Saras Group Interim Financial Report as of 30th September 2019

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The Financial Statements have been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the reports and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

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

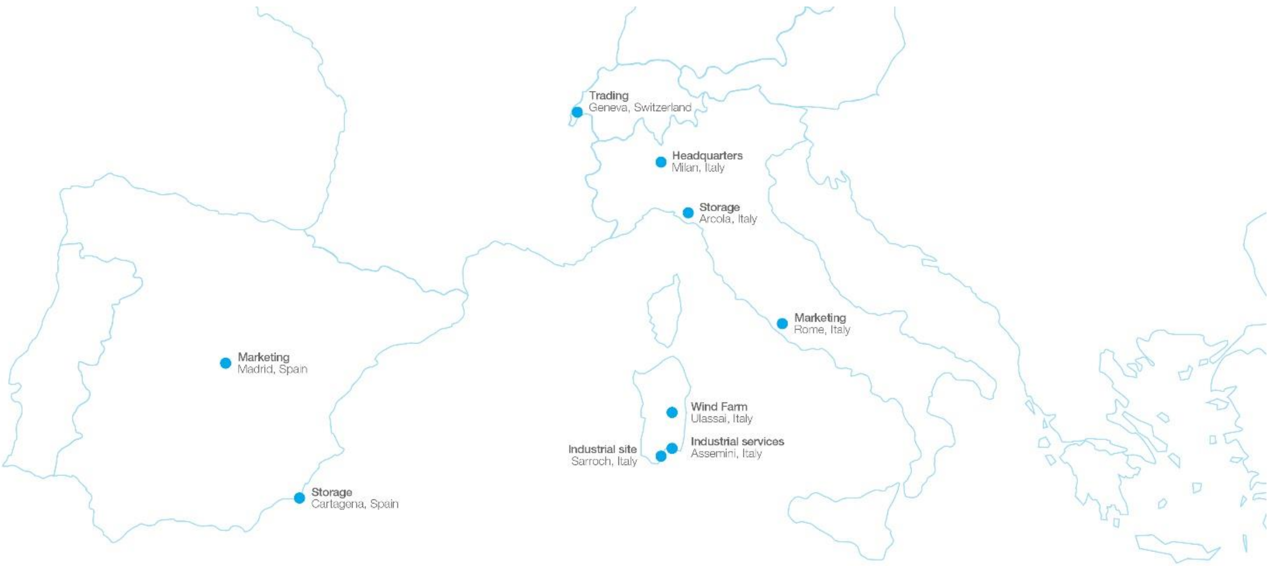
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (11.7 on the Nelson Index). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl, and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity. To best exploit these extraordinary resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This includes the activity of 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 2018 approximately 2.12 million tonnes of oil products were sold in Italy on the wholesale market, and a further 1.56 million tonnes were sold on the Spanish market through its subsidiary Saras Energia SAU, active both on the wholesale and retail channels.

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.

