GROUP CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE DRAFT FINANCIAL STATEMENTS FOR SARAS S.P.A. AS AT 31st DECEMBER 2018

SARAS

SARAS

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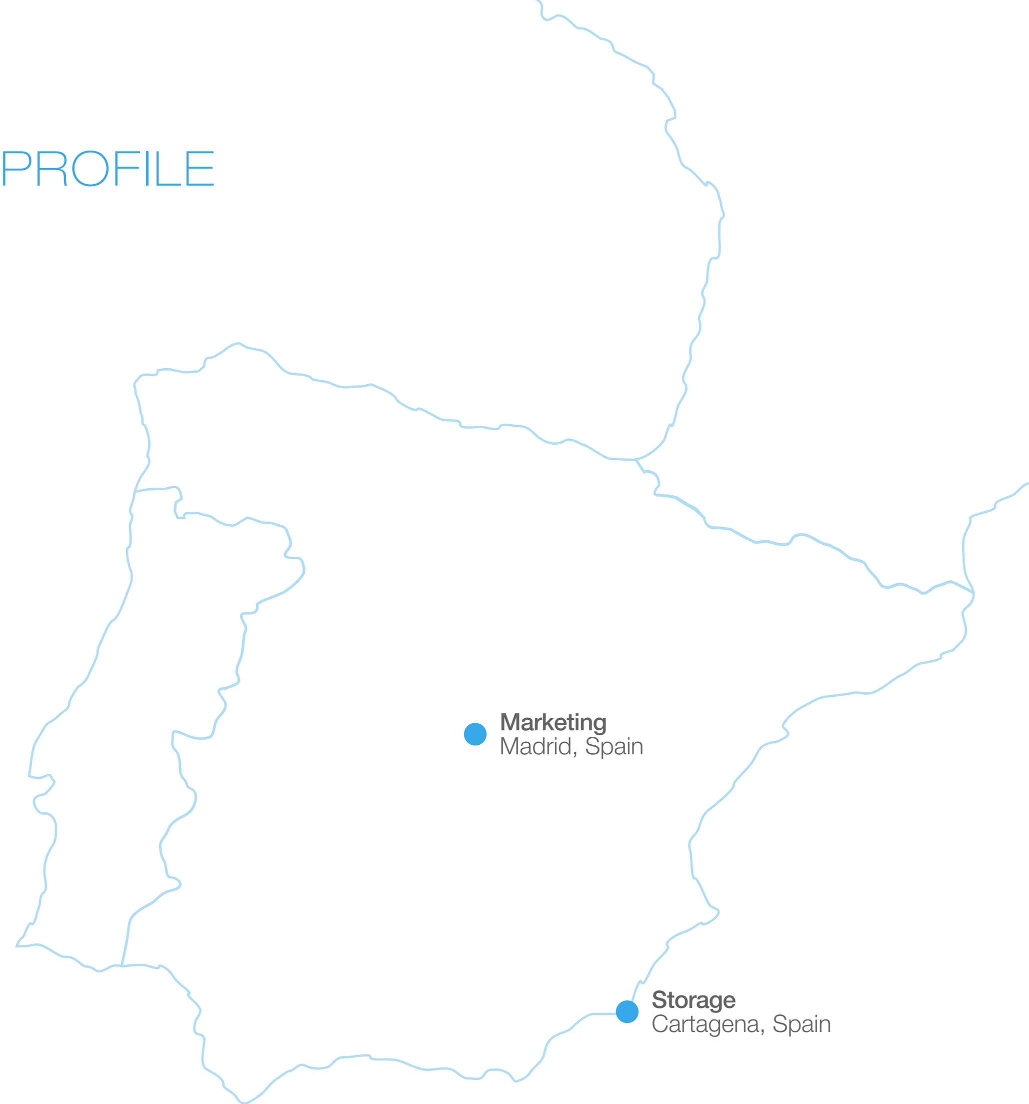
SARAS GROUP PROFILE



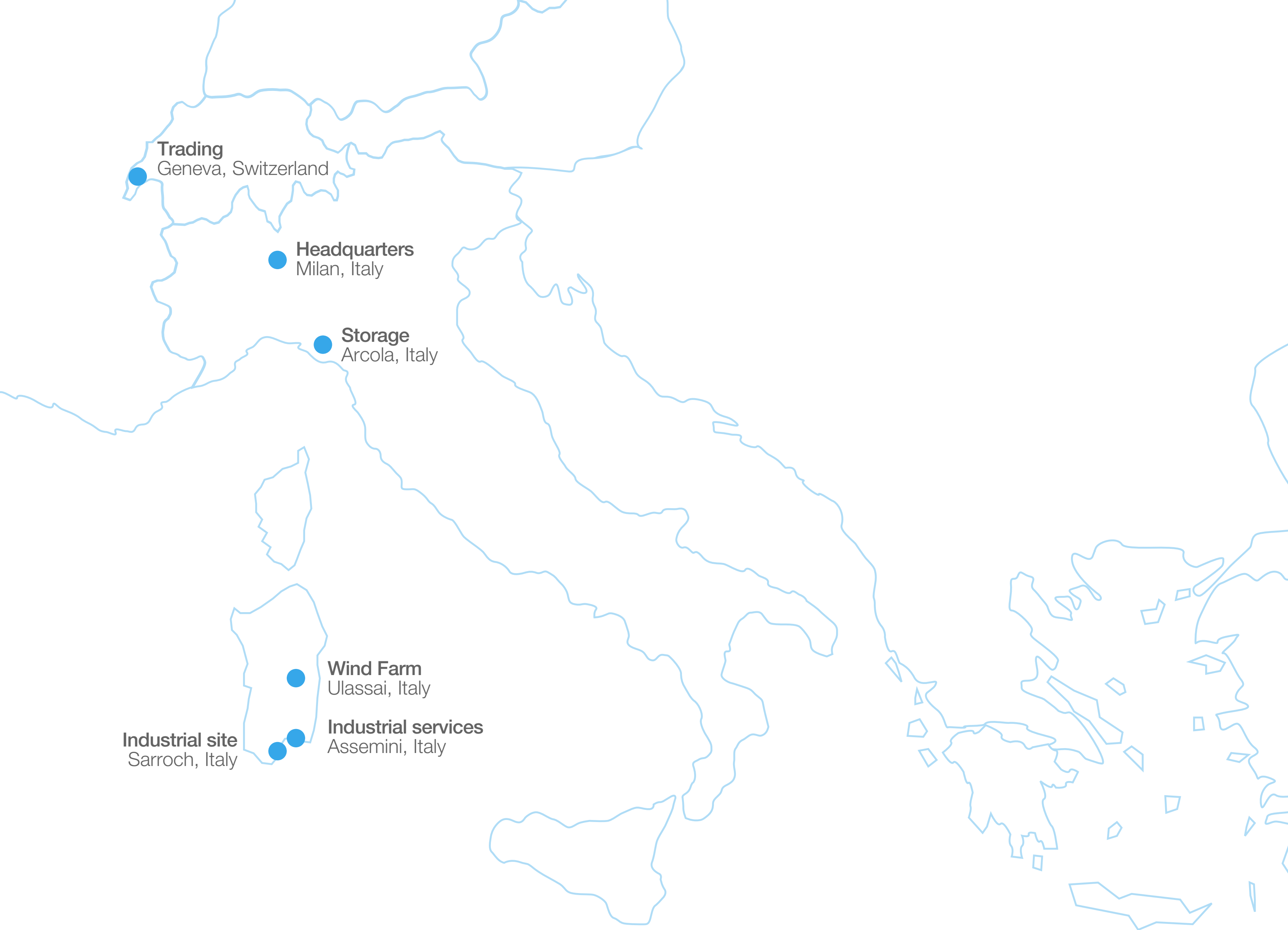
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe.

REFINING CAPACITY

300,000
barrels per day

The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (11.7 on the Nelson Index). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl, and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity.

To best exploit these extraordinary resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This context also includes the subsidiary Saras Trading SA, incorporated in Geneva in September 2015, which deals with acquiring crude and other raw materials for the Group's refinery, selling its refined products, and also performing trading activities, acting in one of the main markets for trading oil commodities.



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

3.68
million barrels

The Group sells and distributes oil products directly, and through its subsidiaries, such as diesel, gasoline, diesel fuel for heating, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and non-European countries. In particular, in 2018 approximately 2.12 million tonnes of petroleum products were sold in Italy on the wholesale market, and a further 1.56 million tonnes were sold on the Spanish market through its subsidiary Saras Energia SAU, active both on the wholesale and retail channels.

IGCC (INTEGRATED GASIFICATION COMBINED CYCLE) PLANT INTEGRATED WITH THE REFINERY

4,000,000,000
kWh/year

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

ULASSAI WIND FARM

96 MW
installed capacity

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

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

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, new investments in high technology and the environment

The 2010s

Focus on safety, environment, efficiency and improvements in profitability

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 farm 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 gasoline and diesel with 10 ppm (parts per million) sulphur content begins. Significant reduction of indirect SO_2 emissions.

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.

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.

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 shut-down 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 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

MILESTONES

The 2010s

Focus on safety, environment, efficiency and improvements in profitability

additional 7.29% via a public offer to purchase in the open market.

2014
The Saras Group pursues asset management initiatives aimed at cost reduction, increased 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 1st January 2014.

On 29th 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 model is based on the characteristics of flexibility and high conversion of the Sarroch refinery, in addition to the close coordination of planning activities, trading and operational management of plants.

On 15th 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 19th 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 10th December, Saras signed a five-year bank loan agreement, for an amount of EUR 265 million, to refinance existing debt.

2016
2016 was another positive year for the European refining industry, due to the continued abundance of crude oil, including non-conventional crudes whose processing favours complex, integrated and high conversion sites such as the Saras plant, and an increase in overall demand for refined products (+1.3 mb/d compared to 2015).

In January, Saras Trading SA became fully operational in Geneva, one of the main markets for trading oil commodities. This company is a key element in the implementation of the integrated management of the Supply Chain model, it purchases raw materials and sells refined products from the refinery, and performs independent crude oil and petroleum product trading activities.

On 22nd April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.17 for each share (corresponding to a dividend yield of 10.8%), for a total of 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 major process to reduce average debt costs, seizing the opportunities offered by the low interest rates resulting from the expansionary policies of the European Central Bank.

2017
In 2017, the refining industry continued to benefit from favourable conditions characterised by satisfactory margins on the main refined products. Crude oil was well supplied, despite the implementation of cuts in production by OPEC countries and other major

producers, although there was some pressure on discounts of heavy crude products, which were most affected by such production cuts. Overall demand for refined products continued to grow and increased by +1.5 mb/d compared to 2016.

On 17th January, Rosneft placed all the shares in Saras SpA which it held, corresponding to 12% of the share capital of Saras, to a group of international investors.

On 20th April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.10 for each share (corresponding to a dividend yield of 4.6%), for a total of EUR 93.6 million.

The #digitalSaras program was launched during the year, for the purpose of defining and implementing the most appropriate technological innovations within the framework of Industry 4.0, with a view to further improving operating performance and efficiency.

On 22nd December, the Company completed the private placement of bonds with a nominal value of EUR 200 million, maturing on 28th December 2022 and bearing a fixed annual coupon rate of 1.70%. The operation is a continuation of the financial optimisation process that started in 2016. The proceeds were used to refinance part of the gross debt, even with a positive net financial position, in support of the investment plan.

2018

2018 was a year characterised by strong volatility in the price of crude oil also influenced by geopolitical tensions.

On 26th February, the Chairman of the Board of Directors, Gian Marco Moratti, passed away. Son of Angelo Moratti, who founded the Company, Gian Marco was CEO until 1981 when he became Chairman.

On 12th March, the 2018-2021 Business Plan was presented, which aims to maintain a leading position in the refining sector over the next decade and focuses on operational excellence through investments of EUR 800 million focused on maintaining state-of-the-art facilities, also thanks to the contribution of technological innovation and digitalisation.

After the identification of the available technologies and the start of 10 pilot projects, the industrialisation phase of the digitalisation initiatives was undertaken.

On 27th April, the Shareholders' Meeting resolved to distribute a dividend of EUR 0.12 for each share (corresponding to a dividend yield of 6.2%), for a total of EUR 112 million, and appointed the new Board of Directors in office for a three-year period until the date of the shareholders' meeting called to approve the financial statements as at 31st December 2020.

On 3rd May, the new Board of Directors appointed Massimo Moratti as Chairman and Dario Scaffardi as Chief Executive Officer.

On 5th September, Massimo Moratti SapA of Massimo Moratti and MOBRO SpA jointly sold 10% of the capital to a group of institutional investors with the aim of increasing the liquidity of SARAS shares on the market.

LETTER TO SHAREHOLDERS

Dear Shareholders,

2018 was a positive year despite the great global economic and political volatility that affected our reference market significantly. Saras - thanks to its unique business model based on supply chain optimisation, that is to say the perfect integration of its strong technical competence with a capillary commercial presence - has managed to generate an excellent economic result while maintaining a positive net financial position of around EUR 50 million, investing over EUR 240 million in our business and remunerating shareholders with the distribution of 112 million dividends.

POSITIVE NET FINANCIAL POSITION FOR APPROX.
50
EUR million

On an economic level, the global growth trend continued in 2018, but world trade slowed down. Currency and financial tensions have emerged in the most fragile emerging countries and the risks linked to the effects of protectionist measures have increased. In the Eurozone, economic activity, while continuing to expand, has slowed down. All the main global investment classes (stocks, bonds and main raw materials) closed down in the wake of growing fears of an economic slowdown.

In terms of oil markets, Brent recorded average values that were clearly higher than those of the previous year in a scenario characterised by strong fluctuations. In the first nine months of the year, the price of Brent had an upward trend culminating in October at over 85 $/bl - the maximum value of the last 4 years - only to collapse suddenly and close the year around 50 $/bl. On the more pronounced bullish trend during the summer, the US sanctions against Iran were heavily weighed against the growth above the expectations of unconventional US producers. The crack spreads of refined products were satisfactory, however, showing different dynamics: diesel gradually strengthened remaining at historically high levels in the wake of the strong demand for industrial uses while gasoline alternated more positive phases with less favourable ones, especially in conjunction with moments of low seasonality of demand.

INVESTIMENTS ABOVE
240
EUR million

Saras is preparing for what will probably be the biggest change in recent years in oil products and refining market: the introduction of the international IMO Marpol VI regulation. This regulation, established a few years ago by the International Maritime Organization (specialised agency of the United Nations), foresees that from 1st January 2020 the sulphur contents of marine engine emissions must be drastically reduced compared to the current levels. In practice, marine fuel (bunker fuel) must have a maximum sulphur content of 0.5% compared to the current 3.5% or alternatively, ships must have appropriate fume treatment plants (scrubbers). For the whole market, this will be a paradigmatic change because there are no viable technical solutions for desulfurizing fuel oils. Therefore, it will be necessary to act on other levers such as the quality of raw materials or expensive conversion plants.

The Group is in a favourable position: from a technical point of view, the refinery has a high conversion configuration and great flexibility in the type of raw materials that can be processed. This will allow it to produce the new marine fuel without the need for significant investments. From the commercial point of view, thanks to the geographical position that is at the crossroads of the world's busiest sea routes, Saras, through its subsidiary Saras Trading, has requested the authorisations to enter directly into the marine fuel trade by providing, for the first time in many decades, the Cagliari area with modern infrastructure capable of refuelling both ships arriving at the port and those passing through. Therefore, we will be directly present in the retail commercialisation of new naval fuels with very low environmental impact.

DIVIDENDS
112
EUR million

The energy sector has always been subject to continuous changes. Volatility, political instability, fierce international competition - often asymmetrical in rules - and energy transition are just some of the challenges that operators in our sector have to face every day. In such a changing and uncertain context, the Saras Group has maintained over time a clear and stable strategic direction that is summarized in the objective of our Purpose: 'Being among he best and most efficient operators in our sector'.

BUNKER FUEL
0.5%
maximum sulphur content

This does not mean standing still but on the contrary developing those qualities of flexibility and resilience that have allowed us to navigate the different phases that the refining sector has gone through and continue with the implementation of our business plan, which aims to complete all the investments on the plants necessary to keep them competitive and at the forefront, in a path of continuous improvement in search of ever better industrial and operational performance and maximum efficiency. Very important, to reach this ambitious goal, is the #DigitalSaras project, which has seen us among the first realities in our sector to use digitalisation and that in the 2018, has gained further momentum with the industrialisation of 10 pilot projects for which we are starting to see the results.

Certainly the economic component is fundamental. However, it is necessary to look beyond and also consider other dimensions that the success of a company cannot ignore, such as the social and environmental one. For this reason, our work has always been inspired by a strong focus on environmental and sustainability issues, implementing initiatives and investments that limit the impact of our activity, such as measures to further reduce the water footprint, the numerous targeted projects to increase energy efficiency and investments to reduce air emissions. We also intend to increase our presence in production from renewable sources with an increase of 30 MW of installed wind capacity in Sardinia.

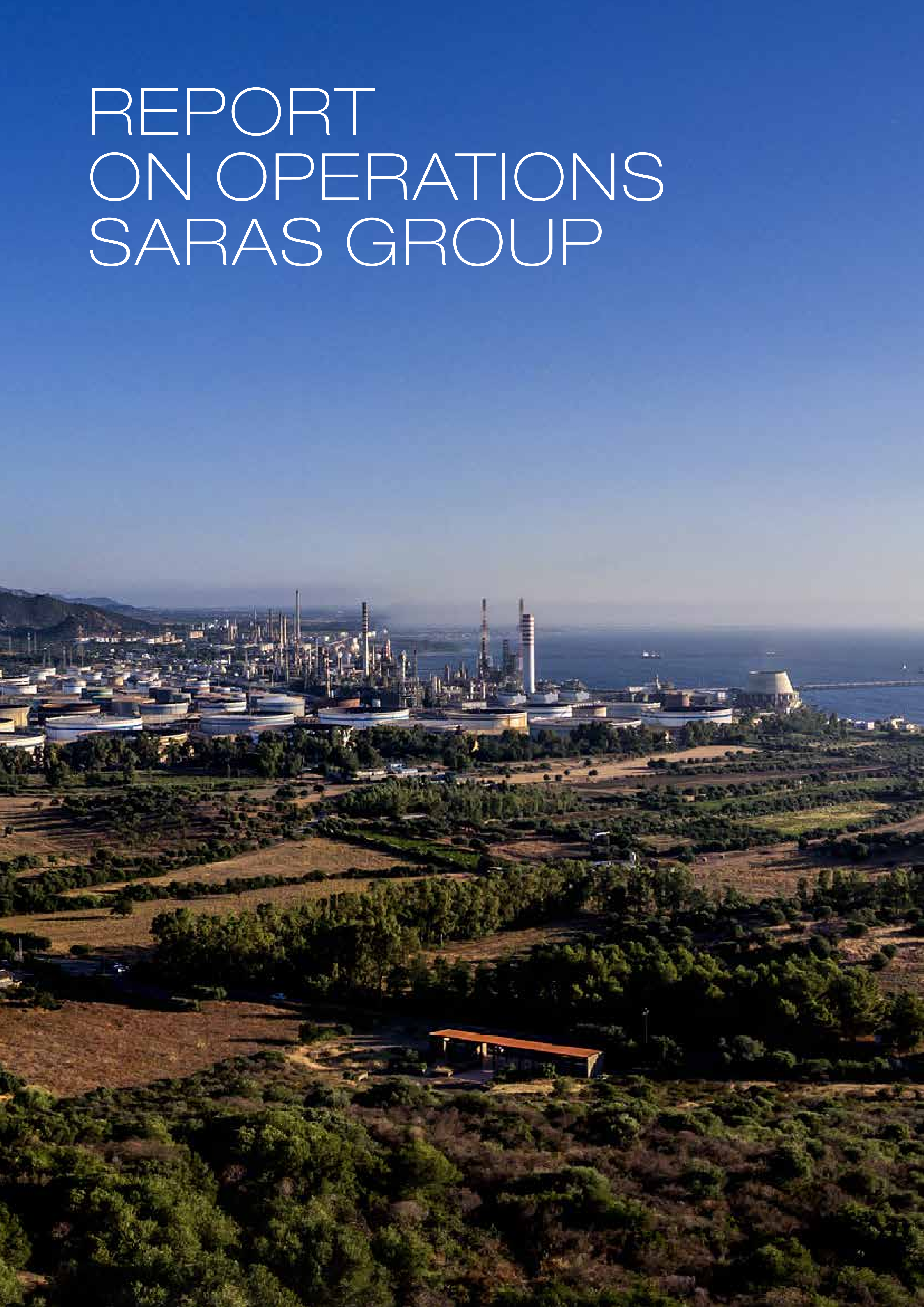
The Group is strongly committed to promoting and disseminating a safety culture at all levels through continuous training and auditing activities, a commitment that has led to the achievement of the best performance of the accident frequency index for the second consecutive year. The dedication, competence and fairness of our people are our greatest asset, result of the experience acquired in almost 60 years of activity in the sector and therefore, great attention is paid to the development of professionalism and the sense of belonging to the organisation.

Every company is established and grows in a territory and the relationship it establishes with it characterises the future development not only of the company, but of the territory itself and Saras has always been involved in initiatives useful to support the social fabric with particular attention to the young and the needs of the community. Furthermore, around the Sarroch refinery area, an ecosystem of small and medium-sized enterprises has been created that create value and are growing in synergy with Sarlux, developing expertise that can also be used for other industrial realities.

In conclusion, our Group intends to implement all the initiatives necessary to maintain its competitive positioning in the refining sector by using the knowledge, know-how and commitment of our people, as well as the new technologies available, to produce energy in efficient and sustainable way, continuing to generate value for our stakeholders and for the community with which we interact.

THE CHAIRMAN
Massimo Moratti

REPORT
ON OPERATIONS
SARAS GROUP



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MAIN CONSOLIDATED FINANCIAL FIGURES

comparable NET RESULT
NET FINANCIAL POSITION
INVESTMENTS
EUR million
217.4
132.6
87
46
205.0
243.0
700
600
500
400
300
200
100
0
2017
2018
2017
2018
2017
2018

MAIN CONSOLIDATED FINANCIAL AND OPERATING FIGURES

EUR million		2018	2017	Var%
REVENUES		10,397	7,687	35%
EBITDA		323.7	504.3	-36%
Comparable EBITDA [1]		**364.8**	**522.5**	**-30%**
EBIT		144.8	325.8	-56%
Comparable EBIT [1]		**189.5**	**344.0**	**-45%**
Net Result		140.4	240.8	-42%
Comparable Net Result [1]		**132.6**	**217.4**	**-39%**
Shares outstanding, '000,000 (average no.)		936	936	
Comparable NET RESULT [1] per share (EUR)		**0.14**	**0.23**	
NET FINANCIAL POSITION		**46**	**87**	
CAPEX		**243.0**	**205.0**	
REFINERY RUNS	thousand tons	13,512	14,060	-4%
	million barrels	98.6	102.6	-4%
	thousand barrels/day	270	281	-4%
FOREX	EUR/USD	1.181	1.130	5%
EMC BENCHMARK MARGIN	$/bl	2.0	3.5	
SARAS REFINING MARGIN	$/bl	4.3	6.0	
IGCC ELECTRICITY PRODUCTION	MWh/1000	4,363	4,085	7%
POWER TARIFF	EURcent/KWh	9.7	8.7	11%
IGCC MARGIN	$/bl	3.8	3.3	15%
TOTAL MARKETING SALES	thousand tons	3,682	3,653	1%
of which in Italy	thousand tons	2,119	2,169	-2%
of which in Spain	thousand tons	1,564	1,484	5%

1. In order to give a representation of the Group's operating performance that best reflects the most recent market dynamics, in line with the standard practice in the oil industry, the operating results and the Net Result are determined using the FIFO methodology but excluding unrealised gains and losses on inventories due to changes in scenario, by evaluating inventories at the beginning of the year at the same unitary values as end-of-year inventories. Moreover, realised and unrealised differentials on oil and exchange rate hedge derivatives which involve the exchange of physical quantities are classified as operating results as they are related to the Group's industrial business operations, even if not accounted for using the hedge accounting principles. Derivative instruments relating to physical transactions not pertaining to the year under review and non-recurring items by nature, relevance or frequency are excluded from the operating results and the Net Result. The results thus calculated, referred to as "comparables", are indicators which are not defined by international accounting standards (IAS/IFRS) and are not subject to audit.

STATUTORY AND CONTROL BODIES

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

GIANCARLA BRANDA	Chairwoman
GIOVANNI LUIGI CAMERA	Auditor
PAOLA SIMONELLI	Auditor
PINUCCIA MAZZA	Deputy Auditor
ANDREA PERRONE	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 (the Report) approved by the Board of Directors (the Board) and published within 21 days after the Meeting called for the approval of the 2018 financial statements.

The report, prepared in accordance with Article 123-*bis*, first paragraph of Legislative Decree 58 of 24th February 1998 (the Consolidated Finance Act) and subsequent amendments, describes the main features of the corporate governance system of Saras, and how its various components function in practical terms, with a specific focus on compliance with the recommendations contained in the Corporate Governance Code.

The corporate organisation of Saras SpA complies with the Italian Civil Code and other laws on corporations, specifically those contained in the Consolidated Finance Act.

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, whose functions also include those of the Committee for Related-Party Transactions and a Steering and Strategies Committee, as well as 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 27th April 2018, the Shareholders' Meeting appointed the members of the new Board of Directors and the new Board of Statutory Auditors, which will remain in office for a three-year period until the date of the shareholders' meeting called to approve the financial statements as at 31st December 2020.

On 3rd May 2018, the Board of Directors therefore appointed and conferred the office of Chair to Massimo Moratti and of Chief Executive Officer to Dario Scaffardi.

The Company has entrusted the audit firm EY SpA with the task of auditing the financial statements for the financial years 2015-2023, as well as the limited audit of the half-year reports for the same period. (EY).

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 2018 and in the first months of 2019.

On 3rd May 2018, having evaluated the existence of the requirements for independence of the Directors Gilberto Callera, Adriana Cerretelli, Laura Fidanza and Isabelle Harvie-Watt, Francesca Luchi and Leonardo Senni, the Board of Directors also appointed the Gilberto Callera as Lead Independent Director, the Remuneration and Nomination Committee (consisting of Gilberto Callera, Laura Fidanza and Francesca Luchi), the Audit and Risks Committee (consisting of Independent Non-Executive Directors Gilberto Callera, Adriana Cerretelli, Laura Fidanza, Isabelle Harvie-Watt and Leonardo Senni).

Both Committees have the consultative and advisory functions, as intended in the Corporate Governance Code, and met regularly during 2018 and in the first few months of 2019, as illustrated in detail in the Report on Corporate Governance.

In the same meeting, the Board of Directors established within it the Steering and Strategies Committee with advisory functions and support to the Board in defining the strategic business guidelines, including finance, as well as guidelines on sustainability.

The Report also describes the Company's system of internal controls, for which the Board of Directors is responsible and which establishes the guidelines and periodically reviews the operational adequacy and effectiveness, using the Audit and Risks Committee and the Internal Audit Department.

The Board appointed Dario Scaffardi as Chief Executive Officer, the Executive Director responsible for overseeing the operations of the system of internal controls.

The Company has also appointed the Chief Financial Officer, Franco Balsamo, as the director in charge of financial reporting, according to 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 special supervisory body.

The Group's Code of Ethics (approved by the Board of Directors of Saras SpA on 1st August 2016 and subsequently implemented by the Boards of Directors of other companies in the Group) is also part of the system of internal controls. It sets forth, 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 Compliance Guideline – 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, procedures for related party transactions, and the Code of Conduct for Saras Group Directors, as adopted by the Company's Board of Directors.

REGULATORY FRAMEWORK

The most important regulations in 2018 relating to the energy, environment and health and safety at work sectors are as follows:

- Law 30th December 2018, no. 145, concerning State forecast budget for 2019 and multi-year budget for the 2019-2021 three-year period (provisions on waste, water);
- Delegated Regulation (EU) 2019/7 of the Commission, of 30th October 2018, amending regulation (EU) no. 1031/2010 regarding the auctioning of 50 million unallocated units of the market stabilisation reserve in favour of the innovation fund, and in order to register an auction platform designated by Germany;
- Commission Implementing Regulation (EU) 2018/2066 of 19th December 2018, concerning the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and amending Commission Regulation (EU) no. 601/2012;
- Implementing Regulation (EU) 2018/2067 of the Commission of 19th December 2018, concerning the verification of data and the accreditation of verifiers in accordance with Directive 2003/87/EC of the European Parliament and of the Council;
- Law 17th December 2018, no. 136, concerning Conversion into law, with amendments, of Decree-Law 23rd October 2018, no. 119, laying down urgent measures on fiscal and financial matters.
- Commission Regulation (EU) 2018/2005 of 17th December 2018, amending Annex XVII of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorisation and restriction of chemical substances (REACH) as regards the substances *bis*(2-ethylhexyl) phthalate (DEHP), dibutyl phthalate (DBP), benzylbutyl phthalate (BBP) and diisobutylphthalate (DIBP);
- Commission Implementing Decision (EU) 2018/2013 of 14th December 2018 on the identification of 1,7,7-trimethyl-3 (phenylmethylene) bicyclo [2.2.1] eptan-2-one (3- benzylidene camphor) as an extremely worrying substance pursuant to Article 57, letter f) of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council;
- Decree Law 14th December 2018, no. 135, containing urgent provisions on support and simplification for businesses and public administration;
- Commission Implementing Regulation (EU) 2018/1992 of 14th December 2018, amending Implementing Regulation (EU) no. 1191/2014 regarding the communication of the data referred to in Article 19 of Regulation (EU) no. 517/2014 with regard to the hydrofluorocarbons marketed in the United Kingdom and in the Union of 27 Member States;
- Commission Implementing Decision (EU) 2018/1984, of 13th December 2018, concerning the recognition of KZR INiG System for the verification of compliance with the sustainability criteria set out in the directives of the European Parliament and the Council 98/70/EC and 2009/28/EC;
- Directive (EU) 2018/2001 of the European Parliament and of the Council of 11th December 2018, on the promotion of the use of energy from renewable sources;
- Directive (EU) 2018/2002 of the European Parliament and of the Council of 11th December 2018, amending Directive 2012/27/EU on energy efficiency;
- Commission Regulation (EU) 2018/1881 of 3rd December 2018, amending Regulation (EC) no. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorisation and restriction of chemical substances (REACH) with regard to Annexes I, III, VI, VII, VIII, IX, X, XI and XII to include the nanoforms of the substances;
- Commission Implementing Decision (EU) 2018/1854 of 27th November 2018 on the recognition of the voluntary Better Biomass system for verification of compliance with the sustainability criteria set out in Directives 98/70/EC and 2009/28/EC of the European Parliament and of the Council;
- Commission Implementing Decision (EU) 2018/1855 of 27th November 2018, on greenhouse gas emissions governed by decision no. 406/2009/EC of the European Parliament and of the Council for each Member State for the year 2016;
- Presidential Decree 16th November 2018, no. 146, containing the regulation for the implementation of regulation (EU) no. 517/2014 on fluorinated greenhouse gases and repealing regulation (EC) no. 842/2006;
- Commission Regulation (EU) 2018/1513 of 10th October 2018, amending Annex XVII of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorisation and restriction of chemical substances (REACH) as regards certain substances classified as carcinogenic, mutagenic or toxic for reproduction (CMR), category 1A or 1B;
- Regulation (EU) 2018/1480 of the Commission of 4th October 2018, concerning the modification, for the purposes of adaptation to technical and scientific progress, of Regulation (EC) no. 1272/2008 of the European Parliament and of the Council concerning the classification, labelling and packaging of substances and mixtures and which corrects Commission Regulation (EU) 2017/776;

- Commission Implementing Decision (EU) 2018/840 of 5th June 2018, establishing a check-list of substances to be monitored at Union level in the water policy sector implementing Directive 2008/105/EC of the European Parliament and of the Council and repealing Commission Implementing Decision (EU) 2015/495;

- Legislative Decree 30th May 2018, no. 81 concerning Implementation of Directive (EU) 2016/2284 of the European Parliament and of the Council of 14th December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC;

- Directive (EU) 2018/844 of the European Parliament and of the Council of 30th May 2018, amending Directive 2010/31/EU on energy performance in buildings and Directive 2012/27/EU on energy efficiency;

- Decision (EU) 2018/853 of the European Parliament and of the Council of May 30th, 2018, concerning the amendment of Regulation (EU) no. 1257/2013 and Directives 94/63/CE and 2009/31/CE of the European Parliament and of the Council and of Council Directives 86/278/EEC and 87/217/EEC as regards the procedural rules on the drafting of environmental reports and repealing Council Directive 91/692/EEC;

- Directive (EU) 2018/852 of the European Parliament and of the Council of May 30th, 2018, amending Directive 94/62/EC on packaging and packaging waste;

- Regulation (EU) 2018/842 of the European Parliament and of the Council of May 30th, 2018, concerning the binding annual reductions of greenhouse gas emissions for Member States in the period 2021-2030 as a contribution to climate action to honour the commitments undertaken pursuant to the Paris Agreement and amending Regulation (EU) no. 525/2013;

- Ministerial Decree 11th May 2018, on Procedures and methods for the execution of controls by ENEA on the existence of the conditions for the use of tax deductions for expenses incurred for energy efficiency interventions, pursuant to Article 14, paragraph 2-*quinquies*, of the decree-law 4th June 2013, no. 63, converted, with amendments, by the law 3rd August 2013, no. 90;

- Ministerial Decree 10th May 2018, on the amendment and update of the decree of 11th January 2017, concerning the determination of the national quantitative energy saving objectives that must be pursued by electricity and gas distribution companies for the years 2017 to 2020 and for approval of the new Guidelines for the preparation, execution and evaluation of energy efficiency projects;

- Commission Regulation (EU) 2018/675 of 2nd May 2018 concerning amendment of the appendices to Annex XVII of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorisation and restriction of chemical substances (REACH) with regard to CMR substances;

- Regulation (EU) 2018/669 of the Commission of 16th April 2018, concerning amendment, for the purposes of adaptation to technical and scientific progress, of Regulation (EC) no. 1272/2008 of the European Parliament and of the Council concerning the classification, labelling and packaging of substances and mixtures;

- Regulations (EU) no. 2018/588, no. 2018/589, no. 2018/35, bearing further amendments to Annex XVII of Regulation (EC) no. 2006/1907;

- Ministerial Decree 12th April 2018, on Authorisation for collection through credits claimed by the Fund for environmental energy services (CSEA);

- Commission Implementing Decision (EU) 2018/552 of 6th April 2018, updating the references referred to in Council Directive 2003/96/EC to the Combined nomenclature codes for certain products;

- Directive (EU) 2018/410 of the European Parliament and of the Council of 14th March 2018, amending Directive 2003/87/EC to support a more effective reduction of emissions in terms of costs and promote investments in favour of low carbon emissions and Decision (EU) 2015/1814;

- Ministerial Decree 2nd March 2018, concerning promotion of the use of biomethane and other advanced biofuels in the transport sector;

- Ministerial Decree 2nd March 2018, concerning companies with a high consumption of natural gas;

- Commission Regulation (EU) 2018/208 of 12th February 2018, amending Regulation (EU) no. 389/2013 establishing a Union registry.

EQUITY MARKET PERFORMANCE

2018 was a difficult year for the financial markets and all the global investment classes (shares, bonds and main raw materials) closed the year down.

In detail, the US stock market recorded the best performance with the Standard & Poor 500 index down 6%. The French CAC 40 index and Japanese Nikkei 225 index, recorded a fall of 11% and 12% respectively.

The London stock exchange recorded a 12.5% drop in the reference index FTSE 100 UK, while the composite index summarising the trend of the 300 largest European companies with the highest capitalisation (FTSE EuroFirst 300) closed down 13%. Also the representative index of the Spanish market, IBEX 35, closed the year at lower values than the previous year by 15%.

Negative performance also for the Milan Stock Exchange, with the FTSE Mib index closing the year down 16.1%. This was followed by the Dax index in Frankfurt, which closed the year down 18.3%. Lastly, the Athens stock exchange recorded the worst performance with the ASE Large Cap index down 22.8%.

The following graphs give a visual representation of the fluctuations in the share prices commented on above, using the prices of 1st January 2018 as the base 100 reference.

The year 2018 was characterised by a bearish trend in the main stock indices and a sharp increase in volatility. Decisive factors were the concern of a rapid restriction of US monetary policy, fears of an economic slowdown and growing trade tensions between the USA and China.

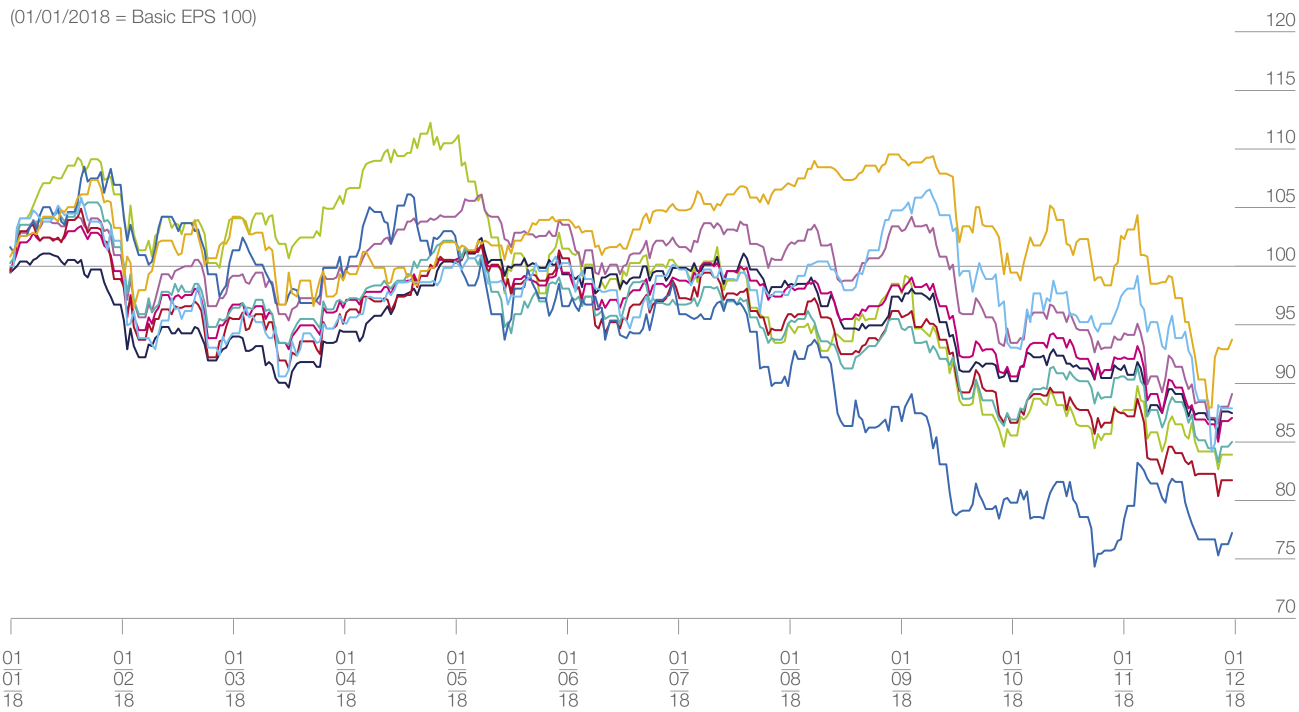
The year began with the continuation of the ascending phase of stock prices that had characterised 2017. In February, however, there was a sharp increase in volatility in international financial markets, accompanied by a rise in long-term rates and a correction in stock prices in all the major advanced economies. This sharp decline was triggered by the publication of data on the American labour market that exceeded expectations that gave rise to fears of a rapid normalisation of monetary policies by the Fed. The tensions that arose in the US stock market were then extended to other stock markets and the effects were amplified by the increasingly widespread use of automatic investment strategies that involve the sale of shares as market risk and volatility increase. Tensions gradually eased and stock prices partially recovered. However, most equity indices ended the quarter down. The sectors most affected were those of telecommunications and healthcare, which are more sensitive to the dynamics of interest rates.

Global equity markets closed the second quarter positively, despite alternating upward and downward phases. After the slowdown observed in the first quarter, the short-term prospects of the global economy remained rather favourable and world trade continued to expand, even if decelerating. In the United States, the positive season of company results and encouraging macroeconomic data pushed the stock market up 2.9%. In the second quarter, government bond yields showed uneven trends: on the one hand, a decline in yields in Germany and the United States and on the other, an increase in yields in some countries of the Eurozone. There was a reallocation of investors' portfolios towards activities considered safer, producing an increase in the sovereign risk premium for countries considered most vulnerable. Starting from the end of May, the volatility of the Italian financial market has increased considerably in connection with the uncertainty on the formation of a new government. In particular, the FTSE Italia Mib index closed the quarter down 3.5% and the banking sector was particularly penalised.

In the third quarter, stock prices continued to increase in the United States and the American index (S&P 500) outperformed the other indices, recording an increase of more than 7% supported by the fiscal stimulus measures for businesses and positive economic performance, against a substantial stability of the European market. The Italian financial market continued to be affected by tensions linked to investors' uncertainty about the orientation of the new government's economic and financial policies and the spread of Italian government bonds compared to German ones rose to over 300 basis points. As a result, the FTSE Italia Mib index continued its declining phase and closed the quarter down 4.2%. Stock prices also declined in the United Kingdom following the worsening of uncertainties on the Brexit negotiation trend.

In the last quarter of the year, fears of the slowdown in the economic cycle and effects on international economic exchanges due to protectionist measures implemented by the US administration intensified and caused a strong correction of stock markets on a global scale, dragging down also oil prices. The US S&P 500 market index fell by 14% with a particularly marked downward trend in December when several large companies lowered their expectations of prospective growth in relation, among other things, to the slowdown in the Chinese market. The main European markets also closed the quarter down by more than 10% in the wake of the aforementioned fears of a slowdown in global growth, trade war and Brexit outcomes.

MAIN WORLD MARKET INDICES (SOURCE: BLOOMBERG)



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

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

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

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

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

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

SARAS STOCK PERFORMANCE

SHARE PRICE (EUR)	2018
Minimum price (13/02/2018) *	1.598
Maximum price (29/08/2018) *	2.238
Average price	1.872
Closing price on 28/12/2018	1.691

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

DAILY TRADING VOLUMES	2018
Minimum traded volume in EUR million (20/08/2018)	1.6
Minimum traded volume in number of shares (million) (20/08/2018)	0.8
Maximum traded volume in EUR million (06/09/2018)	56.9
Maximum traded volume in number of shares (million) (06/09/2018)	30.4
Average traded volume in EUR million	7.4
Average traded volume in number of shares (million)	4.0

The following data relate to Saras' share prices and the daily volumes, traded during the period from 2nd January 2018 to 28th December 2018.

At 28th December 2018, the market capitalisation was EUR 1,608 million and, on the same date, there were approximately 936 million shares outstanding. At year-end 2018, Saras SpA holds in treasury 14,989,854 own shares, corresponding to 1.576% of the company's issued share capital. For details on own shares held in treasury and on the share movements during the year, reference should be made to the Report on Operations to the separate financial statements of Saras SpA.

