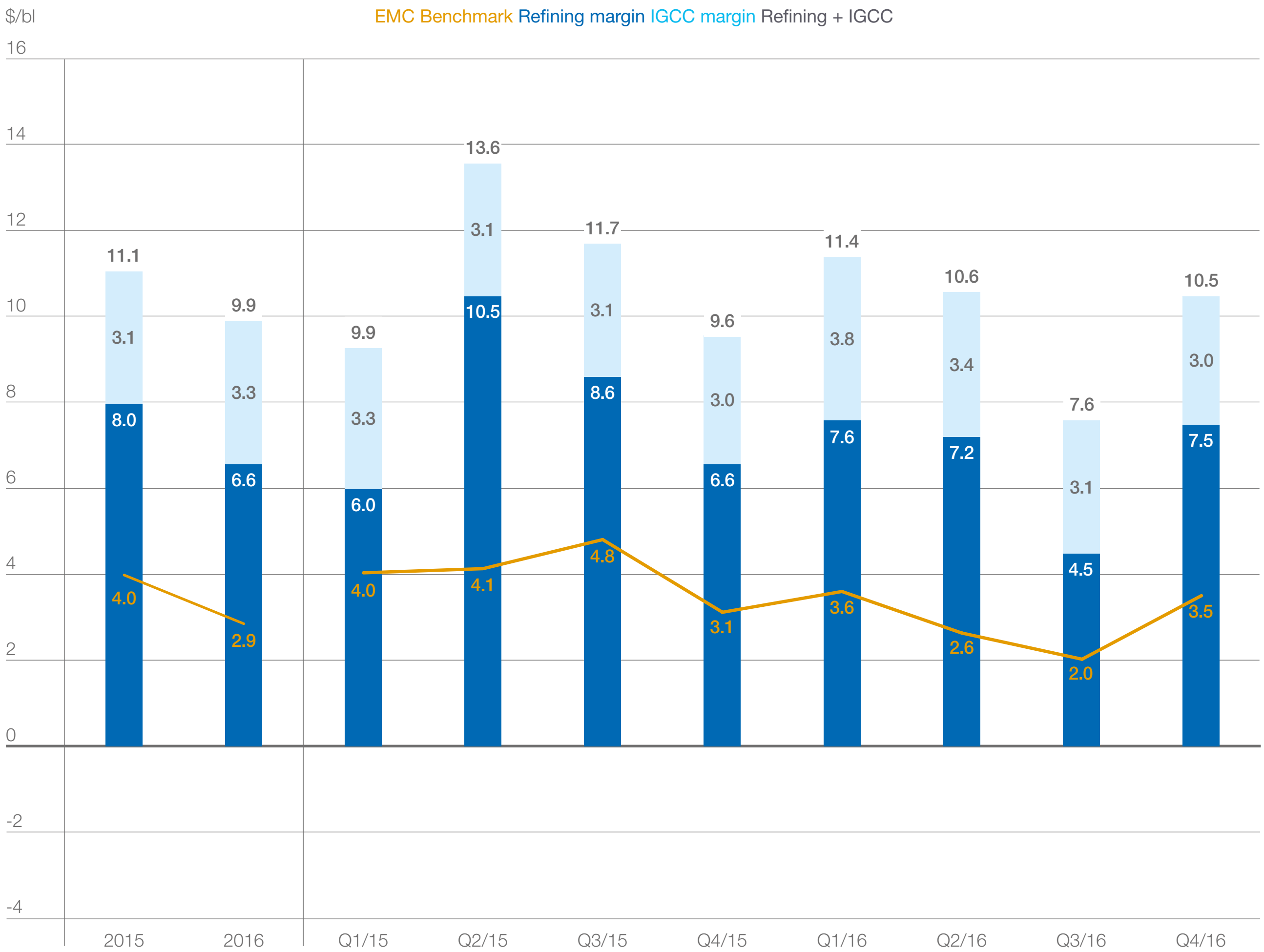
The execution of production activities (which takes account of penalties related to maintenance, scheduled or not, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) generated an EBITDA almost in line with the financial year 2015. In fact, the scheduled maintenance cycle for the financial year 2016 was more punishing than the previous year, and moreover, an unexpected stoppage of a catalytic reforming unit (called a "CCR") occurred, which resulted in a further impact of approximately EUR 25 million towards the end of the fourth quarter. These effects were entirely offset by a better production performance with respect to technical references and by the lower utilities consumption value compared with the previous financial year.

Finally, the commercial management trend (which relates to 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), produced a higher EBITDA by about EUR 10 million compared with that achieved in the financial year 2015, mainly because of increased trading with third parties, both regarding crude and finished products.

The graph below shows in detail the changes to the margins achieved by the Saras Group refinery during the 2015 and 2016 financial years, both on an annual and a quarterly basis. It can be noted that, due to the characteristics of high flexibility and high conversion of its plants, the Saras Group refinery achieved a higher refining margin than the EMC Benchmark reference margin. On the other hand, the variability of the Saras margin above the EMC Benchmark, mainly depends on the specific market conditions, as well as the trend of industrial and commercial operations in each quarter.

Finally, investments made in the financial year 2016 amounted to EUR 133.6 million, in line with the major maintenance programme planned for the year.

SARAS GROUP: INTEGRATED MARGINS 2015 - 2016



Margine Refining: (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: refining margin calculated by EMC (Energy Market Consultants), with crude slate 50% Urals and 50% Brent

POWER GENERATION

The Saras Group is active in the electricity generation sector, through an IGCC plant (Integrated Gasification Combined Cycle), traditionally managed by the subsidiary Sarlux Srl, and perfectly integrated with the Group refinery. The IGCC plant, owned and managed by the subsidiary Sarlux Srl, is one of the biggest of its kind in the world. It has an installed capacity of 575 MW and produces more than 4 billion kWh/year of electricity, contributing to about 35% of Sardinia's energy needs. Moreover, the IGCC plant is also one of the fundamental units of the refinery for the conversion of the heavy products and, at the same time, it is the most important utility of our industrial site, because it provides high volumes of hydrogen to the "hydrocracking" and "hydrotreating" units of the refinery, and it also produces high quantities of steam, which are needed in several other units in the refinery.

Average values year		2016 (1)	2015
Italian Total Power Demand	GWh	310,251	316,897
Import	GWh	43,181	50,848
Internal Production (2)	GWh	275,649	272,482
of which: *Thermoelectrical*	GWh	187,461	182,861
National Electricity Tariff (PUN) (3)	EUR/MWh	42.78	52.31

1. Estimated data Terna (www.terna.it), subject to correction
2. Production net of consumption for auxiliary services
3. Source GME SpA (www.mercatoelettrico.org)

Reference Market

Domestic electricity demand in the financial year 2016 (including network losses and net of electricity intended for consumption for auxiliary services) was 310,251 GWh, down by 2.1% compared to the financial year 2015, data also confirmed in seasonally adjusted terms.

The change in energy consumption compared to the previous year was negative in all areas observed. In particular, the biggest fall in electricity demand was recorded in Sicily (-4.5%), followed by Sardinia (-3.4%) and the Northwest grouping (-2.5%), which includes Piedmont, Liguria and Valle d'Aosta. The central area grouping was also down (-2.3%) for Abruzzo, Marche, Lazio, Umbria and Molise. There were also considerable falls for the Campania, Basilicata, Calabria and Puglia grouping (-2.2%), and for the Emilia-Romagna and Tuscany grouping (-2.1%). Finally, the changes in Lombardy (-1.7%) and in the Triveneto grouping (-0.9%) were minor.

In 2016, domestic electricity demand (net of electricity for the consumption for auxiliary services) was 60.4% met with thermoelectric production, 13.6% with hydroelectric production, 14.8% with other renewable sources (geothermal, wind power and photovoltaic production), and the remaining 11.9% with electricity imports from foreign countries. Net internal electricity production amounted to 275,649 GWh, up by 1.2% compared to 2015 (272,482 GWh) and met 89% of Italian domestic electricity demand. It should be noted, however, that the balance of trade fell in 2016 by approximately 20%, as a result of a sharp growth in exports (+37.7% compared to 2015) and a fall in imports of over 15%. This is mainly due to the shutdown of several nuclear power stations in France in the last quarter of the year, and the fact that during this period France became a net importer of electricity (instead of an exporter), also raising electricity prices.

Finally, it should be noted that the average value of the PUN (National Electricity Tariff) in the financial year 2016 stood at EUR 42.78/MWh, a fall of approximately 18% compared to the previous year (EUR 52.31/MWh), as a result of a considerable fall in oil and gas prices, in addition to the decline in electricity consumption, described in the preceding paragraphs.

Main operating and financial results

		2016	2015	Change %
POWER PRODUCTION	MWh/1000	4,588	4,450	+3%
POWER TARIFF	EURcent/KWh	8.1	9.6	-15%
SERVICE FACTOR	%	94.8%	92.3%	+3%
TAR FEEDSTOCK TO THE IGCC PLANT	thousand tons	1,181	1,158	+2%

From an operational point of view, the Electricity Generation segment achieved very satisfactory results in the financial year 2016, increasing the service factor by 2.6% compared to the previous year. Electricity production reached approximately 4.59 TWh, a record level since the start of operations, and up by 3% compared to the already high levels achieved in the financial year 2015. As regards maintenance, the entire cycle of activities scheduled for 2016 was performed during the first quarter, and involved two "Gasifier - combined cycle Turbine" and "H2S absorber unit" trains. This cycle is a very similar result to the previous year while, from a chronological point of view, it took place in different quarters.

EUR million	2016	2015	Change %
EBITDA	182.1	203.0	-10%
EBITDA comparable	**195.4**	**207.9**	**-6%**
EBIT	83.0	106.1	-22%
EBIT comparable	**96.3**	**111.1**	**-13%**
EBITDA ITALIAN GAAP	**133.9**	**168.2**	**-20%**
EBIT ITALIAN GAAP	**68.6**	**105.0**	**-35%**
CAPEX	**9.6**	**9.1**	

Comparable EBITDA stood at EUR 195.4 million, down compared to the EUR 207.9 million made in 2015. This difference is largely due to the lower value of the tariff CIP6/92 (-15%). Furthermore, sales of steam and hydrogen in 2016 were approximately EUR 8 million lower than the sales made last year. Finally, it is worth noting that the difference between comparable and reported EBITDA is mainly due to a provision in 2016 and a reclassification.

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, it stood at EUR 133.9 million in 2016, down compared to EUR 168.2 million made last year. This difference between the periods is mainly due to the lower value of the CIP6/92 tariff (-15%), combined with lower sales of hydrogen and steam cited in the previous paragraph. On the other hand, the fall in the purchase cost of the raw material TAR (-21%), together with the greater production and sale of electricity (+3%), provided a higher contribution to EBITDA in 2016 compared to the previous year, in part offsetting the negative effects discussed above.

Investments amounted to EUR 9.6 million, in line with the scheduled maintenance services that were performed during the financial year.

MARKETING

The Saras Group conducts its Marketing business in Italy and in Spain directly and through its subsidiaries, primarily in wholesale channels. In this regard, in Italy the Group owns and operates a coastal depot for oil products located in Arcola (La Spezia), with a total capacity of 200,000 cubic metres, and it also has some long-term rental contracts for storage space in other depots owned by third parties, and located primarily in the central and northern parts of the Italian peninsula (Livorno, Ravenna, Marghera, Trecate/Arluno, Fiorenzuola, Genoa, etc.).

In Spain, however, the subsidiary Saras Energia manages a depot owned by the Group and located in Cartagena (Spain), with total capacity of 114,000 cubic metres, and it also uses oil terminals in other Spanish provinces (owned by operators like Decal, Tepsa and CLH), in order to distribute oil products in the entire Iberian peninsula. Saras Energia also manages a retail network composed of 101 service stations (of which 85 fully owned and other 16 on a long-term lease), located primarily along the Spanish Mediterranean coast.

Reference Market

According to data collected by the Oil Industry Union, total oil consumption amounted to approximately 59.6 million tonnes, down slightly compared to the previous year (-0.6%) on the Italian market, which represents the main wholesale channel of the Saras Group. This dynamic is attributable to the fall in petrol consumption (-2.9%) and fuel oil consumption (-44.3%), only partially offset by the increase in demand for bunker fuel (up 12.3%). Lastly, total diesel volumes remained virtually unchanged. However, it is worth remembering that these values are compared with a financial year 2015 that had marked growth of 3.5% (after some 14 years of continuous decline), also due to the fall in oil prices and lower pump prices, which stimulated private consumption. From the point of view of profitability, although to a lesser extent with respect to the past year, in the financial year 2016 wholesale margins also suffered the production pressure of refineries, especially non-coastal, and also the increased obligations of mixing with biofuels (up by 5% to 5.5%, with effect from 1 January 2016).

Also, on the Spanish market, preliminary data compiled from CORES show consumption generally down by 0.6% compared to the financial year 2015. More precisely, the fall in total diesel consumption (-4.5%) and, to a lesser extent, also of petrol (-0.9%), was largely offset by the increase in demand for kerosene (+12.4%) and fuel oil (+7.4%). Similarly to that described for the Italian market, wholesale margins also suffered in Spain as a result of the intense competition between multiple operators, and pressure arising from domestic refineries, which have operated at full capacity.

Main operating and financial results

		2016	2015	Change %
TOTAL SALES	thousand tons	4,084	3,961	+3%
of which in Italy	thousand tons	2,298	2,573	-11%
of which in Spain	thousand tons	1,787	1,388	+29%

From an operational point of view, in Italy the Group reduced its sales volumes (-11% compared to the financial year 2015), while in Spain volumes sold grew by 29%. In general, however, important results were achieved in streamlining both fixed and variable operating costs, in both markets in which the Group is active. As a consequence of these actions to increase efficiency, and despite the trend of margins commented on in previous paragraphs, **the Marketing segment made a comparable EBITDA amounting to EUR 3.6 million in the financial year 2016**, an improvement with respect to the result of EUR 1.6 million in the financial year 2015. The difference between the Comparable and Reported results refers to the different evaluation (LIFO) used by the finished product warehouse.

Finally, investments amounted to EUR 1.4 million in the financial year 2016, in line with forecasts.

EUR million	2016	2015	Change %
EBITDA	9.9	(5.1)	+293%
EBITDA comparable	**3.6**	**1.6**	**+132%**
EBIT	4.2	(16.3)	+126%
EBIT comparable	**(2.1)**	**(4.7)**	**+56%**
CAPEX	**1.4**	**1.2**	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WIND

The Saras Group has been active in the production of electricity from renewable sources since 2005, through its subsidiary Sardeolica Srl, which manages a wind farm located in the Municipality of Ulassai (Sardinia). The park comprises 48 Vestas V80 wind turbines, with a total installed capacity of 96 MW, and has a management system certified according to standard BS OHSAS 18001:2007 (Health and Safety), ISO 14001:2004 (Environment) and ISO 9001:2008 (Quality).

In the financial year 2016, production at the Ulassai park amounted to 195,360 MWh, which corresponds to the annual electricity requirements of more than 150,000 people. Exploiting the renewable wind source has thus allowed a saving of almost 250,000 barrels of oil, with the consequent reduction of over 125,000 tonnes of CO_2 emissions. Moreover, cumulatively in the period starting from its operational start date until 31 December 2016, the park's electricity production has reached 1,885,469 MWh.

Production 2016 [MWh]	Equivalent annual population[1]	TEP2 "saved"	Barrels of oil3 "saved"
195,360.0	153,585	36,532.3	250,221
Production 2016 [MWh]	**Polluting**	**Emissioni specifiche4 [kg/MWh]**	**Emissions avoided [t]**
195,360.0	CO_2	648	126,593.3

1. Energy consumption per capita in Sardinia for domestic use, year 2014: 1,272 kWh/person/year (Terna: Statistical Data, Consumption http://download.terna.it/terna/0000/0642/35.PDF)
2. 1 kWh = 0,187×10-3 TEP (AEEGSI, Votes EEN 3/08, http://www.autorita.energia.it/it/docs/08/003-08een.htm)
3. Equivalent barrel of oil = 0.146 TEP (https://it.wikipedia.org/wiki/Tonnellata_equivalente_di_petrolio)
4. Regional Environmental Energy Plan for Sardinia. "Verso un'economia condivisa dell'Energia". Adoption of the technical proposal and start of the strategic environmental assessment procedure, p. 114 (http://www.regione.sardegna.it/documenti/1_274_20160129120346.pdf)

Production 2005 - 2016 [MWh]	Equivalent annual population[1]	TEP2 "saved"	Barrels of oil3 "saved"
1,885,469.0	1,482,287	352,582.7	2,414,950
Production 2005 - 2016 [MWh]	**Polluting**	**Specific emissions4 [kg/MWh]**	**Emissions avoided [t]**
1,885,469.0	CO_2	648	1,221,783.9

Reference Market

2016 was another difficult year for wind power in Italy, with new wind power installed in the entire national territory amounting to just 282 MW, down further compared to the already low levels of new installations carried out last year. In fact, for some years now the Italian wind power sector has been experiencing difficult conditions, due to changes in the incentive mechanisms, now based on the "unique bid auction" system.

The latest Terna data show that wind power in Italy produced 17.455 GWh in 2016, up by 18.7% compared to the 14.705 GWh of production in 2015, due to better wind conditions during the year. Wind power production covers just 6.3% of domestic electricity production and 5.6% of electricity demand in Italy.

Even at global level, overall investments in renewable energies are slowing (287.5 billion -18% compared with the previous year according to a study by Bloomberg New Energy Finance) especially in China and Japan in the wake to the reduction of incentive tariffs, while wind, mainly offshore, has found new impetus especially in the United Kingdom (USD 29.9 billion in offshore installations in 2016).

Main operating and financial results

		2016	2015	Change %
POWER PRODUCTION	MWh	195,360	155,101	26%
POWER TARIFF	EURcent/KWh	4.0	4.8	-16%
GREEN CERTIFICATES	EURcent/KWh	10.0	10.0	0%

In the year 2016 the comparable EBITDA of the Wind Power segment (coinciding with that IFRS) amounted to EUR 23.8 million, up sharply compared to EUR 17.2 million for the financial year 2015 mainly due to more wind, which led to electricity production of over 26% compared to last year. The value of the Incentive-Based Tariff was in line with the value of Green Certificates (in force until the end of the financial year 2015), while the electricity tariff fell (-0.8 euro cents/kWh, compared to the previous year).

In this respect, as explained in the previous quarterly reports, it should be specified that Ministerial Decree of 6 July 2012 introduced new incentive systems for renewable energy produced from renewable sources other than photovoltaic. In particular, the Decree provided that, for plants that entered into operation after 1/1/2013, the system based on Green Certificates is replaced by incentives defined by means of the mechanisms of unique bid auctions. However, for plants that entered into operation before 31/12/2012 (as is the case of Sardeolica Srl), the Decree provided for continuing the system of Green Certificates until 31/12/2015. Beyond that date, plants whose incentive period ends after 2015 will receive an Incentive-Based Tariff to replace Green Certificates, whose value is based on the same formula used to calculate the withdrawal price of Green Certificates by the GSE.

EUR million	2016	2015	Change %
EBITDA	23.8	17.2	+38%
EBITDA comparable	**23.8**	**17.2**	**+38%**
EBIT	19.2	12.7	+52%
EBIT comparable	**19.2**	**12.7**	**+52%**
CAPEX	**0.4**	**0.3**	

SARTEC (SARAS RICERCHE E TECNOLOGIE)

Sartec SpA, a wholly-owned subsidiary of Saras SpA, is the Group Company that develops innovative technology solutions to guarantee the economic and ecological governance of the company resources.

Sartec operates in the following sectors:

- energy efficiency and industrial reliability, with business lines dedicated to industrial design, process research, and to providing industrial services;

- environmental efficiency (environmental engineering, monitoring, environmental analysis and measurement systems, analytical services).

The 2016 results confirm the trend of constant growth in sales and margins recorded over the last three years.

In particular, production volumes benefited from an increase in activities aimed at supporting the implementation of the investment plan 2016-2019 of the subsidiary Sarlux, maintaining in parallel the protection of activities developed for the “non-captive” market, such as the continuation of the project undertaken in collaboration with an important European partner for the new refinery in development in Jazan, Saudi Arabia.

Faced with the high production volume, margins remain aligned to developments in the previous two years.

During 2016, Sartec continued focussing on the sectors of industrial reliability and energy and environmental efficiency.

With reference to the “captive” market, Sartec ensured its technological and operational support for the development of plant engineering, supply, engineering and automation engineering and environmental monitoring activities. Plant engineering and automation have produced a total of about 110,000 hours of work for the design of new plants and the revamping of existing plants, in addition to the presentation of proposals for improvements and instrumentation upgrades. Activities carried out include the new Slurry Oil filtration system at the FCC plant and the DCS upgrade system at the Northern Plants. Constant supervision of the basic advanced and multi-variable control activity is also confirmed, in addition to monitoring, bad actor resolution, and the streamlining of plant alarms.

Various provisions during the year: new Gas Chromatograph systems at the U300 and FCC plants, TOC TAS and TOC analysers at the Northern Plant, new samplers, fire and gas systems and dynamic barrier system management cabinets. As regards environmental engineering, a growing commitment has been assured to the activities provided for in respect of AIA (Integrated Environmental Authorisation permit) prescriptions: monitoring aimed at keeping the groundwater safe (with the implementation of additional pumping wells), monitoring of fugitive emissions, air quality and odorous emissions. During the year, activities involving studying the properties of crude oils also continued, with monitoring of chemometric models of gas oils, petrol and semi-finished products. As regards energy efficiency projects, for which Sartec operates with ESCo certification, support activities geared towards obtaining energy efficiency certificates relating to energy saving projects implemented within the Group’s Refinery continued, in addition to minor interventions to optimise lighting systems.

With reference to the "non-captive" market, the main ongoing projects for industrial customers include that dedicated to automating the utilities of the refinery in construction in Jazan, Saudi Arabia, performed in partnership with a leading international player. The activity, which started in 2014, involving the engineering of the control room and the streamlining of alarms, was extended to new aspects, in particular to the pre-commissioning activity that will enable the activities to continue throughout 2017 and part of 2018.

Activities have been implemented for Irle and Syndial also for clients in the industrial field, in addition to (also as a result of further revisions requested during the work) supplying cabins intended for SAIPEM.

With reference to energy efficiency activities, several studies (energy audits) have been carried out during the year that have enabled identification of potential industrial consumption optimisations, for which a number of commercial proposals have been put forward.

In the Public Administration sector, in which SARTEC predominantly operates in the supply and maintenance of air quality monitoring systems, the reordering of the monitoring system of the environment network project for Arpa Campania has been completed.

With reference to the research and development activity, scouting for new technologies designed to enhance the product portfolio in the area of the environment and energy continued. In particular, for the environmental area, the preparatory procedures to the filing of a patent on instruments for measuring the temperature of a torch flame are ongoing, developed with the Department of Physics of the University of Cagliari. At the same time, a project has been defined for the construction of an optical-instruments laboratory for maintenance and service on instruments, which will be completed by 2017.

In the area of energy, some preliminary studies with companies operating in the IT industry are underway, as well as with university institutions, linked to the scope of Industry 4.0, and relating to the identification of systems for the monitoring and measuring of the electrical performance of the equipment and dynamic modelling systems to support decisions involving operations and moving forwards, as well as for assessing investment in terms of energy efficiency.

Also in 2016, the construction and commissioning of the Olfactometric laboratory was completed, whose analytical activities are currently in the process of accreditation (method UNI EN 13725:2004 to determine the odour concentration by dynamic olfactometry).

During the year, the Sartec chemical laboratory continued the accreditation plan, by adding accredited methods EPA 6020 B relating to metals in underground water and EPA 8260 C for determining volatile organic compounds in the water matrix to the portfolio.

BUSINESS STRATEGY AND OUTLOOK

As a result of its high conversion configuration, perfect integration with the IGCC plant and an operational model based on the integrated management of the supply chain, the Saras Refinery located in Sarroch (Sardinia) occupies a leading position in the panorama of European sites. The Group's strategy is based on initiatives to further improve the operational performance, reliability and availability of plants, and to cut costs, in order to ensure it continues to maintain its position in the coming decade, when regulatory changes (in particular that on bunker fuel for marine engines) will create rewarding market conditions for sites such as Sarroch, capable of processing high percentages of heavy crude with a high sulphur content. Furthermore, to remain a leader in the international competitive context, the strategy of the Saras Group also focuses on developing the know-how of its own people, and the new opportunities offered by digitalisation in the context of the so-called Industry 4.0.

In terms of business outlook, the financial year 2017 started well for the European refining industry with the abundant supply of crude and not significantly different with respect to the previous year, despite the agreement reached on production cuts, in force since early January, by OPEC countries and other major producers (primarily Russia). In fact, approximately 1.8 million barrels per day (mb/d) potentially removed from the market (1.2 mb/d by OPEC, and a further non-OPEC 0.6 mb/d), experts forecast significant increases in production from multiple sources, capable of completely counterbalancing the afore-mentioned cuts. More precisely, global supply is expected to remain high with respect to consumption, due to the resumption of the extractive activity in the USA (tight oil from schist rocks) and in the north-eastern Caspian Sea (Kashagan reservoir), in addition to increased exports from Libya and Nigeria.

From the point of view of crude prices, experts anticipate a certain stability of around 50 - 60 $/bl, as long as markets do not get confirmation about the implementation and effectiveness of the cuts announced, and the corresponding compensation response for producers who do not adhere to these cuts. Conversely, the price differential between light and heavy crude may be squeezed. In fact, crude that will be placed on the market by the afore-mentioned countries should be predominantly light low sulphur (light sweet), while the OPEC cuts should involve heavy crude with a high sulphur content (heavy sour).

As regards consumption, in the recent report from January 2017, the International Energy Agency (IEA) estimates global demand on average up by +1.3 mb/d in 2017, due to robust consumption in Europe, United States, India and Russia, and despite the slowdown in China.

Turning then to the analysis of the margins of the main refined products, international experts consider that the crack spread of petrol may average around 10 $/bl (a fall of about 1.6 $/bl compared to 2016), with the usual seasonal fluctuations. As regards middle distillates, experts predict a crack spread of diesel in recovery, with an average of about $11/bl (up from about 2 $/bl compared with the average for 2016), driven by the recovery in diesel consumption for industrial uses, known to correlate with changes in the business cycle (GDP 2017 is expected to grow by 1.6% in Europe, and by 3.4% globally). On the other hand, recent disputes on diesel engine emissions should not have a significant impact in 2017, but could hit private transport consumption in the medium term. Overall, these market conditions should also allow positive refining margins in the financial year 2017, and the Saras Group will seek to achieve a premium above the EMC Benchmark margin of approximately 3.5 $/bl.

From an operational point of view, in the Refining segment, the financial year 2017 will also be marked by a more intensive maintenance cycle, that will therefore enable the achievement, compared to the previous year, of more processing, lower fixed costs, and minor reductions in EBITDA linked to the unavailability of plants. In detail, the maintenance programme will be structured as follows: in the first quarter activities are planned at the plants VisBreaking "VSB", Topping "T1", desulphurisation unit "U400" and "U800"; in the second quarter maintenance will concern the Topping plant "RT2"; in the third quarter maintenance interventions will be performed on the plants Vacuum "V1" and "VisBreaking VSB"; finally, in the fourth quarter interventions will take place at the plants Alkylation "ALKY", "TAME" and Catalytic Reforming "CCR". Overall annual crude runs are expected to be about 14.1 ÷ 14.7 million tonnes (i.e. 103 ÷ 107 million barrels), which will add approximately 1.4 million tonnes of plant load in addition to crude (corresponding to approximately 10 million barrels).

As regards the Electricity Generation segment, the maintenance programme in the first quarter provides for a standard intervention on two of the three "Gasifier - combined cycle Turbine" and on one of the two gas washing line trains. In the second quarter, then, maintenance will affect the third "Gasifier - combined cycle Turbine" train. Therefore, total electricity production for the year 2017 is expected to be between 4.00 ÷ 4.40 TWh.

As regards the Marketing segment, the margins are expected to recover during the financial year 2017, in a context of growing oil consumption, and because of the cost optimisation and working capital actions implemented.

Finally, in the Wind Power segment, the subsidiary Sardeolica is continuing the procedure for the Environmental Impact Assessment relating to the planned extension of the Ulassai Park (located in the town of Ulassai and Perdasdefogu), for an additional capacity of 30 MW. It is also in the process of obtaining the Single Authorisation, for a project of approximately 15 MW in the municipality of Onanì (NU).

INVESTMENTS BY SEGMENT

In the financial year 2016, the Saras Group made investments amounting to EUR 145.6 million, compared with EUR 86.2 million in 2015, taking into account both the more demanding scheduled maintenance programme, which also included significant interventions on the "Northern Plants" (acquired from Versalis at the end of 2014), and the start of interventions in line with the multi-year industrial development plan, presented in October 2015.

Furthermore, as usual, a significant part of the investment was dedicated to the full compliance with all HSE prescriptions, and the conserving of the operational efficiency of the plants. Investments split by business segment is shown in the corresponding table:

EUR million	2016	2015
REFINING	133.6	75.0
POWER GENERATION	9.6	9.1
MARKETING	1.4	1.2
WIND	0.4	0.3
OTHER ACTIVITIES	0.6	0.6
Total	**145.6**	**86.2**

As can be seen, most investments for the financial year 2016 covered the Refining segment. In particular, heat recovery interventions from the furnace of the atmospheric distillation unit “Topping 1” and from the sea water desalination plant were completed. In addition, significant energy recovery interventions began provided by the multi-year industrial plan, including the LPG recovery system from fuel gas, by means of a suitable cooling device called a chiller.

Among the interventions aimed at improving processes, the creation of the clear oil (slurry) filtration system was completed on the FCC unit, and the system for recovering water from acid water treatment plants ("SWS" unit).

Among the interventions to develop the site, the investments necessary to adapt the docks to allow the mooring and loading of large vessels to transport petrol and diesel began, and investments in the tanks fleet, to increase the storage flexibility of crude and heavy products (for example, work began on adapting the tank "ST-96" for storing hot TAR).

Integration interventions of the "Southern Plants" with the "Northern Plants" (formerly Versalis) also continued, to streamline and strengthen their operation. In this regard, we should mention the new inter-connection line for moving medium-pressure steam, from one to another.

Finally, among the specific investments dedicated to Health, Safety and Environment, mention should be made of the new liquid sulphur solidification plant, the construction and restoration works on the double bottoms of some oil tanks, and the intervention of covering tanks intended to collect process water mixed with oil ("API" tanks), designed to eliminate the release of volatile components into the atmosphere.

HUMAN RESOURCES

Organisational development

In line with the Group's business development plans, characterised by an increasing integration between trading and refining and by the need for a more effective presence on the markets, on 1 January 2016 the activity of the new company **Saras Trading SA** began, whose registered office is in Geneva, one of the main international hubs in the oil world. The new company, focused on the activities of supplying raw materials/semi-finished products and the sale of products on the cargo market has seen the consolidation of a working group from Saras, consisting of trading specialists who operate in close coordination and contact with other actors in the Supply Chain.

To ensure adequate support for the integration of the activities along the chain supply chain, in addition to the organisational changes gradually implemented, updates of computer systems and applications have been developed to support the decision-making process in the context of modelling (linear programming and scheduling) and in the context of economic analysis, as well as social collaboration instruments useful to optimise and simplify the information flow between the various parties involved.

The start of the **multi-year investment plan** 2016-2019, led to a significant redesign of the decision-making processes related to investments (from the task of defining the intervention priorities, to that of scouting and feasibility studies of the most appropriate technological solutions for the design and implementation of the actual investments) represented in two specific Guidelines of the Group's Regulatory System.

The redesigning of the processes, together with the increase in terms of expenditure and the number of investments to manage over the four-year period 2016-2019, also resulted in subsequent changes to the responsible organisational structures. In particular, The Plan's development responsibilities within an Intra-Group Investment Committee has been defined and a PMO role established to ensure proper monitoring and an overview of the changes to the plan over the four years. Furthermore, the **Asset Management** area has created a structure dedicated to project management, with the identification of Investment Cluster Managers for homogeneous plant areas (i.e. FCC, Northern Plants, etc.) and increasing Project Management figures assigned responsibility for the end-to-end implementing of investments.

42.5 years
The average age of Group employees

The expansion of the working group defined above has been carried out by pooling resources with specialist expertise and experience gained within the Group, using external support only for specialities not otherwise available (overall, 17 people including 5 from outside the Group).

During 2016, the **reorganisation and efficiency improvement work in some operational departments** continued at the Sarroch site (including the Laboratory) launched in 2015 following the acquisition of the Versalis branch. In particular, the recovery of efficiency and the redesigning of these processes have enabled resources to be made available, on the one hand, to cover some vacancies in the organisation on shift, and on the other hand, the provision of additional resources to support the activities in the financial year generated by the Investment Plan 2016-2019.

Due to the development and subsequent introduction of new IT system integration logics to support **cross-functional processes between administration, finance and control** the new organisational structure was launched for the areas of administration, tax and finance. An administrative service based in Sarroch has also been defined, capable of concentrating administrative tasks relating to the assets and liabilities cycle, previously distributed to team work in the individual subsidiaries.

The new organisation, strongly structured by processes and no longer vertically by company, will allow a recovery of efficiency linked to the different distribution of responsibilities and activities and the introduction of supporting software applications (including the integration of banking flows). Developments, now being studied, to further automate these processes will allow continuous improvements in terms of reducing working time, increasing the processing frequency of periodic accounting closures, and therefore the more timely availability of information and updated during the year also for the market and stakeholders.

Even Management Control changed its structure in the year with the concentration under the sole responsibility of the Budgeting and Controlling Investments and Costs departments. The implementation of a new planning and centralised control system will allow a stricter structuring of the budget and consequently, more effective monitoring of expenditure developments, that best support decisional processes by Lines and Control.

Another important project in terms of changes to the organisational structure is that related to the theme of **cyber security**, due to the possible implications in the ICT and ICS context of industrial control systems. As a result of the assessment carried out in 2015 and the consequent three-year intervention plan, the dedicated work team (which includes specialists in both areas - ICT and ICS) will identify new practices, methods, tools, skills, responsibilities and adequate organisational structures to ensure correct protection of network infrastructure and a level of data and information security and adequate systems for international standards.

To define the possible **supply of skills of the Saras Group to the market**, by using the vast and in-depth know-how it has gained in refining and energy, a working group has been formed to map potential customers by geographical areas and sales channels and define the content of the basic mainly consultancy-type offer.

Consistent with the organisational changes implemented in the year, the updating of the Group's Regulatory System has been assured by publishing several Guidelines including: Asset Development and Performance Management Guidelines, Supply and Trading Guidelines and Fraud Prevention Guidelines.

Of particular importance, is the issue of the new Code of Ethics of the Saras Group, approved by the Board of Directors in August and then transposed by the Boards of Directors of its subsidiaries. The document expresses the values and principles which underpin the group's actions and the standards of behaviour in which they are translated, confirming and consolidating that contained up to now in the codes of ethics of the individual companies.

The Code of Ethics applies to all Group Companies, collaborators, clients and suppliers as well as to all those who, directly or indirectly, continually or temporarily, have relations or transact with the Saras Group and operate in pursuit of its objectives.

Human Resources Development

In the year, development activities dedicated to young graduates continued with the identification and implementation of adequate training courses and job rotation, even in inter-company areas, functional to the vertical and/or interdisciplinary enrichment of specialist skills.

The activity further accelerated in the second half of the year, with the design and introduction of a talent management system (assessment, coaching, job rotation, career development, technical and managerial training) functional to ensure the correct management of generational changes over time.

In parallel, comparable managerial development activities continued aimed at staff in management and/or specialist responsibility roles and, in particular, at middle managers. In the second half of the year, the development paths enabled the first changes to some key roles, in turn freeing up senior management jobs to develop new strategic projects.

Overall, the purpose of the main training activities developed in the year were HSE subjects and specialist technical and behavioural content supporting the development of the investment plan and the completion of the supply chain integration.

To accompany the important commitment that originated from the **multi-year investment plan** 2016-2019, two training initiatives were implemented. On the one hand, training for Project Managers, focused on the development of useful and functional methods and approaches for managing projects. In addition to PMs, all actors participating in the management processors of the investment project were involved to ensure the pooling of methods and approaches and to enhance the contribution of each participant to the project team. The activity, which started in the fourth quarter 2016, involves the participation of 150 people and will conclude in the first quarter of 2017.

38.400*
total training hours

*the decrease compared to 2015 is largely due to the fact that a lot of training was delivered in the previous financial year as an effect of integration.

On the other hand, the technical training required to hire staff for the operational lines (Operations and Asset Management) of innovations and/or changes to plants as a result of investments.

To support the **Supply Chain** process, a training course for all personnel involved (planning, operations, supply, technology, modelling, etc.) has been designed and implemented. The course, based on three modules, offered a systemic vision of the oil context and any differences with respect to the trend of previous years, a description of the refining process that enabled all actors to understand the work (roles and responsibilities of the respective colleagues, and finally the chance to experience a simulation of all the phases of the process described through a business game. The business game was created in collaboration with an international partner on the Sarlux company project: the system simulates the supply chain process starting from planning crude purchases, up to processing in plants, passing through all process and maintenance planning stages. The game allows you to perform different roles from that are usually covered in your job and instantaneously offers an economic value of the choices made (which translate into a gross margin that actors can immediately assess).

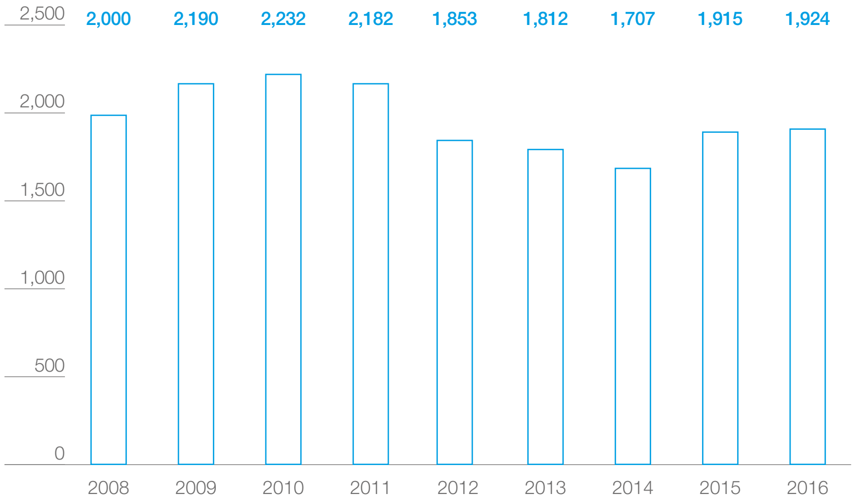
Specialist technical training also continued in the year (10,500 hours) that, in addition to the afore-mentioned commitment to training after new investments, focused on putting people in place after organisational movements and continuous updating.

As regards HSE training, over 24,900 hours, in 2016, the training obligation arising from the rules in force with regard to safety was finalised. Furthermore, the training project on the development of safe behaviour, "BBS - Behaviour Based Safety" continued, i.e. safety based on behaviour, which started in 2015, with the involvement of the entire Refining area.

Internal communication

In order to share strategies and objectives, disseminate culture and promote behaviour to achieve the business goals, several internal communication initiatives

SARAS GROUP: TOTAL EMPLOYEES



were carried out during the year and, more generally, concerning change management.

To support the core business initiatives and organisational and process changes, the value of direct involvement was confirmed through meetings and presentations and the use of the corporate newsletter "visBreaking News" was consolidated to reach the whole organisation.

In the field of HSE, the implementation of the BBS protocol continued, aimed at increasing safe behaviour and the consequent reduction of incidental events, which has continued to regularly occupy its own fixed space in the newsletter. Environmental protection issues have also been extensively covered in the company newsletter.

To support changes to the processes and organisational structures related to the implementation of the Industrial Plan 2016-2019, a multichannel communication campaign has been carried out, developed firstly through a series of meetings in which the management model was presented (process, organisation and roles) and the investments plan to managers and all those heavily involved in their implementation. Subsequently, the network of internal monitors at the Sarroch plant and the company newsletter were used to reach all employees with a presentation of new additions to the process and organisation and with more information about the plan.

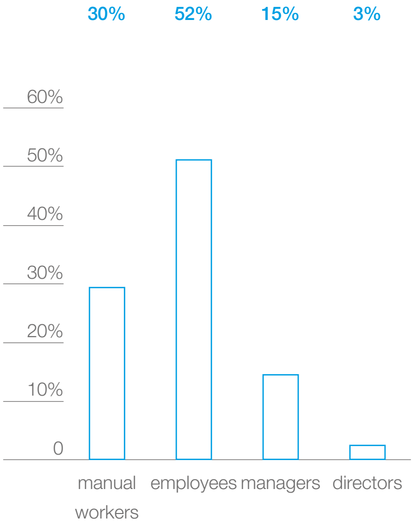
In the context of the supply chain, an innovative digital collaboration project has been carried out, strongly integrated with a training course dedicated to people involved in the process by which new ways of working have been defined and digital tools useful for improving communication and maximising cooperation and knowledge sharing have been implemented, which are without doubt strategic factors to ensure the effectiveness and efficiency of the process.

On approval and dissemination of the new Code of Ethics of the Saras Group, executives and managers of the Group shared the strategic reasons for the company's Code of Ethics in dedicated meetings, elaborated on the new additions to the Group Code of Ethics and rules related thereto it, and their role in the dissemination and application of the principles and standards of behaviour were compared and, more generally, for the organisation's ethical compliance.

