

**Saras Group
Interim Financial
Report as of
31st March 2017**



SARAS

Table of contents

Statutory and Control Bodies	3
Group Activities	4
Structure of the Saras Group	5
Saras Stock Performance	6
 REPORT ON OPERATIONS	 7
 Key financial and operational Group Results	 7
Oil Market and Refining Margins	10
Segment Review	12
Refining	12
Marketing	14
Power Generation	15
Wind	16
Other Activities	16
Strategy and Outlook	17
Investments by business Segment	18
Risk Analysis	19
Main events after the end of the First Quarter of 2017	21
Other Information	21
 INTERIM CONSOLIDATED FINANCIAL STATEMENTS	 22
Explanatory Notes To The Consolidated Financial Statements	26

Statutory and Control Bodies

BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	Chief Executive Officer and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	Executive Vice President, General Manager and Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
GIOVANNI MORATTI	Director
GABRIELE PREVIATI	Director
GILBERTO CALLERA	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
----------------	-------------------------

INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

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

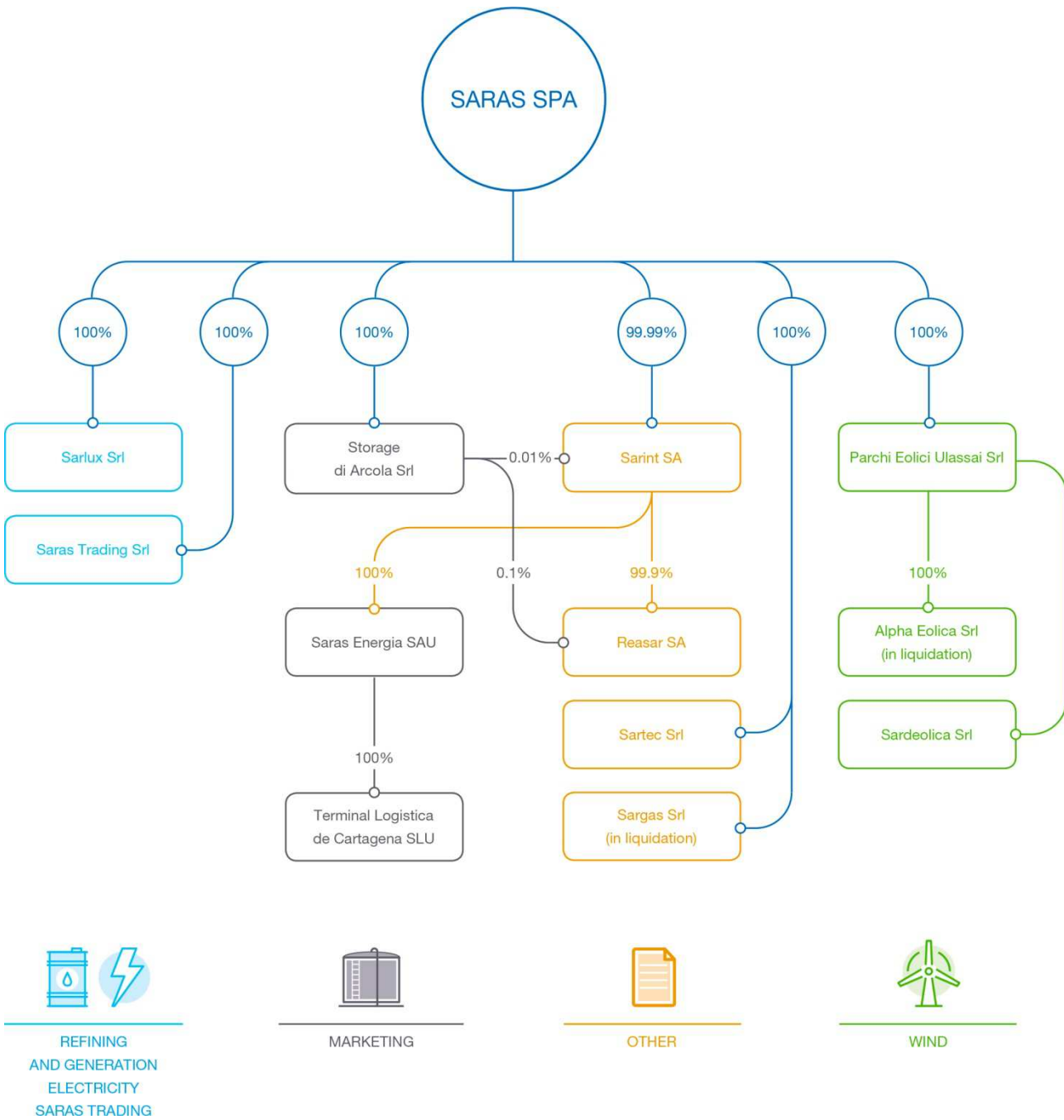
Both directly and through its subsidiaries, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and extra-EU countries. In particular, in 2016 approximately 2.30 million tons of oil products were sold in the Italian wholesale market, and a further 1.79 million tons of oil products were sold in the Spanish market through the subsidiary Saras Energia SAU, which is active both in the wholesale and in the retail channels.

In the early 2000s, the Saras Group entered also in the power generation business with the construction of an IGCC plant (Integrated Gasification plant with Combined Cycle power generation), which has a total installed capacity of 575MW and it also is owned and managed by the subsidiary Sarlux Srl. The feedstock used by the IGCC plant is obtained from the heavy oil products of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to more than 35% of the electricity requirements in Sardinia. Moreover, still in Sardinia, the Group produces and sells electricity from renewable sources, through a wind farm situated in Ulassai. The wind farm which started operations in 2005, is owned and managed by the subsidiary Sardeolica Srl and it has an installed capacity equal to 96MW.

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

Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 31st March 2017.



Saras Stock Performance

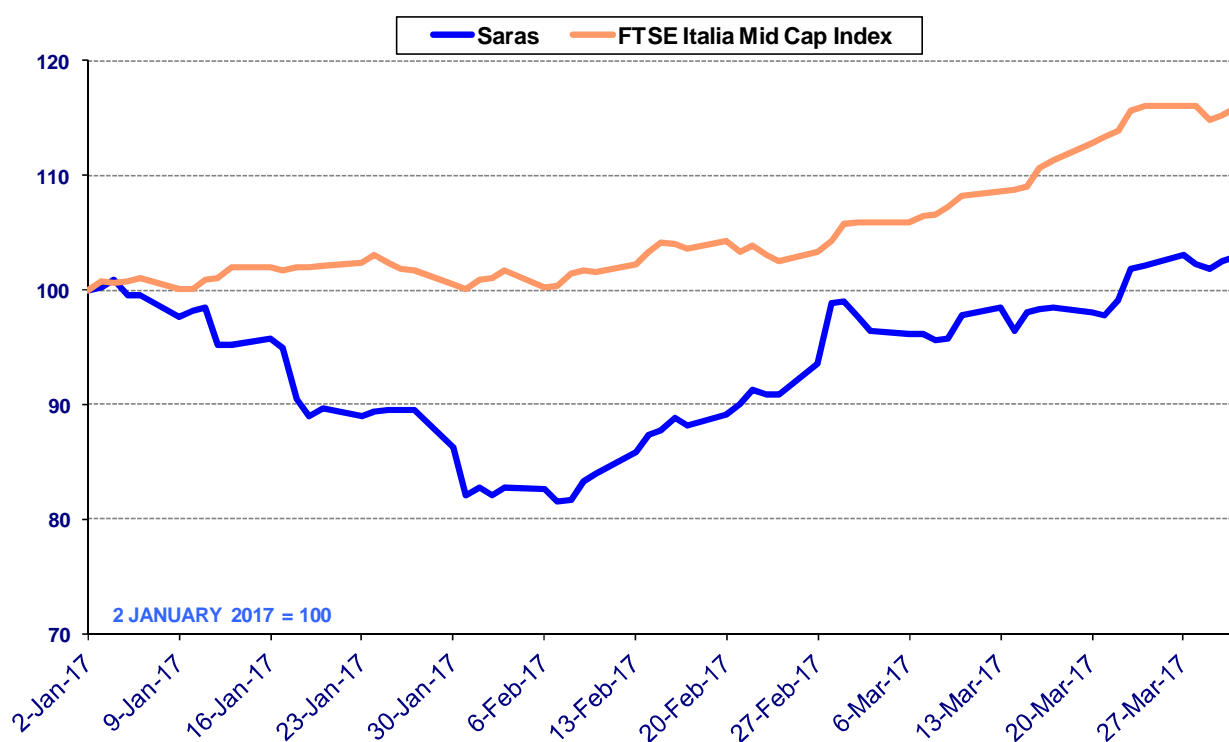
The following data relate to Saras' share prices and the daily volumes, traded during the first quarter of 2017.

SHARE PRICE (EUR)	Q1/17
Minimum price (07/02/2017)	1.418
Maximum price (27/03/2017)	1.793
Average price	1.627
Closing price at the end of the first quarter of 2017 (31/03/2017)	1.791

DAILY TRADED VOLUMES	Q1/17
Maximum traded volume in EUR million (18/01/2017)	59.9
Maximum traded volume in number of shares (million) (18/01/2017)	38.0
Minimum traded volume in EUR million (30/03/2017)	2.4
Minimum traded volume in number of shares (million) (30/03/2017)	1.3
Average traded volume in EUR million	8.6
Average traded volume in number of shares (million)	5.3

The Market capitalization at the end of the first quarter of 2017 was equal to approximately EUR 1,703 million and the number of shares outstanding was approximately 936 million.

The following graph shows the daily performance of Saras' share price during the first quarter of 2017, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Key financial and operational Group Results¹

In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the operating results (EBITDA and EBIT) and the Net Result are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, which is adopted in the Financial Statements prepared according to IFRS accounting principles), because LIFO methodology does not include end-of-period revaluations and write-downs, hence providing a more representative view of the Group's operating performance. Furthermore, for the same reason, non-recurring items by nature, relevance and frequency are not considered, neither is the fair value of the open positions of derivatives on oil and exchange rates, both from the operating results and from the Net Result. Operating results and Net Result calculated as above are called respectively "comparable" and "adjusted" and they are not subject to audit, just like the quarterly results.

