Saras Group Interim Financial Report as of 31st March 2018

SARAS

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Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

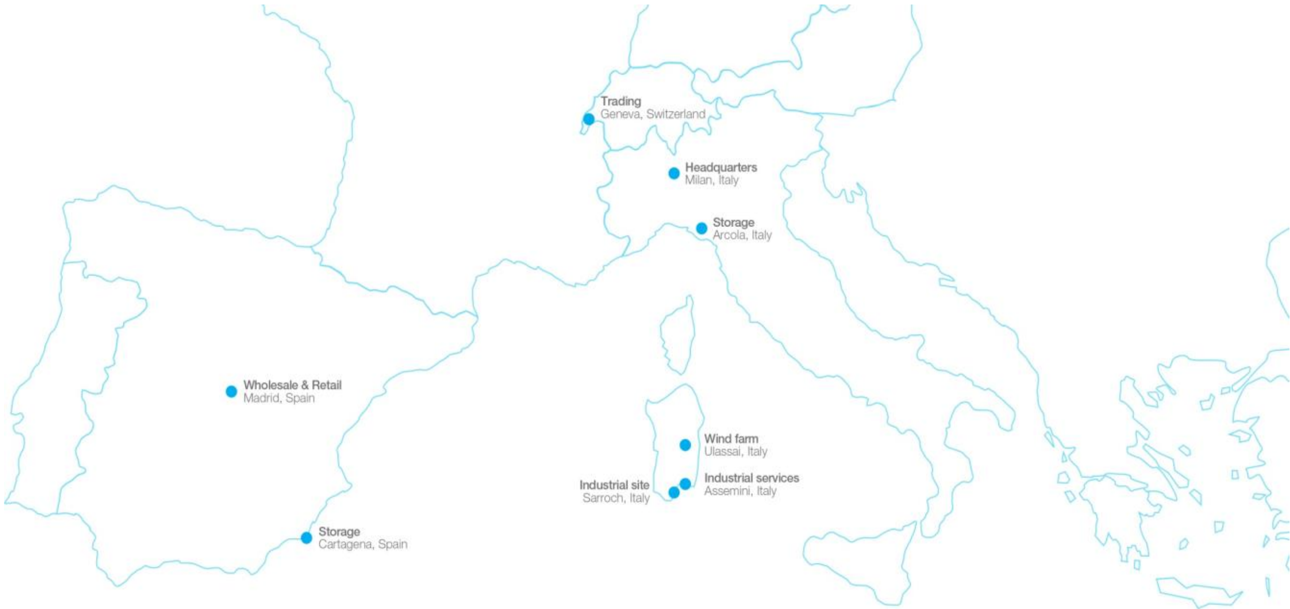
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (10.0 on the Nelson Index). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl, and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity. To best exploit these extraordinary resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This context also includes the subsidiary Saras Trading SA, incorporated in Geneva in September 2015, which deals with acquiring crude and other raw materials for the Group's refinery, selling its refined products, and also performing trading activities, acting in one of the main markets for trading oil commodities.

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

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

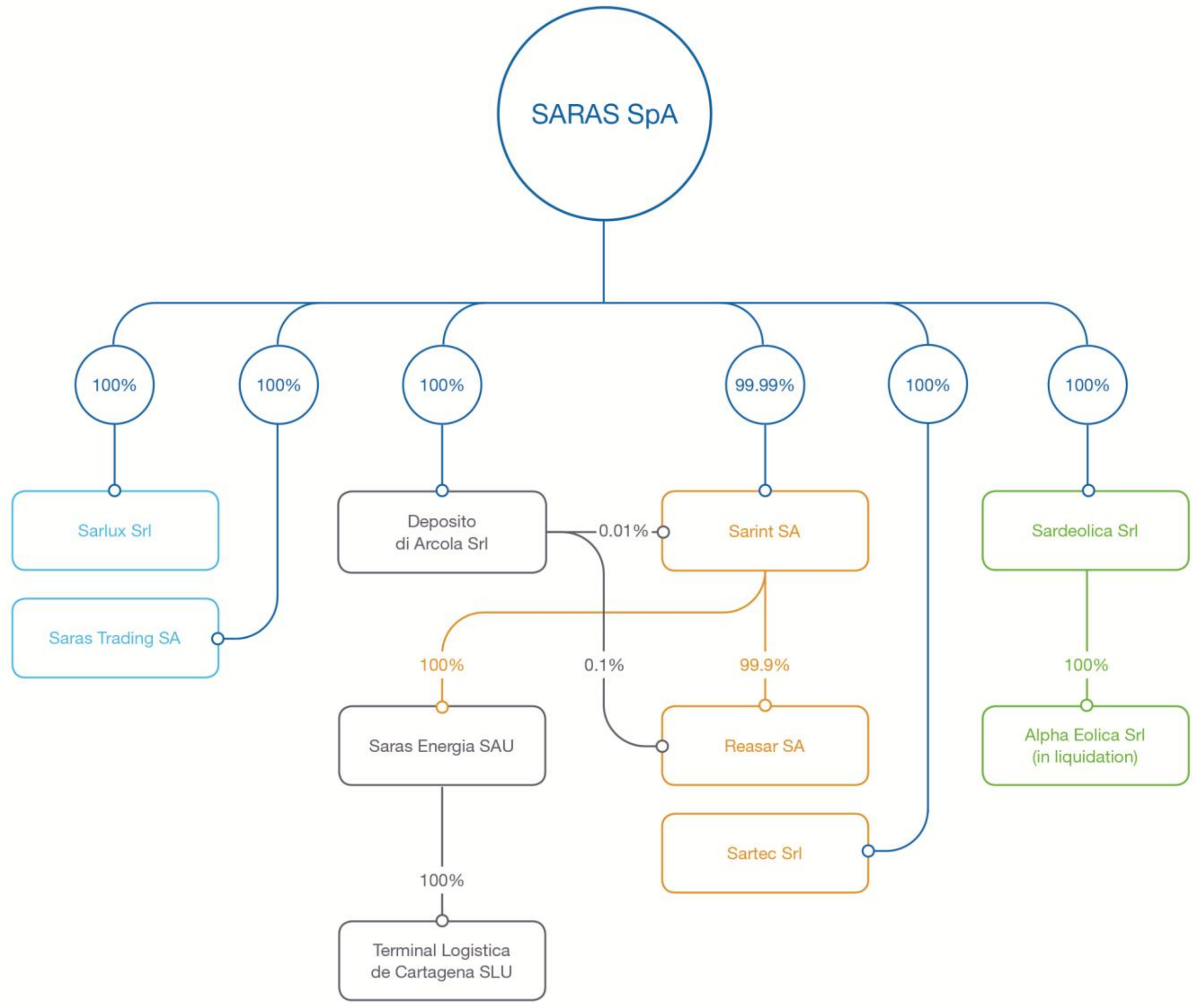
In addition, the Group manufactures and sells electricity from renewable sources in Sardinia, via the Ulassai wind farm. The farm, operational since 2005, is managed by the subsidiary Sardeolica Srl and has an installed capacity of 96 MW.

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



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 2018.



Saras Stock Performance

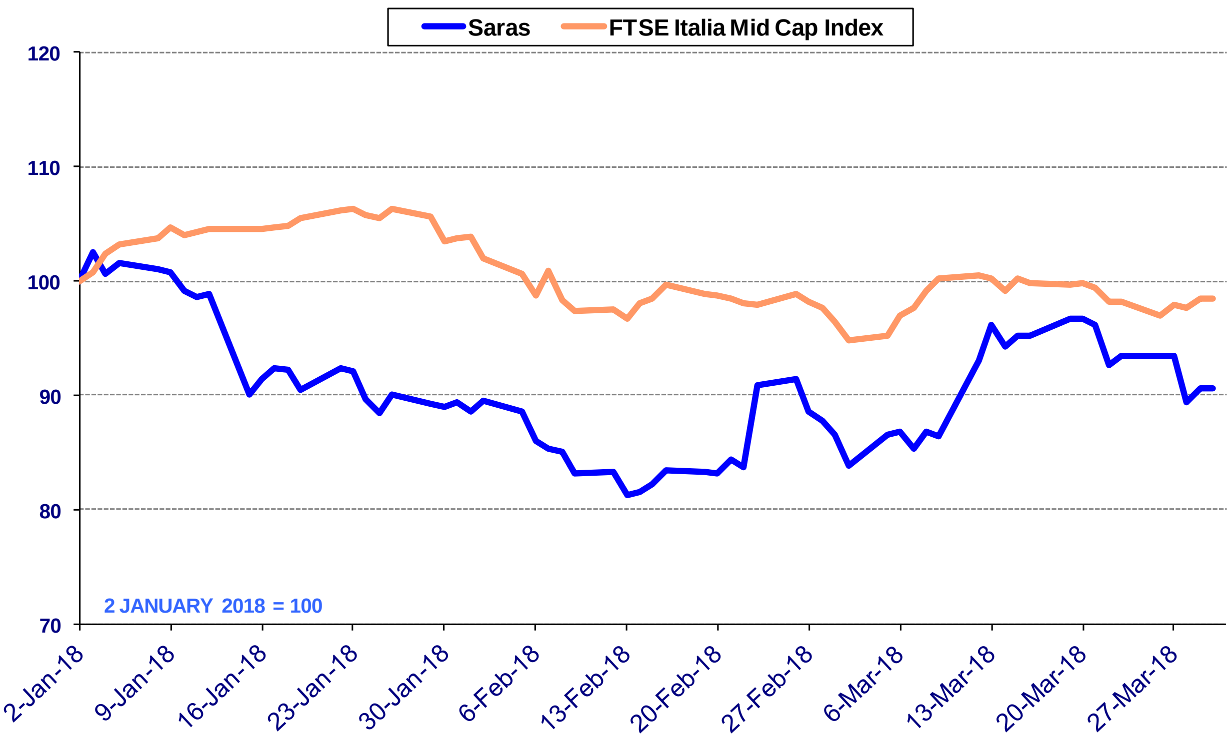
The following data relate to Saras' share prices and the daily volumes, traded during the first quarter of 2018.

SHARE PRICE (EUR)	Q1/18
Minimum price (13/02/2018)	1.598
Maximum price (03/01/2018)	2.018
Average price	1.783
Closing price at the end of the first quarter of 2018 (30/03/2018)	1.783

DAILY TRADED VOLUMES	Q1/18
Maximum traded volume in EUR million (15/01/2018)	41.9
Maximum traded volume in number of shares (million) (15/01/2018)	23.7
Minimum traded volume in EUR million (19/02/2018)	2.2
Minimum traded volume in number of shares (million) (19/02/2018)	1.3
Average traded volume in EUR million	8.6
Average traded volume in number of shares (million)	4.8

The Market capitalization at the end of the first quarter of 2018 was equal to approximately EUR 1,696 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 2018, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Non-GAAP measure
Alternative performance indicators

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

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

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

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

In order to allow comparison, Q1/17 financial results have been reclassified on the back of the new criteria of calculation of the "comparable" results and compared to the ones previously published.