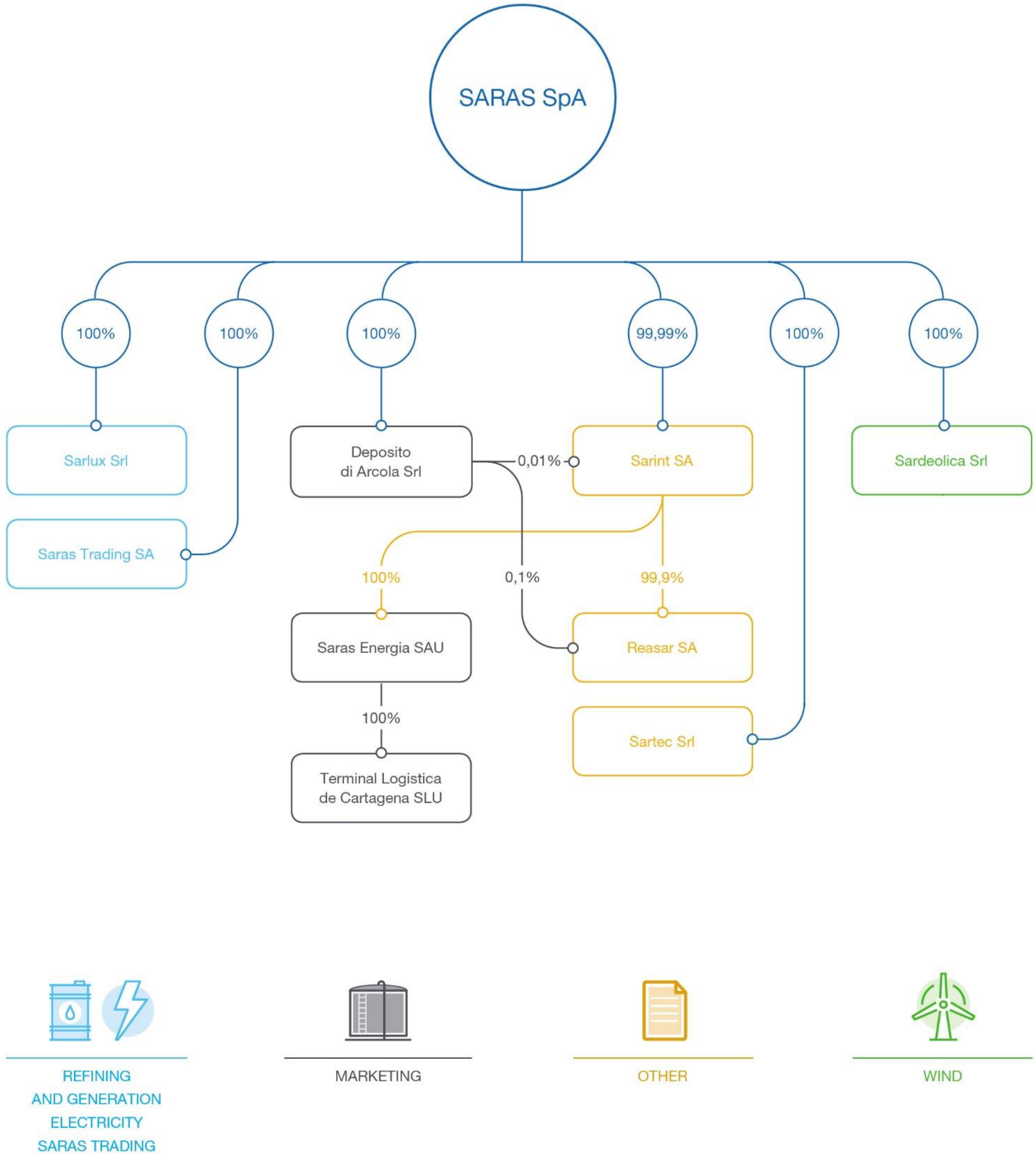
In addition, the Group manufactures and sells electricity from renewable sources in Sardinia, via the Ulassai wind farm. The farm, operational since 2005, is managed by the subsidiary Sardeolica Srl and has an installed capacity of 126 MW.

Lastly, the Group provides industrial services to the oil, 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 30th September 2019.