Group consolidated income statement figures

EUR Million	Q1/17	Q1/16	Change %	Q4/16
REVENUES	1,897	1,305	45%	2,115
EBITDA	160.4	67.8	137%	207.5
<i>Comparable EBITDA</i>	<i>125.6</i>	<i>124.2</i>	<i>1%</i>	<i>147.8</i>
EBIT	107.5	11.5	836%	130.7
<i>Comparable EBIT</i>	<i>72.7</i>	<i>67.9</i>	<i>7%</i>	<i>91.1</i>
NET RESULT	92.1	(0.2)	na	44.4
<i>Adjusted NET RESULT</i>	<i>46.6</i>	<i>40.2</i>	<i>16%</i>	<i>52.8</i>

Other Group figures

EUR Million	Q1/17	Q1/16	Q4/16
NET FINANCIAL POSITION	21	253	99
CAPEX	45.8	28.6	51.6

Comments to First Quarter 2017 Group Results

Group revenues in Q1/17 were EUR 1,897 million. The difference versus EUR 1,305 million realised in the first quarter of last year is mainly due to the raise of oil prices. More precisely, in Q1/17 gasoline quotations averaged 543 \$/ton (versus an average of 396 \$/ton in Q1/16), while diesel quotations stood at an average of 478 \$/ton (compared to an average of 311 \$/ton in Q1/16).

Such increase drove higher revenues of approx. EUR 478 million in the Refining segment (which were also boosted by a 19% increase in refinery runs), and higher revenues of approx. EUR 106 million in the Marketing segment, despite lower volumes sold both in Italy and Spain (down 13% versus the same period of previous year). Finally, the revenues of the

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

Power Generation segment were higher by approx. EUR 11 million compared to the first quarter of last year, as result of higher value of power tariff and higher sales of steam and hydrogen, which more than offset lower production volumes.

Group reported EBITDA in Q1/17 was EUR 160.4 million, significantly higher than the EUR 67.8 million achieved in Q1/16. The difference is almost entirely due to the Refining segment that in Q1/17 benefited from higher runs due to a lighter maintenance program compared to the same period of previous year, and a better operating performance, that offset lower unitary margins. Moreover, in Q1/17 the differences in inventories between the beginning and the end of the period provided a positive contribution, while it had a negative contribution in the same quarter of last year.

Group reported Net Result stood at EUR 92.1 million, versus EUR -0.2 million reported in Q1/16, basically for the same reasons described at EBITDA level. Moreover, in Q1/17 depreciation and amortisation charges were lower (EUR 52.9 million versus EUR 56.3 million in Q1/16) and net financial charges decreased by 40% (approx. EUR -3.7 million versus EUR -6.2 million in the same quarter of previous year), thanks to the renegotiation of some credit lines and the early repayment of bonds, made in 2016. Finally, the other financial items (which comprise the result of the derivative instruments used for hedging, net exchange rate differences and the fair value of the positions of derivatives that were still open at the end of the period), were positive by approx. EUR 26.8 million in Q1/17, while they were negative by approx. EUR 1.8 million in the same period of last year.

Group comparable EBITDA amounted to EUR 125.6 million in Q1/17, up 1% compared to the EUR 124.2 million earned in Q1/16. This result is due to the Marketing segment that more than offset the lower contribution of the Power Generation and Wind segments, while Refining segment remained approximately at the same level of Q1/16. Thanks to the above described lower depreciation and financial charges, the **Group adjusted Net Result in Q1/17 reached EUR 46.6 million**, versus EUR 40.2 million in the same quarter of last year.

Finally, CAPEX in Q1/17 was EUR 45.8 million, in line with the scheduled investment programme, and mainly directed to the Refining segment (EUR 41.4 million).

The following tables show the details on the calculations of the *Comparable* EBITDA and the *Adjusted* Net Income in Q1/17.

Calculation of the Group *comparable* EBITDA

EUR Million	Q1/17	Q1/16
Reported EBITDA	160.4	67.8
Inventories at LIFO - inventories at FIFO	(44.2)	51.8
Non-recurring items	(4.0)	0.0
Realized result of derivatives and net FOREX	13.4	4.6
Comparable EBITDA	125.6	124.2

Calculation of the Group *adjusted* Net Result

EUR Million	Q1/17	Q1/16
Reported NET RESULT	92.1	(0.2)
(Inventories at LIFO - Inventories at FIFO) net of taxes	(31.8)	35.5
Non-recurring items net of taxes	0.0	0.0
Fair value of derivatives' open positions net of taxes	(13.6)	4.9
Adjusted NET RESULT	46.6	40.2

Net Financial Position

The Net Financial Position on 31st March 2017 was positive and stood at EUR 21 million, versus the positive cash position of EUR 99 million as of 31st December 2016, because the cash generated from operations was absorbed by the payment of the final instalment for the Iranian crude oil purchased in 2012, as well as by the CAPEX made during the period.

EUR Million	31-Mar-17	31-Dec-16
Medium/long-term bank loans	(176)	(183)
Other medium/long-term financial assets	5	6
Long-term net financial position	(171)	(178)
Short term loans	(18)	(16)
Banks overdrafts	(54)	(39)
Other short term financial liabilities	(44)	(77)
Fair value on derivatives and realized net differentials	17	(35)
Other financial assets	45	84
Cash and Cash Equivalents	246	359
Short-term net financial position	192	276
Total net financial position	21	99

Oil Market and Refining Margins

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

Average values ⁽¹⁾	Q1/17	Q1/16
Crude oil price and differential (\$/bl)		
Brent Dated (FOB Med)	53.7	33.9
Urals (CIF Med)	52.5	32.7
"Heavy-light" price differential	-1.2	-1.2
Crack spreads for refined oil products (\$/bl)		
ULSD <i>crack spread</i>	10.3	7.8
Gasoline 10ppm <i>crack spread</i>	11.3	13.5
Reference margin (\$/bl)		
EMC Benchmark	+3.3	+3.6

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

Crude oil prices:

Q1/17 started with Brent quotations of approx. 55 \$/bl, value at which it settled at the end of 2016 pushed by the effect of the announcement of OPEC countries, of a production cut of 1.2 mbl/d since January 2017, to which some non-OPEC countries joined, committing for additional 0.6 mbl/d cuts (half of which by Russia). Such historical decision triggered a sharp upward movement of Brent Dated quotations by approx. 10 \$/bl only in December. In January and February Brent quotations remained confined within a tight band ranging from approx. 53 to 56 \$/bl waiting for confirmation of the actual implementation of the announced productions cuts and the corresponding compensation put in place by the countries non committed to the cuts. On one side the level of compliance to the announced production cuts was high, on the other side the data published by EIA (Energy Information Administration) at the beginning of March, highlighted the high level reached by oil inventories in US and turned the spotlight on the resurgent US activity (tight oil from shale rocks), triggering a bearish move on crude oil prices. As a consequence Brent touched a minimum of 49 \$/bl on 14th March, also due to the net reduction in the speculative positions of investment funds, which reached record levels in the first months of the year. Prices then moved upward to 52 \$/bl in the wake of the fear of lower Libyan production due to the re-emergence of internal political instability. Therefore the quarter closed at 51.9 \$/bl, with a quarterly average of 53.7 \$/bl, approx. 20 \$/bl higher than the average of the same quarter of the previous year, when excess of supply along with the financial markets turbulence and fears of global economy slow downs, penalised oil prices.

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

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

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

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

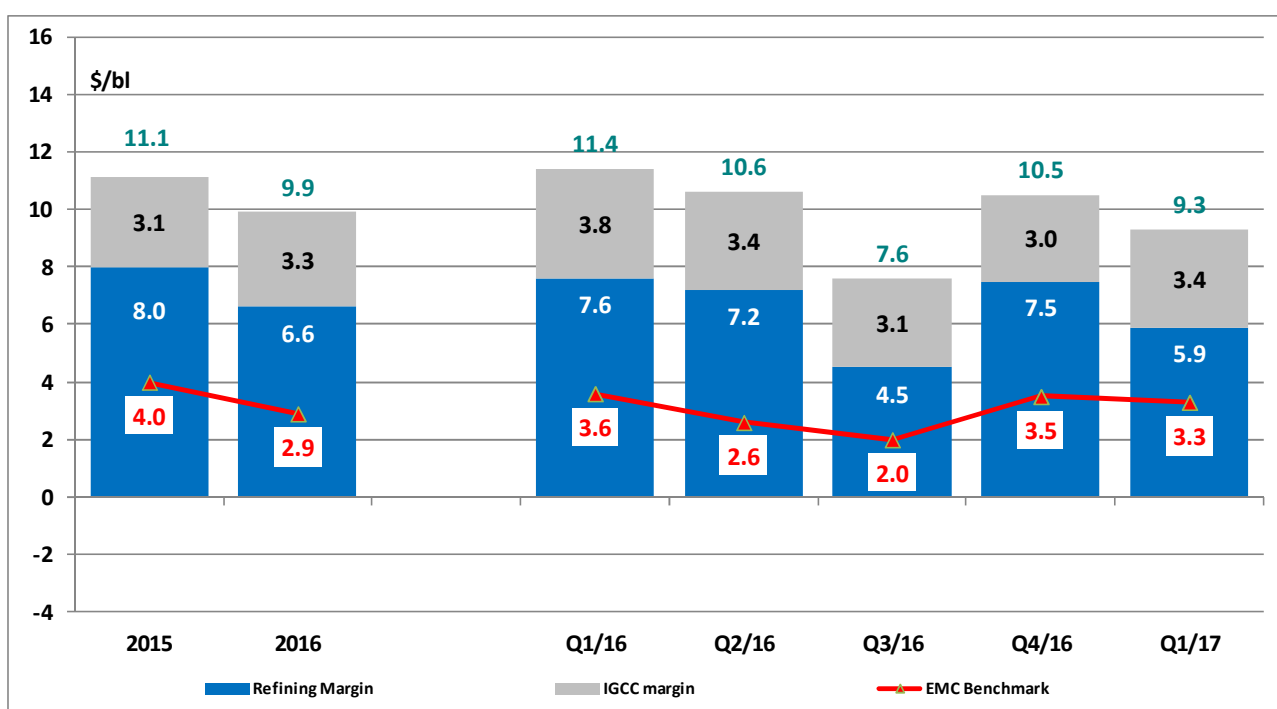
Finally moving to the middle distillates, Q1/17 diesel *crack spread* remained on good levels benefiting from strong gasoil heating demand, driven by cold weather especially in the northern hemisphere combined with the spring maintenance cycle of global refineries. The *crack spread* slightly weakened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

Refining Margin:

Moving to the profitability analysis of the refining industry, Saras traditionally uses a reference refining margin calculated by EMC (Energy Market Consultants) for a mid-complexity coastal refinery, located in the Mediterranean Basin, which processes a feedstock made of 50% Brent and 50% Urals crude oils.