Comparable EBITDA

EUR Million	Q1/17	Q1/17 reclassified
***Reported* EBITDA**	**160.4**	**160.4**
Inventories at LIFO - inventories at FIFO	(44.2)	
Realized result of derivatives and net FOREX	13.4	
Gain / (Losses) on Inventories		(57.4)
Hedging derivatives and net FOREX		25.0
Non-recurring items	(4.0)	(4.0)
***Comparable* EBITDA**	**125.6**	**124.1**

Comparable Net Result

EUR Million	Q1/17	Q1/17 reclassified
***Reported* NET RESULT**	**92.1**	**92.1**
Inventories at LIFO - inventories at FIFO net of taxes	(31.8)	
Fair value of derivatives' open positions net of taxes	(13.6)	
Gain / (Losses) on Inventories net of taxes		(41.3)
Derivatives related to future deals		1.8
Non-recurring items	0.0	0.0
***Comparable* NET RESULT**	**46.6**	**52.5**

Group consolidated income statement figures

EUR Million	Q1/18	Q1/17	Change %
REVENUES	2,419	1,897	27%
EBITDA	72.2	160.4	-55%
Comparable EBITDA	**71.6**	**124.1**	**-42%**
EBIT	30.4	107.5	-72%
Comparable EBIT	**29.8**	**71.2**	**-58%**
NET RESULT	22.5	92.1	-76%
***Comparable* NET RESULT**	**8.5**	**52.5**	**-84%**

Other Group figures

EUR Million	Q1/18	Q1/17	FY 2017
NET FINANCIAL POSITION	**(1)**	**21**	**87**
CAPEX	**49.1**	**45.8**	**205.0**

Comments to First Quarter 2018 Group Results

The Groups revenues in Q1/18 were EUR 2,419 million. The difference compared to EUR 1,897 million in the first quarter of last year is mainly due to the higher average oil prices. In particular, in Q1/18 the price of gasoline averaged at 631$/ton (compared to the average of 543 $/ton in Q1/17), while the price of diesel averaged out to 589 $/ton (compared to the average of 478 $/ton in Q1/17). This increase in the prices resulted in higher revenues of approximately EUR 470 million in the Refining segment, and approximately EUR 70 million in the Marketing segment. Finally, the revenues from the Power Generation segment were higher by approximately EUR 12 million compared to first quarter of last year.

The Group's reported EBITDA in Q1/18 was EUR 72.2 million, down from EUR 160.4 million in Q1/17. This difference was almost entirely attributable to the Refining segment, which in Q1/18 operated in a less favourable market environment, and achieved lower volumes compared to the same period last year as a result of an operating performance below expectations. In both quarters under review, the scenario effect on the difference between the opening and closing inventories contributed positively, though this effect was stronger in Q1/17.

The reported Group Net Result, equal to EUR 22.5 million, compared to EUR 92.1 million in Q1/17, is essentially due to the reason shown at EBITDA level. On the opposite, in Q1/18, amortisation and depreciation charges were lower (EUR 41.8 million as compared to EUR 52.9 million in Q1/17) following changes to the amortisation plan for the IGCC plant, in view of the extension of its useful life until 2031, instead of the previous limit set in 2021, in correspondence with the expiry of the CIP6/92 contract, which took place in Q4/17. The financial charges (of EUR 3.5 million) were essentially unchanged from the same quarter last year, while other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were positive at approximately EUR 3.4 million in Q1/18, compared to a positive amount of approximately EUR 27 million in Q1 last year.

The comparable Group EBITDA was EUR 71.6 million in Q1/18, down from EUR 124.1 million in Q1/17. This result was mainly due to the Refining segment which operated in a less favourable market scenario and achieved lower volumes. **The comparable Group Net Result in Q1/18 was EUR 8.5 million,** down from EUR 52.5 million in the first quarter of last year.

Investments in Q1/18 were EUR 49.1 million, in line with the budget. They mainly focused on the Refining segment (EUR 41.5 million).

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

Calculation of the Group comparable EBITDA

EUR Million	Q1/18	Q1/17
***Reported* EBITDA**	**72.2**	**160.4**
Gain / (Losses) on Inventories	(20.1)	(57.3)
Hedging derivatives and net FOREX	9.7	25.0
Non-recurring items	9.7	(4.0)
***Comparable* EBITDA**	**71.6**	**124.1**

Calculation of the Group comparable Net Result

EUR Million	Q1/18	Q1/17
***Reported* NET RESULT**	**22.5**	**92.1**
Gain & (Losses) on Inventories net of taxes	(14.5)	(41.3)
Derivatives related to future deals	0.5	1.8
Non-recurring items net of taxes	0.0	0.0
***Comparable* NET RESULT**	**8.5**	**52.5**

Net Financial Position

The Net Financial Position as at 31 March 2018 was negative by EUR 1 million, compared to the positive amount of EUR 87 million as at 31 December 2017. The cash flow generated by operations was absorbed by the investments and the increase in oil inventories in the period.

EUR Million	31-Mar-18	31-Dec-17
Medium/long-term bank loans	(58)	(59)
Bonds	(198)	(198)
Other medium/long-term financial assets	8	8
Medium-long-term net financial position	**(248)**	**(249)**
Short term loans	(1)	(0)
Banks overdrafts	(22)	(4)
Other short term financial liabilities	(31)	(125)
Fair value on derivatives and realized net differentials	(1)	2
Other financial assets	49	43
Cash and Cash Equivalents	251	422
Short-term net financial position	**247**	**337**
Total net financial position	**(1)**	**87**

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]	Q1/18	Q1/17
Crude oil price and differential ($/bl)		
Brent Dated (FOB Med)	66.8	53.7
Urals (CIF Med)	65.2	52.5
"Heavy-light" price differential	-1.6	-1.2
***Crack spreads* for refined oil products ($/bl)**		
ULSD *crack spread*	12.1	10.3
Gasoline 10ppm *crack spread*	8.7	11.3
Reference margin ($/bl)		
EMC Benchmark	+1.7	+3.3

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

Crude oil prices:

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

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

The first quarter of 2018 was characterised by the implementation of the previously announced production cuts which mainly affected the less expensive “heavy-sour” crude oil. However, the spread between “Ural” and “Brent” averaged at -1.6 $/bl, increasing up to 3 $/bl at the beginning of March. This dynamic was particularly affected by the drop in demand, following the planned shut downs for maintenance of the Russian and Asian refineries, and the increased competition from alternative crude oil (mainly Iraqi).

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

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

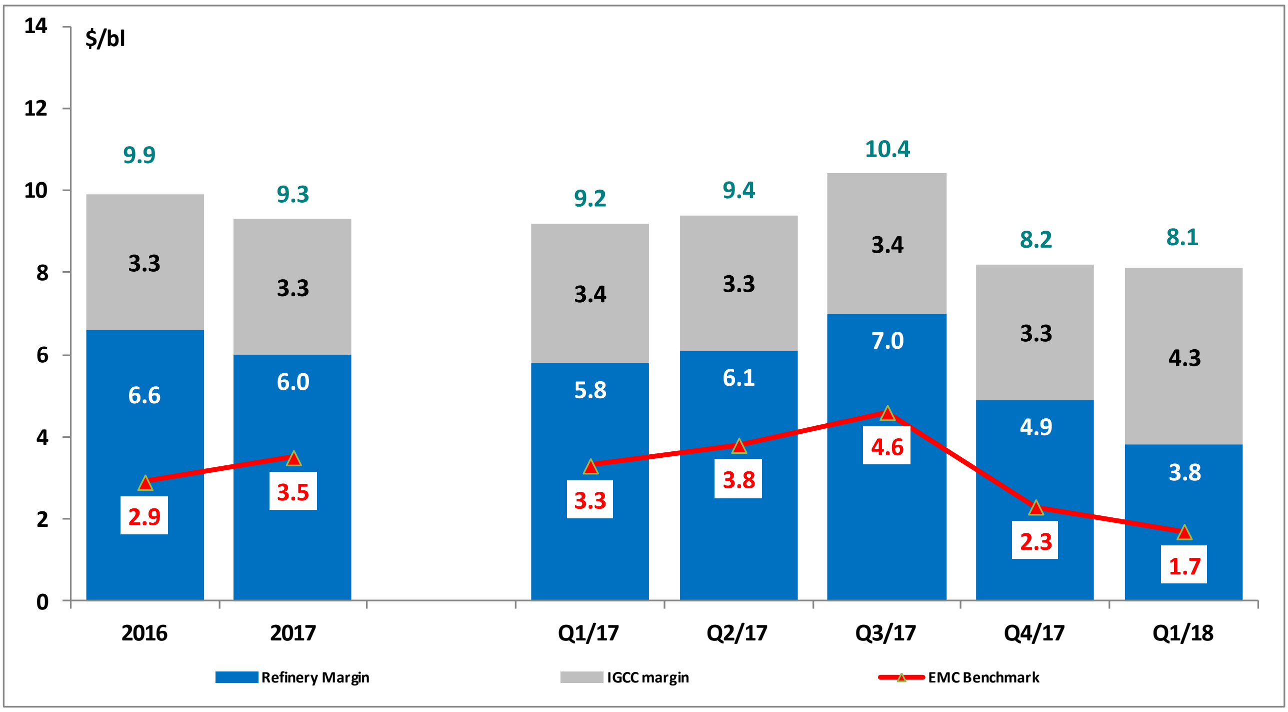
Turning now to middle distillates, in Q1/18 the crack spread of diesel remained stable at satisfactory levels, benefiting from strong demand for heating gasoil, driven by cold winter weather especially in the United States and a lower supply from South American refineries due to planned and extraordinary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

Refining Margin:

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

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

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



Refining Margin: (*comparable* EBITDA Refining + Fixed Costs) / Refinery runs in the period
IGCC Margin: (EBITDA IGCC plant + Fixed Costs) / Refinery runs in the period
EMC Benchmark: margin calculated by EMC (Energy Market Consultants) with 50% Urals – 50% Brent crude oil slate

Segment Review

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

Refining

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

EUR Million	Q1/18	Q1/17	Change %
EBITDA	19.6	103.3	-81%
***Comparable* EBITDA**	**9.1**	**69.6**	**-87%**
EBIT	(6.6)	76.1	-109%
***Comparable* EBIT**	**(17.1)**	**42.3**	**-140%**
CAPEX	**41.5**	**41.4**	

Margins and refinery runs

		Q1/18	Q1/17	Change %
REFINERY RUNS	Tons (thousand)	3,207	3,436	-7%
	Barrels (million)	23.4	25.1	-7%
	Bl/day (thousand)	260	279	-7%
COMPLEMETARY FEEDSTOCK	Tons (thousand)	262	377	-31%
EXCHANGE RATE	EUR/USD	1.229	1.065	15%
EMC BENCHMARK MARGIN	$/bl	1.7	3.3	
SARAS REFINERY MARGIN	$/bl	3.8	5.8	

Comments to First Quarter 2018 Results

Crude refinery runs during Q1/18 stood at 3.21 million tons (23.4 million barrels, corresponding with 260 thousand barrels per day), down by 7% compared to the same period in 2017. Complementary feedstock amounted to 0.26 million tons compared to 0.38 in the first quarter of 2017. This dynamic is mainly due to a maintenance programme that involved both distilling and conversion units and lower than expected operating performance.