Saras Stock Performance

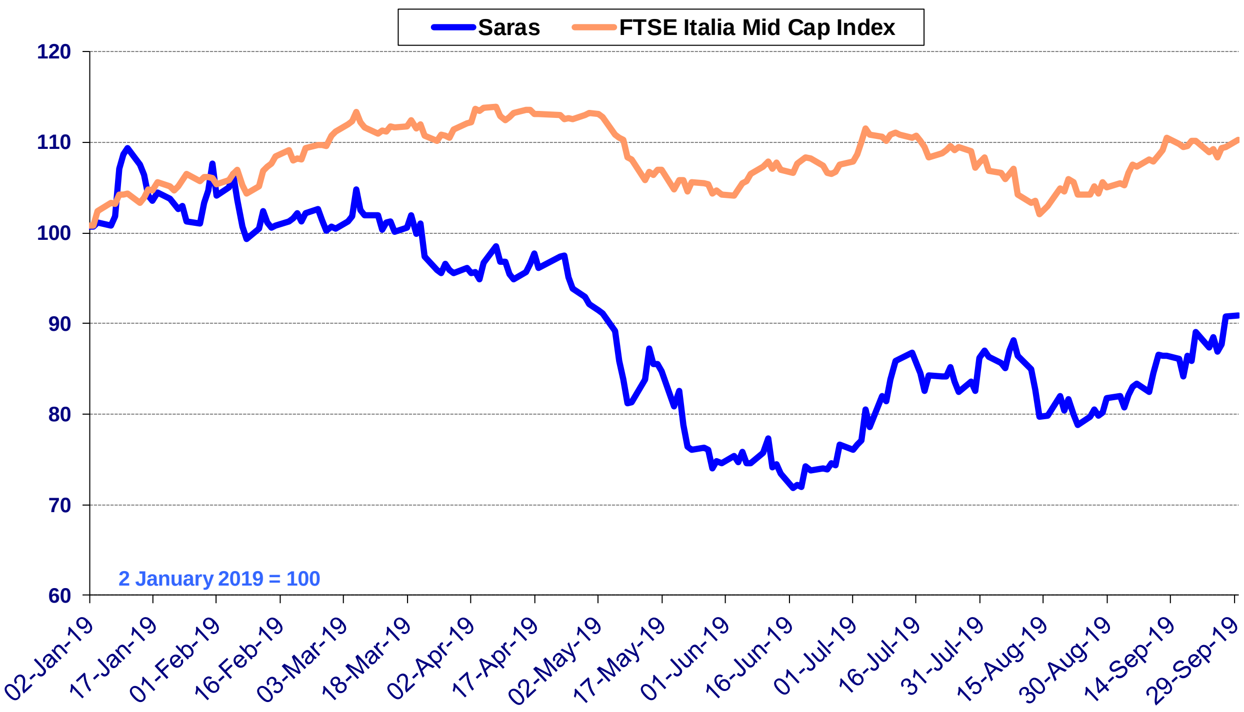
The following data relate to Saras' share prices and the daily volumes, traded during the first nine months of 2019.

SHARE PRICE (EUR)	9M/19
Minimum price (17/06/2019)	1.242
Maximum price (11/01/2019)	1.890
Average price	1.553
Closing price at the end of the first nine months of 2019 (30/09/2019)	1.570

DAILY TRADED VOLUMES	9M/19
Maximum traded volume in EUR million (14/05/2019)	17.8
Maximum traded volume in number of shares (million) (14/05/2019)	11.8
Minimum traded volume in EUR million (21/01/2019)	1.7
Minimum traded volume in number of shares (million) (21/01/2019)	1.0
Average traded volume in EUR million	6.2
Average traded volume in number of shares (million)	4.0

The Market capitalization at the end of the first nine months of 2019 was equal to approximately EUR 1,493 million and the number of shares outstanding was approximately 942 million.

The following graph shows the daily performance of Saras' share price during the first nine months of 2019, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Non-GAAP measure
Alternative performance indicators

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

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

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

Key financial and operational Group Results

EUR Million	9M 2019	9M 2018	Change %		Q3/19	Q3/18	Change %	
REVENUES	7,106	8,961	-21%	(*)	2,422	3,370	-28%	(*)
EBITDA reported	305.8	448.0	-32%		110.1	176.6	-38%	
Comparable EBITDA	**217.5**	**272.8**	**-20%**		**117.8**	**122.4**	**-4%**	
EBIT reported	162.2	318.8	-49%		60.5	132.3	-54%	
Comparable EBIT	**74.0**	**143.6**	**-48%**		**68.2**	**78.1**	**-13%**	
NET RESULT reported	66.8	154.1	-57%		42.7	72.7	-41%	
***Comparable* NET RESULT**	**20.2**	**59.0**	**-66%**		**56.8**	**44.1**	**29%**	

EUR Million	9M 2019	9M 2018	Q3/19	Q3/18	FY 2018
NET FINANCIAL POSITION ANTE IFRS 16	**28.6**	**73.8**	**28.6**	**73.8**	**46.0**
NET FINANCIAL POSITION POST IFRS 16	**(15.0)**		**(15.0)**		
CAPEX	**250.3**	**130.9**	**46.1**	**45.9**	**242.9**

(*) The change in revenues with the same accounting classification of the trading activity is equal to -2% compared to the first nine months of 2018 and equal to -7% compared to the third quarter of 2018.