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

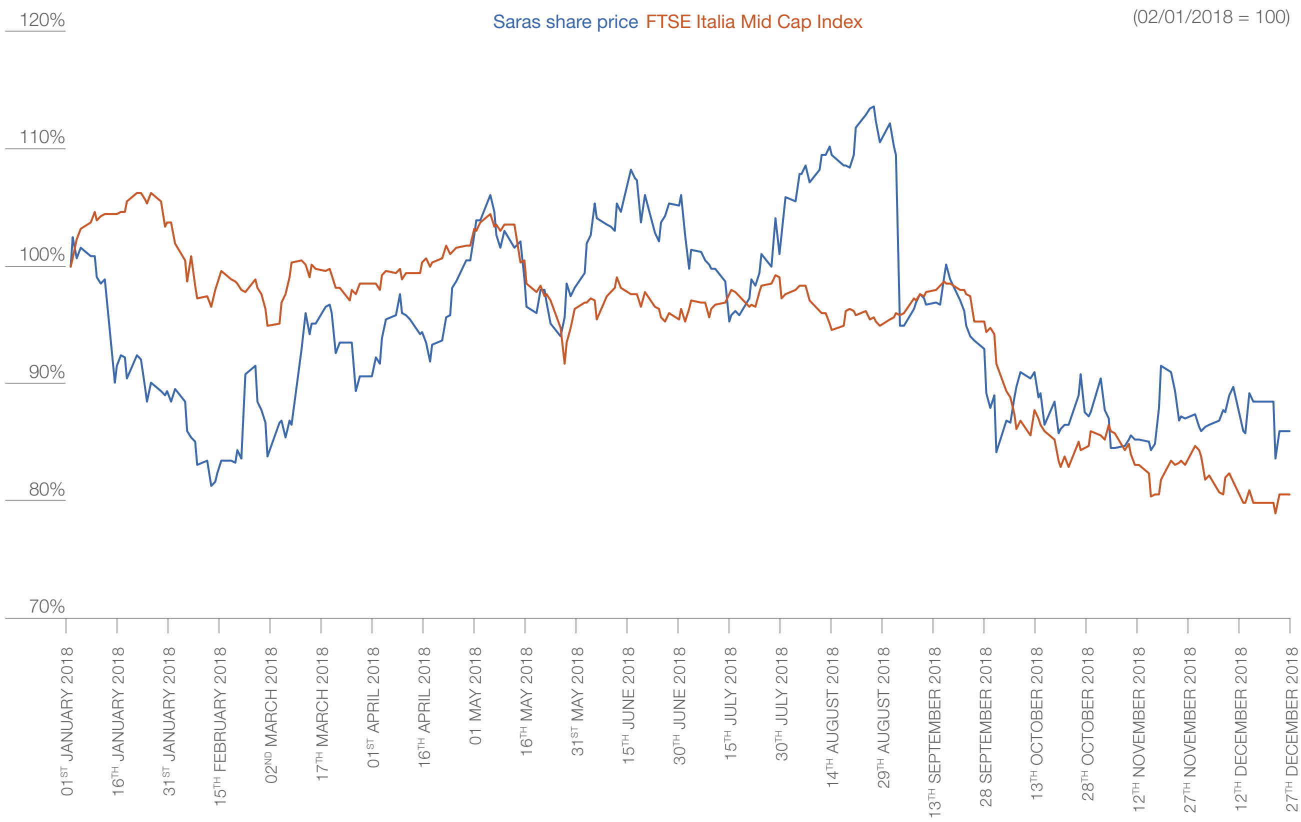
Saras shares opened 2018 with a price of EUR 1.968 per share on 2nd January, and remained relatively stable for the first days of the year. Starting from mid-January until mid-February, the stock underwent a downward phase mainly due to the fact that the reference margin, EMC Benchmark, was down in the period. This dynamic was the result of the strength of Brent, which remained at around 70 $/bl driven by the agreement reached by the OPEC countries and other major producers regarding the extension of production cuts, and a simultaneous weakening of the crack spread of fuel oil and gasoline. Starting from mid-February, based on the stable improvement in the reference margin, the stock underwent a positive phase that continued in March following the presentation (12th March) of satisfactory annual results for the fourth quarter of 2017 and the update of the business plan for the period 2018-2021. The business plan was appreciated by the market, which was able to better understand the potential positive impact deriving from the new regulation on the sulphur content of marine engine fumes, which from 1st January 2020 will have to fall from the current 3.5% to 0.5% (IMO - Marpol VI) for high conversion plants such as the one of the Saras Group. Starting from the last days of March, the stock fell back in the wake of a generalised stock market weakness following concerns about the introduction of duties by the Trump administration and some geopolitical tensions.

In the second quarter, the stock recovered significantly thanks to the strengthening of the EMC Benchmark margin, which reached its highest levels in August thanks to the seasonally high values of the diesel crack spread and the recovery of the one of gasoline in addition to a stabilisation of the Brent price.

On 5th September, the shareholders Massimo Moratti SapA di Massimo Moratti and MOBRO SpA announced that they had successfully completed the sale of 10% of the share capital to a group of institutional investors at a price of EUR 2.0 per share with the aim of increasing the liquidity of the shares bringing their total shareholding to 40.022% of the capital.

In September, the stock fell as well as the Italian reference index in general, which was penalised by investors' uncertainty about the orientation of the new govern-

SARAS VS FTSE ITALIA MID CAP

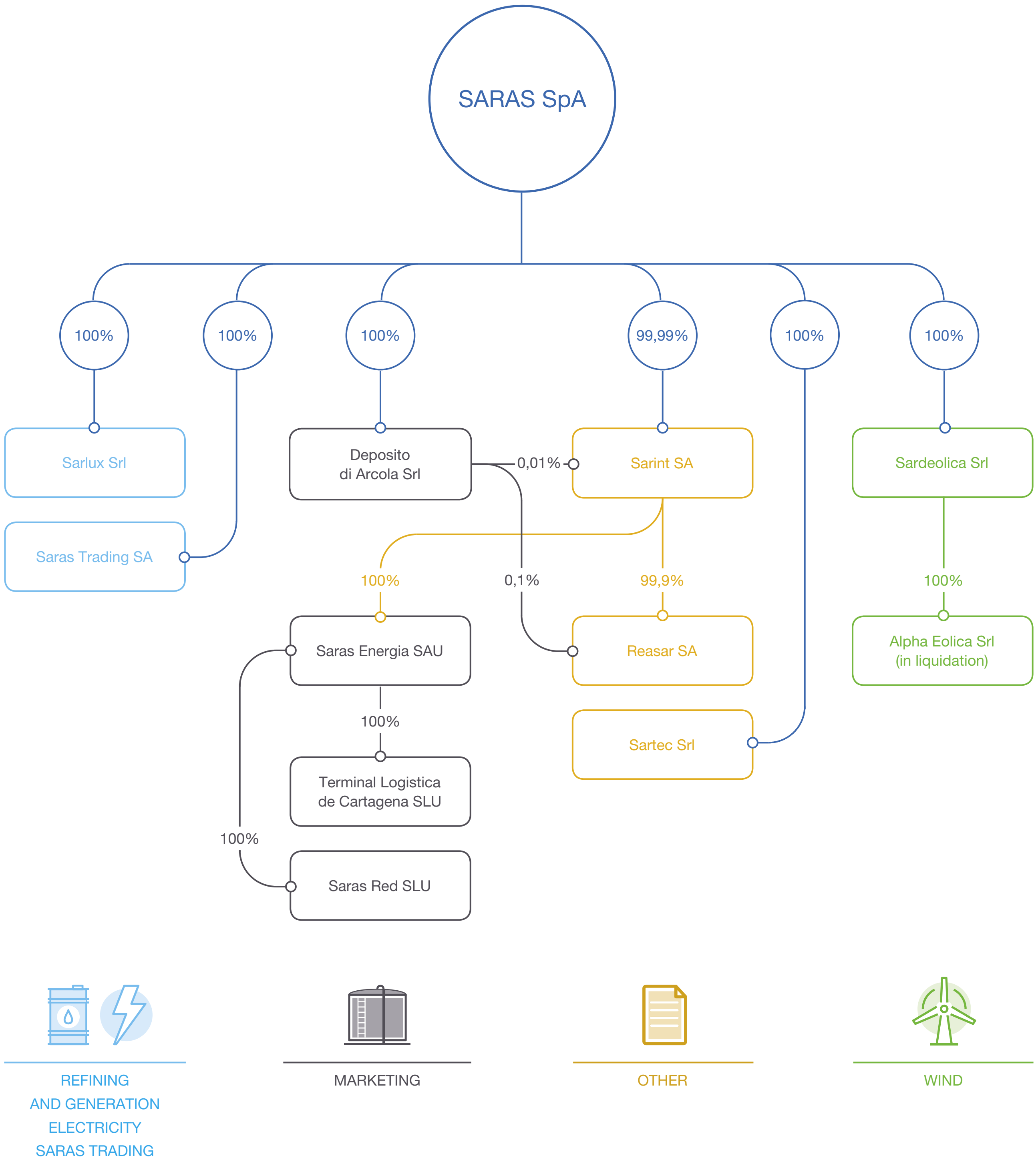


ment's economic and financial policies. Furthermore, starting from the second half of August, Brent prices rose again in the wake of the continuing decline of Venezuelan production and the decline in exports by Iran (due to the US embargo starting 4st November) to reach maximum values of the last 4 years (over 85 $/bl) penalising refining margins. These developments have negatively affected the stock.

Finally, in the last quarter of the year, fears of the economic slowdown and of the effects on international trades deriving from the protectionist measures implemented by the US administration, increased volatility and triggered a strong correction of stock markets on a global scale. In this context, the Saras shares also suffered a decline even if lower than that recorded by the main stock indices, supported, among other things, by a normalisation of crude oil prices and an improvement in refining margins.

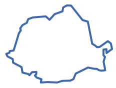
The Saras stock ended the year down 14% compared to the beginning of the period, and compares with a 19% drop in the FTSE Italia Mid Cap index in the same period.

STRUCTURE OF THE SARAS GROUP



The picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 31/12/2018.

REGISTERED OFFICES OF THE CONSOLIDATED COMPANIES



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09018 Sarroch - Cagliari

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19021 Arcola - La Spezia

Sartec Srl
Località Grogastu
Traversa 2^ Strada Est
09032 Assemini - Cagliari

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2227 Luxembourg
Lussemburgo

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Lussemburgo

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Planta 2°
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Spagna

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

COMMENT ON SARAS GROUP RESULTS

Non-GAAP measure
Alternative performance indicators

In order to give a representation of the Group's operating performance in line with the standard practice in the oil industry, the operating results and the Net Result are displayed excluding inventories gain and losses and non-recurring items and reclassifying derivatives. The results thus calculated, referred to as "comparables", are indicators which are not defined by international accounting standards (IAS/IFRS) and are not subject to audit.

The operating results and the Net Result, are displayed valuing inventories with FIFO methodology, excluding unrealised inventories gain and losses, due to changes in the scenario, by valuing beginning-of-period inventories at the same unitary value of the end-of-period ones. Moreover, realised and unrealised differentials on oil and exchange rate hedge derivatives which involve the exchange of physical quantities are classified as operating results as they are related to the Group's industrial business operations, even if not accounted for using the hedge accounting principles. Non-recurring items by nature, relevance and frequency and derivatives related to physical deals not of the period under review, are excluded by the operating results and the Net Result Comparable.

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

KEY GROUP FINANCIAL AND OPERATING RESULTS:

EUR million	2018	2017
REVENUES	**10,397**	**7,687**
EBITDA	323.7	504.3
Comparable EBITDA	**364.8**	**522.5**
EBIT	144.8	325.8
Comparable EBIT	**189.5**	**344.0**
NET RESULT	140.4	240.8
Comparable NET RESULT	**132.6**	**217.4**
NET FINANCIAL POSITION	**46**	**87**
CAPEX	**243**	**205**

Comment on Group Results 2018

The Groups revenues in 2018 were EUR 10,397 million. The difference compared to EUR 7,687 million in 2017 is due to the higher average oil prices and higher oil and refined products trading activity of the subsidiary Saras Trading SA. More precisely, in 2018, the price of gasoline averaged 662 $/ton (compared to 548 $/ton in 2017) and diesel prices were on average 638 $/ton (against 491 $/ton in 2017). These dynamics resulted in higher revenues of approximately EUR 2,240 million in the Refining segment and approximately EUR 385 million in the Marketing segment. The revenues from the Power Generation segment were higher by approximately EUR 100 million compared to the previous year also thanks to higher CIP6/92 tariff, higher volumes sold and good operating performance.

The Group's reported EBITDA in 18 was EUR 323.7 million, down compared to EUR 504.3 million in 2017. The difference is almost entirely attributable to the Refining segment, which operated in a less favourable market margin and achieved lower refining volumes, only partially offset by a revaluation of inventories. This result was also penalised by non-recurring items of over EUR 60 million. They mainly refer to provisions (for around EUR 22 million) relating to the free allocation of CO_2 due to the North Plants referred to the 2015-17 period, for which a formal request was resubmitted in October 2018 following the dispute concerning the process previously followed, pending approval by the European Commission. In addition, receivables were written down (for an amount of EUR 29 million) relating to the repayment requested from the GSE for green certificates purchased in the 2011-13 period in relation to the failure to recognize the IGCC plant as cogeneration, following the sentence of the Council of State of November 2018 that definitively rejected the appeal presented by Sarlux.

The reported Group Net Result, equal to EUR 140.4 million, was down compared to EUR 240.8 million in the previous year, essentially due to the reason shown at EBITDA level. In 2018, depreciation, amortization and provisions (EUR 178.7 million) were substantially in line with the previous year. Financial charges (equal to EUR 16.5 million), on the other hand, showed a slight increase mainly in relation to the higher commissions deriving from higher business volumes. Lastly, other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were positive for approximately EUR 57 million in 2018 compared to a positive contribution of about EUR 18 million in the previous year.

The comparable Group EBITDA was EUR 364.8 million in 2018, down from EUR 522.5 million in 2017. This result is essentially attributable to the Refining segment, which operated in a less favourable market margin scenario (particularly due to higher crude oil prices) and achieved lower volumes, only partially offset by the good performance of the Marketing segment and Electricity Generation. The comparable Group Net Result in 2018 was EUR 132.6 million, compared to EUR 217.4 million in the previous year.

Lastly, **investments for 2018 amounted to EUR 243.0 million** and were mainly dedicated to the Refining segment (EUR 213.4 million).

The tables below present the details of the calculation of comparable EBITDA and comparable Net Result for 2017 and 2018.

DETAILS ON THE CALCULATION OF COMPARABLE EBITDA:

EUR million	2018	2017
Reported EBITDA	**323.7**	**504.3**
Gain / (Losses) on Inventories	(74.9)	(54.0)
Hedging derivatives and net exchange differences	55.5	52.1
Non-recurring items	60.5	20.1
Comparable EBITDA	**364.8**	**522.5**

Non-recurring items of 2017 refer to a provision prudently made in relation to the dispute by the GSE on energy efficiency certificates (TEE) assigned and to be assigned to the subsidiary Sarlux (for about EUR 23 million) and to the gains realised on the sale of TEE (EUR 9.5 million).

In 2018, non-recurring items essentially refer to provisions (for around EUR 22 million) relating to the free allocation of CO_2 due to the North plants for the 2015-17 period, for which a formal request was resubmitted October 2018 following the dispute concerning the process previously followed, following the acquisition of the business unit from Versalis. This request was implemented at national level and is currently being examined by the European Commission.

Furthermore, in the fourth quarter, receivables were written down (for an amount of EUR 29 million) relating to the repayment requested from the GSE for green certificates purchased in the 2011-13 period in relation to the failure to recognise the IGCC plant as cogeneration, following the sentence of the State Council in November 2018 which, with reference to 2012 and for AEEG Resolution 42/02, definitively rejected the appeal presented by Sarlux.

Lastly, it is noted that in 2018, thanks to the definitive assignments of energy efficiency certificates received from the GSE, the gains realised on the sale of the same securities (equal to EUR 18 million), were considered recurring, and therefore, unlike the previous period, contribute to the determination of Comparable results, being now part of the normal management of industrial activity.

DETAILS ON THE CALCULATION OF THE COMPARABLE NET RESULT:

EUR million	2018	2017
Reported NET RESULT	**140.4**	**240.8**
Gains / (losses) on inventories net of tax	(54.0)	(39.0)
Derivatives relating to transactions non-pertaining to the year	(2.9)	0.7
Non-recurring items after tax	49.1	14.7
Comparable NET RESULT	**132.6**	**217.4**

In 2017, non-recurring items net of tax refer to the provision for interest on past supplies requested by a counterparty, in addition to the aforesaid provisions for risks in connection with energy efficiency certificates and gains on the sale of energy efficiency certificates.
In 2018, the non-recurring items refer to the above mentioned provision and impairment net of taxes and to interest charges following the outcome of a litigation on past port taxes.

For further details, please refer to the Notes.

NET FINANCIAL POSITION

The Net Financial Position as at 31st December 2018 was positive by EUR 46 million, compared to the positive amount of EUR 87 million as at 31st December 2017. Cash generation from operating activities was absorbed by the investments made, the payment of taxes and the dividend in May 2018.

KEY GROUP FINANCIAL AND OPERATING RESULTS:

EUR million	31/12/2018	31/12/2017
Medium and long-term bank loans	(49)	(59)
Bonds	(199)	(198)
Other medium and long-term financial liabilities	(8)	-
Other medium and long-term financial assets	4	8
Net medium and long-term financial position	**(252)**	**(249)**
Current bank loans	-	-
Payables to banks for bank overdrafts	(17)	(4)
Other short term financial liabilities	(63)	(125)
Fair value on derivatives and realized net differentials	66	2
Other financial assets	39	43
Cash and cash equivalents	273	422
Net short-term financial position	**298**	**337**
Total Net Financial Position	**46**	**87**

SEGMENT REVIEW

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

REFINING

The Saras Group is active in the Refining sector through its 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 (11.7 on the Nelson Index). Located on the coast south-west of Cagliari, it enjoys a strategic position in the middle of the Mediterranean Basin, close to the various crude supplier countries and the main markets for refined products.

Reference market

In 2018, average dated Brent prices were significantly higher than those of the previous year, reaching an annual average of over 71 $/bl, corresponding to an increase of over 17 $/bl (+32%) compared to the average of 2017, in a context of greater volatility. In detail, in the first quarter of the year, prices moved within a range between 60 and 70 $/bl thanks to the substantial balance between supply and demand, while in the second quarter, prices rose around 70- 75 $/bl with peaks of around 80 $/bl in May driven by the Venezuelan crisis, sharp demand growth and the announced withdrawal of the US from the Iranian nuclear agreement. A blaze fuelled by the announcement by the US administration of imposing sanctions on Iran, which entered into force on 5th November and other geopolitical tensions, brought Brent values to the highest levels in the last 4 years (over 85 $/bl) early October. Lastly, starting from the second half of October, there was a sharp fall in prices, which led Brent to close the quarter at around 50 $/bl due to the slowdown in consumption (partly due to the high price levels achieved) and the growth of US production higher than expectations, despite the decline of exports by Iran thanks. The supply of crude remained at abundant levels. However, the OPEC cuts in the first part of the year, and the lower exports of Iran and Venezuela reduced the supply of heavy sour sulphur crude while higher quantities of light sweet crude were placed on the market. Therefore, the heavy-light differential remained under pressure.

Global oil demand in the last quarter of 2018 exceeded the psychological threshold of 100 million/bl/g. Overall progress compared to 2017 was around +1.3 mbl/d with the decisive contribution of China and other Asian countries as well as the United States and Canada.

The year 2018 was also favourable for refining. However, margins were lower than in the previous year mainly due to higher average crude prices. As far as product crack spreads are concerned, it is noted that **the year was characterised by the strength of middle distillates**, which recorded higher average values compared to the previous year thanks to the robust global growth and low inventory levels, **against a certain weakness and volatility of gasoline** due to the ample offer and the slowdown in demand due, among other things, to the high price levels reached.

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

Average annual values [1]	2018	2017
Crude Oil ($/bl)		
Price of Dated Brent (FOB Med)	71.3	54.2
Price of Urals (CIF Med)	70.2	53.3
Heavy-Light price differential	-1.1	-0.9
Refined Products ($/ton)		
ULSD	637.8	490.5
Gasoline 10ppm	662.1	548.2
HSFO	393.8	298.3
Crack spreads ($/bl)		
crack spread ULSD	14.2	11.6
crack spread Gasoline	8.0	11.5
crack spread HSFO	-8.8	-6.8
Other indicators of profitability		
EMC Benchmark margin ($/bl)	+2.0	+3.5
USD/EUR forex	1.181	1.130

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

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

Crude oil prices (Source Platts):

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

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

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

After having opened the last quarter on the maximum values of the last 4 years (over 85 $/bl), Brent prices have rapidly decreased since mid-October, to close the quarter at around 50 $/bl. Several factors behind this drastic and sudden decline, including in particular the slowdown in consumption (partly due to the high price levels achieved) in a context of uncertain economic growth, trade tensions between the US and China and excess supply of crude on the market despite the decline in exports from Iran (due to the embargo established by the United States) thanks above all to a growth higher than expected by US production. **The average for the fourth quarter was 68.8 $/bl**.

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

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

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

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

Starting from the beginning of November, Ural exceeded Brent reaching values of around +1 $/bl in the last days of the year. The decline in exports of Iranian and Venezuelan crude has affected the entire basket of heavy-sour crude whose discounts have fallen considerably. In addition to this were significant delays in the transit of oil tankers across the Bosphorus and the Strait of the Dardanelles. The "heavy-light" differential for the last quarter averaged -0.3 $/bl.

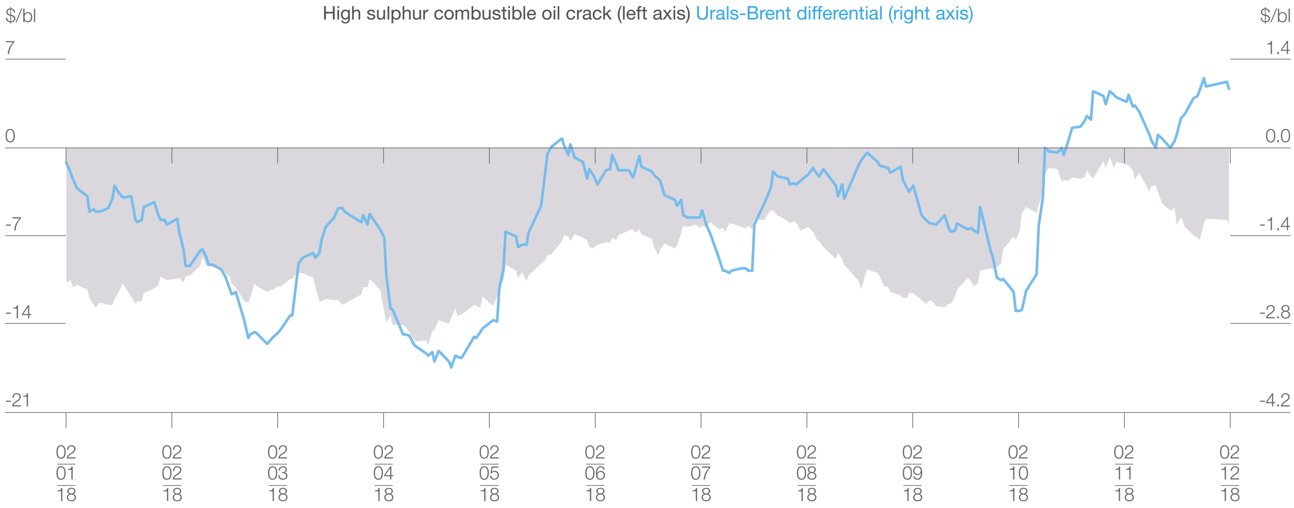
Crack spreads of the main refined products (i.e. the difference between the value of the product and the cost of crude oil):

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

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

The gasoline crack spread strengthened in the summer months until reaching its annual high in the first days of August (13.6 $/bl on 3rd of August). This improvement was determined by the seasonal growth in demand, which allowed European refineries to export significant volumes to the United States also due to logistical problems that limited local supply. On the supply side, no significant climatic phenomena took place (compared to the same period of the previous year, during which margins had been supported by the stop of about 20% of the US refining capacity due to the hurricane that fell on the shores of the Gulf of Mexico), while some unplanned refinery stops took place in Germany and Brazil. Starting from the end of August, the sharp increase in the price of crude oil, coinciding with a slowdown in seasonal demand, penalized the crack spread of gasoline, which closed the quarter at 6 $/bl. The average in Q3/18 was 9.7 $/bl.

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



The decline in the gasoline crack spread continued also in the fourth quarter, reaching the minimum levels of the last 4 years. This trend derives from the seasonal drop in consumption, in addition to an abundant supply of the product and few export opportunities. The quarterly average of the crack spread of gasoline was 2.7 $/bl.

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

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

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

Lastly, in the last quarter of 2018, the diesel crack spread remained at high levels, reaching the maximum levels of the last 4 years. The market was supported by the strong demand for diesel for road transport and the seasonal increase in demand for heating oil (in addition to the one for industrial uses). At the same time, imports from the United States, the Middle East and Russia fell during the autumn refinery maintenance cycle. The average for the last quarter of 2018 was 16.6 $/bl.

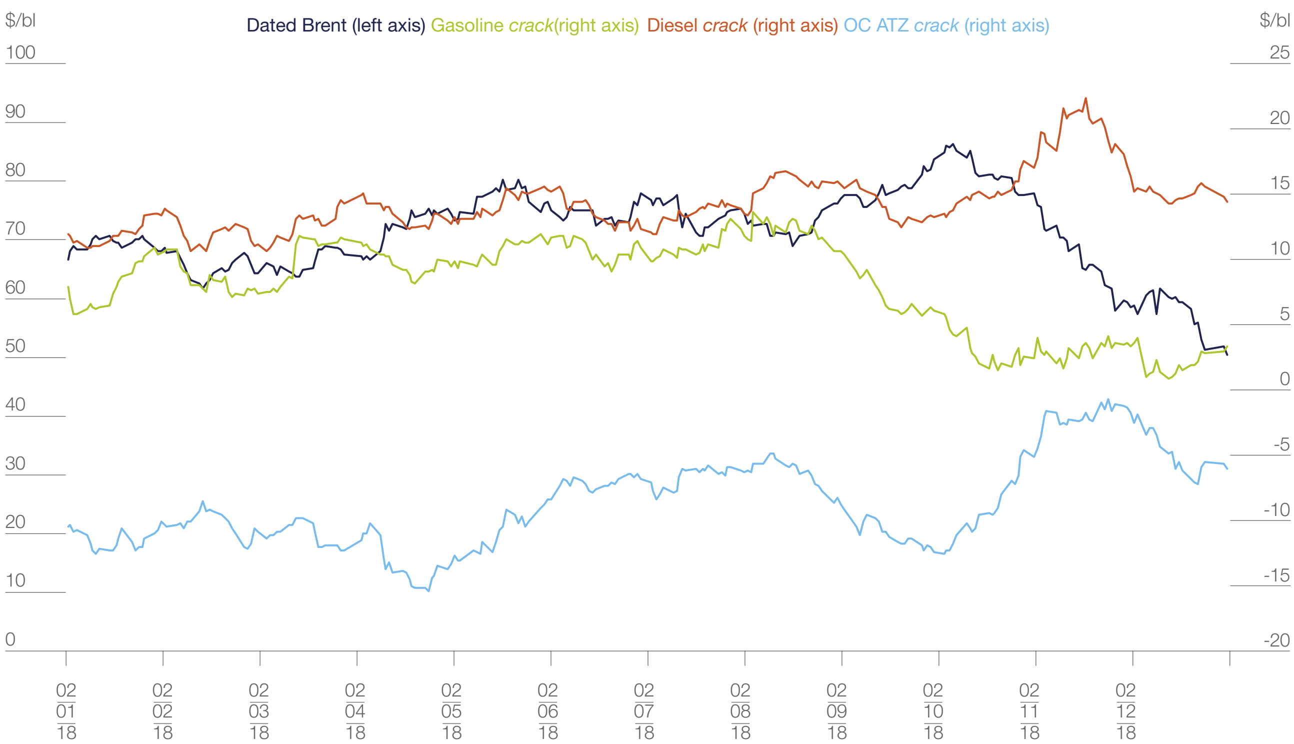
Reference refining margin

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

This reference margin (called the "EMC Benchmark") averaged 2.0 $/bl in 2018. In detail, in the first quarter, the average margin was 1.7 $/bl due to a seasonal weakening of gasoline cracks as well as fuel oil and the rapid rise in the Brent price. In the second quarter, the improvement in the gasoline and diesel crack spreads led to an average EMC of 2.2 $/bl. This benchmark was further strengthened in the third quarter, with an average of 2.4 $/bl, thanks to a general improvement in crack spreads during the summer months. In October, the benchmark was penalised by the high crude prices and by the weakness of the gasoline crack spread, while in November, it benefited from the sudden drop in crude, which was not followed by an equally rapid drop in products and then normalised in December. The average for the last quarter was 1.6 $/bl.

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

DATED BRENT AND GASOLINE, DIESEL AND FUEL OIL CRACK SPREADS (SOURCE: PLATTS)



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

Main operating results

REFINERY RUNS	2018	2017	%
CRUDE			
Thousand tons	13,512	14,060	-4%
Million barrels	98.6	102.6	-4%
Thousand barrels/day	270	281	-4%
COMPLEMENTARY FEEDSTOCKS			
Thousand tons	1,319	1,291	2%

The crude runs at the refinery in 2018 amounted to 13.51 million tons (98.6 million barrels, corresponding to 270 thousand barrels/day), down 4% compared to 2017 due to operating performance lower than expected (in the second quarter) and the effects of the fire that occurred on the night of 18th September, which affected a service area related to the distillation units that were temporarily stopped. The processing of complementary feedstock amounted to 1.32 million tons, substantially in line with 2017.

RAW MATERIALS BY TYPE		2018	2017
Light extra sweet		**37%**	36%
Light sweet		12%	12%
Medium sweet/extra sweet		0%	0%
Medium sour		34%	37%
Heavy sour/sweet		**17%**	15%
Average Density	°API	33.7	33.7

The mix of crudes that the Sarroch refinery processed in 2018 had an average density of 33.7°API, and is therefore in line with the average density processed in 2017. Then analysing in greater detail the classes of raw materials used, there was an increase in the processing percentage of light extra sweet. On the other hand, medium sour crude reduced against an increase in heavy sour/sweet crude. This processing mix was partly due to contingent plant set-up situations (arising from maintenance carried out) and to economic and commercial choices in view of market supply conditions.

RAW MATERIALS BY ORIGIN	2018	2017
North Africa	26%	19%
North Sea	4%	3%
Middle East	34%	39%
Russia and Caspian region	23%	24%
West Africa	13%	14%
Others	0%	1%

Turning to the analysis of finished product yields, it can be seen that in the year 2018, the yields in light distillates (27.9%) and in middle distillates (51.0%) were slightly higher than those recorded in 2017. Finally, fuel oil yield was lower (5.1%) as opposed to a higher yield of TAR (7.7%) compared to the previous year. These changes are mainly attributable to the different maintenance cycle in the two periods examined and to commercial choices.

PRODUCTION		2018	2017
LPG	thousand tons	291	318
	yield	2.0%	2.1%
NAPHTHA + GASOLINE	thousand tons	4,132	4,152
	yield	27.9%	27.0%
MIDDLE DISTILLATES	thousand tons	7,558	7,742
	yield	51.0%	50.4%
FUEL OIL & OTHERS	thousand tons	755	1,077
	yield	5.1%	7.0%
TAR	thousand tons	1,141	1,085
	yield	7.7%	7.1%

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

Main financial results

	2018	2017	%
EBITDA	142.6	276.9	-49%
Comparable EBITDA	**104.6**	**282.2**	**-63%**
EBIT	26.6	160.3	-83%
Comparable EBIT	**(7.8)**	**165.6**	**-105%**
CAPEX	**213.4**	**186.1**	

The comparable EBITDA amounted to EUR 104.6 million in 2018, with a Saras refinery margin of +4.3 $/bl. This compares with a comparable EBITDA of EUR 282.2 million and a Saras refinery margin of +6.0 $/bl in the previous year. As always, the comparison between the two periods must take into account market conditions and the specific performance of the Saras Group, both from an operational and commercial perspective.

More in detail, from the point of view of market conditions, in 2018, the highest crude prices and other phenomena linked to the scenario (including the increase in the cost related to consumption and losses) led to a penalty of about EUR 200 million compared to 2017. The weakening of the gasoline crack spread was instead offset by the strengthened diesel crack spread, with a positive net effect on the gross margin of approximately EUR 40 million, compared to 2017. Lastly, the effect of the EUR/USD exchange rate (1 EUR was worth 1.1810 USD in 2018 and 1.1297 in 2017) reduced the value of production by approximately EUR 20 million.

With regard to operational performance, in 2018, production planning (which involves optimising the mix of the crude oils for processing, the management of semi-finished products, and the production of finished products, including those with special formulations) resulted in an EBITDA lower by approximately EUR 5 million compared to 2017, mainly due to a less advantageous crude oil mix available, also because of the embargo on Iranian crude and the discontinuity of supplies from Libya.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) instead resulted in an EBITDA higher by about EUR 5 million compared to 2017.

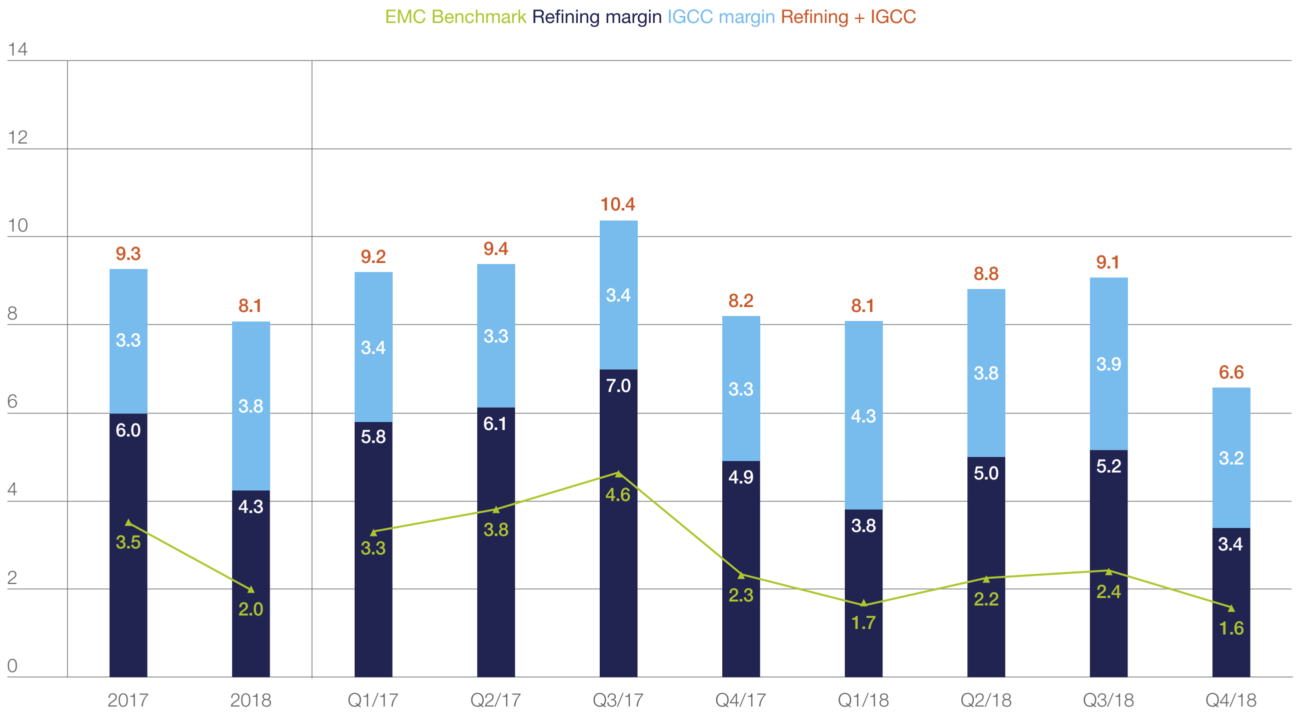
Commercial management (involving the supply of crude and additional raw materials, the sale of finished products, the rental costs of oil tankers, and inventory management, including mandatory stocks) contributed positively to the result of the period with EBITDA higher by approximately EUR 30 million compared to the same period of the previous year, due to trading activity.

Lastly, the results of the period were influenced by the higher variable costs due to the scenario (in particular a higher cost of electricity, CO_2 and hydrogen).

Investments made in 2018 totalled EUR 213.4 million.

The graph below shows in detail the changes to the margins achieved by the Saras Group refinery during 2017 and 2018, both on an annual and a quarterly basis. It can be noted that, thanks to the flexibility and high conversion of its plants, the Saras Group refinery achieved a higher refining margin than the EMC Benchmark reference margin. However, the size of the Saras premium above the EMC Benchmark is variable and mainly depends on the specific market conditions, as well as the performance of industrial and commercial operations in each quarter.

SARAS GROUP: INTEGRATED MARGINS 2017 – 2018



Refining margin: comparable EBITDA (of the Refining sector + 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

ELECTRICITY GENERATION

The Saras Group operates in the electricity generation sector, through an IGCC plant (Integrated Gasification Combined Cycle) at the Sarroch industrial site 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 45% of Sardinia's energy needs. Moreover, the IGCC plant is one of the fundamental units of the refinery for the conversion of 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.

Reference market

Average values per year		2018 [1]	2017
Electricity demand in Italy	GWh	321,910	320,548
Import	GWh	43,909	37,761
Internal Production [2]	GWh	280,234	285,265
of which: *Thermoelectric*	GWh	185,046	200,305
National Electricity Tariff (PUN) [3]	EUR/MWh	61.31	53.95

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)

Domestic electricity demand in 2018 (including network losses and net of electricity intended for consumption for auxiliary services) was 321,910 GWh, up 0.4% compared to 2017.

The change in electricity demand compared to the previous year showed a different trend in the various observation areas. In particular, the greatest growth in the demand for electricity was recorded in the Triveneto area and in the grouping consisting of Tuscany and Emilia Romagna, which recorded approximately +2%. In the Central area grouping consisting of Abruzzo, Marche, Lazio, Umbria and Molise, in Lombardy and Sardinia, consumption grew by around 1%. On the contrary, some areas have seen a decrease in energy demand and in particular Sicily has recorded a 1% drop. In the grouping consisting of Campania, Basilicata, Calabria and Puglia, it has decreased by 1.6% and in the North-West group that includes Piedmont, Liguria and Valle d'Aosta, by 2.2%.

The coverage of the national energy demand in 2018 (net of electricity destined for consumption for auxiliary services) was guaranteed for 57.5% with thermoelectric production, 15.3% with hydroelectric production, for 14.3% with production from other renewable sources (geothermal, wind and photovoltaic), and the remaining 13.6% with net imports from abroad. Net domestic electricity production amounted to 280,234 GWh, down 1.8% compared to 2017, meeting 87% of domestic electricity demand.

Lastly, it is noted that the average value of the PUN (Single National Price) in 2018 amounted to 61.31 EUR/MWh, up approximately 14% compared to the previous year (53.95 EUR/MWh), and has reached the highest value in recent years in line with what was recorded in the main neighbouring power exchanges. This trend is essentially linked to the increase in generation costs, including in particular that of gas, which is also at its highest in the last 4 years.

Main operating and financial results

		2018	2017	Change %
ELECTRICITY PRODUCTION	MWh/1000	4,363	4,085	+7%
POWER TARIFF	EURcent/KWh	9.7	8.7	+11%
SERVICE FACTOR	%	90.4%	84.6%	+6%
TAR TO THE IGCC PLANT	thousand tons	1,141	1,085	+5%

In 2018, the Electricity Generation segment conducted the maintenance work on two "Gasifier – combined cycle Turbine" trains and on one "gas washing line". The maintenance work on one "Gasifier – combined cycle Turbine" planned straddling the third and the fourth quarters was postponed to the current year. Electricity production reached 4.36 TWh, 7% more than in the previous year. From an operational point of view, the Electricity Generation segment was supported by a less expensive maintenance program and better operating performance (the service factor was equal to 90.4%, a significant improvement compared to the previous year).

EUR million	2018	2017	Change %
EBITDA	146.4	185.1	-21%
Comparable EBITDA	**220.2**	**196.6**	**12%**
EBIT	94.1	134.0	-30%
Comparable EBIT	**167.9**	**145.5**	**15%**
EBITDA ITALIAN GAAP	**67.7**	**97.7**	**-31%**
EBIT ITALIAN GAAP	**49.1**	**80.4**	**-39%**
CAPEX	**20.7**	**16.6**	

Comparable EBITDA stood at EUR 220.2 million, up 12% compared to EUR 196.6 million achieved in 2017. This difference is due to the lower fixed costs thanks to the lighter maintenance cycle conducted and the increase in the value of the CIP6/92 tariff (+11%) that more than offset higher feedstock (TAR) costs. Sales of steam and hydrogen (not subject to the equalisation procedure) were over EUR 11 million higher than in 2017. It is noted that the difference between comparable and reported EBITDA is attributable to the result of the CO_2 unit hedging derivatives and the write-down of receivables (amounting to EUR 29 million) relating to the repayment requested from the GSE for green certificates purchased in the 2011-13 period in relation to the failure to recognise the IGCC plant as cogeneration, following the sentence of the Council of State of November 2018 which definitively rejected the appeal presented by Sarlux.

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 67.7 million in 2018, down vs. EUR 97.7 million achieved in 2017. The greater production of electricity (+7%), the increase in the CIP6/92 tariff (+11%) and lower fixed costs were more than balanced by the higher purchase cost of raw materials (TAR) and CO_2. This item, in particular, was offset by the result of CO_2 hedging derivatives, recorded as financial income and equal to approximately EUR 46.2 million. The result was also affected by the aforementioned write-down of receivables relating to expected repayments for green certificates referring to previous years for approximately EUR 29 million.

Investments amounted to EUR 20.7 million.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MARKETING

The Saras Group conducts its Marketing business in Italy and in Spain directly and through its subsidiaries, primarily in wholesale channels. To this end, in Italy the Group avails itself, in addition to the logistics of the refinery, of a property coastal warehouse located in Arcola (La Spezia), with a total capacity of 200,000 cubic meters, and has medium/long-term transit contracts for storage capacity in other warehouses owned by third parties, located mainly in the central-northern part of the Italian peninsula (Civitavecchia, Livorno, Ravenna, Marghera, Genoa, Lacchiarella, Naples, etc.).

In Spain, on the other hand, the Saras Energia associate company owns and manages the warehouse located in Cartagena (Spain), with a capacity of 114,000 cubic meters, and also uses other terminals in the rest of Spain (owned by third-party operators, including mainly Decal and CLH) that allow it to distribute products throughout the Iberian territory. In November, the Spanish subsidiary Saras Energia signed an agreement with an important oil company aimed at the sale of the business consisting of the network of service stations located in Spain, directly owned or operated, the ancillary services and the related personnel directly referable to the network, for an amount of EUR 35 million plus the value of the working capital that will be transferred at the time of closing (subject to the occurrence of certain conditions precedent and expected within the first half of 2019).

Reference market

According to data collected by UP (Unione Petrolifera – the Oil Industry Union), total oil consumption amounted to approximately 60.8 million tonnes in 2018, up 2.0% compared to the previous year on the Italian market, which represents the main wholesale channel of the Saras Group. This dynamic is the result of a decrease in gasoline consumption (-2%) and of a 1% increase in diesel demand. Total fuel consumption (gasoline + diesel) amounting to approximately 31.4 million tons remained substantially stable. Noteworthy is the constantly growing trend of jet fuel and bitumen that supported overall demand. In 2018, new registrations were down around 3.1%, with diesel registrations representing 51.2% of the total (compared to 56.5% in 2017). LPG-powered cars covered 6.5% of new registrations, hybrids 4.5%, methane 2% and electric cars 0.3%.

On the Spanish market, preliminary data compiled by CORES show a total increase of over 3% in consumption compared to 2017. More in detail, total diesel consumption grew by 2.2%, gasoline consumption by 4.9%, kerosene consumption by 4.3% and fuel oil by 2.6%.

Main operating and financial results

		2018	2017	Change %
TOTAL SALES	thousand tons	**3,682**	**3,653**	**+1%**
of which in Italy	thousand tons	2,119	2,169	-2%
of which in Spain	thousand tons	1,564	1,484	+5%

In terms of operating performance, the Group's sales volumes remained substantially stable compared to a decrease of 2% in Italy and an increase of 5% in Spain compared to 2017.

Comparable EBITDA for the Marketing segment amounted to EUR 24.1 million, down versus the EUR 15.2 million of 2017 mainly thanks to better wholesale margins obtained in Italy.

Lastly, **investments amounted to EUR 1.3 million** in 2018.

EUR million	2018	2017	Change %
EBITDA	24.3	13.9	75%
Comparable EBITDA	**24.1**	**15.2**	**58%**
EBIT	19.0	8.4	125%
Comparable EBIT	**18.8**	**9.7**	**93%**
CAPEX	**1.3**	**0.9**	

WIND

Saras Group has been active in the production and sale of electricity from renewable sources since 2005, through its subsidiary Sardeolica Srl, which operates a wind park located in Ulassai (Sardinia). The park consists of 48 Vestas V80 wind turbines, with a total installed power of 96 MW, and is equipped with a Management System certified according to BS OHSAS 18001:2007 (Health and Safety), ISO 14001:2015 (Environment) for which it has obtained EMAS accreditation, ISO 9001:2015 (Quality) and ISO 50001:2011 (Energy).
In 2018, the production of the Ulassai wind park amounted to 169,811 MWh, which corresponds to the annual electricity needs of around 130,000 people. Having exploited the renewable wind source has therefore allowed the saving of almost 220,000 barrels of oil, with the consequent reduction of CO_2 emissions by about 110,000 tons. Moreover, cumulatively in the period starting from its operational start date until 31st December 2018, the wind farm's electricity production has reached 2,223,753 MWh.

It is noted that the subsidiary Sardeolica in July 2018 obtained a positive opinion on the environmental compatibility for the expansion project of the Ulassai wind farm for a capacity of an additional 30 MW and started the procurement process. The new plants are expected to start operating in the second half of the current year.

Production 2018 [MWh]	Equivalent annual population[1]	TEP [2] "saved"	Barrels of oil [3] "saved"
169,811.0	129,924	31,754.7	217,489
Production 2018 [MWh]	**Pollutant**	**Specific emissions [kg/MWh]**	**Emissions avoided [t]**
169,811.0	CO_2	648	110,037.5

1. Energy consumption per capita in Sardinia for domestic use, 2017: 1,307 kWh/person/year (Terna: Dati Statistici, Consumi http://download.terna.it/terna/0000/1089/69.PDF)
2. 1 equivalent barrel of oil = 0.146 TEP (https://it.wikipedia.org/wiki/Tonnellata_equivalente_di_petrolio)
3. Regional Environmental Energy Plan for Sardinia. "Towards a shared energy economy". 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)

Reference market

Production 2005 – 2018 [MWh]	TEP [2] "saved"	Barrels of oil [3] "saved"	
2,223,753.0	415,841.8	2,848,232	
Production 2005 – 2018 [MWh]	**Pollutant**	**Specific emissions [kg/MWh]**	**Emissions avoided [t]**
2,223,753.0	CO_2	648	1,440,991.9

Italy was one of the first Member States to adopt, at the end of 2017, a National Energy Strategy (SEN) inspired by the European Clean Energy Package. The SEN sets ambitious goals for the period 2020-30 and in particular to make the national energy system more competitive (price reduction and energy costs), more sustainable (environmental and de-carbonisation objectives) and safer (supply security and system flexibility). For renewable sources, SEN foresees a contribution of these sources of 28% on total consumption by 2030 compared to 17.5% in 2015 and, for electric renewables, the transition is from 48-50% to 55%.