The above mentioned margin (called “EMC Benchmark”) reached record-high levels for the entire duration of 2015 (with a yearly average equal to +4.0 \$/bl), and then it settled at an average of 2.9 \$/bl in 2016. Such a value is the result of a first quarter at +3.6 \$/bl, followed by softer second and third quarters, respectively at +2.6 \$/bl and +2.0 \$/bl and then it rebounded in the fourth quarter to +3.5 \$/bl. The first quarter of 2017 continued on the same tone of Q4/16, reaching an average of 3.3 \$/bl supported, among others, by the strength of fuel oil (due to higher duties levied by the Russian government on the exports of this product from domestic refineries), that has a high relevance in the yields of the EMC model.

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



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

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

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

Segment Review

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

Refining

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

EUR Million	Q1/17	Q1/16	Change %	Q4/16
EBITDA	103.3	14.4	618%	157.7
Comparable EBITDA	71.1	71.5	-1%	90.9
EBIT	76.1	(14.8)	614%	108.7
Comparable EBIT	43.8	42.3	4%	62.0
CAPEX	41.4	25.6		47.9

Margins and refinery runs

		Q1/17	Q1/16	Change %	Q4/16
REFINERY RUNS	Tons (thousand)	3,436	2,880	19%	3,276
	Barrels (million)	25.1	21.0	19%	23.9
	Bl/day (thousand)	279	231	21%	260
COMPLEMENTARY FEEDSTOCK	Tons (thousand)	377	384	-2%	233
EXCHANGE RATE	EUR/USD	1.065	1.102	-3%	1.079
EMC BENCHMARK MARGIN	\$/bl	3.3	3.6		3.5
SARAS REFINERY MARGIN	\$/bl	5.9	7.6		7.5

Comments to First Quarter 2017 Results

Refinery crude oil runs in Q1/17 stood at 3.44 million tons (25.1 million barrels, corresponding to 279 thousands barrel per calendar day), up 19% versus the same quarter of 2016. The runs of other feedstock, complementary to crude oil, stood at levels similar to those of Q1/16. This evolution is mainly due to a maintenance program, involving both distillation and conversion units, less burdensome than the one carried out in Q1/16, and solid refining operations.

Comparable EBITDA was EUR 71.1 million in Q1/17, supported by Saras refining margin at +5.9 \$/bl (as usual, already net of the impact deriving from the maintenance activities carried out in the period). This compares with *comparable* EBITDA of EUR 71.5 million and Saras refining margin equal to +7.6 \$/bl in the same quarter of previous year. As usual, the comparison must take into account the market conditions and the specific performance of the Saras Group, both from the operational and the commercial perspectives.

More in detail, when analysing the market conditions, the increase of oil prices in Q1/17 led to a penalisation of approx. EUR 45 million versus Q1/16 (including also the increase of the cost of "consumptions & losses"). On the opposite the combined effect of gasoline *crack spread* weakening and the strengthening of diesel *crack spread*, increased the value of the production by more than EUR 10 million versus Q1/16. The effect of the exchange rate EUR/USD, that slightly

strengthened in Q1/17 versus the same quarter of previous year (1.065 US Dollars for 1 EUR in Q1/17, vs. 1.102 in Q1/16), delivered a positive impact of approx. EUR 5 million.

From an operational standpoint, in Q1/17 production planning (which consists in the optimization of the crude mix to be refined, the management of semi-finished products, the production of finished products, including specialty products) led to an EBITDA lower by approx. EUR 15 million versus Q1/16. However, the production execution (which takes into account the penalization due to maintenance, both scheduled and un-scheduled, and the higher consumption versus technical targets for some utilities, for instance, fuel oil, steam, electricity, and fuel gas) produced an EBITDA approx. EUR 35 million higher than in Q1/16, mainly thanks to a lighter maintenance cycle compared to the same period of last year and solid operations.

Finally, the commercial performance (which concerns procurement of crude oil and other kinds of feedstock, sale of finished products, chartering and inventory management, including also compulsory stocks) delivered an EBITDA more than EUR 10 million above the first quarter of last year pursuing, among others, available opportunities for the sale of specialty products and components.

Refining CAPEX in Q1/17 was EUR 41.4 million, due to the maintenance programme and the investments envisaged for the period.

Crude Oil slate and Production

The crude mix processed by the Sarroch refinery in Q1/17 had an average density of 33.0°API, similar to the mix processed in FY/16. When looking in more detail at the various crude grades used in the feedstock, it can be noticed an increase in the percentage of crudes processed with low sulphur content ("*light sweet*") while crudes with average density and high sulphur content (so called "*medium sour*") decreased. Finally, the percentage of crudes light with extremely low sulphur content ("*light extra sweet*") as well as the percentage of heavy grades both with low and high sulphur content ("*heavy sour/sweet*") remained quite stable. This changes in the feedstock mix are mainly due to the contingent refinery configuration (deriving from the specific maintenance cycle carried out in Q1/17), and also to economic and commercial choices due, among others, to the different supply condition as a consequence of OPEC production cuts and the large availability of light grades on the market.

	Q1/17	FY 2016	Q1/16
Light extra sweet	32%	33%	36%
Light sweet	15%	9%	6%
Medium sweet/extra sweet	0%	0%	0%
Medium sour	34%	39%	34%
Heavy sour/sweet	19%	19%	24%
Average crude gravity °API	33.0	33.3	33.4

Moving to the production slate, it can be observed that in Q1/17 the yield in middle distillates (49.4%) remained on the same level of 2016. The yields in LPG (1.7%) and light distillates (26.3%) were moderately lower than in FY/16. Finally, TAR yield was quite low (5.4%) also as effect of the planned maintenance on the VisBreaking and the IGCC plants, while fuel oil yield was high (10.8%) in order to take benefit from the strong demand of this product.

		Q1/17	FY 2016	Q1/16
LPG	Tons (thousand)	66	303	95
	yield (%)	1.7%	2.1%	2.9%
NAPHTHA + GASOLINE	Tons (thousand)	1,003	4,140	1,035
	yield (%)	26.3%	28.4%	31.7%
MIDDLE DISTILLATES	Tons (thousand)	1,882	7,150	1,459
	yield (%)	49.4%	49.1%	44.7%
FUEL OIL & OTHERS	Tons (thousand)	411	854	219
	yield (%)	10.8%	5.9%	6.7%
TAR	Tons (thousand)	208	1,181	223
	yield (%)	5.4%	8.1%	6.8%

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

Marketing

The Saras Group is active in the Marketing segment in Italy and Spain, directly and through its subsidiaries, primarily in the wholesale channel. Below are the financial and operational highlights of the segment.

EUR Million	Q1/17	Q1/16	Change %	Q4/16
EBITDA	1.8	(2.6)	169%	4.4
Comparable EBITDA	3.2	(3.3)	196%	2.4
EBIT	0.4	(4.0)	111%	3.0
Comparable EBIT	1.8	(4.7)	139%	0.9
CAPEX	0.2	0.1		0.5

Sales

		Q1/17	Q1/16	Change %	Q4/16
TOTAL SALES	Tons (thousand)	870	1,003	-13%	1,023
of which: in Italy	Tons (thousand)	496	581	-14%	538
of which: in Spain	Tons (thousand)	374	422	-12%	485

Comments to First Quarter 2017 Results

According to the data collected by UP (Unione Petrolifera), during the first quarter of 2017 oil products consumption decreased by 0.4% in the Italian market, which represent the main output channel for the wholesale marketing activities of the Saras Group. In Spain instead, data compiled by CORES show a slight increase in the consumption in the first quarter of 2017 (+0.7%).

In particular, the small decrease in oil products consumption in Italy is the effect of a decline in gasoline volumes (-3.9%, equal to -69ktons), while gasoil modestly increased (+0.2%, equal to +12ktons). The sum of fuels (gasoline + gasoil) equal to approx. 7.2 million tons, was down 0.8% (-57ktons) versus the same quarter of last year. In Q1/17 new car registrations increased by 11.9%, with diesel vehicles accounting for 55.7% of the total (broadly in line with 56.0% in Q1/16). Nonetheless, wholesale margins increased versus Q1/16, thanks to a lower production pressure from refineries, especially inland ones. In this context, Saras Group reduced by 14% the sales volumes continuing the activity of optimization of the portfolio of clients, started in the second half of last year, as well as the costs cutting actions, delivering therefore a material improvement in the gross commercial margin.

Moving to the analysis of the Spanish market in the first quarter of 2017, it can be noted that the fuel oil volumes decline (-11.1%) was more than compensated by the increase of total gasoil demand (+2.9%), while gasoline consumption was in line with the same period of previous year. The Spanish subsidiary Saras Energia reduced volumes sold by 12%, and improved the operating profitability thanks to the policies of sales channels optimization, already implemented in the previous years, and thanks to higher wholesale margins.

Thanks to the improvement of wholesale margins and the cost cutting actions described in the above paragraphs, **comparable EBITDA in the Marketing segment was equal to EUR 3.2 million**, much above the EUR -3.3 million of Q1/16.

Power Generation

Below are the main financial and operational data of the Power Generation segment, which uses an IGCC power plant (Integrated Gasification and Combined Cycle power generation) with an installed capacity of 575MW, fully integrated with the Group's refinery and located within the same industrial complex in Sarroch (Sardinia).