The comparable EBITDA amounted to EUR 9.1 million in the first quarter of 2018, with a Saras refinery margin of +3.8 $/bl (as is usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 69.6 million and a Saras refinery margin of +5.9 $/bl in the same quarter last year. As always, the comparison between the two quarters must take into account market conditions and the specific performance of the Saras Group, both from an operational and commercial perspective.

With regard to market conditions, the increase in crude oil prices in Q1/18 combined with other market factors resulted in a penalisation of approx. EUR 70 million compared to Q1/17 (also including the increase in the cost of "consumption and losses"). The weakening of the gasoline crack spread was more than offset by the strengthened diesel crack spread, with a positive net effect on production of approximately EUR 5 million, compared to Q1/17. The effect of the EUR/USD exchange rate (1 EUR was worth 1.229 USD in Q1/18 and 1.065 in Q1/17) reduced the value of production by approximately EUR 15 million.

With regard to operational performance, in Q1/18 production planning (which involves optimising the mix of the crude oils for processing, the management of semi-finished products, and the production of finished products, including those with special formulations) resulted in an EBITDA lower by approximately EUR 5 million compared to Q1/17, mainly due to a less advantageous crude oil mix available.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) resulted in an EBITDA essentially in line with Q1/17.

Commercial management (involving the supply of crude and additional raw materials, the sale of finished products, the rental costs of oil tankers, and inventory management, including mandatory stocks) generated EBITDA lower by approximately EUR 5 million compared to Q1/17, due to fewer trading opportunities, among other things.

Finally, the first quarter results were boosted by higher revenues from energy efficiency certificates and lower fixed costs compared to the same period last year.

Investments made in Q1/18 were EUR 41.5 million, in line with the scheduled maintenance programme and the business plan.

Crudes processed and yields of finished products

The mix of crudes that the Sarroch refinery processed in Q1 2018 had an average density of 34.2°API, and is therefore lighter than the average density processed in FY/17. A more detailed analysis of the crude oil grades used eveals an increase in the percentage of crude oils with a very low sulphur content (“light extra sweet”), and low sulphur content (“light sweet”) and a reduction in the percentage of medium crude oils with a high sulphur content (“medium sour”). Conversely, the weight of heavy crude oils with low and high sulphur content (“Heavy sour/sweet”), increased slightly. This processing mix was partly due to contingent plant set-up situations (arising from scheduled maintenance in Q1/18) but also to economic and commercial choices in view of changes in supplies as a result of the cuts implemented by OPEC and the abundance of light crude.

		Q1/18	FY 2017	Q1/17
Light extra sweet		39%	36%	32%
Light sweet		13%	12%	15%
Medium sweet/extra sweet		0%	0%	0%
Medium sour		32%	37%	34%
Heavy sour/sweet		17%	15%	19%
Average crude gravity	°API	34.2	33.7	33.0

Turning to the analysis of finished product yields, we note that in Q1 2018 the yield of the light distillates (28.8%) was higher than in 2017. Conversely, the yield of middle distillates (48.5%) was lower than in 2017. Yields of LPG (2.1%) remained unchanged from 2017, as did the yield of fuel oil (6.9%). The yield of TAR (6.7%) was slightly lower than in the previous year. These changes are mainly due to the maintenance activity carried out in the period.

		Q1/18	FY 2017	Q1/17
LPG	Tons (thousand)	73	318	66
	yield (%)	2.1%	2.1%	1.7%
NAPHTHA + GASOLINE	Tons (thousand)	1,000	4,152	1,003
	yield (%)	28.8%	27.0%	26.3%
MIDDLE DISTILLATES	Tons (thousand)	1,684	7,742	1,882
	yield (%)	48.5%	50.4%	49.4%
FUEL OIL & OTHERS	Tons (thousand)	240	1,077	411
	yield (%)	6.9%	7.0%	10.8%
TAR	Tons (thousand)	231	1,085	208
	yield (%)	6.7%	7.1%	5.4%

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

Marketing

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

EUR Million	Q1/18	Q1/17	Change %
EBITDA	3.8	1.8	112%
***Comparable* EBITDA**	**3.9**	**3.2**	**22%**
EBIT	2.5	0.4	462%
***Comparable* EBIT**	**2.6**	**1.8**	**42%**
CAPEX	**0.2**	**0.2**	

Sales

		Q1/18	Q1/17	Change %
TOTAL SALES	**Tons (thousand)**	**901**	**870**	**4%**
of which: in Italy	Tons (thousand)	499	496	1%
of which: in Spain	Tons (thousand)	401	374	7%

Comments to First Quarter 2018 Results

According to data collected by UP (Unione Petrolifera – the Oil Industry Union), in Q1/18 total oil consumption was up by 0.6% on the Italian market, which represents the main wholesale channel of the Saras Group. In Spain, the data collected by CORES indicates increases of 3.8% in the first quarter of 2018.

In particular, during the period under review, in Italy gasoline dropped by 2.9% (-49ktons) and fuel oil contracted by -0.3% (-16ktons). Total fuel consumption (gasoline + diesel), which amounted to around 7.2 million tonnes, decreased by 0.9% (-65ktons). In Q1 2018 new vehicle registrations decreased by 1.5%, with diesel vehicles accounting for 55.1% of the total (compared to 55.7% in Q1 2017). The Saras Group increased its own sales volumes in Italy slightly, improving the margin by streamlining direct operating costs.

In Q1/18, on the Spanish market the total fuel consumption (gasoline + diesel) was approximately 6.8 million tonnes, up by 3% compared to the same period of the previous year, with gasoline increasing by 3.8% and diesel by 3% approximately. Moreover, consumption of kerosene and fuel oil increased by approximately 7% compared to Q1 2017. In this framework, the Spanish subsidiary Saras Energia increased its volumes sold by 7%.

Pursuant to the improved margins and the stabilisation of costs, as compared to the good level reached last year, the **comparable EBITDA for the Marketing segment amounted to EUR 3.9 million**, up on the EUR 3.2 million of Q1/17.

Power Generation

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

EUR Milion	Q1/18	Q1/17	Change %
EBITDA	43.4	47.9	-9%
***Comparable* EBITDA**	**53.1**	**43.9**	**21%**
EBIT	30.5	24.9	22%
***Comparable* EBIT**	**40.2**	**20.9**	**93%**
EBITDA ITALIAN GAAP	**8.2**	**3.0**	**172%**
EBIT ITALIAN GAAP	**3.7**	**(11.5)**	**132%**
CAPEX	**7.2**	**4.0**	

Other figures

		Q1/18	Q1/17	Change %
ELECTRICITY PRODUCTION	MWh/1000	886	735	21%
POWER TARIFF	**Eurocent/KWh**	**9.2**	**8.8**	**4%**
POWER IGCC MARGIN	$/bl	4.3	3.4	26%

Comments to First Quarter 2018 Results

In Q1/18, the Electricity Generation segment conducted the scheduled maintenance work on a "Gasifier – combined cycle Turbine" and on a one the two "gas washing line trains". Electricity production reached 0.886 TWh, up by 21% compared to the first quarter of last year, due to a less onerous maintenance programme than in the same period last year.

Comparable EBITDA stood at EUR 53.1 million, compared to EUR 43.9 million achieved in Q1/17. This difference is due to the lower fixed costs thanks to the lighter maintenance cycle conducted and the increase in the value of the CIP6/92 tariff (+4%). Sales of steam and hydrogen (not subject to the equalisation procedure) were essentially in line with the Q1/17. It should also be noted that the difference between comparable and reported EBITDA is attributable to a reclassification.

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 8.2 million in Q1 2018, up versus the EUR 3.0 million achieved in the same period last year. The difference is due to the combined effect of higher electricity production (+21%), the higher CIP6/92 tariff (+4%) and lower fixed costs. Conversely, the cost of acquiring raw materials (TAR) increased by approximately EUR 5 million, compared to the same period last year.

Investments amounted to EUR 7.2 million, in line with the forecasts.

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	Q1/18	Q1/17	Change %
EBITDA	4.6	6.9	-34%
***Comparable* EBITDA**	**4.6**	**6.9**	**-34%**
EBIT	3.4	5.8	-41%
***Comparable* EBIT**	**3.4**	**5.8**	**-41%**
CAPEX	**0.1**	**0.0**	

Other figures

		Q1/18	Q1/17	Change %
ELECTRICITY PRODUCTION	MWh	67,777	51,268	32%
POWER TARIFF	EURcent/KWh	5.1	5.2	-2%
INCENTIVE TARIFF	EURcent/KWh	9.9	10.7	-8%

Comments to First Quarter 2018 Results

In Q1/18 the comparable EBITDA for the Wind Power segment (equal to the IFRS EBITDA) stood at EUR 4.6 million, down by 34% compared to EUR 6.9 million in Q1/17. In detail, the volumes produced increased by 32% compared to the same period last year, thanks to better wind conditions. This dynamic was partially offset by the reduction in the electricity tariff (-0.1 Eurocent/kWh compared to Q1 2017) and the Incentive Tariff (-0.8 Eurocent/kWh compared to Q1 2017). Moreover, the incentive period expired on approximately 60% of volumes produced.

Other Activities

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

EUR Million	Q1/18	Q1/17	Change %
EBITDA	0.8	0.5	63%
***Comparable* EBITDA**	**0.8**	**0.5**	**63%**
EBIT	0.6	0.3	76%
***Comparable* EBIT**	**0.6**	**0.3**	**76%**
CAPEX	**0.2**	**0.1**	

Strategy and Outlook

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

2018 opened with the price of Brent at around 70 $/bl, its highest for three years, in the wake of the agreement reached by OPEC countries and other major producers to maintain production cuts in 2018, geopolitical tensions in the Middle East and strong demand growth. Experts expect significant increases in production for the current year, especially by non-conventional US producers (tight oil from shale rock), stimulated among other things by higher oil prices, and a substantial balance between demand and supply. Brent is expected to average 68 $/bl. The price differential between light and heavy crude is not expected to undergo any significant change compared to the values recorded in 2017 as the extension of production cuts will continue to limit the supply of heavy-sour grades.