The new wind farms reached a good level in 2018 (around 300 MW in total) but were still down by 9% compared to 2017, according to Anie Rinnovabili. Also at European level, the new wind installations, equal to 4.5 GW in the first half of 2018 (of which 3.3 GW on land and 1 GW offshore) according to a Windeurope survey, were down compared to the same period of 2017 (about 6 GW). Forecasts for all of 2018 anticipate approximately 13.5 GW of cumulative capacity added at European level, of which about a dozen on land. Globally, investments in renewable energy amounted to USD 332 billion according to a Bloomberg New Energy Finance study (-8% compared to the previous year) with a fall in investments in photovoltaic thanks to the reduction in the cost of investment, while new installed capacity has reached record values exceeding the 100 GW threshold.

The latest data produced by Terna show that wind power in Italy produced 17,318 GWh in 2018, substantially in line with 2017 thanks to good wind conditions. Wind power production covers 6.2% of domestic electricity production and 5.4% of electricity demand in Italy.

Main operating and financial results

		2018	2017	Change %
ELECTRICITY PRODUCTION	MWh	169,811	168,473	1%
POWER TARIFF	EURcent/KWh	5.7	5.0	14%
INCENTIVE TARIFF	EURcent/KWh	9.9	10.7	-8%

In 2018, the comparable EBITDA for the Wind Power segment (equal to the reported EBITDA) was equal to EUR 10.6 million, compared to EUR 23.3 million in 2017. In detail, the volumes produced were substantially stable compared to the previous year. The incentive tariff has decreased (-0.8 EURcent/kWh compared to 2017) and the incentive period has ended on about 80% of production. The electricity tariff, on the other hand, was higher by 0.7 EURcent/kWh compared to 2017.

EUR million	2018	2017	Change %
EBITDA	10.6	23.1	-54%
Comparable EBITDA	**10.6**	**23.1**	**-54%**
EBIT	6.0	18.5	-68%
Comparable EBIT	**6.0**	**18.5**	**-68%**
CAPEX	**6.9**	**0.5**	

OTHER

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

In particular, Sartec Srl, a wholly-owned subsidiary of Saras SpA, is the Group Company that develops and supplies innovative technology and carries out applied research to optimise resources and performance. Sartec operates in the following sectors:

- energy efficiency and industrial reliability, with business lines dedicated to industrial design, process research, supplies and industrial services, asset integrity and oil refining studies;

- environmental sustainability (environmental engineering, development of models and monitoring, environmental analysis systems, analytical and laboratory services);

- Digital and Industry 4.0 projects (data analysis, knowledge management, digital asset management, enterprise content management, cyber security, digital safety advice, VR training).

With reference to Sartec, the year 2018 confirms the trend of constant growth in turnover and margins recorded in the last four years. In particular, production volumes benefited from an increase in activities aimed at supporting the implementation of the investment plan of the associated company Sarlux, maintaining in parallel the monitoring of the activities developed for the non-captive market, among which there is a continuation of the project undertaken in collaboration with an important European partner in favour of the new refinery being built in Jazan, Saudi Arabia. This higher production volume resulted in increased margins as compared to trends in the previous two years.

In 2018, SARTEC maintained and strengthened its commitment in its core sectors of engineering and industrial services, energy efficiency and environmental services, launching new service activities related to asset integrity and also investing resources in the development of digital and industry 4.0 projects and activities.

EUR million	2018	2017	Change %
EBITDA	(0.2)	5.3	-104%
Comparable EBITDA	**5.3**	**5.3**	**+0%**
EBIT	(0.9)	4.6	-119%
Comparable EBIT	**4.6**	**4.6**	**-1%**
CAPEX	**0.6**	**0.9**	

STRATEGY AND OUTLOOK

With its high conversion configuration, integration with the IGCC plant and an operational model based on integrated supply chain management, the Saras Refinery in Sarroch (Sardinia) occupies a leading position among European sites. Given such features, the Group is well positioned with respect to the expected evolution of the market of reference, especially with regard to the IMO – Marpol VI Regulations that, as from January 2020, envisage a reduction in the sulphur content of marine fuel emissions, and will lead to favourable conditions for sites like the one in Sarroch. The Group intends to continue with initiatives to improve operational performance and plant reliability as well as to rationalise costs and complete the investment plan. In 2018, the digitalisation program successfully continued with the industrialisation of 10 pilot projects. The Group's strategy is aimed at maintaining a leading position in the refining sector over the next decade, also thanks to the contribution of technological innovation and digitalisation.

Brent prices, after reaching the maximum values of the last 4 years in November 2018 (over 85 $/bl), fell rapidly and 2019 opened at around 60 $/bl, despite the agreement reached by the OPEC countries and other important producers regarding the implementation of production cuts equal to about 1.2 mbl/d compared to the levels of last October. Experts anticipate a substantially balanced crude market for the current year thanks to the continuous production increases by unconventional US producers that will compensate for the aforementioned production cuts and expect Brent to be around 65 $/bl. As regards the price differential between light and heavy crude, no particular changes are anticipated with respect to the values recorded in 2018.

As regards consumption, in the recent report published in February 2019, the International Energy Agency (IEA) confirmed the estimate of global demand to grow by +1.4 mbl/d in 2019, driven by non-OECD countries (primarily China and India). The International Monetary Fund estimates robust economic growth of 3.7% also in 2019 (in line with 2017 and 2018). However, the expansion is less balanced and some advanced economies seem to have reached the peak of the cycle (Eurozone, Japan, UK, China). Furthermore, the risks on global growth have increased in the face of protectionist policies and geopolitical uncertainties.

Turning to the analysis of the marginality of the main refined products, the crack spread of gasoline is expected to be weak in the first quarter due to excess production and high stock levels. However, experts predict a certain recovery starting from the second quarter in conjunction with summer specifications according to the usual seasonal trend. With regard to middle distillates, experts agree in indicating a robust and strengthening crack spread in the second half of the year when the effects of the new IMO regulation will begin to manifest.

As regards the profitability of the Refining segment, it is noted that the first half will be penalised by the weakness of light distillates and by the important scheduled maintenance cycle while, in the second half of the year, the Group will be ready to seize the opportunities deriving from the new IMO regulations which is expected to begin to take effect earlier than the entry into force on 1st January 2020, leading to conditions that reward high-conversion refineries such as Saras. These market conditions are expected to result in better refining margins compared to 2018 (also thanks to lower Brent prices). The Saras Group will aim to achieve an average premium above the EMC benchmark margin of approx. 2.4 ÷ 2.8 $/bl (net of maintenance).

With regard to the Marketing segment, the results achieved in the previous year are expected to be consolidated. The contribution of this activity must be considered together with that of refining due to the strong coordination between technical and commercial expertise on which our business model is based.

From an operational point of view, in the Refining segment, 2019 will be characterised by an important and higher maintenance cycle than in previous years, concentrated in the first quarter. The main maintenance activities will concern the Topping-Vacuum plants (T2/V2), CCR, VisBreaking VSB, the North Plants, the RT2 topping and the Vacuum V1. Overall, yearly crude runs are expected at 13.0÷13.8 million tons (corresponding to 95÷101 million barrels), plus further 1.2 million tons of complementary feedstock (corresponding to approx. 9 million barrels).

With reference to the Electricity Generation segment, the maintenance program provides for standard interventions on the three combined-cycle Gasifier-Turbine trains and on one of the two gas washing lines. Total electricity production for 2019 is expected to be substantially stable compared to the previous year (around 4.3 TWh).

Lastly, regarding the Wind segment, the subsidiary Sardeolica in July 2018 obtained a positive opinion on the environmental compatibility for the expansion project of the Ulassai wind farm for a capacity of an additional 30 MW and started the procurement process. The new plants are expected to start operating in the second half of the current year.

INVESTMENTS BY SEGMENT

In 2018, the Saras Group made investments of EUR 243.0 million compared to EUR 205.0 million in 2017, aimed, among other things, at seizing the new opportunities offered by the IMO (International Maritime Organization) regulation.

As usual, a significant part of the investments was dedicated to full compliance with all the HSE requirements, and to maintaining the operational efficiency of the plants. The breakdown of investments by segment of activity is shown in the corresponding table:

EUR million	2018	2017
REFINING	213.4	186.1
ELECTRICITY GENERATION	20.7	16.6
MARKETING	1.3	0.9
WIND	6.9	0.5
OTHER ACTIVITIES	0.6	0.9
Total	**243.0**	**205.0**

Investments in 2018 mainly concerned the refining sector, with the aim of improving production capacity and optimising processes with a view to improving efficiency. In particular, the electrification of the FCC blowers, the oxygen-enrichment system and the gas recovery system from the North plant flares was completed.

Work also continued on upgrading the South dock and the Movement with the replacement and integration of the loading and handling lines for crude in order to increase storage flexibility and consequently operational flexibility and relating to the production and handling of Bunker maritime fuel) with low sulphur content. It is recalled that from 1st January 2020, the fuel used on ships, today consisting essentially of fuel oil with a sulphur content of 3.50%, must necessarily reduce the sulphur content to 0.50% and the Group intends to commercialize this fuel directly leveraging on existing infrastructures.

The specific interventions dedicated to Health, Environment and Safety (HSE) include the realisation of the cover system for the API tanks and the completion of the pumping well system (Dynamic barrier) for groundwater control. The investment in the vapor recovery unit (VRU) continued on the South dock with the completion of detailed design, procurement and start-up of the site.

Lastly, the company continued the program of Digital 4.0 initiatives with interventions aimed at improving the operation of the plants, making their operation more efficient and optimising maintenance plans and interventions. In this regard, noteworthy is the system for evaluating the residual life of the operating cycle of IGCC plant gasifiers, which made it possible to optimise plant operation reliability and maintenance programs.

The company, in accordance with the provisions of Article 5, paragraph 3, letter b, of Legislative Decree 254/2016, has prepared the consolidated non-financial statement that constitutes a separate report. The 2018 consolidated non-financial statement, prepared in accordance with GRI Standards, consists of an autonomous document, which, in addition to fulfilling the requirements of Legislative Decree 254/16, allows sharing the company Purpose and the sustainable development strategy. Therefore, the chapters concerning Human Resources, Health, Environment and Safety and Social Responsibility and activities with the community will be covered in a more extensive and articulated way in the Sustainability Report - Consolidated Non-Financial Statement.

Pursuant to the provisions of article 5, paragraph 3(b) of Legislative Decree 254/2016, the company has prepared a Consolidated Non-Financial Statement which constitutes a separate report. The Consolidated Non-Financial Statement for 2017 has been prepared in accordance with GRI Standards as a separate document, the first Sustainability Report – Consolidated Non-Financial Report. In addition to fulfilling the requirements of Legislative Decree 254/16, it also sets out the Group's corporate purpose and strategy for sustainable growth. Aspects concerning Human Resources, Health, Safety and the Environment and Social Responsibility and Activities with the Community sections are therefore discussed in more detail in the Sustainability Report – Consolidated Non-Financial Statement.

HUMAN RESOURCES

The systematic set of tools, interventions and activities prepared during the year in the field of human resources is illustrated below to ensure for the organisation the goal of business objectives and continuous improvement of performance according to the strategic plan defined in the business plan and in the budget of the year.

Inspired in the planning of interventions by the principles contained in the company Purpose referable to passion, knowledge and performance, the interventions realised have privileged the development and valorisation of the wealth of expertise available, the growth of managerial awareness enabling the role of coordination and management of people, the greater awareness of company objectives and the repercussions of each person's decisions in the exercise of their respective roles.

In this sense, we also focused on a continuous redesign of the organisation and work processes aimed at accompanying the evolution of activities and the innovations undertaken to respond to market challenges and make the future sustainable.

Organisational development

The Group's workforce gradually stabilised over the last three years, from 1,924 people in 2016 to 1,946 in 2018.

The 57 new employees hired during the year between Italy and Switzerland, 22 of them under the age of 30, with mainly engineering degrees, continue to satisfy the needs of digitalisation programs, including cybersecurity and the adaptation of ICT staff to the latest technological developments, and the establishment of supply chain, trading and sales activities.

Some key functions have been involved in reorganisation processes aimed at generating greater efficiency, reliability and operational flexibility, in order to ensure sustainable development consistent with the Group's Business Plan. The coordination and integration of the various components at the base of these interventions, required a qualified commitment and a suitably structured approach, able to continuously support the open project areas.

Organisational development in 2018 focused on three areas, in particular: the adaptation of the structures to support the Group's digital development, the strengthening of external communication activities, the evolution of the Group's commercial and trading activities. The organisational aspects related to the development of the investment plan at the Sarroch industrial site are continuing, but also at Sardeolica, which started the activities for the expansion of the Ulassai park and adapted its structure at the end of the year.

As regards the Group's digital development issues, the projects defined and included in the investment budget since 2017 continued. The organisational structure has been further strengthened, identifying a reference figure coming from the business, dedicated to the modelling of corporate data, which, working closely with one, also new, figure of architect in the IT field, will have the responsibility to maximize the usability and the usefulness of corporate data to support effective analytics and decision making, favouring a single and integrated view of the company's information assets, in terms of meaning and value for the organisation. At the same time, the ICT governance structure was strengthened, with the inclusion of new senior figures, coming from the IT of important companies in the sector in which the Group operates: in fact, ICT will increasingly be required to guarantee the provision of innovative digital services, alongside the more traditional ones, which are gradually becoming operational.

As known, the development and extension of digital technologies expose the organisation to new risks and threats, which must be faced and prepared for, both in terms of skills and technologies. For this reason, the responsibility for management and coordination, already identified in the Parent Company, was appropriately arranged, identifying a managerial level figure, also coming from the oil sector and with specific expertise in cybersecurity. Specific figures have also been identified in the various companies of the Group, responsible for implementing the cybersecurity measures identified, verticalized on the industrial control systems (ICS) typical of Group companies such as Sarlux and Sardeolica, in particular.

In 2018, the first Sustainability Report was published, which includes the Non-financial Information Statement pursuant to the law, for the Group. The work carried out proved to be a rich source of information, which with an open and transparent communication approach on these issues, and an adaptation and focus of the structure responsible for external communication, was subsequently enhanced with different initiatives, internal

and external, aimed at to make people understand the value generated by Group companies in the territories in which they operate. To achieve this, the organisation supporting external communication was redesigned and more integrated with the Communication to investors.

The last part of the organisational development of the year was that of the commercial area. On the one hand, the organisation was completed and the activity of Saras Trading in Geneva was consolidated, transferring the last operational activities to support traders remaining in Milan, both for products and for raw materials, and better structuring the support function of commodity risk management, carried out in Geneva, with a first independent level of control, and further verified in formal and substantial terms by the dedicated functions within the CFO. In the second half of the year, actions were then taken to transfer the Italian commercial activity to Rome, borrowing the guiding principle of moving trading to Geneva, i.e. bringing activities as close as possible to the nerve centres of the respective businesses.

In the last part of the year, in order to identify better defined management and coordination responsibilities for the Parent Company, new figures were identified among the first lines of the CEO, to replace the previous Management, which showed some overlap of responsibility. The following were established: the Chief Oil & Energy Officer for the entire production area and industrial services, potentially suitable for external use by the Companies of the Group, the Chief Commercial Officer, for the whole area of trading, sales and oil logistics in Italy and abroad, the Chief Security ICT & Procurement Officer, for the services

50,305
Total training hours 2018
Saras Group

provided centrally to the Parent Company and its Subsidiaries in security and cybersecurity, ICT and procurement, the Chief Human Resource Officer redefined in mid-January 2019.

As regards the drafting of the corporate regulatory system documents, it is noted that during the year, following the consolidation of the supply and trading processes, between the Saras HQ in Milan, Saras Trading in Geneva and the Sarlux production site in Sarroch, the Supply and Trading Guideline has been completely revised, which describes and documents this process.

A revision of the Guideline of the HSE process was also published, including the issue of management systems (Q) and a better description of the process that leads to the technical modification of the asset, in order to control the possible impacts on HSE.

Two compliance Guidelines were also drafted and published, the first relating to Sustainability and the non-financial information statement and diversity, the second concerning personal data protection, following the entry into force of the respective regulations.

Industrial Relations

The most important objectives within the scope of relations with corporate partners for 2018 were the reorganisation of some plant areas and the renewal of the performance bonus with the introduction of the bonus welfare system. The year began with the update in January of the Digital Saras program already presented in April of the previous year on the occasion of its launch.

Subsequently, we proceeded with the reorganisation of the production area of Movement Shipping stemming from the need to reinforce the centrality of the shift manager to oversee shipments by land, sea and national storage and with the reorganisation of the Central South made possible thanks to definitive decommissioning of the B1A and B1B boilers. During the year, the final balance of training provided in 2017 was presented to the RSU (Unitary Union Representatives), sharing the 2018 training plan on that occasion. The focal point of the union's relations of the year was represented by the negotiation for the renewal of the 2018 performance bonus (productivity and profitability) concluded in August. Also this year, the bonus was introduced with a view to involving the corporate functions and all personnel in a concrete participation in achieving the Company's economic and productive results. In this sense, improvements were made in the areas of production, progress in the realisation of investments, energy efficiency and maintenance costs, with the addition of Digital initiatives. As usual, these indicators are subject to periodic monitoring through a mixed joint commission composed of representatives of the Company and the RSU.

During the latter part of the year, various organisational/management and technical issues were also discussed, with particular attention to the vacancy of shift workers and the related reintegration plan.

Training and development of human resources

The training and development plan for 2018, in addition to routine and compliance issues, was aimed at the continuous growth of hard and soft skills adequate to support the business prospects defined for the same year.

In particular, with reference to routine and compliance training, in the HSE area, work continued on extending the BBS (Behaviour Based Safety) project to personnel not involved yet, with the aim of reinforcing safe behaviour during site operations and enhance the roles of Safety Leaders. A training course was also completed, dedicated to the creation of a team of internal trainers to ensure continuity in the process of personnel training and implementation of the Protocol on the Site.

Also in the area of compliance, following the decision to have an Energy Management System for Sarlux in compliance with the UNI EN ISO 50001:2011 standard, all employees of the Sarlux plant continued training on consumption, losses and optimisation solutions of consumption and energy efficiency on the Site.

Particular attention was also paid to energy consumption related to furnaces, with ad hoc training reserved for professionals and aimed at maximizing machine performance also with a view to energy efficiency.

Training was also started on the regulatory updates on the subject of Privacy, following the entry into force of the GDPR, and of the Organisation, Management and Control Model 231.

Technical specialist training continued according to the guidelines for continuous updating dictated by the reference technical standards and extended to all areas of introduction of new technologies. In particular, following the solid investment plan being implemented at the Sarroch industrial site, the operating personnel was involved in functional training for the taking over of new projects, with 370 people involved for approximately 1,000 hours of training.

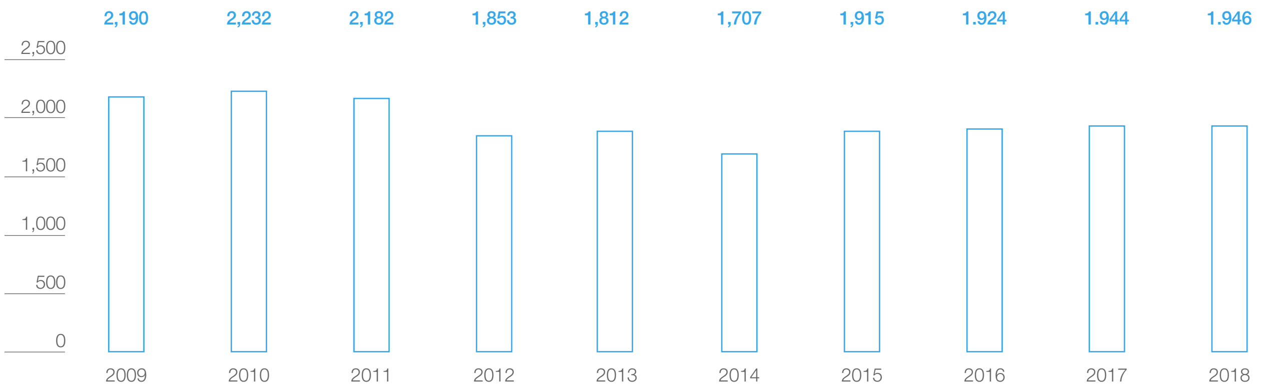
With regard to the Refinery Asset Management area, in 2018, a multi-year plan was defined for interventions aimed at enhancing technical management skills, with particular focus on contract management methods and tools, monitoring of quality aspects, work planning and accounting. In 2018, the first modules related to quality control aspects were developed. To support the #digitalSaras program, various initiatives have been organised to accompany the ongoing transformation, referring in particular to issues related to Data Science, through meetings with expert testimonials from prestigious universities. An awareness campaign was also launched dedicated to the entire corporate population which, through e-learning tools, promotes a process of incremental acquisition of digital skills starting from the basic ones. More specialised courses were dedicated to the resources involved in the realisation of pilot projects and the subsequent industrialisation of technological solutions.

With reference to transversal training, some initiatives initiated in the previous year continued, including managerial training for middle management (shift managers, supervisors, operations managers) of production plants. The focus of the project was to develop and refine management skills (delegation, feedback, decision making, etc.), also through greater awareness of reference market scenarios, including transformation dynamics deriving from the #digitalSaras program. The role of middle manager is of particular importance due to the reflects it generates in the management of the numerous collaborators and for the transmission network of information and guidelines constantly involved in their role.

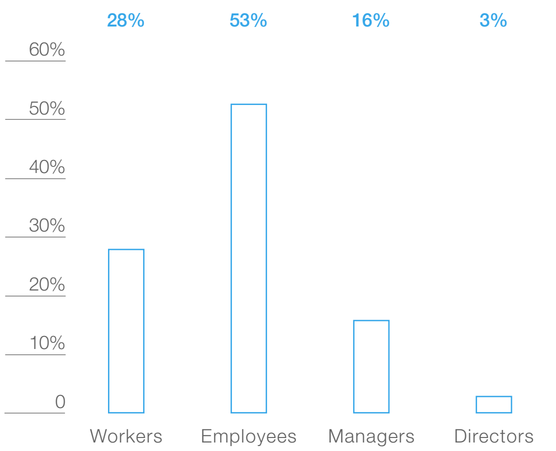
More extensively, for all the managerial figures to whom the management of collaborators is assigned, a process has been started for reinforcement of the evaluation and feedback abilities of collaborators - with methodological analogies with respect to Shift Managers project - which intends to maintain constant awareness and attention of Managers in the valorisation of the resources assigned. During the year, development activities continued aimed at the growth of a pool of young people with high potential. The program, whose main focus lies in the need to activate an adequate generational change over time, has provided for the creation of a series of leadership laboratories developed in parallel with the individual coaching paths already defined for each of the participants.

The aim of the “Finance for non-financial” training program was to provide more management tools for corporate executives and managers for greater understanding of the economic financial dimensions that accompany the operational decisions required daily in their respective roles. The course provided common methodological and language bases on the main financial statement documents and company reporting, developed knowledge on the metrics of creation and measurement of the value produced by

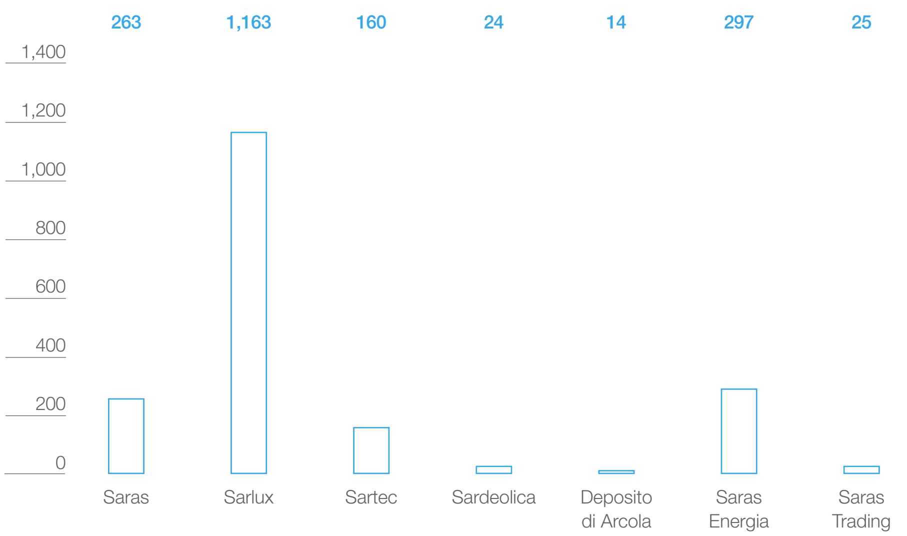
SARAS GROUP: TOTAL EMPLOYEES



SARAS GROUP: POPULATION BANDS



EMPLOYEES DISTRIBUTION BY COMPANY





the individual business units, made participants aware of the Company's valuation dynamics by Investors, with particular reference to the information and transparency requirements dictated by the stock market listing.

Internal communication

In 2018, internal communication activities continued in support of change management and the dissemination and sharing of strategies, culture and, more generally, of information useful for involving employees in achieving corporate objectives and increasing the level of engagement.

For the planning of the various initiatives, the process was able to enhance the results of the Employee Engagement Survey, carried out online at the end of 2017 to gather the opinion of Employees, belonging to all levels of the organisation, on how they experience the exercise of their professional role and interactions in the work environment, in which particular emphasis was given by participants to the topics of information dissemination.

Alongside the frequent use of the most recently opened digital channels, visBreaking News online and corporate communities, internal communication has continued to proceed in a parallel and integrated way also on the more traditional channels, such as information meetings and seminars, the company journal, email, Intranet and network of factory monitors.

During the year, interventions and information campaigns were developed on the main strategic issues, mainly related to the implementation of the Business Plan and the related investment plan and the #digitalSaras program.

In the company journal visBreaking News, which is regularly dedicated to health, safety and environment issues, particular attention was paid to the results of the Sarlux Integrated Environmental Authorization Review and the issue of waste management and separate waste collection.

In November, the presentation of the results of the research "The value of Saras for the growth of the territory" was held, conducted by The European House - Ambrosetti, which was attended by a large delegation of employees of all Group companies. During the event, the Chief Executive Officer and the top management shared the main strategic lines defined by the Group to face the future with the vision and flexibility necessary to seize opportunities for further development.

Among the actions to support the change, the first step was taken in the cybersecurity awareness campaign, which involved employees in order to increase awareness and attention to the issues of computer security and to disseminate the best practices in the management of passwords for secure corporate data protection.

Lastly, there were numerous change management initiatives relating to new regulations, such as the European Regulation on personal data protection (GDPR) and the related company Guidelines and procedures, process reviews and organisational structures, innovative services and new IT and digital tools, in order to align employees' behaviours to the organisation's expectations and needs as soon as possible.

Remuneration policies

Management pay components

The gross annual fixed remuneration refers to the Contract for Managers of Companies Producing Goods and Services (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.

In 2018 was the application and conclusion of the long-term incentive plan for management of the Saras Group (Stock Grant Plan 2016/2018), approved by the Shareholders' Meeting of Saras on 22nd April 2016, details of which are provided in a subsequent 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 National Collective Labour Agreement and Metalworkers National Collective Labour Agreement, where applicable) and supplementary second-level agreements in force.

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

Be safe, always.

*“We are committed to maintaining a safe workplace.
For all our employees it remains the single
most important principle in the working environment.
We have developed a code of conduct that specifically
emphasises staff training and safety”*

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 2018, the constant improvement in environmental performance was 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 within 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 2018 highlight the improvements that have been achieved thanks to the investments made and management and plant optimisations. Small fluctuations, however, can be seen from year to year, which relate to plant adaptations and extraordinary 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. Sulphur dioxide (SO_2) emissions confirmed the trend of previous years and the SO_2 production index, which (since 2015) also takes emissions from the Northern Plants into account, was in the range of 0.23 ÷ 0.28 (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 emissions due to the Southern Plants, thus confirming the trend of improvement.

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.

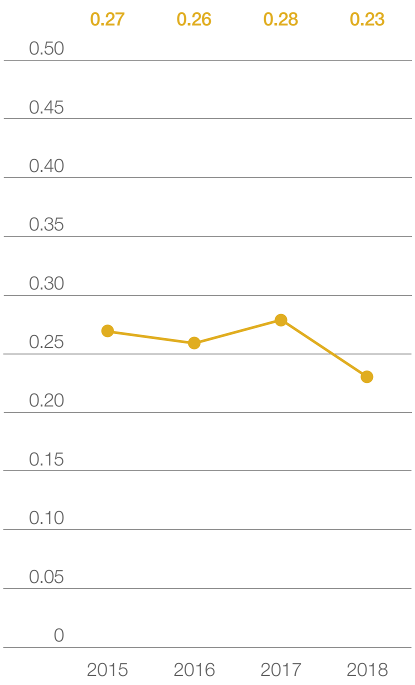
In particular, in the area of Health, Safety and Environment (HSE), the company has, over the last five years, implemented environmental protection measures, achieved improvements in energy efficiency with a reduction in the fuel burned (and therefore emissions) and the activities to protect the water 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 2018, 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 envi-

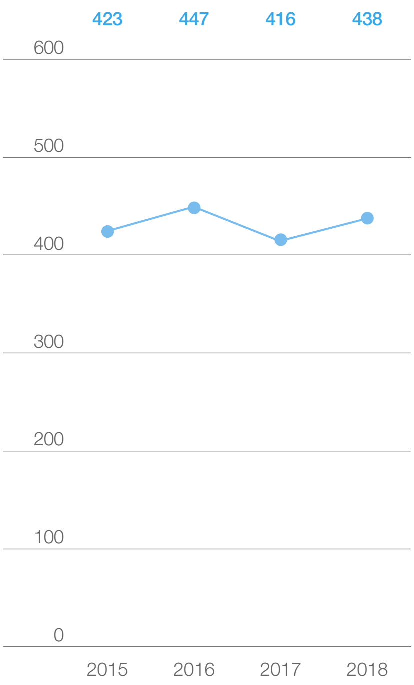
SO_2 PRODUCTION INDEX

Ton SO_2 / crude runs
and additional loads Kton



CO_2 PRODUCTION INDEX

Ton CO_2 emissions// crude runs
and additional loads Kton



ronmental 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

The process of obtaining the Integrated Environmental Authorisation (AIA) permit began in early 2007, and was completed in April 2009. Saras is the first refinery in Italy to obtain the AIA, which represents part of a journey to improve the technical and structural characteristics of plants and the production facility, which have allowed minimising the environmental impact of the production activities. 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 obtaining 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 1st 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 overall review of the Sarlux Environmental Integrated Authorization was released on 27th October 2017 and is published on the website of the Ministry of the Environment and the Protection of the Territory and the Sea.

The review investigation, which became necessary for all the refineries following the publication of the new BAT in October 2014, ended with the Services Conference on 20th July 2017, in the presence of all the competent Bodies (MATTM, Region, Metropolitan City of Cagliari, Municipality of Sarroch, ISPRA and ARPAS), following a process started in July 2016 with the presentation of the required documentation.

Sarlux obtained the renewal of the AIA (Integrated Environmental Authorisation permit) in 2017. The plant, which is owned and run by the Sarlux Srl subsidiary and which includes the Southern Plants (Refinery and IGCC) and Northern Plants (Chemical plants) was thus authorised to operate under Ministerial Decree 0000263 of 11th October 2017, issued by the Italian Ministry of the Environment.

Overall, the plant is given almost total adherence to the new BAT under review both in terms of implementing innovative monitoring programs, such as those relating to fugitive emissions and odours, and in terms of choice and implementation of new technologies, such as example flare temperature measurement.

The current AIA - whose validity is 16 years due to the fact that the Sarlux plant holds the ISO 14001 certification and the EMAS registration, extended in 2016 also to the North Plants - authorises the Operator to exercise the 3 activities carried out in Sarroch, or:

- Category IPPC 1.1: Combustion of fuels in installations with a total rated thermal input of 50 MW or more;
- Category IPPC 1.2: Refining of mineral oil and gas;
- Category IPPC 4.1: Chemical plant for production of basic organic chemicals.

The monitoring and control activities stipulated in the AIA permit continued on a regular basis during 2018.

EMAS registration

In May, the company successfully completed the annual validation visit for the 2018 Environmental Statement (performance data revised as at 31st December 2017) which assesses the activities that are carried out to ensure their environmental sustainability within the region. Following the validation visit, the document was published on the Sarlux website. (http://www.sarlux.saras.it/it/emas/).

The Environmental Statement provides a detailed and accurate picture of all the aspects that relate to the production site's internal and external environments, and illustrates to the public all the activities that Sarlux performs, the environmental aspects (directly and indirectly related thereto) and the environmental objectives set by the Company to maintain its EMAS Registration. The attainment of these objectives involves many different levels and functions of Sarlux and significant investment in terms of technical and financial resources.

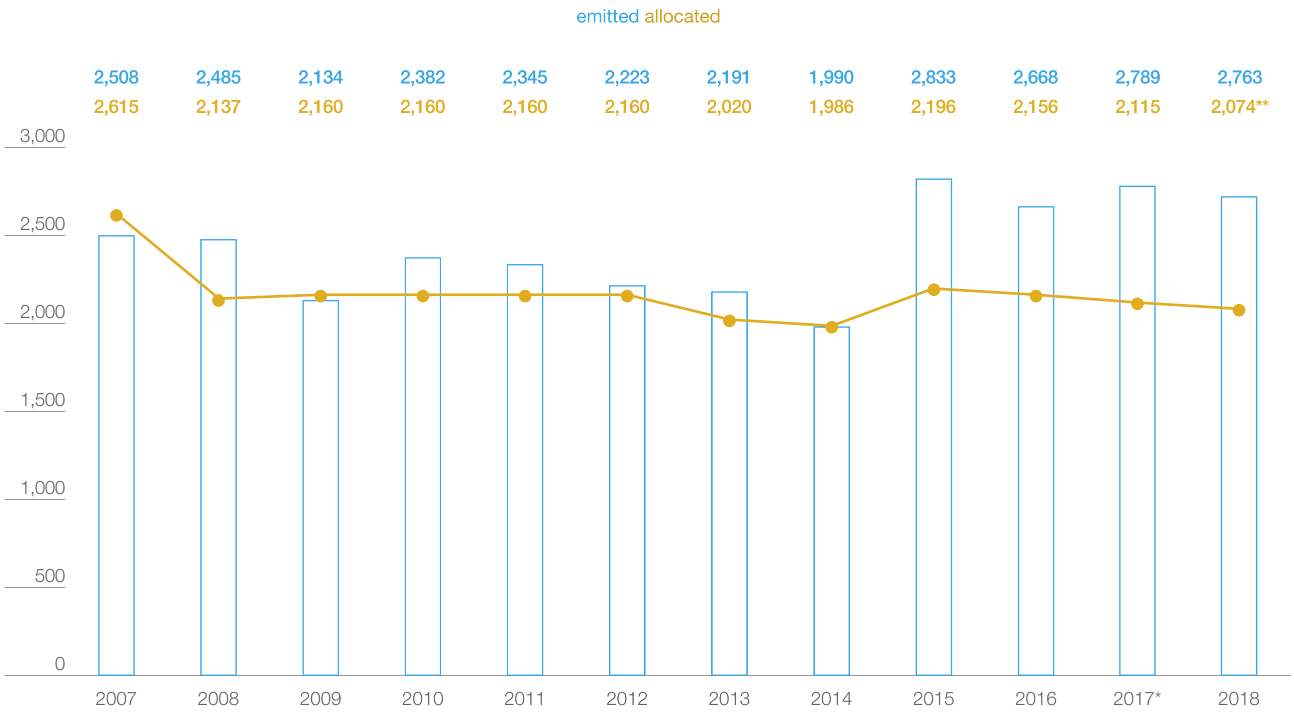
Again, with a view to improving transparency, the PRTR (Pollutant Release and Transfer Register) was regularly updated throughout the year with the site's main environmental data. This information is sent to the Italian Environment Ministry, which in turn sends it to the European Commission. Specifically, 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 2018, within the scope of 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:

- **B-BS (Behavior-Based Safety)** - Completed extension of the protocol in all operating areas of the plant. The B-BS project is designed to ensure the constant adoption of safe behaviour and is based on motivation, by cultivating shared safety culture values among the workers concerned, so that they see the workplace as somewhere where everyone – managers, foremen, labourers – produce the same consequences for the same behaviour that is observed. Of these consequences, positive and corrective feedback, reinforcements, rewards and encouragement take precedence over adverse consequences such as sanctions or verbal reprimands. The B-BS is a method that can guarantee excellent results as it allows unsafe actions and their effects to be measured scientifically, so that they can be remedied before they become dangerous. It is based on observation and on the identification of safe behaviour by people as they carry out their routine work tasks. Observations are reciprocal and are followed by delivery of feedback. Each observation is guided by a check-list with the behaviours to be observed; the check-list is a dynamic instrument, defined at the planning stage, and is revised as observed safe behaviours become well-established. Each behaviour that is observed is then registered in the system to enable constant monitoring of trends. In particular, attention is focused on unsafe behaviours, for which department heads set targets and establish time-frames for improvement during the course of regular meetings with the working groups. With the extension of the BBS protocol to all refining areas (Southern and Northern Plants), other safety performance monitoring systems have gradually been replaced so that now, for the first time, we have a single tool for managing, measuring and improving all aspects of health and safety. The results of the measurements of the behaviours observed are more than satisfactory. In detail, in 2018, 21,925 observations were performed, compared to 16,940 in 2017 and the percentage of positive behaviours observed was 98% of the total.
- **Audit of HSMS and EMS management systems** - 20 internal audits were planned and carried out in 2018.
- **Site inspections** - 171 audits were conducted to directly monitor the activities of 42 companies and 700 workers.
- **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. Once again, in 2018, the aim was to monitor the trend in 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. 41 near misses were reported, of which 15 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 corrective and improvement actions are identified.

REFINERY CO_2 EMISSIONS (TONS/YEAR)



* 2017 emissions have been modified following the verifications and consequent certifications by Lloyd's, temporally following the publication of the financial statements.

** The free quotas relating to the North plants (included among the allocated quantities) have been requested and are awaiting approval.

To promote a culture of safety, a process has been implemented over the last few years that has enabled the Group to obtain some important certifications: in particular, for the Sarroch plant, in 2004, the Environmental Management System (EMS) certified according to the ISO 14001 standard; in 2007, the OHSAS 18001 certification was then obtained for the Health and Safety Management System (HSMS). Subsequently, the two systems were integrated with each other and with the system, envisaged by the Seveso Directive (ref. Legislative Decree 105/2015), Management for the Prevention of Relevant Incidents (SGS-PIR), using the common parts synergistically and introducing the measurement of performance and the planning of objectives and targets for improvement. The result was an Integrated Management System (HSE) which, to date, with the implementation (in May 2018) of the Energy Management System (EMS), certified ISO 5001, is the main management tool for achieving continuous improvement of the plant.

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 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 2018, all training measures relating to specific roles and positions continued, as did ongoing training on "Safety and the Environment".

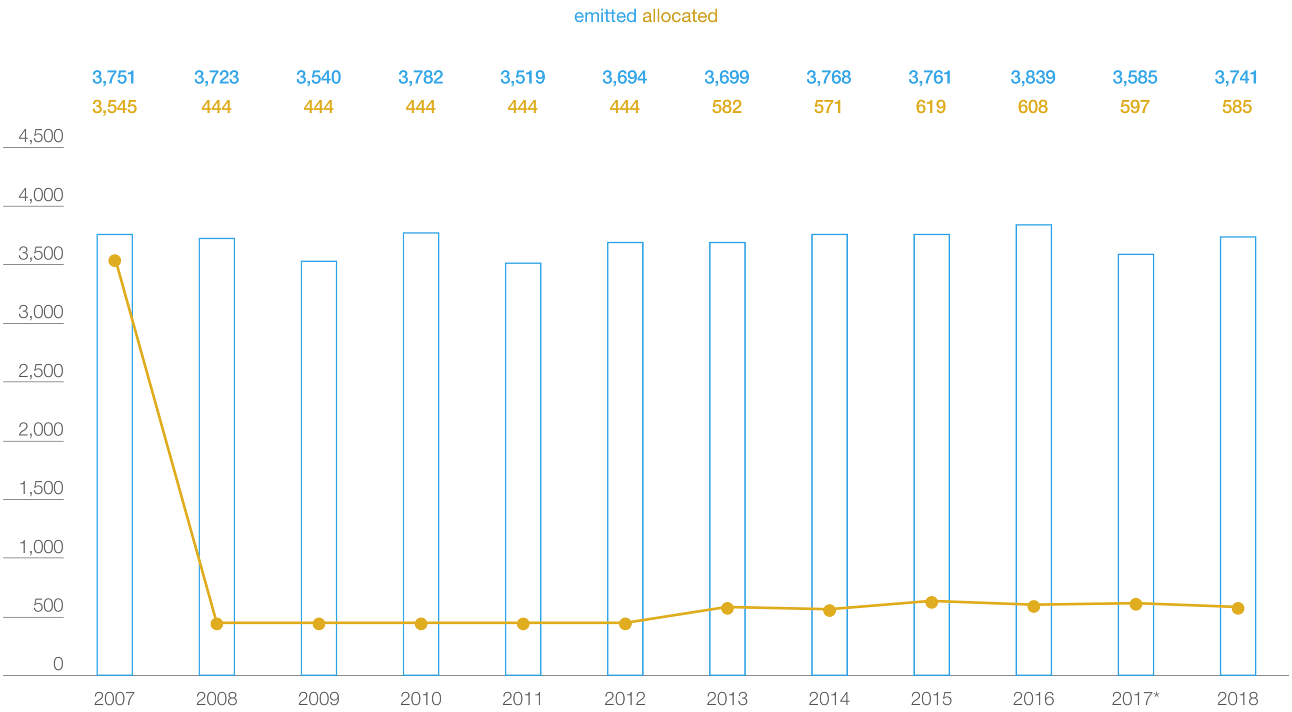
This commitment led for the second consecutive year to achieve the best performance ever of the injury frequency index[1] of the Group: 1.81 (2.71 in 2017).

Greenhouse gas emissions

The Saras Group falls within the scope of the European Emissions Trading System (ETS) Directive 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. In fact, 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 System 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

1. I The injury frequency index is an index that measures the incidence of injuries at work per million hours worked in a given period

IGCC CO_2 EMISSIONS (KTON/YEAR)



* 2017 emissions have been modified following the verifications and consequent certifications by Lloyd's, temporally following the publication of the financial statements.

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 market. The allowance is assigned for each of the reference periods established by the Directive. 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 Versalis), considering the specific nature of the operation (partial purchase of the facility), the proceedings for the reassignment of the allowances are still in progress.

The Emissions Trading System National Register, which is available for consultation, records both the allowances assigned and the annual CO_2 emissions in Italy.

The subsidiary Sarlux 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.

Furthermore, during the entire permanence of the ships at the Sarroch Marine Terminals, a trusted Safety Inspector is always present on board, who supervises all the activities of embarking and disembarking of oil products in order to verify strict respect of procedures with particular reference to Health, Safety and Environment issues.

SOCIAL RESPONSIBILITY AND ACTIVITIES WITH THE COMMUNITY

Relations with the community

Every company starts out and grows in a specific local context and the relationship it establishes with that community characterises the future growth of both the company and the local community.

The Saras Group, now a major international organisation, was originally founded and expanded in Sardinia, an island with a strong identity and for which it has great respect.

That is why, for more than 50 years, Saras has been actively engaged in initiatives and projects to support the social fabric, history and traditions of this region, with a special focus on young people and the needs of the community.

The Company has defined an "Our stake-holders" policy, setting out its approach to managing relations with the local communities, and recognises the local community and the regions of reference as strategically important stakeholders.

Saras promotes social projects capable of creating value for the community. After conducting a preliminary assessment of the economic aspects and consistency with the corporate purpose, the choice falls on projects considered to have the largest impact and value for the community.

In recent years, the Group has adopted specific guidelines with regard to the scope of its activities, based on two main principles: the social context, in terms of the people who deserve support – especially young people, the elderly and less affluent members of society – and the physical territory, meaning the area covered by the Group's actions. One objective that is especially important for Saras is the promotion of a business culture and demonstrating that "doing business" in Sardinia is still possible. To that end, Saras supports educational activities at schools and has ongoing relations with the university, aimed at fostering social development that cannot take place without employment, sustainability and economic growth, in a region weakened by depopulation, especially with many young people moving away.

Saras for Schools

Through its Group companies, Saras has activated various paths to meet the demands of schools and to contribute to innovative and more effective teaching. Between 2013 and 2018, more than 550 secondary school students entered the Sarroch industrial site (under various projects), among which the most widespread is that of alternating school and work, to get a closer look at how a large company works.