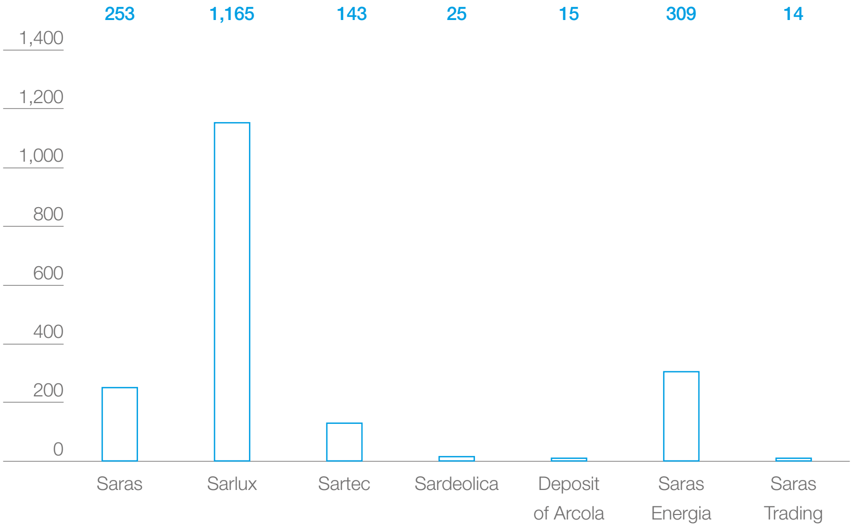
In continuation of an in-depth course on following the rules as a necessary element of daily professionalism, moreover, to promote self-analysis on better managing conflicts of interest, all those whose jobs make it particularly relevant were involved.

The new integrated planning and control model was also presented during ad hoc sessions aimed at raising awareness among all managerial staff and to strengthen awareness of the need for careful and responsible planning on the

SARAS GROUP: POPULATION BANDS



WORKFORCE DISTRIBUTION BY COMPANIES



one hand, and continuous monitoring of expenditure on the other.

Finally, in the context of the Cyber Security programme, in support of the implementation of governance, operational and technological projects, the multi-year cyber security awareness plan has been defined and initiated, designed to raise more awareness and encourage safer behaviour, which will involve all colleagues and will support the organisation in adequately meeting the challenge of cyber security. Also, in this case, the internal communication plan is strongly integrated with a parallel training plan.

Remuneration policies

Management pay components

The gross annual fixed remuneration refers to the Managers of Companies Producing Goods and Services Contract (National Industry Managers Contract). This pay may be supplemented by additional benefits and a variable component. The variable component is established with reference to the strategic objectives and financial results according to an MBO (Management By Objectives) system.

On 22 April 2016, Saras' shareholders' meeting approved the long-term incentive plan for management of the Saras Group (Stock Grant Plan 2016/2018), the details of which are provided in a later section of this Report on Operations.

Non-management staff pay components

The gross annual fixed pay for non-management staff also refers to the "National Collective Labour Agreement" (Energy and Oil CCNL and Metalworkers CCNL, where applicable) and supplementary second-level agreements in force.

This pay may be supplemented by any benefits and by the variable components including, in particular reference to the band of middle managers, the adoption of MBO systems linked to the achievement of strategic objectives and operating results.

Disclosure regarding any ongoing judicial proceedings

There were no judicial proceedings involving Group companies in 2016

HEALTH, ENVIRONMENT AND SAFETY

A constantly improving picture

Generating energy in a safe and reliable way is one of the principles that guide our strategic decisions. Improving reliability and continuity in operations and at the same time guaranteeing territorial and environmental protection is a priority of the company. In particular, activities to protect the health and safety of all those who work directly and indirectly for the Saras Group are of vital concern.

Our company's continued commitment has made it possible to significantly reduce the impact of production activities on the environment. In 2016, the constant improvement in the environmental figures were confirmed. This is the result of the consolidation of management activities at the plants.

A detailed and accurate overview of all the environmental aspects that directly or indirectly affect the environment, in and outside the Sarroch plant, is given in the annual "Environmental Statement", drafted as required by the EMAS regulation.

During the year, activities to monitor all environmental aspects relating to air, water and soil continued. The emissions data for 2016 highlight the improvements built up through investments made and management and plant optimisations. Small fluctuations, however, can be seen from year to year, which relate to plant adaptations and non-routine maintenance. The improvement in environmental metrics is due to a series of technical and management measures put in place, which have gradually equipped the refinery with more efficient technology and resources in terms of production and respect for the environment.

Improvements to sulphur dioxide (SO_2) emissions were also confirmed in 2016, in fact the SO_2 production index, which also takes emissions from the Northern Plants into account, amounted to 0.27 (tonnes of SO_2/1000 from processing) that, compared with the average trend of recent years, is in line with that recorded in the past for the sole contribution of SO_2 emission due to the Southern Plants, thus confirming the improvement trend.

This improved result was achieved chiefly due to the entry into service in December 2008 of the tail-gas treatment and sulphur recovery unit, which enables emissions to be reduced. It has performed very well in recent years.

Investment in environment and safety is a key part of the Saras Group's growth strategy. In this context, issues such as energy-saving culture and environmental sustainability, which are not new to the Company or the Group, have become even more topical in the last few years.

In particular, in the Health Safety and the Environment (HSE) arena, the company has, over the last five years, implemented environmental protection measures, achieved improvements in energy efficiency with a reduction in the fuel burned (and therefore emissions) and the activities to protect the water tables continued with paving operations on the tank basins and the construction of double bottoms on the tanks.

Thanks to its environmental protection policy, again in 2016, no situations arose in which the company was held responsible for damage caused to the environment, and neither was it subject to fines or penalties for environmental offences or damage.

The environmental protection policies also require continuous investment in staff training, which involves all workers at the refinery (including those of contractor companies) and other Group companies in a process aimed at creating a high degree of awareness of environmental issues. In fact, even the most advanced technological systems must be supported by careful management and control by all those involved in the production cycle.

AIA: Integrated Environmental Authorisation permit

The process of obtaining the Integrated Environmental Authorisation (AIA) permit began in early 2007, and was completed in April 2009. Saras was the first refinery in Italy to obtain the AIA permit, which represents a process of improvement in the technical and structural characteristics of the plants and the production site, thereby minimising the impact of production activities on all environmental matrices. The AIA permit, issued by the Environment Ministry, replaces all other authorisations; it lasts for eight years (conditional on maintaining EMAS (EU Eco-Management and Audit Scheme) registration). This further recognition covers the basic concepts of the Environmental Code, which regards all the elements (air, water, soil, visual impact, etc.) as part of a whole. It is the result of a process that led to the company obtain Environmental Certification ISO 14001 in 2004, which was subsequently confirmed in 2007, 2010, 2013 and 2016.

It is also worthy of note that, following the company reorganisation of the previous year, with effect from 1 July 2013, the AIA permit was transferred from Saras SpA to Sarlux Srl, a Group company that now manages all the production activities of the Sarroch site. Similarly, the ISO 14001 certification was also transferred from Saras SpA to Sarlux Srl on that same date.

The procedure to combine the two existing AIA permits Refinery+IGCC and Northern Plants (formerly Versalis) submitted by Sarlux was approved in December 2015. The new AIA decree (DM 0000286 of 21/12/2015), issued for all the activities Sarlux performs in the Sarroch facility in the first days of 2016, also contains the exemptions for the Large Combustion Plants (LCP) issued under Legislative Decree 46/2014 and a single Monitoring and Control Plan.

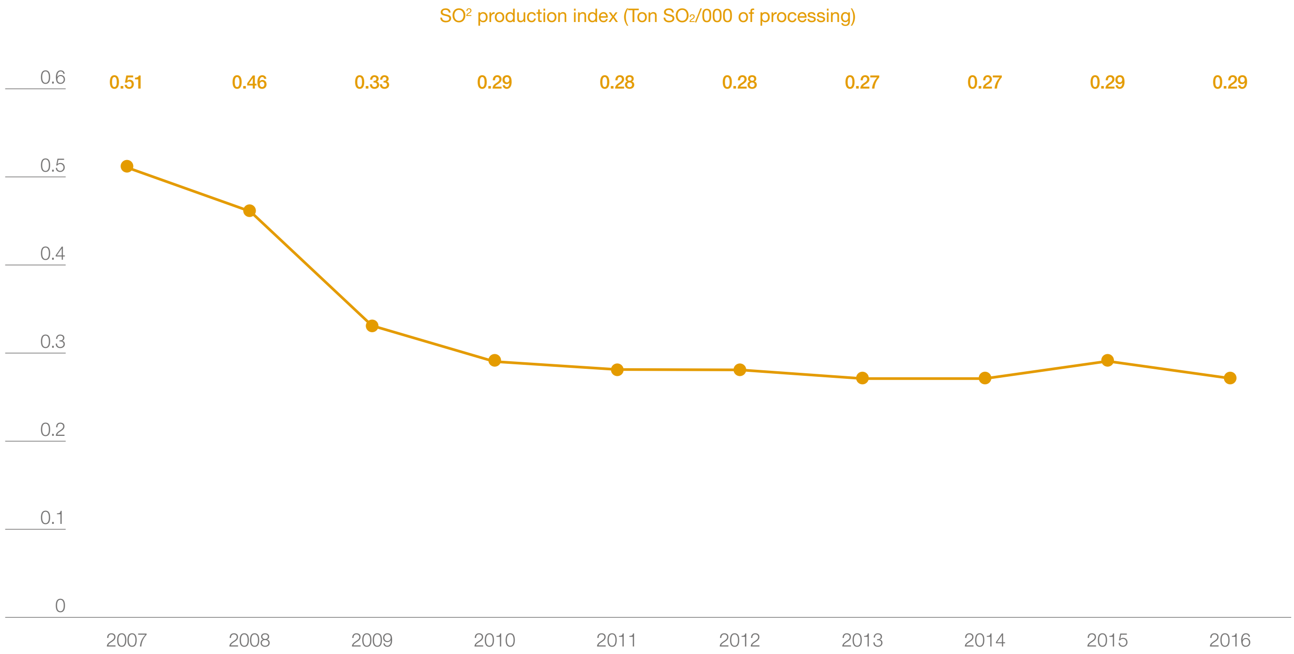
The monitoring and control activities stipulated in the AIA permit continued on a regular basis during 2016.

In April 2016, in Legislative Decree 46/2014, the Ministry of the Environment provided for a review of the In-

Safety is our energy

"We want to see ourserves
and be recognised
as an industrial entity
made of people who live
and promote the culture
of safety
in our daily actions."

SO_2 PRODUCTION INDEX



tegrated Environmental Authorisation permit issued to Sarlux in December 2015 to operate the complex IGCC refinery and Northern Plants, to adapt the measures to the conclusions on Best Available Techniques (BAT) relating to the refining sector (Decision 2014/738/EU). By July, Sarlux sent, as required, documentation on specific guidelines and models adopted by the Ministry, thereby initiating the review proceeding.

The AIA Decree was further updated, Decree No. 359 of 5 December 2016, to extend the exemptions for Large Combustion Plants issued pursuant to the provisions of Legislative Decree 46/2014 until the end of the review procedure.

EMAS registration

In June 2016, the company successfully conducted the annual validation visit for the "Environmental Statement" (EMAS registration) which assesses the activities that are carried out to ensure the region's environmental sustainability. Following the validation visit, the "Environmental Statement" was submitted to the Environment Commission of the Municipality of Sarroch on 9 November 2016.

As part of the programme to maintain EMAS, numerous activities and commitments must be undertaken, involving many different levels and functions of the company. Specifically, the "Environmental Statement" must be published in order to guarantee transparency towards the local area and in full and meticulous compliance with the law. The "Environmental Statement" provides a detailed and accurate picture of all the environmental aspects that relate to the production site's internal and external environments, and illustrates to the public all the activities the Company performs, the environmental aspects (directly and indirectly related thereto) and the environmental objectives set by the Company to maintain its EMAS Registration.

Again, with a view to improving transparency, the PRTR (Pollutant Release and Transfer Register) was regularly informed throughout the year of the site's main environmental data. This information is sent to the Italian Environment Ministry, which in turn sends it to the European Commission. Specifically, the information concerned levels of water and air emissions based on various parameters relating to the activities carried out.

The workplace health and safety management system

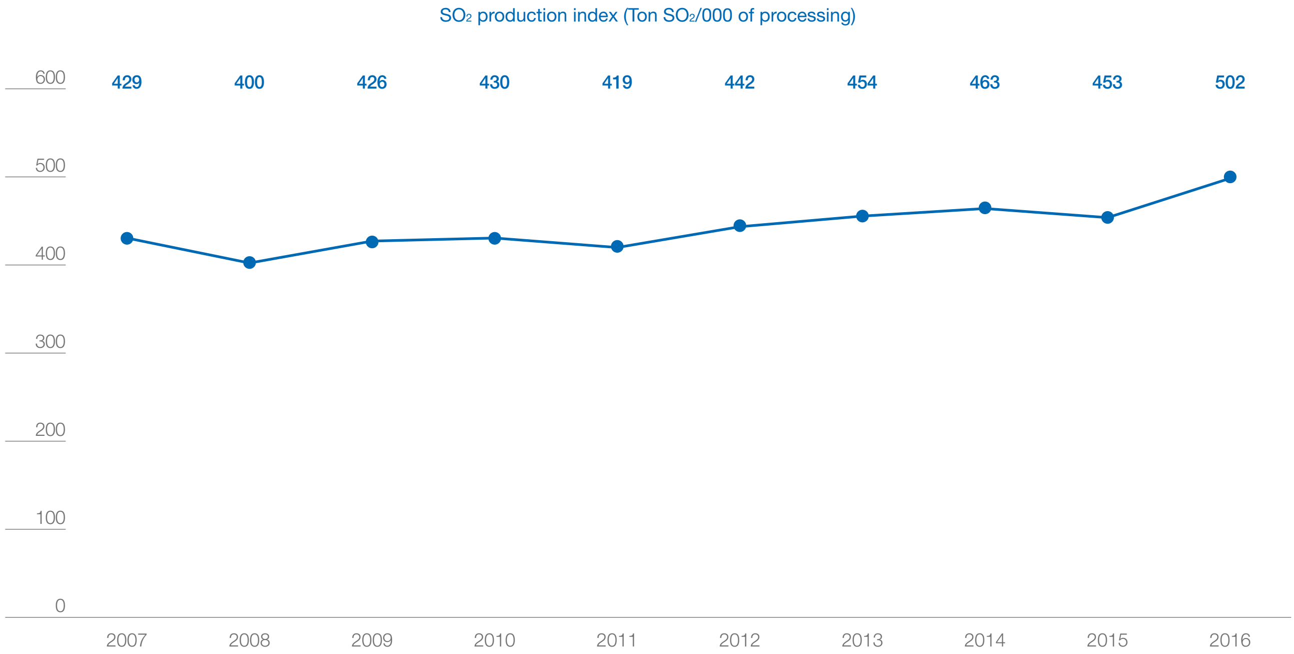
In 2016, as concerns the project to continually improve safety management, the company continued to promote the culture of safety through internal communications projects initiated in 2010. The most significant were:

- Extension of the implementation, starting from May, of the BBS protocol to all refining areas, with a review by the project group of the check-lists of observed behaviour.

  The principle of BBS (Behaviour Based Safety) is based on reinforcing safe behaviours through a system of observation, monitoring and feedback carried out directly by operations personnel, in addition to the respective hierarchical lines – a factor that helps reinforce the individual's responsibility - and analysing the causes of any behaviours at risk.

  It is a scientific method that has led to us noting a significant improvement in behaviour observed with the ultimate aim of reducing the frequency and severity of incidents (accidents, treatments, near misses, emergencies, etc.) Nel corso del 2016 è proseguito l'in-

CO_2 PRODUCTION INDEX



cremento dei comportamenti positivi osservati che è passato in media dal 97%. al 98%

In 2016, Saras/Sarlux actually had its best performance ever in terms of number of accidents, achieving a total accident frequency index of 1 in relation to the number of hours worked on site (about 6,000,000 million); a value well below the related CONCAWE index.

The extension of the BBS protocol to all refining areas (Southern and Northern Plants) has allowed the gradual replacement of other systems for monitoring safety performance, to have a single management, measurement and improvement of the aspects of health and safety tool for the first time.

The results from the measurements of behaviour observed are more than satisfactory.

- In total, in the period considered, 6,228 comments were made, with 179,695 observed behaviours. The percentage of positive behaviours observed was 98% of the total.

- The feedback provision percentage was 29%.

- 67 meetings were held by the HSE implementation committees.

- 13 meetings were held by the HSE Stops monitoring group with RSPP/ASPP of external companies.

• "Audit of HSMS and EMS management systems". 23 internal audits were planned and executed in 2016.

• 166 site inspections for ongoing monitoring of the activities performed by the companies were carried out.

• Analysis of accidents and near misses

Near misses are events related to work activities, with the potential to produce severe damage to persons and/or things. Also, for 2016, the aim was to monitor the trend of the near misses in order to increase the level of perception of the risk for staff working at the site, by classifying the severity of near misses according to the accident scenario, the consequences (magnitude) and possible frequency of the occurrence of the event.

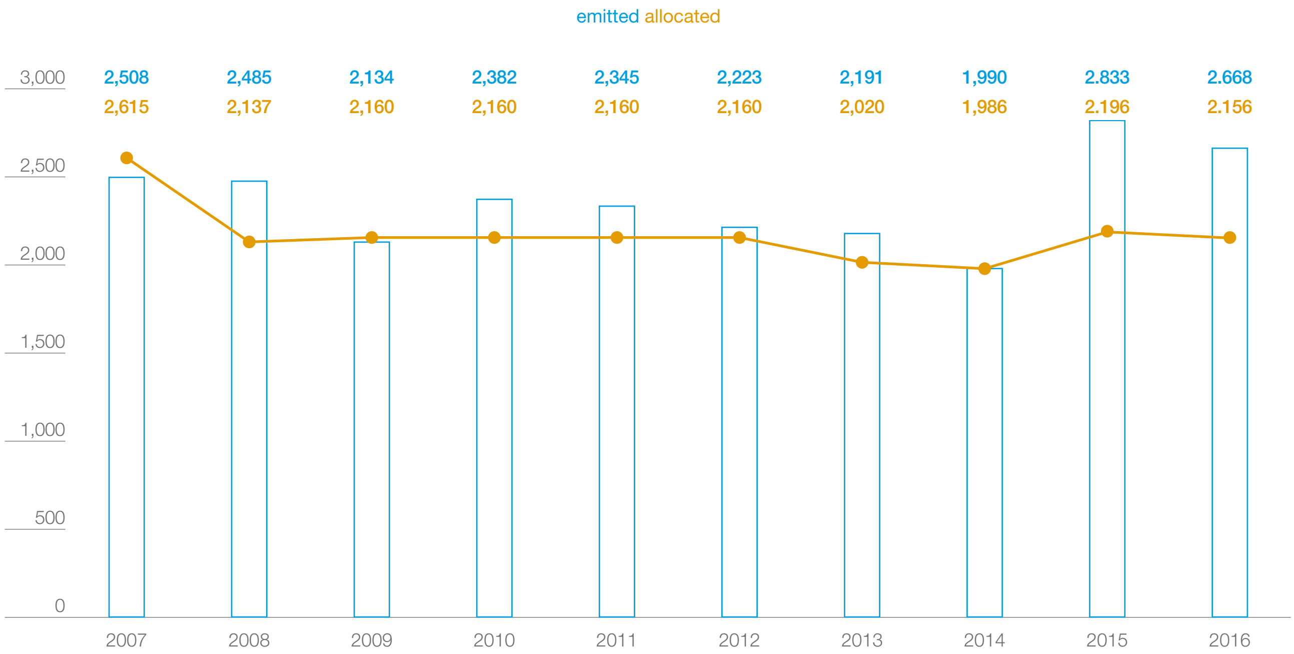
In the year, a total of 94 near misses were reported, of which 36 were classified as serious.

The near misses classified as serious were analysed by following the same accidents procedure with a level 1 and 2 analysis through which root causes, contributors and prevention and improvement actions are identified.

To promote a culture of safety, a process has been implemented over the last few years that has enabled the company to obtain some important certifications. In 2007, Saras obtained certification for its Health and Safety at Work System based on the OHSAS 18001:2007 standard. In 2008, it updated the "Organisation, Management and Control Model", pursuant to Legislative Decree 231/01, to comply with the provisions of Law 123/07 and the subsequent Legislative Decree 81/08, on the protection of health and safety in the work place, and this was updated again in 2011. The surveillance inspection of its Health and Safety at Work System based on the OHSAS 18001:2007 standard was carried out successfully in 2016.

Saras also played an active part in drafting the "Guidelines for an Integrated Health, Safety and Environmental Management System", based on the agreement signed on 28 June 07 by INAIL, ASIEP (now Confindustria Energia)

REFINERY CO_2 EMISSIONS (TON/YEAR)



and trade union organisations, which establish a reference framework for the implementation of the integrated health, safety and environmental management systems in Italy, together with the same parities that helped update them.

Against this backdrop, Saras plays an active role, together with Confindustria Energia, INAIL and union organisations, in conducting audits to check the application of the "Guidelines for an Integrated Health, Safety and Environmental Management System" mentioned above.

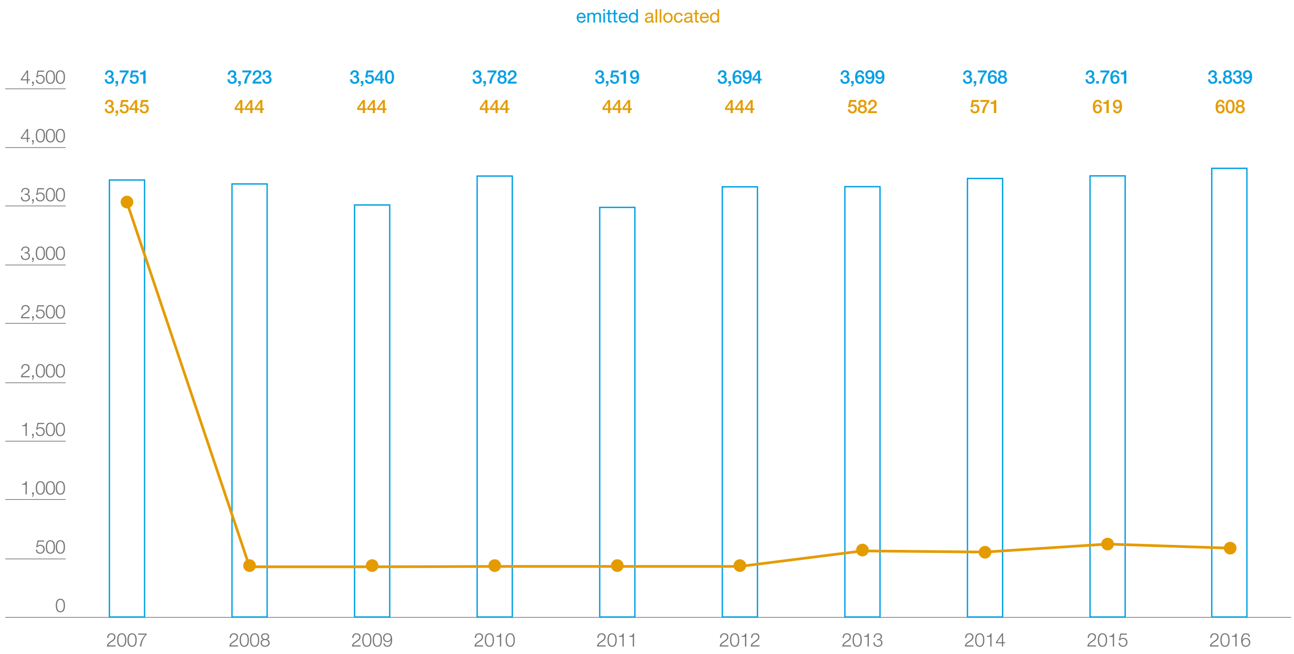
The Saras Group promotes a culture of safety at all corporate levels through training staff, sharing information and checking the degree of effectiveness of the activities pursued. Disseminating the culture of safety translates into continuous training and the creation of working conditions aimed at gradually reducing emergencies and accidents involving Saras Group staff and the employees of contractor companies. In 2016, all training measures relating to specific roles and positions continued, as did ongoing training on "Safety and the Environment".

Greenhouse gas emissions

The Saras Group falls within the scope of the European Emissions Trading Scheme Directive (ETS) due to the two activities carried out by its subsidiary Sarlux Srl at the Sarroch site, namely the refining segment and the electricity generation segment (IGCC plant). The ETS Directive was introduced across Europe to control and reduce carbon dioxide emissions as part of the battle against the greenhouse effect and consequent climate change. Carbon dioxide emissions do not have a direct impact at local level, particularly in terms of air quality around the site, but are connected to global phenomena.

The Emissions Trading Directive was introduced in 2005 to help member states comply with the requirements of the Kyoto Protocol. It works by assigning an emissions allowance to each individual plant falling within the scope of the Directive; this allowance is set by the Member State concerned under a "National Allocation Plan". The ETS mechanism also anticipates that surplus allowances may be traded and/or stockpiled, and any deficit must instead be covered by purchasing emissions allowances on the mar-

IGCC CO_2 EMISSIONS (TON/YEAR)



* As of 2013, the National Allocation Plan of Co_2 Allowances provides a single allocation for the entire Sarroch site (Refinery+IGCC)

ket. The first reference period was the three-year period between 2005 and 2007, the second related to the five-year period between 2008 and 2012, while the current period relates to 2013-2020.

In the second period of application of the ETS Directive, allowances were more stringent, based on the objectives set out in the Kyoto Protocol. The third period (eight years), which started in 2013, has also led to a further annual reduction in the allocation of emissions allowances. As regards the request for additional allowances presented by Sarlux subsequent to the purchase of the "Northern Plants" (former Varsalis), considering the specific nature of the operation (partial purchase of the facility), the proceedings for the reassignment of the allowances are still in progress. In March 2016, Sarlux submitted the request for additional allowances in accordance with the forms specially provided by the National Committee for managing Directive 2003/87/EC. It is currently being assessed by the European Commission. The Emissions Trading Scheme Register, which is available for consultation, records both the allowances assigned and the annual CO_2 emissions in Italy. The subsidiary Saras has been allocated a single position based on the total emissions from all its operations at the Sarroch site.

Sarlux keeps a register that records, calculates and monitors CO_2 emissions. The system is certified by accredited independent bodies in accordance with European guidelines and was updated subsequent to the purchase of the Northern Plants.

Caring for the sea

We are conscious that we must preserve and limit any type of change to the environment. For this reason, we have for years had very stringent criteria relating to the transport of oil and refined products by sea. With effect from 2009, only latest-generation ships have been used. From this year, 100% of the ships used have been "twin-hulled", in anticipation of current legislation on maritime traffic.

Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals. In this regard, vetting inspections are regularly carried out at other ports by trusted Saras personnel, in accordance with international criteria, as are on-the-spot pre-mooring inspections.

SOCIAL RESPONSIBILITY AND ACTIVITIES WITH THE COMMUNITY

Communication, but above all sharing skills with young people and providing a real contribution to spreading industrial culture and entrepreneurship. In 2016, there were also several social responsibility initiatives in very diverse sectors: universities, colleges, sport and culture. All of them are characterised by a positive thread: the desire to transfer knowledge to the community, stimulate growth and innovation, without forgetting support for events celebrating tradition and Sardinian identity.

Continuous dialogue with the community around the Sarroch plant

The ongoing relationship with citizens that reside in the four municipalities of Capoterra, Sarroch, Pula, Villa San Pietro, in Cagliari Province occurs through two main channels: participation in the social initiatives and proactive communication, aimed at providing information on the main environmental issues relating to the production site.

Saras has always supported numerous initiatives and events related to the religious tradition and regional identity. One example is the path of Sant'Efisio - a martyr venerated in Sardinia, who precisely in this area of the Golfo degli Angeli was led to the gallows in 303. From the sacred to the profane, the local communities are also very active in the organisation of concerts and artistic displays, mainly concentrated around the summer that the Group has supported for years. Finally, particular attention is paid, year after year, to sports initiatives: in addition to supporting local volleyball and football teams, in 2016, Saras created the Saras Prize for Sport, a voucher to buy equipment for the association which stands out by its sporting merits, with a particular focus on social issues. A great example are the football players of Cagliari Calcio, who presented the prize to the winner of the first edition in October. The same spirit marked the event which saw the players of the basketball team Dinamo-Banco of Sardinia, come to Sarroch to talk to students from the four municipalities around the refinery about bullying, with the State Police. As happens from time to time, Saras is helping teachers and pupils from the Istituto comprensivo di Sarroch, with which it launched an experimental programme in 2016 to provide tablets for digital books. Also in collaboration with teachers, laboratory technicians of the subsidiary Sarlux will be at school to help children learn about chemistry through play. Finally, 2016 was the year when the carousels donated by Saras to children in the Sarroch region were opened.

News about environmental performance is communicated via the website of the subsidiary Sarlux, but especially with the procedures identified by the EMAS protocol.

University, school and culture

The transfer of knowledge and skills can only pass through schools and universities. With secondary schools, in particular, the Group has been collaborating with several students for a few years, also through projects which fall within the scope of alternating between school-work. The programmes "At business school" and "Company in the classroom," have proven very popular, also among non-technical institutions, such as schools specialising in the classics or science, eager to confront an important business, as well as industrial, reality. The initiatives proposed with other local subjects include the scholarship for chemical engineers, offered in collaboration with the Department of Engineering and AIDIC (Italian Association of Chemical Engineers), support for Chemistry Games (for secondary schools) and participation in Researchers' Night. Finally, the second edition of the prize "RaIn – Raccontami l'Innovazione" was very popular. A competition designed by Saras, in collaboration with an association of teachers and entrepreneurs, Sardinia 2050, which requires high school students to make a video about new ideas that will define the future. The competition was supported by the Scholastic Division of Sardinia.

The culture of sport

Saras has been the sole sponsor of the Cagliari Football Academy since 2015, the training programme that attempts to bring together the amateur sports teams of Sardinia in large pool of young talents, united by the same training method. A team composed of staff from the Football Academy and a Saras expert in group dynamics, is in constant contact with the island's football schools, to find out their needs and difficulties, and to provide support to technicians, managers and parents. In addition to tactical suggestions and indications of a sporty nature, the academy focuses on training children, to educate them not only in football, but also in psychological-relational matters.

RISK ANALYSIS

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

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

The management of the risks found in the company processes is based on the principle by which the operational or financial risk is managed by the person responsible for the related process, based on the indications of top management, while the control function measures and controls the level of exposure to risk and the results of the actions to reduce such risk.

To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of cover and without resorting to complex structures.

Financial risks

Exchange rate risk

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

Risk relating to the supply of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economic 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, as also described in the "Health, Environment and Safety" chapter. 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 described in the paragraph "Regulatory frame of reference" relate to:

- Regulations relating to the reduction of national emissions of determined atmospheric pollutants and the relative impact of the same on the limits indicated in the current AIA permit.

- The view of the European Commission and the AAEG implenting documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.

- Regulatory dispositions relating to energy efficiency titles and their consequences for the GSE.

- Normative di riferimento relativamente al fatto che The Sarlux Srl subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP resolution no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production.

Dependencies on third parties

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

Personal data protection

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

OTHER INFORMATION

Own shares
In the course of the financial year 2016, Saras SpA has not bought nor sold any treasury shares.

Also, in the course of the financial year, the "Stock Grant Plan to the management of the Saras Group" for the period 2013-2015 (the "Stock Grant Plan 2013/2015" or the "Plan") has come to an end: on 29 February 2016, the Board of Directors verified the attainment of the performance objectives pursuant to Article 5 of the Plan and, at the next meeting on 14 March determined the number of shares to be provided to recipients of the Plan to be 4,255,920.

As a consequence of the above, at 31 December 2016 Saras SpA held 14,989,854 treasury shares, equal to 1.576% of share capital.

Changes in the Shareholding Structure
On 17 January, Rosneft JV Projects SA, a company indirectly wholly owned by Rosneft, placed all the shares in Saras SpA which it held in its portfolio, corresponding to 12% of the share capital Saras. The shares were seen by an expert group of international investors - including Norges Bank (manager of the Norwegian government's pension fund), currently the holder of a share equal to 3.084% of the capital - counting on the continuing favourable scenarios for European refining in general and, in particular, for the Saras Group.

Stock Grant Plans
On 22 April 2016, the Shareholders' Meeting approved the "Long-term incentive plan for the management of the Saras Group" (the "2016-2018 Stock Grant Plan" or the "Plan"), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.

Beneficiaries of the Plan are:

- Managers with strategic responsibilities within the Company;
- Directors of Italian and/or foreign subsidiaries of the Company;
- Other senior people in the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares after achieving performance objectives determined in relation to:

- The relative positioning of the Total Shareholder Return of Saras compared to the TSR of a group of industrial companies that are part of the FTSE Italia Mid Cap. at the end of the TSR calculation, for each of the three years of performance, the share price at the start date of the year is equal to the average price of the share, taking the daily closing value in the three months prior to this date as a reference (1 October - 31 December); the share price at the date of the end of the year, equal to the mean value of the share, taking the daily closing value in the three months prior to this date as a reference (1 October - 31 December);
- the positioning of the margin, expressed in $/bl and compared in terms of absolute distance from the EMC Benchmark margin.

The maximum number of shares covered by the Plan is 6,500,000. Shares are to be delivered within six months of the end of the Performance Period, and the Beneficiary undertakes not to sell, transfer, dispose of or subject to any restriction a number of Shares equivalent to 20% of the shares delivered for a period of 24 months from the delivery date.

Transactions with related parties
At the end of the year 2016, the effect on Saras Group Balance Sheet and Income Statement, deriving from transactions or positions with related parties, is not significant. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 7.4 "Transactions with Related Parties".

Use of financial instruments
Details can be found in the Notes to the Consolidated Financial Statements, chapter 7.5.3 "Additional information".

Research and Development
In FY/2016 Saras did not undertake meaningful research and development activities, therefore no significant cost where capitalized or accounted in the Income Statement. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 5.2.2 "Intangible Assets".

Segment information by geographic area
Information on the supply market for crude oil and the sale market for refined products are available in chapter 4 "Information by business segment and geographical area" of the Notes to the Consolidated Financial Statements.

Non-recurring and unusual Transactions
We highlight that during the year there were no other significant activities originated from non-recurring and unusual transactions, and there are no open positions originating from such transactions.

Information of Shareholdings held by members of the Board of Directors, Statutory Auditors and senior Management
Details are available in the Explanatory Notes to the Financial Statements of Saras SpA, chapter 7.5.2 "Shareholdings held by members of the Board of Directors, Statutory Auditors, General Manager and senior Management with strategic responsibilities".

Adoption of the fiscal consolidation
Details are available in the in the chapter 3.2 "Summary of accounting standards and policies" in the Notes to the Consolidated Financial Statements, in paragraph X "Taxes".

Reconciliation between Group Consolidated Net Result and Shareholders' Equity
The reconciliation between the Consolidated Net Result and the Group Shareholders' Equity, and those of the Parent Company is detailed in the table below.

Thousands of euros	2016	2015
As per Saras SpA's separated financial Statements as of 31 December 2016	**162,444**	**492,036**
Differences between book value and Shareholders' Equity as at 31 December 2016 of shareholdings valued at cost in Saras' SpA separated financial Statements	26,956	404,111
Corrections made during consolidation	6,930	26,580
As per the Consolidated Financial Statements as of 31 December 2016	**196,330**	**922,727**

MAIN EVENTS AFTER THE END OF FY2016

On **17 January**, Rosneft JV Projects SA, a company indirectly wholly owned by Rosneft, placed all the shares in Saras SpA which it held in its portfolio, corresponding to 12% of the share capital Saras. The shares were seen by an expert group of international investors - including Norges Bank (manager of the Norwegian government's pension fund), currently the holder of a share equal to 3.084% of the capital - counting on the continuing favourable scenarios for European refining in general and, in particular, for the Saras Group.

On **17 February**, Andrey Nikolayevich Shishkin resigned his office as non-executive and non-independent director of Saras SpA, with immediate effect.

SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands of euros			31/12/2016	31/12/2015
ASSETS	(1)	(2)		
Current assets	**5.1**		**1,689,200**	**1,929,396**
Cash and cash equivalents	5.1.1	A	359,175	856,843
of which with related parties:			*2,340*	
Other financial assets	5.1.2	B	120,662	89,533
Trade receivables	5.1.3	C	423,621	260,636
of which with related parties:			*66*	*112*
Inventories	5.1.4	D	621,894	564,803
Current tax assets	5.1.5	E	36,402	32,194
Other assets	5.1.6	F	127,446	125,387
Non-current assets	**5.2**		**1,205,184**	**1,388,180**
Property, plant and equipment	5.2.1	H,I	964,263	1,033,546
Intangible fixed assets	5.2.2	J	194,894	227,416
Other investments	5.2.3.1	L	502	502
Deferred tax assets	5.2.4	X	39,775	121,714
Other financial assets	5.2.5	M	5,750	5,002
Total assets			**2,894,384**	**3,317,576**
LIABILITIES AND EQUITY				
Current liabilities	**5.3**		**1,423,241**	**1,444,696**
Short-term financial liabilities	5.3.1	R	203,377	203,097
of which with related parties:			*20,000*	
Trade and other payables	5.3.2	R	1,044,879	1,043,440
of which with related parties:			*0*	*3*
Current tax liabilities	5.3.3	X	102,812	123,412
Other liabilities	5.3.4	R	72,173	74,747
Non-current liabilities	**5.4**		**548,416**	**987,976**
Long-term financial liabilities	5.4.1	R	183,438	585,848
Funds for risks and charges	5.4.2	P, AA	102,455	90,426
Provisions for employee benefits	5.4.3	Q	10,541	11,445
Deferred tax liabilities	5.4.4	X	4,719	4,717
Other liabilities	5.4.5	R	247,263	295,540
Total liabilities			**1,971,657**	**2,432,672**
EQUITY	**5.5**	**N,O,W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			660,841	595,688
Net profit			196,330	223,660
Total equity attributable to the parent company			**922,727**	**884,904**
Third-party minority interests			0	0
Total equity			**922,727**	**884,904**
Total liabilities and equity			**2,894,384**	**3,317,576**

(1) Please refer to the Explanatory Notes, section 5 "Notes to the Statement of Financial Position"

(2) Please refer to the Explanatory Notes, section 3.2 "Summary of accounting standards and policies"

CONSOLIDATED INCOME STATEMENT

Thousands of euros	(1)	(2)	01/01/2016 31/12/2016	of which non-recurring	01/01/2015 31/12/2015	of which non-recurring
Revenues from ordinary operations	6.1.1	S	6,761,962		8,131,282	
of which with related parties:			*0*		*0*	
Other income	6.1.2	S	107,845		106,511	
of which with related parties:			*92*		*138*	
Total returns			**6,869,807**	***0***	**8,237,793**	***0***
Purchases of raw materials, replacement parts and consumables	6.2.1	T	(5,504,814)		(6,965,696)	
Cost of services and sundry costs	6.2.2	T, AA	(578,848)	*(4,209)*	(562,503)	*(12,512)*
of which with related parties:			*(1,440)*		*(1,332)*	
Personnel costs	6.2.3	Q,T	(148,060)		(153,630)	
Depreciation and write-downs	6.2.4	H,J	(246,740)	*(20,000)*	(245,394)	*(23,310)*
Total costs			**(6,478,462)**	***(24,209)***	**(7,927,223)**	***(35,822)***
Operating result			**391,345**	***(24,209)***	**310,570**	***(35,822)***
Net income (charges) from equity investments		K, L				
Financial income	6.3	U	155,784		396,011	
Financial charges	6.3	U	(238,767)		(362,841)	
Pre-tax profit			**308,362**	***(24,209)***	**343,740**	***(35,822)***
Income tax	6.4	X	(112,032)	*(8,136)*	(120,080)	6,157
Net profit			**196,330**	***(32,345)***	**223,660**	***(29,665)***
Net result attributable to:						
Shareholders of the parent company			196,330		223,660	
Third-party minority interests			0		0	
Net profit per share - base (euro cents)		Z	**21.00**		**24.16**	
Net profit per share - diluted (euro cents)		Z	**21.00**		**24.16**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net result (A)		**196,330**	**223,660**
Components of total profit that may subsequently be reclassified in the profit (loss) for the year			
Conversion effect balances in foreign currency	V	33	14
Components of total profit that will subsequently not be reclassified in the profit (loss) for the year			
Actuarial effect IAS 19 on employee end-of-service payments	Q, T	(230)	(43)
Other profit/(loss), net of the fiscal effect (B)		**(197)**	**(29)**
Total consolidated net result (A + B)		**196,133**	**223,631**
Total consolidated net result attributable to:			
Shareholders of the parent company		196,133	223,631
Third-party minority interests		0	0

(1) Please refer to the Explanatory Notes, section 6 "Notes to the Comprehensive Income Statement"
(2) Please refer to the Explanatory Notes, section 3.2 "Summary of accounting standards and policies"

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Thousands of euros	Share capital	Legal Reserve	Other Reserves	Profit (Loss) Financial year	Total equity attributable to the parent company	Third-party minority interests	Total net equity
Balance as at 31/12/2014	54,630	10,926	856,034	(261,847)	659,743	0	659,743
Allocation of profit previous year			(261,847)	261,847	0		0
Reserve for stock option plan			1,530		1,530		1,530
Conversion effect balances in foreign currency			14		14		14
Actuarial effect IAS 19			(43)		(43)		(43)
Net profit				223,660	223,660		223,660
Comprehensive net profit (loss)			*14*	*223,660*	*223,674*		*223,674*
Balance as at 31/12/015	54,630	10,926	595,688	223,660	884,904	0	884,904
Allocation of profit previous year			223,660	(223,660)	0		0
Distribution of dividends			(159,122)		(159,122)		(159,122)
Reserve for stock option plan			812		812		812
Conversion effect balances in foreign currency			33		33		33
Actuarial effect IAS 19			(230)		(230)		(230)
Net profit				196,330	196,330		196,330
Comprehensive net profit (loss)			*33*	*196,330*	*196,363*		*196,363*
Balance as at 31/12/2016	54,630	10,926	660,841	196,330	922,727	0	922,727

CONSOLIDATED CASH FLOW STATEMENT

Thousands of euros	(1)	(2)	01/01/2016 31/12/2016	01/01/2015 31/12/2015
A - Initial cash and cash equivalents			**856,843**	**633,544**
B - Cash flow from (for) activities in the year				
Net profit	5.5		196,330	223,660
Unrealised exchange rate differences on bank current accounts			(853)	3,562
Depreciation and write-downs of fixed assets	6.2.4	K, J	246,740	245,394
Contributions charged to income statement	6.1.2		0	0
Net change provision for risks	5.4.2	P, AA	12,029	18,393
Net change in provision for employee benefits	5.4.3	Q	0	(566)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	X	81,941	87,278
Net interest		U	18,689	27,374
Income tax set aside	6.4	X	30,091	6,954
Change FV derivatives, green certificates	5.1.2 - 5.3.1		34,742	113,681
Negative goodwill from acquisition of Versalis branch (charged to income statement)				
Other non-monetary components	5.5		615	1,501
Profit (loss) of operating activities before changes in working capital			**620,324**	**727,231**
(Increase)/Decrease in trade receivables	5.1.3	C	(162,985)	166,180
of which with related parties:			*0*	*0*
(Increase)/Decrease in inventories	5.1.4	D	(57,091)	105,262
Increase/(Decrease) in trade and other payables	5.3.2	R	1,439	(670,844)
of which with related parties:			*43*	*113*
Change other current assets	5.1.5 - 5.1.6	F	(6,267)	58,088
Change other current liabilities	5.3.3 - 5.3.4	R	(18,803)	(50,422)
Interest received		U	653	2,400
Interest paid		U	(19,342)	(29,774)
Taxes paid	5.3.2	X	(34,462)	(160)
Change other non-current liabilities	5.4.5	R	(48,277)	(35,660)
Total (B)			**275,189**	**272,301**
C - Cash flow from (for) investment activities				
(Investments) in tangible and intangible fixed assets	5.2.1-5.2.2	H, I	(146,453)	(99,094)
- of which paid capitalised interest payable			*0*	*0*
(Increase)/Decrease in other financial assets	5.1.2	B	5,164	136,717
Other non-monetary changes	5.2.1-5.2.2		614	0
Total (C)			**(140,675)**	**37,623**
D - Cash flow from (for) financing activities				
Increase/(Decrease) m/l-term financial payables	5.4.1	R	(402,410)	309,253
Increase/(Decrease) short-term financial payables	5.3.1	R	(71,503)	(392,316)
(Decrease) short-term financial payables for reimbursements for the period			0	0
Distribution of dividends and treasury share purchases			(159,122)	0
Total (D)			**(633,035)**	**(83,063)**
E - Cash flow for the period (B+C+D)			**(498,521)**	**226,861**
Unrealised exchange rate differences on bank current accounts			853	(3,562)
F - Final cash and cash equivalents			**359,175**	**856,843**

(1) Please refer to the Explanatory Notes, section 5 "Notes to the Statement of Financial Position"

(2) Please refer to the Explanatory Notes, section 3.2 "Summary of accounting standards and policies"

For the Board of Directors - The Chairman
Gian Marco Moratti

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. Introduction

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

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

These consolidated financial statements for the year ended 31 December 2016 are presented in euro, since this is the currency of the economy in which the Group operates. They consist of a statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

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

The consolidated financial statements of the Group for the year ending 31 December 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS or ''international accounting standards'') issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and in accordance with the measures adopted in implementation of Art. 9 of Legislative Decree No. 38 of 28 February 2005.