As regards consumption, in the recent report published in April 2018, the International Energy Agency (IEA) expects global demand to grow by +1.5 mbl/d in 2018, driven by non-OECD countries (primarily China).

Moving to the profitability of the main refined products, international experts believe that gasoline crack spreads were penalized in the first weeks of the year by the increase in the price of crude oil at a time of seasonally weak demand and should therefore rise. As regards middle distillates, experts predict a crack spread of diesel above 2017 level buoyed by demand for diesel for industrial use, which is known to be correlated with the economic cycle (GDP is expected to grow by 1.9% in Europe in 2018, and by 3.7% globally). All in all, such market conditions should pave the way for positive refining margins, albeit slightly lower than in 2017. The Saras Group will aim to achieve a premium above the EMC benchmark margin of approx. 2.5 ÷ 3.0 $/bl (net of maintenance).

From an operational standpoint, in 2018 the Refinery segment will face a maintenance cycle broadly in line with that of the previous year and mainly concentrated in the first half. In details, the scheduled maintenance activities in Q1/18 were carried out according to plans. For the remaining part of the year the maintenance program will be scheduled as follows: in the second quarter, maintenance will be carried out on the “RT2” and “T1” Toppings, the “VSB” VisBreaking and the “MHC2” MildHydroCracking plants; no major maintenance activities are planned for the third quarter and scheduled activities will be carried out the “CCR” Catalytic Reforming plant in the fourth quarter. Overall, annual crude runs are expected to be about 13.8 ÷ 14.4 million tonnes (i.e. 100 ÷ 106 million barrels), plus a further 1 million or so tonnes of additional feedstock (corresponding to approximately 7 million barrels).

With reference to the Power Generation segment, the heaviest part of the annual maintenance program was carried out in Q1/18. The activity will continue in the second quarter on one "Gasifier – Combined Cycle Turbine" train. Between the third and fourth quarters, maintenance on one "Gasifier – Combined Cycle Turbine" train will be completed. Total electricity production in 2018 is expected to pick up compared to the previous year, to reach approximately 4.25 TWh (4.09 TWh in 2017).

In the Marketing segment the Group expects to consolidate the previous year's improvement in its margins, achieved thanks to the optimisation of the customer portfolio.

In the Wind Power segment, the Sardeolica subsidiary will continue the Environmental Impact Assessment procedure relating to the extension of the Ulassai Park (located in the town of Ulassai and Perdasdefogu), for an additional capacity of 30 MW. The incentive period for part of the plant's 48 wind turbines will expire in 2018.

Investments by business Segment

EUR Million	Q1/18	Q1/17	FY 2017
REFINING	41.5	41.4	186.1
POWER GENERATION	7.2	4.0	16.6
MARKETING	0.2	0.2	0.9
WIND	0.1	0.0	0.5
OTHER	0.2	0.1	0.9
Total	**49.1**	**45.8**	**205.0**

Risk Analysis

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

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

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

Financial risks

Exchange rate risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Other risks

Price fluctuation risk

The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, principally crude oil). In addition, to carry out production, the Saras Group is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices.
Also subject to fluctuations is the selling price of electricity, produced and sold by our subsidiaries, as well as the prices of green certificates and emissions credits.
The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices. To mitigate the risks deriving from price fluctuation, the Saras Group also takes out derivative contracts on commodities with hedging nature.

Risk related to the procurement of crude oil

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

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia, and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns.
Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/or interruption to production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment.
The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future.

Regulatory risk

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

- Regulations relating to the reduction of national emissions of determined atmospheric pollutants and the relative impact of the same on the limits indicated in the current AIA permit.
- The view of the European Commission and the AAEG implenting documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.
- Regulatory dispositions relating to energy efficiency titles and their conse consequences for the GSE.
- Regulation relating to the fact that Sarlux Srl subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP resolution no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production.

Dependencies on third parties

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

Protection of Personal Data

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

Main events after the end of the First Quarter of 2018

On **27th April 2018**, Saras SpA Ordinary Shareholders' Meeting was held, and it approved the separate Financial Statement of Saras SpA as of 31st December 2017, which showed a net profit of EUR 207,061,533.

The Shareholders' Meeting resolved to distribute a dividend of EUR 0.12 per for each of the 936,010,146 ordinary outstanding shares, for a total amount of EUR 112,321,217.52 drawing it from the income of the year. The above mentioned dividend will be paid on 23rd May 2018.

The Shareholders' Meeting appointed the new members of the Board of Directors, who will remain in charge for the next three–years, until the date of the Ordinary Shareholders' Meeting called for the approval of the Annual Financial Statements for the year ending on 31st December 2020.

Moreover the Shareholders' Meeting approved the proposal of adjustment of remuneration to external auditors EY S.p.A., the First Section of the Remuneration for 2017 and the programme of purchase and dispose of own shares subject to prior revocation of unused portion.

For more details, please refer to the press release related to the Shareholders' Meeting , published on 27th April 2018.

The Board of Directors met **on 3rd May 2018** and appointed Massimo Moratti as Chairman and Dario Scaffardi as Chief Executive Officer.

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 2018.

Own shares
During the first quarter of 2018 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 2018 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 27th April 2018, 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 27th April 2018 by the Shareholders' Meeting, which means during the 12 months ending on 27th April 2019. 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

Consolidated Statement of Financial Position as at 31st March 2018

Thousands of euros	31/03/2018	31/12/2017
ASSETS		
Current assets	**2,018,716**	**1,960,049**
Cash and cash equivalents	251,416	421,525
Other financial assets	104,584	98,291
Trade receivables	339,068	391,400
Inventories	1,129,253	875,269
Current tax assets	34,600	24,562
Other assets	159,795	149,002
Non-current assets	**1,195,118**	**1,197,112**
Property, plant and equipment	1,035,574	1,020,210
Intangible assets	144,005	152,691
Other investments	502	502
Deferred tax assets	7,246	15,969
Other financial assets	7,791	7,740
Total assets	**3,213,834**	**3,157,161**
LIABILITIES AND EQUITY		
Current liabilities	**1,613,484**	**1,530,482**
Short-term financial liabilities	109,108	183,068
Trade and other payables	1,191,807	1,150,284
Current tax liabilities	228,569	120,366
Other liabilities	84,000	76,764
Non-current liabilities	**503,902**	**554,383**
Long-term financial liabilities	256,007	257,140
Provisions for risks and charges	107,557	122,085
Provisions for employee benefits	10,828	10,250
Deferred tax liabilities	4,908	4,848
Other liabilities	124,602	160,060
Total liabilities	**2,117,386**	**2,084,865**
EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	1,008,395	765,904
Net result	22,497	240,836
Total equity	**1,096,448**	**1,072,296**
Total liabilities and equity	**3,213,834**	**3,157,161**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 31st March 2018

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD 1ST JANUARY - 31ST MARCH 2018

Thousands of euros	1st January 31st March 2018	1st January 31st March 2017
Revenues from ordinary operations	2,383,444	1,870,446
Other income	35,281	26,708
Total revenue	**2,418,725**	**1,897,154**
Purchases of raw materials, replacement parts and consumables	(2,142,968)	(1,551,850)
Cost of services and sundry costs	(167,921)	(147,937)
Personnel costs	(35,595)	(36,951)
Amortisation/depreciation and write-downs	(41,871)	(52,874)
Total costs	**(2,388,355)**	**(1,789,612)**
Operating result	**30,370**	**107,542**
Net income (charges) from equity investments		
Financial income	70,208	65,699
Financial charges	(70,253)	(42,617)
Result before taxes	**30,325**	**130,624**
Income tax	(7,828)	(38,533)
Net result	**22,497**	**92,091**
Net result attributable to:		
Shareholders of the parent company	22,497	92,091
Third-party minority interests	0	0
Net earnings per share – base (euro cents)	**2.41**	**9.84**
Net earnings per share – diluted (euro cents)	**2.41**	**9.84**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 31ST MARCH 2018

Thousands of euros	1st January 31st March 2018	1st January 31st March 2017
Net result (A)	**22,497**	**92,091**
Items that may be reclassified subsequently to profit or loss		
Effect of translation of the financial statements of foreign operations	(204)	63
Items that will not be reclassified to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
Other profit/(loss), net of the fiscal effect (B)	**(204)**	**63**
Total consolidated net result (A + B)	**22,293**	**92,154**
Total consolidated net result attributable to:		
Shareholders of the parent company	22,293	92,154
Third-party minority interests	0	0

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

Consolidated Statement of Changes in Equity to 31st March 2018

Thousands of euros	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) period	Total Equity Attributable to the Parent Company	Third-party Minority interests	Total Equity
Balance as at 31/12/2016	54,630	10,926	660,841	196,330	922,727	0	922,727
Allocation of profit previous year			196,330	(196,330)	0		0
Distribution of dividends			(93,601)		(93,601)		(93,601)
Conversion effect balances in foreign currency			(227)		(227)		(227)
Actuarial effect IAS 19			751		751		751
Reserve for stock option plan			1,810		1,810		1,810
Net result				240,836	240,836		240,836
Total net result			*(227)*	*240,836*	*242,419*	*0*	*242,419*
Balance as at 31/12/2017	54,630	10,926	765,904	240,836	1,072,296	0	1,072,296
Allocation of profit previous year			240,836	(240,836)	0		0
Distribution of dividends			0		0		0
Conversion effect balances in foreign currency			(204)		(204)		(204)
Actuarial effect IAS 19			0		0		0
Reserve for stock option plan			491		491		491
First time adoption IFRS 9			1,368		1,368		1,368
Net result				22,497	22,497		22,497
Total net result			*(204)*	*22,497*	*22,784*	*0*	*22,784*
Balance as at 31/03/2018	54,630	10,926	1,008,395	22,497	1,096,448	0	1,096,448

Consolidated Statement of Cash Flows for the period to 31st March 2018

Thousands of euros	1/1/2018-31/03/2018	1/1/2017 - 31/03/2017
A - Initial cash and cash equivalents	421,525	359,175
B - Cash flow from operating activities		
Net result	22,497	92,091
Unrealised exchange rate differences on bank current accounts	2,845	(206)
Amortisation/depreciation and impairment losses	41,871	52,874
Net change in risk provisions	(14,528)	(28,628)
Net change in provision for employee benefits	578	562
Net change in deferred tax liabilities and deferred tax assets	8,783	21,106
Net interest	4,832	3,691
Income tax set aside	(955)	17,427
Change in the fair value of derivatives	615	(16,965)
Other non-monetary components	1,655	63
Profit for the period before changes in working capital	68,193	142,015
(Increase)/Decrease in trade receivables	52,332	216,559
(Increase)/Decrease in inventories	(253,984)	(243,634)
(Increase)/Decrease in trade and other payables	41,523	(171,099)
Change other current assets	(20,831)	(31,611)
Change other current liabilities	116,394	86,539
Interest received	190	11
Interest paid	(5,022)	(3,702)
Taxes paid	0	0
Change other non-current liabilities	(35,458)	(44,561)
Total (B)	(36,663)	(49,483)
C - Cash flows used in investing activities		
(Investments) in tangible and intangible assets	(48,549)	(45,761)
(Increase)/Decrease in other financial assets	49,288	76,508
Total (C)	739	30,747
D - Cash flows used in financing activities		
Increase/(decrease) m/l-term financial payables	(1,133)	0
Increase/(decrease) short-term financial payables	(130,207)	(94,469)
Total (D)	(131,340)	(94,469)
E - Cash flows for the period (B+C+D)	(167,264)	(113,205)
Unrealised exchange rate differences on bank current accounts	(2,845)	206
F - Final cash and cash equivalents	251,416	246,176

For the Board of Directors
The Chairman
Massimo Moratti

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2018

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1. Introduction

Publication of the condensed consolidated financial statements of the Saras Group for the period closed as at 31 March 2018 was authorised by the Board of Directors on 14 May 2018.