Ad hoc lessons were organised for each path, during which technicians and managers of the company addressed industrial topics such as safety, the environment, production processes, ICT, corporate structure, often also with simulations to represent our way of working and convey key concepts to help them do well in the world of work. Precisely in this perspective, in-depth studies were organised on how to prepare a CV and have a job interview.

Several students visited the Group's labs and plants, gaining hands-on experience of practical applications and attending lessons on specific subjects on Industry 4.0 and the application of innovation in the refining industry.

Some were offered company internships, as an opportunity to gain further experience.

"RAIn – Raccontami l'Avvenire e l'Innovazione" (Tell me about the Future and Innovation) is a competition for secondary school pupils, through which the Company aims to encourage young people to think about the future and new technology by making a video about innovation.

For primary schools, Saras has continued to support the cultural growth of students at the comprehensive Sarroch state institute for over 20 years. Not only textbooks, provided to young people on loan and then, consistently with the culture of sustainability, transmitted to other institutes where they are still current as educational programs vary, but also dedicated tablets and computer rooms, to be prepared for the digital future.

Saras for Universities

Technical seminars are held regularly, under the framework of the memorandum of understanding with the University of Cagliari, as a useful part of the training of future engineers. In 2018, Saras also contributed to scholarships for the best Chemical Engineering graduates, under a project conceived by the Italian Chemical Engineering Society.

In June 2018, a group of Chemical and Mechanical Engineering students participated in a day of presentation of the #Digitalsaras activities illustrated during the visit to the plants.

Saras value for the community

In 2018, Saras, with The European House - Ambrosetti, carried out a study on the value of the economic, social, environmental and cognitive effects - 4 capitals - on the national territory and in Sardinia. The results of the study have shown that the Group has been a protagonist in the years of constant transformation and strong internationalisation, accompanied by being rooted in the Sardinian territory.

The analysis carried out highlighted the importance of Saras, which is one of the largest companies in Italy in terms of turnover (twelfth group in the general survey), third group in the Oil & Gas sector and the largest company in Sardinia (second in number of employees). Furthermore, in a national context of declining investments, both public and private, the Group has distinguished itself in a virtuous manner, contributing significantly to the growth of the local and national economy with EUR 2 billion of investments in the last 12 years and around EUR 800 million provided for in the business plan.

For the presentation of the study, a conference was organised in Cagliari on 21st November 2018, knowing how to transform to remain a winner, which was attended by the media and the Group's main stakeholders.

Saras for the community and sport

Saras also supports the community through its numerous sponsorships of sports associations, both at amateur and professional level. Clubs like Sarroch Polisportiva Volley, the Gioventù Sarroch football team and the Amatori Capoterra rugby team represent the community and the Group is proud to be able to help them grow and continue to attract promising young sportsmen and women.

Saras is also among the partners of the Dinamo Banco di Sardegna basketball team and of the Cagliari Football Academy. The latter was established as a point of reference for children playing football in Sardinia, to stimulate personal growth as well as technical skills and create a virtuous cycle where sport fosters individual growth.

Community and safety

Saras shares its expertise in the field of safety at the workplace with many local firms, holding HSE training courses with a view to disseminating an appropriate industrial culture alert to these fundamental principles.

RISK ANALYSIS

Saras bases its risk management policy on the identification, assessment, and possible mitigation with reference to the strategic, operational and financial areas.

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

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

FINANCIAL RISKS

Exchange rate risk

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

Interest rate risk

Loans at variable interest rates expose the Group to the risk of variations in results and in cash flows, due to interest payments. Loans at fixed interest rates expose the Group to the risk of variation of the fair value of the loans received. The main 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 and respect covenants 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 Sarlux and Sardeolica, as well as the prices of energy efficiency certificates, green certificates and CO_2 emissions.

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 with hedging nature.

Risk related to the procurement of crude oil

A significant portion of the crude oil refined by Saras originates from countries exposed to a higher level of political, social and macroeconomic uncertainty than 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. As at 31st December 2018, the Saras Group's procurement was divided as follows: 34% from the Middle East, 26% from North Africa, 23% from Russia and Caspian, 13% from West Africa and 4% from the North Sea.

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 shut-downs.

Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/or interruption to production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment.

The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future.

Legislative and regulatory risk

Owing to the characteristics of the business carried out by the Group, it is conditioned by the continuously evolving legislative and regulatory context 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 evaluating the applicable normative amendments, acting on minimising the economic impact deriving from them. In this context, the most significant aspects of the main regulatory developments relate to:

- Regulations relating to the reduction of national emissions of determined atmospheric pollutants and the relative impact of the same on the limits indicated in the current AIA permit.
- The view of the European Commission and the AAEG implementing documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.
- Regulatory dispositions relating to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the GSE.
- Reference regulations relating to the fact that 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 top of raw materials derived from crude oil supplied by Saras, also on oxygen supplied by Air Liquide Italia. Should these supplies fail, Sarlux would have to locate alternative sources, which the company may not be able to find, or to source at similar economic conditions.

Protection of Personal Data

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

Information Technology and Cyber Security

Complex information systems support the various business activities and processes. Risk aspects concern the adequacy of such systems, the availability and integrity/confidentiality of data and information. In particular, some relevant systems may be exposed to Cyber-attack risk. The Group has long been developing projects and applying solutions that aim to significantly reduce this type of risk, making use of specialised consultants on the subject and adopting the international standard IEC 62443.

Brexit Risk

Based on the information available to date, Brexit is not expected to have a significant influence on the Group’s operations.

Provisions for risks and charges

In addition to what has been described above in relation to risk management and mitigation activities, the Saras Group, in the presence of current obligations, resulting from past events, which may be of a legal, contractual or regulatory nature, made appropriate allocations to provisions for risks and charges included in balance sheet liabilities (see Notes to the Consolidated Financial Statements).

OTHER INFORMATION

Treasury shares

In the course of 2018, Saras SpA has not bought nor sold any treasury shares.

As a consequence of the above, at 31st December 2018 Saras SpA held 14,989,854 treasury shares, equal to 1.576% of share capital.

Changes in the shareholding structure

On 5th September, Massimo Moratti SapA of Massimo Moratti and MOBRO SpA jointly sold 10% of the capital to a group of institutional investors with the aim of increasing the liquidity of SARAS shares on the market.

Stock Grant Plans

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

The recipients of the plan have been individually identified as follows:

- 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. For the purpose of calculating the TSR, 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 (1st October – 31st 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 (1st October – 31st December);
- The positioning of the margin, expressed in $/bl and compared in terms of absolute distance from the EMC Benchmark margin.

In accordance with the Information document on the 2016-2018 Stock Grant Plan, the Board of Director of the 4th March 2019 verified the achievement of the performance objectives and defined a total number of shares of 5,769,638 to be delivered by 30th June 2019, 20% of which with a lock up period of 12 months.

Transactions with related parties

At the end of 2018, the effect on Saras Group Balance Sheet and Income Statement, deriving from transactions or positions with related parties, was not significant. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 7.3 "Transactions with Related Parties".

Use of financial instruments

Details can be found in the Notes to the Consolidated Financial Statements, chapter "Additional information".

Research and Development

In 2018, Saras did not undertake meaningful research and development activities. Therefore, no significant costs have been capitalised or recorded in the Income Statement. For further information, please refer to paragraph 5.2.2 "Intangible assets".

Information by segment and geographical area

Information on the breakdown of purchases and sales by business segment and geographical area is provided 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, no significant transactions were carried out and no open positions originated from any non-recurring or unusual transactions.

Information on shareholdings held by members of the Board of Directors, Statutory Auditors and Senior Management

Details are available in the Notes to the Separate Financial Statements of Saras SpA, paragraph 7.4.2 "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 paragraph 3.4 "Summary of accounting standards and policies" in the Notes to the Consolidated Financial Statements, in paragraph X "Taxes".

Reconciliation between Group Net Result and Shareholders' Equity

The reconciliation between the Net Result and the Equity of the Group and of the Parent Company is detailed in the table below.

EUR thousand	Net result	Equity
As per the Financial Statements of Saras SpA as at 31st December 2018	**176,820**	**675,156**
Differences between book value and Equity as at 31st December 2018 of shareholdings at cost in the Financial Statements valued of Saras SpA	(29,775)	408,885
Corrections made during consolidation	(6,619)	20,028
As per the Group Consolidated Financial Statements as at 31st December 2018	**140,425**	**1,104,070**


A
250 ml

MAIN EVENTS AFTER THE END OF FY 2018

There were no significant events after year-end.

CONSOLIDATED FINANCIAL STATEMENTS OF THE SARAS GROUP AT 31ST DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

Thousands of EUR	(1)	(2)	31/12/2018	31/12/2017
ASSETS				
Current assets	**5.1**		**1,683,910**	**1,960,049**
Cash and cash equivalents	5.1.1	A	272,831	421,525
of which with related parties:			*18*	*20*
Other financial assets	5.1.2	B	131,723	98,291
Trade receivables	5.1.3	C	290,210	391,400
of which with related parties:			*85*	*66*
Inventories	5.1.4	D	861,601	875,269
Current tax assets	5.1.5	E	19,051	24,562
Other assets	5.1.6	F	108,494	149,002
Non-current assets	**5.2**		**1,241,008**	**1,197,112**
Property, plant and equipment	5.2.1	H,I	1,087,107	1,020,210
Intangible assets	5.2.2	J	112,127	152,691
Other investments	5.2.3	L	502	502
Deferred tax assets	5.2.4	X	37,205	15,969
Other financial assets	5.2.5	M	4,067	7,740
Non-current assets held for sale	**5.3**		**35,001**	**0**
Property, plant and equipment	5.3.1		25,235	0
Intangible assets	5.3.2		9,766	0
Total assets			**2,959,919**	**3,157,161**
LIABILITIES AND EQUITY				
Current liabilities	**5.4**		**1,301,078**	**1,530,482**
Short-term financial liabilities	5.4.1	R	106,630	183,068
Trade and other liabilities	5.4.2	R	1,043,162	1,150,284
Current tax liabilities	5.4.3	X	74,948	120,366
Other liabilities	5.4.4	R	76,338	76,764
Non-current liabilities	**5.5**		**554,771**	**554,383**
Long-term financial liabilities	5.5.1	R	256,001	257,140
Provisions for risks and charges	5.5.2	P, AA	203,313	122,085
Provisions for employee benefits	5.5.3	Q	10,322	10,250
Deferred tax liabilities	5.5.4	X	3,819	4,848
Other liabilities	5.5.5	R	81,316	160,060
Total liabilities			**1,855,849**	**2,084,865**
EQUITY	**5.6**	**N,O,W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			898,089	765,904
Net result			140,425	240,836
Total parent company equity			**1,104,070**	**1,072,296**
Third-party minority interests			-	-
Total equity			**1,104,070**	**1,072,296**
Total liabilities and equity			**2,959,919**	**3,157,161**

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

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

CONSOLIDATED STATEMENT OF INCOME FOR 2018

Thousands of EUR	(1)	(2)	01/01/2018 31/12/2018	*of which non-recurring*	01/01/2017 31/12/2017 (3)	*of which non-recurring*
Revenues from ordinary operations	6.1.1	S	10,267,867		7,631,226	
Other income	6.1.2	S	129,045	*8,504*	55,876	
of which with related parties:			*111*		*91*	
Total revenues			**10,396,912**	***8,504***	**7,687,102**	
Raw materials, consumables and supplies	6.2.1	T	(9,093,028)		(6,401,155)	
Services and sundry costs	6.2.2	T, AA	(823,635)	*(63,353)*	(634,660)	*(22,971)*
of which with related parties:			*508*		*880*	
Personnel costs	6.2.3	Q,T	(156,611)	*(3,000)*	(147,067)	
Amortisation, depreciation and write-downs	6.2.4	H,J	(178,838)	*(7,798)*	(178,432)	
Total costs			**(10,252,112)**	***(74,151)***	**(7,361,314)**	***(22,971)***
Operating result			**144,800**	***(65,647)***	**325,788**	***(22,971)***
Net income (charges) from equity investments		K, L				
Financial income	6.3	U	394,959		204,257	
Financial charges	6.3	U	(354,236)	*(6,308)*	(198,678)	*(7,709)*
Pre-tax result			**185,523**	***(71,955)***	**331,367**	***(30,680)***
Income taxes	6.4	X	(45,098)	*24,007*	(90,531)	*8,259*
Net result			**140,425**	***(47,947)***	**240,836**	***(22,421)***
Net result attributable to:						
Shareholders of the parent company			140,425		240,836	
Third-party minority interests			0		0	
Net earnings per share – base (EUR cents)		Z	**15.00**		**25.73**	
Net earnings per share – diluted (EUR cents)		Z	**15.00**		**25.73**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018

Thousands of EUR		01/01/2018 31/12/2018	01/01/2017 31/12/2017 (3)
Net result (A)		**140,425**	**240,836**
Items of comprehensive income that may be subsequently reclassified under profit (loss) for the year			
Effect of translation of the financial statements of foreign operations	V	140	(227)
Items of comprehensive income that will not be subsequently reclassified under profit (loss) for the year			
Actuarial effect IAS 19 on employee post-employment benefits	Q, T	336	751
Other profit/(loss), net of the fiscal effect (B)		**476**	**524**
Total consolidated net result (A + B)		**140,901**	**241,360**
Total consolidated net result attributable to:			
Shareholders of the parent company		140,901	241,360
Third-party minority interests		0	0

(1) Please refer to the Notes section 6 "Notes to the Comprehensive Statement of Income"

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Financial year	Total Equity Attributable to the Parent Company	Third-party Minority Interests	Total Equity
Balance at 31/12/2016	**54,630**	**10,926**	**660,841**	**196,330**	**922,727**	**0**	**922,727**
Period 01/01/2017 - 31/12/2017							
Allocation of previous year result			196,330	(196,330)	0		0
Dividend Distribution			(93,601)		(93,601)		(93,601)
Conversion effect balances in foreign currency			(227)		(227)		(227)
Actuarial effect IAS 19			751		751		751
Reserve for stock option plan			1,810		1,810		1,810
Net result				240,836	240,836		240,836
Total net result			*524*	*240,836*	*242,419*	*0*	*242,419*
Balance at 31/12/2017	**54,630**	**10,926**	**765,904**	**240,836**	**1,072,296**	**0**	**1,072,296**
Period 01/01/2018 - 31/12/2018							
Allocation of previous year result			240,836	(240,836)	0		0
Dividend Distribution			(112,321)		(112,321)		(112,321)
Conversion effect balances in foreign currency			140		140		140
Actuarial effect IAS 19			336		336		336
Reserve for stock option plan			1,990		1,990		1,990
F.T.A. effect IFRS 9			1,204		1,204		1,204
Net result				140,425	140,425		140,425
Total net result			*140*	*140,425*	*140,425*	*0*	*140,425*
Balance at 31/12/2018	**54,630**	**10,926**	**898,089**	**140,425**	**1,104,070**	**0**	**1,104,070**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018

Thousands of EUR	(1)	(2)	01/01/2018 31/12/2018	01/01/2017 31/12/2017
A - Initial cash and cash equivalents			**421,525**	**359,175**
B - Cash flow from (for) operating activities				
Net result	5.5		140,425	240,836
Unrealised exchange rate differences on bank current accounts			2,863	7,726
Amortization, depreciation and write-downs of assets	6.2.4	K, J	178,838	178,432
Net change in risk provisions	5.4.2	P, AA	81,228	19,630
Net change in provision for employee benefits	5.4.3	Q	72	(291)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	X	(22,265)	23,935
Net interest		U	16,548	12,166
Income tax set aside	6.4	X	67,363	66,596
Change in the fair value of derivatives	5.1.2 - 5.3.1		(66,206)	(1,822)
Other non-monetary components	5.5		3,670	2,334
Profit for the year before changes in working capital			**402,536**	**549,542**
(Increase)/Decrease in trade receivables	5.1.3	C	101,190	32,221
of which with related parties:			*(19)*	*0*
(Increase)/Decrease in inventories	5.1.4	D	13,668	(253,375)
(Increase)/Decrease in trade and other payables	5.3.2	R	(107,122)	105,405
Change other current assets	5.1.5 - 5.1.6	F	46,019	(9,716)
Change other current liabilities	5.3.3 - 5.3.4	R	(17,782)	(3,645)
Interest received		U	702	154
Interest paid		U	(17,250)	(12,320)
Taxes paid	5.3.2	X	(95,425)	(40,806)
Change other non-current liabilities	5.4.5	R	(78,744)	(87,203)
Total (B)			**247,792**	**280,257**
C - Cash flow from (for) investment activities				
(Investments) in PPE and intangible assets	5.2.1-5.2.2	H, I	(240,172)	(192,176)
(Increase)/Decrease in other financial assets	5.1.2	B	63,384	75,934
Total (C)			**(176,788)**	**(116,242)**
D - Cash flow from (for) financing activities				
Increase/(decrease) m/l-term financial payables	5.4.1	R	(1,139)	73,702
Increase/(decrease) short-term financial payables	5.3.1	R	(103,375)	(74,040)
Distribution of dividends and treasury share purchases			(112,321)	(93,601)
Total (D)			**(216,835)**	**(93,939)**
E - Cash flows for the period (B+C+D)			**(145,831)**	**70,076**
Unrealised exchange rate differences on bank current accounts			(2,863)	(7,726)
F - Final cash and cash equivalents			**272,831**	**421,525**

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

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

For the Board of Directors - The President

Massimo Moratti

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2018

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6. Notes to the income statement

7. Other information

8. Publication of the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2018

1. Introduction

Saras SpA (the Parent) is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, S.S. 195 “Sulcitana” Km. 19. It is jointly controlled by MOBRO SpA and Massimo Moratti SapA, which own 20.01% each and 40.02% jointly of the share capital (excluding treasury shares), under the shareholders’ agreement signed by the two companies on 1st October 2013 and subsequently renewed on 1st October 2016. The company is established until 31st 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. Saras Group’s activities include refining of crude, the production and sale of electricity via an integrated gasification combined cycle (IGCC) plant operated by its subsidiary Sarlux Srl and a wind farm run by the subsidiary Sardeolica Srl.

These consolidated financial statements for the year ended 31st December 2018 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 Equity and these Notes. All amounts shown in these Notes to the Consolidated Financial Statements are expressed in thousands of euro, unless otherwise stated.

2. Basis of preparation of the Consolidated Financial Statements

The consolidated financial statements of the Group for the year ending 31st December 2018 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 19th July 2002, and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree no. 38 of 28th 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 and separate financial statements 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 of the Group:

- 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 distinguishes between cash flows from operations, investing and financing activities;
- Statement of Changes in Consolidated 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 Group’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 New accounting standards, interpretations and changes adopted by the Group

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

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

1. classification and measurement of the financial instruments on the basis of the model of business entity and the characteristics of cash flows generated by the same financial instruments;

2. impairment of financial instruments on the basis of a new and single impairment model based on the recognition of the losses expected by an entity. This model does not apply to equity instruments and provides for operating simplifications for trade receivables;

3. hedge accounting based on a more flexible approach than that indicated in IAS 39.

IFRS 9, endorsed by the European Union, is effective for annual periods beginning on or after 1st 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 decided to adopt the new standard on the date it became effective.

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

Non-controlling interests
They were previously recognised at cost in accordance with IAS 39. Under IFRS 9, they are recognised at fair value, with a balancing entry in the income statement or the statement of comprehensive income. They are of a modest nature (Sarda Factoring and Consorzio La Spezia Utilities). Their estimated current value is not expected to have any significant quantitative effect on the financial statements.

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

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

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

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

- most of the receivables arising from the Group's operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees);

- most receivables arising from cargo trading activities (with a significant unit amount) are characterised by extremely limited terms of payment (i.e., a few days after the date of delivery of the goods);

- the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions;

- the losses on receivables historically recognised by the Group are not of a significant amount.

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

With respect to hedge accounting rules, at present, the Saras Group does not apply these rules to its derivatives portfolio. In line with this accounting policy, the application of the new rules under IFRS 9 as of 1st January 2018 had no accounting effect on the opening balances or the financial presentation of derivatives. However, given the simplifications introduced on this issue by IFRS 9 and the larger number of circumstances which could be managed under hedge accounting rules, in the future, the Group may carry out further analyses in view of the potential application of hedge accounting to its derivative portfolio.

IFRS 15 - Revenue from Contracts with Customers

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

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

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

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

- the identification of the contract with the customer;

- the identification of the performance obligations of the contract;

- the determination of the price;

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

- the revenue recognition criteria when the entity satisfies each performance obligation.

In 2017, the main findings of the analysis of the impact of applying the new standard are described below.

The Group essentially operates in the refining sector by purchasing raw materials, refining them and selling the products obtained from these production processes to the main operators in the Oil sector; furthermore, with regard to the production and sale of electricity (Power and Wind segment), the Group does not operate with Retail customers. Therefore, no types of revenues have been identified with typical characteristics of these markets.

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

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

- identifying the contract, the customer and the relevant contractual provisions;

- identifying the goods or services covered by the contractual obligation, including guarantees, options, ancillary services and multiple services;

- determining the transaction price, including variable, financial, non-monetary and amending components;

- allocating any variable or discount components to contractual obligations;

- identifying when the contractual obligation is met and the revenue can therefore be recognised in profit or loss, checking transfer of control and any acceptance, repurchase, deposit or other relevant clauses.

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

The composition of similar types of transactions with respect to Oil sales is facilitated by the use of contracts based on a standard form which uniquely identifies the main features of the transaction (buyer, seller, product, delivery, quantity, quality, laydays, payment condition, price, laytime and demurrage, etc.). Consistently with the analysis of contracts, it is noted that no cases have been identified for which a contract asset must be recognised, since the Group recognises the revenue and the related receivable at the time of the transfer of control.

Oil sale types and the peculiar features on which the analysis was mainly focused are as follows:

Cargo sales

These refer to the sale of oil products by vessel, where revenue is recognised upon the transfer of control of the asset identified based on generally recognised international commercial conditions (In.co.term). These contracts do not include performance obligations other than the sale of the asset or financial or discount policies. Any recharging of transport costs, managed on behalf of the buyer and covered by the recharging transaction, is considered, similarly to demurrage, if any, as an ancillary charge which does not configure an independent sale in which Saras acts as the agent. The price is calculated based on the qualitative characteristics of the product, which are checked by an independent inspector upon loading or unloading of the vessel, based on the commercial condition applied. Consequently, the accounting treatment applied to these transactions need not be amended.

Transfer stock
These refer to the sale of oil products through the delivery of the product to a third-party depositary, where it can be collected by the buyer. When the product is delivered to the depositary, the seller no longer retains ownership which is transferred to the buyer as per the tax records. Therefore, the seller can no longer use it. Saras recognises the revenue from the sale at this time. Similarly to Cargo sales, the quality of the product delivered is checked by an independent inspector when the product is delivered to the depositary. Consequently, the accounting treatment applied to these transactions need not be amended.

Trading
Since 2016, the Group has launched its optimisation and trading business through the subsidiary Saras Trading SA. These transactions substantially reflect the above sale patterns applied to goods or oil products, which entail the purchase and sale of finished products. When the company only acts as the trader within the Group, the identification of the agent and the principal, on a consolidation level, does not apply. Consequently, the accounting treatment applied to these transactions need not be amended.

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

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

- The incentive-based tariff for the production of electricity from renewable sources (wind), which previously consisted in the allocation of green certificates which could be sold independently, is a flow of revenues from an ordinary activity of the entity, as per IFRS 15: now it forms an integral part of the sale price and is classified separately. In the 2017 consolidated financial statements, this item was stated for EUR 18,084 thousand.

- Revenues from the sale of biodiesel certificates as they result from a core product of ordinary refinery activities. In the 2017 consolidated financial statements, this item was stated for EUR 44,185 thousand.

- Similarly to the recharging of transport costs, revenues from the recharging of demurrage costs to oil product buyers are considered as ancillary charges to the ordinary performance and do not configure an independent sale transaction. In the 2017 consolidated financial statements, this item was stated for EUR 10,556 thousand.

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or transferred to an associate or 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. The IASB has indefinitely postponed the date of application of these amendments, but an entity opting for early application should apply them retrospectively.

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 1st January 2018.

The application of these amendments to the standard had no significant effects on the Consolidated Financial Statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The objective of this interpretation is that of establishing the exchange rate to be used in the translation of advances in foreign currency, paid or received. In the presence of paid or received advances, the exchange rate to be used to convert assets, liabilities, revenues or costs identified at a later time is the one used to convert the advance. The interpretation shall be in force for years beginning on or after 1st January 2018.

The application of this interpretation to the standard had no significant effects on the Consolidated Financial Statements.

3.2 Standards issued but not yet in force

The standards and interpretations that had already been issued and endorsed at the preparation date of these Consolidated Financial Statements and that will become effective in the following years are listed below.

IFRS 16 – Leases
With regulation no. 2017/1986 issued by the European Commission on 31st October 2017, IAS 16 - Leases was endorsed, which replaces IAS 17 - Leases, IFRIC 4 - Determining whether an agreement 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 principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all lease contracts in the financial statements on the basis of a single model similar to that used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by lessees - lease contracts relating to "low value" activities (for example personal computers) and short-term lease contracts (for example contracts expiring within 12 months or less). At the start of the lease contract, lessees will recognise a liability for lease payments (i.e. lease liabilities) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. right to use the asset). Lessees shall recognise separately the interest on the lease liability and the amortisation of the right-of-use asset.

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

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

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

In 2018, the Group completed the analysis activities to assess the impacts of the new IFRS introduction.

The analysis consisted of the following stages:

- mapping all types of leases in place;
- collecting and analysing in detail all leases underlying the types identified during the mapping stage;
- definition of the applicability of the new standard to individual types/contracts, with the exclusion of contracts for which the standard is not applicable since they are less than 12 months or of little value;
- determination of the discount rate to be applied;
- determination of the accounting effects of the new standard.

The Saras Group has opted for the application of the standard with a modified retrospective approach.

The main contractual cases are summarised below, currently accounted for in accordance with IAS 17, subject to analysis, with qualitative and quantitative evidence emerging from the activities carried out.

Concessions, area rights and the like
The Saras Group has various agreements relating to concessions and similar rights, mainly near the Sarroch production site, the areas where the oil deposits of Arcola (La Spezia) and Cartagena (Spain) are located, as well as the one on which the Ulassai wind farm (Ogliastra) is built and in operation. These agreements typically have a multi-year duration and allow the Group companies to use the areas in exchange for fixed or partially variable fees. The analysis carried out on these types of contracts/agreements has led to a positive conclusion about the applicability of the standard on 6 contracts.

Over the years, the Saras Group companies have also entered into various rental contracts for properties in which the management offices of the Parent Company and some foreign subsidiaries (specifically, Geneva and Madrid) are located. These leases typically have multi-year duration and fixed lease payments, indexed to the increase in the cost of living. The analysis carried out on these types of contracts led to a positive conclusion about the applicability of the standard to 9 contracts: the application of the standard was excluded with respect to the lease contracts expiring within the 2019 financial year and for which the Group has already determined not to proceed with the renewal.

Plants
The companies of the Saras Group, and in particular the subsidiary Sarlux Srl, which owns and operates the plant complex that makes up the Sarroch refinery, have entered into a number of agreements/contracts with suppliers that provide for the construction and operation of some plants within the site (water treatment, waste treatment, etc.). Contracts governing the relationship between Sarlux and these suppliers, although initially classified as service and/or asset transfer contracts, may in fact include one or more components that are part of the scope of application of IFRS 16 since they concretely (in the presence of some conditions foreseen by the standard) constitute the concession in use of the plant to the "customer".

The analysis carried out on these types of contracts has identified the applicability of the standard to 3 contracts.

Company car fleets
The companies of the Saras Group have several long-term rental agreements for company cars in use both within the Sarroch industrial site and to the employees of the various management and sales offices. These are contracts with leading operators in the sector and therefore follow the most widespread market standards.

The analysis carried out on these types of contracts has identified the applicability of the standard to 7 contracts.

The summary of the effects as at 31st December 2018 of the first application of IFRS 16, adopted by the Group - as already mentioned with the modified retrospective approach, is as follows:

a) registration of a right to use equal to EUR 56 million;

b) recognition of a financial liability for EUR 56 million.

IFRS 17 – Insurance contracts
On 18th May 2017, the IASB issued IFRS 17 Insurance Contracts, a new complete standard relating to insurance contracts that covers the recognition and measurement, presentation and disclosure. Once into force, IFRS 17 will replace IFRS 4 - Insurance Contracts, published in 2005. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation. IFRS 17 will be in force for years starting on 1st January 2021 or later, and will require the presentation of the comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously.

Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Venture

On 12th October 2017, the IASB issued the amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (hereinafter amendments to IAS 28), aimed at clarifying that the provisions of IFRS 9, including those on impairment, also apply to financial instruments representing long-term interests in an associated company or joint venture, which, in substance, form part of the net investment in the associated company or joint venture (long-term interest). The amendments to IAS 28 are effective for years beginning on or after 1st January 2019.

Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

On 7th February 2018, the IASB issued the amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (hereinafter amendments to IAS 19), aimed essentially at requiring the use of updated actuarial assumptions in determining the cost related to current work service and net interest for the period following the modification, reduction or settlement of an existing defined benefit plan. The amendments to IAS 19 are effective for years beginning on or after 1st January 2019.

These amendments will only apply to any future changes to the plan, reductions or transactions of the Group.

Amendments to IFRS 3 – Business Combinations

On 22nd October 2018, the IASB issued the amendments to IFRS 3 "Business Combinations" (hereinafter amendments to IFRS 3), aimed at providing clarifications on the definition of business. The amendments to IAS 3 are effective for years beginning on or after 1st January 2020.

The Group will apply these amendments when they will enter into force.

Amendments to IAS 1 and IAS 8 "Definition of Material"

On 31st October 2018, the IASB issued amendments to IAS 1 and IAS 8 "Definition of Material" (hereafter amendments to IAS 1 and IAS 8), aimed at clarifying, and making uniform within IFRS of other publications, the definition of relevance with the aim of supporting companies in the formulation of opinions on the same. In particular, information must be considered relevant if it can be reasonably presumed that the relative omission, misrepresentation or concealment influences the main users of the financial statements when making decisions based on the same. The amendments to IAS 1 and IAS 8 are effective for years beginning on or after 1st January 2020.

The Group will apply these amendments when they will enter into force.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

With regulation no. 2018/1595 issued by the European Commission on 23rd October 2018, IFRIC 23 "Uncertainty regarding tax treatment" was endorsed, which defines the accounting treatment of income taxes when the tax treatment involves uncertainties affecting the application of IAS 12 and does not apply to taxes or fees that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interests or penalties due to uncertain tax treatments.

The Interpretation specifically deals with the following points:

- if an entity considers uncertain tax treatment separately;
- the assumptions of the entity on the examination of tax treatments by the tax authorities;
- how an entity determines the taxable profit (or the tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
- how an entity treats changes in facts and circumstances.

An entity must define whether to consider each uncertain tax treatment separately or together with others (one or more) uncertain tax treatments. The approach that allows the best prediction of the uncertainty resolution should be followed. The interpretation shall be in force for years beginning on or after 1st January 2019 but some facilitations are available for the first application.

The Group will apply the interpretation on the date of entry into force. Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

Improvements to IFRS (2015-2017 Cycle)

On 12th December 2017, the IASB issued the document "Annual Improvements to IFRS Standards 2015-2017 Cycle", containing amendments, essentially of a technical and editorial nature, of IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements, of IAS 12 - Income Taxes and IAS 23 - Borrowing Costs. The amendments to the accounting standards shall be effective for years beginning on or after 1st January 2019.

Based on the preliminary analyses carried out, the Group does not expect significant impacts on its consolidated financial statements.

3.3 Consolidation Scope and Criteria

The consolidated financial statements include the financial statements of the Parent Company and of the companies over which it exercises control, directly or indirectly, starting from the date on which it was acquired and up to the date when such control ceases. In this case, said control is exercised both by virtue of the direct or indirect ownership of the majority of shares with voting rights and the exercise of a dominant influence expressed by the power to determine, even indirectly by virtue of contractual or legal agreements, financial and managerial choices of the entities, obtaining the relative benefits, even disregarding equity transactions. The existence of potential voting rights exercisable at the reporting date is considered for the purpose of determining control.

The consolidated financial statements have been prepared as at 31st December, and are generally those specifically prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to align them with the accounting standards of the Parent Company.

Subsidiaries that are included in the consolidation scope are indicated in the following table:

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

Other investments: measured at cost as not significant	
Sarda Factoring	4,01%
Consorzio La Spezia Utilities	5%

Compared to 31st December 2017, the only change was the incorporation of the company Saras Red SLU, 100% controlled by Saras Energia SAU: the company is not operational and was incorporated as a corporate vehicle for the completion of the sale of activities related to service stations, as per paragraph 5.3 and which will take place in the first half of 2019.

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

[I] assets and liabilities, expenses and income are consolidated on a line-by-line basis attributing to minority shareholders, where applicable, the portion of shareholders' equity and net result for the period pertaining to them; these items are reported separately in specific items of Shareholders' Equity and 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 consideration 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 equity for amounts corresponding to the difference between the selling price and the portion of consolidated 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 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 fair value. 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, adjusted, where necessary, to reflect the adoption of accounting policies 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 a net deficit, the carrying amount of the investment is eliminated and any excess amount attributable to the Group is 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 basis of measurement

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 standards 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's carrying amount is decreased to an 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 IFRS 9 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 recognised 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 value of crude oil, materials and spare parts is determined by the FIFO method. The value 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's carrying amount is decreased to an 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 recognised on an accruals basis under "Other income", in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.

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 accrued in the current or prior years are measured at the sale price. Gains and losses arising from the sale of certificates in different years from those in which they were accrued are recognised under 'Other income' or '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.

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 expensed as 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	per other
Buildings	until 2031	18 years
General plants	until 2031	12 years
Highly corrosive plants	until 2031	9 years
Thermoelectric plant	until 2031	
Wind Farm		10/25 years
Transformation stations	until 2031	13 years
Office furniture and equipment		4 years
Vehicles		4 years
Other assets		5/12 years
Leasehold improvements	The shorter of the duration of the lease and the useful life of the asset	

The useful life of property, plant and equipment and their residual value are revised annually at each reporting date, 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. Tangible assets are derecognised at the time of their disposal or when no future economic benefits are expected from their use or disposal; the relative profit or loss is recognised in the Income Statement.

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 property, plant and equipment.

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 referring to an operating lease are recognised as an expense in the Income Statement over the lease term on a straight-line basis.

J Intangible 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.

Tangible assets are derecognised at the time of their disposal or when no future economic benefits are expected from their use or disposal; the relative profit or loss is recognised in the Income Statement.

[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 equity-accounted investees is included in the carrying amount of the investees. It is not systematically amortised, but is periodically tested for impairment. 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 systematically 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 amount of the assets is checked using the same method applied to “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 taken to profit or loss when 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, property, plant and equipment and intangible assets with a finite useful life and equity investments are tested for 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, future cash flows are 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. 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 impairment no longer exist, the impairment loss is reversed to profit or loss up to the carrying amount that the asset would have had, had it not been impaired 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 equity. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IFRS 9. 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

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following categories:

(i) financial assets measured at amortised cost;

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);

(iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortised cost if held for the purpose of collecting the contractual cash flows (so-called business model hold to collect). The application of the amortised cost method involves the recognition in the income statement of interest income determined on the basis of the effective interest rate, exchange rate differences and any write-downs.

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 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-related reserves set aside for a specific purpose relating to the Parent Company; they include retained earnings.

[III] Share-based payments by the Parent Company to Group's employees and management
The Group grants additional benefits to employees and management via the allocation of bonus shares. In accordance with IFRS 2 (Share-based Payments), the cost of stock plans is recognised in profit or loss over the vesting period on a straight-line basis, with a balancing entry in equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and charges

Provisions for risks and charges 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 1st January 2007, the regulations governing post-employment benefits were amended to include the option for employees to decide where these are held. Specifically, new post-employment benefits 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 31st December 2006

  Post-employment benefits pursuant to Article 2120 of the Italian Civil Code are treated in the same way as "defined benefit plans"; these plans are based on the working life of the employees and on the remuneration they receive over a pre-determined period of service. The liability relating to post-employment benefits 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. The recognition of defined benefit plans requires the estimate of the benefits accrued by the employees in exchange for the service provided using actuarial techniques. These services are then 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 1st 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 a balancing entry in profit or loss at each reporting date.

S Revenue recognition

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (over time) or at a specific time (at a point in time).

With reference to the products sold for the Group, the time of revenue recognition generally coincides:

- for crude and oil products, with shipping;
- for electricity with delivery to the customer;
- for oil products sold on the network market, with delivery to service stations.

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 interest expense are recognised on an accrual basis applying the effective interest method.

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

Foreign currency transactions are translated into euros at the exchange rates ruling 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 recognised as a liability in the statement of financial position of the year 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 recorded in the income statement or under 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 equity, in which case the tax effect is taken directly to 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 ("Consolidated National Tax"). As a result, a single tax base is created for the Parent Company and some 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 IFRS 9 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.

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

Z Earnings per share

[I] Basic

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

[II] Diluted
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 the Group's profit or loss is adjusted to take into account the after-tax effects of the conversion.

AA Emissions trading
Decree Law 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase allowances or credits on the relevant 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 financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The 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] Recoverable amount of inventories: the estimate of the recoverable amount of inventories entails a valuation process that is highly influenced by the performance of the oil product market which is exposed to significant changes, including of a short-term nature. Therefore, the net realisable value of crude oil and finished goods at year end is estimated based on the amount that the Group expects to obtain from their sale, by observing the sales taking place after the reporting date. Consequently, this assessment is influenced by market conditions.

[IV] Deferred taxes: deferred tax assets are recognised on the basis of expected future taxable earnings. The measurement of expected income 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.

[V] Provisions for risks and impairment losses on current assets: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of current assets is not always straightforward. The directors consider such circumstances on a case-by-case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation. 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.

[VI] Revenues from the sale of electricity by Sarlux Srl to G.S.E. (Gestore dei Servizi Energetici SpA): said revenues are affected by the straight-line basis calculation based on 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.

[VII]Valuation of the recoverable value of receivables: most of the receivables arising from the Group's operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees). Most receivables arising from cargo trading activities (with a significant unit amount) are characterised by extremely limited terms of payment (i.e., a few days after the date of delivery of the goods); the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions; It is also recalled that the losses on receivables historically recognised by the Group are not of a significant amount.

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 activities** carried out by Parent Saras SpA and subsidiary Sarlux Srl relate to the sale of oil products obtained:

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

    The finished products are sold to major international operators.

2. **Marketing activities** concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:

    - in Italy by Saras SpA (Wholesale Division), to wholesale customers (wholesalers, buying consortia, municipal utilities and retailers of oil products) and oil companies through a logistics network organised on own base (Sarroch), on a third party's base pursuant to a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and by Deposito di Arcola Srl for the logistics management of the Arcola depot (SP);
    - in Spain, by Saras Energia SA, for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of depots located throughout the country, the most important of which, the Cartagena terminal, is owned by the company itself.

3. **The electricity generated by the combined cycle plant** refers to the sale of the electricity generated by the Sarroch power station owned by Sarlux Srl This sale is exclusive to G.S.E. (Gestore dei Servizi Energetici SpA), and benefits from the CIP 6/92 concession system.

4. **The electricity generated by wind farms** relates to the activity carried out at the Ulassai wind farm owned by subsidiary Sardeoloica Srl.

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

The management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the consolidated financial statements as at 31st December 2018.

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 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, reference should be made to the specific sections of the Report on operations:

Income Statement at 31st December 2018	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	11,429,587	569,547	2,179,818	13,596	35,690	14,228,238
to be deducted: intersectoral revenues	(3,876,649)	(60,466)	(987)	0	(22,269)	(3,960,371)
Revenues from third parties	**7,552,938**	**509,081**	**2,178,831**	**13,596**	**13,421**	**10,267,867**
Other operating revenues	161,030	54,908	3,614	2,295	655	222,502
to be deducted: intersectoral revenues	(92,181)	(474)	0	(309)	(493)	(93,457)
Other income from third parties	**68,849**	**54,434**	**3,614**	**1,986**	**162**	**129,045**
Amortisation, depreciation and write-downs	(115,998)	(52,312)	(5,286)	(4,536)	(706)	(178,838)
Gross operating result	**26,575**	**94,051**	**19,013**	**6,037**	**(877)**	**144,800**
Financial income (a)	352,803	46,595	411	80	17	399,906
Financial charges (a)	(352,933)	(514)	(5,718)	(14)	(5)	(359,184)
Income tax	(338)	(43,606)	(1,020)	(360)	227	(45,097)
Profit (loss) for the year	**26,107**	**96,526**	**12,686**	**5,743**	**(637)**	**140,425**
Total directly attributable assets (b)	**1,321,164**	**1,272,565**	**251,252**	**83,032**	**31,906**	**2,959,919**
Total directly attributable liabilities (b)	**1,342,393**	**229,397**	**244,781**	**16,816**	**22,462**	**1,855,849**
Intangible fixed assets	**206,673**	**20,684**	**763**	**6,882**	**549**	**235,551**
Investments in intangible assets	**6,716**	**0**	**586**	**22**	**76**	**7,400**

Income Statement at 31st December 2017	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	8,191,002	500,340	1,793,115	26,566	33,417	10,544,439
to be deducted: intersectoral revenues	(2,833,151)	(54,628)	(3,077)	0	(21,787)	(2,912,643)
Revenues from third parties	**5,357,851**	**445,712**	**1,790,038**	**26,566**	**11,630**	**7,631,796**
Other operating revenues	123,433	20,991	7,665	2,158	652	154,900
to be deducted: intersectoral revenues	(98,569)	(273)	0	(258)	(494)	(99,594)
Other income from third parties	**24,864**	**20,718**	**7,665**	**1,900**	**158**	**55,306**
Amortisation, depreciation and write-downs	(116,600)	(51,100)	(5,525)	(4,552)	(655)	(178,432)
Gross operating result	**160,316**	**133,973**	**8,365**	**18,533**	**4,601**	**325,788**
Financial income (a)	195,137	11,745	438	68	17	207,405
Financial charges (a)	(198,406)	(326)	(2,945)	(130)	(20)	(201,827)
Income tax	(37,763)	(44,475)	(2,189)	(4,982)	(1,121)	(90,531)
Profit (loss) for the year	**119,284**	**100,917**	**3,670**	**13,489**	**3,476**	**240,836**
Total directly attributable assets (b)	**1,450,979**	**1,311,357**	**282,365**	**90,001**	**22,459**	**3,157,161**
Total directly attributable liabilities (b)	**1,529,174**	**247,581**	**273,812**	**21,394**	**12,904**	**2,084,865**
Intangible fixed assets	**182,633**	**16,595**	**396**	**509**	**852**	**200,985**
Investments in intangible assets	**3,464**	**-**	**477**	**29**	**63**	**4,033**

(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 after intercompany eliminations.

4.3 Reporting by geographical segment

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.

Directly attributable assets	31/12/2018	31/12/2017	Change
Italy	2,743,754	2,958,293	(214,539)
Other EEC countries	162,644	152,881	9,763
Non-EEC	53,521	45,987	7,534
Total	**2,959,919**	**3,157,161**	**(197,242)**

Investments in tangible and intangible assets	31/12/2018	31/12/2017	Change
Italy	237,948	203,949	33,999
Other EEC countries	349	957	(608)
Non-EEC	4,654	110	4,544
Total	**242,951**	**205,016**	**37,935**

Net revenues from ordinary operations by geographical area.

Revenues from ordinary operations	31/12/2018	31/12/2017	Change
Italy	2,346,980	2,287,421	59,559
Spain	963,848	249,742	714,106
Other EEC	2,993,022	922,056	2,070,966
Non-EEC	3,576,177	3,986,913	(410,736)
USA	387,840	185,664	202,176
Total	**10,267,867**	**7,631,796**	**2,636,071**

Amounts are shown net of inter-company eliminations.

The following table shows a breakdown of trade receivables by geographical area:

Trade receivables	31/12/2018	31/12/2017	Change
Italy	151,084	169,048	(17,964)
Spain	59,210	60,197	(987)
Other EEC countries	42,662	21,868	20,794
Non-EEC	42,819	128,170	(85,351)
USA	390	18,550	(18,160)
Bad debts provision	(5,955)	(6,433)	478
Total	**290,210**	**391,400**	**(101,190)**

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:

Cash and cash equivalents	31/12/2018	31/12/2017	Change
Bank and postal deposits	271,616	419,621	(148,005)
Cash	1,215	1,904	(689)
Total	**272,831**	**421,525**	**(148,694)**

Bank deposits, which are not subject to constraints or restrictions, are mainly attributable to Saras SpA (EUR 244,023 thousand), Sarlux Srl (EUR 4,146 thousand), Reasar SA (EUR 9,440 thousand) and Saras Trading SA (EUR 7,501 thousand). For further details on the net financial position, reference is made to the relevant section of the Report on Operations and the statement of cash flows.

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Current financial assets	31/12/2018	31/12/2017	Change
Current financial derivatives	93,143	55,553	37,590
Deposits to secure derivatives	30,595	40,883	(10,288)
Other assets	7,985	1,855	6,130
Total	**131,723**	**98,291**	**33,432**

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 amounted to EUR 290,210 thousand, down on the previous year due to the price dynamics of oil product in the last quarter. The item is presented net of the provision for doubtful receivables, which amounts to EUR 5,955 thousand (EUR 6,433 thousand as at 31st December 2017).