EUR Million	Q1/17	Q1/16	Change %	Q4/16
EBITDA	47.9	46.2	4%	35.9
Comparable EBITDA	43.9	46.2	-5%	45.0
EBIT	24.9	21.8	14%	10.9
Comparable EBIT	20.9	21.8	-4%	20.0
EBITDA ITALIAN GAAP	3.0	16.6	-82%	32.6
EBIT ITALIAN GAAP	(11.5)	0.7	na	16.1
CAPEX	4.0	2.8		3.0

Other figures

		Q1/17	Q1/16	Change %	Q4/16
ELECTRICITY PRODUCTION	MWh/1000	735	863	-15%	1,244
POWER TARIFF	Eurocent/KWh	8.8	8.1	8%	8.1
POWER IGCC MARGIN	\$/bl	3.4	3.8	-11%	3.0

Comments to First Quarter 2017 Results

In the first quarter of 2017, the Power Generation segment performed the scheduled maintenance activity involving two trains of "Gasifier – combined cycle Turbine" and on a one the two "gas washing line trains". The electricity production was equal to 0.735 TWh, down 15% versus the same quarter of last year, as a result of a heavier maintenance cycle compared to the same period of previous year and a lower performance.

Comparable EBITDA was EUR 43.9 million, compared to EUR 46.2 million achieved in Q1/16. The difference is due to higher fixed costs related to the heavy maintenance program performed in Q1/17, largely offset by higher CIP6/92 tariff (+8%) and by the sales of hydrogen and steam (which are not subject to the equalization procedure) that in Q1/17 were approx. EUR 4.5 million higher than in Q1/16. Finally, it is worth noting that the difference between *comparable* and *reported* EBITDA is mainly due to a reclassification.

Moving to the Italian GAAP EBITDA, it stood at EUR 3.0 million in Q1/17, down versus EUR 16.6 million achieved in the same period of last year. The difference comes from the combined effect of lower production and sale of electricity (-15%) and the increase of the procurement cost of TAR feedstock weighing approx. EUR 3.0 million. Such factors have been partially offset by higher CIP6/92 tariff (+8%) and higher sales of hydrogen and steam in Q1/17 (for approx. EUR 4.5 million, as already mentioned).

CAPEX in Q1/17 were EUR 4.0 million, coherently with the heavy scheduled maintenance carried out in the quarter.

Wind

Saras Group is active in the production and sale of electricity from renewable sources, through its subsidiary Sardeolica Srl, which operates a wind park located in Ulassai (Sardinia). Below are the financial and operational highlights of the segment.

EUR million	Q1/17	Q1/16	Change %	Q4/16
EBITDA	6.9	9.9	-30%	7.2
Comparable EBITDA	6.9	9.9	-30%	7.2
EBIT	5.8	8.9	-35%	5.9
Comparable EBIT	5.8	8.9	-35%	5.9
CAPEX	0.0	0.0		0.0

Other figures

		Q1/17	Q1/16	Change %	Q4/16
ELECTRICITY PRODUCTION	MWh	51,268	77,577	-34%	46,584
POWER TARIFF	EURcent/KWh	5.2	3.7	40%	5.0
INCENTIVE TARIFF	EURcent/KWh	10.7	11.1	-3%	10.0

Comments to First Quarter 2017 Results

In Q1/17 **comparable EBITDA of the Wind segment (which is equal to the IFRS EBITDA)** stood at **EUR 6.9 million**, down 30% versus EUR 9.9 million achieved in Q1/16, mainly due to less favorable wind conditions compared to record levels experienced in the same period of last year. Such dynamic resulted in an electricity production 34% lower than those of the same period of last year, only partially offset by higher electricity tariff (+1.5 EURcent/kWh vs Q1/16), while the value of the Incentive Tariff slightly decreased (-0.4 EURcent/kWh vs. Q1/16).

Other Activities

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

EUR Million	Q1/17	Q1/16	Change %	Q4/16
EBITDA	0.5	(0.1)	590%	2.3
Comparable EBITDA	0.5	(0.1)	590%	2.3
EBIT	0.3	(0.3)	213%	2.2
Comparable EBIT	0.3	(0.3)	213%	2.2
CAPEX	0.1	0.0		0.3

Strategy and Outlook

The year 2017 started on a positive tone for the European refining industry, with total crude oil supply still abundant and not materially different from the previous year, notwithstanding the implementation of the production cuts since the beginning of January, enforced, by OPEC members and other relevant suppliers (Russia in primis). Indeed, in front of 1.8 million barrels per day (mbl/d) removed from the market (1.2 mbl/d by OPEC and further 0.6 mbl/d by non-OPEC), material increase in supply from other sources is taking place, offsetting the above mentioned production reduction. Global supply continues to remain robust thanks to the recovery of E&P activities in the USA (tight oil from shale rocks) and in the North-Eastern area of the Caspian Sea (the “Kashagan” oil field), in addition to the increase of exports from Libya and Nigeria.

In consideration of the above scenario, experts forecast Brent quotations to stabilize in the range between 50 \$/bl and 60 \$/bl, until the markets will actually verify the effectiveness of the announced production cuts, as well as the compensatory response of the other producers which are not participating to such cuts. However, it is evident some pressure on the premia of *light sweet* grades and on the discounts of some *heavy sour* grades because the increased production of the above mentioned countries concerns primarily *light sweet* grades, while the OPEC cuts affect mainly *heavy sour* crude oils.

Looking at the demand side, in the report published in May, the International Energy Agency (IEA) expects global demand to grow by +1.3 mbl/d in 2017, thanks to robust consumption in Europe, USA, India, Russia and China.

Moving to the profitability of the main refined products, the international experts foresee the gasoline crack spread to average at approx. 10 \$/bl (down by 1.6 \$/bl vs. 2016), with the usual seasonal fluctuations. With regards to the middle distillates, the experts anticipate the diesel crack spread at an average of approx. 11 \$/bl (recovering by 2 \$/bl compared to 2016), driven by demand of gasoil for industrial uses, which is directly correlated to the economic cycle (European GDP for 2017 is expected to grow by 1.6%, and on a global scale it should increase even more strongly, at +3.4%). Conversely, the recent debate on the diesel engines emissions should not produce material effects in 2017, but they could weigh on private transport consumption over the medium term. All in all, the above described market conditions should pave the way for healthy refining margins also in 2017, and the Saras Group will aim to achieve a premium above the EMC benchmark margin of approx. 3.5 \$/bl, as a yearly average.

From an operational standpoint, the Refinery segment will face a lighter maintenance cycle in 2017 vs. previous year and concentrated in the first quarter of the year, hence delivering higher runs, lower fixed costs, and lower EBITDA reductions due to plants unavailability. In details, the scheduled maintenance activities in Q1/17 were carried out smoothly and according to plans. For the remaining part of the year maintenance in the second quarter will be carried out on the Topping “RT2”; while in the third quarter, activities will concern the Vacuum “V1” and the VisBreaking “VSB”; and finally, in the fourth quarter, the scheduled activities will take place on the Alkylation “ALKY”, the “TAME”, and the Catalytic Reforming “CCR”. Overall, yearly crude runs are expected at 14.4÷14.7 million tons (corresponding to 105÷108 million barrels), plus further 1.5 million tons of complementary feedstock (corresponding to approx. 11 million barrels).

With reference to the Power Generation segment, the heaviest part of the annual maintenance programme was carried out in Q1/17. The activity will continue in the second quarter concerning the third “Gasifier – Combined Cycle Turbine” train. Therefore, total production of electricity in 2017 is expected between 3.90÷4.20 TWh.

In relation to the Marketing segment, the margins are foreseen on a recovery path in 2017, thanks to an environment of rising refined products consumption, and thanks also to the efforts undertaken to optimise costs and working capital requirements.

Finally, in the Wind segment, the subsidiary Sardeolica continues the necessary steps to clear the Environmental Impact Assessment procedure (“V.I.A. – Valutazione di Impatto Ambientale”) with regards to the upgrading project of its wind farm in Ulassai (located on lands belonging to the municipalities of Ulassai and Perdasdefogu), for an additional capacity of 30 MW. Moreover, it is still in progress the procedure to obtain the construction permits (“Autorizzazione Unica”) regarding a project of approx. 15 MW in the municipality of Onani (NU).

Investments by business Segment

EUR Million	Q1/17	FY 2016
REFINING	41.4	133.6
POWER GENERATION	4.0	9.6
MARKETING	0.2	1.4
WIND	0.0	0.3
OTHER	0.1	0.6
Total	45.8	145.6

Risk Analysis

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

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

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

Financial risks

Exchange rate risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Other risks

Price fluctuation risk

The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, principally crude oil). In addition, to carry out production, the Saras Group is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices.

Also subject to fluctuations is the selling price of electricity, produced and sold by our subsidiaries, as well as the prices of green certificates and emissions credits.

The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices. To mitigate the risks deriving from price fluctuation, the Saras Group also takes out derivative contracts on commodities.

Risk related to the procurement of crude oil

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

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia, and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns.

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

Environmental risk

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

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

Regulatory risk

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

Dependencies on third parties

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

Protection of Personal Data

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

Main events after the end of the First Quarter of 2017

On **20th April 2017**, Saras SpA Ordinary and Extraordinary Shareholders' Meeting was held, and it approved the separate Financial Statement of Saras SpA as of 31st December 2016, which showed a net profit of EUR 162,443,677.

The Shareholders' Meeting resolved to distribute a dividend of EUR 0.10 per for each of the 936,010,146 ordinary outstanding shares, for a total amount of EUR 93,601,014.60 drawing it from the income of the year. The above mentioned dividend will be paid on 24th May 2017.

Finally, the Shareholders' Meeting appointed Mr. Giovanni Moratti as a new member of the Board of Director, in place of the resigned Mr. Andrey Nikolayevich Shishkin, confirming the total number of Board Members at 12.

The Extraordinary Shareholders' Meeting resolved to amend the Art. 18 of the Articles of Association, in particular the sub-session (iii) paragraph 10, that enabled the Company to take one Board Member from the list submitted and voted by shareholders individually representing at least 12% of the share capital made up by shares having voting rights in the ordinary general meeting (even if this list is linked with the shareholders who have submitted and voted the list that obtained the most votes). Such a change of the Articles of Association is due to the evolution of the shareholding structure following the disposal of the stake held in the Company by Rosneft. However, it does continue to grant to the minority shareholders not linked with the majority shareholders, the right to appoint a Board Member in accordance with the provisions of the Article 147-ter, paragraph 3, of TUF.

For more details, please refer to the press release related to the Shareholders' Meeting , published on 20th April.