Saras SpA (hereinafter also the "Parent Company") is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, S.S. 195 "Sulcitana" Km. 19. It is jointly controlled by MOBRO Spa and Massimo Moratti S.A.P.A., which own 25.01% each, for a combined holding of 50.02%, of the share capital of Saras SpA (excluding treasury shares), under the shareholders' agreement signed by the two companies on 1 October 2013 and renewed on 1 October 2016. The company is established until 31 December 2056, as stated in its articles of association.

Saras SpA operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished oil products. The Saras Group's activities include refining of crude and the production and sale of electricity produced by both an integrated gasification combined cycle (IGCC) plant, operated by the 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 Group accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements for the period ended 31 March 2018 were prepared pursuant to IAS 34 - Interim Financial Statements.

The condensed consolidated financial statements do not provide all the information requested in the preparation of the annual consolidated 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 2017.

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

Below, standards and interpretations are illustrated which, at the Group's reporting date, had already been issued and entered into force during this financial year.

IFRS 9 – Financial Instruments
In July 2015, the IASB issued the final version of IFRS 9 Financial Instruments, which replaced IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 is divided into three parts:
1. Classification and measurement of financial instruments on the basis of the business model of the entity and the characteristics of cash flows generated by such financial instruments;
2. Impairment of financial instruments on the basis of a new, single impairment model based on the recognition of an entity's expected losses. This model is not applied to equity instruments and calls for operational simplifications for trade receivables;
3. Hedge accounting based on a more flexible approach than that indicated in IAS 39.

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

With reference to the new rules of classification and measurement of the financial instruments introduced by IFRS 9, a detailed analysis of the instruments currently in the portfolio and of the relative accounting balance of the financial statements as at 31 December 2017 was performed. For each type identified, an analysis was conducted of the current IAS 39 accounting treatment, which was then compared to the future IFRS 9 classification, considering the specific contractual characteristics of the instruments and of the classification options permitted by the Standard. From the analysis, the following preliminary impacts have been identified:

Minority Equity Investments
They are recognised at cost on the basis of IAS 39, but under IFRS 9 they must be recognised at fair value through profit or loss or through other comprehensive income. This concerns equity investments of modest value (Sarda Factoring and Consorzio La Spezia Utlities), for which the estimate of the fair value is not expected to produce quantitatively significant effects on the financial statements.

Trade receivables disposed of by means of factoring
They are currently valued at the amortised cost, substantially equal to the nominal value, given the absence of transaction costs. According to IFRS 9, these components are debt instruments to be recognised at their fair value, in that, since they are not held to maturity, they do not fit a business model of the 'Hold to collect' type, as required by IFRS 9 for the recognition of a financial asset at amortised cost. The new classification applicable according to IFRS 9 does not lead to any impact on the book value as, generally, the fair value of a short term trade receivable, in the absence of significant transaction costs, can be reasonably approximated to its nominal value. Classifying it differently will entail effects upon the information in the explanatory notes to the financial statements, in application of IFRS 7.

Financial liabilities undergoing renegotiation
The value of the liabilities undergoing renegotiation, outstanding as at 31 December 2017, has been recalculated in application of the new calculation approach defined by IFRS 9 and, in reopening the balances as at 1 January 2018, the difference with respect to the book value calculated according to IAS 39 has been recognised in Equity; this difference is equal to EUR 1,368 thousand.

For the other items of the financial statements under review (Other current receivables at amortised cost, Guarantee deposits, Intercompany loans on the separate financial statements, derivative instruments, financial liabilities), no potential impacts from the introduction of IFRS 9 have been identified, at the moment, which should be analysed in depth.
With reference to the impairment rules, the analysis has highlighted the following considerations:

- the majority of the receivables generated by the Group's operations are sold on a "without recourse" basis (with relative accounting derecognition) and/or of other forms of mitigation of the credit risk with reference both to the wholesale sales (principally by means of insurance cover and to a lesser extent by means of bank guarantees) and to receivables from cargo trading activities (collection also by means of letters of credit, bank guarantees or Parent Company Guarantees);
- the majority of the receivables generated by the cargo trading activity (significant in terms of unit amount) are characterised by very restricted payment terms (i.e. a few days following the date of delivery of the goods);
- the bad debt provision is currently calculated on the basis of specific assessments regarding the recoverability of the past due positions;
- the losses of receivables recorded historically by the Group are of an insignificant amount.

It is, therefore, preliminarily assessed that the credit risk attributable to the loss expected on performing receivables, a new element to be included in the estimate of the bad debt provision according to IFRS 9, can be considered not relevant.

With reference to the hedge accounting rules, currently the Saras Group does not use hedge accounting for its portfolio of derivative instruments. In continuity of this accounting policy, the application of the new IFRS 9 rules with effect from 1 January 2018 has not produced any accounting impact either on the opening balances or on the recognition of the derivatives in the balance sheet and the income statement. However, in consideration of the simplifications introduced by IFRS 9 and of the increased operating cases potentially manageable in hedge accounting, the Group reserves the right in future to conduct additional in-depth studies aimed at the potential commencement of the application of hedge accounting for its portfolio of derivatives.

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

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

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

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

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

During the course of the 2017 financial year impact analyses of the transition to the new standard were performed, the principal results of which are herein after described.

The Group generates revenues from the sales of oil products according to the following classes of transactions: Oil sales (Cargo, Transfer Stock), Wholesale sales and Retail sales, with the latter limited to the sales outlets of the Spanish subsidiary. Furthermore, revenues are generated from the sales of electricity to a private operator and to Gestore Servizi Energetici (GSE) while other income derives, in particular, from grants relative to the incentive-based tariff in relation to the production of electricity from renewable sources, from white certificates against energy saving projects, from reimbursement of emissions trading charges, from the sale of biodiesel certificates and other minor sources.

The various classes of transactions have been analysed with reference to five elements indicated by the standard:

- Identification of the contract, of the client and of the relevant contractual clauses
- Identification of the goods or services covered by the contractual obligation, including guarantees, options, ancillary services and multiple services
- Determination of the price of the transaction, including variable, financial, non-monetary and modifying components
- Allocation of any variable or discount components to the contractual obligations
- Recognition of the moment in which the contractual obligation is satisfied and therefore the revenues can be recognised in the income statement, with check of the transfer of control and of any acceptance, repurchase, deposit and other relevant clauses.

Furthermore, clauses which provide for the billing of ancillary costs have been analysed, including in particular the transport costs in relation to the "Cargo" sales.

The composition of homogeneous categories of transactions in the context of the Oil sales is facilitated by the use of contracts which are based on a standard form which unequivocally highlights the principal characteristics of the transaction (buyer, seller, product, delivery, quantity, quality, laydays, payment condition, price, laytime and demurrage, and others).

The types of Oil sales and the features on which the analysis has largely concentrated were the following:

Cargo Sales

These are sales of oil products made through ships, for which the recognition of the revenues takes place at the time of transfer of control of the goods identified on the basis of generally recognised international commercial conditions (In.co.term). These contracts do not include contractual obligations additional to the sale of the good or financial components or discount policies. The possible chargeback of shipping costs, managed on behalf of the purchaser and charged back to the same, is considered, similar to any demurrage, an expense ancillary to the service, which does not suggest an autonomous sale in which Saras acts as agent. The price is determined on the basis of the qualitative characteristics of the product, verified by an independent inspector who is present at the loading or at the unloading of the ship, on the basis of the commercial condition applied. These transactions have not, therefore, shown the need to change the accounting treatments followed up until now.

Transfer stock

These are sales of oil products by means of the delivery of the product to a third party depository, where the purchaser may collect it. From the moment of delivery to the depository, the seller loses title to the product, which passes to the purchaser consistently with the tax registers, and is prevented from using it in any manner; at this moment, the revenues from the sale are recognised by Saras. Similarly to Cargo sales, the quality of the product delivered is verified by an independent inspector at the time of the delivery to the depository. These transactions have not, therefore, shown the need to change the accounting treatments followed up until now.

Trading

From 2016, the Group has started its own activity aimed at optimisation and trading, by means of the subsidiary Saras Trading SA. These transactions substantially follow the approaches of sales of the products or of the crude oil described above, with purchase and sale of the physical product and, in the cases in which the company acts only as trader within the Group, there is no need to identify the agent and the principal. These transactions have not, therefore, shown the need to change the accounting treatments followed up until now.

Sales of electricity are recognised in the income statement at the time of the delivery of the electricity to one of the two purchasing counterparties, with the simultaneous measurement of the electricity delivered and consequent billing at the price agreed, without recourse to any of the particular cases listed above, envisaged by IFRS 15, which could modify the criteria of measurement and recognition of revenues currently adopted.

In other income, the following items were reclassified to revenues from sales:

- The component of incentive-based tariff in relation to the production of electricity from renewable sources (wind power), which, previously was represented by the attribution of green certificates that could be sold autonomously, represent a stream of revenues deriving from an ordinary activity of the entity, as described by IFRS 15: since it is now an integral part of the sale price, the same will no longer be classified separately.
- Revenues from the sale of biodiesel certificates in so far as they derive from a product of the ordinary refining activity.
- Revenues deriving from the chargeback to the purchaser of Oil products of the costs incurred for demurrage are considered, similarly to the chargeback of shipping costs, as expenses ancillary to the service and not as an autonomous sale transaction.