5.1.4 Inventories

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

Inventories	31/12/2018	31/12/2017	Change
Raw materials, consumables and supplies	193,810	326,606	(132,796)
Unfinished products and semi-finished products	105,924	62,596	43,328
Finished products and goods	439,405	378,892	60,513
Spare parts and raw materials, supplies	122,462	107,175	15,287
Total	**861,601**	**875,269**	**(13,668)**

The decrease in the value of oil inventories (crude, semi-finished and finished products) is essentially due to the combined effect of the decrease in quantities in stock at year-end and the decreasing dynamics of prices; the comparison with their recoverable value led to a write-down of EUR 57 million.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 998 thousand tons of oil products (valued at around EUR 422 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 439 thousand tons valued at around EUR 169 million).

5.1.5 Current tax assets

The balance breaks down as follows:

Current tax assets	31/12/2018	31/12/2017	Change
VAT credit	81	1,595	(1,514)
IRES credits	4,493	3,972	521
IRAP credits	12,680	12,960	(280)
Other amounts due from the tax authorities	1,797	6,035	(4,238)
Total	**19,051**	**24,562**	**(5,511)**

IRES receivables essentially relate to the excess amount resulting from the repeal of the Robin Hood Tax, which will be offset against the payment of other taxes. IRAP receivables mainly refer to advances made in previous year by the subsidiary Sarlux and are in excess with respect to the tax due.

Other tax credits include, in addition to taxes claimed for reimbursement or paid on a provisional basis, the recognition of the tax credit for the promotion of 2014/2015 investments pursuant to Article 18 of Decree Law 91/14, net of any other tax payments for the period.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/12/2018	31/12/2017	Change
Accrued income	251	1,565	(1,314)
Prepaid expenses	10,403	10,370	33
Other short-term loans	97,840	137,067	(39,227)
Total	**108,494**	**149,002**	**(40,508)**

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

"Other receivables" mainly comprise:

- the credit of EUR 49,917 thousand due to the subsidiary Sarlux Srl 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 11th June 2008, ARG/elt 77/08, referring to the year 2018;

- white certificates of EUR 36,600 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 49,741 thousand in 2017); for additional information, reference should be made to section 7.1;

The change compared to the previous year is mainly due to:

- the write-down of receivables, following an adverse ruling, of EUR 29 million, previously recorded against the repayment value requested from the GSE for green certificates purchased and delivered in the past and for which the subsidiary Sarlux has implemented various disputes. For further details, reference is made to as described in paragraph 7.1,

- The collection of the receivable of EUR 14,176 thousand claimed by the subsidiary Sarlux Srl deriving from the recognition of the qualification of "energy-consuming business" for the year 2014. In this regard, it is therefore noted that in compliance with the Law of 4th August 2017, no. 124, Article 1 paragraph 125, the subsidiary has benefited from aid subject to publication in the National Register of State aid, to which reference is made. The Company has already been classified as an "energy-consuming business" for 2013, 2014 and 2016 and thinks that it has the necessary requirements to obtain it for 2015, 2017 and 2018 as well.

5.2 Non-current assets

As at 31st December 2017, goodwill and intangible assets with indefinite useful life or not yet available for use, as well as groups of assets for which there were impairment indicators tested for impairment in accordance with IAS 36. The impairment test was performed on the Cash Generating Units (CGUs) to which the above goodwill and other assets are allocated, 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 (Wholesale, 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 and approved by the Group.

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 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	31/12/2016	Increases	Decreases	Write-downs	Other changes	31/12/2017
Land and buildings	223,817	87	0	0	1,748	225,652
Plant and machinery	3,097,838	28,097	(5,773)	0	100,365	3,220,527
Industrial and commercial equipment	29,216	568	(9)	0	8,907	38,682
Other assets	538,938	11,050	(19,863)	0	36,538	566,663
Tangible fixed assets under construction	135,564	161,183	0	0	(153,313)	143,434
Total	**4,025,373**	**200,985**	**(25,645)**	**0**	**(5,755)**	**4,194,958**

Depreciation Fund	31/12/2016	Depreciation	Use	Write-downs	Other changes	31/12/2017
Land and buildings fund	117,192	5,811	(147)	0	(332)	122,524
Plant and machinery fund	2,476,327	116,516	(5,317)	0	(3,625)	2,583,901
Industrial and commercial equipment fund	24,922	2,353	(7)	0	(114)	27,154
Other assets	442,669	18,295	(19,795)	0	0	441,169
Total	**3,061,110**	**142,975**	**(25,266)**	**0**	**(4,071)**	**3,174,748**

Net Value	31/12/2016	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2017
Land and buildings	106,626	87	147	(5,811)	0	2,079	103,128
Plant and machinery	621,510	28,097	(456)	(116,516)	0	103,991	636,626
Industrial and commercial equipment	4,294	568	(2)	(2,353)	0	9,021	11,528
Other assets	96,269	11,050	(68)	(18,295)	0	36,538	125,494
Tangible fixed assets under construction	135,564	161,183	0	0	0	(153,313)	143,434
Total	**964,263**	**200,985**	**(379)**	**(142,975)**	**0**	**(1,684)**	**1,020,210**

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	31/12/2018
Land and buildings	225,652	221	(1,817)	0	(40,187)	183,869
Plant and machinery	3,220,527	29,748	(4,782)	0	112,081	3,357,574
Industrial and commercial equipment	38,682	270	(624)	0	(3,335)	34,993
Other assets	566,663	2,074	(3,544)	0	38,668	603,861
Tangible fixed assets under construction	143,434	203,238	0	0	(168,983)	177,689
Total	**4,194,958**	**235,551**	**(10,767)**	**0**	**(61,756)**	**4,357,986**

Depreciation Fund	31/12/2017	Depreciation	Use	Write-downs	Other changes	31/12/2018
Land and buildings fund	122,524	5,551	(15)	0	(18,295)	109,765
Plant and machinery fund	2,583,901	108,121	(4,672)	0	(795)	2,686,555
Industrial and commercial equipment fund	27,154	3,578	(210)	0	(5,352)	25,170
Other assets	441,169	21,544	(3,554)	0	(9,770)	449,389
Total	**3,174,748**	**138,794**	**(8,451)**	**0**	**(34,212)**	**3,270,879**

Net Value	31/12/2017	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2018
Land and buildings	103,128	221	(1,802)	(5,551)	0	(21,892)	74,104
Plant and machinery	636,626	29,748	(110)	(108,121)	0	112,876	671,019
Industrial and commercial equipment	11,528	270	(414)	(3,578)	0	2,017	9,823
Other assets	125,494	2,074	10	(21,544)	0	48,438	154,472
Tangible fixed assets under construction	143,434	203,238	0	0	0	(168,983)	177,689
Total	**1,020,210**	**235,551**	**(2,316)**	**(138,794)**	**0**	**(27,544)**	**1,087,107**

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 19th June 1995, with the Ministry of Productive Activities on 10th October 1997 and with the Ministry of Economic Development on 10th June 2002. The balance of these grants as at 31st December 2018 was EUR 422 thousand (EUR 588 thousand as at 31st December 2017).

“Land and buildings” chiefly include industrial buildings, offices and warehouses with a carrying amount of EUR 34,748 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,538 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux Srl and the subsidiary Deposito di Arcola Srl with a carrying amount of EUR 36,817 thousand.

“Plant and machinery” mainly relate 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 include tanks and pipelines used to carry the group companies’ products and crude oil (Sarlux Srl, Saras Energia SA and Deposito di Arcola Srl).

“Assets under construction and payments on account” reflect costs incurred mainly for investment in tanks, and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes. It is noted that during the year, the subsidiary Sardeolica Srl, after successfully completing the authorisation process and having signed all the contracts relating to the realisation of the works, undertook the “Maistu” project, which provides for the expansion of the current Ulassai Park by installing nine 3.6 MW wind turbines for a total power limited to 30 MW. Expansion activities are expected to be completed in the second half of 2019 and expected production is 80 GWh/a.

The column “other changes” includes, among other things, data relating to assets owned by the subsidiary Saras Energia, reclassified under “non-current assets held for sale” as they will be sold as described in more detail in paragraph 5.3 below.

Increases for the year amounted to EUR 235,551 thousand and mainly refer to technological interventions on refinery plants.

The main depreciation rates used are as follows:

	for IGCC plant	per other fixed assets (annual base)
Industrial buildings (land and buildings)	until 2031	5.50%
Generic plant (plant and machinery)	until 2031	8.38%
Highly corrosive plant (plant and machinery)	until 2031	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric power plant (plant and machinery)	until 2031	
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%

The concession 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) issued by the Port Authority of Cagliari is valid until 31st December 2027.

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 CGUs:** 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 inflow that are largely independent of the cash inflows generated by other assets or groups of assets.

b) **Determination of the recoverable amount 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 5.6%;
- the scenario of the transit prices of petroleum products was considered stable in real terms, with an increase in the average tariff starting in 2018 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 between 1% and 2% was estimated for the entire period analysed;
- the tax rate considered is equal to that in force in Spain (25%).

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	31/12/2017
Industrial patent and original work rights	43,790	4,069	(13)	0	1	47,846
Concessions, licences, trademarks and similar rights	48,829	18	0	0	1,308	50,155
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	21,909
Other intangible assets	527,856	0	(951)	0	(9,698)	519,898
Intangible assets under construction	2,334	29	(613)	0	(200)	1,550
Total	**644,718**	**4,116**	**(1,577)**	**0**	**(8,589)**	**641,358**

Amortisation Fund	31/12/2016	Amortisation	Use	Write-downs	Other changes	31/12/2017
Industrial patent and original work rights	40,361	2,001	(13)	0	(10)	42,339
Concessions, licences, trademarks and similar rights	21,278	1,030	0	0	2,123	24,431
Other intangible assets	388,184	32,426	(370)	0	1,657	421,897
Total	**449,823**	**35,457**	**(383)**	**0**	**3,770**	**488,667**

Net Value	31/12/2016	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2017
Industrial patent and original work rights	3,428	4,069	(26)	(2,001)	0	37	5,507
Concessions, licences, trademarks and similar rights	27,551	18	0	(1,030)	0	(815)	25,724
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,909
Other intangible assets	139,672	0	(1,321)	(32,426)	0	(7,924)	98,001
Intangible assets under construction	2,334	29	(613)	0	0	(200)	1,550
Total	**194,894**	**4,116**	**(1,960)**	**(35,457)**	**0**	**(8,902)**	**152,691**

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	31/12/2018
Industrial patent and original work rights	47,846	2,959	0	0	810	51,615
Concessions, licences, trademarks and similar rights	50,155	12	(151)	0	(25,526)	24,490
Goodwill and intangible assets with indefinite life	21,909	0	0	0	(890)	21,019
Other intangible assets	519,898	0	0	0	7,419	527,317
Intangible assets under construction	1,550	4,429	(1,132)	0	0	4,847
Total	**641,358**	**7,400**	**(1,283)**	**0**	**(18,187)**	**629,288**

Amortisation Fund	31/12/2017	Amortisation	Use	Write-downs	Other changes	31/12/2018
Industrial patent and original work rights	42,339	2,672	0	0	66	45,077
Concessions, licences, trademarks and similar rights	24,431	1,126	(108)	0	(14,177)	11,272
Other intangible assets	421,897	32,869	0	0	6,046	460,812
Total	**488,667**	**36,795**	**(108)**	**0**	**(8,065)**	**517,161**

Net Value	31/12/2017	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2018
Industrial patent and original work rights	5,507	2,959	0	(2,672)	0	744	6,538
Concessions, licences, trademarks and similar rights	25,724	12	(43)	(1,126)	0	(11,349)	13,300
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	(890)	20,937
Other intangible assets	98,001	0	0	(32,869)	0	1,373	66,505
Intangible assets under construction	1,550	4,429	(1,132)	0	0	0	4,847
Total	**152,691**	**7,400**	**(1,175)**	**(36,667)**	**0**	**(10,122)**	**112,127**

Amortisation of intangible assets totalled EUR 36,667 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 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 concession for the operation of the Ulassai wind farm, which will be fully amortised by 2035.

The decrease compared to the previous year is mainly due to the concession of Estaciones de Servicio Caprabo SA (merged into Saras Energia SA) as held for sale and therefore reclassified as "non-current assets held for sale".

Goodwill
This caption mainly relates to the goodwill recognised for the subsidiary Sardeolica Srl (EUR 20,937 thousand), paid by Saras SpA for the purchase of Parchi Eolici Ulassai Srl (subsequently merged by incorporation into Sardeolica Srl in 2017): this goodwill is justified by the projection of future cash flows expected by the subsidiary Sardeolica Srl over a time horizon extended until the term of the concessions obtained (2035).

In accordance with the accounting standards applied by the Group, particularly IAS 36, the goodwill in question was tested for impairment as of the date of these financial statements to verify whether the asset had undergone no impairment. 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) **Identification of CGUs:** Sardeolica Srl 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. It is noted that in 2018, the Maistu Project was launched, which provides for the expansion of the present Ulassai Park with the construction of 9 wind turbines for a total of 30 MW. In particular, all the authorisations were obtained and all the contracts for the realisation of the expansion were signed, for which the advance payments requested by the suppliers for the start of the realisation phase were also made. The completion of works is scheduled for November 2019. Therefore, since the project was commissioned and started substantially, the cash flows expected from this investment were considered for the purpose of determining the value in use;

b) **Allocation of goodwill to the CGU:** goodwill is entirely attributable to the subsidiary Parchi Eolici Ulassai Srl as it arose during the purchase of 30% of the share capital of the same;

c) **Determination of the recoverable amount 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 amount of goodwill 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; in drawing up the model, account was also taken of the financial flows deriving from the expansion of the wind farm, as further described in item 5.2 "non-current assets";

   - the discount rate (weighted average cost of capital or WACC) was 6.2%, which is specific to the sector;

   - 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 of 1.3% for the period analysed, according to estimates published by the IMF (International Monetary Fund);

   - the terminal value was assumed to be equal to the residual net invested capital at the end of the concession period;

   - the tax rate applied was the current rate (24%).

d) **Sensitivity analysis:** this analysis showed that a reasonable change in the key assumptions (the quantity of electricity produced and the electricity sale prices) shows recoverable values higher than the carrying amount of the goodwill in question, thus not resulting in impairment losses as defined by IAS 36;

e) **External indicators:** lastly, 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 (hereinafter, GSE). This contract – which was originally recognised at fair value in the 2006 consolidated financial statements for EUR 547.5 million and amortised over its term – was measured over its term, in accordance IAS 36.

In the past few years, the carrying amount of this contract was always tested for impairment, based on the changes to the background and legislation.

Also for 2018, the recoverable value was estimated of the electricity sale contract with the GSE, an asset belonging to the Power Generation business unit, which is recorded as Intangible Assets for a value of EUR 60 million as at 31st December 2018.

It is recalled that already in 2017, the useful life of the IGCC plant was extended to over the end of the contract for the sale of electricity under the CIP6 tariff (expiry 2020), based on the use of the plant, mainly to support the energy needs of the refinery and to sell the electricity in excess to the market.

This change affecting the industrial strategy of the use of the plant was mirrored accordingly in the assessment model of the CIP6 Contract, which was based on the flows specifically generated by the Contract in the period of residual duration thereof, separately from the relevant CGU.

In brief, under this policy, the value is estimated based on the discounted cash flows which can be directly allocated to the intangible asset (in this case the contract) from which the charges (contributory asset charges or "CAC") related to the use of the assets necessary for generating such flows, are deducted. The recoverable value of the contract is therefore equal to the cash flows associated with the contract itself, net of the remuneration of the contributory assets identified in the IGCC plant. In particular, the expected cash flows for the remaining period of the contract (2019-2020), expressed in nominal terms, are determined starting from EBITDA, reduced by the relevant taxes and adjusted for changes in working capital and fixed capital investments, and are then adjusted by the CACs, estimated equal to the technical depreciation of the IGCC plant envisaged in the group plan, net of the relevant tax effect. It is specified that, for the purposes of the estimate:

- the gas and crude oil price scenario, as per the previous year, is provided by major independent market leader companies;
- the discount rate applied is 6.56%, based on the current market situation (6.44% in 2017);
- a growing inflation rate (from 1.3% to 1.4%) was estimated for the period analysed;
- a 24% tax rate.

The analysis carried out, including the sensitivity analysis, confirmed that it was not necessary to adjust the carrying amount of the contract for the sale of electricity to GSE, net of the amortisation of the period.

Intangible assets under construction and advance payments

The item includes investments underway to purchase software licences. No intangible assets with definite useful life are held for sale.

5.2.3 Equity investments

The table below shows the list of equity investments as at 31st December 2018, indicating the main information relating to subsidiaries:

Denominazione	Registered office	Currency	Share Capital	Amount held of Group (%) at 31-12-18	Amount held of Group (%) at 31-12-17	Amount (%) on Cap. Capital	Shareholder	% by law voting	Relationship of investment
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 Srl	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 subsidiary:	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
Sardeolica Srl and subsidiaries:	Cagliari	Euro	56,696	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Alpha Eolica Srl	Bucharest (Romania)	Leu	468,046	100.00%	100.00%	100.00%	Parchi Eolici Ulassai Srl	100.00%	In Liquidation
Saras Trading SA	Geneva (Switzerland)	Usd	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
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%	4.01%	Saras SpA	4.01%	Other investments

Compared to 31st December 2017, the only change was the incorporation of the company Saras Red SLU, 100% controlled by Saras Energia SAU: the company is not operational and was incorporated as a corporate vehicle for the completion of the sale of activities related to service stations, as per paragraph 5.3 and which will take place in the first half of 2019.

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 investments break down as follows:

Other investments	31/12/2018	31/12/2017	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	**502**	**502**	**0**

5.2.4 Deferred tax assets

The balance as at 31st December 2018, amounting to EUR 33,387 thousand (net of deferred tax liabilities for EUR 3,819 thousand) is almost entirely due to taxes of Italian companies and is essentially made up of:

- the net deferred tax assets of the parent company Saras SpA for EUR 10,036, mainly due to the different tax value of inventories compared to the statutory value expressed in the financial statements;
- the net deferred tax assets of the subsidiary Sarlux Srl for EUR 18,743 thousand, of which, mainly:
  - **a)** deferred tax assets of EUR 22,674 thousand for the straight-line recognition of Power revenues described above;
  - **b)** deferred tax assets of EUR 40,345 thousand for accruals to the provision for risks and charges, mainly on energy efficiency certificates, CO_2 allowances and green certificates;
  - **c)** deferred tax liabilities for EUR 27,536 thousand relating to the excess and accelerated depreciation;
  - **d)** deferred tax liabilities for EUR 16,740 thousand relating to the GSE contract value;
- net deferred tax assets of EUR 3,622 thousand mostly due to deductible charges in future years in compliance with the provisions of Article 109 of the TUIR concerning the cash deductibility of certain negative income components.

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

The following table shows changes in deferred tax assets and liabilities.

	31/12/2017	Other movement	Accruals	Reversal	Other movement through balance sheet	31/12/2018
Deferred tax assets						
Expenses deductible in future years	6,451		2,038	6,082		2,407
Write-down of assets and receivables and temporal differences statutory-fiscal amortisation	24,918		964	1,877		24,005
Provisions for risks and charges (taxed)	24,223		32,434	15,784		40,874
Fiscal valuation of inventories	(1,618)		11,840	-		10,223
Provision for bad debts	1,061		-	5		1,056
Other residual items	210	(8)	2	42		171
Effect IAS/Consolidated (other residual items Group companies)	1,255		4,193	39		5,408
Effect IAS/Consolidated (straight-line revenues Sarlux)	44,525		-	21,851		22,674
Total deferred tax assets	**101,025**	**(8)**	**51,472**	**45,680**	**0**	**106,818**
Deferred tax liabilities						
Non-accounting amortization and depreciation	29,681	(24)	(24)	2,121		27,536
Deferred income and taxation	9,544		1,245	1,106		9,683
Revaluation land	7,995		0	0		7,995
Other residual items	1,892		977	1,892		977
Effect IAS/Consolidated (other residual items Group companies)	5,387		0	1,193		4,194
Effect IAS/Consolidated (Fair value contract GSE - Sarlux)	25,110		0	8,370		16,740
Effect IAS/Consolidated (capitalised financial charges on IGCC plant)	3,074		0	997		2,077
Effect IAS/Consolidated (Valorisation licences wind farms - Sardeolica)	4,705		0	1,057	(11)	3,638
Effect IAS/Consolidated (homogenisation inventory valuation criteria - Saras)	2,517		180	2,105		591
Total deferred tax liabilities	**89,905**	**(24)**	**2,378**	**18,842**	**(11)**	**73,431**
Total Net	**11,121**	**16**	**49,094**	**26,838**	**11**	**33,387**

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	1/1/2019	31/12/2021
Saras Ricerche e Tecnologie SpA	1/1/2019	31/12/2021
Sardeolica Srl	1/1/2017	31/12/2019
Sarlux Srl	1/1/2019	31/12/2020

With regard to the companies Deposito di Arcola Srl and Saras Ricerche e Tecnologie Srl whose agreement expired on 31st December 2018, it is noted that the Parent Company confirmed, with a resolution of the Board of Directors, the renewal of adhesion to the National Tax Consolidation; given the regulatory amendment in 2017 (Article 7-quater of Decree Law 193/2016 conv. in L.225 / 2016). This taxation regime is automatically renewed for the period provided for by the law, unless the option is expressly revoked in the same manners and terms provided for the original choice, or by the parent company or by the subsidiary possibly concerned from time to time.

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

	Short Term	Medium-long term	Total 31/12/2018
Deferred tax assets			
Expenses deductible in future years	2,407	0	2,407
Write-down of assets and receivables and temporal differences statutory-fiscal amortisation	22,247	1,758	24,005
Provisions for risks and charges (taxed)	40,744	130	40,874
Fiscal valuation of inventories	10,223	0	10,223
Provision for bad debts	1,056	0	1,056
Other residual items	171	0	171
Effect IAS/Consolidated (other residual items Group companies)	5,408	0	5,408
Effect IAS/Consolidated (straight-line revenues Sarlux)	9,355	13,319	22,674
Total deferred tax assets	**91,611**	**15,207**	**106,818**
Deferred tax liabilities			
Non-accounting amortization and depreciation	2,079	25,457	27,536
Deferred income and taxation	9,683	0	9,683
Revaluation land	0	7,995	7,995
Other residual items	977	0	977
Effect IAS/Consolidated (other residual items Group companies)	4,194	0	4,194
Effect IAS/Consolidated (Fair value contract GSE - Sarlux)	8,370	8,370	16,740
Effect IAS/Consolidated (capitalised financial charges on IGCC plant)	1,039	1,039	2,077
Effect IAS/Consolidated (Valorisation licences wind farms - Sardeolica)	227	3,411	3,638
Effect IAS/Consolidated (homogenisation inventory valuation criteria - Saras)	591	0	591
Total deferred tax liabilities	**27,159**	**46,272**	**73,431**
Total Net	**64,451**	**(31,065)**	**33,387**

5.2.5 Other financial assets

As at 31st December 2018, this item amounts to EUR 4,067 thousand (EUR 7,740 thousand in the previous year) and mainly relates to medium-/long-term receivables from third parties. The change compared to the previous year is mainly due to the write-off of the receivable due from Solgenia SpA, carried out during the year.

5.3 Non-current assets held for sale

The balance as at 31st December 2018, amounting to EUR 35,000 thousand, is represented by the value of the business unit of the subsidiary Saras Energia SAU for sale, less the estimated sales costs. In November 2018, the Spanish subsidiary in fact signed an agreement with a leading operator in the oil sector, aimed at the sale of the business consisting of the network of service stations located in Spain, ancillary services and related personnel, for EUR 35,000 thousand in addition to the value of the working capital that will be transferred upon closing of the transaction (subject to the occurrence of certain conditions precedent) envisaged in the first half of 2019.

5.4 Current liabilities

5.4.1 Short-term financial liabilities

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

Short-term financial liabilities	31/12/2018	31/12/2017	Change
Current bank loans	0	496	(496)
Bank current accounts	16,957	4,163	12,794
Financial derivatives	26,937	53,731	(26,794)
Other short-term financial liabilities	62,736	124,678	(61,942)
Total	**106,630**	**183,068**	**(76,438)**

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 described in note “5.4.1 - Long-term financial liabilities”.

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

The item “Derivative financial instruments” includes the negative fair value of derivative financial instruments held at year-end.

Financial derivatives	31/12/2018 Assets	31/12/2018 Liabilities	31/12/2017 Assets	31/12/2017 Liabilities
Fair value Interest rate swaps	272		302	(585)
Fair value derivatives on commodities	74,395	(26,860)	50,760	(52,255)
Fair value forward purchases and sales on exchange rates		(77)	0	(891)
Fair value forward purchases and sales on CO_2 allowances	18,475		4,491	0
Total	**93,142**	**(26,937)**	**55,553**	**(53,731)**

The following tables show the notional values and corresponding fair values of the derivatives outstanding as at 31st December 2018 and 31st December 2017:

Type of Operation	31/12/2018				31/12/2017			
	Notional value		Fair value		Notional value		Fair value	
	Purchases	Sales	Pos.	Neg.	Purchases	Sales	Pos.	Neg.
oil and crude products	(127,977)	575,200	74,395	(26,860)	(96,995)	765,405	50,760	(52,255)
exchange rates	(318,000)		0	(77)	(255,000)	55,000	0	(891)
interest rates	(170,000)		272	0	(170,000)		302	(585)
CO_2 allowances			18,475	0	0		4,491	0
Total	**(615,977)**	**575,200**	**93,142**	**(26,937)**	**(521,995)**	**820,405**	**55,553**	**(53,731)**

"Other current financial liabilities" essentially include receipts related to receivables factored without recourse and without notification, received from customers and not paid back to factors.

Bank loans and bonds are measured using the amortised cost method.

For further details, see the cash flow statement.

5.4.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/12/2018	31/12/2017	Change
Customers advances account	18,890	3,481	15,409
Payables to current suppliers	1,024,272	1,146,803	(122,531)
Total	**1,043,162**	**1,150,284**	**(107,122)**

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

"Payables to suppliers" mainly comprise the payables related to the provision of crude; the decrease on the previous year-end balance is essentially due to the decrease in the purchase cost of raw materials in the last months of the current year.

5.4.3 Current tax liabilities

The breakdown of the item is as follows:

Current tax liabilities	31/12/2018	31/12/2017	Change
Payables for VAT	14,727	29,556	(14,829)
IRES payables (and income tax foreign firms)	234	28,364	(28,130)
IRAP payables	806	223	583
Other tax payables	59,181	62,223	(3,042)
Total	**74,948**	**120,366**	**(45,418)**

The change in "IRES payables" reflects the different amount of advance payments during the year compared to payments in the previous year ended 31st December 2017, despite an overall IRES payable substantially in line with the previous year.

"Other tax payables" mainly include payables for excise duties on products released for consumption by the Parent (EUR 50,207 thousand) and the subsidiary Saras Energia SA (EUR 3,567 thousand).

5.4.4 Other liabilities

The breakdown of other current liabilities is shown below:

Other current liabilities	31/12/2018	31/12/2017	Change
Payables employee benefit and social security	11,397	11,658	(261)
Payables due to employees	25,236	22,009	3,227
Payables to others	9,467	28,328	(18,861)
Accrued liabilities	7,452	1,421	6,031
Deferred income	22,786	13,348	9,438
Total	**76,338**	**76,764**	**(426)**

The item "Payables 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 change in the item "Other payables" mainly refers to the payment of payables for port taxes previously determined by the Customs Authority in respect of the Parent Company, for the 2005-2007 period following the rejection of the second-degree appeal by the Regional Tax Commission.

5.5 Non-current liabilities

5.5.1 Long-term financial liabilities

The breakdown of the item is as follows:

Long-term financial liabilities	31/12/2018	31/12/2017	Change
Non-current bonds	198,675	198,342	333
Non-current bank loans	49,393	49,975	(582)
Other long-term financial liabilities	7,933	8,823	(890)
Total	**256,001**	**257,140**	**(1,139)**

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

Values expressed in millions of euro	Commencement / Renegotiation	Original amount	Rate base	Residual at 31/12/2017	Residual at 31/12/2018	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Unicredit	April 2017	50	6M Euribor	50.0	49.4		49.4
Bond	December 2017	200	1.70%	198.3	198.7		198.7
Total liabilities to banks for loans				**248.3**	**248.1**	**-**	**248.1**

"Long-term financial liabilities" comprise:

- a bond with a total nominal value of EUR 200 million, maturing on 28th December 2022 and a fixed coupon of 1.70% on an annual basis represented by a private placement of bonds with the Austrian multilateral trading system, Third Market, of Wiener Börse AG;

- a EUR 50 million loan, taken out by Saras SpA, subject to the following covenants;

- financial covenants (involving compliance with the following ratios: (i) Net debt/EBITDA <3.5 and net debt/equity <1.5, both ratios calculated on the basis of the Group's consolidated financial statements considering the 31st December of each year; in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.

Failure to comply with these covenants will give the banking syndicate the right to demand early repayment of the loan.

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

The Parent Company Saras also has a Revolving Credit Facility credit line with maturity 2020 for a maximum amount of EUR 255 million: the amount used as at 31st December 2018 was zero.

5.5.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

Provisions for risks and charges	31/12/2016	Provision	Use	Other changes	31/12/2017
Plant dismantling provision	19,052	0	(13)	0	19,039
Charges for CO_2 allowances provision	37,890	32,327	(26,277)	0	43,940
Other provisions for risks and charges	45,513	24,317	(10,724)	0	59,106
Total	**102,455**	**56,644**	**(37,014)**	**0**	**122,085**

Provisions for risks and charges	31/12/2017	Provision	Use	Other changes	31/12/2018
Plant dismantling provision	19,039	0	0	0	19,039
Charges for CO_2 allowances provision	43,940	144,379	(32,560)	0	155,759
Other provisions for risks and charges	59,106	5,934	(36,524)	0	28,516
Total	**122,085**	**150,312**	**(69,084)**	**0**	**203,313**

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

The provision for CO_2 allowances (EUR 155,759 thousand) was accrued pursuant to Legislative decree no. 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provisions in question represent allowances totalling EUR 144,379 thousand, required and not yet purchased. The change compared to the previous year is mainly due to the increase in the value of the shares available on the market, which went from EUR 8.14 per share to EUR 24.64 per share. It is also noted that following the acquisition of the business unit (North Plants) from Versalis SpA by the subsidiary Sarlux, the latter presented the request to update the authorisation to emit greenhouse gases and to adapt the assigned quotas to obtain the CO_2 emission quotas of which Versalis was the assignee (from 2013 to 2020) starting from 2015. The competent bodies subsequently requested the Company to resubmit the assignment request, requiring it to formulate it as a "substantial expansion of production capacity". The new application, presented by Sarlux in October 2018, was implemented in Italy and is now being examined by the European Commission. Sarlux has historically calculated the charge for CO_2 emissions by considering the free allocation of shares also for this part of plants with consequent lower costs recognised in the income statement. In consideration of the above and pending the outcome of the request presented, the subsidiary prudentially set aside a risk provision in 2018 for an amount of approximately EUR 22 million, corresponding to the "free" shares of CO_2 in question for the period 2015-2017.

During the year, the provision was used for EUR 32,560 thousand for the purchase (and delivery) of shares pertaining to the previous year.

The item "Other provisions for risks" mainly refers to provisions recorded for probable liabilities of a legal and fiscal nature, mainly due to a dispute with the GSE for the recognition of white certificates (TEE).

5.5.3 Provisions for employee benefits

The balance breaks down as follows:

Provisions for employee benefits	31/12/2018	31/12/2017	Change
Post-employment benefits	10,322	10,250	72
Total	**10,322**	**10,250**	**72**

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 as at 31st December 2006 was determined according to actuarial methods.

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

31/12/2016	**10,541**
Provision part for defined contributions	6,438
Interest	141
actuarial (income)/charges	260
Utilisations/ Contributions to supplementary funds or INPS Treasury	(7,130)
31/12/2017	**10,250**
Provision part for defined contributions	7,797
Interest	174
actuarial (income)/charges	336
Utilisations/ Contributions to supplementary funds or INPS Treasury	(8,235)
31/12/2018	**10,322**

Pursuant to IAS 19, the post-employment benefits fund was valued using the projected unit credit cost method and the following assumptions:

ECONOMIC ASSUMPTIONS	31/12/2018	31/12/2017
Increase in the cost of living:	1.50%	1.50%
Discount rate:	1.57%	1.30%
Pay increase:	2.50%	2.50%
Annual rate of CPAS increase:	n.a.	n.a.

DEMOGRAPHIC ASSUMPTIONS	
Probability of death	Use of tables SIM 2002 differentiated between males and females
Probability of invalidity	Use of tables C.N.R. unisex
Probability of dismissal	Used assumption of constant annual rate, corresponding to historical company values
Probability of retirement	Assumed the achievement of the first of the retirement requirements valid for A.G.B.
Probability of payout	An annual value per year of 3% is assumed

As at 31st December 2018, the discount rate used was the IBOXX Eurozone Corporates AA- (1.57%).
The actuarial calculation takes into account the changes to pensions legislation (Decree Law no. 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"), as at 31st 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 31st December 2018 and 2017 for post-employment benefits are indicated:

2018	Change in reference parameters	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	10,752	9,333
	Change in reference parameters	
	-0.5%	0.5%
ANNUAL INFLATION RATE	9,915	10,546
	Change in reference parameters	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	10,180	10,257

2017	Change in reference parameters	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	11,668	10,486
	Change in reference parameters	
	-0.3%	0.3%
ANNUAL INFLATION RATE	10,695	10,978
	Change in reference parameters	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	11,012	11,081

5.5.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,680 thousand, relate to the foreign subsidiaries. For more details, please see 5.2.4 "Deferred tax assets".

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	31/12/2018	31/12/2017	Change
Deferred income straight-line reporting Sarlux/Gse	80,263	158,747	(78,484)
Other payables	1,053	1,313	(260)
Total	**81,316**	**160,060**	**(78,744)**

The change compared with 31st December 2017 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of energy between the subsidiary and G.S.E. (Gestore dei Servizi Energetici SpA). These revenues have been accounted for on a straight-line basis in accordance with both the term 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.

5.6 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	31/12/2018	31/12/2017	Change
Share capital	54,630	54,630	-
Legal reserve	10,926	10,926	-
Other reserves	898,089	765,904	132,185
Net profit (loss) for the year	140,425	240,836	(100,411)
Total	**1,104,070**	**1,072,296**	**31,774**

Share capital

As at 31st December 2018, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

Legal reserve

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

Other reserves

This caption totals EUR 898,089 thousand, up by a net EUR 132,185 thousand compared with the previous year-end balance. Said net increase was the combined result of:

- increase due to the allocation of the previous year's profit, of EUR 240,836 thousand;
- decrease due to the allocation of dividends, as approved by the shareholders in their meeting of 27th April 2018 (EUR 112,321 thousand);
- increase of EUR 1,990 thousand in the reserve for the bonus issue to all employees under the company's stock grant plans;
- increase of EUR 336 thousand, due to the effect of IAS19 discounting;
- increase of EUR 140 thousand in the reserve for the translation of the financial statements of foreign operations;
- increase of EUR 1,204 thousand, due to the effect of F.T.A. IFRS 9.

Pursuant to IAS 1, paragraphs 1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

Net result

The consolidated profit for the year amounted to EUR 140,425 thousand.

Restrictions on the distribution of equity reserves

The main restrictions on the distribution of 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 27th April 2018, Saras SpA's shareholders, in their ordinary meeting called to approve the financial statements as at 31st December 2017, resolved to pay a dividend of EUR 0.12 for each of the 936,010,146 outstanding ordinary shares, for a total of EUR 112,321 thousand, from the profit for the year 2017.

With reference to fiscal year 2018, the Board of Directors proposed to the Shareholders' Meeting to be held on 16th April 2019 to allocate a dividend of EUR 0.08 for each of the 936,010,146 ordinary shares in issue for a total amount of EUR 74.880.811,68 (amounts are subject to changes following the delivery of shares after the execution of the Stock Grant Plan 2016-2018), taking them from the profit.

The average number of shares outstanding was 936,010,146 in 2018, unchanged compared to the previous year.

As at 31st December 2018, 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

"Revenues from ordinary operations" break down as follows:

Revenues from ordinary operations	31/12/2018	31/12/2017	Change
Revenues from sales and services	9,711,904	7,147,999	2,563,905
Sale of electricity	538,789	471,097	67,692
Other remuneration	16,793	12,634	4,159
Change in contract work in progress	381	67	314
Total	**10,267,867**	**7,631,796**	**2,636,071**

The increase in "Revenues from sales and services" is largely due to the trend in the price of oil products during the year and to the slight increase in volumes sold. In 2018, the Group's purchases and sales of raw materials and oil products rose on the previous year, partially following the increased operations of the subsidiary Saras Trading SA.

Revenues from the sale of electricity include those relating to the gasification plant of the subsidiary Sarlux Srl (EUR 500,756 thousand) and those relating to the wind farm owned by the subsidiary Sardeolica Srl (EUR 9,726 thousand).

Revenues from the sale of electricity by the subsidiary Sarlux Srl comprise the effect of the recognition of the margin on a straight-line basis, calculated over the residual term of the contract that expires in 2020, principally taking into account the tariff amount, the future scenarios relating to both the price of gas and crude and the projected EUR/USD exchange rate until the contract expires; said 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 Srl 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.

The comparative values of the items "Revenues from sales and services" and "sale of electricity" were restated to reflect the effects of the introduction of the new standard IFRS 15, as described in paragraph 3 of the Notes.

6.1.2 Other income

The breakdown of the item "Other income" is as follows:

Other operating revenues	31/12/2018	31/12/2017	Change
Compensation for storage of mandatory stocks	8,139	4,011	4,128
Sale various materials	509	503	6
Contributions	1,587	1,606	(19)
Ship tanks hire	4,545	483	4,062
Recovery for claims and compensation	1,415	397	1,018
CO_2 charges reimbursement	49,917	17,564	32,353
Other revenues	62,933	30,741	32,192
Total	**129,045**	**55,306**	**73,739**

"Reimbursement of emissions trading charges" comprises the revenue recognised by the subsidiary Sarlux Srl, deriving from the reimbursement – pursuant to section II, point 7-*bis* of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emission Trading), as per AEEG Resolution 77/08. The increase compared to 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 and revenues related to the reimbursement of white certificates accrued during the year.

The comparative values of the items "Contributions" and "Other revenues" were restated to reflect the effects of the introduction of the new standard IFRS 15, as described in paragraph 3 of the Notes.

The item includes non-recurring income for EUR 8,504 thousand.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Raw materials, consumables and supplies

Purchase of raw materials, consumables and supplies	31/12/2018	31/12/2017	Change
Purchase of raw materials	4,699,005	3,767,630	931,375
Purchase semi-finished products	241,692	198,324	43,368
Purchase supplies and consumables	88,721	80,469	8,252
Increase in property, plant and equipment	(12,212)	(4,637)	(7,575)
Purchase finished products	4,061,518	2,612,106	1,449,412
Change in inventories	14,304	(252,737)	267,041
Total	**9,093,028**	**6,401,155**	**2,691,873**

Costs to purchase raw materials, consumables and supplies rose by EUR 2,691,873 thousand on the previous year due to the price trend of oil products and the volumes purchased during the year. As described in paragraph 6.1, in 2018, the Group's purchase and sale of raw materials and oil products rose on the previous year, also as a consequence of the increased operations of the subsidiary Saras Trading SA.

6.2.2 Services and sundry costs

Services and sundry costs	31/12/2018	31/12/2017	Change
Costs for services	640,909	601,116	39,793
Capitalisations	(31,944)	(23,647)	(8,297)
Costs for use of third-party goods	15,522	14,492	1,030
Provisions for risks	172,862	24,344	148,518
Bad debt provision trade receivables	732	35	697
Other operating costs	25,554	18,320	7,234
Total	**823,635**	**634,660**	**188,975**

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

The change on the previous year, amounting to EUR 39,741 thousand, is due to an increase in the cost of electricity and in technical and consulting services required by the Parent Company and the subsidiary Sarlux.

"Use of third party assets" includes the costs incurred by the Parent and the subsidiary Sarlux Srl (for the lease of its offices in Milan, the state concession at the Sarroch site and the lease of equipment) and the subsidiary Saras Energia SAU. to lease the network of distributors.

"Provisions for risks and charges" mainly include:

- the provision for charges relating to the application of Directive 2003/87/EC (Emission Trading), which compared to the previous year increased both due to the increase in the market value of the units and to a greater number of units (see as described in paragraph 5.4.2);

- the provision made by the subsidiary Sarlux Srl in the face of changes in the disputes raised regarding the non-recognition of the qualification of its electricity production plants (mainly IGCC) as a cogeneration unit and the consequent alleged obligation to purchase green certificates. The companies that produce electricity that does not come from renewable or cogeneration sources (pursuant to Legislative Decree no. 79/99 and the Resolution of the Electricity and Gas Authority - AEEG - no. 42/02) are, in fact, subject to the obligation to purchase green certificates for a certain percentage of electricity fed into the grid. The subsidiary has prudently purchased and delivered Green Certificates since 2011 to fulfil this obligation. In November 2018, the Council of State, with reference to 2012 and for Resolution 42/02, definitively rejected the appeal presented by Sarlux. The Council of State expressed itself negatively on the same matter with other energy companies. In light of this evolution, the risk increases as related to the appeals for the years 2011 and 2013 referring to the AEEG Resolution 42/02. A different interpretation must be given to the line of appeals concerning the requisites envisaged by the High Yield Cogeneration legislation, for which the assessment of the results of the appeals presented by the company still has significant uncertainty profiles. Given the above, while still considering its reasons valid and grounded and therefore continuing to support them in open disputes, during the year, the company prudently impaired the receivables previously recorded against the reimbursement value requested by the GSE for the years 2011, 2012 and 2013 (under "Other current assets"): this impairment amounts to approximately EUR 29 million.

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

The item includes non-recurring expenses for EUR 63,353 thousand.

6.2.3 Personnel costs

The breakdown of "Personnel costs" is as follows:

Personnel costs	31/12/2018	31/12/2017	Change
Salaries and wages	118,082	111,429	6,653
Increases in assets for internal work	(9,636)	(10,517)	881
Social security contributions	33,459	32,173	1,286
Post-employment benefits	7,797	6,438	1,359
Other costs	4,118	3,918	200
Remuneration to the Board of Directors	2,791	3,626	(835)
Total	**156,611**	**147,067**	**9,544**

Personnel costs increased by EUR 9,544 thousand compared to the previous year, essentially due to normal salary trends and the increase in the workforce.

On 22nd April 2016, the Shareholders' Meeting approved the "Long-term incentive plan for the management of the Saras Group" (the "2016-2018 Stock Grant 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 senior executives 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 achieved by the

Group with respect to the EMC Benchmark margin.

The item includes non-recurring expenses for EUR 3,000 thousand.

6.2.4 Amortisation, depreciation and write-downs

"Amortisation, depreciation and write-downs" are shown below:

Amortisation, depreciation and write-downs	31/12/2018	31/12/2017	Change
Amortisation of intangible assets	36,667	35,457	1,210
Depreciation of tangible assets	138,794	142,975	(4,181)
Impairment (Reversal of impairment)	3,377	0	3,377
Total	178,838	178,432	406

The impairment loss as at 31st December 2018 is represented by the write-down of the medium/long-term receivable from third parties, as already indicated in point 5.2.5 "Other financial assets".

The item includes non-recurring expenses for EUR 7,798 thousand.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/12/2018	31/12/2017	Change
Bank interest income	702	154	548
Unrealised differences on derivatives	54,681	44,522	10,159
Realised differences on derivatives	261,754	63,204	198,550
Other income	1	(480)	481
Profit on exchange rates	77,821	96,857	(19,036)
Total	394,959	204,257	190,702

Financial charges	31/12/2018	31/12/2017	Change
Unrealised differences on derivatives	(22,977)	(42,978)	20,001
Realised differences on derivatives	(217,018)	(54,767)	(162,251)
Interest expenses on loans and other financial charges	(17,250)	(12,320)	(4,930)
Other financial charges	(11,119)	(7,709)	(3,410)
Exchange rate losses	(85,872)	(80,904)	(4,968)
Total	(354,236)	(198,678)	(155,558)

The table below shows net income/charges by type:

Financial income e Financial charges	31/12/2018	31/12/2017	Change
Net interest	(16,548)	(12,166)	(4,382)
Result of derivative instruments, of which:	76,440	9,981	66,459
Realised	*44,736*	*8,437*	*36,299*
Fair value of open positions	*31,704*	*1,544*	*30,160*
Net exchange rate differences	(8,051)	15,953	(24,004)
Other	(11,118)	(8,189)	(2,929)
Total	40,723	5,579	35,144

The fair value of derivative instruments in place as at 31st December 201 resulted in a net expense of EUR 31,704 thousand (compared to a net gain of EUR 1,54 thousand in the previous year).