Other Information

Research and Development

Saras did not undertake meaningful "Research and Development" activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first quarter of 2017.

Own shares

During the first quarter of 2017 no transactions took place, involving the sale or purchase of Saras SpA own shares. Therefore, as of 31st March 2017, Saras SpA held in treasury 14,989,854 own shares, corresponding to 1.576% of the company's issued share capital.

Non-recurring and unusual Transactions

During the first quarter of 2017 there were no activities originated from non-recurring and/or unusual transactions, and there are no open positions originating from such transactions.

Buyback Plan

The Shareholders' Meeting of Saras SpA, held on 20th April 2017, authorised a new programme to purchase Saras SpA own shares and to dispose of them (the "Buyback programme"), pursuant respectively to Articles 2357 and 2357-ter of the Italian Civil Code, and to Article 132 of the Legislative Decree 58/1998 ("TUF"). More in details, the new resolution authorises to buyback Saras SpA ordinary shares up to the maximum number of shares permitted by law, which is equal to 20% of the issued share capital, also taking into account the own shares already held in treasury by the Company. The new Buyback programme can be implemented also in several stages as appropriate, and it shall take place in the twelve (12) months following the authorisation resolved on 20th April 2017 by the Shareholders' Meeting, which means during the 12 months ending on 20th April 2018. Moreover, the resolution authorises acts of disposal, to be implemented also in various stages as appropriate, of the shares purchased under the above Buyback programme, as well as of the shares already purchased according to previously authorised buyback programmes and currently held in treasury by the Company. It should be specified that the purchase of own shares within the new Buyback programme is not related to the reduction of the Company's issued share capital, and therefore the purchased shares will not be cancelled.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of:
31st March 2017 and 31st December 2016

Thousands of euros	31/03/2017	31/12/2016
ASSETS		
Current assets	1,617,270	1,689,200
Cash and cash equivalents	246,176	359,175
Other financial assets	103,045	120,662
Trade receivables	207,062	423,621
Inventories	865,528	621,894
Current tax assets	38,513	36,402
Other assets	156,946	127,446
Non-current assets	1,176,296	1,205,184
Property, plant and equipment	965,689	964,263
Intangible fixed assets	186,355	194,894
Other investments	502	502
Deferred tax assets	18,674	39,775
Other financial assets	5,076	5,750
Total assets	2,793,566	2,894,384
LIABILITIES AND EQUITY		
Current liabilities	1,310,263	1,423,241
Short-term financial liabilities	157,532	203,377
Trade and other payables	873,780	1,044,879
Current tax liabilities	208,606	102,812
Other current liabilities	70,345	72,173
Non-current liabilities	468,422	548,416
Long-term financial liabilities	176,066	183,438
Funds for risks and charges	73,827	102,455
Provisions for employee benefits	11,103	10,541
Deferred tax liabilities	4,724	4,719
Other non-current liabilities	202,702	247,263
Total liabilities	1,778,685	1,971,657
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	857,234	660,841
Profit/(loss) for the period	92,091	196,330
Total equity attributable to the parent company	1,014,881	922,727
Minority interests	0	0
Total equity	1,014,881	922,727
Total liabilities and shareholders' equity	2,793,566	2,894,384

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st January – 31st March 2017 and 2016

Consolidated Income Statement for the periods 1st January - 31st March 2017 and 2016

Thousands of euros	1st January 31st March 2017	of which non- recurring	1st January 31st March 2016	of which non- recurring
Revenues from ordinary operations	1,870,446		1,282,839	
Other income	26,708		21,802	
Total returns	1,897,154	0	1,304,641	0
Purchases of raw materials, replacement parts and consumables	(1,551,850)		(1,079,170)	
Cost of services and sundry costs	(147,937)		(119,827)	
Personnel costs	(36,951)		(37,870)	
Depreciation, amortisation and write-downs	(52,874)		(56,299)	
Total costs	(1,789,612)	0	(1,293,166)	0
Operating result	107,542	0	11,475	0
Net income (charges) from equity investments				
Financial income	65,699		47,825	
Financial charges	(42,617)		(55,824)	
Profit/(loss) before taxes	130,624	0	3,476	0
Income tax	(38,533)		(3,700)	
Net profit/(loss) for the period	92,091	0	(224)	0
Net profit/(loss) for the period attributable to:				
Shareholders of the parent company	92,091		(224)	
Minority interests	0		0	
Earnings per share - base (euro cents)	9.84		(0.02)	
Earnings per share - diluted (euro cents)	9.84		(0.02)	

Statement of Comprehensive Income for the periods: 1st January - 31st March 2017 and 2016

Thousands of euros	1st January 31st March 2017	1st January 31st March 2016
Net result for the period (A)	92,091	(224)
Components of total profit that may subsequently be reclassified in the profit (loss) for the year		
Conversion effect balances in foreign currency	63	7
Components of total profit that will subsequently not be reclassified in the profit (loss) for the year		
Actuarial effect IAS 19 on employee end-of-service payments	0	0
Other profit/(loss), net of the fiscal effect (B)	63	7
Consolidated Comprehensive Result for the period (A + B)	92,154	(217)
Net consolidated comprehensive result for the period attributable to:		
Shareholders of the parent company	92,154	(217)
Minority interests	0	0

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

Thousands of euros	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Period	Total equity attributable to the parent company	Third-party minority interests	Total net equity
Balance as at 31/12/2015	54,630	10,926	595,688	223,660	884,904	0	884,904
Allocation of profit previous year			223,660	(223,660)	0		0
Distribution of dividends			(159,122)		(159,122)		(159,122)
Reserve for stock option plan			812		812		812
Conversion effect balances in foreign currency			33		33		33
Actuarial effect IAS 19			(230)		(230)		(230)
Net profit/(loss) for the period				196,330	196,330		196,330
<i>Comprehensive net profit (loss) for the period</i>			33	196,330	196,363		196,363
Balance as at 31/12/2016	54,630	10,926	660,841	196,330	922,727	0	922,727
Allocation of profit previous year			196,330	(196,330)	0		0
Reserve for stock option plan					0		0
Conversion effect balances in foreign currency			63		63		63
Net profit/(loss) for the period				92,091	92,091		92,091
<i>Comprehensive net profit (loss) for the period</i>			63		63		63
Balance as at 31/03/2017	54,630	10,926	857,234	92,091	1,014,881	0	1,014,881

Consolidated Cash Flows Statement as of: 31st March 2017 and 31st March 2016

Thousands of euros	1/1/2017- 31/03/2017	1/1/2016 - 31/03/2016
A - Initial cash and cash equivalents	359,175	856,843
B - Cash flow from (for) activities in the period		
Net profit / (Loss) for the period	92,091	(224)
Unrealised exchange rate differences on bank current accounts	(206)	(720)
Depreciation and write-downs of fixed assets	52,874	56,299
Net change provision for risks	(28,628)	(30,732)
Net change in provision for employee benefits	562	(362)
Net change in deferred tax liabilities and deferred tax assets	21,106	3,316
Net interest	3,691	5,571
Income tax set aside	17,427	384
Change FV derivatives	(16,965)	(139)
Other non-monetary components	63	7
Profit (loss) of operating activities before changes in working capital	142,015	33,400
(Increase)/Decrease in trade receivables	216,559	(2,262)
(Increase)/Decrease in inventories	(243,634)	94,571
Increase/(Decrease) in trade and other payables	(171,099)	(13,284)
Change other current assets	(31,611)	(35,040)
Change other current liabilities	86,539	76,258
Interest received	11	312
Interest paid	(3,702)	(5,883)
Taxes paid	0	0
Change other non-current liabilities	(44,561)	(29,664)
Total (B)	(49,483)	118,408
C - Cash flow from (for) investment activities		
(Investments) in tangible and intangible fixed assets	(45,761)	(28,512)
(Increase)/Decrease in other financial assets	76,508	71,397
Total (C)	30,747	42,885
D - Cash flow from (for) financing activities		
Increase/(Decrease) m/l-term financial payables	0	0
Increase/(Decrease) short-term financial payables	(94,469)	(57,858)
Total (D)	(94,469)	(57,858)
E - Cash flow for the period (B+C+D)	(113,205)	103,435
Unrealised exchange rate differences on bank current accounts	206	720
F - Final cash and cash equivalents	246,176	960,998

For the Board of Directors
The Chairman
Gian Marco Moratti



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

- 1. Introduction**
- 2. Basis of preparation and changes of the Group accounting policies**
 - 2.1 Basis of preparation
 - 2.2 New accounting standards, interpretations and changes adopted by the Group
 - 2.3 Consolidation scope
 - 2.4 Use of estimates
- 3. Information by business segment and geographical area**
 - 3.1 Introduction
 - 3.2 Segment information
- 4. Test of impairment of value of goodwill and intangible assets with indefinite useful life (Impairment test)**
- 5. Notes to the statement of financial position**
 - 5.1 Current assets
 - 5.1.1 Cash and cash equivalents
 - 5.1.2 Other financial assets
 - 5.1.3 Trade receivables
 - 5.1.4 Inventories
 - 5.1.5 Current tax assets
 - 5.1.6 Other assets
 - 5.2 Non-current assets
 - 5.2.1 Property, plant and equipment
 - 5.2.2 Intangible assets
 - 5.2.3 Equity investments
 - 5.2.3.1 Other equity interests
 - 5.2.4 Deferred tax assets
 - 5.2.5 Other financial assets
 - 5.3 Current liabilities
 - 5.3.1 Short-term financial liabilities
 - 5.3.2 Trade and other payables
 - 5.3.3 Current tax liabilities
 - 5.3.4 Other liabilities
 - 5.4 Non-current liabilities
 - 5.4.1 Long-term financial liabilities
 - 5.4.2 Provisions for risks and future liabilities
 - 5.4.3 Provisions for employee benefits
 - 5.4.4 Deferred tax liabilities
 - 5.4.5 Other liabilities
 - 5.5 Shareholders' equity
- 6. Notes to the Income Statement**
 - 6.1 Revenues
 - 6.1.1 Revenues from ordinary operations
 - 6.1.2 Other income
 - 6.2 Costs
 - 6.2.1 Purchases of raw materials, replacement parts and consumables
 - 6.2.2 Cost of services and sundry costs
 - 6.2.3 Personnel costs
 - 6.2.4 Depreciation, amortisation and impairments
 - 6.3 Financial income and charges
 - 6.4 Income tax
- 7. Other information**
 - 7.1 Main legal actions pending
 - 7.2 Transactions with related parties

1. Introduction

Publication of the condensed consolidated financial statements of Saras Group as of and for the period closed as at 31 March 2017 was authorised by the Board of Directors on 16 May 2017.