On the other hand, as income for white certificates against energy saving projects and for the assignment of grants in relation to emissions trading charges does not derive from the ordinary activity of the entity that generates products sold to the customer, as defined by IFRS 15, it continues to be classified among other income.

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

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

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

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

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

IASB has issued amendments to IFRS 2 Share-based payments which deal with three main issues: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of a liability-settled share-based payment; the classification of a transaction with share-based payment net of the obligations for withholding tax; accounting in the event that an amendment to the terms and conditions of a share-based payment transaction modifies its classification from a cash-settled to an equity-settled transaction. At the time of adoption, entities must apply the amendments without restating previous financial periods, but the retrospective application is allowed if chosen for all three amendments and if other criteria are met. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The effects of these changes in relation to the consolidated financial statements have not led to significant effects.

IFRS 16 – Leases

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

right of use of the leased item for the duration of the contract (the right-of-use asset). Lessees will need to account separately for the interest expense on the lease liability and the depreciation of the right-of-use asset.
Lessees will also need to remeasure the lease liability on the occurring of specific events (for example: a change in the conditions of the lease contract, a change in future lease payments due to a variation in an index or rate used for determining those payments). The lessee will generally recognise the amount of the new measurement of the lease liability as an adjustment of the right-of-use asset.
IFRS 16 requires from lessees more detailed disclosure compared to that required from IAS 17.
The standard will come into force for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessee can choose to apply the standard using a fully retrospective approach or a modified retrospective approach. The transitional measures included in the standard allow some facilitations.
The Group has commenced the activities of analysis to evaluate the impacts of the introduction of the new IFRS: from the preliminary analysis, significant impacts are not expected as the Group does not have in existence significant lease assets or liabilities.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The objective of this interpretation is that of establishing the spot exchange rate to be used in the conversion of advances in foreign currency, paid or received. In the presence of paid or received advances, the exchange rate to be used to convert assets, liabilities, revenues or costs identified at a later time is the one used to convert the advance. This interpretation, which is expected to come into force on 1 January 2018, has not yet been endorsed by the European Union.

2.3 Consolidation scope

Subsidiaries that are included in the Group's basis of consolidation are listed in the following table:

Consolidated on a line-by-line basis	**% owned**
Deposit of 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%
Sardeolica Srl	100%
Alpha Eolica Srl (in liquidation)	100%
Saras Trading S.A.	100%
Equity investments recognised at cost	
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

Compared to 31 December 2017, 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, from time to time, are considered reasonable and realistic under the circumstances. The application of these estimates and assumptions affects both the recognition of certain assets and liabilities and the valuation of contingent assets and liabilities. The main estimates are used in determining the value in use of the cash-flow generating assets and the estimation of provisions and impairments. The estimates and judgments are reviewed periodically and the effects of each of them are recorded in the income statement. A summary of the most significant estimates is provided in the Group's consolidated financial statements at 31 December 2017, to which reference should be made.

3. Information by business segment and geographical area

3.1 Introduction

The Saras Group's business segments are:
1. refining;
2. marketing;
3. generation of power by the combined cycle plant;
4. generation of power by wind farms;
5. other activities.

1. The refining activities carried out by parent company Saras S.p.A. and subsidiary Sarlux S.r.l. relate to the sale of oil and gas products obtained:
- upon completion of the entire production cycle, ranging from the sourcing of raw materials to the refining and production of finished products, which is carried out at the company's site in Sarroch, Sardinia;
- and, in part, by acquiring oil products from third parties.

The finished products are sold to major international operators.

2. Marketing activities concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:
- in Italy by Saras S.p.A. (Wholesale Division), to wholesale customers (wholesalers, buying consortia, municipal utilities and retailers of oil products) and oil companies through a logistics network comprised of own base (Sarroch), a third party's base pursuant to a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and Deposito di Arcola Srl for the logistics management of the Arcola depot (SP);
- in Spain, by Saras Energia S.A.U., for its own or independent service stations, supermarkets and resellers, through a wide network of depots located throughout the Iberic Peninsula, of which the most important, the one in Cartagena, belongs to the company.

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

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

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

Management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as those in the consolidated financial statements for the year ended 31 December 2017.

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	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	2,691,510	129,554	480,171	3,456	8,463	3,313,154
to be deducted: intersectoral revenues	(915,869)	(11,765)	(237)	0	(4,481)	(932,352)
Revenues from third parties	**1,775,641**	**117,789**	**479,934**	**3,456**	**3,982**	**2,380,802**
Other operating revenues	53,007	7,223	1,689	3,145	167	65,231
to be deducted: intersectoral revenues	(26,924)	(213)	0	(48)	(130)	(27,315)
Other income from third parties	**26,083**	**7,010**	**1,689**	**3,097**	**37**	**37,916**
Depreciation/amortisation and write-downs	(26,271)	(12,919)	(1,373)	(1,142)	(165)	(41,870)
Gross operating result	**(6,630)**	**30,465**	**2,451**	**3,442**	**642**	**30,370**
Financial income (a)	61,510	9,824	90	19	4	71,447
Financial charges (a)	(70,811)	(27)	(644)	(8)	(2)	(71,492)
Income tax	5,022	(11,516)	(847)	(299)	(189)	(7,829)
Profit (loss) for the period	**(10,909)**	**28,746**	**1,050**	**3,154**	**456**	**22,497**
Total directly attributable activities (b)	**1,590,607**	**1,288,670**	**214,021**	**88,447**	**32,087**	**3,213,832**
Total directly attributable liabilities (b)	**1,609,008**	**190,454**	**278,998**	**22,295**	**16,631**	**2,117,386**
Investments in tangible fixed assets	**41,319**	**7,206**	**106**	**93**	**161**	**48,885**
Investments in intangible fixed assets	**134**	**0**	**101**	**0**	**2**	**237**

Income statement	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	(592,505)	(12,584)	(500)	0	(3,599)	(609,188)
Revenues from third parties	**1,313,184**	**109,826**	**441,498**	**2,672**	**3,268**	**1,870,448**
Other operating revenues	39,677	3,116	1,688	5,934	128	50,543
to be deducted: intersectoral revenues	(23,582)	(76)	0	(77)	(104)	(23,839)
Other income from third parties	**16,095**	**3,040**	**1,688**	**5,857**	**24**	**26,704**
Depreciation/amortisation 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 (a)	66,162	45	85	15	4	66,311
Financial charges (a)	(38,418)	(4,106)	(672)	(22)	(11)	(43,229)
Income tax	(31,108)	(5,409)	(177)	(1,740)	(100)	(38,534)
Profit (loss) for the period	**72,700**	**15,434**	**(317)**	**4,044**	**229**	**92,090**
Total directly attributable activities (b)	**1,450,979**	**1,311,357**	**282,365**	**90,001**	**22,459**	**3,157,161**
Total directly attributable liabilities (b)	**1,529,174**	**247,581**	**273,812**	**21,394**	**12,900**	**2,084,861**
Investments in tangible fixed assets	**182,633**	**16,595**	**396**	**509**	**852**	**200,985**
Investments in intangible fixed assets	**3,464**	**0**	**477**	**29**	**65**	**4,035**

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

4. Impairment test of goodwill and intangible assets with indefinite useful lives

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

In reviewing its indicators of impairment, the Group takes into account, among other factors, the ratio of its market capitalisation to the carrying amount of its equity. At 31 March 2018, the Group's market capitalisation was higher than the carrying amount of its net assets, thus indicating the absence of a potential loss in value of reported tangible and intangible assets. With specific reference to recognised goodwill, updates of the scenario analyses carried out on the reference CGUs have not highlighted any impairment indicators. Consequently, the directors have not carried out an impairment test at 31 March 2018 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	31/03/2018	31/12/2017	Change
Bank and postal deposits	249,417	419,621	(170,204)
Cash	1,999	1,904	95
Total	**251,416**	**421,525**	**(170,109)**

Bank deposits are mainly attributable to Saras SpA (EUR 200,884 thousand), Sardeolica Srl (EUR 10,214 thousand) and Saras Trading S.A. (EUR 16,329 thousand). For further details on the company's net debt 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:

Current financial assets	31/03/2018	31/12/2017	Change
Current financial derivatives	55,632	55,553	79
Deposits to secure derivatives	47,298	40,883	6,415
Other assets	1,654	1,855	(201)
Total	**104,584**	**98,291**	**6,293**

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

The item "Derivative guarantee deposits" includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee positions open as of 31 March 2018.

5.1.3 Trade receivables

Trade receivables amount to EUR 339,068 thousand, with a decrease of EUR 52,332 thousand from the comparable amount of 31 December 2017. The item is shown net of the provision for doubtful receivables, which amounts to EUR 9,449 thousand (unchanged with respect to 31 December 2017).

5.1.4 Inventories

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

Inventories	31/03/2018	31/12/2017	Change
Raw materials, consumables and supplies	489,581	326,606	162,975
Unfinished products and semi-finished products	77,308	62,596	14,712
Finished products and goods	464,057	378,892	85,165
Spare parts and raw materials, supplies	98,307	107,175	(8,868)
Total	**1,129,253**	**875,269**	**253,984**

The increase in the value of oil inventories is mainly due to the increase in stored quantities.
The recording of inventories at net realisable value did not lead to significant write-downs.
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	31/03/2018	31/12/2017	Change
VAT credit	1,639	1,595	44
Income tax credits	31,370	16,932	14,438
Other amounts due from the tax authorities	1,591	6,035	(4,444)
Total	**34,600**	**24,562**	**10,038**

Receivables for IRES and IRAP relate to tax surplus generated in previous financial years; the variation is ascribable to taxes accrued during the period of reference.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/03/2018	31/12/2017	Change
Accrued income	1,987	1,565	422
Prepaid expenses	23,675	10,370	13,305
Other short-term loans	134,135	137,067	(2,932)
Total	**159,797**	**149,002**	**10,795**

Deferred expenses mainly relate to insurance premiums and charges for the biofuel regulations by the parent company.