As shown, the changes mainly refer to net exchange rate differences, as well as gains/losses on derivative financial instruments. In this regard, please note that the derivative financial instruments being considered relate to hedging transactions for which hedge accounting has not been adopted.

The item includes non-recurring financial charges for EUR 6,308 thousand.

6.4 Income tax

Income tax can be analysed as follows:

Income tax	31/12/2018	31/12/2017	Change
Current taxes	70,440	71,218	(778)
Net deferred tax assets	(25,342)	19,313	(44,655)
Total	45,098	90,531	(45,433)

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 the higher taxable income of the year compared to the previous year.

The item includes the positive tax effect of the aforementioned non-recurring items for EUR 24,007 thousand.

Differences between the theoretical and effective IRES and IRAP tax rates for the two periods compared are shown below (figures in EUR million):

IRES	2018	2017
PRE-TAX RESULT [A]	185.1	331.4
IRES THEORETICAL TAX [A*24%] [B]	44.4	79.5
THEORETICAL TAX RATE [B/A*100] %	24.0%	24.0%
EFFECTIVE INCOME TAX [C]	34.2	78.5
EFFECTIVE TAX RATE [C/A*100] %	18.5%	23.7%

	2018		2017	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	44.4	24.0%	79.5	24.0%
Effect rebate art. 1 D.L. 201/2011 (A.C.E.)	(2.9)	-1.57%	(2.4)	-0.72%
Super amortisation facilitation	(3.8)	-2.05%	(1.1)	-0.33%
Reversal tax asset (Saras Energia)	(4.1)	-2.22%	0.0	0.00%
Other permanent differences	0.6	0.32%	2.5	0.75%
Effective tax	34.2	18.5%	78.5	23.7%

IRAP	2018	2017
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	144.4	320.8
TOTAL PERSONNEL COSTS [ONLY IN 2014]		
DIFFERENCE BETWEEN ADJUSTED PRODUCTION VALUE AND COSTS (A)	144	320.8
IRAP THEORETICAL TAX [2.93%] FOR 2018 [3.9%] FOR 2017 [B]	4.2	12.5
THEORETICAL TAX RATE [B/A*100] %	2.9%	3.9%
EFFECTIVE INCOME TAX [C]	10.9	12.0
EFFECTIVE TAX RATE [C/A*100] %	7.5%	3.7%

	2018		2017	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	4.2	2.9%	12.5	3.90%
IRAP effect on foreign companies with positive Production Value	0.0	0%	(1.8)	-0.61%
Effect of different regional rates on production value	2.0	1.4%	0.0	0.00%
Non-recognition Tax Asset for IRAP company with negative EBIT	4.3	3.0%	0.0	0.00%
Other permanent differences	0.4	0.2%	1.3	0.41%
Imposte effettive	10.9	7.5%	12.0	3.7%

The IRAP theoretical tax rate for 2016 was calculated using the 2.93% ordinary rate, instead of the 3.90% soft rate, which was provisionally introduced by the Autonomous Region of Sardinia for 2016 (Regional law no. 5/2015).

7. Other information

7.1 Main legal actions pending

The Parent Saras SpA, Sarlux Srl and Sardeolica Srl were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts.

The Group companies are involved in legal disputes filed by different plaintiffs for various reasons, some of which present difficulties in predicting the related outcomes. Although the decisions made by the ordinary and administrative courts were contradictory with regard to the alleged violations, the company assumes that probability of any liability is remote; where instead the liability was deemed probable, appropriate accruals were made to the provisions for risks.

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

In particular:

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

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

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 no. 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 4th April 2011, and therefore rejected the Company's request. Sarlux Srl therefore lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the 2011, 2012, 2013 and 2014 generation years in accordance with GSE's calculation worth EUR 67.0 million and immediately submitted a claim for reimbursement to the AEEG, obtaining EUR 11.7 million for the 2011 generation year, EUR 15.1 million for 2012 and EUR 14.6 million for 2013. The appeal to the Regional Administrative Court relative to the 2012 generation, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and argues that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. In November 2018, the Council of State, with reference to said year and for Resolution 42/02, definitively rejected the appeal presented by Sarlux. In light of this sentence, there is a risk that the appeals for the years 2011 and 2013 referring to AEEG Resolution 42/02 may have the same outcome, while a different interpretation should be given to the appeals concerning the requirements of the High Yield Cogeneration legislation, where it becomes difficult to assess the probability of non-acceptance of the appeals presented by the company.

Consequently, the Company did not recognise any expenses or revenue with reference to the generation from 2011 onward.

Furthermore, other assets (as described in note 5.1.6 – Other assets) include receivables for white certificates (TEE) related to benefits assigned for energy savings obtained through specific projects preliminarily authorised by GSE. In 2016, the latter commenced its inspections on all projects, although they had been already preliminary authorised. Upon completion of the inspections, GSE recalculated the portion of TEE pertaining to the Company to the extent of the projects inspected. The Group initiated an administrative dispute challenging the outcome of the above inspections. Its assessment of the risk arising from the possible outcome of the dispute was reflected in the financial statements. In 2018, the GSE partially accepted the claims put forward by the subsidiary for some projects, thus arriving at the final definition: the effects of these changes were adequately reflected in these financial statements.

Finally, with regard to the accruals recognised in the financial statements, under the provisions for CO_2 allowances (as described in section 5.5.2 - Provisions for risks and charges), relating to the free CO_2 allocation allowances due to the North plants for the period 2015-17, it is noted that a formal request was resubmitted in October 2018 following the dispute relating to the process previously followed, pending approval by the European Commission.

7.2 Earnings per share

Earnings per share (EPS) is calculated by dividing the profit (loss) for the year by the weighted average number of Saras SpA shares outstanding during the year, excluding treasury shares.

The net earnings per share totalled EUR +15.00 cents per share for 2018 and EUR +25.73 cents per share for 2017. Diluted earnings per share do not vary significantly from basic earnings per share.

The average number of shares outstanding was 934,893,839 in 2018, unchanged compared to 2017. As at 31st December 2018, Saras SpA held 14,989,454 treasury shares in relation to the bonus allocation of shares to the management of group companies.

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 31/12/2018		Absolute value (Euro/000) and % on balance sheet 31/12/2017	
Related party transactions involving Saras Group's majority shareholders				
Trade receivables	85	0.03%	66	0.02%
Other operating revenues	111	0.09%	91	0.07%
Cost of services and sundry costs	508	0.06%	(831)	0.14%
Other related parties				
Liquid assets	18	0.01%	20	0.01%
Cost of services and sundry costs	0	0.00%	(49)	0.01%

With regard to the above-mentioned transactions, contracts governing provision of services are settled with amounts in line with market conditions.

The effects of transactions or positions with related parties on the statement of financial position and the income statement are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2018			Absolute value (Euro/000) and % on balance sheet 31/12/2017		
	Related parts	Total	Incidence %	Related parts	Total	Incidence %
Liquid assets	18	272,831	0.01%	20	421,525	0.00%
Trade receivables	85	290,210	0.03%	66	391,400	0.02%
Other operating revenues	111	129,045	0.09%	91	128,701	0.07%
Cost of services and sundry costs	508	823,635	0.06%	(880)	634,660	0.14%

The main cash flows with related parties are shown in the table below:

	2018	2017
(Increase) Decrease in trade receivables	(19)	0
Increase (Decrease) in trade payables	0	0
Cash flow from (for) activities in the year	**(19)**	**0**
Interest received (paid)	0	0
Cash flow from (for) investment activities	**0**	**0**
(Increase)/Decrease financial payables	0	20,000
Cash flow from (for) financial activities	**0**	**20,000**
Total cash flows towards related parties	**(19)**	**20,000**

The effects of cash flows with related parties are shown in the table below:

	Absolute value (Euro/000) and % on balance sheet 31/12/2018			Absolute value (Euro/000) and % on balance sheet 31/12/2017		
	Related parts	Total	Incidence %	Related parts	Total	Incidence %
Cash flow from (for) activities in the year	(19)	247,792	-0.01%	-	280,257	0.00%
Cash flow from (for) investment activities	0	(176,788)	0.00%	-	(116,242)	0.00%
Cash flow from (for) financial activities	0	(216,835)	0.00%	20.000	(93,939)	-21.29%

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 with respect to the financial position and results of operations;

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 1st 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 as at 31st December 2018, broken down by fair value hierarchy:

Type of Operation	31/12/2018 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2018 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps	272		312					
Derivatives on commodities	74,395	74,355			(26,860)	(26,860)		
Exchange rate losses					(77)		(77)	
Derivatives on CO_2 quotes	18,475		18,475					
Total	**93,142**	**74,355**	**18,787**	**0**	**(26,937)**	**(26,860)**	**(77)**	**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 year.

Measurement techniques

As shown in the table in the section above, financial instruments measured at fair value by the Saras Group largely consist of derivatives entered into by the Parent Company and the subsidiary Sarlux Srl to hedge the currency and interest rate risks, and the fluctuating price of oil and crude products and CO_2 emission allowances.

Specifically, the fair value measurement 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_2 allowance derivatives, based on the account statements of open positions that are periodically received from the clearing broker through which these instruments are agreed.

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

The 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

With reference to the Statement of Financial Position, Sections 8 - 19 of the standard in question state that the carrying value of all financial instruments belonging to the categories set out in IFRS 9 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 as at 31st December 2018 and 31st December 2017 is shown below, with details of the Group's financial instruments:

31/12/2018	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2018
ASSETS					
Current assets	**777,270**	**7,985**	**0**	**1,171,489**	**1,683,910**
Cash and cash equivalents	272,831				272,831
Other financial assets	123,738	7,985			131,723
Titles held for the purpose of trading					
Derivative instruments	*123,738*				
Other current financial assets		*7,985*			
Trade receivables	290,210				290,210
Inventories				861,601	861,601
Current tax assets				19,051	19,051
Other assets	90,492			18,006	108,494
Emissions Trading Credit	*49,917*				
White certificates	*36,600*				
Others	*3,975*				
Non-current assets	**4,067**	**0**	**0**	**1,236,941**	**1,241,008**
Property, plant and equipment				1,087,107	1,087,107
Intangible assets				112,127	112,127
Other investments				502	502
Deferred tax assets				37,205	37,205
Other financial assets	4,067				4,067
Loans	*89*				
Other tax credits	*3,978*				
Non-current assets held for sale	**781,338**	**7,985**	**0**	**2,408,430**	**35,001**
Property, plant and equipment				25,233	25,234
Intangible assets				9,766	9,767
Total active financial instruments	**0**	**0**	**0**	**0**	**2,959,919**
LIABILITIES					
Current liabilities	**26,937**	**1,122,854**	**0**	**151,287**	**1,301,078**
Short-term financial liabilities	26,937	79,693			106,630
Bonds loans					
Bank loans guaranteed					
C/a advances		*16,957*			
Financial payables to non-consolidated companies and other payables		*62,736*			
Derivative instruments	*26,937*				
Trade and other payables		1,043,162			1,043,162
Current tax liabilities				74,948	74,948
Other liabilities				76,338	76,338
Other payables				*76,338*	
Non-current liabilities	**0**	**257,053**	**0**	**293,898**	**554,771**
Long-term financial liabilities		256,001			256,001
Bank loans guaranteed		*49,393*			
Bonds loans		*198,675*			
Other payables		*7,933*			
Risk funds				203,313	203,313
Provisions for employee benefits				10,322	10,322
Deferred tax liabilities				3,819	3,819
Other liabilities		1,053		80,263	81,316
Other payables		*1,053*			
Total passive financial instruments	**26,937**	**1,379,907**	**0**	**445,185**	**1,855,849**

31/12/2017	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI	Others	31/12/20017
ASSETS					
Current assets	**1,007,400**	**40,884**	**0**	**1,333,289**	**1,960,049**
Cash and cash equivalents	421,525				421,525
Other financial assets	57,407	40,884			98,291
Titles held for the purpose of trading					
Derivative instruments	*57,407*				
Other current financial assets		*40,884*			
Trade receivables	391,400				391,400
Inventories				875,269	875,269
Current tax assets				24,562	24,562
Other assets	137,068			11,934	149,002
Emissions Trading Credit	*17,564*				
White certificates	*49,741*				
Others	*69,762*			*11,934*	
Non-current assets	**7,740**	**0**	**0**	**1,189,372**	**1,197,112**
Property, plant and equipment				1,020,210	1,020,210
Intangible assets				152,691	152,691
Other investments				502	502
Deferred tax assets				15,969	15,969
Other financial assets	7,740				7,740
Loans	*3,653*				
Other tax credits	*4,087*				
Non-current assets held for sale	**1,015,140**	**40,884**	**0**	**2,522,662**	**0**
Property, plant and equipment					0
Intangible assets					0
Total active financial instruments	**0**	**0**	**0**	**0**	**3,157,161**
LIABILITIES					
Current liabilities	**53,731**	**1,279,621**	**0**	**197,130**	**1,530,482**
Short-term financial liabilities	53,731	129,337			183,068
Bonds loans					
Bank loans guaranteed		*497*			
C/a advances		*4,163*			
Financial payables to non-consolidated companies and other payables		*124,678*			
Derivative instruments	*53,731*				
Trade and other payables		1,150,284			1,150,284
Current tax liabilities				120,366	120,366
Other liabilities				76,764	76,764
Other payables				*76,764*	
Non-current liabilities	**0**	**258,452**	**0**	**291,082**	**554,383**
Long-term financial liabilities		257,139			257,140
Bank loans guaranteed		*49,975*			
Bonds loans		*198,341*			
Other payables		*8,823*			
Risk funds				122,085	122,085
Provisions for employee benefits				10,250	10,251
Deferred tax liabilities				4,848	4,848
Other liabilities		1,313		158,747	160,060
Other payables		*1,313*			
Total passive financial instruments	**53,731**	**1,538,073**	**0**	**488,213**	**2,084,865**

Financial instruments measured at fair value in the income statement comprise derivatives held by the Parent Company and the subsidiary Sarlux Srl, described in note 5.3.1. The derivatives relate to commodities, interest rates and foreign exchange. The first type was 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 was entered into by the Parent Company and the subsidiary to hedge the interest rate risk on loans. Finally, the third type was entered into by the Parent Company to hedge the currency 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 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 and the previous year:

31/12/2018	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2018
Revenues from ordinary operations				10,267,867	10,267,867
Other income				129,045	129,045
Total returns				**10,396,912**	**10,396,912**
Purchases of raw materials, replacement parts and consumables				(9,093,028)	(9,093,028)
Cost of services and sundry costs				(823,635)	(823,635)
Personnel costs				(156,611)	(156,611)
Amortisation/depreciation and write-downs				(178,838)	(178,838)
Total costs				**(10,252,112)**	**(10,252,112)**
Operating result					**144,800**
Net income (charges) from equity investments					
Other financial income (charges)	76,439	(35,717)			40,722
from titles held for the purpose of trading					
- of which:					
Realised differentials					
Change of FV					
from interest on current accounts		*702*			
from loans made to Group companies					
from derivative instruments	*76,439*				
- of which:					
Realised differentials	*44,736*				
FV change	*31,703*				
from other financial assets					
from Interest on loans		*(17,250)*			
from Interest on factoring		*(6,453)*			
from other credits/debts		*(12,716)*			
Result before taxes					**185,522**
Income tax					(45,097)
Net result					**140,425**

31/12/2017	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2017
Revenues from ordinary operations				7,558,401	7,558,401
Other income				128,701	128,701
Total returns				**7,687,102**	**7,687,102**
Purchases of raw materials, replacement parts and consumables				(6,401,155)	(6,401,155)
Cost of services and sundry costs				(634,660)	(634,660)
Personnel costs				(147,067)	(147,067)
Amortisation/depreciation and write-downs				(178,432)	(178,432)
Total costs				**(7,361,314)**	**(7,361,314)**
Operating result					**325,788**
Net income (charges) from equity investments					
Other financial income (charges)	9,982	(4,402)			5,580
from titles held for the purpose of trading					
- of which:					
Realised differentials					
Change of FV					
from interest on current accounts		*154*			
from loans made to Group companies					
from derivative instruments	*9,982*				
- of which:					
Realised differentials	*8,437*				
FV change	*1,545*				
from other financial assets					
from Interest on loans		*(12,320)*			
from Interest on factoring		*(3,405)*			
from other credits/debts		*11,169*			
Result before taxes					**331,367**
Income tax					(90,531)
Net result					**240,836**

Financial instruments measured at fair value through profit or loss generated net income of EUR 76.43 thousand (net income of EUR 9,982 thousand in 2017), due to realised differentials and changes in the fair value of the derivatives.

Financial liabilities measured at amortised cost generated losses of EUR 17,250 thousand (EUR 12,320 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 allowances, 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.

As at 31st December 2018, 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.

Most 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 2018, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of instruments is determined on the basis of the statements that are periodically sent by the counterparties with which these instruments are stipulated.

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 as at 31st December 2018.

The bond carries a fixed rate and 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 27st 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 31/12/2018		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	Expired 31-60 days	Expired 61-90 days	Expired beyond 90 days	Total	Determined in the financial year	Progressive
Current assets	**1,683,910**	**799,431**	**799,431**	**159,942**	**606,454**	**135,029**	**24,461**	**14,673**	**18,813**	**793,476**		
Cash and cash equivalents	272,831	272,831	272,831		272,831					272,831		
Other financial assets held for trading	131,723	131,723	131,723		131,723					131,723		
Trade receivables	296,165	296,165	296,165	159,942	103,188	135,029	24,461	14,673	18,813	290,210		
Bad debt provision	(5,955)									0	0	(5,955)
Inventories	861,601											
Current tax assets	19,051											
Other assets	108,494	98,712	98,712		98,712					98,712		
Non-current assets	**1,241,008**	**502**	**4,480**	**0**	**3,978**	**0**	**0**	**0**	**0**	**3,978**		
Property, plant and equipment	1,087,107											
Intangible assets	112,127											
Equity investments at cost												
Other investments	502	502	502									
Deferred tax assets	37,205											
Other financial assets	4,067		3,978		3,978					3,978		
Non-current assets held for sale	**35,001**	**0**										
Property, plant and equipment	25,234											
Intangible assets	9,766											
Total assets	**2,959,919**	**799,933**	**803,911**	**159,942**	**610,432**	**135,029**	**24,461**	**14,673**	**18,813**	**797,454**		

	Accounting value at 31/12/2017		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	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current assets	**1,960,049**	**1,016,361**	**1,016,361**	**167,814**	**947,128**	**1,320**	**8,546**	**8,535**	**50,831**	**1,009,928**		
Cash and cash equivalents	421,525	421,525	421,525		421,525					421,525		
Other financial assets held for trading	98,291	98,291	98,291		98,291					98,291		
Trade receivables	397,833	397,833	397,833	167,814	328,601	1,320	8,546	8,535	50,831	391,400		
Bad debt provision	(6,433)									0	0	(6,433)
Inventories	875,269	0										
Current tax assets	24,562	0										
Other assets	149,002	98,712	98,712		98,712					98,712		
Non-current assets	**1,197,112**	**5,504**	**5,504**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,020,211	0										
Intangible assets	152,690	0										
Equity investments at cost												
Other investments	502	502	502									
Deferred tax assets	15,969	0										
Other financial assets	7,741	5,002	5,002							0		
Non-current assets held for sale												
Property, plant and equipment												
Intangible assets												
Total assets	**3,157,161**	**1,021,865**	**1,021,865**	**167,814**	**947,128**	**1,320**	**8,546**	**8,535**	**50,831**	**1,009,928**		

Guarantees on trade receivables comprise sureties required by Saras SpA of wholesale customers, a credit insurance policy taken out by the Company that covers the majority of its turnover, and 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. The capacity for self-financing, together with the low level of debt, leads us to consider that the liquidity risk is moderate.

It shall also be recalled, as stated earlier, that the Group met all its obligations with respect to the payment of loans in place at the end of the year.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the table below:

	Accounting value at 31/12/2018		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	2019	2020	2021	2022	2023	beyond 5 years
LIABILITIES										
Current liabilities	**1,301,078**	**1,301,078**	**1,226,130**	**0**	**1,226,130**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	106,630	106,630	106,630	0	106,630					
Bonds loans										
Amount interest bonds										
Bank loans guaranteed										
C/a advances		*16,957*	*16,957*		*16,957*					
Interest rates (final average rate = 1,23%)										
Financial payables to non-consolidated companies and other payables		*62,736*	*62,736*		*62,736*					
Derivative instruments		*26,937*	*26,937*		*26,937*					
Trade and other payables	1,043,162	1,043,162	1,043,162		1,043,162					
Current tax liabilities	74,948	74,948								
Other liabilities	76,338	76,338	76,338		76,338					
Non-current liabilities	**554,771**	**257,057**	**251,057**	**0**	**4,380**	**5,436**	**54,072**	**3,765**	**201,882**	**0**
Long-term financial liabilities	256,001	256,001	250,000	0	4,380	4,380	54,072	3,765	201,882	0
Bank loans guaranteed		*49,393*	*50,000*				*50,000*			
Bonds loans		*198,675*	*200,000*						*200,000*	
Others		*7,933*								
Medium-long term loan rates (final average rate = 1,23%)					*615*	*615*	*308*	*0*	*0*	
Amount interest bonds					*3,765*	*3,765*	*3,765*	*3,765*	*1,882*	
Risk funds	203,313									
Provisions for employee benefits	10,322									
Deferred tax liabilities	3,819									
Other liabilities	81,316	1,057	1,057			1,057				
Total liabilities	**1,855,849**	**1,558,135**	**1,477,186**	**0**	**1,230,509**	**5,436**	**54,072**	**3,765**	**201,882**	**0**

	Accounting value at 31/12/2017		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	2018	2019	2020	2021	2022	beyond 5 years
LIABILITIES										
Current liabilities	**1,530,482**	**1,410,114**	**1,410,114**	**0**	**1,410,123**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	183,068	183,067	183,067	0	183,075					
Bonds loans		*0*	*0*		*0*					
Amount interest bonds										
Bank loans guaranteed		*496*	*496*		*496*					
C/a advances		*4,163*	*4,163*		*4,163*					
Interest rates (final average rate = 1.76%)					9					
Financial payables to non-consolidated companies and other payables		*124,678*	*124,678*		*124,678*					
Derivative instruments		*53,731*	*53,731*		*53,731*					
Trade and other payables	1,150,284	1,150,284	1,150,284		1,150,284					
Current tax liabilities	120,366	0								
Other liabilities	76,764	76,764	76,764		76,764					
Non-current liabilities	**554,383**	**258,457**	**251,317**	**0**	**5,090**	**6,407**	**54,650**	**4,210**	**202,105**	**0**
Long-term financial liabilities	257,140	257,140	250,000	0	5,090	5,090	54,650	4,210	202,105	0
Bank loans guaranteed		*49,975*	*50,000*				*50,000*			
Bonds loans		*198,342*	*200,000*						*200,000*	
Others		*8,824*								
Medium-long term loan rates (final average rate = 1.76%)					*880*	*880*	*440*	*0*	*0*	
Amount interest bonds					*4,210*	*4,210*	*4,210*	*4,210*	*2,105*	
Risk funds	122,085									
Provisions for employee benefits	10,250									
Deferred tax liabilities	4,848									
Other liabilities	160,060	1,317	1,317			1,317				
Total liabilities	**2,084,865**	**1,668,571**	**1,661,431**	**0**	**1,415,213**	**6,407**	**54,650**	**4,210**	**202,105**	**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 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 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.

2018					
Euro/US dollar EXCHANGE RATE				Reference parameter change	
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	829,966	1.145	(55,190)		
Effect on result before tax				(6,132)	5,017
Effect on net result (and equity)				(4,207)	3,442

2017					
Euro/US dollar EXCHANGE RATE				Reference parameter change	
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	(125,483)	1.1993	(109,358)		
Effect on result before tax				(12,151)	9,942
Effect on net result (and equity)				(8,336)	6,820

To hedge the effects of sensitivity to the EUR/USD exchange rate, the Parent Company also enters into forward exchange rate contracts, which are recognised at their fair value at the reporting date. As fair value is inevitably affected by the underlying exchange rate, the Group carried out a simulation of the impact on the Group's profit (loss) for the year and equity, assuming a change of +/-10% in the benchmark parameters.

The details and results of the simulation are shown in the tables below:

2018			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2018	-10%	+10%
Exchange rates	(77)	25,978	(21,296)
	(77)	25,978	(21,296)
Effect on result before tax		25,978	(21,296)
Effect on net result (and equity)		18,834	(15,440)

2017			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2017	-10%	+10%
Exchange rates	(891)	17,590	(16,017)
	(77)	17,590	(16,017)
Effect on result before tax		17,590	(16,017)
Effect on net result (and equity)		12,753	(11,612)

Interest rate

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 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 analysis measures the impact in terms of greater or lower interest expense that would have accrued on floating-rate loans in 2018.

The details and results of the simulation are shown in the table below:

2018				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2018	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.23%	(16,548)		
Effect on result before tax			6,727	(6,727)
Effect on net profit (and equity)			4,877	(4,877)

2017				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2018	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.76%	(12,166)		
Effect on result before tax			3,456	(3,456)
Effect on net profit (and equity)			2,506	(2,506)

In addition, the fair value of the Interest Rate Swaps (IRS) and interest rate options outstanding at the reporting date relating to the Parent Company and Sardeolica Srl is affected by the fluctuations in the Euribor rate: a simulation of the impact of this variable on the profit for the year and 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 details and results of the simulation are shown in the tables below:

2018		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2018	-25 bps	+25 bps
Fair value of Interest rate swaps	(272)	(145)	(400)
	(272)	(145)	(400)
Effect on result before tax		(145)	(400)
Effect on net result (and equity)		(105)	(290)

2017		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2017	-25 bps	+25 bps
Fair value of Interest rate swaps	(597)	(385)	(936)
	(597)	(385)	(936)
Effect on result before tax		(385)	(936)
Effect on net result (and equity)		(279)	(679)

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 as at 31st December 2018 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 equity, assuming a change of +/- 20%.

The details and results of the simulation (comparative) are shown in the tables below:

2018			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2018	-20%	+20%
Crude and oil products	47,495	120,099	(9,388)
	47,495	**120,099**	**(9,388)**
Effect on result before tax		**120,099**	**(9,388)**
Effect on net result (and equity)		**87,072**	**(6,806)**

2017			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2017	-20%	+20%
Crude and oil products	(1,495)	47,166	(50,029)
	47,495	**47,166**	**(50,029)**
Effect on result before tax		**47,166**	**(50,029)**
Effect on net result (and equity)		**34,196**	**(36,271)**

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:

Numero medio dipendenti	2018	2017
Top management	71	63
White collars	1,270	1,289
Blue collars	610	582
Totale	**1,951**	**1,934**

The Group's employees went from 1,944 at the end of 2017 to 1,946 as at 31st December 2018.

7.6 Fees and remuneration of key management personnel

In 2018, key management personnel received remuneration totalling EUR 2,084 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 114.5 of Legislative decree no. 58 of 24th February 1998), see the annual report on corporate governance and ownership structure pursuant to Article 123-*bis* of Legislative decree no. 58 of 24th February 1998.

7.7 Commitments

As at 31st December 2018 and 2017, the Group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company issued sureties totalling EUR 295,283 thousand as at 31st December 2018, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.8 Disclosure of external auditor's fees

Pursuant to Article 149-*duodecies* of the Consob Issuer Regulations, the table below provides details of the fees relating to 2018 paid to the independent auditors the provision of audit and other non-audit services and the services provided by the network companies.

Types of services	Provider	Recipient	Consideration of competence of the 2018 financial year
Audit	EY SpA	Saras SpA	508
	EY SpA	Subsidiaries Italy	158
	Network EY	Subsidiaries abroad	123
Net income			**789**
Certification services	EY SpA	Saras SpA "Non financial reporting"	38
	EY SpA	Subsidiaries Italy	0
	Network EY	Subsidiaries abroad	0
Net income			**38**
Other services	Network EY	Saras SpA	56
Net income			**56**
TOTAL			**883**

7.9 Other

No atypical and/or unusual transactions were carried out during the year.

7.10 Subsequent events

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

8. Publication of the Consolidated Financial Statements

In its meeting on 4th March 2019, Saras' Board of Directors authorised publication of the consolidated 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
The Chairman
Massimo 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 a detailed analysis of the market, regulatory framework, principal events in the year, significant events after the end of the year and the business outlook.

In 2018, Saras SpA posted revenues of EUR 9,269 million, up by EUR 1,419 million on the previous year as a consequence of the trend in oil prices.

KEY PROFIT AND LOSS FIGURES

EUR million	2018	2017	Change
Revenue	9,269	7,850	1,419
EBITDA	270	284	(14)
EBIT	263	282	(19)
NET RESULT	177	207	(30)

EBITDA was equal to EUR 270 million, slightly down on the previous year as a result of lower average refining margins recorded in 2018 partially offset by the lower cost for processing fees paid to the subsidiary Sarlux Srl: this lower cost is due both to lower quantities processed and to a lower unit compensation related to the performance of refining margins.

The net profit for the year, totalling EUR 177 million, was affected by as described above for the operating results.

As at 31st December 2018, Saras SpA had net debt of EUR 194 million, substantially unchanged compared to the negative position of EUR 184 million recorded at the end of 2017.

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 under 7.2 "Transactions with related parties";
- During the year, there were no transactions for the purchase and sale of treasury shares. During the year, 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 29th February 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 14th March, it resolved to grant 4,255,920 shares to the beneficiaries of the Plan. As a consequence of the above, as at 31st December 2018 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 under 7.5.

Finally, for the analysis of the main litigation pending please refer to the Notes in section 7.1 "Main Litigation Pending", 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

Exchange rate risk

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

Interest rate risk

Loans at variable interest rates expose the Company to the risk of variations in results and in cash flows, due to interest payments. Loans at fixed interest rates expose the Company to the risk of variation of the fair value of the loans received. The main existing loan contracts are stipulated in part at variable market rates and in part at fixed rates. Saras 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 Company'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 Company 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 and respect covenants 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 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, Saras 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.

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 Company also takes out derivative contracts on commodities with hedging nature.

Risk related to the procurement of crude oil

A significant portion of the crude oil refined by Saras originates from countries exposed to a higher level of political, social and macroeconomic uncertainty than 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. As at 31st December 2018, Saras' procurement was divided as follows: 34% from the Middle East, 26% from North Africa, 23% from Russia and Caspian, 13% from West Africa and 4% from the North Sea.

Risks of interruption of production

A significant proportion of Saras' activities depend on the refinery owned by the subsidiary Sarlux Srl, which is located in Sardinia. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shut-downs.

Saras believes that the complexity and modularity of these 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, the subsidiary 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 Saras from bearing costs in the event of accidents and/or interruption to production.

Environmental risk

The activities of Saras are regulated by many European, national, regional and local laws regarding the environment.

The highest priority of Saras is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future.

Legislative and regulatory risk

Owing to the characteristics of the business carried out by Saras, it is conditioned by the continuously evolving legislative and regulatory context 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 evaluating the applicable normative amendments, acting on minimising the economic impact deriving from them.

Protection of Personal Data

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

Information Technology and Cyber Security

Complex information systems support the various business activities and processes. Risk aspects concern the adequacy of such systems, the availability and integrity/confidentiality of data and information. In particular, some relevant systems may be exposed to cyber-attack risk. Saras has long been developing projects and applying solutions that aim to significantly reduce this type of risk, making use of specialised consultants on the subject and adopting the international standard IEC 62443.

Brexit Risk

Based on the information available to date, Brexit is not expected to have a significant influence on the Saras' operations.

Provisions for risks and charges

In addition to what has been described above in relation to risk management and mitigation activities, Saras, in the presence of current obligations, resulting from past events, which may be of a legal, contractual or regulatory nature, made appropriate allocations to provisions for risks and charges included in balance sheet liabilities (see Notes).

PROPOSALS OF THE BOARD OF DIRECTORS

Shareholders,

Your Company's separate Financial Statements as at 31st December 2018 closed with a net profit of EUR 176,819,630. 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 as at 31st December 2018;
- having seen the statutory auditors' report to the shareholders' meeting pursuant to Article 153 of Legislative Decree 58/1998 (the Consolidated Law on Finance, TUF);
- having viewed the external auditor's report on the separate financial statements as at 31st December 2018;

votes

to approve the Company's separate Financial Statements for the year ended 31st December 2018 in their entirety and in relation to individual items and to allocate a dividend of 0.08 Euro for each of the 936,010,146 ordinary shares outstanding for a total amount of 74,880,811.68 (amounts are subject to changes following the delivery of the shares after the execution of the Stock Grant Plan 2016-2018), taking this amount from the profit and to pay the dividend on 22nd May 2019 (coupon detachment date on 20th May 2019)

Furthermore, to cover all the losses carried forward from previous years, equal to EUR 441,276,635, by:

- full use of the reserve called the "merger surplus", for € 85,068,436, indicated in the Total Equity equity as "Other reserves";
- full use of the reserve called "Other reserves" for € 102,722,648 indicated in the Total Equity as "Other Reserves ";
- full use of the "non-distributable reserve" pursuant to art. 7, c. 6 Legislative Decree 38/05 indicated in the item "Total Equity - Other
- reserves" for a total of € 19,658,569;
- full use of the "revaluation reserve" for a total of € 64,037,748;
- partial use of the "Extraordinary reserve", net of restricted items relating to "treasury shares in portfolio" and to the reserve "IFRS effect for undistributed profits", for a total of € 169,789,234 indicated in the item "Other reserves".

For the Board of Directors
The Chairman
Massimo Moratti

SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31 DECEMBER 2018

SARAS SPA – STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

Thousands of EUR	(1)	(2)	31/12/2018	31/12/2017
ASSETS				
Current assets	**5.1**		**1,371,530**	**1,587,098**
Cash and cash equivalents	5.1.1	A	244,023	378,236
of which with related parties:			*18*	*20*
Other financial assets	5.1.2	B	93,970	95,289
of which with related parties:			*3,629*	*22,256*
Trade receivables	5.1.3	C	337,903	356,247
of which with related parties:			*243,899*	*88,167*
Inventories	5.1.4	D	680,058	726,627
Current tax assets	5.1.5	E	8,539	3,105
Other assets	5.1.6	F	7,036	27,594
of which with related parties:			*290*	*13,369*
Non-current assets	**5.2**		**728,387**	**729,488**
Property, plant and equipment	5.2.1	H, I	11,589	12,398
Intangible assets	5.2.2	J	2,712	3,734
Equity investments measured at cost	5.2.3.1	L	697,233	697,233
Other investments	5.2.3.2	L	495	495
Deferred tax assets	5.2.4	X	12,681	8,330
Other financial assets	5.2.5	M	3,677	7,298
Total assets			**2,099,917**	**2,316,586**
LIABILITIES AND EQUITY				
Current liabilities	**5.3**		**1,161,594**	**1,433,513**
Short-term financial liabilities	5.3.1	R	280,186	407,618
of which with related parties:			*185,176*	*250,993*
Trade and other liabilities	5.3.2	R	777,910	870,577
of which with related parties:			*207,003*	*207,943*
Tax liabilities	5.3.3	X	63,707	86,873
Other liabilities	5.3.4	R	39,790	68,445
of which with related parties:			*22,610*	*34,991*
Non-current liabilities	**5.4**		**263,166**	**275,696**
Long-term financial liabilities	5.4.1	R	256,001	257,140
Provisions for risks and charges	5.4.2	P, Z	3,134	12,172
Provisions for employee benefits	5.4.3	Q	2,310	2,510
Other liabilities	5.4.4	R	1,721	3,874
Total liabilities			**1,424,760**	**1,709,209**
EQUITY	**5.5**	**N, O, W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			432,781	334,759
Net result			176,820	207,062
Total equity			**675,157**	**607,377**
Total liabilities and equity			**2,099,917**	**2,316,586**

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

(2) Please refer to the Notes, section 3.1 "Summary of accounting standards and policies"

SARAS SPA – STATEMENT OF INCOME FOR 2018

Thousands of EUR	(1)	(2)	01/01/2018 31/12/2018	*of which non-recurring*	01/01/2017 31/12/2017	*of which non-recurring*
Revenues from ordinary operations	6.1.1	S	9,200,810		7,833,596	
of which with related parties:			*1,987,196*		*646,564*	
Other income	6.1.2	S	68,259	2,683	16,886	
of which with related parties:			*60,766*		*36,282*	
Total revenues			**9,269,069**	***2,683***	**7,850,482**	***0***
Raw materials, consumables and supplies	6.2.1	T	(8,398,602)		(6,933,478)	
of which with related parties:			*(1,573,145)*		*(843,804)*	
Services and sundry costs	6.2.2	T, Z	(563,435)		(598,700)	
of which with related parties:			*(333,259)*		*(387,544)*	
Personnel costs	6.2.3	T, Q	(36,777)	(3,000)	(33,742)	
Amortisation, depreciation and write-downs	6.2.4	H, J	(7,154)	(3,627)	(2,285)	
Total costs			**(9,005,968)**	***(6,627)***	**(7,568,205)**	***0***
Operating result			**263,101**	***(3,944)***	**282,277**	***0***
Net income (charges) from equity investments	6.3	L, W	(2,000)		(40)	
of which with related parties:			*(2,000)*		*(40)*	
Financial income	6.4	U, Y	321,373		192,254	
of which with related parties:			*3,439*		*2,600*	
Financial charges	6.4	U, Y	(336,486)	*(6,308)*	(188,784)	*(7,709)*
of which with related parties:			*(1,667)*		*(350)*	
Pre-tax result			**245,988**	***(10,252)***	**285,707**	***(7,709)***
Income taxes	6.5	X	(69,168)	1,514	(78,645)	1,850
Net result			**176,820**	***(8,738)***	**207,062**	***(5,859)***

SARAS SPA – STATEMENT OF COMPREHENSIVE INCOME FOR 2018

		01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net result (A)		**176,820**	**207,062**
Items of comprehensive income that may be subsequently reclassified under profit (loss) for the year			
Items of comprehensive income that will not be subsequently reclassified under profit (loss) for the year			
Actuarial effect IAS 19 on employee post-employment benefits	Q, T		
Other profit/(loss), net of the fiscal effect (B)		**0**	**0**
Other profit/(loss), net of the fiscal effect (B)		**176,820**	**207,062**
Consolidated net result for the period attributable to:			
Shareholders of the parent company		176,820	207,062
Third-party minority interests		0	0

(1) Please refer to the Notes section 6 "Notes to the Comprehensive Statement of Income"

(2) Please refer to the Notes, section 3.1 "Summary of accounting standards and policies"

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

SARAS SPA – STATEMENT OF CHANGES IN EQUITY FOR 2018

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) for the year	Total equity
Balance at 31/12/2016	**54,630**	**10,926**	**264,036**	**162,444**	**492,036**
Period 01/01/2017 - 31/12/2017					
Allocation of previous year result			162,444	(162,444)	0
Dividend Distribution			(93,601)		(93,601)
Employee share plan reserve			1,811		1,811
Actuarial effect IAS 19			69		69
Net result				207,062	207,062
Total net result			*69*	*207,062*	*207,131*
Balance at 31/12/2017	**54,630**	**10,926**	**334,759**	**207,062**	**607,377**
Period 01/01/2018 - 31/12/2018					
Allocation of previous year result			207,062	(207,062)	0
Dividend Distribution			(112,321)		(112,321)
Employee share plan reserve			1,990		1,990
Actuarial effect IAS 19			87		87
F.T.A. effect IFRS 9			1,204		1,204
Net result				176,820	176,820
Total net result			*87*	*176,820*	*176,907*
Balance at 31/12/2018	**54,630**	**10,926**	**432,781**	**176,820**	**675,157**

SARAS SPA – STATEMENT OF CASH FLOW FOR 2018

Thousands of EUR	(1)	(2)	01/01/2018 31/12/2018	01/01/2017 31/12/2017
A - Initial cash and cash equivalents	**5.1.1**	**A**	**378,236**	**271,901**
B - Cash flow from (for) operating activities				
Net result	5.5		176,820	207,062
Unrealised exchange rate differences on bank current accounts			2,863	7,726
Amortization, depreciation and write-downs of assets	6.2.4	H, J	7,154	2,285
Net income (charges) from equity investments	6.3	L	2,000	40
of which with related parties:			*2,000*	*18,298*
Net change in risk provisions	5.4.2	P, Z	(9,038)	(515)
Net change in provision for employee benefits	5.4.3	Q	(200)	(262)
Net change in deferred tax liabilities and deferred tax assets	5.2.4	X	(4,351)	12,479
Net interest		U, Y	10,900	5,071
Income tax set aside	6.5	X	73,519	66,166
Change FV financial assets for trading and financial liabilities			(46,269)	2,393
Other non-monetary components	5.5		3,281	1,880
Profit (loss) of operating activities before monetary and non-monetary differences in working capital			**216,678**	**304,325**
(Increase) Decrease in trade receivables	5.1.3	C	18,344	25,983
of which with related parties:			*(155,732)*	*(9,393)*
(Increase) Decrease in inventories	5.1.4	D	46,569	(244,092)
(Increase) Decrease in trade and other payables	5.3.2	R	(92,667)	106,066
of which with related parties:			*(940)*	*(113,030)*
Change other current assets	5.1.5 - 5.1.6	E, F	15,124	(515)
of which with related parties:			*13,079*	*(31,523)*
Change other current liabilities	5.3.3 - 5.3.4	X, R	(30,347)	(97,413)
of which with related parties:			*(12,381)*	*0*
Interest received		U, Y	4,003	118
of which with related parties:			*3,439*	*806*
Interest paid		U, Y	(14,903)	(5,189)
of which with related parties:			*(1,667)*	*(395)*
Income taxes paid		E, X	(94,993)	(39,420)
Change other non-current liabilities	5.4.4	R	(2,153)	(3,098)
Total (B)			**65,655**	**46,765**
C - Cash flow from (for) investment activities				
(Net investments) in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(5,323)	(11,201)
Change investments	5.2.3.1	L	(2,000)	0
(Increase) / decrease in other financial assets	5.1.2 - 5.2.5	B, M	75,394	102,714
Total (C)			**68,071**	**91,513**
D - Cash flow from (for) financing activities				
Increase / (decrease) m/l-term financial payables	5.4.1	R	(1,139)	73,702
Increase / (decrease) short-term financial payables	5.3.1	R	(151,617)	(4,318)
of which with related parties:			*(65,817)*	*(113,030)*
Distribution of dividends and treasury share purchases	5.5	V	(112,321)	(93,601)
Total (D)			**(265,077)**	**(24,217)**
E - Cash flows for the period (B+C+D)			**(131,351)**	**114,061**
Unrealised exchange rate differences on bank current accounts			(2,863)	(7,726)
F - Final cash and cash equivalents			**244,023**	**378,236**

(1) Please refer to the Notes, section 5 "Notes to the Statement of Financial Position and section 6 "Notes to the Comprehensive Income Statement"

(2) Please refer to the Notes, section 3.1 "Summary of accounting standards and policies"

For the Board of Directors - The Chairman

Massimo Moratti

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31 DECEMBER 2018

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9 Publication of the Consolidated Financial Statements

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31 DECEMBER 2018

1. Introduction

Saras SpA (the Parent) is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, S.S. 195 “Sulcitana” Km. 19. It is jointly controlled by MOBRO SpA and Massimo Moratti SapA, which own 20.01% each and 40.02% jointly of the share capital (excluding treasury shares), under the shareholders’ agreement signed by the two companies on 1st October 2013 and subsequently renewed on 1st October 2016. The company is established until 31st 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 SA);
- in the generation and sale of electricity via an integrated gasification combined cycle plant (Sarlux Srl) and a wind farm (Parchi Eolici Ulassai Srl and subsidiary Sardeolica Srl);
- in research activities for environmental sectors (Sartec SpA) and reinsurance (Reasar SA).

These financial statements for the year ended 31st December 2018 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 Equity and these Notes. All amounts shown in these Notes to the Financial Statements are expressed in thousands of euro, unless otherwise stated.

2. Basis of preparation of the Separate Financial Statements

The separate financial statements of Saras SpA for the year ending 31st December 2018 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 19th July 2002, and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree no. 38 of 28th 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 separate financial statements 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 distinguishes between cash flows from operations, investing and financing activities;
- Statement of changes in 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 Company’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

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

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

1. classification and measurement of the financial instruments on the basis of the model of business entity and the characteristics of cash flows generated by the same financial instruments;

2. impairment of financial instruments on the basis of a new and single impairment model based on the recognition of the losses expected by an entity. This model does not apply to equity instruments and provides for operating simplifications for trade receivables;

3. hedge accounting based on a more flexible approach than that indicated in IAS 39.

IFRS 9, endorsed by the European Union, is effective for annual periods beginning on or after 1st 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 decided to adopt the new standard on the date it became effective.

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

Non-controlling interests
They were previously recognised at cost in accordance with IAS 39. Under IFRS 9, they are recognised at fair value, with a balancing entry in the income statement or the statement of comprehensive income. They are of a modest nature (Sarda Factoring). Their estimated current value is not expected to have any significant quantitative effect on the financial statements.

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

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

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

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

- most of the receivables arising from the Group's operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees);

- most receivables arising from cargo trading activities (with a significant unit amount) are characterised by extremely limited terms of payment (i.e., a few days after the date of delivery of the goods);

- the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions;

- the losses on receivables historically recognised by the Company are not of a significant amount.