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

The financial statements have been prepared using the following criteria, in line with IAS 1, deemed suitable to provide a more complete picture of the financial position, operating results and cash flows:

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

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

These financial statements were prepared in accordance with the going concern principle, as the Directors determined that there are no financial or operating indicators, among others, signalling criticalities in the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relative to the business are described in the section dedicated to the Report on Operations. A description of the Company's financial risk management, including liquidity and capital risks, is provided in the section on additional information on financial instruments and risk management policy of these notes.

3. Accounting standards applied

3.1 The following accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2016:

The accounting standards, amendments and interpretations, applied by the Group for the first time as of 1 January 2016, are reported below.

Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions*
IAS 19 requires an entity to consider contributions by employees or third parties in accounting for defined-benefit plans. When the contributions are associated with the past service rendered, they should be assigned to the service

period as negative benefit. This amendment clarifies that, if the contribution amount is independent of the years of service, the entity is permitted to recognise this contribution as a reduction of the cost of service in the period in which the service is provided, instead of allocating it over the years of service. There are no effects due to the application of these amendments.

IFRS 14 - *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity whose activities are subject to regulated rates to continue to apply, at the time of the first-time adoption of IFRS, the previous accounting standards adopted for the amounts relating to the rate regulation. The entities that adopt IFRS 14 must submit balances relating to the rate regulation on separate lines of the statement of financial position and submit the movements of these accounts in separate lines of the statement of profit/(loss) for the year and the other components of the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of the rate regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. This standard does not apply to the Group, as the Group already uses IFRS.

Annual improvements to the IFRS 2010-2012 Cycle

IASB has issued a series of amendments currently in force which relate in particular to the definition of vesting conditions in IFRS 2 – *Share-based payment*, the accounting of the contingent consideration in a business combination in IFRS 3 – *Business combinations*, the consolidation of operating sectors and the reconciliation of the total activity of the entity in IFRS 8 – *Operating segments*, the proportional redetermination of cumulative amortisation in IAS 16 – *Property, plant and equipment* and in IAS 38 - *Intangible fixed assets* and the identification and some disclosures relating to a key manager in IAS 24 – *Related party disclosures*.

There are no significant impacts on the Financial Statements or the Groups' disclosures due to the application of these amendments.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator that accounts for the acquisition of a stake in a joint control agreement, a joint control agreement whose activities represent a business, must apply the relevant standards of IFRS 3 on accounting for business combinations. The amendment also makes it clear that any previously held interest in the joint operation would not be remeasured if the joint operator acquires an additional interest while retaining joint control. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply both to the acquisition of the initial interest in a jointly controlled arrangement and to the acquisition of each additional interest in said jointly controlled arrangement e devono essere applicate prospetticamente per gli esercizi che inziano al 1 gennaio 2016 o successivamente è consentita l'applicazione anticipata. These amendments have no impact on the Group because there have been no acquisition of interests in jointly controlled activities in this period.

Amendments to IAS 16 and to IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify that the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments must be applied prospectively and have no impact on the Group.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will enable entities to use the equity method when accounting for investments in subsidiaries, joint ventures and associates in its own separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. These amendments have no impact on the Group's consolidated financial statements.

Annual improvements to the 2012-2014 cycle

They include:

IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of through the sale or distribution to owners. The amendment clarifies that the change from one of these disposal methods to the other should not be considered a new disposal plan but rather the continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5 This amendment must be applied on a prospective basis.

IFRS 7 *Financial Instruments: Disclosures*

(I) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can result in the continued involvement in a financial asset. An entity shall define the nature of the fee and the agreement based on the guidance contained in IFRS 7 on the matter of continuous involvement to assess whether information is required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment

(II) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 *Employee Benefits*

The amendment clarifies that the active market (market depth) of high-quality corporate bonds must be defined with respect to the currency in which the bond is denominated, rather than the country in which the bond is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied on a prospective basis.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the disclosures required in interim financial reports must be submitted or in the interim financial report or incorporated through the cross-reference between the interim financial report and the part of the interim financial report in which it is included (for example, the report on operations or the comment on risk report). The information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. This amendment has had no impact on the Group.

Amendments to IAS 1 ***Disclosure Initiative***

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The requirement of materiality in IAS 1
- The fact that specific line items in the statement of profit/(loss) or other items of the comprehensive income statement or in the statement of financial position may disaggregated
- That entities are flexible with respect to the order in which they present the notes
- That the share of the other components of the statement of comprehensive income relating to associates and joint ventures accounted using the equity method must be presented in aggregate in a single row, and classified among those items that will not be subsequently reclassified to the income statement.

Furthermore, the amendments clarify the requirements that apply when subtotals are presented in statements of profit/(loss) or other items of the comprehensive income or in the statement of financial position. These amendments have no impact on the Group .

Amendments to IFRS 10, IFRS 12, and to IAS 28 ***Investment Entities: Applying the Consolidation Exception***

The amendments address issues that have arisen in relation to the exception for investment entities under IFRS 10. The amendments to IFRS 10 clarify that the exemption at the submission of the consolidated financial statements shall apply to the parent entity which is the subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value.

In addition, the amendments to IFRS 10 clarify that only an investment entity subsidiary that is not an investment entity and provides support services to the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor to maintain, in application of the equity method, the fair value measurement applied by the associates or joint ventures of an investment entity in the measurement of its investments in subsidiaries. These amendments must be applied prospectively and have no impact on the Group as this does not apply the consolidation exemption.

3.2 Accounting standards issued but not yet in force

Standards and interpretations are illustrated which, at the Group’s reporting date, had been issued but were not yet in force are illustrated below.

IFRS 9 *Financial instruments*

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

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 unique impairment model based on the acknowledgement of losses expected by an entity. This model is not applied to equity instruments and anticipates operative simplification for commercial credits;
3. hedge accounting based on a more flexible approach than that indicated in IAS 39.

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

The Group will adopt the new standard as of the date of its entry into force. During 2016 the Group carried out a preliminary analysis of the impact of all three aspects covered by IFRS 9. This preliminary analysis is based on information actually available and could be subject to amendment following more detailed analyses and further information becoming available to the Group in future.

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

- the identification of the contract with the customer;
- the identification of the contract's performance obligations;
- the determination of the price;
- the allocation of the price to the contract's performance obligations;
- the criteria for entry of revenues when the entity satisfies each performance obligation.

Sale contracts to the Group's existing customers require the exchange of goods (oil or electricity and possible services) with the clear identification of the contractual obligations and the relative considerations, determined in a fixed or uniquely determined measure. The detailed impact deriving from the future application of the principle are still in the process of being analysed. The most significant changes introduced, in a first analysis, do not however appear to have meaningful impact for the Group.

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

The amendments concern the conflict between 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 7 *Disclosure Initiative – Amendments to IAS 7*

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

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

These amendments clarify how to account for deferred 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. These amendments are not applicable to the Group.

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

IASB has issued amendments to IFRS 2 Shared-based 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. The Group is evaluating the effect of these amendment on its consolidated financial statements.

IFRS 16 *Leases*

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

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

L'IFRS 16 requires from lessees more detailed information compared to those required from IAS 17.

The standard will come into force for annual periods beginning on or after 1 January 2019. Advanced application is permitted, but not before the entity has adopted IFRS 15. A lessee can chose 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 introduction of the new IFRS is not expected to have significant impact as the Group does not have meaningful active leasing operations or leasing expenses. With reference to the case in point described in paragraph 3.4 v), detailed analyses are currently being carried out which will be completed during the financial year.

IFRIC 22 - *Transactions in Foreign Currency and Advances*
The objective of this interpretation is that of establishing the exchange rate to be used in the conversion 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 approved by the European Union.

Annual improvements to the IFRS 2014-2016 Cycle
IASB has issued a series of amendments to three current standards which relate, in particular, the following aspects: a clarification regarding the scope of application for IFRS 12 - *Disclosures of interests in other entities* - in the case of entities falling under the scope of application for IFRS 5 - *Non-current assets held for sale and discontinued operations*; valuation of linked companies or joint ventures at fair value in the presence of investment entities in IAS 28 - *Investments in associates*; abolition of short-term exemptions for enterprises adopting IFRSs for the first time in IFRS 1 - *First adoption of International Reporting Standards*.

These standards, which are expected to come into force on 1 January 2017 (IFRS 12) and 1 January 2018 (IFRS 1 and IAS 28, have not yet been approved by the European Union. The amendments to IAS 28 and IFRS 1 are not applicable to the Group, while the amendments to IFRS 12 are applicable only in the presence of entities classified under the scope of IFRS 5.

3.3 Consolidation method

The consolidated financial statements include the financial statements of the Parent Company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which said control ceases to exist. In particular, control is exercised by virtue of the Parent Company directly or indirectly owning the majority of shares carrying voting rights and through the exercise of a dominant influence that is expressed in the power to determine, including indirectly and by virtue of any existing contractual or legal agreements, the financial and operating policies of the entities involved, thereby obtaining benefits from their activities, regardless of shareholding relationships. The existence of any potential voting rights that may be exercised at the reporting date is taken into consideration in determining whether control exists.

The financial statements included in the consolidation have been drawn up to 31 December and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, adjusted where necessary for the purposes of consistency with the accounting standards adopted by the Parent Company.

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

Consolidated on a line-by-line basis	% owned
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie SpA	100%
Sarint SA and subsidiaries:	100%
Saras Energia SA	100%
Terminal Logistica de Cartagena SLU	100%
Reasar SA	100%
Parchi Eolici Ulassai Srl and subsidiaries:	100%
Sardeolica Srl	100%
Alpha Eolica Srl (in liquidation)	100%
Saras Trading SA	100%

Other equity interests: valued at cost as of insignificant value	
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

The liquidation process of the Romanian subsidiary Alpha Eolica Srl was formally started and concluded in 2016; as the value of this investment had been already completely written down in the previous consolidated financial statements, this operation did not generate any effect in the current consolidated financial statements.

The criteria adopted for the line-by-line consolidation of fully consolidated subsidiaries are as follows:

[I] Assets and liabilities, and income and expense items are reported line-by-line and a portion of the shareholders' equity and net profit is allocated, where applicable, to minority shareholders. These items are shown separately under the relevant headings under consolidated shareholders' equity and in the consolidated comprehensive income statement.

[II] Business combinations that lead to the control of an entity being acquired are accounted for using the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities and any equity instruments issued are acquired. The difference between:

- the amount paid (generally calculated on the basis of its fair value at acquisition date), and – in the case of a business combination achieved in stages – the fair value at the date of acquisition of control of the equity investment already held in the company; and

- the fair value of the identifiable assets acquired net of the identifiable liabilities taken on, measured at the date control is acquired

is recognised, where the relevant conditions apply, as goodwill on the date that control of the business is acquired. In the case of negative goodwill, this is recognised in the income statement.

[III] Gains and losses arising from transactions between companies that are consolidated on a line-by-line basis, which have yet to be realised with third parties, are derecognised, where significant, as are any intragroup payables and receivables, costs and revenues, and financial income and charges.

[IV] Gains and losses arising from the disposal (without loss of control) of equity investments in consolidated companies are charged to shareholders' equity for amounts corresponding to the difference between the selling price and the portion of consolidated shareholders' equity effectively transferred. If further acquisitions of equity investments take place without a change in control, the difference between the purchase price and the corresponding portion of shareholders' equity acquired is recognised through equity.

Investments in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the Group exercises significant influence (referred to hereinafter as 'affiliated companies'), which is presumed to exist when a stake of between 20% and 50% is held, are accounted for using the equity method, except where the application of this method does not impact on the Group's financial position, operating results and cash flow; in such instances, the investment is measured at cost. The way in which the equity method is applied is described below:

[I] The carrying amount of an investment is brought into line with the equity of the investee company concerned, adjusted where necessary to reflect the adoption of accounting standards that are consistent with those adopted by the Parent Company and includes, where applicable, any goodwill identified at the time of the acquisition.

[II] The Group's proportionate share of profits or losses is recognised in the consolidated income statement from the date on which the significant and controlling influence commences until the day it ceases to exist. Should the company, as a result of losses, report negative equity, the carrying amount of the investment concerned is written down and any surplus attributable to the Group allocated to the relevant provision, only where the Group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not allocated to the result posted in the income statement are directly added to or deducted from equity reserves.

[III] Unrealised gains and losses arising from transactions between the Parent Company and subsidiaries or investee companies are derecognised based on the value of the stake held by the Group in the investees. Unrealised losses are eliminated, except where they represent an impairment loss.

The financial statements of the companies included in the basis of consolidation are prepared using the currency of the main economic environment in which they operate (functional currency). The consolidated financial statements are presented in euro, which is the functional currency of the Parent Company. The following rules are followed when translating the financial statements of companies expressed in a currency other than the functional currency into euro.

[I] Assets and liabilities are translated at the applicable exchange rates on the reporting date.

[II] Costs and revenues are translated at the average exchange rate for the year.

[III] The translation reserve includes both exchange rate differences arising from the translation of income statement amounts at an exchange rate different from the year-end rate and those arising from the translation of equity balances at the beginning of the year at an exchange rate different from the year-end rate.

[IV] Goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of that entity and translated at the previous year-end exchange rate.

[V] When preparing the consolidated cash flow statement, the average exchange rates for the period are used to translate the cash flows of foreign subsidiaries.

3.4 Summary of accounting standards and policies

The consolidated statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main accounting policies used are described below.

A Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, demand deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; overdrafts in bank accounts are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value, and changes are reported in the income statement.

B Other financial assets

Other financial assets are reported at fair value, with any gains reported in the income statement under "Financial income" and "Financial charges". Other financial liabilities also include derivative contracts, which are discussed in the appropriate section below.

C Trade receivables

Trade receivables are measured at fair value on initial recognition. Subsequently, they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

Receivable assignments

Receivable assignments are accounted for in accordance with the method indicated by IAS 39 for the derecognition of financial assets. Consequently, all receivables assigned to the factoring company, when contractual provisions include clauses that involve maintaining significant exposure to the performance of cash flows arising from the receivables assigned, remain recorded in the financial statements.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the Group expects to obtain from their sale as part of its ordinary business activities. The cost of crude oil, materials and spare parts is determined by the FIFO method. The cost of oil product inventories is calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are recognised at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems.

White certificates are recognised on an accruals basis under "Other income", in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year, against investments approved by the Competent Autority.

The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. The decreases due to the sale of white certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under 'Other income' or 'Costs of services and sundry costs' respectively.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised from the statement of financial position when the right to receive the related cash flows is transferred, together with all risks and benefits associated with ownership, as specified in paragraphs 15-23 of IAS 39.

Financial liabilities are derecognised when they are settled and when the Saras Group has transferred all the risks and charges relating to them.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in preparing the assets for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Maintenance and repair charges are charged directly to the income statement in the period in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Turnaround costs are classed as extraordinary maintenance costs and capitalised in the year in which they are incurred. They are amortised over the expected length of time until the next turnaround. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated over their useful life; the residual value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

The carrying amount of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the Group for each of the various asset categories is as follows:

	for IGCC plant	for other fixed assets
Buildings	until 2020	18 years
Generic Plant	until 2020	12 years
Highly Corrosive Plant	until 2020	9 years
Thermoelectric Power Plant	until 2020	
Wind Park		10 - 25 years
Transforming Stations	until 2020	13 years
Office furniture and machinery		4 years
Vehicles		4 years
Other Assets		5 - 12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life	

The useful life of tangible assets and their net carrying value are reviewed annually at the end of each year, and adjusted accordingly.

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one component differs significantly from that of the others, each component of the asset is depreciated separately in accordance with the component approach.

I Leased goods

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the Group, are recognised as Group assets and recorded at their current value or, where lower, at the present value of the minimum lease payments still due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

Leases under which the lessor substantially retains all the risks and benefits associated with ownership of the assets are treated as operating leases. The costs relating to operating leases are charged to the income statement on a straight-line basis over the term of the lease.

J Intangible fixed assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded, and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

[I] Goodwill

Goodwill is the excess cost (acquisition cost plus the fair value of any minority interests already held at the point when control is acquired) incurred over net fair value, as recorded on the acquisition date, when acquiring assets and liabilities forming businesses or business units. Goodwill relating to investments valued with the equity method is included in the carrying amount of the investments. It is not systematically amortised but instead undergoes a periodic test to ascertain whether the relevant carrying amount is appropriate. This test is carried out with regard to the cash generating unit to which goodwill is to be allocated. Any reduction in goodwill is recognised where the recoverable amount of goodwill is lower than its carrying amount (the recoverable amount is the higher of the fair value of the cash generating unit, less disposal costs, and its value in use, which is the present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life).

In the event that the impairment arising from the test is greater than the amount of goodwill allocated to the cash generating unit, the residual amount is in turn allocated to the assets included within the cash generating unit, in proportion to their carrying value. The minimum amount for this allocation is the highest of the following:

- the fair value of the asset, less disposal costs;
- its value in use, as defined above;
- zero.

Where goodwill was previously written down for impairment, the write-down is not reversed.

[II] Patent rights, concessions, licences and software (intangible assets with an indefinite useful life)

Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying value of the assets is ascertained using the same method as that used for the item 'Property, plant and equipment'.

[III] Research and development expenses

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or otherwise relating to other scientific research or technological development are treated as current costs and charged to the income statement in the period in which they are incurred.

[IV] Exploration for and evaluation of mineral resources

Expenditures incurred in the exploration and evaluation of mineral resources, specifically:

[A] Acquisition of exploration rights;

[B] Photographic, geological, geochemical and geophysical studies;

[C] Explorative drilling;

[D] Digging;

[E] Sampling;

[F] Activities related to the evaluation of technical and commercial viability of extracting a mineral resource.

are recorded under tangible or intangible assets according to their nature, as required by IFRS 6.

These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Impairment of assets

At each reporting date, tangible assets and intangible assets with a definite useful life and investments are analysed in order to identify any indicators of impairment, originating from both internal and external sources. Where such indicators exist, the recoverable amount of these assets is estimated and any impairment loss duly charged to the income statement. The recoverable amount of an asset is the greater of its fair value less selling costs and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for a write-down no longer exist, the write-down is reversed in the income statement up to the net carrying amount that the asset in question would have had if it had not been written down and if it had been depreciated.

L Other investments

The investments included under 'Other investments' are measured at fair value, with the impact of any changes in fair value recognised through profit or loss. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

M Other financial assets

Receivables and financial assets held to maturity are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

The treatment of financial assets linked to derivative instruments is shown under point Y (Derivatives).

N Treasury shares

Treasury shares are recognised at cost and deducted from shareholders' equity.

O Shareholders' equity

[I] Share capital

Share capital consists of the Parent Company's subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise equity reserves set aside for a specific purpose relating to the Parent Company; they include retained earnings from previous years.

[III] Share-based payments by the Parent Company to Group employees and management

The Group grants additional benefits to employees and management via the allocation of bonus shares. The cost of stock plans is booked, in accordance with IFRS 2 -*Share-based Payments* , to the income statement in equal instalments during the vesting period, with an offsetting entry under shareholders' equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Funds for risks and charges

Provisions for risks and future liabilities are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Those risks in respect of which it is only possible to show a future liability are disclosed in the section on commitments and risks, and no provision is made.

Q Provisions for employee benefits

The Group provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1 January 2007, the regulations governing employee end-of-service payments were amended to include the option for employees to decide where these are held. Specifically, new end-of-service payments may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31 December 2006

  The end-of-service payments due to employees pursuant to article 2120 of the Italian Civil Code are treated in the same way as "defined benefit pension plans"; these plans are based on the working life of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is entered on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. Measurement of defined benefit pension plans requires the amount of benefits accrued by employees to be estimated using actuarial techniques and then to be discounted in order to determine the present value of the Group's obligations. The present value of the Group's obligations is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of "accrued benefit methods", considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.

The cost accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued on the present value of the Group's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

Following application of IAS 19 (revised), actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income.

- Allocations accrued since 1 January 2007

The allocations in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the Group.

The corresponding liability is determined according to article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally calculated.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as financial and the difference is recorded in the income statement as financial income or charges.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with an offsetting entry in the income statement at each reporting date.

S Revenue recognition

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

Excise duties paid on purchases are netted off against those collected on sales.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and expenses are booked on an accruals basis.

V Conversion of items expressed in a currency other than the euro

Transactions in foreign currency are converted into euros at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividends

[A] Dividends received

Dividends are recognised on the date on which the resolution approving them is carried by a shareholders' meeting.

[B] Dividends paid out

The payment of dividends to Parent Company shareholders is recorded as a liability on the statement of financial position of the period in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception of goodwill, and those relating to temporary differences originating from investments in subsidiaries, when the timing of the reversal of such differences is controlled by the Group and it is probable that the differences will not be reversed within a reasonably foreseeable timescale. In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.

Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying deferred tax.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to shareholders' equity, in which case the tax effect is taken directly to shareholders' equity. Current and deferred taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.

Other taxes not related to income, such as property taxes, are included under 'Cost of services and sundry costs'.

The Parent Company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single tax base is created for the Parent Company and the Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the Parent Company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivative instruments

All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of fixed-rate assets/liabilities), they are recorded at fair value in the income statement; with the effects of the changes taken to profit or loss; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged. When derivatives hedge the risk of changes in cash flows from the underlying items (cash flow hedges, e.g. hedging the variability of cash flows generated by assets/liabilities due to exchange rate fluctuations), the changes in the fair value of the derivatives are initially recognised under equity and subsequently taken to the income statement in the same period in which the economic effects of the hedged items are recorded in the income statement.

Derivatives (including those relating to commodities) that do not meet the requirements for hedge accounting set out in IAS 39 are booked at fair value in the income statement, with the change in the fair value of the instrument recorded under the heading 'Financial income' or 'Financial charges'.

To determine the fair value of financial instruments listed on active markets, the bid price of the security on the relevant reporting date is used. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables, and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

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

Z Earnings per share

[I] Base

Basic EPS is calculated by dividing Group net profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding treasury shares.

[II] Diluted EPS

Diluted EPS is calculated by dividing Group-operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while Group net result is adjusted to take into account the after-tax effects of the conversion.

AA Emissions trading

Legislative Decree No. 216 of 4 April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase allowances or credits on the appropriate market representing the excess CO_2.

If the allowances allocated are insufficient, the value of the shortfall is measured at market value and recorded in risks; if, however, the allowances exceed requirements, the surplus, measured at purchase cost aligned to the market value at the end of the year if lower, is recorded under intangible assets.

AB Segment information

An operating segment is a part of an entity:

a. that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);

b. whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and

c. for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area and subject to risks and benefits substantially different from those related to other geographical areas.

3.5 Use of estimates

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

3.6 Most significant accounting policies requiring a greater degree of subjectivity

A brief description is provided below of the most significant accounting policies requiring greater subjectivity by the directors in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[I] Depreciation of property, plant and equipment: depreciation of property, plant and equipment represents a sizeable cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the Group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The Group periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable amount in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Recoverable amount of property, plant and equipment: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the regulatory framework. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

[III] Deferred taxes: deferred tax assets are recognised on the basis of expected future taxable earnings. The measurement of expected future taxable earnings for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[IV] Provisions for risks and current asset write-downs: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of circulating assets is not always straightforward. The directors evaluate such circumstances on a case-by-case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation in question. Where the directors feel that a liability or the risk of not recovering an asset are only possible, the associated risks are disclosed in the note concerning commitments and risks, and no accrual is made. Where the directors feel that a liability or the risk of not recovering an asset are only probable, a special risk provision is recorded.

[V] Revenue from the sale of electric energy by Sarlux Srl to G.S.E. Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 - *Leases* and IFRIC 4 - *Determining whether an agreement contains a Lease*, has been recognised as a contract regulating the use of the plant by the customer of Sarlux Srl, meaning that it is comparable to an operating lease. Thus, these revenues have been reported on a straight line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs; in the years ahead, crude oil and gas prices could vary significantly from estimates as a result of events that cannot be predicted at present.

4. Information by business segment and geographical area

4.1 Introduction

The Saras Group's business segments are:

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

1. **The refining activity**, carried out by the controlling company Saras SpA and by the subsidiary Sarlux Srl refers to the sale of petroleum products obtained:
   - upon completion of the entire production cycle, ranging from the sourcing of raw materials to the refining and production of finished products, which is carried out at the company's site in Sarroch, Sardinia;
   - and, in part, by acquiring oil products from third parties.

   The finished products are sold to major international operators.

2. **Marketing activities** concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:
   - in Italy, by Saras SpA (Wholesale Division), following the aforementioned absorption of the subsidiary Arcola Petrolifera Srl, through off-network customers (wholesalers, purchasing consortia, local authority-owned util-

ity companies and resellers) and oil companies through a logistics network comprising both its own bases (at Sarroch) and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) as well as Deposito di Arcola Srl for the logistics management of the Arcola storage facility in Liguria;

- 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. **Generation of power by the combined-cycle plant** relates to the sale of electricity generated at the Sarroch power plant owned by Sarlux Srl Tale vendita è realizzata esclusivamente con il cliente G.S.E. (Gestore dei Servizi Energetici SpA), and benefits from the CIP 6/92 concession system.

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

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

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

4.2 Segment information

In order to present continuously and consistently the profits attributable to the various segments, in the event of corporate actions such as mergers or asset contributions, the intercompany transactions that are no longer carried out as the result of the such corporate actions continue to be reported based upon the conditions set forth in the previously existing contracts.

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

31 December 2015	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	7,943,292	518,148	1,969,967	7,396	23,052	10,461,855
to be deducted: intersectoral revenues	(2,259,381)	(54,854)	(3,680)	0	(12,658)	(2,330,573)
Revenues from third parties	**5,683,911**	**463,294**	**1,966,287**	**7,396**	**10,394**	**8,131,282**
Other operating revenues	134,893	24,368	2,619	17,114	251	179,245
to be deducted: intersectoral revenues	(72,470)	(79)	0	0	(185)	(72,734)
Other income from third parties	**62,423**	**24,289**	**2,619**	**17,114**	**66**	**106,511**
Depreciation and write-downs	(132,321)	(96,867)	(11,210)	(4,519)	(477)	(245,394)
Gross operating result	**204,813**	**106,092**	**(16,312)**	**12,667**	**3,310**	**310,570**
Financial income (a)	400,202	10,756	4,394	1,307	267	416,926
Financial charges (a)	(376,379)	(583)	(5,331)	(1,396)	(67)	(383,756)
Income tax	(77,286)	(35,616)	(3,115)	(2,994)	(1,069)	(120,080)
Profit (loss) for the financial year (a)	**151,350**	**80,649**	**(20,364)**	**9,584**	**2,441**	**223,660**
Total directly attributable activities (b)	2,213,583	599,189	389,344	99,456	19,105	3,320,677
Directly attributable activities (b)	1,718,101	426,736	237,932	42,252	10,709	2,435,730
Intangible fixed assets	74,286	9,051	814	301	564	85,016
Investimenti in intangible fixed assets	716	0	338	6	79	1,139

31 December 2016	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	6,263,279	468,084	1,658,231	7,828	21,981	8,419,403
to be deducted: intersectoral revenues	(1,595,219)	(46,979)	(5,710)	0	(9,533)	(1,657,441)
Revenues from third parties	**4,668,060**	**421,105**	**1,652,521**	**7,828**	**12,448**	**6,761,962**
Other operating revenues	158,012	17,376	10,131	21,569	398	207,486
to be deducted: intersectoral revenues	(99,121)	(205)	(24)	(11)	(280)	(99,641)
Other income from third parties	**58,891**	**17,171**	**10,107**	**21,558**	**118**	**107,845**
Depreciation and write-downs	(136,840)	(99,107)	(5,647)	(4,543)	(603)	(246,740)
Gross operating result	**281,478**	**82,978**	**4,208**	**19,218**	**3,463**	**391,345**
Financial income	146,386	10,477	392	70	20	157,345
Financial charges	(235,240)	(1,232)	(3,007)	(834)	(15)	(240,328)
Income tax	(65,485)	(23,735)	(16,880)	(5,346)	(586)	(112,032)
Profit (loss) for the financial year	**127,139**	**68,488**	**(15,287)**	**13,108**	**2,882**	**196,330**
Total directly attributable activities (b)	2,013,357	468,166	302,383	94,714	21,241	2,899,861
Directly attributable activities (b)	1,355,210	318,965	270,455	21,755	10,749	1,977,134
Intangible fixed assets	131,941	9,591	1,136	339	640	143,647
Investimenti in intangible fixed assets	1,656		304			1,960

(a) Calculated without taking into account intercompany eliminations. For an assessment of intercompany transactions, see section 7.2 of the separate financial statements of Saras SpA.

(b) Total assets and liabilities are calculated net of consolidation adjustments.

4.3 Breakdown by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Directly attributable assets and investments by geographical area

	31/12/2016	31/12/2015	Change
Italy	2,662,034	3,134,112	(472,078)
Other EU countries	237,827	186,565	51,262
Total	**2,899,861**	**3,320,677**	**(420,816)**

CAPEX tangible and intangible	31/12/2016	31/12/2015	Change
Italy	144,449	85,025	59,424
Other EU countries	1,158	1,130	28
Total	**145,607**	**86,155**	**59,452**

Net revenues from ordinary operations by geographical area

	31/12/2016	31/12/2015	Change
Italy	1,861,344	3,290,616	(1,429,272)
Spain	974,889	954,804	20,085
Other EU countries	1,297,485	1,517,985	(220,500)
Outside of EU	2,586,610	2,367,877	218,733
USA	41,634	0	41,634
Total	**6,761,962**	**8,131,282**	**(1,369,320)**

Amounts are shown net of inter-company eliminations. The following table shows a breakdown of trade receivables by geographical area:

	31/12/2016	31/12/2015	Change
Italy	170,245	204,738	(34,493)
Spain	71,309	19,806	51,503
Other EU countries	24,391	18,953	5,438
Outside of EU	172,316	31,478	140,838
USA	0	191	(191)
Bad debt provision	(14,640)	(14,530)	(110)
Total	**423,621**	**260,636**	**162,985**

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are illustrated below.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2016	31/12/2015	Change
Bank and postal deposits	357,542	855,362	(497,820)
Cash	1,633	1,481	152
Total	**359,175**	**856,843**	**(497,668)**

Bank deposits are mainly attributable to Saras SpA (EUR 271,856 thousand), Sarlux Srl (EUR 2,868 thousand), Sardeolica Srl (EUR 5,269 thousand), Saras Energia SAU (EUR 20,041 thousand) and Reasar SA (EUR 47,493 thousand). For further details on the company's net cash position, reference is made to the relevant section of the Report on Operations or the cash flow statement.

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

	31/12/2016	31/12/2015	Change
Bonds	482		482
Current financial derivatives	37,041	68,387	(31,346)
Deposits to secure derivatives	83,125	17,450	65,675
Other assets	14	3,696	(3,682)
Total	**120,662**	**89,533**	**31,129**

The item financial derivative instruments comprises both the positive fair value of existing instruments on the year-end date and the positive differentials realised and not yet received. For further details, see 5.3.1.

The item derivative guarantee deposits includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee open positions on the year-end date.

5.1.3 Trade receivables

Trade receivables totalled EUR 423,621 thousand, an increase compared with the previous year due to more sales being made at the end of the year. The item is presented net of the provision for doubtful receivables, which amounts to EUR 14,640 thousand (EUR 14,530 thousand as at 31 December 2015).

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred in the year:

	31/12/2016	31/12/2015	Change
Raw materials, supplies and consumables	165,755	146,427	19,328
Unfinished products and semi-finished products	59,961	59,226	735
Finished products and goods	303,308	268,359	34,949
Stock advances	0	1,259	(1,259)
Spare parts and raw materials, supplies	92,870	89,532	3,338
Total	**621,894**	**564,803**	**57,091**

The increase in the value of oil inventories (crude, semi-finished and finished products) is largely due to the dynamics of prices; the comparison with market value has not led to write-downs.

No inventories are used as collateral for liabilities.

The item 'Finished products and goods held for resale' includes around 511 thousand tons of oil products (valued at around EUR 220 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree 22 of 31 January 2001 (in the previous year, these stocks amounted to 411 thousand tons valued at around EUR 108 million).

The Sarroch refinery held 121 thousand tonnes of crude oil and oil products belonging to third parties at 31 December 2016 for a value of approximately EUR 49 million.

5.1.5 Current tax assets

Current tax assets break down as follows:

	31/12/2016	31/12/2015	Change
VAT credits	1,428	1,514	(86)
IRES credits	12,045	17,467	(5,422)
IRAP credits	11,818	633	11,185
Other tax credits	11,111	12,580	(1,469)
Total	**36,402**	**32,194**	**4,208**

IRES receivables are attributable to the surpluses of the suppressed Robin Hood Tax (EUR 9,999 thousand), subject to recovery in compensation for the payment of other charges, and the surplus advances made in the year in relation to the tax due in the context of the national tax consolidation scheme (EUR 2,046 thousand).

IRAP receivables relate to advances made in the year by the subsidiary Sarlux and are in excess with respect to the tax due.

Other tax credits include, in addition to tax refunds requested or paid on a provisional basis, the recognition of the tax credit for the promotion of 2014/2015 investments pursuant to Art.18 DL 91/14 (EUR 4,714 thousand), less any tax payments for the period.

5.1.6 Other assets

The balance breaks down as follows:

	31/12/2016	31/12/2015	Change
Accrued income	216	464	(248)
Pre-paid expenses	8,253	6,361	1,892
Other short-term loans	118,977	118,562	415
Total	**127,446**	**125,387**	**2,059**

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

'Other receivables' mainly comprise:

- the credit of EUR 17,091 thousand due to the subsidiary Sarlux with the Equalisation Fund for the Electricity Sector for the recognition, pursuant to Title II, paragraph 7 bis, Cip regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emission Trading), in application of the Authority for Electricity and Gas June 11, 2008, ARG/elt 77/08, referring to the year 2016;
- recovery of the amount paid by Sarlux Srl to GSE of EUR 28,744 thousand, as described in section 7.1 (EUR 31,130 thousand the previous year);
- white certificates for EUR 38,747 thousand for energy savings made by the Sarroch refinery (EUR 19,851 thousand in 2015).
- EUR 17,959 thousand, due to the subsidiary Sarlux Srl following recognition of the status as an "energy-consuming enterprise" by the Electricity Sector Equalization Fund. The rebate is provided pursuant Decree Law no. 83 of 22 June 2012, which identifies companies with significant power consumption entitled to rebates on the payment of general system costs. The Company has already been classified as an "energy-consuming business" for 2013 and for 2014 and thinks that it has the necessary requirements to obtain it for 2015 and 2016 as well.

5.2 Non-current assets

At 31 December 2016, goodwill and intangible assets with an indefinite useful life or not yet available for use underwent impairment under IAS 36 as well as those groups of assets for which indicators of a loss of value existed. These measurements were performed on Cash Generating Units (CGU) to which the value of goodwill and other assets are charged, assuming the greater between the market value, if available, and the value in use that can be obtained from the multi-year plans approved by the competent Boards of Directors.

These tests confirmed the recoverability of the carrying amounts.

The CGUs are identified taking into account how goodwill and other assets are monitored for internal purposes. In line with the Group's organisational business structure, CGUs match the operating sectors presented pursuant to IFRS 8 (Refining, Power, Wind) or areas of activity identified within the Marketing sector, in the presence of assets or groups of assets, whose recoverability can be directly correlated and measurable with respect to cash flows in specific entries and separable with respect to those present in the sector (Spanish Wholesale Network, Cartagena Storage Facility).

As described in greater detail below, goodwill and other assets subject to impairment testing, consisting mainly of the goodwill allocated to CGU Wind, the contract for the sale of electricity to GSE and activities related to managing the Cartagena terminal, have been the subject of impairment, estimating the value in use based on the discounted cash flow that can be gleaned from the most recent business plans developed for each Cash Generating Unit, approved by the competent Boards of Directors.

The forecasts contained in the plans represent the best estimate of the management on the future operating performance of the various CGUs, also taking into account the indications that can be derived from the main external sources of information comprising the forecasts of reference market trends formulated by the main specialist observers.

It is noted that at the reference date of these financial statements, the market capitalisation of Saras largely exceeded the net equity of the Group resulting from the last interim consolidated statement of financial position approved.

For more detailed information, see the specific note at sub-paragraph 5.2.2 below.