'Other receivables' mainly comprise:

- the EUR 24,125 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 11 June 2008, ARG/elt 77/08, referring to the 2017 financial year and the first quarter of 2018;
- recovery of the amount paid by the subsidiary Sarlux Srl to GSE of EUR 28,744 thousand, as described in section 7.1;
- white certificates for EUR 51,053 thousand for energy savings made by the Sarroch refinery (EUR 49,741 thousand in 2017); for more details, reference is made to point 7.1;

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	31/03/2018
Land and buildings	225,652	38	(129)	0	647	226,208
Plant and machinery	3,220,527	9,341	(1,100)	0	56,180	3,284,948
Industrial and commercial equipment	38,682	111	0	0	1,059	39,852
Other assets	566,663	61	(2,351)	0	12,343	576,716
Tangible fixed assets under construction	143,434	39,333	0	0	(70,625)	112,142
Total	**4,194,958**	**48,884**	**(3,580)**	**0**	**(396)**	**4,239,866**

Depreciation Fund	31/12/2017	Depreciation/Amortisation	Use	Write-downs	Other changes	31/03/2018
Land and buildings fund	122,524	1,385	0	0	1	123,910
Plant and machinery fund	2,583,901	25,832	(1,100)	0	(41)	2,608,592
Industrial and commercial equipment	27,154	848	0	0	0	28,002
Other assets	441,169	4,945	(2,325)	0	(1)	443,788
Total	**3,174,748**	**33,010**	**(3,425)**	**0**	**(41)**	**3,204,292**

Net Value	31/12/2017	Increases	Decreases	Depreciation/Amortisation	Write-downs	Other changes	31/03/2018
Land and buildings	103,127	38	(129)	(1,385)	0	647	102,298
Plant and machinery	636,626	9,341	0	(25,832)	0	56,221	676,356
Industrial and commercial equipment	11,528	111	0	(848)	0	1,059	11,850
Other assets	125,496	61	(26)	(4,945)	0	12,342	132,928
Tangible fixed assets under construction	143,434	39,333	0	0	0	(70,625)	112,142
Total	**1,020,211**	**48,884**	**(155)**	**(33,010)**	**0**	**(356)**	**1,035,574**

The item “Land and buildings” chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 59,428 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,773 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 40,097 thousand.

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

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

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

The item “Assets under construction and advances” reflects costs incurred mainly for investment in tanks, and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes.

The item increased by EUR 48,884 thousand, mainly reflecting technological work on refinery plants.

The main yearly depreciation rates used are as follows:

	I.G.C.C. plant	other Assets
Industrial buildings (land and buildings)	until 2031	5.50%
Generic plant (plant and machinery)	until 2031	8.838%
Highly corrosive plant (plant and machinery)	until 2031	11.73%
Pipelines and tanks (plant and machinery)		
Thermoelectric plant (plant and machinery)	until 2031	
Wind farm (plant and machinery)		10%
Equipment (plant and machinery)	until 2031	25%
Electronic office equipment (other assets)		20%
Office furniture and machinery (other assets)		12%
Vehicles (other assets)		25%

During the previous financial year, the subsidiary Sarlux Srl obtained the ten-year renewal (expiring on 31 December 2027) of concessions for the use of public lands on which the service facilities of the Sarroch refinery are located, issued by the Port Authority of Cagliari.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	31/03/2018
Industrial patent and original work rights	47,846	103	(3)	0	399	48,345
Concessions, licences, trademarks and similar rights	50,155	0	0	0	0	50,155
Goodwill and intangible assets with indefinite life	21,909	0	0	0	1,227	23,136
Other	519,898	0	0	0	3	519,901
Intangible assets under construction	1,550	134	0	0	0	1,684
Total	**641,358**	**237**	**(3)**	**0**	**1,629**	**643,221**

Depreciation Fund	31/12/2017	Depreciation/Amortisation	Use	Write-downs	Other changes	31/03/2018
Industrial patent and original work rights	42,350	498	0	0	(21)	42,827
Concessions, licences, trademarks and similar rights	24,431	257	0	0	8	24,893
Goodwill and intangible assets with indefinite life	1,217	32	0	0	471	1,720
Other	421,897	7,877	0	0	2	429,776
Total	**489,895**	**8,664**	**0**	**0**	**460**	**499,216**

Net Value	31/12/2017	Increases	Decreases	Depreciation/Amortisation	Write-downs	Other changes	31/03/2018
Industrial patent and original work rights	5,496	103	(3)	(498)	0	420	5,518
Concessions, licences, trademarks and similar rights	25,724	0	0	(454)	0	(8)	25,262
Goodwill and intangible assets with indefinite life	21,918	0	0	(32)	0	(470)	21,416
Other	98,001	0	0	(7,877)	0	1	90,125
Intangible assets under construction	1,550	134	0	0	0	0	1,684
Total	**152,689**	**237**	**(3)**	**(8,861)**	**0**	**(57)**	**144,005**

Amortisation of intangible assets totalled EUR 8,861 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 Sardeolica Srl (EUR 21,408 thousand), which was paid to acquire this company. The goodwill was justified by the projection of future cash flows expected to be generated by Sardeolica Srl until 2035, when its concessions expire.

Other intangible assets

This item mainly includes the value of the long-term contract, of EUR 82.5 million, for the supply of electricity under the CIP6 regime signed by the subsidiary Sarlux Srl and Gestore dei Servizi Elettrici SpA (hereafter, GSE). This contract, which expires in 2020, was measured according to the criteria of IAS 36 and, on 31 December 2017, an independent appraiser confirmed its carrying amount; the analyses carried out do not show significant changes occurred during the period to the main assumptions underlying the independent evaluation.

5.2.3 Other equity interests

Other equity interests break down as follows:

Other investments	31/03/2018	31/12/2017	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	502	502	0

5.2.4 Deferred tax assets

The balance as at 31 March 2018, equal to EUR 7,246 thousand, is deemed recoverable against future profits, as determined in the most recent business plans.

5.2.5 Other financial assets

As at 31 March 2018, the balance was EUR 7,791 thousand (EUR 7,740 thousand in the previous year) and was mainly represented by the long-term portion of a financial receivable due to the parent company, Saras SpA, by third parties.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	31/03/2018	31/12/2017	Change
Current bank loans	679	496	183
Bank current accounts	21,583	4,163	17,420
Financial derivatives	56,247	53,731	2,516
Other short-term financial liabilities	30,599	124,678	(94,079)
Total	**109,108**	**183,068**	**(73,960)**

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

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

The item "Derivative instruments" includes the negative fair value of the derivatives outstanding at 31 March 2018.

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

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/03/2018	31/12/2017	Change
Customers advances account	11,115	3,481	7,634
Payables to current suppliers	1,180,692	1,146,803	33,889
Total	**1,191,807**	**1,150,284**	**41,523**

The item "Advances from customers" includes payments on account received from customers for the supply of oil products.

The balance of "Supplier Payables" mainly includes payables for supplies of crude oil; the increase with respect to the previous financial year is mainly due to the increase of the purchase cost of raw materials recorded during the course of the quarter, and to the increase of the quantities purchased.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	31/03/2018	31/12/2017	Change
Payables for VAT	58,234	29,556	28,678
Income tax payables	43,179	28,587	14,592
Other tax payables	127,156	62,223	64,933
Total	**228,569**	**120,366**	**108,203**

The change in "VAT payables" is due to the tax advance payment made, by law, by the Italian companies in December 2017 but not recurring during the year.
The variation for IRES payables relates to residual taxable amounts for this period, after offsetting previous losses, while the variation in "IRAP payables" relates to the taxable amounts of the Italian companies for the period.
The item "Other tax payables" mainly includes payables for excise duties on products released for consumption by the parent company, Saras SpA (EUR 119,008 thousand), and the subsidiary Saras Energia S.A.U. (EUR 4,421 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	31/03/2018	31/12/2017	Change
Payables employee benefit and social security institutions	9,328	11,658	(2,330)
Payables due to employees	27,695	22,009	5,686
Payables due to others	27,587	28,328	(741)
Accrued liabilities	2,208	1,421	787
Deferred income	17,182	13,348	3,834
Total	**84,000**	**76,764**	**7,236**

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 appeal filed with the Provincial Tax Commission has seen the Company lose. A hearing should now be scheduled before the Regional Tax Commission.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/03/2018	31/12/2017	Change
Non-current bonds	198,416	198,342	74
Non-current bank loans	48,768	58,798	(10,030)
Other long-term financial liabilities	8,823	0	8,823
Total	**256,007**	**257,140**	**(1,133)**

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

Values expressed in millions of euro	Commencement/ renegotiation of the payable	Original amount	Base rate	Residual at 31/12/2017	Residual at 31/03/2018	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Pool financing	October 2016	150	Euribor 6 months	-	-		
Unicredit	October 2016	50	Euribor 6 months	50	49		49
Pool financing	October 2016	265	Euribor 6 months	-	-		
Bond	December 2017	200	1.70%	198	198		198
Total liabilities to banks for loans				**248**	**247**	**-**	**247**

On 22 December 2017, Saras SpA made a "private placement" of bonds for a total nominal value of EUR 200 million. The bonds, maturing on 28 December 2022, will have a fixed coupon of 1.70% per year. The company has requested that the bonds be listed for trading on the Austrian multilateral trading system, Third Market of the Wiener Börse AG.
The proceeds of the bond issue have been used to refinance part of the existing gross debt, even with a positive net cash position, in support of the investment plan which envisages interventions aimed at improving the configuration of the site, initiatives dedicated to energy efficiency and reliability, as well as an important digitalisation project in the context of Industry 4.0. The transaction will allow the average term of the gross debt to be extended while keeping the cost thereof substantially unchanged.

The loan of EUR 50 million, taken out by Saras SpA, is subject to:

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

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

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

5.4.2 Provisions

Provisions break down as follows:

Fondi per rischi e oneri	31/12/2017	Provisions	Use	Other changes	31/03/2018	Change
Plant dismantling fund	19,039	0	0	0	19,039	0
Charges for CO2 quotas fund	43,940	17,722	(32,267)	0	29,395	(14,545)
Other funds for risks and charges	59,106	17	0	0	59,123	17
Total	**122,085**	**17,739**	**(32,267)**	**0**	**107,557**	**(14,528)**

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

The provision for CO_2allowances, entered for EUR 29,395 thousand, stems from the existence of quantitative limits on CO_2 emissions of the plants pursuant to Legislative Decree No. 216 of 4 April 2006; exceeding these limits implies the obligation to purchase, on the specific market, allowances which represent the quantities of excess CO_2. The provisions in question reflect allowances required and not yet purchased.

The item "Other provisions" mainly relates to provisions made to cover probable legal and tax liabilities (including those described at point 7.1), as well as charges related to the acquisition of the Versalis business unit that will be incurred by the subsidiary Sarlux S.r.l. and reimbursed by the seller.

5.4.3 Post-employment benefits

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

Provisions for employee benefits	31/03/2018	31/12/2017	Change
Post-employment benefits	10,828	10,250	578
Total	**10,828**	**10,250**	**578**

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

5.4.4 Deferred tax liabilities

Deferred tax liabilities amount 4,908 thousand Euros and are relative to the foreign subsidiaries.