Comments to First Nine Months of 2019 Group Results

The Groups revenues in 9M/19 were EUR 7,106 million compared to EUR 8,961 million in the first nine months of last year. The change reflects the different classification, carried out starting from Q4/18, of the revenues and costs related to the trading activity (equal to EUR 1,719 million in 9M/18). Moreover, average oil and products prices were lower. In detail, in 9M/19 the price of gasoline averaged at 599 $/ton (compared to the average of 683 $/ton in 9M/18), while the price of diesel averaged out to 588 $/ton (compared to the average of 638 $/ton in 9M/18). As a result, revenues were lower by approximately EUR 1,720 million in the Refining segment and by more than EUR 110 million in the Marketing segment, also as effect of lower volumes sold (-4% vs 9M/18). The change in revenues with the same accounting classification of the trading activity is equal to -2%.

The Group's reported EBITDA in 9M/19 was EUR 305.8 million, lower than the EUR 448.0 million reported in 9M/18. This difference was mainly attributable to the Refining segment that, in the first nine months of 2019, operated in a less favourable scenario, with lower gasoline crack spread and discounts on heavy sour crudes, and was penalized by a relevant turnaround that was carried out in the first quarter of the year. Moreover, the scenario effect on the differences between the beginning and the end of the period inventories was positive but lower than the one registered in the same period of the previous year.

The reported Group Net Result was equal to EUR 66.8 million, compared to EUR 154.1 million in 9M/18. Amortisation and depreciation charges were ahead of the same period of previous year (EUR 143.6 million as compared to EUR 129.2 million in 9M/18), as effect of the application of IFRS 16 and the entry in operation of new investments. Financial charges stood at EUR 14 million (versus EUR 12.2 million in 9M/18). Finally other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative by approximately EUR 54 million in 9M/19 compared to a negative contribution of about EUR 90 million in 9M/18.

The comparable Group EBITDA was EUR 217.5 million in 9M/19, down versus EUR 272.8 million achieved in 9M/18. This result is mainly attributable the Power Generation segment that operated in a less favourable scenario and to the Refining segment that in the first months of the year carried out one of the heaviest turnaround on the plants of the last 5 years (the plants T2, V2, CCR and MHC1 were stopped for 60 days) and operated in a scenario featured by lower gasoline crack spread and discounts on heavy sour crudes. **The comparable Group Net Result in 9M/19 was EUR 20.2 million,** versus EUR 59.0 million in 9M/18.

It is worth noting that the aforementioned turnaround, penalised EBITDA by an estimated amount of EUR 60 million.

Investments in 9M/19 were EUR 250.3 million mainly focused on the Refining segment (EUR 206.6 million). Of the last approximately EUR 70 million refers to the capitalization of costs, mainly related to the aforementioned multi-annual turnaround.

Comments to Third Quarter 2019 Group Results

The Groups revenues in Q3/19 were EUR 2,422 million down compared to EUR 3,370 million in the third quarter of last year. Such dynamic is due to the lower average oil and products prices compared to the same period of last year and the different classification, carried out starting from Q4/18, of the revenues and costs related to the trading activity (equal to EUR754 million in Q3/18). In particular, in Q3/19 the price of gasoline averaged at 605 $/ton (compared to the average of 712 $/ton in Q3/18), while the price of diesel averaged out to 578 $/ton (compared to the average of 668 $/ton in Q3/18). Refining segment revenues were lower by approximately EUR 870 million, Marketing segment revenues declined by about EUR 55 million and Power segment revenues declined by approximately EUR 20 million. The change in revenues with the same accounting classification of the trading activity is equal to -7%.

The Group's reported EBITDA in Q3/19 was EUR 110.1 million, down versus the EUR 176.6 million in Q3/18. The scenario effect on the differences between the beginning and the end of the period inventories was negative in the quarter (due to declining Brent Price) while it was positive in the same period of the previous year (featured by rising prices).