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2014	Increases	Decreases	Write-downs	Other changes	31/12/2015
Land and buildings	216,361	352	(307)	0	4,658	221,064
Plant and machinery	2,910,493	15,171	(1,018)	0	92,104	3,016,750
Ind. and comm. equipment	28,360	123	(108)	0	356	28,731
Other goods	501,565	569	(462)	0	21,587	523,259
Tangible fixed assets under construction	133,973	68,801	0	0	(97,076)	105,698
Total	**3,790,752**	**85,016**	**(1,895)**	**0**	**21,629**	**3,895,502**

Depreciation Fund	31/12/2014	Depreciation	Use	Write-downs	Other changes	31/12/2015
Land and buildings fund	101,612	8,268	(307)	0	56	109,629
Plant and machinery fund	2,141,972	159,938	(903)	0	6,318	2,307,325
Ind. and comm. equipment fund	21,216	1,986	(55)	0	0	23,147
Other goods	404,824	17,471	(440)	0	0	421,855
Total	**2,669,624**	**187,663**	**(1,705)**	**0**	**6,374**	**2,861,956**

Net Value	31/12/2014	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2015
Land and buildings	114,749	352	0	(8,268)	0	4,602	111,435
Plant and machinery	768,521	15,171	(115)	(159,938)	0	85,786	709,425
Ind. and comm. equipment	7,144	123	(53)	(1,986)	0	356	5,584
Other goods	96,741	569	(22)	(17,471)	0	21,587	101,404
Tangible fixed assets under construction	133,973	68,801	0	0	0	(97,076)	105,698
Total	**1,121,128**	**85,016**	**(190)**	**(187,663)**	**0**	**15,255**	**1,033,546**

Historical Cost	31/12/2015	Increases	Decreases	Write-downs	Other changes	31/12/2016
Land and buildings	221,064	710			2,043	223,817
Plant and machinery	3,016,750	29,212			51,876	3,097,838
Ind. and comm. equipment	28,731	62			423	29,216
Other goods	523,259	991			14,688	538,938
Tangible fixed assets under construction	105,698	112,672		(20,000)	(62,806)	135,564
Total	**3,895,502**	**143,647**	**0**	**(20,000)**	**6,224**	**4,025,373**

Depreciation Fund	31/12/2015	Depreciation	Use	Write-downs	Other changes	31/12/2016
Land and buildings fund	109,629	6,255			1,308	117,192
Plant and machinery fund	2,307,325	166,780			2,222	2,476,327
Ind. and comm. equipment fund	23,147	1,698			77	24,922
Other goods	421,855	17,364			3,450	442,669
Total	**2,861,956**	**192,097**	**0**	**0**	**7,057**	**3,061,110**

Net Value	31/12/2015	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2016
Land and buildings	111,435	710	0	(6,255)	0	735	106,625
Plant and machinery	709,425	29,212	0	(166,780)	0	49,654	621,511
Ind. and comm. equipment	5,584	62	0	(1,698)	0	346	4,294
Other goods	101,404	991	0	(17,364)	0	11,238	96,269
Tangible fixed assets under construction	105,698	112,672	0	0	(20,000)	(62,806)	135,564
Total	**1,033,546**	**143,647**	**0**	**(192,097)**	**(20,000)**	**(833)**	**964,263**

Historical costs are shown net of grants received for investments. The original amount of grants deducted from property, plant and equipment was EUR 188,448 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995, with the Ministry of Productive Activities on 10 October 1997 and with the Ministry of Economic Development on 10 June 2002. The balance of these grants at 31 December 2015 was EUR 804 thousand (EUR 1,215 thousand at 31 December 2015).

The item 'Land and buildings' chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 63,069 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 3,330 thousand and land largely relating to the Sarroch and Arcola sites belonging to the Sarlux Srl subsidiary and the Deposito di Arcola Srl subsidiary, respectively, with a carrying amount of EUR 40,226 thousand.

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

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

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

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

The item increased by EUR 143,647 thousand year-on-year, mainly reflecting technological work on refinery plants.

The main depreciation rates used are as follows:

Current financial assets	for plants IGCC	per other fixed assets (annual base)
Industrial buildings (land and buildings)	until 2020	5.50%
Generic plant (plant and machinery)	until 2020	8.38%
Highly corrosive plant (plant and machinery)	until 2020	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric power plant (plant and machinery)	until 2020	
Wind park (plant and machinery)		10.00%
Supplies (equipment plant and machinery)		25.00%
Electronic office equipment (other assets)		20.00%
Office furniture and machinery (other assets)		12.00%
Vehicles (other assets)		25.00%

There are no property, plant and equipment held for sale.

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

During the year, no financing costs were capitalised.

In accordance with the accounting standards applied by the Group, particularly IAS 36, the collection of assets and liabilities that comprises the logistics warehouse in Cartagena owned by the subsidiary Saras Energy was tested for impairment as of the date of these financial statements. The analysis showed that no impairment had taken place, and – as in previous years – it was therefore unnecessary to post any write-downs.

The test was performed by comparing the carrying amount with the recoverable amount, represented by the higher of fair value, net of selling costs, and value in use, as required by IAS 36.

The process was organised into the following phases:

a) **Definition of the cash generating unit (hereinafter, CGU):** the complex of facilities used for the storage of oil products in Cartagena owned by Saras Energy SA is identified as a CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

b) **Determination of the recoverable value of the plants based on value in use**: In the absence of a binding agreement to sell the asset and an active reference market based on which the fair value can be determined, the recoverable amount of the plants was determined according to value in use, i.e. the present value of future cash flows expected to be derived from the CGU. In particular, the main assumptions were:

- the time horizon of the cash flows has been considered until the end of 2030, the year in which the state concession ends;
- the terminal value was determined as the present value of the perpetuity of cash flows generated at the end of the explicit forecast period of cash flows;
- the discount rate (estimated average cost of capital - WACC) of 6.4%;
- the scenario of the transit prices of petroleum products was considered stable in real terms, with an increase in the average tariff starting in 2017 in response to a different mix of services;
- the transit volumes are projected, in the base case, to grow at an annual rate of zero;
- an inflation rate of 2.0% was estimated for the entire period.
- the tax rate considered is equal to that in force in Spain (25%).

5.2.2 Intangible fixed assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2014	Increases	Decreases	Write-downs	Other changes	31/12/2015
Industrial patent and original work rights	42,174	395			38	42,607
Concessions, licences, trademarks and similar rights	57,645			(4,914)	(3,902)	48,829
Goodwill and intangible assets with indefinite life	21,909					21,909
Other intangible assets	527,997				(5,173)	522,824
Intangible assets under construction	22,838	744		(18,396)	379	5,565
Total	**672,563**	**1,139**	**0**	**(23,310)**	**(8,658)**	**641,734**

Depreciation Fund	31/12/2014	Depreciation	Use	Write-downs	Other changes	31/12/2015
Industrial patent and original work rights	38,713	714			(3,721)	35,706
Concessions, licences, trademarks and similar rights	21,046	2,108				23,154
Goodwill and intangible assets with indefinite life	0					0
Other intangible assets	326,670	31,599			(2,811)	355,458
Total	**386,429**	**34,421**	**0**	**0**	**(6,532)**	**414,318**

Net Value	31/12/2014	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2015
Industrial patent and original work rights	3,461	395	0	(714)	0	3,759	6,901
Concessions, licences, trademarks and similar rights	36,599	0	0	(2,108)	(4,914)	(3,902)	25,675
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,909
Other intangible assets	201,327	0	0	(31,599)	0	(2,362)	167,366
Intangible assets under construction	22,838	744	0	0	(18,396)	379	5,565
Total	**286,134**	**1,139**	**0**	**(34,421)**	**(23,310)**	**(2,126)**	**227,416**

Historical Cost	31/12/2015	Increases	Decreases	Write-downs	Other changes	31/12/2016
Industrial patent and original work rights	42,607	1,182			0	43,789
Concessions, licences, trademarks and similar rights	48,829				0	48,829
Goodwill and intangible assets with indefinite life	21,909				0	21,909
Other intangible assets	522,824	553			4,479	527,856
Intangible assets under construction	5,565	225			(3,456)	2,334
Total	**641,734**	**1,960**	**0**		**1,023**	**644,717**

Depreciation Fund	31/12/2015	Depreciation	Use	Write-downs	Other changes	31/12/2016
Industrial patent and original work rights	35,706	988			3,667	40,361
Concessions, licences, trademarks and similar rights	23,154	1,030			(2,906)	21,278
Goodwill and intangible assets with indefinite life	0				0	0
Other intangible assets	355,458	32,625			101	388,184
Total	**414,318**	**34,643**	**0**	**0**	**862**	**449,823**

Net Value	31/12/2015	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2016
Industrial patent and original work rights	6,901	1,182		(988)		(3,667)	3,428
Concessions, licences, trademarks and similar rights	25,675	0		(1,030)		2,906	27,551
Goodwill and intangible assets with indefinite life	21,909	0		0		0	21,909
Other intangible assets	167,366	553		(32,625)		4,378	139,672
Intangible assets under construction	5,565	225		0		(3,456)	2,334
Total	**227,416**	**1,960**	**0**	**(34,643)**	**0**	**161**	**194,894**

Amortisation of intangible assets totalled EUR 34,643 thousand, and was calculated using the annual rates shown below.

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

There are no significant intangible assets with a definite useful life held for sale.

The main items are set out in detail below.

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

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

In accordance with the accounting standards applied by the Group, particularly IAS 36, this goodwill was tested for impairment as of the date of these financial statements. The analysis showed that no impairment had taken place, and – as in previous years – it was therefore unnecessary to post any write-downs.

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs):** The subsidiary Parchi Eolici Ulassai Srl (and its subsidiary Sardeolica Srl) is identified as a single CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The analysis was therefore carried out on the consolidated aggregate figures of Parchi Eolici Ulassai Srl at 31 December 2016.

b) **Allocation of goodwill to the CGU:** goodwill refers only to Parchi Eolici Ulassai Srl as it relates to the acquisition of 30% of this company;

c) **Determination of the recoverable value of goodwill based on value in use** In the absence of a binding agreement to sell the asset and an active reference market based on which the fair value can be determined, the recoverable value of the goodwill in question was determined according to value in use, i.e. the present value of future cash flows expected to be derived from the CGU. In particular, the main assumptions were:

    - cash flows were projected for the period until the end of 2035, coinciding with the expiry of the concession obtained from the Ulassai municipality for the area in which the wind farm is located.

    - the discount rate (weighted average cost of capital or WACC) was 7%, which is specific to the sector (the rate used in 2015 was 7%);

    - the selling prices of the energy produced by the CGU were projected using a ratio provided by a leading independent company specialising in this sector and commonly used in the sector and by the Group in its own analyses.

    - the rate of inflation increased from 0.8% to 1.5% over the period analysed, according to estimates published by the IMF (International Monetary Fund);

    - a terminal value of zero was applied;

    - the tax rate applied was the current rate. From 2017 onwards, account was taken of the IRES reduction from 27.5% to 24.0% approved by the 2016 Budget Law.

d) **Sensitivity analysis**: this analysis showed that a change in the key assumptions (the amount of electricity produced and the selling prices of electricity) results in recoverable values in excess of the carrying value of the goodwill in question, and would not therefore result in an impairment loss as defined in IAS 36;

e) **External indicators** Lastly, it should be emphasised that no events took place during the year that had an impact on the production of wind power in general or that generated by the CGU in particular, which would lead to an impairment loss.

Other intangible assets
The subsidiary Sarlux Srl has entered into a long-term contract for the supply of electricity under the CIP6 regime signed with Gestore dei Servizi Elettrici SpA (GSE). This contract - which was originally recorded at fair value in the 2006 consolidated financial statements with a value of EUR 547.5 million - was measured during its life, in accordance with the criteria in IAS 36.

After initial recognition in the financial statements, Sarlux carried out a partial write-down of the carrying amount in the 2007 consolidated financial statements, following a change in the regulation which governed the sales prices to GSE of the energy produced by Sarlux. In addition, the company itself has further and fully written down the carrying amount of the contract in 2013, following the implementation of Legislative Decree. No. 69 of 21 June 2013 (the "Doing Decree") that, inter alia, amended the rules for determining the rate of energy transfer to the GSE under the CIP6 regime, referring to the gas market quotes and no longer to those of Brent.

In 2014, the dynamics occurring in the energy markets (oil and gas) led to the need to carry out a new assessment of the contract in order to determine its recoverable amount. The new determination of the value in use of the CGU led to the restoration of a value of EUR 180,000 thousand; this assessment is supported by an estimate report prepared by independent experts.

At 31 December 2016, the value in use of the CGU Power was determined, as it is every year. As specified in the IAS 36, the measurement process can be broken down into the following phases:

a) **Definition of the cash-generating units (CGUs):** the complex of plants used for the generation of electricity and the contract with GSE is identified as a CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

b) **Determination of recoverable value:** in the absence of a binding agreement to sell the asset and an active reference market based on which the fair value can be determined, the recoverable value was determined according to the value in use, i.e. according to the present value of future cash flows expected to be derived from the CGU. Specifically:

    - the long-term outlook for gas prices and crude was provided by leading independent companies specialising in this sector;

    - the time horizon for cash flows was considered up to the end of the agreement with GSE to sell electricity (2020);

    - the discount rate (weighted average cost of capital or WACC) was 7.00%, which is specific to the sector (the rate used in 2015 was 7.98%);

- the rate of inflation increased from 0.8% to 1.1% over the period analysed, according to estimates published by the IMF (International Monetary Fund);

- the tax rate applied was the current rate. From 2017 onwards, account was taken of the IRES reduction from 27.5% to 24.0% approved by the 2016 Budget Law.

c) A specific analysis showed that a reasonable variation of the main basic assumptions (oil and gas pricing scenarios and WACC) demonstrates amounts that do not differ significantly from that restored in these financial statements.

The analysis conducted, also supported by an estimate report prepared by independent experts, confirmed the net carrying amount of the contract for the transfer of power to GSE (EUR 120,000 thousand).

Intangible assets under construction and advance payments

The item includes investments underway to purchase software licences.

No intangible assets with a definite useful life are held for sale.

5.2.3 Equity investments

The table below shows the list of investments held as at 31 December 2016, indicating the main information relating to subsidiaries:

Name	Registered office	Currency	Share capital	Amount held of Group (%) as at 31-12-16	Amount held of Group (%) as at 31-12-15	Amount held In share capital	Shareholder	% of voting rights	Investment relationship
Deposito di Arcola Srl	Arcola (SP)	Euro	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
SARTEC (Saras Ricerche e Tecnologie SpA	Assemini (CA)	Euro	3,600,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sarint SA and subsidiaries:	Luxembourg	Euro	50,705,314	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Energia SAU And subsidiaries:	Madrid (Spain)	Euro	44,559,840	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect Subsidiary
Terminal Logistica de Cartagena SLU	Cartagena (Spain)	Euro	3,000	100.00%	100.00%	100.00%	Saras Energia SA	100.00%	Subsidiary, sold
Reasar SA	Luxembourg	Euro	2,225,000	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect Subsidiary
Sarlux Srl	Sarroch (CA)	Euro	100,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Parchi Eolici Ulassai Srl and subsidiaries:	Cagliari	Euro	500,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sardeolica Srl	Cagliari	Euro	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai Srl	100.00%	Indirect Subsidiary
Alpha Eolica Srl	Bucharest (Romania)	Leu	468,046	100.00%	100.00%	100.00%	Parchi Eolici Ulassai Srl	100.00%	In Liquidation
Sargas Srl	Uta (CA)	Euro	10,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Trading SA	Geneva (Switzerland)	CHF	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Consorzio Cesma	Castellamonte (TO)	Euro	51,000	0.00%	0.00%	0.00%	Saras Ricerche e Tecnologie SpA	0.00%	Other investments, sold
Consorzio La Spezia Utilities	La Spezia	Euro	122,143	5.00%	5.00%	5.00%	Deposito di Arcola Srl	5.00%	Other investments
Sarda Factoring	Cagliari	Euro	9,027,079	4.01%	4.01%	5.95%	Saras SpA	5.95%	Other investments

Compared to 31 December 2015, there were the changes already mentioned in the previous note 3.1.

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

5.2.3.1 Other investments

Other equity interests break down as follows:

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

5.2.4 Deferred tax assets

The balance at 31 December 2016, amounting to EUR 39,775 thousand net of deferred tax liabilities of foreign subsidiaries, is essentially made up of:

- net deferred tax assets of the parent company Saras SpA for EUR 18,109 thousand, of which EUR 9,206 thousand of tax assets on tax losses still to be used for the National Consolidated IRES Tax scheme;

- net deferred tax assets of the subsidiary Sarlux Srl for EUR 22,529 thousand, of which, mainly:

  a. deferred tax assets of EUR 68,807 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 4;

  b. deferred tax assets of EUR 11,732 thousand due to provisions to fund charges (mostly on Green Certificates and Energy Efficiency Certificates);

  c. deferred tax liabilities for EUR 28,431 thousand relating to the excess and accelerated depreciation;

  d. deferred tax liabilities for EUR 33,480 thousand relating to the GSE contract value.

Net deferred tax assets are deemed recoverable against future profits, as determined in the most recent business plans.

The following table provides a breakdown of net deferred tax assets, including EUR 4,719 thousand for the deferred tax of Reasar SA, shown as a separate liability under 'Deferred tax liabilities'.

	Amounts as at 31/12/2015	Provision	Uses	Other changes	Amounts as at 31/12/2016
Deferred tax liabilities					
Excess and expected depreciation	(44,496)		11,415		(33,081)
Adjustment of the value of land at fair value	(8,356)	(360)	360	0	(8,356)
Tax assessment of final balances	0	(4,379)	151	0	(4,228)
Corrections for planned maintenance plant and machinery	(170)		107		(63)
Removing of provision to fund for risks and charges subsidiaries	(4,712)	(7)		0	(4,719)
Employee benefits and bonuses	95				95
Unrealised exchange rate differences	(98)		98		(0)
Fair value derivatives	128	0	0	10	138
Fair value Sarlux/GSE contract	(42,900)		9,420		(33,480)
Cancellation goodwill depreciation	(131)	(847)		0	(978)
Valuation licences Sardeolica (IFRS 3 on pur. 30% PEU)	(4,350)	(769)		1,027	(4,092)
Others	(230)	(5,272)			(5,502)
Total deferred taxes	**(105,220)**	**(11,634)**	**21,551**	**1,037**	**(94,266)**
Deferred tax assets					
Risks and write-downs fund	13,516	7,335	(5,513)		15,338
Tax assessment of final balances	3,581	34	(3,541)	0	74
Other intangible fixed assets	623		(623)	0	0
Costs of dismantling and removing tangible assets	4,992	75			5,067
Corrections for planned maintenance plant and machinery	5,853	2,020	(430)		7,443
Employee benefits and bonuses	2,387	1,216	(1,957)		1,646
Unrealised exchange rate differences	2,637	1,420	(677)		3,380
Straight-line reporting Sarlux (IAS 17 and IFRIC 4)	83,886		(15,079)		68,807
Excess maintenance costs	343	159	(86)		416
Tax asset loss consolidated IRES tax return	76,910		(68,503)	2,015	10,422
Tax asset loss Saras Energia	14,484		(14,484)	0	0
Others	13,005	10,127	(6,751)	348	16,729
Total pre-paid taxes	**222,217**	**22,386**	**(117,644)**	**2,363**	**129,322**
Net total	**116,997**	**10,752**	**(96,093)**	**3,400**	**35,056**

The reduction compared to December 31, 2015, amounted to EUR 81,941 thousand, mainly due to the recovery of part of the tax assets (EUR 68,503 thousand) as a result of the offsetting allowed in tax losses carried forward and the taxable profit accrued for the year as part of the National Consolidated IRES Tax scheme in place between the Italian companies e la svalutazione(per non recuperabilità) del tax asset su perdite fiscali della controllata spagnola Saras Energia SAU (EUR 14,484 thousand)

With regard to the national tax consolidated scheme, the situation in respect of the consolidation agreements at the reporting date is shown below, as is the date of expiration of such agreements:

Consolidated	Start date	End date
Deposito di Arcola Srl	1/1/2016	31/12/2018
Parchi Eolici Ulassai Srl	1/1/2014	31/12/2016
Saras Ricerche e Tecnologie SpA	1/1/2016	31/12/2018
Sardeolica Srl	1/1/2014	31/12/2016
Sargas Srl	1/1/2015	31/12/2017
Sarlux Srl	1/1/2016	31/12/2018

The Parent Company has already proposed, by resolution of the Board of Directors, that the company renew its participation in the national tax consolidation scheme following expiry of their agreements on 31 December 2016. The option granted to the subsidiaries, if taken up, must be exercised by next June.

The following table shows deferred tax assets/liabilities broken down into the current and non-current portions for 2016 and 2015:

	2016 Short Term	2016 Medium-long term	2015 Short Term	2015 Medium-long term
Deferred tax liabilities				
Excess and expected depreciation	(8,534)	(24,547)	(8,809)	(35,687)
Adjustment of the value of land at fair value (as deemed cost)	0	(8,356)	0	(8,356)
Tax assessment of final balances	(4,228)	0	0	0
Corrections for planned maintenance plant and machinery	(63)	0	(170)	0
Removing of provision to fund for risks and charges subsidiaries	0	(4,719)	0	(4,712)
Employee benefits and bonuses	95	0	95	0
Unrealised exchange rate differences	0	(0)	(98)	(0)
Fair value derivatives	138	0	0	0
Fair value Sarlux/GSE contract	(8,370)	(25,110)	(9,420)	(33,480)
Cancellation goodwill depreciation	(978)	0	(17)	(114)
Fair value intangible fixed assets Saras Energia				
Valuation licences Sardeolica (IFRS 3 on pur. 30% PEU)	(256)	(3,836)	(234)	(4,116)
Others	(230)	(5,272)	(230)	0
Total deferred taxes	**(22,425)**	**(71,841)**	**(18,883)**	**(86,466)**
Deferred tax assets				
Excess and expected contributions				
Risks and write-downs fund	3,122	12,216	5,871	7,645
Assessment of final balances on the basis of the FIFO cost	74	0	3,581	0
Other intangible fixed assets	0	0	0	623
Costs of dismantling and removing tangible assets	0	5,067	0	4,992
Corrections for planned maintenance plant and machinery	0	7,443	64	5,789
Employee benefits and bonuses	1,646	0	2,387	0
Unrealised exchange rate differences	3,380	(0)	2,637	(0)
Straight-line reporting Sarlux (IAS 17 and IFRIC 4)	20,314	48,493	19,711	64,175
Excess maintenance costs	106	310	68	275
Tax asset loss consolidated IRES tax return	10,422	0	76,818	92
Tax asset loss Saras Energia	0	0	0	14,484
Others	4,530	12,199	4,260	8,873
Total pre-paid taxes	**43,594**	**85,728**	**115,397**	**106,948**

5.2.5 Other financial assets

At 31 December 2016, the balance of this item was EUR 5,750 thousand (EUR 5,002 thousand the previous year) and relates mainly to medium-/long-term receivables.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

	31/12/2016	31/12/2015	Change
Current bank loans	15,525	68,439	(52,914)
Bank current accounts	38,644	20,647	60,714
Financial derivatives	71,783	45,294	26,489
Other short-term financial liabilities	77,425	68,717	(34,009)
Total	**203,377**	**203,097**	**280**

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

The item "Derivative instruments" includes the negative fair value of the derivatives held at financial year-end.

	31/12/2016 Assets	31/12/2016 Liabilities	31/12/2015 Assets	31/12/2015 Liabilities
Fair value Interest rate swaps	0	(886)	0	(2,044)
Fair value derivatives on commodities	27,901	(68,900)	46,150	(42,993)
Fair value forward purchases and sales on exchange rates	4	(1,997)	1,104	(257)
Fair value forward purchases and sales on CO_2 quotas	9,136	0	0	0
Total	**37,041**	**(71,783)**	**47,254**	**(45,294)**

The following tables show the notional values and corresponding fair values of the derivatives outstanding at 31 December 2016 and 31 December 2015:

Type of Operation	31/12/2016				31/12/2015			
	Notional value		Fair value		Notional value		Fair value	
	Purchases	Sales	Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Oil and crude products	(458,391)	736,642	27,901	(68,900)	(106,141)	134,065	46,150	(42,993)
exchange rates	(192,951)	11,247	4	(1,997)	(258,106)		1,104	(257)
interest rates	(320,000)			(886)	(236,014)			(2,044)
quote CO_2	0		9,136	0	0	0		
Total	**(971,342)**	**747,889**	**37,041**	**(71,783)**	**(600,261)**	**136,025**	**47,254**	**(45,294)**

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

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

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/12/2016	31/12/2015	Change
Customers advances account	1,102	28,684	(27,582)
Payables to current suppliers	1,043,777	1,014,756	29,021
Total	**1,044,879**	**1,043,440**	**1,439**

“Customer advances” refers to payments on account received from customers for the supply of oil products; a few instances of this were identified at the end of the year.

The balance of "Payables to suppliers" mainly includes payables for supplies of crude, including that relating to purchases made in the course of 2012 from Iran. For this payable, following the complete removal of restrictions on international banking circuits, payment in tranches began in May which continued regularly over the financial year. The outstanding amount is expected to be repaid in the financial year 2017.

5.3.3 Current tax liabilities

This item breaks down as shown below:

	31/12/2016	31/12/2015	Change
Payables for VAT	25,653	36,120	(10,467)
IRES payables (and income tax foreign firms)	207	0	207
IRAP payables	9,876	8,456	1,420
Other tax payables	67,076	78,836	(11,760)
Total	**102,812**	**123,412**	**(20,600)**

The change in VAT payables is due to lower revenues achieved by the Parent Company Saras SpA and by the Spanish subsidiary Saras Energia, during December, from Italian clients, compared with the corresponding period of the previous year.

The item "Other tax payables" mainly includes payables for excise duties on products released for consumption by the Parent Company (EUR 55,815 thousand) and the subsidiary Saras Energia SA (EUR 6,834 thousand); la variazione è riferibile al predetto minor fatturato interno realizzato dal Gruppo nel mese di dicembre.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

	31/12/2016	31/12/2015	Change
Payables employee benefit and social security institutions	10,733	11,516	(783)
Payables due to employees	20,148	23,277	(3,129)
Payables due to Ministry for contributions	0	15,679	(15,679)
Payables due to others	25,108	22,771	2,337
Accrued liabilities	1,213	649	564
Deferred liabilities	14,971	855	14,116
Total	**72,173**	**74,747**	**(2,574)**

The item 'Due to personnel' includes salaries not yet paid for December, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item "Payables to the Ministry for grants" included the advance (EUR 15,679 thousand) granted by the Ministry of Economic Development to the subsidiary Sardeolica Srl to build the Ulassai wind park; during the financial year the subsidiary obtained the final concession contract for the grants and therefore the payable recorded was reclassified in deferred income and is amortised over the remaining useful life of the assets for which the grants were obtained.

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

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

	31/12/2016	31/12/2015	Change
Non-current bonds	0	174,007	(174,007)
Non-current bank loans	183,438	411,841	(228,403)
Total	**183,438**	**585,848**	**(402,410)**

On 12 September 2016, the parent company Saras SpA proceeded with the early repayment of bonds issued on 17 July 2014. These bonds had matured on 17 July 2019, for a total par value of EUR 175 million.

Below is a summary of bank loans as at 31 December 2016.

On 26 October 2016, Saras SpA renegotiated the loan agreement originally taken out for EUR 150 million with a syndicate of leading national and international banks.

The main changes with respect to the original loan were the reduction of the fixed interest rate component, the amended depreciation schedule and the extension of the final maturity of the loan to 30 September 2021. Under IAS39 and IFRS9, the renegotiation of a financial liability must undergo an analysis aimed at assessing whether the changes introduced have substantially changed its characteristics and such as to make derecognition of the original liability necessary, with consequent recognition in the income statement of the residual amortised cost amount existing on the renegotiation date, and the inclusion of the new liability at its amortised cost. In the case in question, the analysis led to qualifying the new loan as a renegotiation of the original loan, with the possibility of continuing with its amortised cost.

On 28 October 2016, Saras SpA renegotiated with the loan contract originally taken out for the amount of EUR 265 million, original maturing in June 2020, converting it into a "Revolving Credit Facility" until 10 December 2020. The main changes with respect to the original loan were the conversion of the loan into a credit line opened for a maximum amount of EUR 255 million and a reduction of the rates applied. The amount used at 31 December 2016 was equal to zero. Also in this case, like that mentioned in the previous paragraph, it was necessary to perform the analysis required under IAS 39 and IFRS9, which led to qualifying the renegotiation in question as taking out a new loan, and therefore, led to recognition in the income statement of the part of additional financial charges not yet amortised.

Infine, In the third quarter of 2016, the financing terms, originally taken out for the amount of EUR 50 million and with a maturity of three years were renegotiated by reducing the fixed interest rate component and by extending its maturity. Also in this case, like that mentioned in the previous paragraph, it was necessary to perform the analysis required under IAS 39 and IFRS9, which led to qualifying the new loan as a renegotiation of the original loan, with the possibility of continuing with its amortised cost.

Finally, the loan granted by the subsidiary Sardeolica Srl, signed on 6 December 2005 and maturing in December 2016, was paid in advance on 30 June 2016 with the payment of the principal amount equal to EUR 19,612 thousand.

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

Values expressed in millions of euro	Date of commencement of the payable	Original amount of the payable	Change	Residual at 31/12/2015	Residual at 31/12/2016	Maturities 1 year	beyond 1 year to 5 years	beyond 5 years	Guarantees
Saras SpA									
Pool financing	October 2016;	150.0	Euribor 6m	148.4	148.7	15.0	133.7		
Pool financing	September 2016;	50.0	Euribor 6m	49.7	49.7		49.7		
Pool financing	October 2016;	265.0	Euribor 6m	262.7	-				
Total liabilities to banks for loans				460.8	198.4	15.0	183.4		

The loan of EUR 150 million and EUR 50 million, taken out by Saras SpA, are subject to the following covenants:

- in financial terms, the company will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5, 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 sig-

nificant shareholdings or selling a significant portion of its non-current assets.

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

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

5.4.2 Funds for risks and charges

Provisions for risks and future liabilities break down as follows:

	31/12/2014	Provisions	Use	Other changes	31/12/2015
Plant dismantling fund	18,963	16	0	0	18,979
Charges for CO_2 quotas fund	32,273	34,613	(21,645)	0	45,241
Other funds for risks and charges	20,797	7,625	(2,217)	1	26,206
Total	**72,033**	**42,254**	**(23,862)**	**1**	**90,426**

	31/12/2015	Provisions	Use	Other changes	31/12/2016
Plant dismantling fund	18,979	73			19,052
Charges for CO_2 quotas fund	45,241	22,115	(29,466)		37,890
Other funds for risks and charges	26,206	24,406	(5,099)		45,513
Total	**90,426**	**46,594**	**(34,565)**	**0**	**102,455**

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, rivalutata nel corso degli esercizi per l'effetto finanziario.

The Provision for CO_2 allowances, amounting to EUR 37,890 thousand, arises from the existence of quantitative limits on the CO_2 emissions of the plants established pursuant to Legislative Decree No. 216 of 4 April 2006; exceeding these limits creates the obligation to purchase allowances in the market for any excess CO_2 emitted. The provisions in question represent allowances totalling EUR 22,115 thousand, required and not yet purchased.

During the year, EUR 29,466 thousand was used from the provisions to buy (and deliver) allowances relating to the previous year;

The item "Other risk provisions" mainly relates to provisions made to cover probable legal and tax liabilities; in addition, the item includes provisions for charges, as well as charges related to the acquisition of the Versalis business unit that will be incurred by the subsidiary Sarlux and reimbursed by the transferor.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2016	31/12/2015	Change
Employee end-of-service payments	10,541	11,351	(810)
CPAS, the company's supplementary employee pension fund	0	94	(94)
Total	**10,541**	**11,445**	**(904)**

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.

The following table shows the changes in "Employee end-of service payments":

31/12/2014	**11,917**
Provision part for defined contributions	5,866
Interest	274
Actuarial (income)/charges	43
Uses	(837)
Contributions to supplementary funds or INPS Treasury	(5,912)
31/12/2015	**11,351**
Provision part for defined contributions	6,535
Interest	219
Actuarial (income)/charges	230
Uses	(449)
Contributions to supplementary funds or INPS Treasury	(7,345)
31/12/2016	**10,541**

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

31/12/2014	**94**
Provisions for the period	
Uses in the period	
31/12/2015	**94**
Provisions for the period	
Uses in the period	(94)
31/12/2016	**0**

Pursuant to IAS 19, the end-of-service fund was valued using the projected unit credit cost method and the following assumptions:

	31/12/2016	31/12/2015
ECONOMIC ASSUMPTIONS		
Increase in the cost of life:	1.50%	1.75%
Discount rate	1.31%	2.03%
Salary increase:	2.50%	3.00%
Annual CPAS (pension fund) increase:	N.A.	N.A.

DEMOGRAPHIC ASSUMPTIONS	
Probability of death	Those of the Italian population calculated by ISTAT in 2002
Probability of invalidity	Those adopted in the INPS model for the projections to 2010
Probability of resignation	Annual frequencies of 0.5% have been considered
Probability of retirement	Achievement of the first of the pensionable requirements valid for General Compulsory Insurance is assumed
Probability of payout	An annual value per year of 3% is assumed

At 31 December 2016, the discount rate used was the IBOXX Eurozone Corporates AA10+ (1.31 %).

The actuarial calculation takes into account the changes to pensions legislation (Law Decree 201/2011).

Given the accounting method used (see the paragraph entitled "Summary of accounting standards and policies" and sub-paragraph Q "Provisions for employee benefits"), at 31 December 2015 there were no actuarial gains or losses not recognised in the financial statements.

As required by IAS 19 (revised), a sensitivity analysis of the main actuarial assumptions as at 31 December 2016 and 2015 for end-of-service provisions are indicated:

2016	Reference parameter change	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	10,640	11,898

	Reference parameter change	
	-0.3%	0.3%
ANNUAL INFLATION RATE	11,429	11,063

	Reference parameter change	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	11,095	11,284

2015	Reference parameter change	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	12,024	10,729

	Reference parameter change	
	-0.3%	0.3%
ANNUAL INFLATION RATE	11,163	11,544

	Reference parameter change	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	11,367	11,295

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,719 thousand, relate to the foreign subsidiaries. For more details, please see "5.2.4 Deferred tax assets".

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2016	31/12/2015	Change
Deferred income straight-line reporting Sarlux/Gse	245,946	293,967	(48,021)
Other payables	1,317	1,573	(256)
Total	**247,263**	**295,540**	**(48,277)**

The change compared with 31 December 2015 is mainly due to the decrease in 'Deferred income' posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of energy between Sarlux Srl and G.S.E. which was accounted for according to IFRIC 4. (Gestore dei Servizi Energetici SpA). Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 - *Leasing* and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, has been recognised as a contract regulating the use of the plant by the customer of Sarlux Srl, meaning that it is comparable to an operating lease. 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 crude oil and gas, which are determining factors for electricity tariffs and electricity production costs.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2016	31/12/2015	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	660,841	595,688	65,153
Net profit (loss) for the year	196,330	223,660	(27,330)
Total	**922,727**	**884,904**	**37,823**

Share capital

At 31 December 2016, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

Legal reserve

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

Other reserves

This item totalled EUR 660,841 thousand, a net decrease of EUR 65,153 thousand compared with the previous period. The net decrease was the combined result of:

- an increase due to the allocation of the previous year's profit, of EUR 223,660 thousand;
- decrease due to the allocation of dividends, as approved by the Shareholders' Meeting on 22 April 2016 for EUR 159,122 thousand;
- an increase of EUR 812 thousand relating to the establishment of a reserve for the bonus allocation of shares to management under the companies' stock grant plans;
- decrease, equivalent to EUR 230 thousands, due to the effect of IAS19 discounting;

- effect of translation of foreign currency financial statements for EUR 33 thousand.

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

Net profit
The consolidated net profit for the year totalled EUR 196,330 thousand.

Restrictions on the distribution of equity reserves
The main restrictions on the distribution of equity reserves are as follows:

- The legal reserve, totalling EUR 10.9 million, may only be used to cover losses.

- The item 'Locked-in reserve pursuant to article 7, paragraph 6 of Legislative Decree 38/05', totalling EUR 19.7 million and included in 'Other reserves', is distributable solely to cover losses or to increase share capital.

Dividends
On 22 April 2016, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31 December 2015, resolved to pay a dividend of EUR 0.17 for each of the 936,010,146 ordinary shares in issue, for a total of EUR 159,121,724.82, taking them from profit for fiscal year 2015.

The Board of Directors made a proposal to the shareholders' meeting called on 20 April 2017 to distribute a dividend of EUR 0.10 per share for the financial year ended 31 December 2016.

The average number of shares outstanding was 934,893,839 in 2016, compared to 925,603,300 in 2015. At 31 December 2016, Saras SpA held 14,989,854 treasury shares in relation to the bonus allocation of shares to the management of group companies.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

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

	31/12/2016	31/12/2015	Change
Revenue from sales and services	6,320,390	7,649,138	(1,328,748)
Sale of electricity	429,030	470,593	(41,563)
Other remuneration	12,037	12,610	(573)
Change to work in progress made-to-order	505	(1,059)	1,564
Total	**6,761,962**	**8,131,282**	**(1,369,320)**

The change in "Revenues from sales and services" was largely due to the fall in the price of oil products during the year.

Revenues from the sale of electricity include EUR 421,203 thousand relating to the gasification plant of subsidiary Sarlux Srl and EUR 7,828 thousand relating to the wind farm owned by subsidiary Sardeolica Srl

Revenues from the sale of electricity by Sarlux Srl reflect the reporting of figures on a straight-line basis, calculated (as set out in IAS 17 - *Leasing* and the interpretative document IFRIC 4 - *Determining whether an arrangement contains a lease*) according to the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude and gas price and projections of the EUR/USD exchange rate until the contract expires. The projections are reviewed when there are significant changes.

It is worthy of note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component for the purposes of these financial statements, revenues from the sale of electricity were determined in accordance with Law Decree 69/2013 ('Doing Decree'), which is less beneficial for the subsidiary.

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

Revenues from ordinary operations are broken down by business segment and geographical area in sections 4.2 "Segment information" and 4.3 "Breakdown by geographical area" above.

6.1.2 Other income

The following table shows a breakdown of other income:

	31/12/2016	31/12/2015	Change
Compensation for storage of mandatory stocks	3,114	4,388	(1,274)
Sale various materials	938	371	567
Contributions	21,174	15,532	5,642
Ship tanks hire	2,821	1,267	1,554
Recovery for claims and compensation	1,247	967	280
CO_2 charges reimbursement	17,091	23,979	(6,888)
Other revenue	61,460	60,007	1,453
Total	**107,845**	**106,511**	**1,334**

The item "Contributions" primarily includes revenues related to the incentive-based tariff for the production of electricity from renewable sources, which replaced the reimbursement of green certificates, which are of benefit to the subsidiary Sardeolica Srl.

The item 'Recognition of emission trading charges' comprises revenue posted by the subsidiary Sarlux Srl, deriving from the reimbursement – pursuant to section II, sub-paragraph 7-*bis* of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08. The reduction from the previous year is mainly due to the change in the price of allowances.

The item "Other revenues" includes, among others, revenues earned by the subsidiary Sarlux for services rendered to leading players in the sector (totalling EUR 12,851 thousand) and revenues related to the reimbursement of white certificates accrued during the year (totalling EUR 18,895 thousand).

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/12/2016	31/12/2015	Change
Purchase of raw materials	3,853,966	5,531,642	(1,677,676)
Purchase semi-finished products	266,002	285,601	(19,599)
Purchase supplies and consumables	76,275	71,387	4,888
Increase tangible fixed assets	(2,853)	(24,099)	21,246
Purchase finished products	1,369,786	996,884	372,902
Change in inventories	(58,362)	104,281	(162,643)
Total	**5,504,814**	**6,965,696**	**(1,460,882)**

Costs for the purchase of raw materials, replacement parts and consumables fell EUR 1,460,882 thousand from the previous year, mainly due to the above-mentioned decrease in prices.

6.2.2 Cost of services and sundry costs

	31/12/2016	31/12/2015	Change
Costs for services	548,516	501,146	47,370
Capitalisations	(27,432)	(13,565)	(13,867)
Costs for use of third-party goods	13,535	13,315	220
Provision for risks	24,372	41,713	(17,341)
Trade receivables write-downs	54	1,407	(1,353)
Other operating charges	19,803	18,487	1,316
Total	**578,848**	**562,503**	**16,345**

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well bank charges e l'accantonamento relativo alle quote CO_2 di competenza dell'esercizio 2016 non ancora acquistate al 31 dicembre 2016.

The change compared to the previous year, amounting to EUR 47,370 thousand, mainly due to the increase in technical and consulting services required by the Parent Company and the subsidiary Sarlux.

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

6.2.3 Personnel costs

"Personnel costs" break down as follows:

	31/12/2016	31/12/2015	Change
Salaries and wages	106,249	110,674	(4,425)
Increases in assets for internal work	(4,778)	(2,927)	(1,851)
Social security charges	31,875	31,900	(25)
Employee end-of-service payments	6,535	6,140	395
Other costs	4,462	4,211	251
Remuneration to the Board of Directors	3,717	3,632	85
Total	**148,060**	**153,630**	**(5,570)**

Personnel costs fell by EUR 5,570 thousand, mainly due to a lower average workforce recorded in the year with respect to the previous one.

On 22 April 2016, the Shareholders' Meeting approved the "Long-term incentive plan for the management of the Saras Group" (the "2016-2018 Stock Grant Plan" or the "Plan"), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.

The recipients of the Plan are the Directors with strategic responsibilities within the Company; the Directors of the Board of Italian and/or foreign subsidiaries controlled by the Company, and some other eligible top executive within the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares after achieving performance objectives determined in relation to:

- The relative positioning of the Total Shareholder Return of Saras compared to the TSR of a group of industrial companies that are part of the FTSE Italia Mid Cap.
- The positioning of the Refining margin made by the Group with respect to the EMC Benchmark margin.