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

With respect to hedge accounting rules, at present, Saras does not apply these rules to its derivatives portfolio. In line with this accounting policy, the application of the new rules under IFRS 9 as of 1st January 2018 had no accounting effect on the opening balances or the financial presentation of derivatives. However, given the simplifications introduced on this issue by IFRS 9 and the larger number of circumstances which could be managed under hedge accounting rules, in the future, the Company may carry out further analyses in view of the potential application of hedge accounting to its derivative portfolio.

IFRS 15 - Revenue from Contracts with Customers

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

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

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

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

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

In 2017, the main findings of the analysis of the impact of applying the new standard are described below.

The Company essentially operates in the refining sector by purchasing raw materials, refining them and transferring the products obtained from these production processes to the main operators in the Oil sector: therefore, no types of revenues have been identified with typical characteristics of these markets.

The Company earns revenues from the sale of oil products, according to the following transaction classes: Oil sales (Cargo, Transfer Stock) and wholesale sales, in addition to other income, in particular, for the sale of biodiesel and other minor certificates.

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

- identifying the contract, the customer and the relevant contractual provisions;
- identifying the goods or services covered by the contractual obligation, including guarantees, options, ancillary services and multiple services;
- determining the transaction price, including variable, financial, non-monetary and amending components;
- allocating any variable or discount components to contractual obligations;
- identifying when the contractual obligation is met and the revenue can therefore be recognised in profit or loss, checking transfer of control and any acceptance, repurchase, deposit or other relevant clauses.

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

The composition of similar types of transactions with respect to Oil sales is facilitated by the use of contracts based on a standard form which uniquely identifies the main features of the transaction (buyer, seller, product, delivery, quantity, quality, laydays, payment condition, price, laytime and demurrage, etc.). Consistently with the analysis of contracts, it is noted that no cases have been identified for which a contract asset must be recognised, since the Group recognises the revenue and the related receivable at the time of the transfer of control.

Oil sale types and the peculiar features on which the analysis was mainly focused are as follows:

Cargo sales
These refer to the sale of oil products by vessel, where revenue is recognised upon the transfer of control of the asset identified based on generally recognised international commercial conditions (In.co.term). These contracts do not include performance obligations other than the sale of the asset or financial or discount policies. Any recharging of transport costs, managed on behalf of the buyer and covered by the recharging transaction, is considered, similarly to demurrage, if any, as an ancillary charge which does not configure an independent sale in which Saras acts as the agent. The price is calculated based on the qualitative characteristics of the product, which are checked by an independent inspector upon loading or unloading of the vessel, based on the commercial condition applied. Consequently, the accounting treatment applied to these transactions need not be amended.

Transfer stock
These refer to the sale of oil products through the delivery of the product to a third-party depositary, where it can be collected by the buyer. When the product is delivered to the depositary, the seller no longer retains ownership which is transferred to the buyer as per the tax records. Therefore, the seller can no longer use it. Saras recognises

the revenue from the sale at this time. Similarly to Cargo sales, the quality of the product delivered is checked by an independent inspector when the product is delivered to the depositary. Consequently, the accounting treatment applied to these transactions need not be amended.

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

- Revenues from the sale of biodiesel certificates as they result from a core product of ordinary refinery activities. In the 2017 consolidated financial statements, this item was stated for EUR 44,185 thousand.

- Similarly to the recharging of transport costs, revenues from the recharging of demurrage costs to oil product buyers are considered as ancillary charges to the ordinary performance and do not configure an independent sale transaction. In the 2017 consolidated financial statements, this item was stated for EUR 10,556 thousand.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or transferred to an associate or 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. The IASB has indefinitely postponed the date of application of these amendments, but an entity opting for early application should apply them retrospectively.

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 1st January 2018.

The application of these amendments to the standard had no significant effects on the Financial Statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The objective of this interpretation is that of establishing the exchange rate to be used in the translation of advances in foreign currency, paid or received. In the presence of paid or received advances, the exchange rate to be used to convert assets, liabilities, revenues or costs identified at a later time is the one used to convert the advance. The interpretation shall be in force for years beginning on or after 1st January 2018.

The application of this interpretation to the standard had no significant effects on the Financial Statements.

NEW STANDARDS APPLICABLE IN THE FOLLOWING YEARS

The standards and interpretations that have already been issued and endorsed at the preparation date of these Financial Statements and that will become effective in the following years are listed below.

IFRS 16 – Leases
IFRS 16 was published in January 2016 and replaces IAS 17 - Leases, IFRIC 4 - Determining whether an agreement 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 principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all lease contracts in the financial statements on the basis of a single model similar to that used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by lessees - lease contracts relating to "low value" activities (for example personal computers) and short-term lease contracts (for example contracts expiring within 12 months or less). At the start of the lease contract, lessees will recognise a liability for lease payments (i.e. lease liabilities) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. right to use the asset). Lessees shall recognise separately the interest on the lease liability and the amortisation of the right-of-use asset.

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

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

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

In 2018, the Company completed the analysis activities to assess the impacts of the new IFRS introduction.

The analysis consisted of the following stages:

- mapping all types of leases in place;
- collecting and analysing in detail all leases underlying the types identified during the mapping stage;
- definition of the applicability of the new standard to individual types/contracts, with the exclusion of contracts for which the standard is not applicable since they are less than 12 months or of little value;

- determination of the discount rate to be applied;
- determination of the accounting effects of the new standard.

Saras has opted for the application of the standard with a modified retrospective approach.

The analysis carried out on these types of contracts has led to a positive conclusion about the applicability of the standard on 10 contracts.

The summary of the effects as at 31st December 2018 of the first application of IFRS 16, adopted by Saras - as already mentioned with the modified retrospective approach, is as follows:

a) registration of a right to use equal to EUR 6 million;

b) recognition of a financial liability for EUR 6 million.

3.1 Summary of accounting standards and basis of measurement

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 standards 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's carrying amount is decreased to an 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 recognised 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 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 method 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's carrying amount is decreased to an 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 expensed as 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 the different categories of assets, is the following:

Buildings	18 years
Office furniture and machinery	4 - 8 years
Vehicles	4 years
Other goods	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

The useful life of property, plant and equipment and their residual value are revised annually at each reporting date, 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 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 property, plant and equipment.

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 referring to an operating lease are recognised as an expense in the Income Statement over the lease term on a straight-line basis.

J Intangible 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 systematically 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 amount of the assets is checked using the same method applied to "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 taken to profit or loss when incurred.

[III] Exploration for and evaluation of mineral resources

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

- [D] acquisition of exploration rights;
- [E] photographic, geological, geochemical and geophysical studies;
- [F] explorative drilling;
- [G] digging;
- [H] sampling;
- [I] 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, property, plant and equipment and intangible assets with a finite useful life and equity investments are tested for 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, future cash flows are 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. 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 impairment no longer exist, the impairment loss is reversed to profit or loss up to the carrying amount that the asset would have had, had it not been impaired 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 equity. 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

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following categories:

(i) financial assets measured at amortised cost;

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);

(iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortised cost if held for the purpose of collecting the contractual cash flows (so-called business model hold to collect). The application of the amortised cost method involves the recognition in the income statement of interest income determined on the basis of the effective interest rate, exchange rate differences and any write-downs.

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 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 equity-related reserves set aside for a specific purpose; they include retained earnings.

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

The Company grants additional benefits to employees and management via the allocation of bonus shares. In accordance with IFRS 2 (Share-based Payments), the cost of stock plans is recognised in profit or loss over the vesting period on a straight-line basis, with a balancing entry in equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and charges

Provisions for risks and charges 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 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 1st January 2007, the regulations governing post-employment benefits were amended to include the option for employees to decide where these are held. Specifically, new post-employment benefits 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 31st December 2006

  Post-employment benefits pursuant to Article 2120 of the Italian Civil Code are treated in the same way as "defined benefit plans"; these plans are based on the working life of the employees and on the remuneration they receive over a pre-determined period of service. The liability relating to post-employment benefits 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. The recognition of defined benefit plans requires the estimate of the benefits accrued by the employees in exchange for the service provided using actuarial techniques. These services are then 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 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 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 1st 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 a balancing entry in profit or loss 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

Foreign currency transactions are translated into euros at the exchange rates ruling 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 recognised as a liability in the statement of financial position of the year 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 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.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to equity, in which case the tax effect is taken directly to 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 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

("Consolidated National Tax"). As a result, a single tax base is created for the Parent Company and some 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.

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

Z Segment information
An operating segment is a part of an entity:

- **c)** that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
- **d)** 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
- **e)** 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.

3.2 Use of estimates

The preparation of financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The 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.

3.3 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 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 reviews technological and sector changes, dismantling charges and the recovery amount of assets to update their residual useful lives. 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 income 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 impairment losses on current assets: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of current assets is not always straightforward. The directors consider such circumstances on a case-by-case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation. 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] Recoverable amount of inventories: the estimate of the recoverable amount of inventories entails a valuation process that is highly influenced by the performance of the oil product market which is exposed to significant changes, including of a short-term nature. Therefore, the net realisable value of crude oil and finished goods at year end is estimated based on the amount that the Group expects to obtain from their sale, by observing the sales taking place after the reporting date. Consequently, this assessment is influenced by market conditions.

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 Reporting 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:

Revenues from ordinary operations	31/12/2018	31/12/2017	Change
Italy	3,119,459	2,456,129	663,330
Spain	284,760	249,741	35,019
Other EEC countries	2,425,044	1,648,283	776,761
Non-EEC	2,996,937	3,239,039	(242,102)
USA	374,609	185,663	188,946
Total	**9,200,810**	**7,778,855**	**1,421,955**

The following table shows a breakdown of trade receivables by geographical area:

Trade receivables	31/12/2018	31/12/2017	Change
Italy	210,599	188,682	21,917
Spain	18,042	7,614	10,428
Other EEC countries	32,480	21,308	11,172
Non-EEC	81,552	125,210	(43,658)
USA	347	18,550	(18,203)
Bad debt provision	(5,117)	(5,117)	0
Total	**337,903**	**356,247**	**(18,344)**

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:

Cash and cash equivalents	31/12/2018	31/12/2017	Change
Bank and postal deposits	243,980	378,201	(134,221)
Cash	43	35	8
Total	**244,023**	**378,236**	**(134,213)**

For further details on the Company's net financial position, reference is made to the relevant section of the Report on Operations and the Statement of cash flows.

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Current financial assets	31/12/2018	31/12/2017	Change
Current Loans vs Group	3,629	22,256	(18,627)
Current financial derivatives	70,454	51,062	19,392
Deposits to secure derivatives	13,145	21,371	(8,226)
Other assets	6,742	600	6,142
Total	**93,970**	**95,289**	**(1,319)**

This item includes the positive fair values of derivatives in place at the reporting date, the guarantee deposits paid to the clearing house and the "Current Group loans". The latter carry interest charged at market rates and are due beyond one year. For further details, see 5.3.1.

5.1.3 Trade receivables

Receivables from customers amounted to EUR 337,903 thousand, down EUR 18,344 thousand compared with the previous year, as a result of the price trends of oil products in the last quarter. The item is shown net of the allowance for impairment of EUR 5,117 thousand (unchanged compared to the previous year-end balance).

It also comprises the receivables from group companies, mainly the subsidiaries Saras Energia SAU (EUR 18,165 thousand) and Saras Trading SA (EUR 41,211 thousand) for the supply of oil products, and the subsidiary Sarlux Srl (EUR 93,002 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 in 2018:

Inventories	31/12/2018	31/12/2017	Change
Raw materials, consumables and supplies	176,672	325,593	(148,921)
Unfinished products and semi-finished products	104,732	61,560	43,172
Finished products and goods	398,654	339,474	59,180
Total	**680,058**	**726,627**	**(46,569)**

The decrease in the value of oil inventories (crude, semi-finished and finished products) is essentially due to the decrease in quantities in stock at year-end and the dynamics of prices; the comparison with the market value led to a write-down of EUR 50,157 million.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 998 thousand tons of oil products (valued at around EUR 422 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 439 thousand tons valued at around EUR 169 million).

5.1.5 Current tax assets

The breakdown of current tax assets is as follows:

Current tax assets	31/12/2018	31/12/2017	Change
IRES credits	1,871	0	1,871
IRAP credits	635	1,041	(406)
Other amounts due from the tax authorities	6,033	2,064	3,969
Total	**8,539**	**3,105**	**5,434**

IRES receivables consist of the tax surplus of the repealed Robin Hood Tax, which is recovered as compensation for the payment of other taxes, net of the IRES payable for the period.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/12/2018	31/12/2017	Change
Accrued income	113	65	48
Prepaid expenses	4,761	7,988	(3,227)
Receivables from subsidiaries for taxes transferred	290	13,369	(13,079)
Other short-term loans	1,872	6,172	(4,300)
Total	**7,036**	**27,594**	**(20,558)**

The item includes the receivables from subsidiaries for taxes, which concern credit positions, transferred by Group companies in virtue of the already cited tax consolidation agreements, as well as deferred assets, and various receivables

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	31/12/2017
Land and buildings	15,192	0	0	0	0	15,192
Industrial and commercial equipment	85	0	0	0	(1)	84
Other assets	23,259	10,393	(17,971)	0	0	15,681
Tangible fixed assets under construction	2,187	0	0	0	(1,465)	722
Total	**40,723**	**10,393**	**(17,971)**	**0**	**(1,466)**	**31,679**

Depreciation Fund	31/12/2016	Depreciation	Use	Write-downs	Other changes	31/12/2017
Land and buildings fund	13,806	138	0	0	0	13,944
Industrial and commercial equipment fund	85	0	0	0	(1)	84
Other assets	22,488	736	(17,971)	0	0	5,253
Total	**36,379**	**874**	**(17,971)**	**0**	**(1)**	**19,281**

Net Value	31/12/2016	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2017
Land and buildings	1,386	0	0	(138)	0	0	1,248
Industrial and commercial equipment	0	0	0	0	0	0	0
Other assets	771	10,393	0	(736)	0	0	10,428
Tangible fixed assets under construction	2,187	0	(1,466)	0	0	0	722
Total	**4,344**	**10,393**	**(1,466)**	**(874)**	**0**	**0**	**12,398**

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	31/12/2018
Land and buildings	15,192	153	0	0	0	15,345
Industrial and commercial equipment	84	67	0	0	(1)	150
Other assets	15,681	764	0	0	(1)	16,444
Tangible fixed assets under construction	722	0	0	0	(186)	536
Total	**31,679**	**984**	**0**	**0**	**(188)**	**32,475**

Depreciation Fund	31/12/2017	Depreciation	Use	Write-downs	Other changes	31/12/2018
Land and buildings fund	13,944	176	0	0	0	14,120
Industrial and commercial equipment fund	84	8	0	0	0	92
Other assets	5,253	1,421	0	0	0	6,674
Total	**19,281**	**1,605**	**0**	**0**	**0**	**20,886**

Net Value	31/12/2017	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2018
Land and buildings	1,248	153	0	(176)	0	0	1,225
Industrial and commercial equipment	0	67	0	(8)	0	(1)	58
Other assets	10,428	764	0	(1,421)	0	(1)	9,770
Tangible fixed assets under construction	722	0	0	0	0	(186)	536
Total	**12,398**	**984**	**0**	**(1,605)**	**0**	**(188)**	**11,589**

"Land and buildings" includes office buildings and improvements to the Milan offices.

"Other assets" mainly include furniture and electronic equipment.

"Assets under construction and payments on account" reflect the costs incurred for investments not yet brought into operation as at 31st December 2018.

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 assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	31/12/2017
Industrial patent and original work rights	21,871	3,356	0	0	0	25,227
Intangible assets under construction	1,817	0	(613)	0	0	1,204
Total	**23,688**	**3,356**	**(613)**	**0**	**0**	**26,431**

Amortisation Fund	31/12/2016	Amortisation	Use	Write-downs	Other changes	31/12/2017
Industrial patent and original work rights	21,286	1,411	0	0	0	22,697
Total	**21,286**	**1,411**	**0**	**0**	**0**	**22,697**

Net Value	31/12/2016	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2017
Industrial patent and original work rights	585	3,356	0	0	0	0	2,530
Intangible assets under construction	1,817	0	(613)	0	0	0	1,204
Total	**2,402**	**3,356**	**(613)**	**0**	**0**	**0**	**3,734**

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	31/12/2018
Industrial patent and original work rights	25,227	2,282	0	0	0	27,509
Intangible assets under construction	1,204	0	(1,132)	0	0	72
Total	**26,431**	**2,282**	**(1,132)**	**0**	**0**	**27,581**

Amortisation Fund	31/12/2017	Amortisation	Use	Write-downs	Other changes	31/12/2018
Industrial patent and original work rights	22,697	2,172	0	0	0	24,869
Total	**22,697**	**2,172**	**0**	**0**	**0**	**24,869**

Net Value	31/12/2017	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2018
Industrial patent and original work rights	2,530	2,282	0	(2,172)	0	0	2,640
Intangible assets under construction	1,204	0	(1,132)	0	0	0	72
Total	**3,734**	**2,282**	**(1,132)**	**(2,172)**	**0**	**0**	**2,712**

Amortisation of intangible assets totalled EUR 2,172 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 mainly relates 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 definite useful life are held for sale.

5.2.3 Equity investments

5.2.3.1 Equity investments measured at cost

The table below shows the list of equity investments as at 31st December 2018, indicating the main information relating to subsidiaries at the same date:

List of fixed financial assets							
Name	Registered office	Currency	Share Capital	Amount owned	Holdings	Assets net	Carrying value in Saras SpA
Deposito di Arcola Srl	Arcola (SP)	EUR	1,000,000	100%	Subsidiary	2,887,112	0
Sardeolica Srl	Uta (CA)	EUR	56,696	100%	Subsidiary	100,125,952	33,613,000
Sarint SA	Luxembourg	EUR	50,705,314	99.9% (*)	Subsidiary	7,098,186	6,918,584
Sartec Srl	Assemini (CA)	EUR	3,600,000	100%	Subsidiary	17,745,895	17,382,989
Saras Trading SA	Geneva (Switzerland)	USD	981,547	100%	Subsidiary	2,870,508	923,446
Sarlux Srl	Sarroch (CA)	EUR	100,000,000	100%	Subsidiary	963,751,652	638,395,086
Total							**697.233.105**

(*) The subsidiary Deposito di Arcola Srl owns the remaining 0.1% share of Sarint SA

A comparison with the figures for the previous year is shown below.

	Registered office	% ownership	31/12/2018	31/12/17
Deposito di Arcola Srl	Arcola (SP)	100%	0	0
Sardeolica Srl	Uta (CA)	100%	33,613	33,613
Sarint SA	Luxembourg	99.9%	6,919	6,919
Sartec Srl	Assemini (CA)	100%	17,383	17,383
Saras Trading SA	Geneva (Switzerland)	100%	923	923
Sarlux Srl	Sarroch (CA)	100%	638,395	638,395
Total			**697,233**	**697,233**

Changes in the carrying amount are as follows:

	31/12/2017	Payments	Revaluations	Other changes	Impairment	31/12/2018
Deposito di Arcola Srl	0	2,000	0	0	(2,000)	0
Sardeolica Srl	33,613	0	0	0	0	33,613
Sarint SA	6,919	0	0	0	0	6,919
Sartec Srl	17,383	0	0	0	0	17,383
Saras Trading SA	923	0	0	0	0	923
Sarlux Srl	638,395	0	0	0	0	638,395
Total	**697,233**	**2,000**	**0**	**0**	**(2,000)**	**697,233**

As at 31st December 2018, there was no impairment indicator with reference to the investments held by the Company. None of the direct and indirect subsidiaries of Saras SpA is listed on the regulated market.

5.2.3.2 Other investments

This item includes the 5.95% stake in Sarda Factoring SpA of EUR 495 thousand.

5.2.4 Deferred tax assets

Deferred tax assets (EUR 11,734 thousand as at 31st December 2018 and EUR 8,330 thousand as at 31st December 2017) are shown net of deferred tax liabilities, and break down as follows:

	Balance at 31/12/2017	Provision	Uses	Balance at 31/12/2018
Deferred tax assets				
Expenses deductible in future years	5,051	*588*	*4,681*	958
Provisions for risks and charges (taxed)	5,632	-	*5,156*	476
Fiscal valuation of inventories	(1,703)	*11,739*	-	10,036
Provision for bad debts	1,032	-	-	1,032
Other	210	*10*	*42*	179
Total deferred tax assets	**10,222**	**12,338**	**9,879**	**12,681**
Deferred tax liabilities				
Other	1,892	*946*	*1,892*	946
Total Deferred tax liabilities	**1,892**	**946**	**1,892**	**946**
TOTAL NET	**8,330**	**11,391**	**7,987**	**11,734**

The most significant current changes were due to:

- net deferred tax assets for EUR 10,036 due to the different tax value of inventories compared to the statutory value expressed in the financial statements;
- release of deferred tax assets for a total of EUR 9,248 thousand for use of taxed allowance provisions, referable - among others - to the resolution of certain disputes in progress with the financial administration;
- reduction of deferred tax liabilities of EUR 0.9 thousand due to the reabsorption of negative differences on exchange rates of previous years realised in the current year.

The following table shows deferred tax assets/liabilities broken down into the current and non-current portions respectively for 2018 and 2017:

	Short Term	Medium-long term	Total 31/12/2018
Deferred tax assets			
Risks and write-downs fund	476		476
Bad debt provision		1,032	1,032
Employee benefits and bonuses			0
Unrealised exchange rate differences			0
Excess maintenance costs			0
Tax assets tax loss transferred to National Consolidated	10,036		10,036
Port taxes set aside			0
Others	179		179
Expenses deductible in future years	745	213	958
Totale imposte anticipate	**11,437**	**1,244**	**12,681**
Deferred tax liabilities			
Less value final tax inventories	*0*		0
Unrealised exchange rate differences	(946)		(946)
Others	*0*		0
Total deferred taxes	**(946)**		**(946)**

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

5.2.5 Other financial assets

As at 31st December 2018, this item amounts to EUR 3,677 thousand (EUR 7,298 thousand in the previous year) and mainly relates to medium-/long-term receivables from third parties. The change compared to the previous year is mainly due to the write-down of the receivable due from Solgenia SpA.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	31/12/2018	31/12/2017	Change
Financial payables from Group companies	185,176	250,993	(65,817)
Bank current accounts	8,606	4,101	4,505
Financial derivatives	24,185	53,455	(29,270)
Other short-term financial liabilities	62,219	99,069	(36,850)
Total	**280,186**	**407,618**	**(127,432)**

“Loans from Group companies” include the balances of Group Company loans: the decrease on the previous year reflects the lower amount of borrowings, obtained essentially from the subsidiary Sarlux Srl.

The item “Derivative financial instruments” includes the negative fair value of derivative financial instruments held at year-end.

Financial derivatives	31/12/2018 Assets	31/12/2018 Liabilities	31/12/2017 Assets	31/12/2017 Liabilities
Interest rate swaps	272	0	302	(585)
Fair value derivatives on commodities	74,395	(26,860)	50,760	(52,255)
Fair value forward purchases and sales on exchange rates		(77)	0	(615)
Total	**74,667**	**(26,937)**	**51,062**	**(53,455)**

The following tables show the notional values and corresponding fair values of the derivatives outstanding as at 31st December 2018 and 31st December 2017:

Type of Operation	31/12/2018				31/12/2017			
	Notional value		Fair value		Notional value		Fair value	
	Purchases	Sales	Pos.	Neg.	Purchases	Sales	Pos.	Neg.
oil and crude products	(127,977)	575,200	74,355	(26,860)	(96,995)	765,405	50,760	(52,255)
exchange rates	(318,000)		0	(77)	(255,000)	55,000	0	(615)
interest rates	(170,000)		272	0	(170,000)		302	(585)
Total	**(615,977)**	**575,200**	**74,667**	**(26,937)**	**(521,995)**	**820,405**	**51,062**	**(53,455)**

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

Payables to suppliers	31/12/2018	31/12/2017	Change
Customers advances account	4,923	3,286	1,637
Payables to current suppliers	566,127	659,348	(93,221)
Trade payables to group companies	206,860	207,943	(1,083)
Total	**777,910**	**870,577**	**(92,667)**

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

"Trade payables to Group companies" essentially include payables to Sarlux Srl and Saras Trading SA amounting to EUR 54,282 thousand and EUR 149,034 thousand, respectively.

"Payables to suppliers" mainly comprise the payables related to the provision of crude; the decrease on the previous year-end balance for EUR 93,221 is mainly due to the decrease in the purchase cost of raw materials in the last months of the current year.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	31/12/2018	31/12/2017	Change
Payables for VAT	9,801	3,751	6,050
IRES payables (and income tax foreign firms)	0	27,994	(27,994)
IRAP payables	908	120	788
Other tax payables	52,998	55,008	(2,010)
Total	**63,707**	**86,873**	**(23,166)**

The item "Other tax payables" mainly includes payables for excise duties on products released for consumption, equal to EUR 50,208 thousand, while "IRAP payables" refer to the balance due for the Regional Tax, due to the taxable amount accrued for the current year.

5.3.4 Other liabilities

The breakdown of other liabilities is shown below:

Other current liabilities	31/12/2018	31/12/2017	Change
Payables employee benefit and social security	3,024	3,012	12
Payables due to employees	8,528	6,415	2,113
Payables to subsidiaries for tax transfers	22,610	34,991	(12,381)
Other current payables	4,507	23,019	(18,512)
Accrued liabilities	1,121	993	128
Deferred income	0	15	(15)
Total	**39,790**	**68,445**	**(28,655)**

"Payables due to employees" include the December remuneration yet to be paid, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item "Payables to subsidiaries for tax transfers" includes the payable to subsidiaries for taxes transferred pursuant to the aforementioned tax consolidation agreements. The balance is essentially due to the taxes transferred by the subsidiary Sarlux Srl.

The item "Other payables" decreased compared with the previous year due to the payment of payables for port taxes previously determined by the Customs Authority in respect of the Company, for the 2005-2007 period following the rejection of the second-degree appeal by the Regional Tax Commission.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below.

Long-term financial liabilities	31/12/2018	31/12/2017	Change
Non-current bonds	198,675	198,342	333
Non-current bank loans	49,393	49,975	(582)
Other long-term financial liabilities	7,933	8,823	(890)
Total	**256,001**	**257,140**	**(1,139)**

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

Values expressed in millions of euro	Commencement / Renegotiation	Original amount	Rate base	Residual at 31/12/2017	Residual at 31/12/2018	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Unicredit	April 2017	50	6M Euribor	50,0	49,4		49,4
Bond	December 2017	200	1.70%	198,3	198,7		198,7
Total liabilities to banks for loans				**248,3**	**248,1**	**-**	**248,1**

"Long-term financial liabilities" comprise:

- a bond with a total nominal value of EUR 200 million, maturing on 28th December 2022 and a fixed coupon of 1.70% on an annual basis represented by a private placement of bonds with the Austrian multilateral trading system, Third Market, of Wiener Börse AG;
- a EUR 50 million loan, taken out by Saras SpA, subject to the following covenants:

- financial covenants (involving compliance with the following ratios: (i) Net debt/EBITDA <3.5 and net debt/equity <1.5, both ratios calculated on the basis of the Group's consolidated financial statements considering the 31st December of each year;

- in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.

Failure to comply with these covenants will give the banking syndicate the right to demand early repayment of the loan.

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

The Parent Company Saras also has a Revolving Credit Facility credit line with maturity 2020 for a maximum amount of EUR 255 million: the amount used as at 31st December 2018 was zero.

5.4.2 Provisions for risks and charges

Provisions for risks and charges may be analysed as follows:

Provisions for risks and charges	31/12/2017	Provision	Use	Other changes	31/12/2018
Other funds for risks and charges	12,172	183	(9,088)	0	3,134
Total	**12,172**	**183**	**(9,088)**	**0**	**3,134**

"Other risk provisions" mainly refer to provisions accrued in respect of tax and legal contingent liabilities. The use is essentially due to the definition, during the year, of the dispute with the Municipality of Sarroch relating to the TARSU.

5.4.3 Provisions for employee benefits

The balance breaks down as follows:

Provisions for employee benefits	31/12/2018	31/12/2017	Change
Post-employment benefits	2,310	2,510	(200)
Total	**2,310**	**2,510**	**(200)**

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 as at 31st December 2006 was determined according to actuarial methods.

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

31/12/2016	**2,772**
Provision part for defined contributions	1,696
Interest	34
actuarial (income)/charges	(70)
Utilisations/ Contributions to supplementary funds or INPS Treasury	(1,922)
31/12/2017	**2,510**
Provision part for defined contributions	1,627
Interest	39
actuarial (income)/charges	(71)
Utilisations/ Contributions to supplementary funds or INPS Treasury	(1,796)
31/12/2018	**2,310**

5.4.4 Other liabilities

Other liabilities break down as follows:

Other non-current liabilities	31/12/2018	31/12/2017	Change
Other payables	1,721	3,874	(2,153)
Total	**1,721**	**3,874**	**(2,153)**

Advances from Group companies refer to the long-term portion of the payable to the subsidiary Sarlux Srl relating to the Feedstock Supply Agreement. The change on the previous year-end balance is due to the transfer of the portion pertaining to the subsequent period from the long to the short-term bracket and the conferment to the subsidiary Sarlux Srl of the Key Facility Agreement.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	31/12/2018	31/12/2017	Change
Share capital	54,630	54,630	-
Legal reserve	10,926	10,926	-
Other reserves	432,781	334,759	98,022
Net profit (loss) for the year	176,820	207,062	(30,242)
Total	**675,157**	**607,377**	**67,780**

Share capital
As at 31st December 2018, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

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

Other reserves
This caption totals EUR 432,781 thousand, up by a net EUR 98,022 thousand compared with the previous year-end balance. Said net increase was the combined result of:

- increase due to the allocation of the previous year's profit, of EUR 207,062 thousand;
- decrease due to the allocation of dividends, as approved by the shareholders in their meeting of 27th April 2018 (EUR 112,321 thousand);
- increase of EUR 1,990 thousand in the reserve for the bonus issue to all employees under the company's stock grant plans;
- increase of EUR 87 thousand, due to the effect of IAS19 discounting;
- increase of EUR 1,204 thousand, due to the effect of F.T.A. IFRS 9.

Net result
The net profit for the year amounts to EUR 176,820 thousand.

Restrictions on the distribution of equity reserves
The table below breaks down equity reserves as at 31st December 2018 into the available portion, the non-distributable portion and the distributable portion:

Equity captions	Amount	Possibility of use	Amount available	Summary of uses 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	(441,276,635)		(441,276,635)		
Other reserves:					
Extraordinary reserve	377,047,929				
Treasury shares in portfolio	(46,482,569)				
Transition effect IFRS on undistributed profits	(71,280,549)				
	259,284,811	A - B - C	259,284,811 (*)		
Employee ownership reserve	4,613,483				
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	102,722,648	A - B - C	102,722,648		
TOTAL	**498,337,436**		**428,168,352**		
Non-distributable amount			19,658,569 (**)		
Residual distributable share			408,509,783		

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 the "Non-distributable reserve pursuant to art. 7.6 of Legislative decree no. 38/05"

On 27th April 2018, Saras SpA's shareholders, in their ordinary meeting called to approve the financial statements as at 31st December 2017, resolved to pay a dividend of EUR 0.12 for each of the 936,010,146 outstanding ordinary shares, for a total of EUR 112,321 thousand, from the profit for the year 2017.

With reference to fiscal year 2018, the Board of Directors proposed to the Shareholders' Meeting to be held on 16th April 2019 to allocate a dividend of EUR 0.08 for each of the 936,010,146 ordinary shares in issue for a total amount of EUR 74.880.811,68 (amounts are subject to changes following the delivery of shares after the execution of the Stock Grant Plan 2016-2018), taking them from the profit.

The average number of shares outstanding was 936,010,146 in 2018, unchanged compared to the previous year.

As at 31st December 2018, 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

Revenue from sales and services (EUR 9,200,810 thousand compared with EUR 7,834,166 thousand in the previous year) rose by EUR 1,421,955 thousand. This change is mainly due to the trend in the prices of oil products recorded during the year and a slight increase in volumes sold.

Revenues from ordinary operations are broken down by geographical area in paragraph 4 above.

6.1.2 Other income

The breakdown of the item "Other income" is as follows:

Other operating revenues	31/12/2018	31/12/2017	Change
Compensation for storage of mandatory stocks	8,848	4,480	4,368
Sale various materials	27	6	21
Ship tanks hire	6,718	483	6,235
Recovery for claims and compensation	1,354	130	1,224
Other revenues	51,311	11,217	40,094
Total	**68,258**	**16,316**	**51,942**

The item "Other revenues" essentially comprises charges to the subsidiary Sarlux Srl for services provided under contracts that expire in 2020.

The comparative values of the items "Contributions" and "Other revenues" were restated to reflect the effects of the introduction of the new standard IFRS 15, as described in paragraph 3 of the Notes.

The item includes non-recurring income for EUR 2,683 thousand.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Raw materials, consumables and supplies

Purchase of raw materials, consumables and supplies	31/12/2018	31/12/2017	Change
Purchase of raw materials	6,171,850	5,213,320	958,530
Purchase semi-finished products	246,268	200,847	45,421
Purchase supplies and consumables	384	464	(80)
Purchase finished products	1,933,532	1,762,938	170,594
Change in inventories	46,568	(244,091)	290,659
Total	**8,398,602**	**6,933,478**	**1,465,124**

Costs for the purchase of raw materials, consumables and supplies rose by EUR 958,530 thousand on the previous year, due to the above-mentioned trend in crude oil and oil product prices and the volumes purchased during the year.

The change in inventories includes a write-down of EUR 50,157 million carried out to align the book value of the same to its recoverable value.

6.2.2 Services and sundry costs

Services and sundry costs	31/12/2018	31/12/2017	Change
Costs for services	556,333	590,775	(34,442)
Costs for use of third-party goods	5,401	4,014	1,387
Provisions for risks	705	1,299	(594)
Other operating costs	996	2,612	(1,616)
Total	**563,435**	**598,700**	**(35,265)**

Service costs mainly comprise the processing costs paid to the subsidiary Sarlux Srl. The change compared to the previous year is due both to the lower quantities processed and to the decrease in the compensation of the unitary fee, which is indexed to the refining margins that were on average lower than those recorded in 2017.

The item “Provisions for risks” includes provisions allocated for future risks and charges.

“Other operating costs” mainly comprise membership fees, non-income taxes and contingencies.

6.2.3 Personnel costs

The breakdown of “Personnel costs” is as follows

Personnel costs	31/12/2018	31/12/2017	Change
Salaries and wages	25,698	22,237	3,461
Social security contributions	6,117	5,722	395
Post-employment benefits	1,628	1,696	(68)
Other costs	547	466	81
Remuneration to the Board of Directors	2,787	3,621	(834)
Total	**36,777**	**33,742**	**3,035**

Personnel costs increased by EUR 3,035 thousand compared to the previous year; the item also includes a provision for Help out to be incurred in the coming months.

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 new Plan for the free assignment of shares of the Company to the management of the Saras Group (the “2016/2018 Stock Grant Plan” or the “Plan”) was launched in 2016 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 1,990 thousand.

The item includes non-recurring expenses for EUR 3,000 thousand.

6.2.4 Amortisation, depreciation and write-downs

“Amortisation, depreciation and write-downs” are shown below:

Amortisation, depreciation and write-downs	31/12/2018	31/12/2017	Change
Amortisation of intangible assets	2,172	1,411	761
Depreciation of tangible assets	1,605	874	731
Impairment (Reversal of impairment)	3,377	0	3,377
Total	**7,154**	**2,285**	**4,869**

The impairment loss as at 31st December 2018 is represented by the write-down of the medium/long-term receivable from third parties, as already indicated in point 5.2.5 “Other financial assets”.

The item includes non-recurring expenses for EUR 3,627 thousand.

6.3 Net income (charges) from equity investments

6.4 Financial income and charges

A breakdown of financial income and charges is shown below.

Financial income	31/12/2018	31/12/2017	Change
Bank interest income	644	118	526
Unrealised differences on derivatives	35,719	41,265	(5,546)
Realised differences on derivatives	205,163	52,168	152,995
Interest from subsidiaries	3,359	2,530	829
Profit on exchange rates	76,488	96,173	(19,685)
Total	**321,373**	**192,254**	**129,119**

Financial charges	31/12/2018	31/12/2017	Change
Unrealised differences on derivatives	(20,578)	(42,067)	21,489
Realised differences on derivatives	(208,117)	(46,728)	(161,389)
Interest expenses on loans	(4,834)	(5,909)	1,075
Interest expenses on bonds	(3,761)	(58)	(3,703)
Interest from subsidiaries	321	(184)	505
Other (interest on mortgages, etc.)	(6,629)	(5,189)	(1,440)
Other financial charges	(6,948)	(7,709)	761
Exchange rate losses	(85,940)	(80,940)	(5,000)
Total	**(336,486)**	**(188,784)**	**(147,702)**

The summary table below provides an analysis of the main changes during the year:

Financian income and charges	31/12/2018	31/12/2017	Change
Net interest	(10,900)	(8,692)	(2,208)
Result of derivative instruments, of which:	12,187	4,638	7,549
Realised	*(2,954)*	*5,440*	*(8,394)*
Fair value of open positions	*15,141*	*(802)*	*15,943*
Net exchange rate differences	(9,452)	15,233	(24,685)
Others	(6,948)	(7,709)	761
Total	**(15,113)**	**3,470**	**(11,034)**

As shown, the main changes relate to the net results of derivative financial 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.

The item includes non-recurring financial charges for EUR 6,308 thousand.

6.5 Income tax

Income tax can be analysed as follows:

Income tax	31/12/2018	31/12/2017	Change
Current taxes	72,618	66,206	6,412
Net deferred tax liabilities (assets)	(3,450)	12,439	(15,889)
Total	**69,168**	**78,645**	**(9,477)**

Current taxes comprise IRES (EUR 62,911 thousand) and IRAP (EUR 10,564 thousand) for the year, gross of taxes of previous years for EUR (857) thousand.

Deferred tax assets/liabilities relate to changes during the year in the temporary differences between amounts recognised in the financial statements and those recognised for tax purposes. The most significant change arises from the allocation of deferred tax assets, for EUR 10,036 thousand for the different tax valuation of inventories, as better described in paragraph "5.2.4. Deferred tax assets".

The item includes the positive tax effect of the aforementioned non-recurring items for EUR 1,514 thousand.

Differences between the theoretical and effective IRES and IRAP tax rates for the two periods compared are shown below (figures in EUR million):

IRES	2018	2017
PRE-TAX RESULT [A]	245.9	285.7
IRES THEORETICAL TAX [A*24%] [B]	59.0	68.6
THEORETICAL TAX RATE [B/A*100] %	24.0%	24.0%
EFFECTIVE INCOME TAX [C]	59.4	67.6
EFFECTIVE TAX RATE [C/A*100] %	24.2%	23.7%

	2018		2017	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	**59**	**24.0%**	**68.6**	**24.0%**
Valuations investments and receivables from holdings	0.5	0.20%	0.0	0.00%
Effect rebate art. 1 D.L. 201/2011 (A.C.E.)	(1.0)	-0.42%	(0.8)	-0.28%
Super amortisation facilitation	0.0	0%	0.0	0.00%
Other permanent differences	0.9	0.37%	(0.2)	-0.07%
Effective tax	**59.4**	**24.2%**	**67.6**	**23.6%**

IRAP	2018	2017
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	267	282.7
TOTAL PERSONNEL COSTS [only in 2014]		
DIFFERENCE BETWEEN ADJUSTED PRODUCTION VALUE AND COSTS (A)	267	282.7
IRAP THEORETICAL TAX [2.93%] FOR 2018 [3.9%] FOR 2017 [B]	7.8	11.0
THEORETICAL TAX RATE [B/A*100] %	2.9%	3.9%
EFFECTIVE INCOME TAX [C]	10.6	11.1
EFFECTIVE TAX RATE [C/A*100] %	4.0%	3.9%

	2018		2017	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	**7.8**	**2.9%**	**11.0**	**3.90%**
IRAP effect on foreign companies with positive Production Value	0.0	0%	0.0	-0.05%
Personnel costs	0.12	0.04%	0.2	0.07%
Effect of different regional rates on production value	2.20	0.83%	(0.1)	-0.04%
Other permanent differences	0.5	0.18%	0.0	0.00%
Effective tax	**10.6**	**3.98%**	**11.1**	**3.9%**

7. Other information

7.1 Main legal actions pending

The company was subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts.

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

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 31/12/2018		Absolute value (Euro/000) and % on balance sheet 31/12/2017	
Related party transactions involving Saras Group's majority shareholders				
Current financial assets	3,629	3.86%	22,256	23.36%
Trade receivables	243,899	72.18%	88,167	24.75%
Other assets	290	4.12%	13,369	48.45%
Short-term financial liabilities	185,176	66.09%	250,993	61.58%
Trade and other payables	207,003	26.61%	207,943	23.89%
Other current liabilities	22,610	56.82%	34,991	51.12%
Revenues from ordinary operations	1,987,196	21.60%	646,564	8.31%
Other operating revenues	60,766	89.02%	36,282	50.65%
Purchases of raw materials, replacement parts, consumables	1,573,145	18.73%	843,804	12.17%
Cost of services and sundry costs	333,259	59.15%	387,544	64.73%
Net income (charges) from equity investments	(2,000)	100.00%	(40)	100.00%
Financial income	3,439	1.07%	2,600	1.35%
Financial charges	1,667	0.50%	350	0.19%
Other related parties				
Liquid assets	18	0.01%	20	0.01%
Cost of services and sundry costs	-	0.01%	(49)	0.01%

With regard to the above-mentioned transactions, in the interests of the Company, the agreements governing sales of raw materials and products reflect market conditions; where a market price is not directly 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, without the application of any margin 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 of transactions or positions with related parties on the statement of financial position and the income statement are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2018			Absolute value (Euro/000) and % on balance sheet 31/12/2017		
	Related parted	Total	Incidence %	Related parted	Total	Incidence %
Liquid assets	18	244,023	0.01%	20	378,236	0.01%
Current financial assets	3,629	93,970	3.86%	22,256	95,289	23.36%
Trade receivables	243,899	337,903	72.18%	88,167	356,247	24.75%
Other assets	290	7,036	4.12%	13,369	27,596	48.45%
Short-term financial liabilities	185,176	280,186	66.09%	250,993	407,618	61.58%
Trade and other payables	207,003	777,910	26.61%	207,943	870,577	23.89%
Other current liabilities	22,610	39,790	56.82%	34,991	68,445	51.12%
Other non-current liabilities	0	0		3,873	3,874	99.99%
Revenues from ordinary operations	1,987,196	9,200,810	21.60%	646,564	7,778,855	8.31%
Other operating revenues	60,766	68,259	89.02%	36,282	71,627	50.65%
Purchases of raw materials, replacement parts, consumables	1,573,145	8,398,602	18.73%	843,804	6,933,478	12.17%
Cost of services and sundry costs	333,259	563,435	59.15%	387,544	598,700	64.73%
Net income (charges) from equity investments	(2,000)	(2,000)	100.00%	(40)	(40)	100%
Financial income	3,439	321,373	1.07%	2,600	192,254	1.35%
Financial charges	1,667	336,486	0.50%	350	188,784	0.19%

The main cash flows with related parties are shown in the table below:

	31/12/2018	31/12/2017
Net income (charges) from equity investments	(2,000)	(40)
Dividends from invest. in subsidiaries	0	0
Decrease in trade receivables	(155,732)	(43,726)
Increase (Decrease) in trade and other payables	(940)	134,505
Change other current assets	13,079	9,321
Change other current liabilities	(12,381)	0
Change other non-current liabilities	0	(3,099)
Interest received	3,439	2,600
Interest paid	(1,667)	(350)
Cash flow from (for) activities in the year	**(156,202)**	**99,211**
Dividends from invest. in subsidiaries	0	0
Cash flows from (used in) investing activities	**0**	**0**
Increase (Decrease) in financial liabilities	(65,817)	34,991
Cash flow from (for) financial activities	**(65,817)**	**34,991**
Total cash flows from/to related parties	**(222,019)**	**134,203**

The effects of cash flows with related parties are shown in the table below:

	Absolute value (Euro/000) and % on balance sheet 31/12/2018			Absolute value (Euro/000) and % on balance sheet 31/12/2017		
	Related parted	Total	Impact	Related parted	Total	Impact
Cash flow from (for) activities in the year	(156,202)	65,655	n.d	99,211	46,765	212.15%
Cash flow from (for) investment activities	0	68,071	0.00%	0	91,513	0.00%
Cash flow from (for) financial activities	(65,817)	(265,077)	24.83%	34,991	(24,217)	n.d

7.3 Information pursuant to International Financial Reporting Standards 7 and 13 – Financial instruments: disclosures

To the extent that it is applicable to Saras SpA, 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 with respect to the financial position and results of operations;

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 1st 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 IFRS 9 – 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 as at 31st December 2018:

Type of Operation	31/12/2018 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2018 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps	272		312					
Fair value derivatives on commodities	74,395	74,355			(26,860)	(26,860)		
Fair value forward purchases and sales on exchange rates					(77)		(77)	
Net income	**74,667**	**74,355**	**312**	**0**	**(26,937)**	**(26,860)**	**(77)**	**0**

The Company'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 year.