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

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

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

2.1 Basis of preparation

The condensed consolidated financial statements for the three months ended 31 March 2016 were prepared in accordance with IAS 34 - Interim Financial Reporting.

The condensed consolidated financial statements do not provide all the information requested in the preparation of the annual consolidated financial statements. For that reason, it is necessary to read these condensed consolidated financial statements together with the consolidated financial statements for the year ended 31 December 2016.

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those used in preparing the consolidated financial statements at 31 December 2016. The Group was not an early adopter of any new standard, interpretation or amendment issued but not yet in force. The application of the new standards, amendments and interpretations in force since 1 January 2017 has not had any significant impact on these condensed consolidated financial statements.

2.3 Consolidation scope

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

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

Compared to 31 December 2016, there are no changes in the scope of consolidation.

2.4 Use of estimates

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

3. Information by business segment and geographical area

3.1 Preliminary remarks

The Saras Group's business segments are:

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

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

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

The finished products are sold to major international operators.

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

- in Italy by Saras S.p.A. (Wholesale Division), following the absorption of the subsidiary Arcola Petrolifera S.r.l., through off-network customers (wholesalers, purchasing consortia, local authority-owned utility companies and resellers) and oil companies through a logistics network comprising both its own bases (at Sarroch) and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) as well as Deposito di Arcola Srl for the logistics management of the Arcola storage facility in Liguria;
- in Spain, by Saras Energia S.A. for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of storage facilities located throughout the country, the most important of which, the Cartagena storage facility, is owned by the company itself.

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

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

5. Other activities include reinsurance, undertaken for the Group by Reasar S.A., and research for environmental sectors undertaken by Sartec S.r.l.

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

3.2 Segment information

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

Income statement first quarter 2017	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	1,905,689	122,410	441,998	2,672	6,867	2,479,636
to be deducted: intersectoral revenues	(592,507)	(12,584)	(500)	0	(3,599)	(609,190)
Revenues from third parties	1,313,182	109,826	441,498	2,672	3,268	1,870,446
Other operating revenues	39,677	3,116	1,688	5,934	128	50,543
to be deducted: intersectoral revenues	(23,578)	(76)	0	(77)	(104)	(23,835)
Other income from third parties	16,099	3,040	1,688	5,857	24	26,708
Depreciation and write-downs	(27,262)	(22,987)	(1,339)	(1,137)	(149)	(52,874)
Gross operating result	76,064	24,904	447	5,791	336	107,542
Financial income	66,162	45	85	15	4	66,311
Financial charges	(38,418)	(4,106)	(672)	(22)	(11)	(43,229)
Income tax	(31,107)	(5,409)	(177)	(1,740)	(100)	(38,533)
Profit (loss) for the period	72,701	15,434	(317)	4,044	229	92,091
Total directly attributable activities (b)	1,095,335	1,323,327	258,323	95,667	31,334	2,803,986
Total directly attributable liabilities (b)	1,224,508	265,968	254,212	22,565	21,852	1,789,105
Investment in tangible fixed assets	41,406	4,027	124	0	91	45,648
Investimenti in intangible fixed assets	0	0	97	1	11	109

Income statement first quarter 2016	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	1,180,432	104,847	336,286	11,488	5,540	1,638,593
to be deducted: intersectoral revenues	(347,148)	(5,878)	(468)	0	(2,260)	(355,754)
Revenues from third parties	833,284	98,969	335,818	11,488	3,280	1,282,839
Other operating revenues	38,516	5,880	785	13	65	45,259
to be deducted: intersectoral revenues	(20,847)	(2,571)	0	0	(39)	(23,457)
Other income from third parties	17,669	3,309	785	13	26	21,802
Depreciation and write-downs	(27,262)	(22,987)	(1,339)	(1,137)	(149)	(52,874)
Gross operating result	(14,798)	21,759	(4,031)	8,860	(315)	11,475
Financial income	47,947	161	131	73	54	48,366
Financial charges	(55,292)	(57)	(825)	(185)	(6)	(56,365)
Income tax	5,978	(7,731)	599	(2,611)	65	(3,700)
Profit (loss) for the period	(16,165)	14,132	(4,126)	6,137	(202)	(224)
Total directly attributable activities (b)	2,231,758	575,437	393,366	103,877	25,221	3,329,659
Total directly attributable liabilities (b)	1,766,672	316,211	308,463	38,121	15,505	2,444,972
Investment in tangible fixed assets	25,637	2,770	66	17	21	28,511
Investimenti in intangible fixed assets	0	0	49	21	0	70

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

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

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

In reviewing their indicators of impairment, the Group takes into account, among other factors, the relationship between its market capitalisation and its book value. At 31 March 2017, the Group's market capitalisation was higher than the carrying amount of its net assets, thus indicating the absence of a potential loss in value of reported tangible and intangible assets. Consequently, the directors have not carried out an impairment test at 31 March 2017 for the segments mentioned above.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	31/03/2017	31/12/2016	Change
Bank and postal deposits	244,256	357,542	(113,286)
Cash	1,920	1,633	287
Total	246,176	359,175	(112,999)

Bank deposits are mainly attributable to Saras SpA (EUR 144,270 thousand), Sarlux Srl (EUR 2,022 thousand), Sardeolica Srl (EUR 10,452 thousand) and Saras Trading S.A. (EUR 78,151 thousand). For further details on the company's net cash position, reference is made to the relevant section of the Report on Operations and the cash flow statement.

5.1.2 Other financial assets

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

Current financial assets	31/03/2017	31/12/2016	Change
Bonds	482	482	0
Current financial derivatives	58,217	37,041	21,176
Deposits to secure derivatives	40,358	83,125	(42,767)
Other assets	3,988	14	3,974
Total	103,045	120,662	(17,617)

'Derivative instruments' comprises the positive fair value of derivatives outstanding at the end of the period under review and the realised and still uncollected inflows.

The item Deposits to secure derivatives reflects the deposits required by the counterparties with which the Group enters into derivative contracts to secure the positions open at 31 March 2017.

5.1.3 Trade receivables

This item totalled EUR 207,062 thousand, a decrease of EUR 423,621 thousand compared with their amount at 31 December 2016.

5.1.4 Inventories

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

Inventories	31/03/2017	31/12/2016	Change
Raw materials, supplies and consumables	168,202	165,755	2,447
Unfinished products and semi-finished products	85,527	59,961	25,566
Finished products and goods	521,488	303,308	218,180
Spare parts and raw materials, supplies	90,311	92,870	(2,559)
Total	865,528	621,894	243,634

The increase in oil inventories was essentially due to higher quantities held in stock.

The recording of inventories at net realisable value led to a write-down of inventories of around EUR 2.3 million.

The carrying amount of inventories does not differ from their market value.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	31/03/2017	31/12/2016	Change
VAT credits	243	1,428	(1,185)
IRES credits	15,968	12,045	3,923
IRAP credits	11,818	11,818	0
Other tax credits	10,484	11,111	(627)
Total	38,513	36,402	2,111

IRES and IRAP credits are attributable to tax surplus generated in prior years while the other tax credits include, in addition to tax refunds requested or paid on a provisional basis (EUR 5,886 thousand), the recognition of the tax credit for the promotion of 2014/2015 investments pursuant to Art. 18 DL 91/14 (EUR 2,487 thousand), less any tax payments for the period.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/03/2017	31/12/2016	Change
Accrued income	1,068	216	852
Pre-paid expenses	20,019	8,253	11,766
Other short-term receivables	135,859	118,977	16,882
Total	156,946	127,446	29,500

Deferred charges mainly relate to insurance premiums.

'Other receivables' mainly comprise:

- EUR 20,133 thousand due to the subsidiary Sarlux by the Equalisation Fund for the Electricity Sector for the recognition, pursuant to Title II, paragraph 7 bis, Cip regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emission Trading), in application of the Authority for Electricity and Gas June 11, 2008, ARG/elt 77/08, referring to the year 2016 (EUR 17,091 thousand) and to the first three months of 2017 (EUR 3,042 thousand);
- recovery of the amount paid by Sarlux Srl to GSE of EUR 28,744 thousand, as described in section 7.1;
- white certificates for EUR 42,527 thousand for energy savings made by the Sarroch refinery (EUR 38,747 thousand in 2016).
- Receivable in the amount of EUR 17,960 thousand, due to the subsidiary Sarlux Srl following recognition of the status as an "energy-consuming enterprise" by the Electricity Sector Equalisation Fund. The rebate is provided pursuant Decree Law no. 83 of 22 June 2012, which identifies companies with significant power consumption entitled to rebates on the payment of general system costs. The Company has already been classified as an "energy-consuming business" for 2013 and 2014 and thinks that it has the necessary requirements to obtain it for 2015, 2016 and 2017 as well.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	31/03/2017	
Land and buildings	223,817	12	0	0	812	224,641	
Plant and machinery	3,097,838	8,513	(1,830)	0	34,352	3,138,873	
Ind. and comm. equipment	29,216	48	0	0	0	29,264	
Other goods	538,938	47	0	0	9,332	548,317	
Tangible fixed assets under construction	135,564	37,028	0	0	(48,317)	124,275	
Total	4,025,373	45,648	(1,830)	0	(3,821)	4,065,370	
Depreciation Fund	31/12/2016	Provisions	Use	Write-downs	Other changes	31/03/2017	
Land and buildings fund	117,192	1,547	83	0	(167)	118,655	
Plant and machinery fund	2,476,327	38,272	(1,830)	0	(3,833)	2,508,936	
Ind. and comm. equipment fund	24,922	298	4	0	0	25,224	
Other goods	442,669	4,198	0	0	(1)	446,866	
Total	3,061,110	44,315	(1,743)	0	(4,001)	3,099,681	
Net Value	31/12/2016	Increases	Decreases	Provisions	Write-downs	Other changes	31/03/2017
Land and buildings	106,625	12	(83)	(1,547)	0	979	105,986
Plant and machinery	621,511	8,513	0	(38,272)	0	38,185	629,937
Ind. and comm. equipment	4,294	48	(4)	(298)	0	0	4,040
Other goods	96,269	47	0	(4,198)	0	9,333	101,451
Tangible fixed assets under construction	135,564	37,028	0	0	0	(48,317)	124,275
Total	964,263	45,648	(87)	(44,315)	0	180	965,689

The item 'Land and buildings' chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 62,477 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR

3,283 thousand and land largely relating to the Sarroch and Arcola sites belonging to the Sarlux Srl subsidiary and the Deposito di Arcola Srl subsidiary, respectively, with a carrying amount of EUR 40,226 thousand.