6.2.4 Depreciation and write-downs

Depreciation and amortisation figures are shown below:

	31/12/2016	31/12/2015	Change
Depreciation of intangible fixed assets	34,643	39,464	(4,821)
Write-down and recovery value intangible fixed assets	0	18,267	(18,267)
Depreciation of tangible fixed assets	192,097	187,663	4,434
Write-down and recovery value tangible fixed assets	20,000	0	20,000
Total	**246,740**	**245,394**	**(4,821)**

Write-downs of tangible fixed assets concern some ongoing projects by the subsidiary Sarlux Srl to modernise and improve plants, carried out prudently in the absence of a reasonable certainty with regard to the outcome of the same.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

	31/12/2016	31/12/2015	Change
Financial income:			
Current financial assets	0	57	(57)
Bank interest income	653	2,400	(1,747)
FV. fin. derivatives at closing date	28,411	47,801	(19,390)
Positive differentials on fin. derivatives	68,404	252,382	(183,978)
Other income	804	385	419
Profit on exchange rates	57,512	92,986	(35,474)
Total	**155,784**	**396,011**	**(240,227)**
Financial charges:			
FV financ. deriv. at the closing date	(56,805)	(44,148)	(12,657)
Negative differentials on fin. derivatives	(75,659)	(125,101)	49,442
Interest expenses on loans	(12,236)	(16,672)	4,436
Interest expenses on bonds	(7,106)	(13,027)	5,921
Other (interest on mortgages, interest on arrears, etc.)	(17,243)	(8,010)	(9,233)
Exchange rate losses	(69,718)	(155,883)	86,165
Total	**(238,767)**	**(362,841)**	**124,074**

The item "Other financial charges" also includes early repayment fees and the renegotiation of bank loans already described previously.

The table below shows net income/charges by type:

	31/12/2016	31/12/2015	Change
Net interest	(29,998)	(35,309)	5,311
Result of derivative instruments, of which:	(35,649)	130,934	(166,583)
Realised	(7,255)	127,281	(134,536)
Fair value of open positions	(28,394)	3,653	(32,047)
Net exchange rate differences	(12,206)	(62,897)	50,691
Others	(5,130)	442	(5,572)
Total	**(82,983)**	**33,170**	**(116,153)**

The fair value of derivative instruments existing at 31 December 2016 represented a net cost of EUR 28,394 thousand (compared with a net income of EUR 3,653 thousand the previous year).

As shown, the main changes relate to net exchange rate differences, as well as gains/losses on derivatives. In this regard, please note that the derivative financial instruments being considered relate to hedging transactions for which "hedge accounting" has not been adopted.

6.4 Income tax

Income tax can be shown as follows:

	31/12/2016	31/12/2015	Change
Current taxes	26,690	32,860	(6,170)
Net deferred (prepaid) taxes	85,341	87,220	(1,879)
Total	**112,032**	**120,080**	**(8,049)**

Current taxes comprise IRES due on the results of Italian companies participating in the consolidated national tax scheme as well as IRAP. The change is attributable to lower taxable income for the financial year in question with respect to the previous year.

Deferred tax assets and liabilities relate to changes during the course of the year in the temporary differences between the tax bases and book bases of assets and liabilities. The most significant change is due to the release of tax assets on the tax losses of previous years (EUR 82,987 thousand).

The following table shows the temporary differences in the income statement:

Temporary differences in Income Statement:	TAXES 2016			TAXES 2015		
(Data in thousands of euros)	Taxes (deferred)	Prepaid Taxes	Effect rate changes on outstanding previous balances	Taxes (deferred)	Prepaid taxes on outstanding previous balances	Effect rate changes on
Excess and anticipated depreciation on assets		11,415			3,728	5,121
Assessment of final inventories	(7,735)			(15,697)		244
Corrections for planned maintenance plant and machinery		1,697			1,327	(628)
Employee benefits and bonuses	(741)				678	95
Fair value derivatives				(196)		
Unrealised exchange rate differences		841		(4,573)		
Fair value Sarlux/GSE contract		9,420			8,601	4,200
Straight-line reporting Sarlux (IAS 17 and IFRIC 4)	(15,079)			(10,149)		(8,114)
Excess maintenance costs		73			126	(18)
Valuation licences Sardeolica (IFRS 3 on pur. 30% PEU)	(769)				234	535
Risks and write-downs fund		1,822			10,421	(366)
Tax asset loss consolidated IRES tax return	(66,983)		(1,520)	(81,422)		
Tax asset loss Saras Energia	(14,484)			(3,209)		
Other temporary differences	(3,298)				1,515	328
TOTALS	**(109,089)**	**25,268**	**(1,520)**	**(115,246)**	**26,630**	**1,397**

Differences between the theoretical and effective IRES and IRAP tax rates for the two periods under review are reported below (figures in EUR million):

IRES	2016	2015
PRE-TAX PROFIT [A]	308.4	343.7
THEORETICAL IRES TAX [A*27.5%]	84.8	94.5
THEORETICAL TAX RATE [B/A*100] %	27.5%	27.5%
EFFECTIVE INCOME TAX [C]	99.0	107.6
EFFECTIVE TAX RATE [C/A*100] %	32.1%	31.3%

	TAX 2016	TAX RATE 2016	TAX 2015	TAX RATE 2015
Theoretical tax	**84.8**	**27.50%**	**94.5**	**27.50%**
Effect taxation 5% intragroup dividends	0.0	0.00%	4.1	1.20%
Effect different rate/non-inclusion tax asset foreign companies	0.0	0.00%	4.6	1.33%
Effect reduction 3.5% IRES rate from 2017 on deferred taxation (L. 208/15)	0.0	0.00%	1.5	0.44%
Effect rebate art. 1 D.L. 201/2011 (A.C.E.)	(8.0)	-2.59%	0.0	0.00%
Taxes previous years	(3.0)	-0.97%	0.2	0.06%
Effect elimination deferred tax assets (Saras Energia)	17.5	5.67%		
Other permanent differences	7.7	2.50%	2.7	0.79%
Effective tax	**99.0**	**32.10%**	**107.6**	**31.31%**

IRAP	2016	2015
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	391.3	310.6
DIFFERENCE BETWEEN ADJUSTED PRODUCTION VALUE AND COSTS (A)	391.3	310.6
THEORETICAL IRAP TAX [A*2.93%] [B]	11.5	9.1
THEORETICAL TAX RATE [B/A*100] %	2.93%	2.93%
EFFECTIVE INCOME TAX [C]	13.0	12.5
EFFECTIVE TAX RATE [C/A*100] %	3.32%	4.02%

	TAX 2016	TAX RATE 2016	TAX 2015	TAX RATE 2015
Theoretical tax	**11.5**	**2.93%**	**9.1**	**2.93%**
Effect IRAP on foreign companies with a positive production value	(0.1)	-0.03%	0.0	0.00%
Effects IRAP on reclassifications	0.2	-0.11%	0.0	0.00%
Effect different regional rates on production value	2.2	0.57%	0.0	0.00%
Not-recognisability Tax Asset for IRAP companiesy with negative EBIT	(0.0)	-0.01%	2.6	0.83%
Other permanent differences	(0.8)	-0.09%	0.8	0.26%
Effective tax	**13.0**	**3.26%**	**12.5**	**4.02%**

With reference to the financial year 2016, the theoretical tax rate was calculated with the reduced rate of 2.93%, temporarily established by the Autonomous Region of Sardinia (Regional Law 5/2015), instead of the 3.90% generally applied.

7. Other information

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

7.1 Main legal actions pending

The Parent Company Saras SpA, Sarlux Srl, and Sareolica Srl were audited and assessed by the tax authorities; this led, in some cases, to disputes pending before tax courts.

The Group Companies are involved in legal disputes brought on 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 not consistent with the alleged violations, the company assumes that probability of any liability is remote; where instead the liability was deemed probable, appropriate funds were allocated to provisions for risks.

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

Specifically:

i) Generation 2002-2005. An ad hoc AEEG committee, after inspecting the IGCC plant in 2007, came, a posteriori, to a different interpretation than what it made during the generation period relative to the above resolution. As a result, the AEEG deemed that the company was required to buy green certificates for the years from 2002 to 2005; Sarlux initiated administrative proceedings for all the years in question. In March 2015, the Council of State granted, in its final decision, Sarlux's appeal for years 2002-2005, voiding the outcome of the inspection and the challenged acts that had obliged the company to buy green certificates nel corso del presente esercizio il Gse ha terminato il rimborso di quanto sostenuto da SARLUX.

ii) 2009 Generation. The Council of State, in the decision mentioned in the paragraph above, did not pronounce on one of the points appealed (hydrogen produced by the plant qualifying as "useful heat"), an interpretation that, if granted, would have allowed the subsidiary to be deemed a cogeneration plant with reference to 2009 Generation also. Sarlux, believing founded the pleas submitted in the appeal to the State Council, initiated new proceedings before the TAR in order to obtain a favourable decision in relation to its claim that the cogeneration resulting from the production of hydrogen is "useful heat";

iii) 2011 and subsequent generation As regards production in 2011, 2012, 2013, and 2014 the Company submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered the resolution still in effect. GSE instead deemed that, starting with the 2012 obligation (2011 and subsequent generation), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial Decree of 4 April 2011, and therefore rejected the Company's request. Sarlux Srl therefore lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the generation of years 2011, 2012, 2013, and 2014 in accordance with GSE's calculation totalling EUR 76.0 million and immediately submitted a claim for a refund to the AEEG, obtaining EUR 11.7 million for the generation relative to 2011, EUR 15.1 million for 2012, EUR 14.6 million for 2013 and EUR 7.5 million for 2014. The appeal to the Regional Administrative Court relative to the 2012 generation, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and deems that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not post any expenses or any revenue with reference to the generation from 2011 onward.

7.2 Earnings per share

Earnings per share (EPS) is calculated by dividing net profit by the weighted average number of Saras SpA shares outstanding during the year, excluding own shares.

The net earnings per share totalled +21.00 Euro cents for the 2016 financial year and +24.16 Euro cents per share for 2015 financial year.

The average number of shares outstanding was 934,893,839 in 2016 and 925,603,300 in 2015. At 31 December 2016, Saras SpA held 14,989,454 treasury shares in relation to the bonus allocation of shares to the management of group companies.

Diluted earnings per share do not vary significantly from basic earnings per share.

7.3 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions. The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2016		Absolute value (Euro/000) and % on balance sheet 31/12/2015	
Related parties, reffering to Shareholders of Saras Group				
Trade receivables	66	0.02%	112	0.04%
Trade and other payables	0	0.00%	(3)	0.00%
Other operating revenues	92	0.09%	138	0.13%
Cost of services and sundry costs	(1,203)	0.25%	(1,332)	0.24%
Other related parties				
Liquid assets	2,340	0.65%	(26)	0.00%
Current financial liabilities	(20,000)	9.83%		
Cost of services and sundry costs	(237)	0.04%		

Transactions with other related parties mainly refers to financial transactions with UBI Banca Group, which became a related party during the first half of the fiscal year: such transactions where in place before the party became related to Saras Group.

During 2016, no transactions were carried out with the shareholder Rosneft JV Projects SA or with its related parties.

With regard to the above-mentioned transactions, contracts governing provision of services are settled with amounts corresponding as closely as possible to market conditions; expenses recharged in relation to seconded personnel are charged at cost and no margin is applied.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

	Absolute value (Euro/000) and % on balance sheet 31/12/2016			Absolute value (Euro/000) and % on balance sheet 31/12/2015		
	Correlated parts	Total	Incidence %	Correlated parts	Total	Incidence %
Liquid assets	2,340	359,175	0.65%			
Trade receivables	66	423,621	0.02%	112	260,636	0.04%
Trade and other payables	-	-	0.00%	3	1,043,440	0.00%
Current financial liabilities	(20,000)	203,377	9.83%			
Other operating revenues	92	107,845	0.09%	138	106,511	0.13%
Cost of services and sundry costs	1,440	578,848	0.25%	1,332	562,503	0.24%

The main cash flows with related parties are shown in the table below.

Transactions with related parties	2016	2015
(Increase) Decrease in trade receivables	46	0
Increase (Decrease) in trade payables	(3)	113
Cash flow from (for) activities in the year	**43**	**113**
Interest received (pagati)	0	0
Cash flow from (for) investment activities	**0**	**0**
(Increase)/Decrease financial payables	0	0
Cash flow from (for) financial activities	**0**	**0**
Total cash flows towards related parties	**43**	**113**

The effects of cash flows with related parties are shown in the table below.

	Absolute value (Euro/000) and % on balance sheet 31/12/2016			Absolute value (Euro/000) and % on balance sheet 31/12/2015		
	Correlated parts	Total	Incidence %	Correlated parts	Total	Incidence %
Cash flow from (for) activities in the year	43	275,189	0.02%	113	272,301	0.04%
Cash flow from (for) investment activities	0	(140,675)	0.00%	-	40,004	not stated
Cash flow from (for) financial activities	0	(633,035)	0.00%	-	(83,063)	not stated

7.4 Information pursuant to International Financial Reporting Standards 7 and 13 – Financial instruments: disclosures

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

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

a) the value of financial instruments reported in the financial statements;

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

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

Fair value hierarchy

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

(a) unadjusted quotations taken from an active market – as defined by IAS 39 – for the assets and liabilities being measured (level 1);

(b) measurement techniques based on factors other than the quoted prices referred to above, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);

(c) measurement techniques that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the Group at 31 December 2016, broken down by fair value hierarchy:

Financial derivatives	31/12/2016 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2016 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps	0		0		(1,353)		(1,353)	
Derivatives on commodities	27,901	27,901			(68,433)	(68,433)		
Exchange rate losses	4		4		(1,997)		(1,997)	
Derivatives on CO_2 quotes	9,136		9,136		0		0	
Total	**37,041**	**27,901**	**9,140**	**0**	**(71,783)**	**(68,433)**	**(3,350)**	**0**

The Group's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.

Pursuant to sub-paragraph c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the period.

Measurement techniques

As can be seen from the table in the section above, financial instruments measured at fair value by the Saras Group largely consisted of derivatives entered into by the Parent Company and the subsidiary Sardeolica Srl to hedge exchange and interest rate risk, and the fluctuating price of oil and crude products and CO_2 emission quotes.

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

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;

- for commodity-based and CO_2quotes derivatives, based on account statements on open positions that are periodically received from the clearing broker through which these instruments are stipulated.

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

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

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

The criteria contained in the standard supplement those set out for the recognition, measurement and disclosure in the financial statements of the financial assets and liabilities listed in IAS 32 *Financial Instruments: Disclosure and Presentation* and in IAS 39 *Financial Instruments: Recognition and Measurement*.

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

7.4.1 Information on the statement of financial position

Sections 8-19 of IFRS 7 state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or derecognised them from the accounts. The statement of financial position of the Saras Group at 31 December 2016 and 31 December 2015 is shown below, with details of the Group's financial instruments:

31/12/2016	Accounting value of financial derivatives categories, defined according to IAS 39							
	Financial derivatives at fair value at income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Others	Residual at 31/12/2016
	Designated at Fair value	Owned for negotiation						
ASSETS								
Current assets	**0**	**37,537**	**0**	**946,150**	**0**	**0**	**705,512**	**1,689,200**
Cash and cash equivalents				359,175				359,175
Other financial assets		37,537		83,125				120,662
Titles held for the purpose of trading								
Derivative instruments		*37,537*						
Other current financial assets				*83,125*				
Trade receivables				423,621				423,621
Inventories							621,894	621,894
Current tax assets							36,402	36,402
Other assets		0		80,229			47,216	127,446
Emissions trading credit				*17,091*				
White certificates							*38,747*	
Others				*63,138*			*8,469*	
Non-current assets	**0**	**0**	**0**	**5,750**	**502**	**0**	**1,198,932**	**1,205,184**
Property, plant and equipment							964,263	964,263
Intangible fixed assets							194,894	194,894
Other investments					502			502
Deferred tax assets							39,775	39,775
Other financial assets				5,750				5,750
Loans				*4,885*				
Other tax credits				*865*				
Total active financial instruments	**0**	**37,537**	**0**	**951,900**	**502**	**0**	**1,904,444**	**2,894,384**
LIABILITIES								
Current liabilities	**0**	**71,783**	**0**	**0**	**0**	**1,248,646**	**102,812**	**1,423,241**
Short-term financial liabilities		71,783				131,594		203,377
Bonds loans								
Bank loans (guaranteed)						*15,525*		
C/a advances						*81,361*		
Financial payables to non-consolidated companies and other debts						*34,708*		
Derivative instruments		*71,783*						
Trade and other payables						1,044,879		1,044,879
Current tax liabilities							102,812	102,812
Other liabilities						72,173		72,173
Other payables						*72,173*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**184,754**	**358,942**	**548,416**
Long-term financial liabilities						183,438		183,438
Bank loans (guaranteed)						*183,438*		
Bonds loans								
Risk funds							102,455	102,455
Provisions for employee benefits							10,541	10,541
Deferred tax liabilities							4,719	4,719
Other liabilities						1,317	245,946	247,263
Other payables						*1,317*		
Total passive financial instruments	**0**	**71,783**	**0**	**0**	**0**	**1,433,401**	**461,755**	**1,971,657**

31/12/2015	Accounting value of financial derivatives categories, defined according to IAS 39							
	Financial derivatives at fair value at income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Others	Residual at 31/12/2015
	Designated at Fair value	Owned for negotiation						
ASSETS								
Current assets	0	68,387	0	1,237,337	0	0	623,672	1,929,396
Cash and cash equivalents				856,843				856,843
Other financial assets		68,387		21,146				89,533
Titles held for the purpose of trading								
Derivative instruments		*68,387*						
Other current financial assets				*18,765*				
Trade receivables				260,636				260,636
Inventories							564,803	564,803
Current tax assets							32,194	32,194
Other assets				98,712			26,675	125,387
Emissions trading credit				*23,979*				
White certificates							*19,851*	
Others				*74,733*			*6,824*	
Non-current assets	0	0	0	5,002	502	0	1,382,676	1,388,180
Property, plant and equipment							1,033,546	1,033,546
Intangible fixed assets							227,416	227,416
Other investments					502			502
Deferred tax assets							121,714	121,714
Other financial assets				5,002				5,002
Loans				*4,004*				
Other tax credits				*998*				
Total active financial instruments	0	68,387	0	1,242,339	502	0	2,006,348	3,317,576
LIABILITIES								
Current liabilities	0	45,294	0	0	0	1,275,990	123,412	1,444,696
Short-term financial liabilities		45,294				157,803		203,097
Bonds loans						*0*		
Bank loans (guaranteed)						*68,439*		
C/a advances						*20,544*		
Financial payables to non consolidated companies and other debts						*68,820*		
Derivative instruments		*45,294*						
Trade and other payables						1,043,440		1,043,440
Current tax liabilities							123,412	123,412
Other liabilities						74,747		74,747
Other payables						*74,747*		
Non-current liabilities	0	0	0	0	0	587,422	400,554	987,976
Long-term financial liabilities						585,848		585,848
Bank loans (guaranteed)						*411,841*		
Bonds loans						*174,007*		
Risk funds							90,426	90,426
Provisions for employee benefits							11,445	11,445
Deferred tax liabilities							4,717	4,717
Other liabilities						1,574	293,966	295,540
Other payables						*1,574*		
Total passive financial instruments	0	45,294	0	0	0	1,863,412	523,966	2,432,672

Financial instruments measured at fair value in the income statement comprise derivatives held by the Parent Company and the subsidiary Sardeolica Srl, described in section 5.3.1 above. The derivatives contracts relate to commodities, interest rates and foreign exchange. The first type were entered into by the Parent Company to hedge the risks inherent in the business in which it operates, which stem from changes in the price of crude and oil products (futures, options and swaps). The second type were entered into by the Parent Company and the subsidiary to hedge interest rate risk on loans. Finally, the third type were entered into by the Parent Company to hedge foreign exchange risk on open currency positions;

All trade receivables and most other current and non-current receivables are classed as "Loans" since they consist of non-derivative financial assets with fixed or determinable payments that are not listed on any active market. The value entered in the financial statements is close to fair value.

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

Other financial liabilities valued at amortised cost include all the Group's financial liabilities and trade payables arising from the Group's contractual obligations to deliver cash or other financial assets to another entity.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a 'without recourse' basis. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.4.2 Income Statement Information

Paragraph 20 of the standard in question requires companies to state the amount of net gains or losses generated by financial assets and liabilities, broken down according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overloading the accounting statements with information, the Group has opted for the second alternative, as advised in the Appendix to the accounting standard itself.

The following tables therefore show details of income statement items for the current year and the previous year.

31/12/2016	Net profits and losses, active and passive interests, fees and expenses generated from:								
	Financial derivatives at fair value at income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Total da instruments financial	Others	Residual at 31/12/2016
	Designated at Fair value	Owned for negotiation							
Revenues from ordinary operations								6,761,962	6,761,962
Other income								107,845	107,845
Total returns	0	0	0	0	0	0	0	**6,869,807**	**6,869,807**
Purchases of raw materials, replacement parts and consumables								(5,504,814)	(5,504,814)
Cost of services and sundry costs								(578,848)	(578,848)
Personnel costs								(148,060)	(148,060)
Depreciation and write-downs								(246,740)	(246,740)
Total costs	0	0	0	0	0	0	0	**(6,478,462)**	**(6,478,462)**
Operating result	0	0	0	0	0	0	0	**391,345**	**391,345**
Net income (charges) from equity investments									
Other net income (charges)		*(35,649)*		*(19,191)*		*(28,142)*	(82,982)		(82,982)
from titles held for the purpose of trading							*0*		
- of which:									
Realised differentials									
Change in FV									
from interests on c/a				*653*			*653*		
from derivative instruments		*(35,649)*					*(35,649)*		
- of which:									
Realised differentials		*(7,255)*							
CHANGE IN FV		*(28,394)*							
from other financial activities							*0*		
from Interest on loans						*(28,142)*	*(28,142)*		
from Interest on factoring				*(2,434)*			*(2,434)*		
from other credits/debts				*(17,409)*			*(17,409)*		
Pre-tax profit	0	(35,649)	0	(19,191)	0	(28,142)	(82,982)	391,345	**308,362**
Income tax									(112,032)
Net profit									**196,330**

31/12/2015	Net profits and losses, active and passive interests, fees and expenses generated from:								
	Financial derivatives at fair value at income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Total da instruments financial	Others	Residual at 31/12/2015
	Designated at Fair value	Owned for negotiation							
Revenues from ordinary operations							0	8,131,282	8,131,282
Other income				15,508			15,508	91,003	106,511
Total returns	**0**	**0**	**0**	**15,508**	**0**	**0**	**15,508**	**8,222,285**	**8,237,793**
Purchases of raw materials, replacement parts and consumables							0	(6,965,695)	(6,965,695)
Cost of services and sundry costs				(1,291)			(1,291)	(561,212)	(562,503)
Personnel costs							0	(153,630)	(153,630)
Depreciation and write-downs								(245,394)	(245,394)
Total costs	**0**	**0**	**0**	**(1,291)**	**0**	**0**	**(1,291)**	**(7,925,931)**	**(7,927,222)**
Operating result	**0**	**0**	**0**	**14,217**	**0**	**0**	**14,217**	**296,354**	**310,571**
Net income (charges) from equity investments									
Other net income (charges)		*130,991*		*(64,416)*		*(33,406)*	33,169		33,169
from titles held for the purpose of trading		*57*					*57*		
- of which:									
Realised differentials									
Change in FV									
from interests on c/a				*2,400*			*2,400*		
from derivative instruments		*130,934*					*130,934*		
- of which:									
Realised differentials		*127,281*							
CHANGE IN FV		*3,653*							
from other financial activities							*0*		
from Interest on loans						*(33,406)*	*(33,406)*		
from Interest on factoring				*(4,304)*			*(4,304)*		
from other credits/debts				*(62,512)*			*(62,512)*		
Pre-tax profit	**0**	**130,991**	**0**	**(50,199)**	**0**	**(33,406)**	**47,386**	**296,354**	**343,740**
Income tax									(120,080)
Net profit									**223,660**

Financial instruments measured at fair value through profit or loss generated net income of EUR 35,649 thousand (versus net charges of EUR 130,991 thousand in 2015), due to changes in realised differentials and changes in the fair value of the derivatives.

Financial instruments recorded under "Loans" generated charges of EUR 19,191 thousand (versus income of EUR 50,199 thousand in the previous year), chiefly owing to exchange losses on trade accounts.

Other financial liabilities measured at amortised cost generated losses of EUR 28,142 thousand (EUR 33,406 thousand in the previous year), mainly due to interest on loans.

7.4.3 Supplementary information

7.4.3.1 Accounting for derivative transactions

As stated earlier, the Parent Company enters into derivative contracts on commodities to hedge the risks arising from changes in the price of crude oil and oil products, on CO_2 emission quotas, on the EUR/USD exchange rate to hedge against the risks relating to its currency positions, and on interest rates, to hedge against interest rate risk on its loans.

At 31 December 2016, outstanding derivatives contracts included derivatives on all three types of underlying assets, classified as financial instruments held for trading.

These instruments are recorded at fair value: changes in fair value during the period are recorded in the income statement under financial income or financial charges.

The outstanding positions on commodities and on foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2016, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of the instruments is determined based on the statements sent periodically by the counterparties.

7.4.3.2 Fair value

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost. As these assets and liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31 December 2016.

The bond carries a fixed rate and that market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 implemented in the EU with EC Regulation 1165 of 27 November 2009, all financial instruments booked at fair value are calculated based on valuation methods that use observable market parameters other than the prices of these instruments as their reference, except for forex and commodities futures classified under "Other current assets" or "Short-term financial liabilities", which are valued based on prices in an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.4.4 Risks deriving from financial instruments

Risks deriving from financial instruments to which the Group is exposed are:

a. Credit risk: i.e. the risk that the Group will incur a loss in the event that a counterparty to a financial instrument defaults;

b. Liquidity risk: i.e. the risk that the Group will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;

c. Market risk: i.e. the risk relating to the performance of markets in which the Group operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations.

7.4.4.1 Credit risk

The company's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

The information required by sections 36-38 is shown in the tables below.

	Accounting value at 31/12/2016		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Total	of which: financial instruments	Maximum exposure at credit risk, without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determining in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current assets	**1,689,200**	**1,016,810**	**1,016,810**	**248,123**	**948,106**	**17,041**	**3,309**	**28,342**	**20,011**	**1,002,170**		
Cash and cash equivalents	359,176	359,176	359,176		359,176					359,176		
Other financial assets held for trading	120,662	120,662	120,662		120,662					120,662		
Trade receivables	438,261	438,261	438,261	248,123	369,557	17,041	3,309	28,342	20,011	423,621		
Bad debt provision	(14,640)									0	(110)	(14,640)
Inventories	621,894	0										
Current tax assets	36,402	0										
Other assets	127,446	98,712	98,712		98,712					98,712		
Non-current assets	**1,205,184**	**5,504**	**5,504**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	964,263	0										
Intangible fixed assets	194,894	0										
Other investments	502	502	502									
Deferred tax assets	39,775	0										
Other financial assets	5,750	5,002	5,002							0		
Total assets	**2,894,384**	**1,022,314**	**1,022,314**	**248,123**	**948,106**	**17,041**	**3,309**	**28,342**	**20,011**	**1,002,170**		

	Accounting value at 31/12/2015		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Total	of which: financial instruments	Maximum exposure at credit risk, without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determining in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current assets	**1,929,396**	**1,320,254**	**1,320,254**	**153,728**	**1,272,683**	**15,188**	**2,051**	**2,524**	**27,808**	**1,305,724**		
Cash and cash equivalents	859,224	859,224	859,224		859,224					859,224		
Other financial assets held for trading	87,152	87,152	87,152		87,152					87,152		
Trade receivables	275,166	275,166	275,166	153,728	227,595	15,188	2,051	2,524	27,808	260,636		
Bad debt provision	(14,530)									0	(16)	(14,530)
Inventories	564,803	0										
Current tax assets	32,194	0										
Other assets	125,387	98,712	98,712		98,712					98,712		
Non-current assets	**1,388,180**	**5,504**	**5,504**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,033,546	0										
Intangible fixed assets	227,416	0										
Other investments	502	502	502									
Deferred tax assets	121,714	0										
Other financial assets	5,002	5,002	5,002							0		
Total assets	**3,317,576**	**1,325,758**	**1,325,758**	**153,728**	**1,272,683**	**15,188**	**2,051**	**2,524**	**27,808**	**1,305,724**		

Guarantees on trade receivables are represented by sureties required by Saras SpA, by a credit insurance policy taken out by the Company that covers the majority of its turnover, and by letters of credit that guarantee a portion of Parent Company receivables.

7.4.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. However, given the company's considerable self-financing capacity, coupled with the limited level of debt, the liquidity risk is moderate.

As stated earlier, during the year the Group met all its obligations with respect to the payment of loans in place at the end of the period.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the table below.

	Accounting value at 31/12/2016		Liquidity risk		Analysis of maturities for financial liabilities, ex paragraph 39 a) IFRS 7					
	Total	of which: financial instruments	Nominal value of the liabilities financial	Guarantee	2017	2018	2019	2020	2021	beyond 5 years
LIABILITIES										
Current liabilities	**1,423,241**	**1,320,429**	**1,320,429**	**0**	**1,321,085**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	203,377	203,377	203,377	0	204,032					
Bonds loans		*0*	*0*		*0*					
Amount interest bonds										
Bank loans (guaranteed)		*15,525*	*15,525*		*15,525*					
C/a advances		*81,361*	*81,361*		*81,361*					
Interest rates (final average rate = 4.22%)					655					
Financial payables to non consolidated companies and ther debts		*34,708*	*34,708*		*34,708*					
Derivative instruments		*71,783*	*71,783*		*71,783*					
Trade and other payables	1,044,879	1,044,879	1,044,879		1,044,879					
Current tax liabilities	102,811	0								
Other liabilities	72,173	72,173	72,173		72,173					
Non-current liabilities	**548,416**	**184,754**	**186,317**	**0**	**7,807**	**38,491**	**35,908**	**83,587**	**45,950**	**0**
Long-term financial liabilities	183,438	183,438	185,000	0	7,807	37,174	35,908	83,587	45,950	0
Bank loans (guaranteed)		*183,438*	*185,000*			30,000	*30,000*	*80,000*	*45,000*	
Bonds loans										
Medium-long term loan rates (final average rate = 4.22%)					*7,807*	*7,174*	*5,908*	*3,587*	*950*	
Amount interest bonds										
Risk funds	102,455									
Provisions for employee benefits	10,541									
Deferred tax liabilities	4,719									
Other liabilities	247,263	1,317	1,317			1,317				
Total liabilities	**1,971,657**	**1,505,184**	**1,506,746**	**0**	**1,328,892**	**38,491**	**35,908**	**83,587**	**45,950**	**0**

	Accounting value at 31/12/2015		Liquidity risk		Analysis of maturities for financial liabilities, ex paragraph 39 a) IFRS 7					
	Total	of which: financial instruments	Nominal value of the liabilities financial	Guarantee	2016	2017	2018	2019	2020	beyond 5 years
LIABILITIES										
Current liabilities	**1,444,696**	**1,832,385**	**1,832,385**	**0**	**1,629,288**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	203,097	203,097		0	0					
Bonds loans		*0*	*0*		*0*					
Amount interest bonds (rate = 5,583%)					*0*					
Bank loans (guaranteed)		*68,439*	*68,439*		*68,439*					
C/a advances		*20,544*	*20,544*		*20,544*					
Interest rates (final average rate = 4.29%)					3,817					
Financial payables to non consolidated companies and other debts		*68,820*	*68,820*		*68,820*					
Derivative instruments		*45,294*	*45,294*		*43,783*					
Trade and other payables	1,043,440	1,043,440	1,043,440		1,043,440					
Current tax liabilities	123,412									
Other liabilities	74,747	585,848	585,848		585,848					
Non-current liabilities	**987,933**	**587,422**	**588,415**	**0**	**0**	**94,817**	**177,419**	**305,124**	**54,973**	**0**
Long-term financial liabilities	585,848	585,848	586,841	0	0	93,243	177,419	305,124	54,973	0
Bank loans (guaranteed)		*411,841*	*411,841*			*81,017*	*161,731*	*116,381*	*52,712*	*0*
Bonds loans		*174,007*	*175,000*					*175,000*		
Medium-long term loan rates (final average rate = 4.29%)						*3,476*	*6,938*	*4,993*	*2,261*	
Amount interest bonds (rate = 5,00%)						*8,750*	*8,750*	*8,750*		
Risk funds	90,426	0								
Provisions for employee benefits	11,402	0								
Deferred tax liabilities	4,717	0								
Other liabilities	295,540	1,574	1,574			1,574				
Total liabilities	**2,432,629**	**2,419,807**	**2,420,800**	**0**	**1,629,288**	**94,817**	**177,419**	**305,124**	**54,973**	**0**

7.4.4.3 Market risk

As stated previously, the market risks to which the Group is exposed via its financial instruments relate to:

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges" as well as the fair value of derivatives held at the reporting date;
- the Euribor interest rate, to which the interest rates paid by the Group on its loans are indexed, as well as the fair value of derivative instruments held at the reporting date.
- prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by section 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Group is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and shareholders' equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management's forecasts. The results of the analysis are shown in the tables below.

Euro/US dollar exchange rate

With reference to the EUR/USD exchange rate, at the reporting date the Saras Group had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables (principally relating to the Parent Company).

The Group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/- 10% in the EUR/USD exchange rate at the end of the year, which was used to translate currency positions in the preparation of the statement of financial position.

2016				Reference parameter change	
Euro/US dollar EXCHANGE RATE					
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	(92,268)	1.0541	(48,682)		
Effect on profit before tax				(5,409)	4,426
Net effect on profit (and Balance Sheet)				(3,711)	3,036

The following table shows the simulation at 31 December 2015:

2015				Reference parameter change	
Euro/US dollar EXCHANGE RATE					
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	(635,938)	1.0887	(506,774)		
Effect on profit before tax				(56,308)	46,070
Net effect on profit (and Balance Sheet)				(39,174)	32,051

To hedge the effects of sensitivity to the EUR/USD exchange rate, the Parent Company also enters into forward exchange rate contracts, which are recorded in the financial statements at their fair value on the reporting date. As the fair value is inevitably affected by the underlying exchange rate, the Group carried out a simulation of the impact on Group net profit and shareholders' equity, assuming a change of +/-10% in the benchmark parameters.

The results of the simulation are shown in the following table.

2016			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2016	-10%	+10%
Exchange rates	(1,997)	20,167	(16,502)
	(1,997)	**20,167**	**(16,502)**
Effect on profit before tax		**20,167**	**(16,502)**
Net effect on profit (and Balance Sheet)		**14,621**	**(11,964)**

2015			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2015	-10%	+10%
Exchange rates	847	28,659	(23,450)
	847	**28,659**	**(23,450)**
Effect on profit before tax		**28,659**	**(23,450)**
Net effect on profit (and Balance Sheet)		**20,778**	**(17,001)**

Interest rates

The Group has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.
A simulation of the impact of this variable on Group net profit and shareholders' equity was carried out, assuming a change of +/- 50 basis points in rates and only taking into account the portion of variable-rate funding.

The results of the simulation are shown in the table below.

2016				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2016	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	4.22%	(29,998)		
Effect on profit before tax			**3,551**	**(3,551)**
Net effect on profit (and Balance Sheet)			**2,574**	**(2,574)**

2015				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2015	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	4.29%	(35,309)		
Effect on profit before tax			**4,115**	**(4,115)**
Net effect on profit (and Balance Sheet)			**2,984**	**(2,984)**

In addition, the fair value of the Interest Rate Swaps (IRS) and options outstanding at the reporting date relating to the Parent Company and to Sardeolica Srl is affected by movements in the Euribor rate: a simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 25 basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The results of the simulation are shown in the following table.

2016		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2016**	**-25 bps**	**+25 bps**
Fair value di Interest rate swaps	(886)	316	232
	(886)	**316**	**232**
Effect on profit before tax		**316**	**232**
Net effect on profit (and Balance Sheet)		**229**	**168**

2015		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2015**	**-25 bps**	**+25 bps**
Fair value di Interest rate swaps	(2,044)	827	(660)
	(2,044)	**827**	**(660)**
Effect on profit before tax		**827**	**(660)**
Net effect on profit (and Balance Sheet)		**599**	**(479)**

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives at 31 December 2016 consisted of futures, swaps and options on oil products, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.

The Group therefore carried out a simulation of the impact of this variable on net profit and consequentially, on shareholders' equity, assuming a change of +/- 20% in oil prices.

The comparative results of the simulation are shown in the tables below.

2016			
		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2016**	**-20%**	**+20%**
Crude and oil products	(40,532)	85,413	(85,413)
	(40,532)	**85,413**	**(85,413)**
Effect on profit before tax		**85,413**	**(85,413)**
Net effect on profit (and Balance Sheet)		**61,925**	**(61,925)**

2015			
		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2015**	**-20%**	**+20%**
Crude and oil products	3,158	11,839	(11,839)
	3,158	**11,839**	**(11,839)**
Effect on profit before tax		**11,839**	**(11,839)**
Net effect on profit (and Balance Sheet)		**8,583**	**(8,583)**

The above analysis of the Group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the concentration risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.5 Average staff numbers

The average numbers of staff working at companies included in the perimeter of consolidation, divided by category, are shown below.

average staff numbers	2016	2015
Directors	55	56
Employees	1,183	1,241
Intermediates	69	2
Manual workers	607	629
Total	**1,914**	**1,928**

The number of employees at the Group decreased from 1,915 at the end of 2015 to 1,910 at 31 December 2016.

7.6 Remuneration of senior personnel with strategic responsibilities

In 2016, senior personnel with strategic responsibilities received remuneration totalling EUR 1,775 thousand. For further details, please see section 7.5.1 of the notes to the financial statements of Saras SpA.

For information on indemnities in the event of the early termination of employment of directors and succession plans for executive directors (pursuant to article 114, paragraph 5 of Legislative Decree 58 of 24 February 1998), see the annual report on corporate governance and the information on ownership structure pursuant to article 123-*bis* of Legislative Decree 58 of 24 February 1998.

7.7 Commitments

As at 31 December 2016 and 31 December 2015, no irrevocable, multi-year commitments had been made to purchase materials or services.

As part of its normal activities, the Parent Company Saras SpA has issued sureties totalling EUR 237,104 thousand at 31 December 2016, mainly in favour of subsidiaries, to such entities as Customs Agencies and Ministry of Defence.

7.8 Disclosure of external auditor's fees

Pursuant to article 149-*duodecies* of Consob's Issuers' Regulation, the table below provides details of the fees relating to 2014 paid to the external auditors for auditing and other services, and to companies affiliated to the external auditors for services.

Types of services	Service provider	Recipient	Consideration of competence of the 2016 financial year
Audit	EY SpA	Saras SpA	345
	EY SpA	Subsidiaries Italy	192
	EY SpA	Subsidiaries abroad	158
Total			**695**
Certification services	EY SpA	Saras SpA	3
	EY SpA	Subsidiaries Italy	9
	Network EY	Subsidiaries abroad	0
Total			**12**
Other services	EY SpA	Saras SpA	159
Total			**159**
TOTAL			**866**

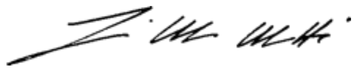
7.9 Others

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

8. Publication of the consolidated financial statements

At its meeting on 27 February 2017, the Saras Board of Directors authorised publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
Chairman
Gian Marco Moratti



REPORT ON OPERATIONS OF SARAS SPA

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REPORT ON OPERATIONS OF SARAS SPA

Saras SpA is the Parent Company and operates in the Italian and international oil markets buying and selling refined oil products. This has already been analysed in detail in the Report on Operations of the Saras Group, which can be consulted for further information, as well as for an accurate analysis of the market, regulatory framework, principal events in the year, significant subsequent events and the outlook for operations.

In the financial year 2016, Saras SpA had revenue of 5,977 million EUR, down by EUR 1,354 million from the previous financial year due to the trend in oil prices.

KEY PROFIT AND LOSS FIGURES

EUR million	2016	2015	Change
Revenues	5,977	7,331	(1,354)
EBITDA	361	(53)	414
EBIT	359	(75)	434
NET RESULT	162	248	(67)

EBITDA amounted to EUR 361 million, up compared to the previous year, even with lower refining margins in 2016, due to the effect of the lower cost for processing fees paid to the subsidiary Sarlux Srl: this lower cost is due to both lower quantities processed and to a lower fee unit related to the trend in refining margins.

The net profit for the period, amounted to EUR 162 million, is affected by that described above for operating results; moreover, in the financial year 2015 it was largely determined by the dividends received by the subsidiary Sarlux Srl, with amounted to EUR 300 million.

The investments made in fiscal year 2016 were equal to 3 million EUR, as compared to investments of 2 million EUR in fiscal year 2015.

As at 31 December 2016 Saras SpA had net debt of 116 million EUR, as compared to net debt of 103 million EUR recorded at the end of fiscal year 2015.

The following information is provided pursuant to article 2428 of the Italian Civil Code:

- Intangible assets do not include research and development costs;
- Transactions with subsidiaries, associates and companies controlled by the latter are shown in the Notes to the financial statements under 7.2 "Transactions with related parties";
- No purchases and sales of treasury shares were made during the fiscal year. Also, in the course of the financial year, the "Stock Grant Plan to the management of the Saras Group" for the period 2013-2015 (the "Stock Grant Plan 2013/2015" or the "Plan") has come to an end: on 29 February 2016, the Board of Directors verified the attainment of the performance objectives pursuant to Article 5 of the Plan and, at the next meeting on 14 March determined the number of shares to be provided to recipients of the Plan to be 4,255,920. As a consequence of the above, at 31 December 2016 Saras SpA held 14,989,854 treasury shares, equal to 1.576% of share capital.

For information about the use of financial instruments by the company, see the following section of this report, "Risk analysis".

The only secondary place of business of the Company is the General and Administrative Headquarters, located in Milan, at via dell'Unione 1.

Information about remuneration and shareholdings of directors and auditors, general managers and key managers is shown in the Notes to the financial statements under 7.5.