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	31/03/2018	31/12/2017	Change
Deferred income straight-line reporting Sarlux / Gse	123,549	158,747	(35,198)
Other payables	1,053	1,313	(260)
Total	**124,602**	**160,060**	**(35,458)**

The change compared with 31 December 2017 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux Srl. The item in question relates to the application of IFRIC 4 to the accounting of the agreement for the sale of energy between Sarlux S.r.l. and G.S.E. (Gestore dei Servizi Energetici SpA). Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. These revenues have therefore been accounted for on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of gas, which is a determining factor for the electricity tariff.

5.5 Equity

Equity comprises the following:

Total equity	31/03/2018	31/12/2017	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	1,008,395	765,904	242,491
Net profit (loss) for the period	22,497	240,836	(218,339)
Total	**1,096,448**	**1,072,296**	**24,152**

Share capital
On 31 March 2018, the share capital of EUR 54,630 thousand, fully subscribed and paid up, was represented by 951,000,000 ordinary shares without par value.

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

Other reserves
This item totalled EUR 1,008,395 thousand, a net increase of EUR 242,491 thousand compared with the previous period. Such increase was the combined result of:

- allocation of the profit from the prior fiscal year (EUR 240,836 thousand);
- negative effect for the translation of foreign currency financial statements of foreign subsidiaries for EUR 204 thousand;
- an increase of EUR 491 thousand relating to the establishment of a reserve for the allocation of bonus shares to management under the company's share-based payment plans;
- effect of first-time adoption of IFRS 9, increase of EUR 1,368 thousand.

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

Net Result
The consolidated net profit for the period amounted to EUR 22,497 thousand.

Dividends
On 27 April 2018, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31 December 2017, resolved to pay a dividend of EUR 0.12 for each of the 936,010,146 ordinary shares outstanding, for a total of EUR 112,321 thousand, out of profit for fiscal year 2017.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item “Revenues from ordinary operations” breaks down as follows:

Revenues from ordinary operations	31/03/2018	31/03/2017	Change
Revenue from sales and services	2,256,688	1,755,026	501,662
Sale of electricity	122,546	112,151	10,395
Other remuneration	3,468	2,973	495
Change in contract work in progress	742	296	446
Total	**2,383,444**	**1,870,446**	**512,998**

Revenues from sales and service increased by EUR 501,662 thousand, mainly because of the trend of prices of oil products.

Revenues from the sale of electricity include EUR 116,249 thousand relating to the gasification plant of subsidiary Sarlux Srl and EUR 6,097 thousand relating to the wind farm owned by subsidiary Sardeolica S.r.l.
Revenues from the sale of electricity by Sarlux 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 SpA and Reasar SA in their respective business segments.

6.1.2 Other income

The following table shows a breakdown of the item “Other income”:

Other operating revenues	31/03/2018	31/03/2017	Change
Compensation for storage of mandatory stocks	1,301	1,046	255
Sale various materials	153	57	96
Grants	409	5,870	(5,461)
Ship tanks hire	1,158	50	1,108
Recovery for claims and compensation	855	26	829
CO2 charges reimbursement	6,562	3,042	3,520
Other revenues	24,843	16,616	8,227
Total	**35,281**	**26,707**	**8,574**

The item “Grants” has decreased with respect to the previous financial year due to the reclassification to revenues from ordinary operations of the component relative to the part of the incentive-based tariff granted to the subsidiary Sardeolica Srl in relation to the production of electricity from renewable sources, following the introduction of the new IFRS 15.

The item “Reimbursement of emissions trading charges” comprises revenues posted by the subsidiary Sarlux Srl, deriving from the reimbursement – pursuant to section II, point 7-bis of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08. The increase with respect to the same period of the previous financial year is mainly due to the increase in the value of the allowances.

The item "Other revenues" mainly includes income relating to energy efficiency certificates (white certificates for EUR 4,663 thousand) accrued during the period, as well as services provided by the subsidiary Sarlux Srl on the Sarroch site to leading operators in the oil sector for EUR 4,016 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

Purchase of raw materials, consumables and supplies	31/03/2018	31/03/2017	Change
Purchase of raw materials	1,398,352	1,145,980	252,372
Purchase semi-finished products	50,085	55,905	(5,820)
Purchase supplies and consumables	22,781	19,240	3,541
Increase in property, plant and equipment	(7,875)	(2,543)	(5,332)
Purchase finished products	933,730	576,569	357,161
Change in inventories	(254,105)	(243,301)	(10,804)
Total	**2,142,968**	**1,551,850**	**591,118**

Costs for the purchase of raw materials, replacement parts and consumables increased by EUR 591,118 thousand compared to the same period during the previous year, is due both to the trend in petroleum product prices and the quantities purchased during the course of the quarter.

6.2.2 Service and sundry costs

Cost of services and sundry costs	31/03/2018	31/03/2017	Change
Costs for services	169,646	142,621	27,025
Capitalisations	(9,359)	(6,720)	(2,639)
Costs for use of third-party goods	3,217	2,806	411
Provisions for risks	0	4,079	(4,079)
Trade receivables write-downs	0	0	0
Other operating costs	4,417	5,151	(734)
Total	**167,921**	**147,937**	**19,984**

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

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

The item "Provision for risks" includes the provisions for the expenses relative to the application of the Directive 2003/87/EC (Emissions Trading). The increase with respect to the same period of the previous financial year is mainly due to the increase in the value of the allowances.

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

6.2.3 Personnel costs

"Personnel costs" break down as follows:

Personnel costs	31/03/2018	31/03/2017	Change
Salaries and wages	27,047	26,996	51
Increases in fixed assets for internal work	(2,553)	(1,543)	(1,010)
Social security contributions	7,861	8,196	(335)
Post-employment benefits	1,497	1,471	26
Other costs	833	918	(85)
Remuneration to the Board of Directors	910	913	(3)
Total	**35,595**	**36,951**	**(1,356)**

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

6.2.4 Depreciation, amortisation and impairments

Depreciation and amortisation figures are shown below:

Purchase of raw materials, consumables and supplies	31/03/2018	31/03/2017	Change
Depreciation of intangible fixed assets	8,861	8,559	302
Depreciation of tangible fixed assets	33,010	44,315	(11,305)
Total	**41,871**	**52,874**	**302**

The depreciation of the tangible fixed assets, diminishes by EUR 11,305 thousand with respect to the previous financial year mainly due to the revision of the useful life of the I.G.C.C. plants, which took place during the last quarter of the previous financial year.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/03/2018	31/03/2017	Change
Bank interest income	190	11	179
Unrealised differences on derivatives	39,004	28,937	10,067
Realised differences on derivatives	(7,989)	7,569	(15,558)
Other income	63	(511)	574
Profit on exchange rates	38,940	29,693	9,247
Total	**70,208**	**65,699**	**4,509**

Financial charges	31/03/2018	31/03/2017	Change
Unrealised differences on derivatives	(36,924)	(15,026)	(21,898)
Realised differences on derivatives	442	5,297	(4,855)
Interest expenses on loans and Other financial charges	(3,651)	(3,702)	51
Exchange rate losses	(30,120)	(29,186)	(934)
Total	**(70,253)**	**(42,617)**	**(27,585)**

The table below shows net income/charges by type:

Financial income e Financial charges	31/03/2018	31/03/2017	Change
Net interest	(3,461)	(3,691)	230
Result of derivative instruments, of which:	(5,467)	26,777	(32,244)
Realised	*(7,547)*	*12,866*	*(20,413)*
Fair value of open positions	*2,080*	*13,911*	*(11,831)*
Net exchange rate differences	8,820	507	8,313
Others	63	(511)	574
Total	**(45)**	**23,082**	**(55,371)**

The fair value of derivative instruments as of 31 March 2018 resulted in a gain equal to EUR 2,080 thousand (compared to a gain of EUR 13,911 thousand in the same period last year).

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

6.4 Income tax

Income tax can be shown as follows:

Income tax	31/03/2018	31/03/2017	Change
Current taxes	8,460	28,012	(19,552)
Net deferred (prepaid) taxes	(632)	10,521	(11,153)
Total	**7,828**	**38,533**	**(30,705)**

The current taxes are constituted by the IRAP and the IRES calculated on the company’s consolidated taxable profit net of total IRES loss carry forwards still available.

7. Other information

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

7.1 Main legal actions pending

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

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

Although the decisions made by the tax courts were contradictory with regard to the alleged violations, the company assumes that the probability of any liability is remote; where instead the liability was deemed probable, appropriate provisions were made.
Moreover, with reference to the subsidiary Sarlux Srl, there are ongoing disputes regarding the non-recognition of the IGCC plant’s qualification as a cogeneration plant and the consequent alleged obligation to buy “green certificates”; companies generating electricity not deriving from renewable sources or cogeneration (as defined by Legislative Decree 79/99 and AEEG Resolution 42/02) are required to purchase green certificates for a certain percentage of electricity fed into the grid.
Specifically:

i) 2002-2005 Generation. An ad hoc AEEG committee, after inspecting the IGCC plant in 2007, came, a posteriori, to a different interpretation, from that reached during the generation period, of 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) 2009 Generation. The Council of State, in the decision mentioned in the paragraph above, did not pronounce on one of the points appealed (hydrogen produced by the plant qualifying as “useful heat”), an interpretation that, if granted, would have allowed the subsidiary to be deemed a cogeneration plant with reference to 2009 production also. Sarlux, believing founded the pleas submitted in the appeal to the State Council, initiated new proceedings before the TAR in order to obtain a favourable decision in relation to its claim that the cogeneration resulting from the production of hydrogen is "useful heat”; for all the units including the third, for which in the meantime it has arranged to pay, in the month of February 2017, the green certificates net of the repayment envisaged.

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 of EUR 67.0 million and immediately submitted a claim for a refund to the AEEG, obtaining EUR 11.7 million for the generation relative to 2011, EUR 15.1 million for 2012, and EUR 14.6 million for 2013. The appeal to the Regional Administrative Court relative to the 2012 production, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and argues that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not post any expenses or any revenue with reference to the generation from 2011 onward.

Furthermore, there are recorded in the financial statements, among the other assets (as described at point 5.1.6 – Other assets), receivables for white certificates (TEE) relative to the benefits granted against energy savings achieved by means of specific projects authorised in a preliminary form by GSE, which in 2016 implemented inspection checks in relation to all the projects even if already preliminarily authorised. GSE, on the outcome of these checks, has redetermined the TEE share due to the company with reference to the projects checked. The Group has initiated administrative proceedings to dispute the conclusions of the checks, reflecting in the financial statements its evaluations of risk regarding the possible outcome of the controversy.

The Companies of the Group have over the years furthermore been audited and assessed by the tax authorities; this led, in some cases, to disputes pending before tax courts.

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

7.2 Transactions with related parties

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