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

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

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

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

The item increased by EUR 45,648 thousand year-on-year, mainly reflecting technological work on refinery plants.

The main depreciation rates used are as follows:

	I.G.C.C. plant	Other Assets (annual rates)
Industrial buildings (land and buildings)	until 2020	5.50%
Generic plant (plant and machinery)	until 2020	8.38%
Highly corrosive plant (plant and machinery)	until 2020	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric plant (plant and machinery)	until 2020	
Wind farm (plant and machinery)		10.00%
Equipment (equipment plant and machinery)		25.00%
Electronic office equipment (other assets)		20.00%
Office furniture and machinery (other assets)		12.00%
Vehicles (other assets)		25.00%

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

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	31/03/2017	
Industrial patent and original work rights	43,789	116	0	0	1	43,906	
Concessions, licences, trademarks and similar rights	48,829	0	0	0	1,308	50,137	
Goodwill and intangible assets with indefinite life	21,909	0	0	0	(389)	21,520	
Other intangible assets	527,856	(8)	0	0	2,692	530,540	
Intangible assets under construction	2,334	1	0	0	(1)	2,334	
Total	644,717	109	0	0	3,611	648,437	
Depreciation Fund	31/12/2016	Provisions	Use	Write-downs	Other changes	31/03/2017	
Industrial patent and original work rights	40,361	201	0	0	0	40,562	
Concessions, licences, trademarks and similar rights	21,278	257	0	0	1,512	23,047	
Goodwill and intangible assets with indefinite life	0	0	0	0	(389)	(389)	
Other intangible assets	388,184	8,101	0	0	2,577	398,862	
Total	449,823	8,559	0	0	3,700	462,082	
Net Value	31/12/2016	Increases	Decreases	Provisions	Write-downs	Other changes	31/03/2017
Industrial patent and original work rights	3,428	116	0	(201)	0	1	3,344
Concessions, licences, trademarks and similar rights	27,551	0	0	(257)	0	(204)	27,090
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,909
Other intangible assets	139,672	(8)	0	(8,101)	0	115	131,678
Intangible assets under construction	2,334	1	0	0	0	(1)	2,334
Total	194,894	109	0	(8,559)	0	(89)	186,355

Amortisation of intangible assets totalled EUR 8,559 thousand, and was calculated using the annual rates shown below.

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

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

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

Goodwill

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

Other intangible assets

The item mainly includes the value of the long-term contract for the supply of electricity under the CIP6 regime signed with Sarlux Srl and Gestore dei Servizi Elettrici SpA (GSE). This contract, which expires in 2020, was measured according to the criteria of IAS 36 and, on 31 December 2016, an independent appraiser confirmed its carrying amount.

5.2.3 Equity investments

The table below shows the list of investments held as at 31 March 2017, indicating the main information relating to subsidiaries:

Name	Registered office	Currency	Share capital	Amount held of Group (%) as at 03-17	Amount held of Group (%) as at 12-16	Amount held In share capital	Shareholder	% of voting rights	Investment relationship
Deposito di Arcola S.r.l.	Arcola (SP)	Euro	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.r.l.	Assemini (CA)	Euro	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sarint S.A. and subsidiaries:	Luxembourg	Euro	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.U. and subsidiary:	Madrid (Spain)	Euro	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Terminal Logistica de Cartagena S.L.U.	Cartagena (Spain)	Euro	3,000	100.00%	100.00%	100.00%	Saras Energia S.A.	100.00%	Subsidiary, sold
Reasar S.A.	Luxembourg	Euro	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	Euro	100,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiaries:	Cagliari	Euro	500,000	100.00%	100.00%	100.00%	Saras S.p.A. Parchi Eolici Ulassai S.r.l.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	Euro	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	468,046	100.00%	100.00%	100.00%	S.r.l.	100.00%	In Liquidation
Sargas S.r.l.	Uta (CA)	Euro	10,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	In Liquidation
Saras Trading S.A.	Geneva (Switzerland)	CHF	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A. Deposito di Arcola	100.00%	Subsidiary
Consorzio La Spezia Utilities	La Spezia	Euro	122,143	5.00%	5.00%	5.00%	S.r.l.	5.00%	Other investments
Sarda Factoring	Cagliari	Euro	9,027,079	4.01%	4.01%	5.95%	Saras S.p.A.	5.95%	Other investments

Within the scope of the process of streamlining of the Group's organisational structure, which began in previous years, it is pointed out that the process of liquidating the subsidiary Alpha Eolica Srl continued during the quarter, for which the final act from the Romanian authorities is pending. Furthermore, the procedure to liquidate the subsidiary Sargas Srl was initiated. Finally, the subsidiary Sartec changed its legal form (from SpA to Srl).

The guarantee for the loan taken out by the subsidiary Sardeolica Srl and repaid in 2016, for which all of the shares in the company were pledged as collateral to the financing banks, is in the process of being settled.

5.2.3.1 Other equity interests

Other equity interests break down as follows:

Other investments	31/03/2017	31/12/2016	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	502	502	0

5.2.4 Deferred tax assets

The balance as at 31 March 2017, totalling EUR 18,674 thousand, comprises mainly net deferred tax assets of the subsidiary Sarlux Srl of EUR 18,247 thousand, of which mainly:

- a) deferred tax assets of EUR 63,729 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 14;
- b) deferred tax liabilities of EUR 25,827 thousand relating to the excess and accelerated depreciation;
- c) deferred tax assets of EUR 11,732 thousand due to provisions for charges;
- d) deferred tax liabilities for EUR 31,387 thousand relating to the GSE contract value.

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

5.2.5 Other financial assets

As at 31 March 2017, the balance was EUR 5,076 thousand (EUR 5,750 thousand in the previous year) and was mainly represented by the long-term share of a financial receivable due to the parent company Saras SpA by third parties.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	31/03/2017	31/12/2016	Change
Current bank loans	18,227	15,525	2,702
Bank current accounts	54,183	38,644	15,539
Financial derivatives	41,252	71,783	(30,531)
Other short-term financial liabilities	43,870	77,425	(33,555)
Total	157,532	203,377	(45,845)

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

The item 'Bank current accounts' includes the balance of credit lines that the Group has access to in the normal course of business.

The item 'Derivative instruments' includes the negative fair value of the derivatives held at 31 March 2017.

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

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/03/2017	31/12/2016	Change
Customers advances account	256	1,102	(846)
Payables to current suppliers	873,524	1,043,777	(170,253)
Total	873,780	1,044,879	(171,099)

The balance of 'Payables to suppliers' included the debt relating to the supply of crude oil purchased from Iran in 2012 whose repayment began in the previous year, was completed during the quarter.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	31/03/2017	31/12/2016	Change
Payables for VAT	51,540	25,653	25,887
IRES payables (and income tax foreign firms)	22,228	207	22,021
IRAP payables	9,876	9,876	0
Other tax payables	124,962	67,076	57,886
Total	208,606	102,812	105,794

The change in VAT payables is due to the withholding tax paid by Italian companies by law in December 2016, but not recurring in the year, while the change in IRES payables is due to taxable income for the period that remains after using tax losses.

The item 'Other tax payables' mainly includes payables for excise duties on products released for consumption by the parent company Saras SpA (EUR 116,146 thousand) and the subsidiary Saras Energia S.A.U. (EUR 5,146 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	31/03/2017	31/12/2016	Change
Payables employee benefit and social security institutions	9,166	10,733	(1,567)
Payables due to employees	25,841	20,148	5,693
Payables due to others	13,788	25,108	(11,320)
Accrued liabilities	1,999	1,213	786
Deferred liabilities	19,551	14,971	4,580
Total	70,345	72,173	(1,828)

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

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

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/03/2017	31/12/2016	Change
Non-current bank loans	176,066	183,438	(7,372)
Total	176,066	183,438	(7,372)

The item includes medium/long-term portions of bank loans taken out by the Parent Company and renegotiated in the previous year, summarised below:

Values expressed in millions of euro	Commencement / renegotiation of the payable	Original amount of the payable	Base rate	Residual at 31/12/2016	Residual at 31/03/2017	Maturities			Mortgage Guarantees
						1 year	beyond 1 year to 5	beyond 5 years	
Saras SpA									
Pool financing	October 2016	150	Euribor 6 m	148.7	126.4	15.0	111.4		
Pool financing	October 2016	50	Euribor 6 m	49.7	49.7		49.7		
Total liabilities to banks for loans				198.4	176.1	15.0	161.1		

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

- in financial terms, the company will have to meet the following ratios: Net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5, with both calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months) at 31 December each year;
- in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets;

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

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

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

Funds for risks and charges	31/12/2016	Provisions	Use	31/03/2017
Plant dismantling fund	19,052	-	0	19,052
Charges for CO2 quotas fund	37,877	3,185	(28,329)	12,733
Other funds for risks and charges	45,526	3,780	(7,264)	42,042
Total	102,455	6,965	(35,593)	73,827

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

The Provision for CO₂ allowances, amounting to EUR 12,733 thousand, arises from the existence of quantitative limits on the CO₂ emissions of the plants established pursuant to Legislative Decree No. 216 of 4 April 2006; exceeding these limits creates the obligation to purchase allowances in the market for any excess CO₂ emitted. The provisions in question represent allowances required and not yet purchased.

The item 'Other risk provisions' mainly relates to provisions made to cover probable legal and tax liabilities, as well as charges related to the acquisition of the Versalis business unit that will be incurred by the subsidiary Sarlux S.r.l. and reimbursed by the transferor.