Finally, for the analysis of the main litigation underway please refer to the notes in section 7.1 "Main Litigation Underway", while reference is made to the relevant section of the Consolidated Financial Statements of the Saras Group for:

- Corporate Governance
- Structure of the Group;
- Atypical and/or unusual transactions;
- Performance indicators and non-financial indicators;
- Information about staff;
- Information about the environment.

RISK ANALYSIS

The main principles of the risk policy are based on the prevention of the main risks inherent in the objectives and are related to the strategic, operational and financial areas. Risk management in the company's individual policies and processes is based on the principle that operational and financial risk is managed by the process owner. The main risks are reported and discussed by top management in order to create a basis on which to hedge, secure and measure residual risk. In addition to the guidelines for risk management, there are also specific guidelines for financial risks, such as interest rate and credit risk.

Financial risks

The company's priorities include sustainable growth, productivity, profitability and quality of financial data. The financial structures therefore focus on ensuring that credit lines are implemented and used to maximum efficiency to develop the commercial business and reduce to a minimum the financial risks inherent in industrial management (adverse risk). The company operates internationally in the oil sector, and is therefore exposed to exchange rate risk, interest rate risk, credit risk and price risk.

Risk of changes in prices and financial flows

The results are influenced by changes in oil prices and the effects of such changes on refining margins (being the difference between the price of oil products generated in the refining process and the price of raw materials, principally crude oil). Furthermore, as part of its activities, the company is required to maintain adequate stocks of crude oil and finished products, and the value of the stocks is subject to fluctuations in market prices.

The risk of changes in prices and the corresponding cash flows is closely linked to the nature of the business and can only be partially mitigated by using appropriate risk management policies, including entering into processing contracts with third parties at partially pre-set prices. To hedge the risks arising from price variations, the company enters into derivative contracts in commodities, which involve the forward buying and selling of crude oil and products.

Exchange rate risk

The oil business is exposed to fluctuations in exchange rates as the reference prices for buying crude oil and, for the sale of some products, are quoted in or pegged to the US dollar. To reduce both its exchange rate risk in future transactions and the risk inherent in assets and liabilities denominated in a different currency to the functional currency of each entity, the company sets up derivative instruments which consist of buying and selling currencies (US dollars) forward. Transactions expressed in currencies other than US dollars are not significant and could only have a very low impact on the results for the year.

Interest rate risk

The risks relating to changes in cash flows linked to changes in interest rates arise from loans. Variable-rate loans are exposed to the risk that cash flows may change due to interest rates. Fixed-rate loans are exposed to the risk that the fair value of the funds received may change.

The main loan agreements outstanding have been entered into at variable market rates. The company's policy is to use derivative instruments to reduce the risk of changes in interest cash flows.

Credit risk

The market in which the company operates mainly consists of multinational companies operating in the oil sector. Transactions entered into are generally settled in very quickly and are often guaranteed by prime leading banks. Furthermore, loans are systematically and promptly monitored on a daily basis by the Finance department. This risk is minimal and does not constitute a significant variable in the business in which the company operates.

Liquidity risk

The Group funds its activities using both its own operating cash flows and external financing sources, and is therefore exposed to a liquidity risk relating to its ability to meet its contractual obligations under loan agreements it has entered into. However, given the Group's strong self-financing capacity, coupled with its good track record in meeting debt obligations, the liquidity risk is very low.

Other risks

Risk related to the procurement of crude oil

A significant part of the crude oil refined by the company comes from countries which are subject to higher political, social and economic risks than other countries. Legislative, political and economic changes and social upheaval could have a negative impact on trade relations between Saras and such countries, which would have a significant negative impact on the company's financial position and operating results.

Risks relating to stoppages in production at the refinery

A significant proportion of the company's activities depend on the refinery owned by the subsidiary Sarlux Srl, which is located in Sardinia and produces almost all the refined oil products sold. This business is subject to risks relating to stoppages due to unscheduled closures of the plants and to accidents. Saras believes that the refinery's capacity means that the negative effects of unscheduled closures are limited, and that the security plans that the subsidiary has implemented (and continues to implement) reduce the risks of accidents to a minimum. In addition, the Saras Group has significant insurance cover against such risks.

Protection of Personal Data

Pursuant to Legislative Decree 196 of 30 June 2003 on 'personal data protection', the company has adopted the minimum security measures stipulated in Appendix B thereto (article 34). The Security Policy Document (Appendix B, point 19) was updated on 31 March 2012.

DIRECTION AND COORDINATION

As at the date of this report, the company is controlled by Gian Marco Moratti SapA and Massimo Moratti SapA, respectively accounting for 25.01% each and 50.02% jointly of Saras SpA issued share capital, under the shareholders' agreement signed by the two companies on 1st October 2013.

Article 2497-sexies of the Italian Civil Code states that, '*It is presumed, unless proven otherwise, that the activity of direction and co-ordination is exercised by the company or body responsible for consolidating the accounts or by the company which exercises control pursuant to article 2359*'. The Board of Directors of Saras considers, however, that Gian Marco Moratti SapA and Massimo Moratti SapA have never exercised direction and co-ordination since, inter alia, Gian Marco Moratti SapA and Massimo Moratti SapA do not issue directives to their subsidiary and there is no significant organisational or functional connection between the companies. Consequently, Saras considers that it operates and has always operated in conditions of corporate and business autonomy in respect of its parent companies Gian Marco Moratti SapA and Massimo Moratti SapA. Relationships with the latter are, indeed, limited exclusively to the normal exercise of a shareholder's administrative and financial rights by Gian Marco Moratti SapA and Massimo Moratti SapA and to the receipt of information supplied by the Issuer pursuant to article 2381, paragraph 5 of the Italian Civil Code by bodies delegated by Gian Marco Moratti SapA and Massimo Moratti SapA.

PROPOSALS OF THE BOARD OF DIRECTORS

To the Shareholders,

Your company's separate financial statements to 31 December 2016 show a net profit of EUR 162,443,677. If you agree with the principles used to prepare the financial statements and the accounting standards and policies implemented therein, we propose that the following resolutions be passed:

The Shareholders' Meeting

- having examined the company's separate financial statements at 31 December 2016;

- having seen the statutory auditors' report to the shareholders' meeting pursuant to article 153 of Legislative Decree 58/98 (the Consolidated Law on Finance, TUF);

- having viewed the external auditor's report on the separate financial statements to 31 December 2016;

votes

a) to approve the separate financial statements of the company for the year ended 31 December 2016 in their entirety and in relation to individual items;

b) to pay a dividend of EUR 0.10 for each of the 936,010,146 ordinary shares in issue, for a total of EUR 93,601,014.60, taking them from profit;

c) to pay the dividend on 24 May 2017 (dividend coupon stripping: 22 May 2017).

For the Board of Directors
Chairman
Gian Marco Moratti

SARAS SPA SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION

Thousands of euros			31/12/2016	31/12/2015
ASSETS	(1)	(2)		
Current assets	**5.1**		**1,315,857**	**1,775,108**
Cash and cash equivalents	5.1.1	A	271,901	768,747
of which with related parties:			*2,340*	
Other financial assets	5.1.2	B	149,007	189,888
of which with related parties:			*48,023*	*16,500*
Trade receivables	5.1.3	C	382,230	238,545
of which with related parties:			*44,441*	*35,048*
Inventories	5.1.4	D	482,535	440,663
Current tax assets	5.1.5	E	12,241	20,367
Other assets	5.1.6	F	17,943	116,898
of which with related parties:			*4,048*	*116,027*
Non-current assets	**5.2**		**731,025**	**810,916**
Property, plant and equipment	5.2.1	H, I	4,344	3,916
Intangible fixed assets	5.2.2	.	2,402	1,672
Equity investments valued at cost	5.2.3.1	L	697,743	716,041
Other investments	5.2.3.2	L	495	495
Deferred tax assets	5.2.4	X	20,809	84,255
Other financial assets	5.2.5	M	5,232	4,537
of which with related parties:			*0*	*16,500*
Total assets			**2,046,882**	**2,586,024**
LIABILITIES AND EQUITY				
Current liabilities	**5.3**		**1,348,977**	**1,487,727**
Short-term financial liabilities	5.3.1	R	358,481	480,492
of which with related parties:			*181,035*	*279,054*
Trade and other payables	5.3.2	R	764,511	897,790
of which with related parties:			*73,438*	*81,742*
Tax liabilities	5.3.3	X	74,032	75,726
Other liabilities	5.3.4	R	151,953	33,719
Non-current liabilities	**5.4**		**205,869**	**610,396**
Long-term financial liabilities	5.4.1	R	183,438	585,849
Funds for risks and charges	5.4.2	P, Z	12,687	11,488
Provisions for employee benefits	5.4.3	Q	2,772	2,988
Other liabilities	5.4.4	R	6,972	10,071
of which with related parties:			*6,972*	*10,071*
Total liabilities			**1,554,846**	**2,098,123**
EQUITY	**5.5**	**N, O, W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			264,036	174,504
Net profit			162,444	247,841
Total equity			**492,036**	**487,901**
Total liabilities and equity			**2,046,882**	**2,586,024**

(1) Please refer to the Explanatory Notes, section 5 "Notes to the Statement of Financial Position"

(2) Please refer to the Explanatory Notes, section 3.1 "Summary of accounting standards and policies"

INCOME STATEMENT

Thousands of euros	(1)	(2)	01/01/2016 31/12/2016	of which non-recurring	01/01/2015 31/12/2015	of which non-recurring
				(3)		(3)
Revenues from ordinary operations	6.1.1	S	5,909,723		7,283,706	
of which with related parties:			*316,135*		*337,184*	
Other income	6.1.2	S	67,550		47,019	
of which with related parties:			*38,227*		*28,395*	
Total returns			**5,977,273**	***0***	**7,330,725**	***0***
Purchases of raw materials, replacement parts and consumables	6.2.1	T	(4,952,932)		(6,412,901)	
of which with related parties:			*(5,264)*		*(5,101)*	
Cost of services and sundry costs	6.2.2	T, Z	(631,078)		(934,333)	(7,546)
of which with related parties:			*(446,779)*		*(752,154)*	
Personnel costs	6.2.3	T, Q	(32,456)		(36,743)	
Depreciation and write-downs	6.2.4	H, J	(1,712)		(21,516)	(18,396)
Total costs			**(5,618,178)**	***0***	**(7,405,493)**	***(25,942)***
Operating result			**359,095**	***0***	**(74,768)**	***(25,942)***
Net income (charges) from equity investments	6.3	L, W	(18,298)		285,466	
of which with related parties:			*(18,298)*		*285,466*	
Financial income	6.4	U, Y	141,266		400,193	
of which with related parties:			*806*		*987*	
Financial charges	6.4	U, Y	(230,495)	*(5,934)*	(368,922)	
of which with related parties:			*(395)*		*(3,537)*	
Pre-tax profit			**251,568**	***(5,934)***	**241,969**	***(25,942)***
Income tax	6.5	X	(89,124)	*1,632*	5,872	*7,846*
Net profit			**162,444**	***(4,302)***	**247,841**	***(18,096)***

STATEMENT OF COMPREHENSIVE INCOME

		01/01/2016 31/12/2016	01/01/2015 31/12/2015
Net result (A)		**162,444**	**247,841**
Components of total profit that may subsequently be reclassified in the profit (loss) for the year			
Components of total profit that may not subsequently be reclassified in the profit (loss) for the year			
Actuarial effect IAS 19 on employee end-of-service payments	Q, T		7
Other profit/(loss), net of the fiscal effect (B)		**0**	**7**
Total net result (A + B)		**162,444**	**247,848**
Total consolidated result for the period attributable to:			
Shareholders of the parent company		162,444	247,848
Third-party minority interests		0	0

(1) Please refer to the Explanatory Notes, section 6 "Notes to the Comprehensive Income Statement"

(2) Please refer to the Explanatory Notes, section 3.1 "Summary of accounting standards and policies"

STATEMENT OF CHANGES IN EQUITY

Thousands of euros	Share capital	Legal reserve	Other Reserves	Profit (Loss) Financial year	Total net equity
Balance as at 31/12/2014	**54,630**	**10,926**	**501,840**	**(328,873)**	**238,523**
Period 1/1/2015 - 31/12/2015					
Allocation of profit previous year			(328,873)	328,873	0
Reserve for employees stock option plan			1,530		1,530
Actuarial effect IAS 19			7		7
Net profit				247,841	247,841
Comprehensive net profit (loss)			*7*	*247,841*	*247,848*
Balance as at 31/12/2015	**54,630**	**10,926**	**174,504**	**247,841**	**487,901**
Period 1/1/2016 - 31/12/2016					
Allocation of profit previous year			247,841	(247,841)	0
Distribution of dividends			(159,122)		(159,122)
Reserve for employees stock option plan			834		834
Actuarial effect IAS 19			(21)		(21)
Net profit				162,444	162,444
Comprehensive net profit (loss)			*(21)*	*162,444*	*162,423*
Balance as at 31/12/2016	**54,630**	**10,926**	**264,036**	**162,444**	**492,036**

CASH FLOW STATEMENT

Thousands of euros	(1)	(2)	01/01/2016 31/12/2016	01/01/2015 31/12/2015
A - Initial cash and cash equivalents	**5.1.1**	**A**	**768,747**	**511,265**
B - Cash flow from (for) activities in the year				
Net profit	5.5		162,444	247,841
Unrealised exchange rate differences on bank current accounts			(853)	3,562
Depreciation and write-downs of fixed assets	6.2.4	H, J	1,712	21,516
Contributions to income statement			0	0
Net (income) charges from equity investments	6.3	L	18,298	(285,466)
of which with related parties:			*18,298*	*(285,466)*
Net change provision for risks	5.4.2	P, Z	1,199	7,570
Net change in provision for employee benefits	5.4.3	Q	(216)	(5)
Net change in deferred tax liabilities and deferred tax assets	5.2.4	X	63,446	84,005
Net interest		U, Y	17,157	36,411
Income tax set aside	6.5	X	25,678	(89,877)
Change negotiable FV financial assets and financial liabilities			43,878	113,681
Other non-monetary components	5.5		813	1,537
Profit (loss) of operating activities before monetary and non-monetary changes in working capital			**333,556**	**140,775**
(Increase) Decrease in trade receivables	5.1.3	C	(143,685)	160,348
of which with related parties:			*(9,393)*	*20,269*
(Increase) Decrease in inventories	5.1.4	D	(41,872)	68,354
(Increase) Decrease in trade and other payables	5.3.2	R	(133,279)	(625,711)
of which with related parties:			*(113,030)*	*36,955*
Change other current assets	5.1.5 - 5.1.6	E, F	107,081	5,119
of which with related parties:			*(31,523)*	*55,485*
Change other current liabilities	5.3.3 - 5.3.4	X, R	125,324	(55,780)
Interest received		U, Y	1,388	7,558
of which with related parties:			*806*	*6,995*
Interest paid		U, Y	(18,545)	(37,714)
of which with related parties:			*(395)*	*(9,589)*
Income tax paid		E, X	(34,462)	0
Change other non-current liabilities	5.4.4	R	(3,099)	(3,099)
of which with related parties:			*0*	*(3,099)*
Other non-monetary components			0	0
Total (B)			**192,407**	**(340,150)**
C - Cash flow from (for) investment activities				
(Net investments) in tangible and intangible fixed assets	5.2.1 - 5.2.2	H, I	(2,870)	(1,875)
Dividends received from subsidiaries	6.3	V	0	300,000
of which with related parties:			*0*	*300,000*
Change investments	5.2.3.1	L	0	(2,923)
(Increase)/decrease in other financial assets	5.1.2 - 5.2.5	B, M	68,091	113,676
of which with related parties:			*0*	*0*
Total (C)			**65,221**	**408,878**
D - Cash flow from (for) financial activities				
Increase/(decrease) m/l-term financial payables	5.4.1	R	(402,411)	329,195
Increase/(decrease) short-term financial payables	5.3.1	R	(193,794)	(136,879)
of which with related parties:			*(113,030)*	*0*
(decrease) short-term financial payables for reimbursements for the period			0	0
Distribution of dividends and treasury share purchases			(159,122)	0
Total (D)			**(755,327)**	**192,316**
E - Cash flow for the period (B+C+D)			**(497,699)**	**261,044**
Cash lent to Sarlux Srl			0	0
Unrealised exchange rate differences on bank current accounts			853	(3,562)
F - Final cash and cash equivalents			**271,901**	**768,747**

(1) Please refer to the Explanatory Notes, section 5 "Notes on the Statement of Financial Position"

(2) Please refer to the Explanatory Notes, section 3.2 "Summary of accounting standards and policies"

For the Board of Directors - The Chairman Gian Marco Moratti

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31 DECEMBER 2016

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NOTES TO THE SEPARATE FINANCIAL TATEMENTS OF SARAS SPA AT 31 DECEMBER 2016

1. Introduction

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

Saras SpA operates in the Italian and international oil markets through the sale of refined products, in addition, it holds, directly and indirectly, subsidiaries engaged in turn:

- in the refining of crude oil in the plant owned by its Sarlux Srl subsidiary;
- the sale of oil products in the retail and wholesale markets in Spain (Saras Energia S.A);
- the generation and sale of electricity via an integrated gasification combined cycle plant (Sarlux Srl) and a wind farm (Parchi Eolici Ulassai Srl, through the subsidiary Sardeolica Srl);
- in research activities for environmental sectors (Sartec SpA) and reinsurance (Reasar SA).

These financial statements for the year ending 31 December 2016 are presented in euro, since this is the currency of the economy in which the company operates. They consist of a Statement of Financial Position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

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

The separate financial statements of the Group for the year ending 31 December 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and in accordance with the measures adopted in implementation of Art. 9 of Legislative Decree No. 38 of 28 February 2005. The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft financial statements of the Saras S.p.A company were approved by its Board of Directors and set out in the relevant EU regulations published on that date.

The financial statements have been prepared using the following criteria, in line with IAS 1, deemed suitable to provide a more complete picture of the financial position, operating results and cash flows:

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

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

These financial statements were prepared in accordance with the going concern principle, as the Directors determined that there are no financial or operating indicators, among others, signalling criticalities in the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relative to the business are described in the section dedicated to the Report on Operations. A description of the Company's financial risk management, including liquidity and capital risks, is provided in the section on additional information on financial instruments and risk management policy of these notes.

3. Accounting standards applied

3.1 The following accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2016:

The accounting standards, amendments and interpretations, applied by the Group for the first time as of 1 January 2016, are reported below.

Amendments to IAS 19 - ***Defined Benefit Plans: Employee Contributions***

IAS 19 requires an entity to consider contributions by employees or third parties in accounting for defined-benefit plans. When the contributions are associated with the past service rendered, they should be assigned to the service period as negative benefit. This amendment clarifies that, if the contribution amount is independent of the years of service, the entity is permitted to recognise this contribution as a reduction of the cost of service in the period in which the service is provided, instead of allocating it over the years of service. There are no effects due to the application of these amendments.

IFRS 14 - ***Regulatory Deferral Accounts***

IFRS 14 is an optional standard that allows an entity whose activities are subject to regulated rates to continue to apply, at the time of the first-time adoption of IFRS, the previous accounting standards adopted for the amounts relating to the rate regulation. The entities that adopt IFRS 14 must submit balances relating to the rate regulation on separate lines of the statement of financial position and submit the movements of these accounts in separate lines of the statement of profit/(loss) for the year and the other components of the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of the rate regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. This standard does not apply to the Company as they already use IFRS.

Annual improvements to the IFRS cycle 2010-2012

IASB has issued a series of amendments currently in force which relate in particular to the definition of vesting conditions in IFRS 2 – *Share-based payment*, the accounting of the contingent consideration in a business combination in IFRS 3 – *Business combinations*, the consolidation of operating sectors and the reconciliation of the total activity of the entity in IFRS 8 – *Operating segments*, the proportional redetermination of cumulative amortisation in IAS 16 – *Property, plant and equipment* and in IAS 38 - *Intangible fixed assets* and the identification and some disclosures relating to a key manager in IAS 24 – *Related party disclosures*.

There is no significant impact on the Balance Sheet or on the Company's disclosures due to the application of these amendments.

Amendments to IFRS 11 ***Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator that accounts for the acquisition of a stake in a joint control agreement, a joint control agreement whose activities represent a business, must apply the relevant standards of IFRS 3 on accounting for business combinations. The amendment also makes it clear that any previously held interest in the joint operation would not be remeasured if the joint operator acquires an additional interest while retaining joint control. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply both to the acquisition of the initial interest in a jointly controlled arrangement and to the acquisition of each additional interest in said jointly controlled arrangement e devono essere applicate prospetticamente per gli esercizi che inziano al 1 gennaio 2016 o successivamente è consentita l'applicazione anticipata. These amendments have no impact on the Company because there has been no acquisition of interests in jointly controlled activities in this period.

Amendments to IAS 16 and to IAS 38: ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify that the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments must be applied prospectively and have no impact on the Company.

Amendments to IAS 27: ***Equity Method in Separate Financial Statements***

The amendments will enable entities to use the equity method when accounting for investments in subsidiaries, joint ventures and associates in its own separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. These amendments have no impact on the Company's consolidated financial statements.

Annual improvements to the cycle 2012-2014

They include:

IFRS 5 ***Non-Current Assets Held for Sale and Discontinued Operations***

Assets (or disposal groups) are generally disposed of through the sale or distribution to owners. The amendment clarifies that the change from one of these disposal methods to the other should not be considered a new disposal plan but rather the continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5 This amendment must be applied on a prospective basis.

IFRS 7 *Financial Instruments: Disclosures*

(I) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can result in the continued involvement in a financial asset. An entity shall define the nature of the fee and the agreement based on the guidance contained in IFRS 7 on the matter of continuous involvement to assess whether information is required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment

(II) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 *Employee Benefits*

The amendment clarifies that the active market (market depth) of high-quality corporate bonds must be defined with respect to the currency in which the bond is denominated, rather than the country in which the bond is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied on a prospective basis.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the disclosures required in interim financial reports must be submitted or in the interim financial report or incorporated through the cross-reference between the interim financial report and the part of the interim financial report in which it is included (for example, the report on operations or the comment on risk report). The information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. This amendment has had no impact on the Company.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The requirement of materiality in IAS 1
- The fact that specific line items in the statement of profit/(loss) or other items of the comprehensive income statement or in the statement of financial position may disaggregated
- That entities are flexible with respect to the order in which they present the notes
- That the share of the other components of the statement of comprehensive income relating to associates and joint ventures accounted using the equity method must be presented in aggregate in a single row, and classified among those items that will not be subsequently reclassified to the income statement.

Furthermore, the amendments clarify the requirements that apply when subtotals are presented in statements of profit/(loss) or other items of the comprehensive income or in the statement of financial position. These amendments have no impact on the Group.

Amendments to IFRS 10, IFRS 12, and to IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in relation to the exception for investment entities under IFRS 10. The amendments to IFRS 10 clarify that the exemption at the submission of the consolidated financial statements shall apply to the parent entity which is the subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value.

In addition, the amendments to IFRS 10 clarify that only an investment entity subsidiary that is not an investment entity and provides support services to the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor to maintain, in application of the equity method, the fair value measurement applied by the associates or joint ventures of an investment entity in the measurement of its investments in subsidiaries. These amendments must be applied prospectively and have no impact on the Company as this does not apply the consolidation exemption.

3.2 Accounting standards issued but not yet in force

Standards and interpretations are illustrated which, at the Group's reporting date, had been issued but were not yet in force are illustrated below.

IFRS 9 *Financial instruments*

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

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 unique impairment model based on the acknowledgement of losses expected by an entity. This model is not applied to equity instruments and anticipates operative simplification for commercial credits;

3. hedge accounting based on a more flexible approach than that indicated in IAS 39.

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

The Group will adopt the new standard as of the date of its entry into force. During 2016 the Group carried out a preliminary analysis of the impact of all three aspects covered by IFRS 9. This preliminary analysis is based on information actually available and could be subject to amendment following more detailed analyses and further information becoming available to the Group in future.

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

- the identification of the contract with the customer;
- the identification of the contract's performance obligations;
- the determination of the price;
- the allocation of the price to the contract's performance obligations;
- the criteria for entry of revenues when the entity satisfies each performance obligation.

Sale contracts to the Group's existing customers require the exchange of goods (oil or electricity and possible services) with the clear identification of the contractual obligations and the relative considerations, determined in a fixed or uniquely determined measure. The detailed impact deriving from the future application of the principle are still in the process of being analysed. The most significant changes introduced, in a first analysis, do not appear to have any meaningful impact for the Company.

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

The amendments concern the conflict between 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 7 *Disclosure Initiative – Amendments to IAS 7*

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

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

These amendments clarify how to account for deferred 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. These amendments are not applicable to the Group.

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

IASB has issued amendments to IFRS 2 Shared-based 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. The Group is evaluating the effect of these amendment on its consolidated financial statements.

IFRS 16 *Leases*

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

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

L'IFRS 16 requires from lessees more detailed information compared to those required from IAS 17.

The standard will come into force for annual periods beginning on or after 1 January 2019. Advanced application is permitted, but not before the entity has adopted IFRS 15. A lessee can chose 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 introduction of the new IFRS is not expected to have significant impact as the Group does not have meaningful active leasing operations or leasing expenses. With reference to the case in point described in paragraph 3.4 v), detailed analyses are currently being carried out which will be completed during the financial year.

IFRIC 22 - *Transactions in Foreign Currency and Advances*
The objective of this interpretation is that of establishing the exchange rate to be used in the conversion 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 approved by the European Union.

Annual improvements to the IFRS cycle 2014-2016
IASB has issued a series of amendments to three current standards, which relate, in particular, the following aspects: a clarification regarding the scope of application for IFRS 12 - *Additional information relating to interests in other entities* - in the case of entities falling under the scope of application for IFRS 5 - *Non-current assets held for sale and discontinued operations*; valuation of linked companies or joint ventures at fair value in the presence of investment entities in IAS 28 - *Investments in associate companies*; abolition of short-term exemptions for enterprises adopting IFRSs for the first time in IFRS 1 - *First adoption of International Financial Reporting Standards*.

These standards, which are expected to come into force on 1 January 2017 (IFRS 12) and 1 January 2018 (IFRS 1 and IAS 28, have not yet been approved by the European Union. The amendments to IAS 28 and IFRS 1 are not applicable to the Group, while the amendments to IFRS 12 are applicable only in the presence of entities classified under the scope of IFRS 5.

3.3 Summary of accounting standards and policies

The financial statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main accounting policies used are described below.

A Cash and cash equivalents
Cash and cash equivalents mainly consist of cash on hand, demand deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; overdrafts in bank accounts are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value, and changes are reported in the income statement.

B Financial assets held for trading
Financial assets held for trading are reported at fair value, with any gains reported in the income statement under "Financial income" and "Financial charges". Financial assets held for trading consist entirely of derivative contracts, which are discussed in the relevant section below.

C Trade receivables
Trade receivables are measured at fair value on initial recognition. Subsequently, they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

Receivable assignments
Receivable assignments are accounted for in accordance with the method indicated by IAS 39 for the derecognition of financial assets. Consequently, all receivables assigned to the factoring company, when contractual provisions include clauses that involve maintaining significant exposure to the performance of cash flows arising from the receivables assigned, remain recorded in the financial statements.

D Inventories
Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the company expects to obtain from their disposal as part of its ordinary business activities. The cost of crude oil, materials and spare

parts is determined by the FIFO method. The cost of oil product inventories is calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are recognised at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised from the statement of financial position when the right to receive the related cash flows is transferred, together with all risks and benefits associated with ownership, as specified in paragraphs 15-23 of IAS 39.

Financial liabilities are derecognised when they are settled and when the company has transferred all the risks and charges relating to them.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in preparing the assets for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Maintenance and repair charges are charged directly to the income statement in the period in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated over their useful life; the residual value of components thus replaced is charged to the income statement.

The carrying amount of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the company for each of the various asset categories is as follows:

Buildings	18 years
Office furniture and machinery	4 - 8 years
Vehicles	4 years
Other assets	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

The useful life of tangible assets and their net carrying value are reviewed annually at the end of each year, and adjusted accordingly.

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one component differs significantly from that of the others, each component of the asset is depreciated separately in accordance with the component approach.

I Leased goods

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the company, are recognised as assets and recognised at their current value or, if lower, at the present value of the minimum lease payments due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

Leases under which the lessor substantially retains all the risks and benefits associated with ownership of the assets are treated as operating leases. The costs relating to operating leases are charged to the income statement on a straight-line basis over the term of the lease.

J Intangible fixed assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded, and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

Intangible assets are recorded, where required, with the approval of the board of statutory auditors.

[I] Patent rights, concessions, licences and software (intangible assets with an indefinite useful life)

Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying value of the assets is ascertained using the same method as that used for the item 'Property, plant and equipment'.

[II] Research and development expenses

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or otherwise relating to other scientific research or technological development are treated as current costs and charged to the income statement in the period in which they are incurred.

[III] Exploration for and evaluation of mineral resources

Expenditures incurred in the exploration and evaluation of mineral resources, specifically:

[A] Acquisition of exploration rights;

[B] Photographic, geological, geochemical and geophysical studies;

[C] Explorative drilling;

[D] Digging;

[E] Sampling;

[F] Activities related to the evaluation of technical and commercial viability of extracting a mineral resource

Are recorded under tangible or intangible assets according to their nature, as required by IFRS 6. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Impairment of assets

At each reporting date, tangible assets and intangible assets with a definite useful life and investments are analysed in order to identify any indicators of impairment, originating from internal or external sources. Where such indicators exist, the recoverable amount of these assets is estimated and any impairment loss duly charged to the income statement. The recoverable amount of an asset is the greater of its fair value less selling costs and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for a write-down no longer exist, the write-down is reversed in the income statement up to the net carrying amount that the asset in question would have had if it had not been written down and if it had been depreciated.

L Equity investments

Investments in subsidiaries, affiliates and joint ventures are recorded at purchase cost, and reduced for any losses according to the provisions of IAS 36.

The investments included under 'Other investments' are measured at fair value, with the impact of any changes in fair value recognised through profit or loss. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value. When the reasons that led to a write-down in previous periods no longer exist, the write-down of the investment is reversed through the income statement.

M Other financial assets

Receivables and financial assets held to maturity are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

The treatment of financial assets linked to derivative instruments is shown under point Y (Derivatives).

N Treasury shares

Treasury shares are recognised at cost and deducted from shareholders' equity.

O Shareholders' equity

[I] Share capital

Share capital consists of subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise sums set aside for a specific purpose; they include the unallocated portion of net profit from previous years.

[III] Share-based payments by the Parent Company to Group employees and management

The company grants additional benefits to employees and management via bonus share allocations. The cost of stock plans is booked, in accordance with IFRS 2 -*Share-based Payments* , to the income statement in equal instalments during the vesting period, with an offsetting entry under shareholders' equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Funds for risks and charges

Provisions for risks and future liabilities are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Those risks in respect of which a future liability is only "possible" are disclosed in the section on commitments and risks; no provision is made for these risks.

Q Provisions for employee benefits

The company provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1 January 2007, the regulations governing employee end-of-service payments were amended to include the option for employees to decide where these are held. Specifically, new end-of-service payments may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31 December 2006

  The end-of-service payments due to employees pursuant to article 2120 of the Italian Civil Code are treated in the same way as "defined benefit pension plans"; these plans are based on the working life of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is recorded on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. Measurement of defined benefit pension plans on the statement of financial position requires the amount of benefits accrued by employees to be estimated using actuarial techniques and then to be discounted in order to determine the present value of the company's obligations. The present value of the company's obligations is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of "accrued benefit methods", considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.

  The costs accrued for the year in respect of defined benefit plans are recorded on the income statement under personnel expenses and are equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accruing on the present value of the company's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

Following application of IAS 19 (revised), actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income.

- Allocations accrued since 1 January 2007

  The allocations in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the company. The corresponding liability is determined according to article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally calculated.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as financial and the difference is recorded in the income statement as financial income or charges.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with an offsetting entry in the income statement at each reporting date.

S Revenue recognition

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and expenses are booked on an accruals basis.

V Conversion of items expressed in a currency other than the euro

Transactions in foreign currency are converted into euros at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividends

[A] Dividends received

Dividends received from subsidiaries, joint ventures, affiliates and other holdings are recorded in the income statement when the right of shareholders to receive the payment has been established.

[B] Dividends paid out

The payment of dividends to company shareholders is recorded as a liability on the statement of financial position of the period in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception both of those relating to investments in subsidiaries, and when the timing of the reversal of such differences is controlled by the company and it is probable that the differences will not be reversed within a reasonably foreseeable timescale.

In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which it can be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to shareholders' equity, in which case the tax effect is taken directly to shareholders' equity. Current and deferred taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.

Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying deferred tax.

Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".

The Parent Company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the Parent Company and certain Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the Parent Company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivative instruments

All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of fixed-rate assets/liabilities), they are recorded at fair value in the income statement; with the effects of the changes taken to profit or loss; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged. When derivatives hedge the risk of changes in cash flows from the underlying items (cash flow hedges, e.g. hedging the variability of cash flows generated by assets/liabilities due to exchange rate fluctuations), the changes in the fair value of the derivatives are initially recognised under equity and subsequently taken to the income statement in the same period in which the economic effects of the hedged items are recorded in the income statement.

Derivatives (including those relating to commodities) that do not meet the requirements for hedge accounting set out in IAS 39 are booked at fair value in the income statement, with the change in the fair value of the instrument recorded under the heading 'Financial income' or 'Financial charges'.

To determine the fair value of financial instruments listed on active markets, the bid price of the security on the relevant reporting date is used. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables, and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

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

Z Segment information

An operating segment is a part of an entity:

a. that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);

b. whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and

c. for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area.

3.4 Use of estimates

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

3.5 Most significant accounting policies requiring a greater degree of subjectivity

A brief description is provided below of the most significant accounting policies requiring greater subjectivity by the directors in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[I] Depreciation of property, plant and equipment: depreciation of property, plant and equipment represents a sizeable cost. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The company periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable amount in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Recoverable amount of property, plant and equipment: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the regulatory framework. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

[III] Deferred taxes: deferred tax assets are recognised on the basis of expected future taxable earnings. The measurement of expected future taxable earnings for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[IV] Provisions for risks: in certain circumstances, determining whether there is a current obligation (either legal or constructive) is not always straightforward. The directors evaluate such circumstances on a case-by-case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation in question. Where the directors feel that a liability is only possible, the associated risks are disclosed in the note concerning commitments and risks, and no accrual is made.

4. Information by business segment and geographical area

4.1 Introduction

The company operates in the Italian and international oil markets as a seller of products derived from the refining process. It is therefore deemed that the company operates in just one segment.

4.2 Breakdown by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Net revenues from ordinary operations by geographical area:

	31/12/2016	31/12/2015	Change
Italy	1,871,426	3,152,396	(1,280,970)
Spain	441,550	253,576	187,974
Other EU countries	968,502	1,509,857	(541,355)
Outside of EU	2,586,610	2,367,877	218,733
USA	41,634	-	41,637
Total	**5,909,723**	**7,283,706**	**(1,373,983)**

The following table shows a breakdown of trade receivables by geographical area:

	31/12/2016	31/12/15	Change
Italy	174,146	182,506	(8,360)
Spain	23,220	10,574	12,646
Other EU countries	25,692	18,949	6,743
Outside of EU	164,289	31,478	132,811
USA	-	191	(191)
Write-down fund receivables from current customers	(5,117)	(5,153)	36
Total	**382,230**	**238,545**	**143,685**

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are illustrated below.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2016	31/12/2015	Change
Bank and postal deposits	271,856	768,694	(496,838)
Cash	45	53	(8)
Total	**271,901**	**768,747**	**(496,846)**

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

	31/12/2016	31/12/2015	Change
Current financial derivatives	27,905	68,387	(40,482)
Deposits to secure derivatives	74,321	18,765	55,556
Current group loans	46,781	102,736	(55,955)
Total	**149,007**	**189,888**	**(40,881)**

This item includes the positive fair values of derivatives in existence on the closing date of the financial year, guarantee deposits paid to the clearing house and from "Financial receivables from Group companies". These receivables from Group companies carry interest charged at market rates, and are due within the next twelve months. For further details on open positions in financial derivatives, see 5.3.1.

5.1.3 Trade receivables

Loans to customers amounted to EUR 382,230 thousand, with an increase equal to 143,685 thousand, due both to the dynamics of the prices of oil products and the large quantities sold at the end of the year. The item is presented net of a bad debt provision equal to EUR 5,117 thousand (EUR 5,153 thousand in the previous year).

The balance of receivables from group companies mainly refers to the receivables from the subsidiaries Saras Energia SA (EUR 19,199 thousand) for the supply of oil products, and from the subsidiary Sarlux Srl (EUR 20,140 thousand) for the supply of raw materials and services.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2016:

	31/12/2016	31/12/2015	Change
Raw materials, supplies and consumables	164,998	144,862	20,135
Unfinished and semi-finished products	59,071	59,057	14
Finished products and goods	258,466	236,744	21,722
Total	**482,535**	**440,663**	**41,871**

The positive change to the inventories value is mainly due to price dynamics, which rose in 2016.

No inventories are used as collateral for liabilities.

The item 'Finished products and goods held for resale' includes around 511 thousand tons of oil products (valued at around EUR 220 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree 22 of 31 January 2001 (in the previous year, these stocks amounted to 411 thousand tons valued at around EUR 108 million).

The Sarroch refinery held 121 thousand tonnes of crude oil and oil products belonging to third parties at 31 December 2016 for a value of approximately EUR 49 million.

5.1.5 Current tax assets

Current tax assets break down as follows:

	31/12/2016	31/12/2015	Change
IRES credits	7,372	12,730	(5,358)
IRAP credits	139	2,755	(2,616)
Other tax credits	4,730	4,882	(152)
Total	**12,241**	**20,367**	**(8,126)**

Receivables for IRES comprise the excess tax generated in the year from paying more in advance than the tax due in the context of the consolidated national tax scheme; the reduction of the item is due to the use of past surpluses instead of paying the balance for the previous year.

5.1.6 Other assets

The balance breaks down as follows:

	31/12/2016	31/12/2015	Change
Accrued income	56	56	0
Pre-paid expenses	7,750	6,171	1,579
Receivables from subsidiaries for taxes transferred	4,048	106,222	(102,174)
Other short-term loans	6,089	4,449	1,640
Total	**17,943**	**116,898**	**(98,955)**

The item includes the receivables from subsidiaries for taxes, which concern credit positions, transferred in virtue of the already cited tax consolidation agreements, as well as deferred charges, and various agreements.

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	31/12/2014	Increases	Decreases	Write-downs	Other changes	31/12/2015
Land and buildings	14,411	0	0	0	148	14,559
Ind. and comm. equipment	85	0	0	0	0	85
Other goods	22,886	0	0	0	64	22,950
Tangible fixed assets under construction	460	1,138	0	0	(212)	1,386
Total	**37,842**	**1,138**	**0**	**0**	**0**	**38,980**

Depreciation Fund	31/12/2014	Provisions	Use	Write-downs	Other changes	31/12/2015
Land and buildings fund	11,799	1,868	0	0	0	13,667
Ind. and comm. equipment fund	79	5	0	0	0	84
Other goods	20,171	1,142	0	0	0	21,313
Total	**32,049**	**3,015**	**0**	**0**	**0**	**35,064**

Net Value	31/12/2014	Increases	Decreases	Provisions	Write-downs	Other changes	31/12/2015
Land and buildings	2,612	0	0	(1,868)	0	148	892
Ind. and comm. equipment	6	0	0	(5)	0	0	1
Other goods	2,715	0	0	(1,142)	0	64	1,637
Tangible fixed assets under construction	460	1,138	0	0	0	(212)	1,386
Total	**5,793**	**1,138**	**0**	**(3,015)**	**0**	**0**	**3,916**

Historical Cost	31/12/2015	Increases	Decreases	Write-downs	Other changes	31/12/2016
Land and buildings	14,559	633	0	0	0	15,192
Ind. and comm. equipment	85	0	0	0		85
Other goods	22,950	0	0	0	309	23,259
Tangible fixed assets under construction	1,386	1,110	0	0	(309)	2,187
Total	**38,980**	**1,743**	**0**	**0**	**0**	**40,723**

Depreciation Fund	31/12/2015	Provisions	Use	Write-downs	Other changes	31/12/2016
Land and buildings fund	13,667	139	0	0	0	13,806
Ind. and comm. equipment fund	84	1	0	0	0	85
Other goods	21,313	1,175	0	0	0	22,488
Total	**35,064**	**1,315**	**0**	**0**	**0**	**36,379**

Net Value	31/12/2015	Increases	Decreases	Provisions	Write-downs	Other changes	31/12/2016
Land and buildings	892	633	0	(139)	0	0	1,386
Ind. and comm. equipment	1	0	0	(1)	0	0	0
Other goods	1,637	0	0	(1,175)	0	309	771
Tangible fixed assets under construction	1,386	1,110	0	0	0	(309)	2,187
Total	**3,916**	**1,743**	**0**	**(1,315)**	**0**	**0**	**4,344**

The item “Land and buildings” includes office buildings in Rome and improvements to the offices in Milan.

The item “Other assets” mainly includes furniture and electronic equipment.

The item “Work in progress and advances” reflects costs incurred for investments not yet brought into operation at 31 December 2016. The most significant annual depreciation rates used are shown below:

Industrial buildings (land and buildings)	5.50%
Supplies (equipment)	25%
Electronic office equipment (other assets)	20%
Office furniture and machinery (other assets)	12%
Vehicles (other assets)	25%

There are no property, plant and equipment held for sale.