Measurement techniques

As shown in the table in the section above, financial instruments measured at fair value largely consist of derivatives entered into to hedge the currency and interest rate risks, and the fluctuating price of oil and crude products.

Specifically, the fair value measurement 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 the account statements of open positions that are periodically received from the clearing broker through which these instruments are agreed.

For all types of derivatives described above, the fair value measurements received from the counterparties in open positions are verified by comparing them to the fair value measurement carried out within the Company 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.

Saras SpA has no financial assets or liabilities that are measured at fair value level 3 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, 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).

7.3.1 Information on the Statement of Financial Position

With reference to the Statement of Financial Position, Sections 8 - 19 of the standard in question state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided by the Company, as well as detailed information where the Company 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. Statement of financial position for Saras SpA as at 31st December 2018 and 31st December 2017 are shown below, with details of the company's financial instruments:

31/12/2018	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2018
ASSETS					
Current financial assets	**667,186**	**10,372**	**0**	**693,972**	**1,371,530**
Cash and cash equivalents	244,023				244,023
Other financial assets	83,599	10,372			93,970
Derivative instruments (FV, realised and guarantee deposits)	*83,599*				
Loans to third parties		*6,743*			
Payables to group companies		*3,629*			
Trade receivables	337,903				337,903
Payable to clients	*183,290*				
Trade receivables from group company	*154,613*				
Inventories				680,058	680,058
Current tax assets				8,539	8,539
Other assets	1,661			5,374	7,036
Other tax credits	*1,661*			*5,374*	
Non-current assets	**3,677**	**0**	**0**	**27,477**	**728,387**
Property, plant and equipment				11,589	11,589
Intangible assets				2,712	2,712
Equity investments at cost				697,233	697,233
Other investments				495	495
Deferred tax assets				12,681	12,681
Other financial assets	3,677				3,677
Loans to subsidiaries					
Sundry receivables	*3,677*				
Total active financial instruments	**670,863**	**10,372**	**0**	**721,449**	**2,099,917**
LIABILITIES					
Current liabilities	**24,185**	**1,033,911**	**0**	**103,498**	**1,161,594**
Short-term financial liabilities	24,185	256,001			280,186
Bonds loans					
Bank loans		*8,606*			
C/a advances					
Financial receivables from Group companies		*185,176*			
Derivative instruments	*24,185*				
Other financial payables		*62,219*			
Trade and other payables		777,910			777,910
Current tax liabilities				63,707	63,707
Other liabilities				39,791	39,791
Other payables				*39,791*	
Non-current liabilities	**0**	**256,001**	**0**	**7,165**	**263,166**
Long-term financial liabilities		256,001			256,001
Bank loans		*49,393*			
Bonds loans		*198,675*			
Others		*7,933*			
Risk funds				3,134	3,134
Provisions for employee benefits				2,310	2,310
Other liabilities				1,721	1,721
Total passive financial instruments	**24,185**	**1,289,912**	**0**	**110,663**	**1,424,760**

31/12/2017	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2017
ASSETS					
Current financial assets	**794,993**	**54,322**	**0**	**1,116,019**	**1,587,098**
Cash and cash equivalents	378,236				378,236
Other financial assets	40,967	54,322			95,289
Derivative instruments (FV, realised and guarantee deposits)	*40,967*	*31,466*			
Loans to third parties		*600*			
Payables to group companies		*22,256*			
Trade receivables	356,247				356,247
Receivables from clients	*268,080*				
Trade receivables from group company	*88,167*				
Inventories				726,627	726,627
Current tax assets				3,105	3,105
Other assets	19,543			8,051	27,594
Other tax credits	*19,543*			*8,051*	
Non-current assets	**0**	**7,298**	**0**	**24,957**	**729,488**
Property, plant and equipment				12,398	12,398
Intangible assets				3,734	3,734
Equity investments at cost				697,233	697,233
Other investments				495	495
Deferred tax assets				8,330	8,330
Other financial assets		7,298			7,298
Loans to subsidiaries		*0*			
Other tax credits		*7,298*			
Total active financial instruments	**794,993**	**61,619**	**0**	**1,140,975**	**2,316,586**
LIABILITIES					
Current liabilities	**53,455**	**1,224,740**	**0**	**155,318**	**1,433,513**
Short-term financial liabilities	53,455	354,163			407,618
Bonds loans					
Bank loans					
C/a advances					
Financial payables to Group companies		*250,994*			
Derivative instruments	*53,455*				
Other financial payables		*103,169*			
Trade and other payables		870,577			870,577
Current tax liabilities				86,873	86,873
Other liabilities				68,445	68,445
Other payables				*68,445*	
Non-current liabilities	**0**	**257,140**	**0**	**18,556**	**275,696**
Long-term financial liabilities		257,140			257,140
Bank loans		*49,975*			
Bonds loans		*198,342*			
Other		*8,823*			
Risk funds				12,172	12,172
Provisions for employee benefits				2,510	2,510
Other liabilities				3,874	3,874
Total passive financial instruments	**53,455**	**1,481,880**	**0**	**173,874**	**1,709,209**

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 valued 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.

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 Information on the statement of comprehensive income

Paragraph 20 of the standard in question requires companies to state the 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 Company 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 and the previous year.

31/12/2018	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2018
Revenues from ordinary operations				9,200,810	9,200,810
Other income				68,259	68,259
Total returns				**9,269,069**	**9,269,069**
Purchases of raw materials, consumables and supplies				(8,398,602)	(8,398,602)
Cost of services and sundry costs				(563,435)	(563,435)
Personnel costs				(36,777)	(36,777)
Amortisation and depreciation				(7,154)	(7,154)
Total costs				**(9,005,968)**	**(9,005,968)**
Operating result					**263,101**
Net income (charges) from equity investments				(2,000)	(2,000)
Other financial income (charges)	2,735	(17,848)			(15,113)
from titles held for the purpose of trading					
- of which:					
Realised differentials					
Change of FV					
from interest on current accounts		*644*			
from loans made to Group companies		*3,038*			
from derivative instruments	*12,187*				
- of which:					
Realised differentials	*(2,954)*				
Change of FV	*15,141*				
from other financial assets	*(9,452)*				
from Interest on bank loans		*(17,965)*			
from Interest on loans from Group companies		*(3,565)*			
from other credits/debts					
Result before taxes					**245,988**
Income tax					(69,168)
Net result					**176,820**

31/12/2017	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI	Others	31/12/2018
Revenues from ordinary operations				7,834,166	7,834,166
Other income				16,316	16,316
Total returns				**7,850,482**	**7,850,482**
Purchases of raw materials, consumables and supplies				(6,933,478)	(6,933,478)
Cost of services and sundry costs				(598,700)	(598,700)
Personnel costs				(33,742)	(33,742)
Amortisation and depreciation				(2,285)	(2,285)
Total costs				**(7,568,205)**	**(7,568,205)**
Operating result					**282,277**
Net income (charges) from equity investments				(40)	(40)
Other financial income (charges)	19,872	(16,401)			3,471
from titles held for the purpose of trading					
- of which:					
Realised differentials					
Change of FV					
from interest on current accounts		*118*			
from loans made to Group companies		*2,530*			
from derivative instruments	*4,637*				
- of which:					
Realised differentials	*5,440*				
Change of FV	*(802)*				
from other financial assets	*15,235*				
from Interest on bank loans		*(11,156)*			
from Interest on loans from Group companies		*(184)*			
from other credits/debts		*(7,709)*			
Result before taxes					**285,707**
Income tax					(78,645)
Net result					**207,062**

Financial instruments measured at fair value through profit or loss generated net income of EUR 21,530 thousand (net income of EUR 4,637 thousand in the previous year), mainly due to realised differentials and the change in the fair value of derivatives.

Financial liabilities measured at amortised cost generated a loss of EUR 35,299 thousand (EUR 19,049 thousand in the previous year), mainly due to financial charges 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.

As at 31st December 2018, 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.

Most 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 2018, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of instruments is determined on the basis of the statements that are periodically sent by the counterparties with which these instruments are stipulated.

7.3.3.2 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, subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value as at 31st December 2018.

The bond carries a fixed rate and 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 27st 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.

7.3.4 Risks deriving from financial instruments

Risks deriving from 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 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 Company 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.

7.3.4.1 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 31/12/2018		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	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current assets	**1,371,530**	**681,015**	**681,015**		**508,784**	**131,713**	**24,413**	**328**	**15,776**	**681,015**	**0**	**(5,117)**
Cash and cash equivalents	244,023	244,023	244,023		244,023					244,023		
Other financial assets held for trading	93,970	93,970	93,970		93,970					93,970		
Trade receivables from third parties	343,021	343,021	343,021	92,762	170,790	131,713	24,413	328	15,776	343,021		
Bad debt provision	(5,117)											(5,117)
Inventories	680,058											
Current tax assets	8,539											
Other assets	7,036											
Non-current assets	**728,387**	**4,172**	**4,172**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	11,589											
Intangible assets	2,712											
Equity investments at cost	697,233											
Other investments	495	495	495									
Deferred tax assets	12,681											
Other financial assets	3,677	3,677	3,677									
Total assets	**2,099,917**	**685,186**	**685,186**		**508,784**	**131,713**	**24,413**	**328**	**15,776**	**681,015**		

	Accounting value at 31/12/2017		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	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current assets	**1,587,097**	**834,888**	**834,888**	**167,814**	**778,653**	**0**	**6,644**	**12,750**	**36,841**	**834,888**	**0**	**(5,117)**
Cash and cash equivalents	378,236	378,236	378,236		378,236					378,236		
Other financial assets held for trading	95,289	95,289	95,289		95,289					95,289		
Trade receivables from third parties	361,364	361,364	361,364	167,814	305,128		6,644	12,750	36,841	361,364		
Bad debt provision	(5,117)											(5,117)
Inventories	726,627											
Current tax assets	3,105											
Other assets	27,594											
Non-current assets	**729,489**	**4,147**	**4,147**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	12,399											
Intangible assets	3,734											
Equity investments at cost	697,233											
Other investments	495	495	495									
Deferred tax assets	8,330											
Other financial assets	7,298	3,652	3,652							0		
Total assets	**2,316,586**	**839,035**	**839,035**	**167,814**	**778,653**	**0**	**6,644**	**12,750**	**36,841**	**834,888**		

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.

7.3.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. The capacity for self-financing, together with the low level of debt, leads us to consider that the liquidity risk is moderate.

The company met all its obligations with respect to the scheduled repayment 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 tables below:

	Accounting value at 31/12/2018		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	Guarantees	2019	2020	2021	2022	2023	beyond 5 years
LIABILITIES										
Current liabilities	**1,161,594**	**1,161,594**	**1,097,888**	**0**	**1,100,166**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	280,186	280,186								
Bank loans										
C/a advances										
Financial receivables from group companies		*185,176*	*185,176*		*185,176*					
Interest rates (final average rate = 1.23%)					*2,278*					
Derivative instruments		*24,185*	*24,185*		*24,185*					
Other financial payables		*70,826*	*70,826*		*70,826*					
Trade and other payables	777,910	777,910	777,910		777,910					
Current tax liabilities	63,706	63,706								
Other liabilities	39,791	39,791	39,791		39,791					
Non-current liabilities	**263,166**	**256,001**	**250,000**	**0**	**4,380**	**54,072**	**3,765**	**3,765**	**201,882**	**0**
Long-term financial liabilities	256,001	256,001	250,000							
Bank loans		*49,393*	*50,000*			*50,000*				
Bonds loans		*198,675*	*200,000*						*200,000*	
Others		*7,933*								
Amount interest medium-long term loan rates (rate = 1.23%)					*615*	*308*	*0*	*0*	*0*	*0*
Amount interest bonds					*3,765*	*3,765*	*3,765*	*3,765*	*1,882*	*0*
Risk funds	3,134									
Provisions for employee benefits	2,310									
Other liabilities	1,721									
Total liabilities	**1,424,760**	**1,417,595**	**1,347,888**	**0**	**1,104,545**	**54,072**	**3,765**	**3,765**	**201,882**	**0**

	Accounting value at 31/12/2017		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	Guarantees	2018	2019	2020	2021	2022	beyond 5 years
LIABILITIES										
Current liabilities	**1,433,513**	**1,346,640**	**1,346,640**	**0**	**1,351,057**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	407,618	407,618								
Bank loans										
C/a advances										
Financial receivables from group companies		*250,993*	*250,993*		250,993					
Interest rates (final average rate = 1.76%)					*4,417*					
Derivative instruments		*53,455*	*53,455*		*53,455*					
Other financial payables		*103,170*	*103,170*		*103,170*					
Trade and other payables	870,577	870,577	870,577		870,577					
Current tax liabilities	86,873									
Other liabilities	68,445	68,445	68,445		68,445					
Non-current liabilities	**275,696**	**257,140**	**250,000**	**0**	**0**	**4,970**	**59,620**	**7,440**	**202,105**	**0**
Long-term financial liabilities	257,140	257,140	250,000							
Bank loans		*49,975*	*50,000*				*50,000*			
Bonds loans		*198,342*	*200,000*						*200,000*	
Others		*8,823*								
Amount interest medium-long term loan rates (rate = 1.76%)					*880*	*880*	*440*	*0*	*0*	
Amount interest bonds					*4,210*	*4,210*	*4,210*	*4,210*	*2,105*	
Risk funds	12,172									
Provisions for employee benefits	2,510									
Other liabilities	3,873			0		4970	4,970	3,230	0	
Total liabilities	**1,709,209**	**1,603,780**	**1,596,640**	**0**	**1,351,057**	**4,970**	**59,620**	**7,440**	**202,105**	**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.

7.3.4.3 Market risk

As stated previously, the market risks to which the Company 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 Company 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 Company is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and 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 Company had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables.

The simulation of the impact on net profit and equity, was carried out 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.

2018					
Euro/US dollar EXCHANGE RATE				Reference parameter change	
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	794,522	1,145	696,020		
Effect on result before tax				77,336	(63,275)
Effect on net result (and equity)				53,052	(43,406)

2017					
Euro/US dollar EXCHANGE RATE				Reference parameter change	
Balance sheet item	Amount in currency	Exchange Euro / US Dollar	Amount in (thousands of €)	-10%	+10%
Currency net position	(93,873)	1,1993	(83,001)		
Effect on result before tax				(9,222)	7,546
Effect on net result (and equity)				(6,327)	5,176

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, a simulation was carried out of the impact on net profit and consequentially 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 details and results of the simulation are shown in the tables below:

2018			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2018	-10%	+10%
Exchange rates	(77)	25,978	(21,296)
	(77)	**25,978**	**(21,296)**
Effect on result before tax		**25,978**	**(21,296)**
Effect on net result (and equity)		**18,834**	**(15,440)**

2017			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2017	-10%	+10%
Exchange rates	(891)	17,590	(16,017)
	(77)	**17,590**	**(16,017)**
Effect on result before tax		**17,590**	**(16,017)**
Effect on net result (and equity)		**12,753**	**(11,612)**

Interest rate

The Company 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 net profit and equity was carried out, assuming a change of +/- 25 bps in rates and only taking into account the portion of variable-rate funding.

The following table shows the simulation as at 31st December 2018:

2018				
VARUABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2018	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.23%	(16,548)		
Effect on result before tax			**6,727**	**(6,727)**
Effect on net profit (and equity)			**4,877**	**(4,877)**

2017				
VARUABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2017	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.76%	(12,166)		
Effect on result before tax			**3,456**	**(3,456)**
Effect on net profit (and equity)			**2,506**	**(2,506)**

In addition, the fair value of the Interest Rate Swaps (IRS) and interest rate options outstanding at the reporting date relating to the Company is affected by the fluctuations in the Euribor rate: a simulation of the impact of this variable on the profit for the year and 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 details and results of the simulation are shown in the tables below:

2018			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2018	-25 bps	+25 bps
Fair value of Interest rate swaps	(272)	(145)	(400)
	(272)	**(145)**	**(400)**
Effect on result before tax		**(145)**	**(400)**
Effect on net result (and equity)		**(105)**	**(290)**

2017			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2017	-25 bps	+25 bps
Fair value of Interest rate swaps	(597)	(385)	(936)
	(597)	**(385)**	**(936)**
Effect on result before tax		**(385)**	**(936)**
Effect on net result (and equity)		**(279)**	**(679)**

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 as at 31st December 2018 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.

A simulation of the impact of this variable on net profit and consequentially, on equity, was therefore carried out assuming a change of +/- 20%.

The details and results of the simulation (comparative) are shown in the tables below:

2018			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2018	-20%	+20%
Crude and oil products	47,495	120,099	(9,388)
	47,495	**120,099**	**(9,388)**
Effect on result before tax		**120,099**	**(9,388)**
Effect on net result (and equity)		**87,072**	**(6,806)**

2017			
		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2017	-20%	+20%
Crude and oil products	(1,495)	47,166	(50,029)
	47,495	**47,166**	**(50,029)**
Effect on result before tax		**47,166**	**(50,029)**
Effect on net result (and equity)		**34,196**	**(36,271)**

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; the concentration risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.4 Average staff numbers

The average number of employees broken down by category is as follows:

average staff numbers	2018	2017
Top management	38	36
White collars	223	221
Total	**261**	**257**

Employees went from 257 at the end of 2017 to 261 as at 31st December 2018.

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 statutory auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer.

7.5.1 Remuneration paid to directors, statutory auditors, general managers and key managers

(A) Name and surname	(B) Position	(C) Period of office		(D) Expiry of office	(1) Fees for the position in the company	(2) Non-monetary benfits	(3) Bonus and other incentives	(4) Other remunera-tions
The Board of Directors							(*)	(*)
Gian Marco Moratti	Chairman (1)	01/01/18	26/02/18					
Massimo Moratti	Chairman (2)	03/05/18	31/12/18	approved 2020 financial statements	1,545,000			
Dario Scaffardi	CEO and General Manager (2)	03/05/18	31/12/18	approved 2020 financial statements	45,000			1,393,427
Angelo Moratti	Director	01/01/18	31/12/18	approved 2020 financial statements	109,110		-	200,000
Giovanni Emanuele Moratti	Director	01/01/18	31/12/18	approved 2020 financial statements	45,000		-	80,582
Gabriele Moratti	Director	01/01/18	31/12/18	approved 2020 financial statements	45,000		-	90,811
Angelo Mario Moratti	Director	01/01/18	31/12/18	approved 2020 financial statements	45,000		-	204,433
Laura Fidanza	Independent Director	01/01/18	31/12/18	approved 2020 financial statements	45,000			-
Gabriele Previati	Director (3)	01/01/18	27/04/18		11,540			-
Adriana Cerretelli	Independent Director	01/01/18	31/12/18	approved 2020 financial statements	45,000			-
Gilberto Callera	Independent Director	01/01/18	31/12/18	approved 2020 financial statements	45,000			-
Isabelle Harvie-Watt	Independent Director	01/01/18	31/12/18	approved 2020 financial statements	45,000			-
Francesca Luchi	Independent Director (4)	27/04/18	31/12/18	approved 2020 financial statements	30,000			-
Leonardo Senni	Independent Director (4)	27/04/18	31/12/18	approved 2020 financial statements	30,000			-
(*) employment responsibilities								
Board of Statutory Auditors								(**)
Giancarla Branda	Chairman	01/01/18	31/12/18	approved 2020 financial statements	60,000			-
Paola Simonelli	Statutory Auditor	01/01/18	31/12/18	approved 2020 financial statements	40,000			20,000
Giovanni Luigi Camera	Statutory Auditor	01/01/18	31/12/18	approved 2020 financial statements	40,000			57,500
Pinuccia Mazza	Deputy Auditor	01/01/18	31/12/18	approved 2020 financial statements				
Andrea Perrone	Deputy Auditor	27/04/18	31/12/18	approved 2020 financial statements				
(**) auditing remunerations from other Group's companies								
Compliance Committee								(***)
Gabriele Previati	Chairman	01/01/18	27/04/18		14,425			9,617
Giovanni Luigi Camera	Member	01/01/18	31/12/18	approved 2020 financial statements	25,000			15,000
Simona Berri	Member	01/01/18	31/12/18	approved 2020 financial statements	-			204,745
Ferruccio Bellelli	Member	01/01/18	31/12/18	approved 2020 financial statements	-			140,228
Marco Tonellotto	Member	01/01/18	31/12/18	approved 2020 financial statements				25,000
(***) including the remuneration from other group companies								
Risk and control committee								
Gilberto Callera	Chairman	01/01/18	31/12/18	approved 2020 financial statements	40,000			
Adriana Cerretelli	Member	01/01/18	31/12/18	approved 2020 financial statements	35,000			
Isabelle Harvie-Watt	Member	01/01/18	31/12/18	approved 2020 financial statements	35,000			
Laura Fidanza	Member	01/01/18	31/12/18	approved 2020 financial statements	35,000			
Gabriele Previati	Member	01/01/18	27/04/18		11,220			
Leonardo Senni	Member	27/04/18	31/12/18	approved 2020 financial statements	23,500			
Remuneration Committee								
Gilberto Callera	Chairman	01/01/18	31/12/18	approved 2020 financial statements	40,000			
Laura Fidanza	Member	01/01/18	31/12/18	approved 2020 financial statements	35,000			
Francesca Luchi	Member	01/01/18	31/12/18	approved 2020 financial statements	23,500			
Gabriele Previati	Member	01/01/18	27/04/18		11,220			
Senior personnel with strategic responsibility								**656,852**

(1) Gian Marco Moratti was in charge until February 26th 2018

(2) Appointed by the board of directors on May 3rd 2018

(3) The office indicated was exercised until April 27th 2018

(4) Appointed by the shareholders' meeting of 27th April 2018

At the reporting date, post-employment benefits (not included in the table above) totalling EUR 244 thousand had not yet been paid.

7.5.2 Equity investments held by directors, statutory auditors, general managers and key managers

Name and surname	Position	Company	Number of shares owned at the end of the previous financial year	Number shares purchased	Number shares sold	Number of shares owned at the end of the current financial year
Gian Marco Moratti	Chairman (1)	Saras Spa	-	-	-	-
Massimo Moratti	Chairman (2)	Saras Spa	-	-	-	-
Dario Scaffardi	CEO and General Manager (2)	Saras Spa	146,370	-	-	146,370
Angelo Moratti	Director	Saras Spa	-	-	-	-
Giovanni Emanuele Moratti	Director	Saras Spa	-	-	-	-
Gabriele Moratti	Director	Saras Spa	-	-	-	-
Angelo Mario Moratti	Director	Saras Spa	-	-	-	-
Laura Fidanza	Independent Director	Saras Spa	-	-	-	-
Gabriele Previati	Director (3)	Saras Spa	-	-	-	-
Adriana Cerretelli	Independent Director	Saras Spa	-	-	-	-
Gilberto Callera	Independent Director	Saras Spa	-	-	-	-
Isabelle Harvie-Watt	Independent Director	Saras Spa	-	-	-	-
Francesca Luchi	Independent Director (4)	Saras Spa	-	-	-	-
Leonardo Senni	Independent Director (4)	Saras Spa	-	-	-	-
Giancarla Branda	Chair of the Board of statutory auditors	Saras Spa	-	-	-	-
Simonelli Paola	Standing auditor	Saras Spa	-	-	-	-
Giovanni Luigi Camera	Standing auditor	Saras Spa	-	-	-	-
Pinuccia Mazza	Deputy auditor	Saras Spa	-	-	-	-
Andrea Perrone	Deputy auditor	Saras Spa	-	-	-	-
Senior personnel with strategic responsibility		Saras Spa	-	-	-	-

7.6 Commitment

As at 31st December 2017 and 2018, the Group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company issued sureties totalling EUR 168,243 thousand as at 31st December 2017, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.7 Other

No atypical and/or unusual transactions were carried out during the year.

7.8 Subsequent events

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

8. Miscellaneous

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 the Consob Issuer Regulations, the table below provides details of the fees relating to 2018 paid to the independent auditors the provision of audit and other non-audit services and the services provided by the network companies.

Types of services	Provider	Recipient	Consideration of competence of the 2017 financial year
Audit	EY SpA	Saras SpA	508
Certification services	EY SpA	Saras SpA	-
Other services	Network EY	Saras SpA	56
Total			**564**

9. Publication of the Financial Statements

In its meeting on 4th March 2019, Saras' Board of Directors authorised publication of the consolidated 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
The Chairman
Massimo Moratti

REPORTS ON THE 2018 FINANCIAL STATEMENTS

STATEMENT OF SARAS GROUP'S MANAGER IN CHARGE OF FINANCIAL REPORTING

Saras SpA

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, Massimo Moratti, Chairman of the Board of Directors, Dario Scaffardi, CEO, 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:

- 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 2018 to 31 December 2018.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2018:

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 assets, and financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies.

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

SARAS

Saras SpA

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 4 March 2019

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
(Massimo Moratti)	(Franco Balsamo)
(Dario Scaffardi)	

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saras Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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 the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Saras S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Building a better working world

We identified the following key audit matters:

Key Audit Matter	Audit Response
Recoverability of assets	
The economic performance and, therefore, the recoverability of assets, is influenced by the volatility of market factors. Management assesses, at least annually, if there are any impairment indicators for fixed assets with finite useful life, and, if present, performs an impairment test of such assets; additionally, Management performs, at least annually, an impairment test of intangible assets with indefinite useful life. The estimate of the recoverable amount is a complex evaluation process that depends on external factors and is based on assumptions that, by their nature, involve the use of high degree of judgment by Management, with particular reference to industry indicators and market trends, which, for this purpose, are monitored on a continuous basis, assessing regularly industry data and sector information to support the valuation process. Considering the complexity of the assumptions used by Management in its valuation and in particular the possible impacts on future cash flows from changes in market conditions, we considered that this area represents a key audit matter. The disclosures related to the recoverability of fixes assets are included in the notes 3.6 "Most significant accounting policies requiring a greater degree of subjectivity", 5.2.1 "Property, plant and equipment" and 5.2.2 "Intangible assets" to the consolidated financial statements.	The audit procedures performed in response to this key audit matter, included, among others, discussions with Management on the economic and industry scenarios considered in developing the Group industrial plans and cash flows forecasts, the assessment of the external sources used, the analysis of the processes and controls implemented by the Group for the assessment of the recoverability of fixed assets, and the assessment of potential impairment indicators. We have assessed the methodologies adopted by the Group to estimate the recoverable value of the assets, including the consistency of the assumptions used with the scenarios reflected in the business plans. In performing our procedures, we have also leveraged the support of our experts in evaluation techniques. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to this key audit matter.

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Complexity of the regulatory environment and related emerging litigations concerning the energy sector

The energy sector is regulated by highly complex regulations and authorization procedures, which led to the involvement of the subsidiary Sarlux S.r.l. in administrative claims, whose outcome has influenced in the current year, and could influence in the future years, for significant amounts, the assessment of the recoverability of certain assets (mainly included within "Other Assets"), the valuation of the liabilities to be accrued to "Provisions for risks and charges" and other contingent assets related to the late recognition of rights claimed by the Group and not yet accounted for in the consolidated financial statements. Management, supported by their lawyers, have provided updated information in the group consolidated financial statements about their expectation of the outcome of these administrative procedures and litigations on the basis of the most recent developments. We considered that this area represents a key audit matter due to the complexity in evaluating the relevant regulatory environment, as well as the significance and the uncertainties involved in the outstanding administrative procedures and litigations. The disclosures related to this matter are included in note 7.1 " Main legal actions pending" to the consolidated financial statements.	Our audit procedures in response to this key audit matter included, among others, the understanding through discussions with Management of their assessment of applicable regulations and recent developments in pending litigations, also supported by the information received from lawyers who assist the Group, the examination of the main supporting documents used by the Group, as well as the information related to such determinations as included in the consolidated financial statements. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the the Parent Company Saras S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit 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 Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify dpuring our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Saras S.p.A., in the general meeting held on 28 April 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

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 Ownership Structure of Group Saras as at 31 December 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and 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 of Saras Group as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Saras Group as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Saras S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 22 March 2019

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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STATEMENT OF SARAS 'S MANAGER IN CHARGE OF FINANCIAL REPORTING

Saras SpA

Declaration in respect 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, Massimo Moratti, Chairman of the Board of Directors, Dario Scaffardi, CEO, 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:

- 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 2018 to 31 December 2018.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2018:

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 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.

SARAS

Saras SpA

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 4 March 2018

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
(Massimo Moratti)	(Franco Balsamo)
(Dario Scaffardi)	

SARAS S.p.A.

Headquarters in S.S. Sulcitana 195 km. 19th - Sarroch (CA)

Share Capital EUR 54,629,666.67 fully paid-up

BOARD OF AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

pursuant to Article 2429, paragraph 3 of the Civil Code and Article 153 of Legislative Decree No 58/1998

Shareholders,

The Board reports on the supervisory activity carried out in the financial year ended 31 December 2018, pursuant to Articles 2429 *et seq*. of the Civil Code and in compliance with the provisions of Legislative Decree No 58/1998 (Consolidated Finance Act, TUF), to the recommendations expressed by the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts and taking into account the indications provided by Consob in a communication dated 6 April 2001 - DEM/1025564, amended and supplemented by a communication dated 4 April 2003 - DEM/3021582 and subsequently by a communication dated 7 April 2006 - DEM/6031329.

In this Report, the Board also reports on the supervisory activity carried out on compliance by the Company, with the provisions set forth in Legislative Decree No 254/2016, concerning the communication of non-financial information and information on diversity.

In detail, as part of the performance of the functions assigned to it by the legal system, as the supervisory body and also as the Internal Control and Audit Committee in public interest entities, pursuant to Article 19 of Legislative Decree No 39/2010, the Board reports:

a) to have monitored the Company's compliance with the law, the main and secondary regulations and the articles of association;

b) to have obtained from the Directors, with the frequency established by Article 150 of Legislative Decree No 58/1998 and with the procedures established by the Articles of Association in Article 22, information on general operating performance, on the foreseeable evolution of the same, as well as on the activity carried out and on the most significant economic, financial and equity transactions resolved and implemented by the Company and its subsidiaries during the year, and to be able to reasonably affirm, on the basis of the information made available, that the resolutions adopted and the actions taken comply with the law and the corporate articles of association and are not manifestly imprudent, risky, in potential conflict of interests, in contrast with the resolutions of the shareholders' meeting or such as to impact the integrity of company assets. The aforementioned information is exhaustively represented in the report on operations to which reference is made;

c) to not have noted the existence of atypical or unusual transactions with Group companies, with third parties or with other related parties. In this regard, in the Notes to the consolidated financial statements – in paragraph 7.3. of Chapter 7 entitled “Other information” – the Directors highlight and illustrate, in an analytical manner, the existence of relationships of exchange of goods and services and relationships of a financial nature with subsidiaries and other related parties, explaining the economic effects, specifying that the same relationships were regulated under the conditions that would have been applied for transactions of the same nature between unrelated parties and representing the relative correspondence to the

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interest of the Company. Furthermore, in the 2018 financial year, the Company did not purchase or sell its own shares on the Italian Electronic Stock Market (MTA), even though on 27 April 2018, the Shareholders' Meeting authorised a programme to purchase Saras S.p.A. ordinary shares pursuant to Articles 2357 of the Civil Code and 132 of Legislative Decree No 58/1998, to be carried out within the term of 12 months starting from the authorisation resolution, i.e. by 27 April 2019;

d) to have positively assessed compliance of the Procedure with regard to transactions with related parties adopted by the Company (approved by resolution of 23 January 2007, amended by a subsequent resolution of 19 March 2014 and published on the website) to the principles contained in the *“Regulation on transactions with related parties”,* adopted by Consob by Resolution 17221 of 12 March 2010, as amended, implementing Article 2391-*bis* of the Civil Code and to those provided by the Corporate Governance Code; as well as the relative consistency with the indications contained in Consob Communication DEM/10078683 of 24 September 2010; so as to be able to conclude that the procedures adopted by the Board are suitable to guarantee a correct and transparent regulation of transactions with related parties. In this regard, the Board supervised compliance with the adopted Procedure, obtaining adequate information from the relevant functions in this regard. Furthermore, it underlines that the main functions of the Related Parties Committee are assigned to the Control and Risk Committee, established within the Board of Directors and in possession of the independence requisites provided for by the Corporate Governance Code;

e) to have acquired knowledge and monitored, to the extent of its authority, the adequacy of the organisational structure, in terms of structure, procedures, competences and responsibilities, the size of the Company, and the nature and methods of pursuing the corporate purpose;

f) to have supervised compliance with the principles of correct administration, by assiduous participation in the meetings of the Board of Directors and of the Board Committees set up in compliance with the Corporate Governance Code and on the basis of the information acquired, acknowledging that management decisions are inspired by the principle of correct information and reasonableness and that the Directors are aware of the risk and effects of the operations carried out;

g) to have acquired knowledge and supervised, pursuant to Article 149, paragraph 1, letter d) of Legislative Decree No 58/1998, for the main companies subject to control, on the adequacy of the instructions given by the Company to the subsidiaries pursuant to Article 114, paragraph 2 of the same Legislative Decree No 58/1998, through:

- ✓ the acquisition of information from the managers of the competent corporate functions;
- ✓ meetings and exchanges of information with the Chairpersons of the Boards of Statutory Auditors and with the Sole Auditor where required;
- ✓ meetings with the Company also in charge of the statutory audit of the subsidiaries; and to have no particular observations to report in this regard;

h) to have assessed and supervised the adequacy of the internal control system and the administrative-accounting system, as well as the reliability of the latter to correctly represent the management facts, by means of:

- ✓ examination of the report of the Manager responsible for internal control on the Company's internal control system;

- ✓ examination of the reports of the Internal Audit function and of the information provided by the same on the results of the monitoring activity concerning the implementation of the corrective actions identified from time to time;
- ✓ acquisition of information from the managers of the respective functions;
- ✓ examination of company documents;
- ✓ analysis of the results of the work carried out by the auditing company;
- ✓ exchange of information with the control bodies of the subsidiaries pursuant to Article 151, paragraphs 1 and 2 of Legislative Decree No 58/1998;

and to have no particular observations to report in this regard;

i) to have read and to have obtained information on the procedural and organisational activities put in place, in implementation of the legislation relating to the "*Discipline of the administrative responsibility of entities"* referred to in Legislative Decree No 231/2001, as amended; to have received from the Supervisory Body the minutes of the relative meetings held during the 2018 financial year, to have acquired the periodic Reports presented to the Board of Directors and to have received from the same body assurance regarding the absence of facts or situations to be reported herein;

j) to have monitored, pursuant to Article 149, paragraph 1, letter c-*bis* of Legislative Decree No 58/1998, the actual implementation of the Code of Conduct for listed companies prepared by the Corporate Governance Committee, to which the Company has declared to adhere by resolution of the Board of Directors dated 11 November 2006; to have verified the correct application of the assessment criteria adopted by the Board of Directors to assess the independence of the Directors and to have verified the adoption of a self-assessment procedure on the composition and functioning of the Board and of the Committees established within it;

k) to have verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members, pursuant to Article 3, paragraph 3.C.5. of the Corporate Governance Code;

l) to have verified the evolution of governance also in the light of the considerations contained in the corporate governance report on the recommendations contained in the letter of the Chair of the Corporate Governance Committee of 21 December 2018;

m) to have performed the periodic verification of the adequacy of the Board in terms of powers, functioning and composition, taking into account the size, complexity and activities carried out by the Company, verifying the suitability of its members to perform the functions assigned in terms of the existence of the requisites of professionalism and honourability, availability of time and independence and also verifying compliance with the limits on the accumulation of positions held, also on the basis of the certifications and information provided by each auditor;

n) to have received from the auditing company confirmation of independence pursuant to Article 17 of Legislative Decree No 39/2010 and pursuant to paragraph 17 of the international auditing standard (ISA Italy) 260;

o) to have issued the following favourable opinions during the 2018 financial year:

- ✓ on the remuneration attributed to Directors holding special offices, in addition to the compensation established for the office of director pursuant to paragraph 3 of Article 2389 of the Civil Code;

- ✓ on the assessment of the existence of the independence requirements, provided for by the Corporate Governance Code and by Legislative Decree No 58/1998, for independent directors;

- ✓ on the approval of the annual activity plan prepared by the Internal Audit function manager pursuant to Article 7, paragraph 7.C.1. c) of the Corporate Governance Code;

- ✓ on the assessment of the correct use of accounting principles and their consistency for the purposes of preparing the consolidated financial statements, carried out by the Control and Risk Committee, pursuant to Article 7, paragraph 7.C.2. a) of the Corporate Governance Code, in agreement with the Financial Reporting Manager;

- ✓ on the assignment of the task to the auditing company Ernst & Young SL, belonging to the network of the company appointed to audit the financial statements, to carry out further audit activities with respect to Saras Energia SAU, a Spanish company controlled by Saras S.p.A.;

- ✓ on the assignment of the task to Ernst & Young Financial-Business Advisors S.p.A., belonging to the network of the company appointed to audit the financial statements, to perform services other than auditing, involving methodological support to the definition of the digital agenda with respect to Saras Ricerche e Tecnologie S.r.l., a subsidiary of Saras S.p.A.;

- ✓ on the assignment of the task to Ernst & Young S.p.A., to perform services other than auditing, involving a review of the documentary results relative to the analysis performed by the company regarding the possibility of applying hedge accounting to certain types of transactions carried out through derivative instruments;

p) to have not received complaints or claims pursuant to Article 2408 of the Civil Code;

q) to have received analytical information on the impairment tests carried out pursuant to IAS 36 in 2018 confirming the values of some significant assets recorded in the financial statements of the subsidiaries;

r) to have received analytical information regarding the most significant economic, financial and equity transactions carried out, including through subsidiaries. Of these transactions, examined and approved by the Board of Directors, the following are mentioned:

- ✓ signing of an agreement for the sale of the business unit consisting of the network of service stations located in Spain, ancillary services and related personnel, owned by the subsidiary Saras Energia SAU, for EUR 35,000 thousand, in addition to the value of working capital intended to be transferred at the closing of the transaction set out for the first half of 2019;

- ✓ establishment by the subsidiary Saras Energia SAU of a company under Spanish law, called Saras Red SLU, for the disposal of the aforementioned business unit;

- ✓ approval of the project for the constitution of a new commercial company, entirely controlled and based in Rome, with the purpose of carrying out the purchase and sale of petroleum products in Italy;

s) to have held meetings, pursuant to Article 150, paragraph 3 of Legislative Decree No 58/1998, with representatives of the Company appointed to perform the statutory audit, from which no facts or criticalities emerged that require mention in this report;

t) to have received the draft consolidated financial statements of the Group and the separate financial statements as at 31 December 2018, drawn up in accordance with international accounting standards, as well as the report on operations, under the terms established by Article 2429 of the Civil Code, as well as the Sustainability Report containing the consolidated declaration of non-financial and diversity information, in the terms established by Article 5 of Legislative Decree No 254/16;

u) to have received today from the auditing company the reports pursuant to Articles 14 and 19, paragraph 3 of Legislative Decree No 39/2010 respectively for the financial statements and for the consolidated financial statements ended 31 December 2018. These reports show that the Company's financial statements and consolidated financial statements provide a true and fair view of the balance sheet, income statement and cash flows for the year ended 31 December 2018, in accordance with International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of Article 9 of Legislative Decree No 38/2005; and that the report on operations and the information in the report on corporate governance and ownership structure indicated in paragraph 4 of Article 123-*bis* of Legislative Decree No 58/1998 are consistent with the financial statements and the consolidated financial statements;

v) to have received today from the auditing company EY S.p.A. the report required by Article 11 of Regulation (EU) No 537/2014;

w) to have received today from the company assigned the statutory audit, EY S.p.A., the limited audit report on the compliance of the non-financial information provided with respect to the rules contained in Legislative Decree No 254 of 30 December 2016, which shows that there is no reasonable basis to deem that the DNF has not been prepared, in all material respects, in accordance with the requirements of Articles 3 and 4 of the aforementioned Decree and the standard reporting model of the “Global Reporting Initiative’s Sustainability Reporting Standards” (the GRI Standard).

Consolidated declaration of non-financial information

The Board, in the context of the ordinary activity carried out in implementation of current legislation, supervised compliance by the Company with the provisions established by Legislative Decree No 254/2016 on the communication of non-financial information and information on diversity.

The Company has prepared the consolidated declaration of a non-financial nature in the broader form of the “Sustainability Report”, including it in a separate document and not in a section of the report on operations.

The aforementioned declaration covers environmental, social and personnel issues, respect for human rights, and the fight against active and passive corruption, which are relevant taking into account the activity and characteristics of the Company, to an adequate extent in order to allow an understanding of the activity carried out by the Saras Group, its performance, its results and the related impact, in a manner consistent with the provisions contained in Article 3 of Legislative Decree No 254/2016.

The declaration explicitly mentions the reporting standard adopted, or the “Global Reporting Initiative’s Sustainability Reporting Standards”.

On the aforementioned declaration, approved by the Board of Directors in the meeting of 4 March 2019 and made available to the Statutory Auditors on the same date, the Board carried out a brief control on the systems and processes in order to ascertain compliance with the law and correct administration. In concrete terms, the control concerned the risk relevance matrix, the reporting methods for the information provided by the Group companies and their true correspondence, as well as the consistency of the same reporting with the provisions of the decree.

Upon completion of the activity carried out and in the light of the conclusions reached by the auditing company in the specific report, the Board can attest to the adequacy of the organisational structures according to the strategic objectives in the social/environmental area that the Company has set itself, as well as the consistency of the declaration produced with the provisions contained in Legislative Decree No 254/2016.

Conclusions

For the performance of the supervisory activities described above, during the 2018 financial year, the Board met fifteen times; it attended a Shareholders' Meeting, seven meetings of the Board of Directors; three meetings of the Remuneration and Appointments Committee and four meetings of the Control and Risk Committee.

The elements of knowledge necessary for the performance of the activity under the competence of the Board were acquired, as well as from participation in the aforementioned meetings, also through direct investigations, and through the collection of information from the heads of the functions involved. From what emerged from the verifications and from participation in the meetings, the choices made by the Directors appear to comply with the law, the articles of association, and the principles of correct administration, and are consistent and compatible with the company size and with the corporate assets.

In the course of the supervisory activities and on the basis of information obtained by the auditing company, there were no omissions and/or reprehensible facts and/or irregularities or however significant facts that require reporting to the control bodies or mention in this report.

On the basis of the supervisory activity carried out during the year, and from the analysis of the draft financial statements presented, considering that, today, the auditing company has issued its reports without comments, the Board does not find any impediment to approval of the financial statements for the year ended 31 December 2018 and the proposed resolutions drawn up by the Board of Directors.

22 March 2019

The Board of Statutory Auditors

Giancarla Branda – Chair [signature]

Giovanni Luigi Camera – Statutory Auditor [signature]

Paola Simonelli – Statutory Auditor [signature]

LIST OF OFFICES HELD BY THE BOARD OF STATUTORY AUDITORS IN COMPANIES REFERRED TO IN BOOK V OF THE ITALIAN CIVIL CODE ON 04TH MARCH 2019

Giancarla Branda

COMPANY NAME	POSITION HELD
GHC – Garofalo Health Care SpA	Statutory Auditor
Sara Vita SpA	Statutory Auditor and member of the Supervisory Body
RFI - Rete Ferroviaria Italiana SpA	Statutory Auditor and member of the Supervisory Body since 18/12/17
ACI Progei SpA	Statutory Auditor
ACI Consult SpA in liquidazione	Statutory Auditor
Consorzio Studi e Ricerche Fiscali	Statutory Auditor
Banca Network Investimenti in liquidazione coatta Amministrativa	Member of the Monitoring Committee

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	Chairman of the board of Auditors
M-I Stadio Srl	Statutory Auditor
Massimo Moratti SapA	Statutory Auditor
Mondini Cavi SpA	Chairman Board of Statutory Auditors
Sardeolica Srl	Sole Statutory Auditor
Sarlux Srl	Statutory Auditor
Shine Sim SpA	Chairman Board of Statutory Auditors

Paola Simonelli

COMPANY NAME	POSITION HELD
Bruker Italia Srl	Chairman of Board of Statutory Auditors
Cooperativa per il Restauro SCARL	Legal Auditor
Aliserio Srl	Statutory Auditor
Biotecnica Instruments SpA	Statutory Auditor
Chef Express SpA	Statutory Auditor
Consorzio Logistica Pacchi SCPA	Statutory Auditor
Bi-Qem SpA	Statutory Auditor
Bi-Qem Specialties SpA	Statutory Auditor
Cremonini SpA	Statutory Auditor
Emme Esse SpA in liquidazione	Statutory Auditor
Errevi SpA n liquidazione	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 liquidazione	Statutory Auditor
MARR SpA	Statutory Auditor
Mondini Cavi SpA	Statutory Auditor
Perani & Partners SpA	Statutory Auditor
Posa SpA	Statutory Auditor
Pusterla 1880 SpA	Statutory Auditor
Sarlux Srl	Statutory Auditor
UBS Fiduciaria SpA	Statutory Auditor
Simonelli & Partners Srl	Director (without powers)

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA

Building a better working world

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Saras S.p.A. (the Company), which comprise the statement of financial position as at 31 December, 2018, and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to be communicated in this report.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

EY S.p.A.
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The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit 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 Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Saras S.p.A., in the general meeting held on 28 April 2015, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

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 Ownership Structure of Saras S.p.A. as at 31 December 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Saras S.p.A. as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Saras S.p.A. as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, 22 March 2019

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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