5.4.3 Provisions for employee benefits

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

31/12/2015	11,351
Provision part for defined contributions	6,535
Interest	219
Actuarial (income)/charges	230
Uses	(449)
Contributions to supplementary funds or INPS Treasury	(7,345)
31/12/2016	10,541
Provision part for defined contributions	1,471
Uses	(909)
31/03/2017	11,103

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

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,724 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	31/03/2017	31/12/2016	Change
Deferred income straight-line reporting Sarlux / Gse	201,390	245,946	(44,556)
Other payables	1,312	1,317	(5)
Total	202,702	247,263	(44,561)

The change compared with 31 December 2016 is mainly due to the decrease in 'Deferred income' posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of energy between Sarlux S.r.l. and G.S.E. which was accounted for according to IFRIC 4. (Gestore dei Servizi Energetici SpA). Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease.

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

5.5 Shareholders' equity

Shareholders' equity comprises the following:

Shareholders' equity	31/03/2017	31/12/2016	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	857,234	660,841	196,393
Net profit (loss) for the period	92,091	196,330	(104,239)
Total	1,014,881	922,727	92,154

Share capital

At 30 September 2017, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

Legal reserve

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

Other reserves

This item totalled EUR 857,234 thousand, a net increase of EUR 196,393 thousand compared with the previous period. The net decrease was the combined result of:

- the allocation of income for the prior fiscal year (profit of EUR 196,330 thousand)
- effect of translation of foreign currency financial statements of foreign subsidiaries for EUR 63 thousand

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

Net profit

The consolidated net income for the period amounted to EUR 92,091 thousand.

Dividends

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

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

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

Revenues from ordinary operations	31/03/2017	31/03/2016	Change
Revenue from sales and services	1,755,026	1,168,897	586,129
Sale of electricity	112,151	110,605	1,546
Other remuneration	2,973	2,683	290
Change to work in progress made-to-order	296	654	(358)
Total	1,870,446	1,282,839	587,607

Revenues from sales and services increased by EUR 587,607 thousand, mainly because of the price of petroleum products.

Revenues from the sale of electricity basically comprise those relating to the gasification plant of the subsidiary Sarlux Srl. These revenues reflect the reporting of figures on a straight-line basis, calculated according to the remaining duration of the contract that expires in 2020, principally taking into account the tariff amount and forward curves of both the price of gas and projections of the EUR/USD exchange rate until the contract expires. The projections are reviewed when there are significant changes.

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

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

6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	31/03/2017	31/03/2016	Change
Compensation for storage of mandatory stocks	1,047	779	268
Sale various materials	57	78	(21)
Grants	5,870	5	5,865
Chartering of tankers	50	790	(740)
Recovery for claims and compensation	26	278	(252)
CO2 charges reimbursement	3,042	3,308	(266)
Other revenue	16,616	16,564	52
Total	26,708	21,802	4,906

The item 'Contributions' mainly includes the incentive-based tariff part reimbursed to the subsidiary Sardeolica Srl for generating electricity from renewable sources. In th3 previous period this item was recognised under "electric energy sales". This incentive replaced the reimbursement of green certificates that the subsidiary benefited from in the previous years.

The item 'Reimbursement of emissions trading charges' comprises income posted by the subsidiary Sarlux S.r.l., deriving from the reimbursement – pursuant to section II, point 7-bis of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08.

The item 'Other income' mainly includes income relating to energy efficiency certificates (white certificates for EUR 3,780 thousand) accrued during the period, as well as services provided by Sarlux Srl in Sarroch site to leading operators in the oil sector for EUR 2,980 thousand.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

Purchases of raw materials, replacement parts and consumables	31/03/2017	31/03/2016	Change
Purchase of raw materials	1,145,980	673,836	472,144
Purchase semi-finished products	55,905	44,411	11,494
Purchase supplies and consumables	19,240	19,645	(405)
Increase tangible fixed assets	(2,543)		(2,543)
Purchase finished products	576,569	246,231	330,338
Change in inventories	(243,301)	95,047	(338,348)
Total	1,551,850	1,079,170	472,680

Costs for the purchase of raw materials, replacement parts and consumables rose by EUR 472,680 thousand from the same period during the previous year, mainly due to the above-mentioned trend in crude oil and petroleum product prices.

6.2.2 Cost of services and sundry costs

Cost of services and sundry costs	31/03/2017	31/03/2016	Change
Costs for services	142,621	114,990	27,631
Capitalisations	(6,720)	(8,456)	1,736
Costs for use of third-party goods	2,806	2,856	(50)
Provision for risks	4,079	5,711	(1,632)
Other operating charges	5,151	4,726	425
Total	147,937	119,827	28,110

Service costs mainly comprise maintenance, freights, transport, electricity and other utilities, as well bank charges. The increase, totalling EUR 27,631 thousand compared to the first quarter of the previous year, is mainly due to a particularly challenging maintenance cycle carried out on the gasification combined cycle plant of the subsidiary Sarlux Srl.

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

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

6.2.3 Personnel costs

'Personnel costs' break down as follows:

Personnel costs	31/03/2017	31/03/2016	Change
Salaries and wages	26,996	26,677	319
Increases in assets for internal work	(1,543)	(851)	(692)
Social security charges	8,196	8,259	(63)
Employee end-of-service payments	1,471	1,594	(123)
Other costs	918	1,279	(361)
Remuneration to the Board of Directors	913	912	1
Total	36,951	37,870	(919)

Personnel costs, in consideration of the substantial stability of the Group's average workforce, is in line with respect to the first quarter of the previous year.

6.2.4 Depreciation and write-downs

Depreciation and amortisation figures are shown below.

Purchases of raw materials, replacement parts and consumables	31/03/2017	31/03/2016	Change
Depreciation of intangible fixed assets	8,559	8,562	(3)
Depreciation of tangible fixed assets	44,315	47,737	(3,422)
Total	52,874	56,299	(3,425)

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/03/2017	31/03/2016	Change
Bank interest income	11	312	(301)
FV. fin. derivatives at closing date	28,937	15,857	13,080
Positive differentials on fin. derivatives	7,569	14,503	(6,934)
Other income	(511)	270	(781)
Profit on exchange rates	29,693	16,883	12,810
Total	65,699	47,825	17,874
Financial charges	31/03/2017	31/03/2016	Change
FV financ. deriv. at the closing date	(15,026)	(22,578)	7,552
Negative differentials on fin. derivatives	5,297	(14,336)	19,633
Interest expenses on loans and other financial charges	(3,702)	(6,468)	2,766
Exchange rate losses	(29,186)	(12,442)	(16,744)
Total	(42,617)	(55,824)	13,207

The table below shows net income/charges by type:

Financial income and charges	31/03/2017	31/03/2016	Change
Net interest	(3,691)	(6,156)	2,465
Result of derivative instruments, of which:	26,777	(6,554)	33,331
Realised	12,866	167	12,699
Fair value of open positions	13,911	(6,721)	20,632
Net exchange rate differences	507	4,441	(3,934)
Others	(511)	270	(781)
Total	23,082	(7,999)	64,412

The fair value of derivative instruments held at 31 March 2017 reflected a net gain of EUR 13,911 thousand (compared to a net loss of EUR 6,721 thousand in the same period last year).

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

6.4 Income tax

Income tax can be shown as follows:

Income tax	31/03/2017	31/03/2016	Change
Current taxes	38,432	354	38,078
Net deferred (prepaid) taxes	101	3,346	(3,245)
Total	38,533	3,700	34,833

Current taxes comprise IRAP and IRES calculated on the taxable income of the consolidated companies net of the full use of IRES tax losses still available.

The difference between deferred tax assets and liabilities for the period arises from the difference between the IRES tax asset use (EUR 10,420 thousand) and the release of tax assets on temporary differences between book value and tax basis (EUR 10,521 thousand).

7. Other information

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

7.1 Main legal actions pending

The Parent Company Saras SpA, Sarlux Srl, and Sareolica Srl were audited and assessed by the tax authorities; this led, in some cases, to disputes pending before tax courts.

The Group companies are involved in legal disputes filed by various plaintiffs. Although the outcome of certain legal actions is hard to predict, it is deemed there is small chance there will be any future liabilities and consequently no provisions were therefore set aside in these financial statements.

Although the past decisions made by the tax courts on the alleged violations were not consistent, the company assumes that probability of any liability is remote; where instead the liability was deemed probable, appropriate funds were allocated to provisions for risks.

Furthermore, as regards the subsidiary Sarlux Srl, It is pointed out that there are ongoing disputes about the non-recognition of the qualification of the IGCC Plant as a cogeneration plant and the consequent alleged requirement to purchase 'green certificates'; companies generating electricity that is not from renewable sources or cogeneration (pursuant to Legislative Decree 79/99 and AEEG [Authority for Electricity and Gas] Resolution No. 42/02) are in fact subject to the requirement to purchase green certificates for a certain percentage of electricity introduced into the grid.

Specifically:

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

- in the course of the current financial year, GSE has completed the reimbursement of Sarlux's expense.
- ii) Production 2009. The Council of State, in the decision mentioned in the paragraph above, did not pronounce on one of the points appealed (hydrogen produced by the plant qualifying as "useful heat"), an interpretation that, if granted, would have allowed the subsidiary to be deemed a cogeneration plant with reference to 2009 Generation also. Sarlux, believing founded the pleas submitted in the appeal to the State Council, initiated new proceedings before the TAR in order to obtain a favourable decision in relation to its claim that the cogeneration resulting from the production of hydrogen is 'useful heat';
 - iii) 2011 and subsequent generation. As regards production in 2011, 2012, 2013, and 2014 the Company submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered the resolution still in effect. GSE instead deemed that, starting with the 2012 obligation (2011 and subsequent generation), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial Decree of 4 April 2011, and therefore rejected the Company's request. Sarlux Srl therefore lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the generation of years 2011, 2012, 2013 and 2014 in accordance with GSE's calculation totalling EUR 76.0 million and immediately submitted an application for a refund to the AEEG, obtaining EUR 11.7 million for the generation relative to 2011, EUR 15.1 million for 2012, and EUR 7.5 million for 2014. The appeal to the Regional Administrative Court relative to the 2012 generation, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and argues that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not post any expenses or any revenue with reference to the generation from 2011 onward.

7.2 Transactions with related parties

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