5.2.2 Intangible fixed assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2014	Increases	Decreases	Write-downs	Other changes	31/12/2015
Industrial patent and original work rights	20,992	0	0	0	0	20,992
Intangible assets under construction	19,226	737	(18,396)	0	0	1,567
Total	**40,218**	**737**	**(18,396)**	**0**	**0**	**22,559**

Depreciation Fund	31/12/2014	Provisions	Use	Write-downs	Other changes	31/12/2015
Industrial patent and original work rights	20,782	106	0	0	0	20,887
Total	**20,782**	**106**	**0**	**0**	**0**	**20,887**

Net Value	31/12/2014	Increases	Decreases	Provisions	Write-downs	Other changes	31/12/2015
Industrial patent and original work rights	210	0	0	(105)	0	0	105
Intangible assets under construction	19,226	737	(18,396)	0	0	0	1,567
Total	**19,436**	**737**	**(18,396)**	**(105)**	**0**	**0**	**1,672**

Historical Cost	31/12/2015	Increases	Decreases	Write-downs	Other changes	31/12/16
Industrial patent and original work rights	20,992	878	0	0	0	21,870
Intangible assets under construction	1,567	353	(102)	0	0	1,818
Total	**22,559**	**1,231**	**(102)**	**0**	**0**	**23,688**

Depreciation Fund	31/12/2015	Provisions	Use	Write-downs	Other changes	31/12/2016
Industrial patent and original work rights	20,887	399	0	0	0	21,286
Total	**20,887**	**399**	**0**	**0**	**0**	**21,286**

Net Value	31/12/2015	Increases	Decreases	Provisions	Write-downs	Other changes	31/12/2016
Industrial patent and original work rights	105	878	0	(399)	0	0	584
Intangible assets under construction	1,567	353	(102)	0	0	0	1,818
Total	**1,672**	**1,231**	**(102)**	**(399)**	**0**	**0**	**2,402**

Amortisation of intangible assets totalled EUR 399 thousand, and was calculated using the annual rates shown below.

Industrial patent rights and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	5% - 33%
Other intangible assets	6% - 33%

The main items are set out in detail below.

Industrial patent and original work rights
The balance of this item relates mainly to the costs incurred to acquire software licences.

Fixed assets under construction and payments on account
The item includes investments underway to purchase software licences.

No intangible assets with a definite useful life are held for sale.

5.2.3 Equity investments

5.2.3.1 Equity investments valued at cost

The table below shows the list of equity investments held at 31 December 2016, with the main figures relating to each subsidiary on that date.

List of fixed financial assets

Name	Registered office	Currency	Share capital	Amount owned	Investment relationship	Assets net	Book value Saras SpA
Deposito di Arcola Srl	Arcola (SP)	Euro	1,000,000	100%	subsidiary	2,556,074	0
Parchi Eolici Ulassai Srl	Cagliari	Euro	500,000	100.00%	subsidiary	80,524,038	33,613,000
Sargas Srl	Uta (CA)	Euro	10,000	100%	subsidiary	473,756	510,000
Sarint SA	Luxembourg	Euro	50,705,314	99,9% (*)	subsidiary	15,647,041	6,918,584
Sarlux Srl	Sarroch (CA)	Euro	100,000,000	100%	subsidiary	1,052,871,071	638,395,086
Sartec-Saras Ricerche e Tecnologie SpA	Assemini (CA)	Euro	3,600,000	100%	subsidiary	12,692,028	17,382,989
Saras Trading SA (**)	Geneva Switzerland)	CHF	1,000,000	100%	subsidiary	1,412,689	923,446
							697,743,105

(*) The subsidiary Deposito di Arcola Srl owns the remaining 0.1% share of Sarint SA

(**) The first financial year of the company, incorporated in September 2015, closes on 31 December 2016.

A comparison with the figures for the previous year is shown below.

	Registered office	% owned	31/12/2016	31/12/2015
Deposito di Arcola Srl	Arcola (SP)	100%	0	1,400
Parchi Eolici Ulassai Srl	Cagliari	100%	33,613	33,613
Sargas Srl	Uta (CA)	100%	510	510
Sarint SA	Luxembourg	99.9%	6,919	23,817
Sarlux Srl	Sarroch (CA)	100%	638,395	638,395
Sartec-Saras Ricerche e Tecnologie SpA	Assemini (CA)	100%	17,383	17,383
Saras Trading SA	Geneva (Switzerland)	100%	923	923
Total			**697,743**	**716,041**

The changes in carrying amount are as follows:

	31/12/2015	Payments	Revaluations	Other changes	Loss Changes in value	31/12/2016
Deposito di Arcola Srl	1,400				(1,400)	0
Parchi Eolici Ulassai Srl	33,613					33,613
Sargas Srl	510					510
Sarint SA	23,817				(16,898)	6,919
Sarlux Srl	638,395					638,395
Sartec-Saras Ricerche e Tecnologie SpA	17,383					17,383
Saras Trading SA	923					923
Total	**716,041**	**0**	**0**	**0**	**(18,298)**	**697,743**

None of Saras SpA's direct or indirect subsidiaries is listed on a regulated market.

5.2.3.2 Other investments

This item includes the 5.95% stake in Sarda Factoring SpA of Euro 495 thousand.

5.2.4 Deferred tax assets

Deferred tax assets of EUR 20,809 thousand at 31 December 2016 and EUR 84,255 thousand at 31 December 2015 are shown net of deferred tax liabilities, and break down as follows:

	Balance at 31/12/2015	Provision	Uses	Other changes				Balance at 31/12/2016
				Reduction effect IRES outstanding balances initial (to C/E)	Change nominal rates on outstanding balances initial (to S/P)	Deductions realignment extra accounting	Other changes	
Deferred tax liabilities								
Less value deferred tax inventories	0	(1,464)	0					(1,464)
Unrealised exchange rate differences	(92)	0	92					0
Others	(230)	0	0	0				(230)
Total deferred taxes	**(322)**	**(1,464)**	**92**	**0**	**0**	**0**	**0**	**(1,694)**
Deferred tax assets								
Greater value final tax inventories	2,804		(2,804)					0
Fund for risks and charges	8,533	1,755	(5,133)					5,155
Employee benefits and bonuses	426	206	(321)					311
Unrealised exchange rate differences	2,630	1,420	(669)					3,381
Excess maintenance costs	343	159	(86)					416
Tax assets tax loss transferred to National Consolidated	65,646	0	(59,222)				2,602	9,026
Port taxes set aside	4,063							4,063
Others	132	0	(5)				24	151
Total pre-paid taxes	**84,577**	**3,540**	**(68,240)**	**0**	**0**	**0**	**2,626**	**22,503**
Net total	**84,255**	**2,076**	**(68,148)**	**0**	**0**	**0**	**2,626**	**20,809**

The most significant current changes were due to:

- recovery of part of the tax assets, (for a total of EUR 59,222 thousand), as a consequence of the set-off allowed between the tax losses from previous periods and the net profit for the year under the IRES national tax consolidation scheme;
- release of deferred tax assets, amounting to EUR 5,133 thousand, for use of taxed provisions.

The following table shows deferred tax assets/liabilities broken down into the current and non-current portions for 2016 and 2015:

	2016 Short Term	2016 Medium-long term	2015 Short Term	2015 Medium-long term
Deferred tax liabilities				
Less value final tax inventories	(1,464)			
Unrealised exchange rate differences	0		(92)	
Others	(230)		(230)	
Total deferred taxes	**(1,694)**		**(322)**	
Deferred tax assets				
Greater value final tax inventories	0	0	2,804	0
Risks and write-downs fund	5,155	0	2,369	6,164
Employee benefits and bonuses	206	105	322	104
Unrealised exchange rate differences	3,476	(95)	2,630	0
Excess maintenance costs	32	384	68	275
Tax assets tax loss transferred to National Consolidated	9,026	0	65,646	0
Port taxes set aside	4,063	0	4,063	0
Others	127	0	132	0
Total pre-paid taxes	**22,085**	**394**	**78,034**	**6,543**

5.2.5 Other financial assets

At 31 December 2016, the balance of this item was EUR 5,232 thousand (EUR 4,537 thousand the previous year) and relates mainly to medium-/long-term receivables.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

	31/12/2016	31/12/2015	Change
Financial loans from Group companies	161,065	349,391	(188,326)
Current bank loans	15,000	49,000	(34,000)
Bank current accounts	76,006	1,848	74,158
Financial derivatives	71,783	44,761	27,022
Other short-term financial liabilities	34,627	35,492	(865)
Total	**358,481**	**480,492**	**(122,011)**

The item "Loans from Group companies" includes the balances of loans with the Group's Companies: the decrease with respect to the previous year reflects the lower amount of borrowings, obtained essentially from the subsidiary Sarlux Srl.

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

The item "Derivative instruments" includes the negative fair value of the derivatives held at financial year-end.

	31/12/2016 Assets	31/12/2016 Liabilities	31/12/2015 Assets	31/12/2015 Liabilities	Change
Interest rate swaps	0	(886)	0	(1,511)	625
Fair value derivatives on commodities	27,901	(68,900)	46,150	(42,994)	(25,906)
Fair value forward purchases and sales on exchange rates	4	(1,997)	1,104	(257)	(1,740)
Total	**27,905**	**(71,783)**	**47,254**	**(44,762)**	**(27,021)**

The following tables show the notional values and corresponding fair values of the derivatives outstanding at 31 December 2016 and 31 December 2015:

Type of Operation	31/12/2016				31/12/2015			
	Notional value		Fair value		Notional value		Fair value	
	Purchases	Sales	Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Oil and crude products	(458,391)	736,642	27,901	(68,900)	(106,141)	134,065	46,150	(42,994)
exchange rates	(192,951)	11,247	4	(1,997)	(258,106)		1,104	(257)
interest rates	(320,000)			(886)	(236,014)			(1,511)
Total	**(971,342)**	**747,889**	**27,905**	**(71,783)**	**(600,261)**	**134,065**	**47,254**	**(44,762)**

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/12/2016	31/12/2015	Change
Customers advances account	0	28,003	(28,003)
Payables to current suppliers	694,279	791,429	(97,150)
Payables to group companies	70,232	78,358	(8,126)
Total	**764,511**	**897,790**	**(133,279)**

"Customer advances" refers to payments on account received from customers for the supply of oil products; there were no instances of this in the year.

The item "Trade payables to Group Companies" essentially includes payables to Sarlux Srl amounting to EUR 60,736 thousand.

The balance of "Payables to suppliers" decreased by EUR 97,150 thousand and mainly includes payables for supplies of crude, including that relating to purchases made from Iran in 2012. For this payable, following the complete removal of restrictions on international banking circuits, payment in tranches began in May which continued regularly over the financial year. The outstanding amount is expected to be repaid in the financial year 2017.

5.3.3 Current tax liabilities

This item breaks down as shown below:

	31/12/2016	31/12/2015	Change
Payables for VAT	7,012	9,712	(2,700)
IRES payables	0	1,072	(1,072)
Other tax payables	67,020	64,942	2,078
Total	**74,032**	**75,726**	**(1,694)**

The item "Other tax payables" mainly comprises payables for excise duties on products released for consumption amounting to EUR 55,814 thousand, as well as IRAP payables for the balance due for regional tax, because of the taxable amount matured for the year in question instead of the loss recorded for the previous year.

5.3.4 Other liabilities

A breakdown of other liabilities is shown below:

	31/12/2016	31/12/2015	Change
Payables employee benefit and social security institutions	2,697	2,860	(163)
Payables due to employees	5,984	8,252	(2,268)
Payables due to Subsidiaries for tax transfers	120,435	0	120,435
Payables due to others	22,069	22,236	(167)
Accrued liabilities	769	371	398
Total	**151,953**	**33,719**	**118,234**

The item "Due to personnel" includes salaries not yet paid for December, the portion of additional monthly payments accrued, and performance bonuses for the achievement of business targets.

The item "Sums payable to subsidiaries due to tax transfers" includes payables to subsidiaries for taxes transferred based on the tax consolidation agreements already mentioned. The balance is mainly due to taxes transferred by the subsidiary Sarlux Srl.

The item "Other payables" mainly relates to port duties as previously determined by the customs authority in respect to the Parent Company relative to the 2005-2007 period. The Company lost the appeal it filed with the Provincial Tax Commission and is now awaiting for a hearing to be scheduled before the Regional Tax Commission.

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

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

	31/12/2016	31/12/2015	Change
Bonds	0	174,007	(174,007)
Bank loans	183,438	411,842	(228,404)
Total	**183,438**	**585,849**	**(402,411)**

On 12 September 2016, the parent company Saras SpA proceeded with the early repayment of bonds issued on 17 July 2014. These bonds had matured on 17 July 2019, for a total par value of EUR 175 million.

Below is a summary of bank loans as at 31 December 2016.

On 26 October 2016, Saras SpA renegotiated the loan agreement originally taken out for EUR 150 million with a syndicate of leading national and international banks.

The main changes with respect to the original loan were the reduction of the fixed interest rate component, the amended depreciation schedule and the extension of the final maturity of the loan to 30 September 2021. Under IAS39 and IFRS9, the renegotiation of a financial liability must undergo an analysis aimed at assessing whether the changes introduced have substantially changed its characteristics and such as to make derecognition of the original liability necessary, with consequent recognition in the income statement of the residual amortised cost amount existing on the renegotiation date, and the inclusion of the new liability at its amortised cost. In the case in question, the analysis led to qualifying the new loan as a renegotiation of the original loan, with the possibility of continuing with its amortised cost.

On 28 October 2016, Saras SpA renegotiated with the loan contract originally taken out for the amount of EUR 265 million, original maturing in June 2020, converting it into a "Revolving Credit Facility" until 10 December 2020. The main changes with respect to the original loan were the conversion of the loan into a credit line opened for a maximum amount of EUR 255 million and a reduction of the rates applied. The amount used at 31 December 2016 was equal to zero. Also in this case, like the one mentioned in the previous paragraph, it was necessary to perform the analysis required under IAS 39 and IFRS9, which led to qualifying the renegotiation in question as taking out a new loan, and therefore, led to recognition in the income statement of the part of additional financial charges not yet amortised.

Infine, In the third quarter of 2016, the financing terms, originally taken out for the amount of EUR 50 million and with a maturity of three years were renegotiated by reducing the fixed interest rate component and by extending its maturity. Also in this case, like that mentioned in the previous paragraph, it was necessary to perform the analysis required under IAS 39 and IFRS9, which led to qualifying the new loan as a renegotiation of the original loan, with the possibility of continuing with its amortised cost.

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

Values expressed in millions of euro	Commencement renegotiation of the payable	Amount Original	Rate base	Residual at 31/12/2015	Residual at 31/12/2016	Maturities			Mortgage guarantees
						1 year	beyond a 1 fino to 5 years	beyond 5 years	
Saras SpA									
Pool financing	October 2016	150.0	Euribor 6m	148.4	148.7	15	133.7		
Pool financing	October 2016	50.0	Euribor 6m	49.7	49.7		49.7		
Pool financing	October 2016	265.0	Euribor 6m	262.7	-				
Total liabilities to banks for loans				**460.8**	**198.4**	**15.0**	**183.4**		

The loan of EUR 150 million and EUR 50 million, taken out by Saras SpA, are subject to the following covenants:

- in financial terms, the company will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5, 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.

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

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

5.4.2 Funds for risks and charges

Provisions for risks and future liabilities break down as follows:

	31/12/2015	Provision	Use	Other reasons	31/12/2016
Other funds for risks and charges	11,488	1,199	-		12,687
Total	**11,488**	**1,199**	**-**	**-**	**12,687**

The item "Other risk provisions" mainly relates to provisions made for potential tax and legal liabilities

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2016	31/12/2015	Change
Employee end-of-service payments	2,772	2,894	(122)
CPAS, the company's supplementary employee pension fund	-	94	(94)
Total	**2,772**	**2,988**	**(216)**

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.

The following table shows the changes in "Employee end-of service payments":

Balance as at 31/12/2014	**2,899**
Provision part for defined contributions	1,240
Interest	69
actuarial (income)/charges	(7)
Uses	(73)
Contributions to supplementary funds or INPS Treasury	(1,234)
Balance as at 31/12/2015	**2,894**
Provision part for defined contributions	1,405
Interest	172
actuarial (income)/charges	21
Uses	(228)
Contributions to supplementary funds or INPS Treasury	(1,492)
Balance as at 31/12/2016	**2,772**

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

Balance as at 31/12/2014	**6,466**
Provisions for the period	0
Uses in the period	(6,372)
Balance as at 31/12/2015	**94**
Provisions for the period	0
Uses in the period	(94)
Balance as at 31/12/2016	**0**

5.4.4 Other liabilities

Other liabilities break down as follows:

	31/12/2016	31/12/2015	Change
Other payables	6,972	10,071	(3,099)
Total	**6,972**	**10,071**	**(3,099)**

Advances from Group companies refer to the long-term portion of the payable to Sarlux Srl relating to the 'Feedstock Supply Agreement'. The change compared with the previous year is due both to reclassification of the portion for the following period from long-term to short-term and to the transfer to the subsidiary Sarlux Srl of the 'Key Facility Agreement'.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2016	31/12/2015	Change
Share capital	54,630	54,630	-
Legal reserve	10,926	10,926	-
Other reserves	264,036	174,504	89,532
Net profit (loss) for the year	162,444	247,841	(85,397)
Total	**492,036**	**487,901**	**4,135**

Share capital
At 31 December 2016, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

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

Other reserves
This item totalled EUR 264,036 thousand, a net increase of EUR 89,532 thousand compared with the previous period. The net decrease was the combined result of:

- An increase due to the allocation of the previous year's profit, of EUR 247,841 thousand;
- Decrease due to the allocation of dividends, as approved by the Shareholders' Meeting on 22 April 2016 for EUR 159,122 thousand;
- an increase of EUR 834 thousand relating to the establishment of a reserve for the bonus allocation of shares to management under the companies' stock grant plans;
- decrease, equivalent to EUR 21 million, due to the actuarial effects of IAS 19.

Net profit
The net profit for the year totalled EUR 162,444 thousand

Restrictions on the distribution of equity reserves
The table below breaks down equity reserves at 31 December 2016 into the available portion, the non-distributable portion and the distributable portion:

	Amount	Possibility of use	Amount available	Summary of use performed in the three previous years: for loss coverage	for other reasons
Share Capital	**54,629,667**				
Capital reserves:					
Share premium reserve	338,672,775	A - B - C	338,672,775		
Profit reserves:					
Revaluation reserve	64,037,748	A - B - C	64,037,748	(*)	
Legal reserve	10,925,934	B			
Profit (loss) carried forward	(604,859,562)		(604,859,562)		
Other reserves:					
Extraordinary reserve	377,047,929				
Own shares in portfolio	(46,482,569)				
Transition effect IFRS on undistributed profits	(72,484,295)				
	258,081,065	A - B - C	258,081,065	(*)	
Employee ownership reserve	812,507				
Non-distributable reserve pursuant to Art. 7, paragraph 6 of Legislative Decree. 38/05	19,658,569	A - B	19,658,569		
Merger surplus	85,068,436	A - B - C	85,068,436		
Other reserves	102,566,097	A - B - C	102,566,097		
TOTAL	**329,593,236**		**263,225,128**		
Amount not distributable			19,658,569	(**)	
Residual distributable share			243,566,559		

Legend: A - for capital increase/B - for covering losses/C - for distribution to shareholders
(*): of which subject to deferred taxation - (**) : includes EUR 19.7 million for "Non-distributable reserve pursuant to Art. 7, paragraph 6 of Legislative Decree. 38/05"

Dividends
On 22 April 2016, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31 December 2015, resolved to pay a dividend of EUR 0.17 for each of the 936,010,146 ordinary shares in issue, for a total of EUR 159,121,724.82, taking them from profit for fiscal year 2015.

The Board of Directors made a proposal to the shareholders' meeting called on 20 April 2017 to distribute a dividend of EUR 0.10 per share for the financial year ended 31 December 2016.

The average number of shares outstanding was 934,893,839 in 2016, compared to 925,603,300 in 2015.

At 31 December 2016, Saras SpA held 14,989,854 treasury shares in relation to the bonus allocation of shares to the management of group companies.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

Sales and services revenues were EUR 5,909,723 thousand compared with EUR 7,283,706 thousand the previous year, a decrease of EUR 1,373,983 thousand. The change was mainly due to the fall in oil product prices over the period, the quantity sold is largely unchanged.

Revenues from ordinary operations are broken down by geographical area in section 4 above.

6.1.2 Other income

The following table shows a breakdown of other income:

	31/12/2016	31/12/2015	Change
Compensation for storage of mandatory stocks	3,140	4,388	-1,248
Ship tanks hire	2,821	1,267	1,554
Recovery for claims and compensation	980	1,295	-315
Other revenue	60,609	40,069	20,540
Total	**67,550**	**47,019**	**20,531**

The item "Other income" essentially comprises charges to Sarlux Srl for services provided under contracts that expire in 2020.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/12/2016	31/12/2015	Change
Purchase of raw materials	3,853,967	5,531,641	(1,677,674)
Purchase semi-finished products	267,702	288,963	(21,261)
Purchase supplies and consumables	383	1,124	(741)
Purchase finished products	872,752	522,820	349,932
Change in inventories	(41,872)	68,353	(110,225)
Total	**4,952,932**	**6,412,901**	**(1,459,969)**

Costs for the purchase of raw materials, replacement parts and consumables fell EUR 1,459,969 thousand from the previous year, mainly due to the above-mentioned trend in prices.

6.2.2 Cost of services and sundry costs

	31/12/2016	31/12/2015	Change
Costs for services	617,661	913,767	(296,106)
Costs for use of third-party goods	3,648	4,642	(994)
Provision for risks	1,214	9,114	(7,900)
Trade receivables write-downs	0	1,300	(1,300)
Other operating charges	8,555	5,510	3,045
Total	**631,078**	**934,333**	**(303,255)**

Service costs mainly comprise the processing costs paid to the subsidiary Sarlux Srl. The change compared to the previous year is due to both the smaller amount of work and the lower unit fee, which is indexed to refining margins which were on average lower than those recorded in 2015.

The item "Provisions for risks" includes provisions allocated for future risks and charges.

The item "Other operating charges" mainly comprises membership fees, non-income taxes and windfall losses.

6.2.3 Personnel costs

"Personnel costs" break down as follows:

	31/12/2016	31/12/2015	Change
Salaries and wages	20,989	24,745	(3,756)
Social security charges	5,864	5,822	42
Employee end-of-service payments	1,405	1,313	92
Other costs	572	1,231	(659)
Remuneration to the Board of Directors	3,626	3,632	(6)
Total	**32,456**	**36,743**	**(4,287)**

Personnel costs fell by EUR 4,287 thousand, mainly due to a lower average workforce recorded in the year with respect to the previous one.

It should be noted that the item also includes the valuation of the amount for the financial year relating to the stock grant plans.

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

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

In the third quarter of 2016, the new 'Plan to grant free company shares to the Saras Group management' (the "Stock Grant Plan 2016/2018" or the "Plan") was launched, by assigning the maximum number of shares for the recipients of the Plan. The cost for the year, relating to the plan, amounted to EUR 616 thousand.

6.2.4 Depreciation and write-downs

Depreciation and amortisation figures are shown below:

	31/12/2016	31/12/2015	Change
Depreciation of intangible fixed assets	399	106	293
Write-down and recovery value intangible fixed assets	0	18,396	(18,396)
Depreciation of tangible fixed assets	1,313	3,014	(1,701)
Total	**1,712**	**21,516**	**293**

In the previous year, the item included the writing down of some intangible fixed assets under construction.

6.3 Net income (charges) from equity investments

The investment write-downs relate to the adjustment of the value of the investments on the date ending the financial year.

In 2015, the shareholders' meeting of the subsidiary Sarlux Srl voted to allocate dividends amounting to EUR 300 million.

6.4 Financial income and charges

A breakdown of financial income and charges is shown below:

	31/12/2016	31/12/2015	Change
Financial income:			
Interest from subsidiaries	776	6,995	(6,219)
Bank interest income	612	563	49
FV. fin. derivatives at closing date	19,275	47,315	(28,040)
Positive differentials on fin. derivatives	68,404	252,404	(184,000)
Other income	807	283	524
Profit on exchange rates	51,392	92,633	(41,241)
Total	**141,266**	**400,193**	**(258,927)**

Financial charges:			
Interest from subsidiaries	(451)	(9,589)	9,138
FV financ. deriv. at the closing date	(56,359)	(43,250)	(13,109)
Negative differentials on fin. derivatives	(75,650)	(125,101)	49,451
Interest expenses on loans	(10,988)	(15,098)	4,110
Interest expenses on bonds	(7,106)	(13,027)	5,921
Other (interest on mortgages, interest on arrears, etc.)	(16,754)	(7,354)	(9,400)
Exchange rate losses	(63,187)	(155,503)	92,316
Total	**(230,495)**	**(368,922)**	**138,427**

The summary table below provides an analysis of the main changes during the year:

	31/12/2016	31/12/2015	Change
Net interest	(27,977)	(37,510)	9,533
Result of derivative instruments, of which:	(44,330)	131,368	(175,698)
Realised	*(7,246)*	*127,303*	*(134,549)*
Fair value of open positions	*(37,084)*	*4,065*	*(41,149)*
Net exchange rate differences	(11,795)	(62,870)	51,075
Others	(5,127)	283	(5,410)
Total	**(89,229)**	**31,271**	**(120,500)**

As shown, the main changes relate to the net results of financial derivative instruments, partially offset by exchange rate differences. In this regard, please note that the derivative financial instruments being considered relate to hedging transactions for which "hedge accounting" has not been adopted.

6.5 Income tax

Income tax can be shown as follows:

	31/12/2016	31/12/2015	Change
Current taxes	80,957	0	80,957
Net deferred (prepaid) taxes	8,167	(5,872)	14,039
Total	**89,124**	**(5,872)**	**94,996**

Current taxes comprise IRES (EUR 68,803 thousand) and IRAP (EUR 12,154 thousand) for the year.

The deferred tax assets/liabilities refer to the variations, occurred during the year, in the temporary differences between the book bases and the tax bases of assets and liabilities; the most significant change is attributable the release of the deferred tax assets, amounting to EUR 5,133 thousand, in consideration of the use of taxed provision funds.

Temporary differences in Income Statement:	TAXES 2016			TAXES 2015		
(Data in thousands of euros)	Taxes	Pre-paid taxes	Effect rates changes on outstanding previous balances	Taxes (deferred)	Pre-paid taxes previous balances	Effect rates changes on outstanding previous balances
Fund for risks and charges			0		7,127	(150)
Different value final tax inventories			0	(15,898)		244
Excess maintenance costs		73	0		126	(18)
Employee benefits and bonuses					64	
Unrealised exchange rate differences		843		(4,572)		
Tax assets tax loss compensated in Nat. Tax Cons.			(1,316)			
Other temporary differences			0		17	(117)
TOTALS		**916**	**(1,316)**	**(20,470)**	**7,334**	**(41)**

Differences between the theoretical and effective IRES and IRAP tax rates for the two periods under review are shown below (figures in EUR million):

IRES	2016	2015
PRE-TAX PROFIT [A]	251.6	242.0
THEORETICAL IRES TAX [A*27.5%] [B]	69.2	66.6
THEORETICAL TAX RATE [B/A*100] %	27.5%	27.5%
EFFECTIVE INCOME TAX [C]	75.7	(5.9)
EFFECTIVE TAX RATE [C/A*100] %	30.1%	-2.4%

	TAX 2016	TAX RATE 2016	TAX 2015	TAX RATE 2015
Theoretical tax	**69.2**	**27.50%**	**66.6**	**27.50%**
Valuations investments and receivables from holdings	5.0	1.99%	4.4	1.82%
Dividends from subsidiaries	0.0	0.00%	(78.4)	-32.39%
Effect rebate art. 1 D.L. 201/2011 (A.C.E.)	(1.7)	-0.63%	0.0	0.00%
Taxes previous years	(0.3)	-0.10%	0.2	0.08%
Other permanent differences	3.5	1.28%	1.4	0.57%
Effective tax	**75.7**	**30.09%**	**(5.9)**	**-2.42%**

IRAP	2016	2015
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	359.1	(74.8)
DIFFERENCE BETWEEN ADJUSTED PRODUCTION VALUE AND COSTS (A)	359.1	(74.8)
THEORETICAL IRAP TAX [2.93%] [B]	10.5	(2.2)
THEORETICAL TAX RATE [B/A*100] %	2.93%	2.93%
EFFECTIVE INCOME TAX [C]	13.4	0.0
EFFECTIVE TAX RATE [C/A*100] %	3.7%	0.0%

	TAX 2016	TAX RATE 2016	TAX 2015	TAX RATE 2015
Theoretical tax	**10.5**	**2.93%**	**(2.2)**	**2.93%**
Effects IRAP on IFRS reclassifications	0.2	0.07%	0.0	0.00%
Effect "tax wedge" refund on IRAP	0.0	0.00%	0.0	0.00%
Effect different regional rates on production value	2.2	0.62%		
Non-recognisability Tax Asset for IRAP	0.0	0.00%	2.2	-2.93%
Other permanent differences	0.5	0.13%	0.0	0.00%
Effective tax	**13.4**	**3.7%**	**0.0**	**0.0%**

7. Other information

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

7.1 Main legal actions pending

The company was subject to tax inspections and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.

Although the decisions made by the tax courts were not consistent with the alleged violations, the company assumes that probability of any liability is remote; where instead the liability was deemed probable, appropriate funds were allocated to provisions for risks.

7.2 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. For information on guarantees given to and received from related parties, see section “7.6 Commitments” below.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2016		Absolute value (Euro/000) and % on balance sheet 31/12/2015	
Related parties, reffering to Shareholders of Saras Group s				
Current financial assets	48,023	32.23%	16,500	363.68%
Trade receivables	44,441	11.63%	35,048	14.69%
Other current assets	4,048	22.56%	116,027	1086.80%
Short-term financial liabilities	161,035	0.00%	0	0.00%
Trade and other payables	73,438	50.50%	274,065	57.04%
Other non-current liabilities	6,972	9.61%	76,390	8.51%
Revenues from ordinary operations	316,135	5.35%	337,184	4.63%
Other operating revenues	38,227	56.59%	28,395	60.39%
Purchases of raw materials, replacement parts and consumables	5,264	0.11%	5,101	0.08%
Cost of services and sundry costs	446,637	70.80%	752,154	80.50%
Net income (charges) from equity investments	(18,298)	100.00%	298,000	100.00%
Financial income	806	0.57%	987	0.25%
Financial charges	395	0.17%	3,537	0.96%
Other related parties				
Liquid assets	2,340	0.86%		
Short-term financial liabilities	(20,000)	5.58%		
Cost of services and sundry costs	(142)	0.02%		

Transactions with other related parties mainly refers to financial transactions with UBI Banca Group, which became a related party during the first half of the fiscal year: such transactions where in place before the party became related to Saras Group.

During 2016, no transactions were carried out with the shareholder Rosneft JV Projects SA or with its related parties.

With regard to the above-mentioned transactions, the agreements governing sales of oil and oil products reflect market conditions; where a market price is not available the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses passed on in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

Related parties include both the directors and auditors, whose remuneration is stated in 7.5.1 “Remuneration paid to directors and auditors, officers and key management personnel”.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

	Absolute value (Euro/000) and % on balance sheet 31/12/2016			Absolute value (Euro/000) and % on balance sheet 31/12/2015		
	Correlated parts	Total	Incidence %	Correlated parts	Total	Incidence %
Liquid assets	2,340	271,901	0.86%			
Current financial assets	48,023	149,007	32.23%	16,500	4,537	363.68%
Trade receivables	44,441	382,231	11.63%	35,048	238,545	14.69%
Other current assets	4,048	17,943	22.56%	116,027	10,676	1086.80%
Short-term financial liabilities	181,035	358,482	50.50%	274,065	480,492	57.04%
Trade and other payables	73,438	764,511	9.61%	76,390	897,790	8.51%
Other non-current liabilities	6,972	6,972	100.00%	10,071	10,071	100.00%
Revenues from ordinary operations	316,135	5,909,723	5.35%	337,184	7,283,706	4.63%
Other operating revenues	38,227	67,550	56.59%	28,395	47,019	60.39%
Purchases of raw materials, replacement parts and consumables	5,264	4,952,932	0.11%	5,101	6,412,901	0.08%
Cost of services and sundry costs	446,779	631,077	70.80%	752,154	934,333	80.50%
Net income (charges) from equity investments	(18,298)	(18,298)	100.00%	298,000	298,000	100.00%
Financial income	806	141,266	0.57%	987	400,193	0.25%
Financial charges	395	230,495	0.17%	3,537	368,922	0.96%

The main cash flows with related parties are shown in the table below.

	2016	2015
Net income (charges) from equity investments	(18,298)	(2,000)
Dividends from subsidiaries	0	300,000
(Increase) Decrease in trade receivables	(9,393)	20,269
(Increase) Decrease in trade payables	(2,952)	36,955
Variazioni Other activities	(31,523)	55,485
Variazioni other non-current liabilities	(3,099)	(3,099)
Interest received	806	930
Interest paid	(395)	(3,537)
Cash flow from (for) activities in the year	**(64,854)**	**405,003**
Cashed dividends	0	300,000
Cash flow from (for) investment activities	**0**	**300,000**
(Increase)/Decrease financial payables	(113,030)	200,778
Cash flow from (for) financial activities	**(113,030)**	**200,778**
Total cash flows towards related parties	**(177,884)**	**905,781**

The effects of cash flows with related parties are shown in the table below.

	Absolute value (Euro/000) and % on balance sheet 31/12/2016			Absolute value (Euro/000) and % on balance sheet 31/12/2015		
	Correlated parts	Total	Incidence %	Correlated parts	Total	Incidence %
Cash flow from (for) activities in the year	(64,854)	192,407	-90.92%	405,003	25,851	1566.68%
Cash flow from (for) investment activities	0	65,221	0.00%	300,000	(57,772)	not stated
Cash flow from (for) financial activities	(113,030)	(755,699)	14.96%	200,778	124,828	160.84%

7.3 Information pursuant to International Financial Reporting Standards 7 and 13 – Financial instruments: disclosures

The information on financial instruments to be disclosed in financial statements and interim reports, to the extent that it is applicable to Saras SpA., is mainly defined in IFRS 7 and 13.

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

a) the value of financial instruments reported in the financial statements;

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

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

Fair value hierarchy

Sub-paragraphs a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this end, IFRS 13 defines a precise three-tier fair value hierarchy.

The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the various levels of reliability of fair value, depending on whether it is based on:

(a) unadjusted quotations taken from an active market – as defined by IAS 39 – for the assets and liabilities being measured (level 1);

(b) measurement techniques based on factors other than the quoted prices referred to above, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);

(c) measurement techniques that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the company at 31 December 2016:

Financial derivatives	31/12/2016 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2016 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps	0		0		(1,353)		(1,353)	
Derivatives on commodities	27,901	27,901			(68,433)	(68,433)		
Exchange rate losses	4		4		(1,997)		(1,997)	
Total	**27,905**	**27,901**	**4**	**0**	**(71,783)**	**(68,433)**	**(3,350)**	**0**

The criterion used by the company specifies that financial assets and liabilities measured at fair value should be transferred from one level of the hierarchy to another on the date that the circumstances that cause the transfer become evident.

Pursuant to sub-paragraph c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the period.

Measurement techniques

As can be seen from the table in the section above, financial instruments measured at fair value largely consisted of derivatives entered into to mitigate exchange and interest rate risks and the risks of fluctuating crude oil and oil product prices.

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

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;

- for commodity-based derivatives, based on account statements on open positions that are periodically received from the clearing broker through which the instruments are purchased.

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

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

Saras SpA has no level 3 financial assets or liabilities measured at fair pursuant to IFRS 13. With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying amount is close to their fair value.

The criteria contained in the standard supplement those set out for the recognition, measurement and disclosure in the financial statements of the financial assets and liabilities listed in IAS 32 *(Financial Instruments: Disclosure and Presentation)* and in IAS 39 *(Financial Instruments: Recognition and Measurement)*.

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, affiliates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

7.3.1 Information on the Statement of Financial Position

Paragraphs 8-19 of the standard require the company to disclose the carrying value of all financial instruments belonging to the categories set out in IAS 39, as well as detailed information where the company has opted to recognise financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets, or where financial assets have been derecognised. Statement of financial position for Saras SpA at 31 December 2016 and 31 December 2015 are shown below, with details of the company's financial instruments.

31/12/2016	Accounting value of financial derivatives categories, defined according to IAS 39							
	Financial derivatives at fair value in the income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Others	Residual at 31/12/2016
	Designated at Fair value	Owned for negotiation						
ASSETS								
Current financial assets	**0**	**19,933**	**0**	**793,340**	**0**	**0**	**502,583**	**1,315,857**
Cash and cash equivalents				271,901				271,901
Other financial assets		19,933		129,074				149,007
Derivative instruments (FV, realised e depositi a garanzia)		*19,933*		*81,693*				
Loans to third parties				*600*				
Payables to group companies				*46,781*				
Trade receivables				382,230				382,230
Payable to clients				*340,036*				
Trade receivables verso company del Gruppo				*42,193*				
Inventories							482,535	482,535
Current tax assets							12,241	12,241
Other assets				10,136			7,806	17,943
Other tax credits				*10,136*			*7,806*	
Non-current assets	**0**	**0**	**0**	**5,232**	**495**	**0**	**725,299**	**731,025**
Property, plant and equipment							4,344	4,344
Intangible fixed assets							2,402	2,402
Equity investments al costo							697,743	697,743
Other investments					495			495
Deferred tax assets							20,809	20,809
Other financial assets				5,232				5,232
Loans to subsidiaries				*0*				
Other tax credits				*5,232*				
Total active financial instruments	**0**	**19,933**	**0**	**798,573**	**495**	**0**	**1,227,881**	**2,046,882**
LIABILITIES								
Current liabilities	**0**	**71,783**	**0**	**0**	**0**	**1,203,163**	**74,032**	**1,348,977**
Short-term financial liabilities		71,783				286,698		358,481
Bonds loans								
Bank loans						*15,000*		
C/a advances								
Financial debts to Group companies						*161,065*		
Derivative instruments		*71,783*						
Other payables finanziari						*110,633*		
Trade and other payables						764,511		764,511
Current tax liabilities							74,032	74,032
Other liabilities						151,953		151,953
Other payables						*151,953*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**190,410**	**15,459**	**205,869**
Long-term financial liabilities						183,438		183,438
Bank loans						*183,438*		
Bonds loans						*0*		
Risk funds							12,687	12,687
Provisions for employee benefits							2,772	2,772
Other liabilities						6,972		6,972
Total passive financial instruments	**0**	**71,783**	**0**	**0**	**0**	**1,393,573**	**89,491**	**1,554,846**

31/12/2015	Accounting value of financial derivatives categories, defined according to IAS 39							
	Financial derivatives at fair value in the income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Others	Residual at 31/12/2015
	Designated at Fair value	Owned for negotiation						
ASSETS								
Current financial assets	0	47,254	0	1,260,597	0	0	467,257	1,775,108
Cash and cash equivalents				768,747				768,747
Other financial assets		47,254		142,634				189,888
Derivative instruments (FV, realised e depositi a garanzia)		*47,254*		*17,450*				
Loans to third parties				*1,303*				
Payables to group companies				*123,881*				
Trade receivables				238,545				238,545
Payable to clients				*202,647*				
Trade receivables verso company del Gruppo				*35,898*				
Inventories							440,663	440,663
Current tax assets							20,367	20,367
Other assets				110,671			6,227	116,898
Other tax credits				*110,671*			*6,227*	
Non-current assets	0	0	0	4,537	495	0	805,884	810,916
Property, plant and equipment							3,916	3,916
Intangible fixed assets							1,672	1,672
Equity investments al costo							716,041	716,041
Other investments					495			495
Deferred tax assets							84,255	84,255
Other financial assets				4,537				4,537
Loans to subsidiaries				*0*				
Other tax credits				*4,537*				
Total active financial instruments	0	47,254	0	1,265,134	495	0	1,273,141	2,586,024
LIABILITIES								
Current liabilities	0	44,761	0	0	0	1,367,240	75,726	1,487,727
Short-term financial liabilities		44,761				435,731		480,492
Bonds loans						*0*		
Bank loans						*49,000*		
C/a advances						*1,848*		
Financial debts to Group companies						*349,391*		
Derivative instruments		*44,761*						
Other payables finanziari						*35,492*		
Trade and other payables						897,790		897,790
Current tax liabilities							75,726	75,726
Other liabilities						33,719		33,719
Other payables						*33,719*		
Non-current liabilities	0	0	0	0	0	595,920	14,476	610,396
Long-term financial liabilities						585,849		585,849
Bank loans						*411,842*		
Bonds loans						*174,007*		
Risk funds							11,488	11,488
Provisions for employee benefits							2,988	2,988
Other liabilities						10,071		10,071
Total passive financial instruments	0	44,761	0	0	0	1,963,160	90,202	2,098,123

Financial instruments recorded at fair value in the income statement comprise derivatives held by the company, as described in paragraph 5.3.1 above. The derivatives contracts on commodities, interest rates and exchange rates were entered into to mitigate the risks inherent in the business in which it operates, arising from changes in the price of crude and oil products (futures, options and swaps), to hedge interest rate risk on loans taken out and to hedge exchange rate risk relating to its currency positions.

All trade receivables and most other current and non-current receivables are classed as "Loans" since they consist of non-derivative financial assets with fixed or determinable payments that are not quoted on any active market. The carrying amount is close to fair value.

Other financial liabilities recognised at amortised cost include all the company's financial liabilities and trade payables arising from the company's contractual obligations to deliver cash or other financial assets to another entity.

During the year, no financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a “without recourse” basis. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.3.2 Income Statement Information complessivo

Paragraph 20 of the standard in question requires companies to state the amount of net gains or losses generated by financial assets and liabilities, broken down according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overburdening the financial statements with information, the company has opted for the second alternative, as recommended in the appendix to the accounting standard. The following tables therefore show details of income statement items for the current year and the previous year.

31/12/2016	Net profits and losses, active and passive interests, fees and expenses generated from:								
	Financial derivatives at fair value in the income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Total da instruments financial	Others	Residual at 31/12/2016
	Designated at Fair value	Owned for negotiation							
Revenues from ordinary operations								5,909,723	5,909,723
Other income								67,550	67,550
Total returns							**0**	**5,977,273**	**5,977,273**
Purchases of raw materials, replacement parts and consumables								(4,952,932)	(4,952,932)
Cost of services and sundry costs								(631,078)	(631,078)
Personnel costs								(32,456)	(32,456)
Write downs								(1,712)	(1,712)
Total costs							**0**	**(5,618,178)**	**(5,618,178)**
Operating result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**359,095**	**359,095**
Net income (charges) from equity investments								(18,298)	(18,298)
Other income (financial charges netti							(89,229)		(89,229)
from titles held for the purpose of									
trading									
- of which:									
Realised differentials									
Change di FV									
da interest su c/c				*612*			*612*		
from loans made to Group companies				*776*			*776*		
da derivative instruments		*(44,329)*					*(44,329)*		
- of which:									
Realised differentials		*(7,246)*							
Change di FV		*(37,083)*							
da other financial assets									
da Interest su bank loans						*(28,914)*	*(28,914)*		
from Interest on loans from Group companies						*(451)*	*(451)*		
from other credits/debts				*(10,990)*		*(5,934)*	*(16,924)*		
Pre-tax profit	**0**	**(44,329)**	**0**	**(9,601)**	**0**	**(35,299)**	**(89,229)**	**340,797**	**251,568**
Income tax									89,124
Net profit									**162,444**

31/12/2015	Net profits and losses, active and passive interests, fees and expenses generated from:								
	Financial derivatives at fair value in the income statement		Investments owned until maturities	Loans and credits	Disposables for the sale	Other liabilities valued at cost written down	Total da instruments financial	Others	Residual at 31/12/2015
	Designated at Fair value	Owned for negotiation							
Revenues from ordinary operations								7,283,706	7,283,706
Other income								47,019	47,019
Total returns							0	7,330,725	7,330,725
Purchases of raw materials, replacement parts and consumables								(6,412,901)	(6,412,901)
Cost of services and sundry costs								(934,333)	(934,333)
Personnel costs								(36,743)	(36,743)
Write downs								(21,516)	(21,516)
Total costs							0	(7,405,493)	(7,405,493)
Operating result	0	0	0	0	0	0	0	(74,768)	(74,768)
Net income (charges) from equity investments								285,466	285,466
Other income (financial charges netti *from titles held for the purpose of trading*							31,271		31,271
- of which:									
Realised differentials									
Change di FV									
da interest su c/c				*563*			*563*		
from loans made to Group companies				*6,995*			*6,995*		
da derivative instruments		*131,368*					*131,368*		
- of which:									
Realised differentials		*127,303*							
Change di FV		*4,065*							
da other financial assets				*283*			*283*		
da Interest su bank loans						*(35,479)*	*(35,479)*		*0*
from Interest on loans from Group companies						*(9,589)*	*(9,589)*		
from other credits/debts				*(62,870)*			*(62,870)*		
Pre-tax profit	0	131,368	0	(55,029)	0	(45,068)	31,271	210,698	241,969
Income tax									(5,872)
Net profit									247,841

Financial instruments recognised at fair value through profit and loss generated net income of EUR 44,329 thousand (versus EUR 131,368 thousand the previous year), mainly due to changes in the fair value of derivatives.

Financial instruments classified as “Loans” generated expenses of EUR 9,601 thousand (versus EUR 55,029 thousand the previous year), chiefly owing to unrealised exchange rate differences on commercial positions.

Other financial liabilities valued at amortised cost generated a loss of EUR 35,299 thousand (EUR 45,068 thousand the previous year): these were essentially financing costs on loans.

7.3.3 Supplementary information

7.3.3.1 Hedge accounting

As described above, the company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude oil and oil products, and on interest rates to hedge the interest rate risks relating to the loans obtained.

At 31 December 2016, outstanding derivatives contracts mainly comprised:

- futures, options and swaps on oil products, classified as financial instruments held for trading;
- Interest Rate Swaps
- forwards on the EUR/USD exchange rate.

These instruments are recorded at fair value: changes in fair value during the period are recorded in the income statement under financial income or financial charges.

The outstanding positions on commodities and on foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2017, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of the instruments is determined based on the statements sent periodically by the counterparties.

7.3.4 Fair value

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost: as these liabilities mainly relate to positions underlying transactions due to be settled in the short term, or financial liabilities subject to interest rates in line with current market rates, amortised cost does not differ from the fair value at 31 December 2016.

The bond carries a fixed rate and that market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 implemented in the EU with EC Regulation 1165 of 27 November 2009, all financial instruments booked at fair value are calculated based on valuation methods that use observable market parameters other than the prices of these instruments as their reference, except for forex and commodities futures classified under "Other current assets" or "Short-term financial liabilities", which are valued based on prices in an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.3.5 Risks deriving from financial instruments

The risks deriving from the financial instruments to which the company is exposed are:

a. credit risk, i.e. the risk that the company will incur a loss in the event that a counterparty to a financial instrument defaults;

b. liquidity risk, i.e. the risk that the company is not able to service payment obligations according to the agreed maturities of its financial liabilities;

c. market risk, i.e. the risk relating to the performance of markets in which the company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude oil and oil products.

For information on risk management policies relating to the above, please refer to the relevant section of the Report on Operations.

7.3.5.1 Credit risk

The company's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

The information required by paragraphs 36-38 is shown in the tables below.

	Accounting value at 31/12/2016		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Total	of which: financial instruments	Maximum exposure at credit risk, without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determining in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current assets	**1,315,857**	**808,255**	**808,255**		**668,880**	**99,809**	**904**	**28,240**	**10,423**	**808,255**	**0**	**(5,117)**
Cash and cash equivalents	271,901	271,901	271,901		271,901					271,901		
Other financial assets held for trading	149,007	149,007	149,007		149,007					149,007		
Trade receivables verso terzi	387,348	387,348	387,348	248,123	247,972	99,809	904	28,240	10,423	387,348		
Bad debt provision	(5,117)											(5,117)
Inventories	482,535											
Current tax assets	12,241											
Other assets	17,943		0		0					0		
Non-current assets	**731,025**	**5,379**	**5,379**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	4,344											
Intangible fixed assets	2,402											
Equity investments al costo	697,743											
Other investments	495	495	495									
Deferred tax assets	20,809											
Other financial assets	5,232	4,884	4,884							0		
Total assets	**2,046,882**	**813,634**	**813,634**		**668,880**	**99,809**	**904**	**28,240**	**10,423**	**808,255**		

	Accounting value at 31/12/2015		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Total	of which: financial instruments	Maximum exposure at credit risk, without consideration of guarantees or other similar instruments	Guarantees	Current	Expired 0-30 days	31-60 days	61-90 days	beyond 90 days	Total	Determining in the financial year	Progressive
Current assets	**1,775,108**	**1,307,851**	**1,307,851**		**1,269,243**	**10,720**	**2,022**	**1,433**	**24,433**	**1,307,851**	**1,531**	**(1,912)**
Cash and cash equivalents	768,747	768,747	768,747		768,747					768,747		
Other financial assets held for trading	189,888	189,888	189,888		189,888					189,888	1,531	3,241
Trade receivables verso terzi	243,698	238,545	238,545	192,910	199,937	10,720	2,022	1,433	24,433	238,545		
Bad debt provision	(5,153)											(5,153)
Inventories	440,663											
Current tax assets	20,367											
Other assets	116,898	110,671	110,671		110,671					110,671		
Non-current assets	**810,916**	**5,032**	**5,032**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	3,916											
Intangible fixed assets	1,672											
Equity investments al costo	716,041											
Other investments	495	495	495									
Deferred tax assets	84,255											
Other financial assets	4,537	4,537	4,537							0		
Total assets	**2,586,024**	**1,312,883**	**1,312,883**		**1,269,243**	**10,720**	**2,022**	**1,433**	**24,433**	**1,307,851**		

Guarantees on receivables are represented by letters of credit obtained by the company in relation to deliveries to certain customers, sureties obtained from customers and credit insurance.

7.3.5.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. However, given the company's considerable cash-flow generating capacity, coupled with its low level of debt, the liquidity risk is considered moderate.

The company complied with all its obligations with respect to scheduled repayments of loans outstanding at the end of the period.

The information required by paragraph 39 of the standard in question are set out in the following tables.

	Accounting value at 31/12/2016		Liquidity risk		Analysis of maturities for financial liabilities, ex paragraph 39 a) IFRS 7					
	Total	of which: financial instruments	Nominal value of the financial liabilities	Guarantee	2017	2018	2019	2020	2021	beyond 5 years
LIABILITIES										
Current liabilities	**1,348,977**	**1,274,945**	**1,274,945**	**0**	**1,280,864**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	358,481	358,481								
Bank loans		*15,000*	*15,000*		15,000					
C/a advances										
Financial debts to Group companies		*161,064*	*161,064*		161,064					
Amount interest (rate medio consuntivo = 4,22%)					*7,430*					
Derivative instruments		*71,783*	*71,783*		70,272					
Other payables finanziari		*110,634*	*110,634*		110,634					
Trade and other payables	764,511	764,511	764,511		764,511					
Current tax liabilities	74,032									
Other liabilities	151,953	151,953	151,953		151,953					
Non-current liabilities	**205,868**	**183,438**	**185,000**	**0**	**0**	**36,236**	**36,236**	**86,606**	**46,899**	**0**
Long-term financial liabilities	183,438	183,438	185,000							
Bank loans		*183,438*	*185,000*			30,000	30,000	80,000	45,000	
Bonds loans										
Amount interest finanziamenti a ml term (rate = 4,22%)						*1,266*	*1,266*	*3,376*	*1,899*	
Amount interest bonds					*0*	*0*	*0*	*0*		
Risk funds	12,687									
Provisions for employee benefits	2,771									
Other liabilities	6,972		0			4,970	4,970	3,230		
Total liabilities	**1,554,845**	**1,458,383**	**1,459,945**	**0**	**1,280,864**	**36,236**	**36,236**	**86,606**	**46,899**	**0**

	Accounting value at 31/12/2015		Liquidity risk		Analysis of maturities for financial liabilities, ex paragraph 39 a) IFRS 7					
	Total	of which: financial instruments	Nominal value of the financial liabilities	Guarantee	2016	2017	2018	2019	2020	beyond 5 years
LIABILITIES										
Current liabilities	**1,487,727**	**1,412,001**	**1,412,001**	**0**	**1,427,660**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	480,492	480,492								
Bank loans		*49,000*	*49,000*		49,000					
C/a advances		*1,848*	*1,848*		1,848					
Financial debts to Group companies		*349,391*	*349,391*		349,391					
Amount interest (rate medio consuntivo = 4,29%)					*17,170*					
Derivative instruments		*44,761*	*44,761*		43,250					
Other payables finanziari		*35,492*	*35,492*		35,492					
Trade and other payables	897,790	897,790	897,790		897,790					
Current tax liabilities	75,726									
Other liabilities	33,719	33,719	33,719		33,719					
Non-current liabilities	**610,396**	**595,920**	**269,221**	**0**	**68,460**	**42,934**	**13,720**	**182,977**	**0**	**0**
Long-term financial liabilities	585,849	585,849	259,150							
Bank loans		*411,842*	*84,150*		*56,100*	*28,050*				
Bonds loans		*174,007*	*175,000*					*175,000*		
Amount interest finanziamenti a ml term (rate = 4,29%)					*3,610*	*1,164*				
Amount interest bonds (rate = 5%)					*8,750*	*8,750*	*8,750*	*4,747*		
Risk funds	11,488									
Provisions for employee benefits	2,988									
Other liabilities	10,071	10,071	10,071			4,970	4,970	3,230		
Total liabilities	**2,098,123**	**2,007,921**	**1,681,222**	**0**	**1,496,120**	**42,934**	**13,720**	**182,977**	**0**	**0**

The fair value of derivatives recognised in the financial statements mainly relates to current positions.

The hedging derivative instruments included in current financial liabilities include interest rate swaps on the Company's loans: the nominal future interest flows thereon are already included in "Interest on medium/long term loans" in the "Non-current liabilities" section of the table.

7.3.5.3 Market risk

As explained above, the market risks to which the company is exposed through its holdings of financial instruments relate to:

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges" as well as the fair value of derivatives held at the reporting date;
- the Euribor interest rate, to which the interest rates paid by the company on its loans are indexed, as well as the fair value of derivatives held at the reporting date;
- prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by paragraph 40 of IFRS 7, sensitivity analysis was performed for each type of risk to which the company is exposed at the reporting date, which shows the effects of these risks on the income statement and shareholders' equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude oil price) are in line with management forecasts. The results of the analysis are shown in the tables below.

Euro/US dollar exchange rate

At the reporting date, the company had financial instruments denominated in US dollars. These were mainly recorded under trade receivables and payables.

A simulation was performed of the impact on net profit and shareholders' equity, assuming a variation of +/- 10% in the EUR/USD exchange rate at the end of the year, which was used to translate currency positions for the preparation of the statement of financial position.

2016				Reference parameter change	
Euro/US dollar EXCHANGE RATE					
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	(101,897)	1.0541	(57,817)		
Effect on profit before tax				(6,424)	5,256
Net effect on profit (and Balance Sheet)				(4,407)	3,606

The following table shows the simulation at 31 December 2015:

2015				Reference parameter change	
Euro/US dollar EXCHANGE RATE					
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	(635,938)	1.0887	(506,774)		
Effect on profit before tax				(56,308)	46,070
Net effect on profit (and Balance Sheet)				(39,174)	32,051

To hedge the effects of sensitivity to the EUR/USD exchange rate, the Company also enters into forward exchange rate contracts, which are recorded in the financial statements at their fair value on the reporting date: As the fair value is inevitably affected by the underlying exchange rate, the Group carried out a simulation of the impact on Group net profit and consequentially shareholders' equity, assuming a change of +/-10% in the benchmark parameters based on this year's exchange rate trends; the results obtained from such a variation are reported at a 99.55% confidence level.

The results of the simulation are shown in the following table.

2016			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2016	-10%	+10%
Exchange rates	(1,997)	20,167	(16,502)
	(1,997)	**20,167**	**(16,502)**
Effect on profit before tax		**20,167**	**(16,502)**
Net effect on profit (and Balance Sheet)		**14,621**	**(11,964)**

2015			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2015	-10%	+10%
Exchange rates	847	28,659	(23,450)
	847	**28,659**	**(23,450)**
Effect on profit before tax		**28,659**	**(23,450)**
Net effect on profit (and Balance Sheet)		**20,778**	**(17,001)**

Interest rates

The company has medium-term/long-term as well as short-term exposure to variable interest rates indexed to Euribor.

A simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 25 basis points in rates and only taking into account the portion of variable-rate borrowings.

2016				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual interest rate 2016	Annual passive interest	-50 bps	+50 bps
Short and medium-long term financial liabilities	4.22%	(29,998)		
Effect on profit before tax			**3,551**	**(3,551)**
Net effect on profit (and Balance Sheet)			**2,574**	**(2,574)**

The following table shows the simulation at 31 December 2015:

2015				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual interest rate 2015	Annual passive interest	-50 bps	+50 bps
Short and medium-long term financial liabilities	4.29%	(35,309)		
Effect on profit before tax			**4,115**	**(4,115)**
Net effect on profit (and Balance Sheet)			**2,984**	**(2,984)**

In addition, the fair value of the interest rate swaps and options outstanding at the reporting date is affected by movements in the Euribor rate: a simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 25 basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The results of the simulation are shown in the following table.

2016		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2016**	**-25 bps**	**+25 bps**
Fair value di Interest rate swaps	(886)	316	232
	(886)	**316**	**232**
Effect on profit before tax		**316**	**232**
Net effect on profit (and Balance Sheet)		**229**	**168**

The simulation as at 31 December 2015 is shown below.

2015		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2015**	**-25 bps**	**+25 bps**
Fair value di Interest rate swaps	1,511	812	(634)
	(2,044)	**812**	**(634)**
Effect on profit before tax		**812**	**(634)**
Net effect on profit (and Balance Sheet)		**589**	**(460)**

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives at 31 December 2015 consisted of futures, swaps and options on oil products, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date. The company therefore performed a simulation of the impact of this variable on net profit it is shareholders' equity, assuming a change of +/- 20% in oil prices.

The comparative results of the simulation are shown in the tables below.

2016			
		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2016**	**-20%**	**+20%**
Crude and oil products	(40,532)	85,413	(85,413)
	(40,532)	**85,413**	**(85,413)**
Effect on profit before tax		**85,413**	**(85,413)**
Net effect on profit (and Balance Sheet)		**61,925**	**(61,925)**

The simulation as at 31 December 2015 is shown below.

2015			
		Reference parameter change	
Derivatives on:	**Fair Value at 31/12/2015**	**-20%**	**+20%**
Crude and oil products	3,158	11,839	(11,839)
	3,158	**11,839**	**(11,839)**
Effect on profit before tax		**11,839**	**(11,839)**
Net effect on profit (and Balance Sheet)		**8,583**	**(8,583)**

The above analysis of the company's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market, while the concentration risk relating to exposure to the US dollar is mitigated by the hedging policies implemented.

7.4 Average staff numbers

The average number of employees, by category, is shown below.

average staff numbers	2016	2015
Directors	34	33
Employees	218	217
Intermediates	0	0
Manual workers	0	0
Total	252	250

The number of employees increased from 251 at the end of 2015 to 253 at 31 December 2016.

7.5 Tables showing the remuneration and shareholdings of directors and auditors, general managers and senior managers with strategic responsibilities

The following tables provide information on remuneration and shareholdings of directors and auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer.

7.5.1 Remuneration paid to directors and statutory auditors, officers and key management personnel

(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)
Name and surname	Position	Period the position was held	Time the position was terminated	Remuneration for the position held in the company	Non-monetary benefits	Bonus and other incentives	Other remunera-tions
The Board of Directors						(*)	(*)
Gian Marco Moratti	Chairman	01/01/15 31/12/16	approved 2017 annual financial statement	1,536,000			
Massimo Moratti	Chief Executive Officer	01/01/15 31/12/16	approved 2017 annual financial statement	1,536,000			
Angelo Moratti	Vice-Chairman	01/01/15 31/12/16	approved 2017 annual financial statement	236,000		-	-
Dario Scaffardi	Executive Vice-Chairman - General Manager	01/01/15 31/12/16	approved 2017 annual financial statement	36,000		-	1,226,457
Gabriele Moratti	Non-executive Director	01/01/15 31/12/16	approved 2017 annual financial statement	36,000		-	110,981
Angelo Mario Moratti	Non-executive Director	01/01/15 31/12/16	approved 2017 annual financial statement	36,000		-	240,378
Gabriele Previati	Non-executive Director	01/01/15 31/12/16	approved 2017 annual financial statement	36,000			
Gilberto Callera	Independent Director	01/01/15 31/12/16	approved 2017 annual financial statement	36,000			
Adriana Cerretelli	Independent Director	29/04/15 31/12/16	approved 2017 annual financial statement	36,000			
Isabelle Harvie-Watt	Independent Director	29/04/15 31/12/16	approved 2017 annual financial statement	36,000			
Laura Fidanza	Independent Director	29/04/15 31/12/16	approved 2017 annual financial statement	36,000			
Igor Ivanovich Sechin	Non-executive Director	01/01/15 24/02/16	approved 2017 annual financial statement	5,425			
Andrey Nikolayevich Shishkin	Non-executive Director	29/02/16 29/02/16	approved 2017 annual financial statement	24,953			
(*) employment responsibilities							
Board of Statutory Auditors							(**)
Giancarla Branda	Chairman	01/01/16 31/12/16	approved 2017 annual financial statement	68,834			-
Paola Simonelli	Statutory Auditor	01/01/16 31/12/16	approved 2017 annual financial statement	40,000			
Giovanni Luigi Camera	Statutory Auditor	01/01/16 31/12/16	approved 2017 annual financial statement	40,000			112,320
Giovanni Fiori	Deputy Auditor	01/01/16 31/12/16	approved 2017 annual financial statement				-
(**) auditing remunerations from other Group's companies							
Compliance Committee							(***)
Gabriele Previati	Chairman	01/01/16 31/12/16	approved 2017 annual financial statement	45,000			30,000
Giovanni Luigi Camera	Member	01/01/16 31/12/16	approved 2017 annual financial statement	25,000			15,000
Simona Berri	Member	01/01/16 31/12/16	approved 2017 annual financial statement	-			131,645
Ferruccio Bellelli	Member	01/01/16 31/12/16	approved 2017 annual financial statement	-			137,701
Tonellotto							25,000
(***) Included remunerations from other Group companies							
Control and Risks Committee							
Gilberto Callera	Chairman	01/01/16 31/12/16	approved 2017 annual financial statement	21,000			
Adriana Cerretelli	Member	01/01/16 31/12/16	approved 2017 annual financial statement	14,000			
Isabelle Harvie-Watt	Member	01/01/16 31/12/16	approved 2017 annual financial statement	14,000			
Laura Fidanza	Member	01/01/16 31/12/16	approved 2017 annual financial statement	14,000			
Gabriele Previati	Member	01/01/16 31/12/16	approved 2017 annual financial statement	14,000			
Remuneration Committee							
Gilberto Callera	Chairman	01/01/16 31/12/16	approved 2017 annual financial statement	21,000			
Laura Fidanza	Member	01/01/16 31/12/16	approved 2017 annual financial statement	14,000			
Gabriele Previati	Member	01/01/16 31/12/16	approved 2017 annual financial statement	14,000			
Senior personnel with strategic responsibility						60,000	488,922

At the reporting date, end-of-service entitlements (not included in the table above) totalling EUR 158 thousand had not yet been paid.

7.5.2 Equity investments held by directors and statutory auditors, officers and key management personnel

Name and surname	Position	Company	Number of shares owned at the end of the financial period for previous year	Number shares purchased	Number shares sold	Number of shares owned at the end of the financial period previous year
Gian Marco Moratti	Chairman	SARAS SpA	-	-	-	-
Massimo Moratti	Chief Executive Officer	SARAS SpA	-	-	-	-
Angelo Moratti	Vice-Chairman	SARAS SpA	-	-	-	-
Angelomario Moratti	Director	SARAS SpA	-	-	-	-
Gabriele Moratti	Director	SARAS SpA	-	-	-	-
Gilberto Callera	Director	SARAS SpA	-	-	-	-
Andrey Nikolayevich Shishkin	Director	SARAS SpA	-	-	-	-
Adriana Cerretelli	Director	SARAS SpA	-	-	-	-
Gabriele Previati	Director	SARAS SpA	12,164	-	-	12,164
Laura Fidanza	Director	SARAS SpA	-	-	-	-
Isabelle Harvie-Watt	Director	SARAS SpA	-	-	-	-
Dario Scaffardi	Executive Vice Chairman and CEO	SARAS SpA	-	1,283,952	1,137,582	146,370
Giancarla Branda	Pres. Board of Statutory Auditors	SARAS SpA	-	-	-	-
Giovanni Camera	Statutory Auditor	SARAS SpA	-	-	-	-
Paola Simonelli	Statutory Auditor	SARAS SpA	-	-	-	-
Giovanni Fiori	Deputy Auditor	SARAS SpA	-	-	-	-
Senior personnel with strategic responsibility		SARAS SpA	-	-	-	-

7.6 Commitments

As at 31 December 2016 and 31 December 2015, no irrevocable, multi-year commitments had been made to purchase materials or services.

As part of its normal activities, the Parent Company Saras SpA has issued sureties totalling EUR 232,760 thousand at 31 December 2016, mainly in favour of subsidiaries and to entities such as Customs Agencies and Ministry of Defence.

7.7 Others

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

8. Miscellaneous

For information on events that took place after the end of the period, reference should be made to the relevant section in the Report on Operations.

Pursuant to article 2428 of the Italian Civil Code, the company's other offices are:

General and Administrative Headquarters - Milan

Pursuant to article 149-*duodecies* of Consob's Issuers' Regulation, the table below provides details of the fees relating to 2016 paid to the external auditors for auditing and other services, and to companies affiliated to the external auditors for services.

Types of services	service provider	Recipient	Consideration of competence of the 2016 financial year
Audit	EY SpA	Saras SpA	345
Certification services	EY SpA	Subsidiaries Italy	3
Other services	EY SpA	Subsidiaries abroad	159
Total			**507**

9. Publication of the financial statements

At its meeting on 27 March 2017, the Saras Board of Directors authorised publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
Chairman
Gian Marco Moratti

REPORTS ON FINANCIAL STATEMENTS 2016

STATEMENT BY THE EXECUTIVE MANAGER RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Declaration in respect of the consolidated accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO, Dario Scaffardi, Executive Vice President and Franco Balsamo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- to the appropriateness in respect of the type of company and
- the effective application

  of the administrative and accounting procedures for the preparation of the consolidated accounts for the period 1 January 2016 to 31 December 2016.

2. In addition, the undersigned declare that:
2.1 the consolidated accounts to 31 December 2016:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records;

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July 2006, and give a true and fair view of the asset and financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies.

2.2 the Directors' Report includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and all companies included in the consolidation together with a description of the main risks and uncertainties to which they are exposed.

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 27 February 2017

Signature: delegated authority

signature

(Gian Marco Moratti)

signature

(Massimo Moratti)

signature

(Dario Scaffardi)

Signature: director responsible for drawing up the accounting statements

signature

(Franco Balsamo)

REPORT OF THE INDEPENDENT AUDITORS TO THE CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010

(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

To the Shareholders of
Saras S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Saras Group, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Saras S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fi scale e numero di iscrizione 00434000584 - numero R.E.A. 250904
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997
A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Saras Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Saras S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of Saras Group as at 31 December 2016.

Milan, 22 March 2017

EY S.p.A.
Signed by: Alberto Romeo, Partner

This report has been translated into the English language solely for the convenience of international readers.

STATEMENT BY THE EXECUTIVE MANAGER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTING

Declaration in respect of the annual accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO, Dario Scaffardi, Executive Vice President and Franco Balsamo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- to the appropriateness in respect of the type of company and
- the effective application
  of the administrative and accounting procedures for the preparation of the annual accounts for the period 1 January 2016 to 31 December 2016.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2016:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records;

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July 2006, and give a true and fair view of the financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies

2.2 the Directors' Report includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 27 February 2017

Signature: delegated authority

signature

(Gian Marco Moratti)

signature

(Massimo Moratti)

signature

(Dario Scaffardi)

Signature: director responsible for drawing up the accounting statements

signature

(Franco Balsamo)

REPORT OF THE STATUTORY AUDITORS TO THE STATEMENTS OF SARAS SPA

SARAS S.p.A.

Registered office in S.S. Sulcitana 195 km. 19° - Sarroch (CA)

Fully paid-up share capital EUR 54,629,666.67

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

pursuant to art. 153 of Legislative Decree No. 58/1998 and article 2429, para. 3 of the Civil Code

Dear Shareholders,

The purpose of this report, drafted by the Board of Statutory Auditors appointed for three financial years by the Shareholders' Meeting and comprising the Chairwoman, Giancarla Branda (solicitor) and the statutory auditors, Dr Giovanni Luigi Camera and Dr Paola Simonelli, is to ensure effective and transparent information for shareholders, the market and the supervisory authority on the supervisory activity required by law carried out by the Board during the financial year closed at 31 December 2016.

On the activity carried out during the financial year, in line with the recommendations made by the rules of conduct of the Board of Statutory Auditors of listed companies issued by the National Board of Chartered Accountants and Accounting Experts and taking account of the guidelines provided by Consob in its communication of 6 April 2001 - DEM/1025564, as amended and supplemented by the communication of 4 April 2003 - DEM/3021582 and subsequently with the communication of 7 April 2006 - DEM/6031329, the Board reports:

a) having supervised the observance of law, the main and secondary regulations, and of the Articles of Association;

b) having obtained from the directors, with the frequency provided by art. 150 of Legislative Decree No. 58/1998 and with the rules laid down by the Articles of Association in art. 22, information on the general performance of operations, on their foreseeable development, as well as on the activity carried out and on operations of major economic, financial and equity importance decided on and performed by the Company and its subsidiaries during the financial year, and being

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able to reasonably say, based on the information made available, that the decisions and actions taken comply with the law and the Articles of Association and are not manifestly imprudent, hazardous, in potential conflict of interests, contrary to the resolutions of the Shareholders' Meeting or such as to comprise the integrity of the company's assets. The above information is fully represented in the Directors' Report to which it refers;

c) not having identified the existence of atypical and unusual transactions with Group companies, third parties or with other related parties. In this regard, in the notes to the accounts - in paragraph 7.4 of Chapter 7 on "Other Information" - the Directors analytically highlight and illustrate the existence of a relationship of interchanging goods and services and financial relationships with subsidiaries and with other related parties, explaining their economic effects, specifying that these relationships have been adjusted to conditions that would apply to transactions of the same nature between unrelated parties and describing the related correspondence with the Company's interests. In addition, in the financial year 2016, the Company has not purchased or sold treasury shares on the MTA of the Italian Stock Exchange, although the Shareholders' Meeting on 22 April 2016 authorised a programme to purchase ordinary shares in Saras S.p.A. pursuant to articles 2357 of the Italian Civil Code and 132 of Legislative Decree No. 58/1998, to be carried out within a period of twelve months from the authorising resolution, therefore by 22 April 2017;

d) having positively assessed the compliance of the procedure relating to transactions with related parties, approved with the resolution of 23 January 2007 and amended by the resolution of 19 March 2014, to the principles contained in the "Regulations regarding transactions with related parties" adopted by Consob with Resolution No. 17221 of 12 March 2010 and its subsequent amendments and to those indicated in the Code of Conduct; as well as its compliance with the indications contained in Consob Communication no. DEM/10078683 of 24 September 2010; so much so as to be able to conclude that the procedures adopted by the Board are adequate to ensure the proper and transparent regulation of transactions with related parties;

e) having acquired knowledge of and supervised, as far as authorised, the adequacy of the organisational system, in terms of the company's structure, procedures and responsibilities and its size, nature and the methods for conducting the company's business;

f) having supervised observance of the principles of proper administration, by attending Board of Directors' meetings and based on the information acquired, noting that management choices are based on the principle of correct information and reasonableness and that the directors are aware of the risk and effects of transactions executed;

g) having acquired knowledge of and supervised, pursuant to art. 149, paragraph 1(d) of Legislative Decree No. 58/1998, for major companies subject to control, the adequacy of the instructions issued by the Company to its subsidiaries pursuant to art. 114, paragraph 2 of Decree Law No. 58/1998, by:

- ✓ acquiring information from the heads of the competent corporate functions;
- ✓ meetings and exchanges of information with the Chairpersons of the Boards of Statutory Auditors and the Sole Auditor where applicable;
- ✓ meetings with the statutory audit firm;

and not having any specific comments to make in this respect;

h) having assessed and monitored the adequacy of the internal control system and the administrative system and accounting procedures as well as its reliability to correctly represent management facts by:

- ✓ examining the report by the designated manager responsible for internal control on Saras' internal control system;
- ✓ examining the reports of the Internal Audit function and the information taken from that function on the results of the monitoring activities on the implementation of corrective actions in turn identified;
- ✓ acquiring information from the heads of the respective functions;

- ✓ examining corporate documents;
- ✓ analysing the results of the work carried out by the audit firm;
- ✓ the exchange of information with the control bodies of subsidiaries pursuant to art. 151, paragraphs 1 and 2 of Legislative Decree No. 58/1958;

and not having any specific comments to make in this respect;

i) having seen and obtained information on activities of a procedural and organisational nature carried out pursuant to Legislative Decree No. 231/2001 and subsequent amendments and additions, having received the minutes of its meetings held during the financial year 2016 from the Supervisory Board and having received the same assurance on the absence of facts or circumstances to be indicated in this report;

j) having supervised, pursuant to art. 149, paragraph 1(c)-bis of Legislative Decree No. 58/1998, the arrangements for implementing the Code of Conduct for listed companies prepared by the Corporate Governance Committee, which the company has declared signing up to with the resolution of the Board of Directors dated 11 November 2006; having verified the correct application of the assessment criteria adopted by the Board of Directors to assess the independence of Directors; as well as compliance with the independence criteria by the individual members of the Board of Statutory Auditors, as laid down in art. 3, para. C.5 of the Code mentioned above;

k) having learned from the directors, receiving confirmation from Ernst & Young S.p.A., that tasks involving providing services related to the activity of revising the financial statements were allocated to it - in addition to the audit of the annual financial statements and consolidated financial statements for the financial years 2015/2023, and the limited review of the half-yearly reports for the same period. It concerns the provision of consultancy services related to the implementation of the new accounting process called "*fast closing*" and adapting systems to the new OIC accounting standards;

l) having received confirmation of its independence from the audit firm pursuant to art. 17 of Legislative Decree No. 39/2010 and pursuant to paragraph 17 of the international auditing standard (ISA Italy) 260;

m) having issued the following favourable opinions in the financial year 2016:

- ✓ on the replacement of the director Igor Ivanovich Sechin, who resigned on 24 February 2016, with Andrey Nikolayecich Shishkin, pursuant to paragraph 1 of art. 2386 of the Civil Code;
- ✓ on the remuneration of a director appointed as Chairman of the Supervisory Body, pursuant to paragraph 3 of art. 2389 of the Civil Code;
- ✓ on the approval of the annual activities plan prepared by the manager responsible for the Internal Audit function, pursuant to art. 7, paragraph 7.C.1(c) of the Code of Conduct;
- ✓ on the assessment on the proper application of the accounting standards and their standardisation for the purposes of drafting the consolidated financial statements by the Control and Risk Committee pursuant to art. 7, paragraph 7.C.2.(a) of the Code of Conduct, together with the designated manager;

n) having checked the correct application of the criteria and ascertainment procedures adopted by the Board to assess the independence of its members, pursuant to art. 3, paragraph 3.C.5. of the Code of Conduct;

o) not having received any complaints pursuant to art. 2408 of the Civil Code and presented;

p) having received analytical information regarding the impairment tests carried out pursuant to IAS 39 in 2016 to confirm the values of certain assets of significant amounts entered in the financial statements of subsidiaries;

q) having received analytical information on transactions of major economic, financial and equity importance performed, even through subsidiaries. Of these transactions, examined and approved by the Board of Directors, the following are cited:

- ✓ the bond loan issued on 17 July 2014 for a nominal value of EUR 175 million, over 5 years and whose expiry was originally planned for 17 July 2019 has been repaid early ("*Terms and Conditions of the Notes*");
- ✓ renegotiation of the financing contract originally taken out for the amount of EUR 150 million with a pool of national and international banks, specifically by reducing the fixed component of the interest rate, the amendment of the depreciation plan and the extension of the final maturity to 30 September 2021;
- ✓ renegotiation of the financing contract originally taken out for the amount of EUR 265 million expiring on June 2020 with a credit line opened for a maximum amount of EUR 255 million with a reduced interest rate until 10 December 2020;
- ✓ renegotiation of the financing contract originally taken out for the amount of EUR 50 million with a pool of banks over three years specifically by reducing the fixed component of the interest rate and extending its maturity;
- ✓ early repayment of a loan for an amount equal to approximately EUR 19.6 million granted by a pool of banks to the company to Sardeolica r.l., an indirectly wholly-owned subsidiary (through Parchi Eolici Ulussai S.r.l.) by the Company;
- ✓ liquidation of the Romanian subsidiary Alpha Eolica S.r.l.;
- ✓ partial settlement of the debt for crude purchased from Iran in 2012, following the complete removal of restrictions on international banking circuits;

r) having held meetings, pursuant to art. 150, paragraph 3 of Legislative Decree No. 58/1998, with representatives from the Companies responsible for carrying out the statutory audit, from which no facts or critical issues worthy of mention in this report emerged;

s) having received the draft financial statements as at 31 December 2016 according to the terms laid down in art. 2429 of the Civil Code, drawn up in accordance with the international accounting standards, as well as the Directors' Report;

t) having received, on 22 March 2017, legal reports from the audit firm pursuant to art. 14 and art. 19, paragraph 3 of Legislative Decree No. 39/2010 respectively for the financial statements and for the consolidated financial statements closed at 31 December 2016. From these reports it emerged that the Company's financial statements and consolidated financial statements provide a true and correct representation of the assets and liabilities and financial situation of the economic result and cash flows for the financial year closed at 31 December 2016, in accordance with International Financial Reporting Standards adopted by the European Union as well as the measures adopted in implementation of article 9 of Legislative Decree No. 38/2005; and that the Directors' Report and the information in the report on corporate governance and ownership structure indicated in paragraph 4 of art. 123-bis of Legislative Decree No. 58/1998, are consistent with the financial statements and consolidated financial statements.

For the performance of its supervisory activities described above, in the financial year 2016, the Board met twelve times; it attended one Shareholders' Meeting, 6 Board of Directors meetings; five meetings of the Remuneration and Appointments Committee and four meetings of the Control and Risk Committee.

The elements of knowledge necessary to conduct the Board's activities were acquired, in addition to attending the afore-mentioned meetings, also through direct inquiries, and by collecting information from the managers of the functions concerned.

During the supervision activities carried out and based on the information gathered by the audit firm no omissions and/or reprehensible facts and/or irregularities or significant events emerged that require reporting to control bodies or mention in this report.

Conclusions

Based on the supervision activities carried out during the financial year, and from the analysis of the draft financial statements presented, considering that, on 22 March 2017, the audit firm released its reports without any findings, the Board does not find any reasons not to approve the financial statements as at 31 December 2016 and the draft resolutions formulated by the Board of Directors.

27 March 2017

Board of Statutory Auditors

Giancarla Branda - Chairwoman

Giovanni Luigi Camera - Statutory Auditor

Paola Simonelli – Statutory Auditor

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LIST OF POSITIONS HELD BY THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS IN COMPANIES AS REFERRED TO IN BOOK V OF THE CIVIL CODE AS AT 14/03/2016

Lawyer Giancarla Branda

COMPANY NAME	POSITION HELD
Sara Assicurazioni SpA	Statutory Auditor
Sara Vita SpA	Statutory Auditor
Ala Assicurazioni SpA	Statutory Auditor
ACI Consult SpA	Statutory Auditor
ACI Progei SpA	Statutory Auditor
Aci Informatica SpA	Deputy Auditor
"Conciliatore Bancario Finanziario"	Arbitration Deputy Auditor
Banca Network Investimenti in compulsory administrative liquidation	Member of the Monitoring Committee

Mr. Giovanni Luigi Camera

COMPANY NAME	POSITION HELD
ASPREMARE Ass.ne per la Prevenzione e la Terapia delle Malattie Renali - ONLUS	Auditor
Fondazione Cardinale Federico Borromeo	President of the College of Auditors
M-I Stadio Srl	Statutory Auditor
Massimo Moratti SapA	Statutory Auditor
Mondini Cavi SpA	Chairman Board of Statutory Auditors
Shine Sim SpA	Chairman Board of Statutory Auditors

Ms Paola Simonelli

COMPANY NAME	POSITION HELD
Finlombarda SpA	Director
Bruker Italia Srl	Chairman del Board of Statutory Auditors
E-Group Italy SpA in liquidation	Chairman del Board of Statutory Auditors
Cooperativa per il Restauro SCARL	Legal Auditor
Actavis Italy SpA - a sole shareholder company	Statutory Auditor
Aliserio Srl	Statutory Auditor
Biotecnica Instruments SpA	Statutory Auditor
Chef Express SpA	Statutory Auditor
Chemiplastica SpA	Statutory Auditor
Chemiplastica Specialties SpA	Statutory Auditor
Cremonini SpA	Statutory Auditor
Emme Esse SpA in liquidation	Statutory Auditor
Errevi SpA in liquidation	Statutory Auditor
Fondo Pensione di Previdenza Bipiemme	Statutory Auditor
Fratelli Gotta Srl	Statutory Auditor
GE.SE.SO Gestione Servizi Sociali Srl	Statutory Auditor
Intersider Acciai Spa in liquidation	Statutory Auditor
Perani & Partners Spa	Statutory Auditor
Posa SpA	Statutory Auditor
Pusterla 1880 SpA	Statutory Auditor
Roadhouse SpA	Statutory Auditor
UBS Fiduciaria SpA	Statutory Auditor

REPORT OF THE INDEPENDENT AUDITORS TO THE FINANCIAL STATEMENTS OF SARAS SPA

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010

(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

To the Shareholders of
Saras S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Saras S.p.A., which comprise the statement of financial position as at 31 December 2016, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors of Saras S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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A member firm of Ernst & Young Global Limited

Building a better working world

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Saras S.p.A. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Saras S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of Saras S.p.A. as at 31 December 2016.

Milan, 22 March 2017

EY S.p.A.
Signed by: Alberto Romeo, Partner

This report has been translated into the English language solely for the convenience of international readers.

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