The reported Group Net Result was equal to EUR 42.7 million, compared to EUR 72.7 million in Q3/18. In Q3/19, amortisation and depreciation charges were above the same period of previous year (EUR 49.6 million versus EUR 44.3 million in Q3/18) for the above mentioned reasons while financial charges (equal to EUR 5.2 million) were in line with Q3/18. Finally other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative by approximately EUR 1 million in Q3/19 compared to a negative amount of approximately EUR 6 million in Q3/18.

The comparable Group EBITDA was EUR 117.8 million in Q3/19, compared to EUR 122.4 million earned in Q3/18 as the better profitability of the Refining segment offset lower contribution of Power Generation. The refinery in particular was able to maximize a more favourable scenario mainly in terms of higher diesel crack spread, rising the runs and confirming a strong operating performance. **The comparable Group Net Result in Q3/19 was EUR 56.8 million,** versus EUR 44.1 million in Q3/18.

Investments in Q3/19 were EUR 46.1 million mainly focused on the Refining segment (EUR 36.8 million).

The tables below present the details of the calculation of comparable EBITDA and comparable Net Result for the first nine months and third quarter of 2018 and 2019.

Calculation of the Group comparable EBITDA

EUR Million	9M 2019	9M 2018		Q3/19	Q3/18	
***Reported* EBITDA**	**305.8**	**448.0**		**110.1**	**176.6**	
Gain / (Losses) on Inventories	(65.3)	(160.6)		20.9	(47.4)	
Hedging derivatives and net FOREX	(23.1)	(33.1)	(1)	(13.2)	(13.8)	(1)
Non-recurring items	0.0	18.4	(1)	0.0	7.0	(1)
***Comparable* EBITDA**	**217.5**	**272.8**		**117.8**	**122.4**	

(1) The difference with respect to the values reported in Interim Financial Report as of 30th September 2018, refers to the reclassification of the change in the valuation of CO2 hedging derivatives that were reported among the non-recurring items and are instead now included among the hedging derivatives and the net exchange differences.

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

Calculation of the Group comparable Net Result

EUR Million	9M 2019	9M 2018	Q3/19	Q3/18
***Reported* NET RESULT**	**66.8**	**154.1**	**42.7**	**72.7**
Gain & (Losses) on Inventories net of taxes	(47.1)	(115.8)	15.0	(34.2)
Derivatives related to future deals	0.4	1.0	(1.0)	(3.0)
Non-recurring items net of taxes	0.0	19.7	0.0	8.7
***Comparable* NET RESULT**	**20.2**	**59.0**	**56.8**	**44.1**

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

Net Financial Position

The Net Financial Position as at 30th September 2019 ante effects of the IFRS 16 was positive by EUR 28.6 million, versus the EUR 46 million as at 31 December 2018. The cash flow generated by operations was absorbed by the investments made in the period and by the payment of taxes and of the dividend in May.

The **Net Financial Position as at 30th September 2019 post effects of the IFRS 16** (negative by EUR 43.5 million) **was negative by EUR 15.0 million**.

For more details please refer to the Explanatory Notes to the Consolidated Financial Statements.

EUR Million	30-Sep-19	31-Dec-18
Medium/long-term bank loans	(49.9)	(49.4)
Bonds	(201.5)	(198.7)
Other medium/long-term financial liabilities	(7.3)	(7.9)
Other medium/long-term financial assets	6.6	4.1
Medium-long-term net financial position	**(252.0)**	**(251.9)**
Short term loans	(0.1)	0
Banks overdrafts	(0.2)	(17.0)
Other short term financial liabilities	(19.5)	(62.7)
Fair value on derivatives and realized net differentials	29.0	66.2
Other financial assets	38.8	38.6
Cash and Cash Equivalents	232.5	272.8
Short-term net financial position	**280.6**	**297.9**
Total net financial position ante lease liabilities ex IFRS 16	**28.6**	**46.0**
Financial lease liabilities ex IFRS 16	**(43.5)**	**-**
Total net financial position post lease liabilities ex IFRS 16	**(15.0)**	**-**

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	Q2/18	Q3/18	9M/18	Q1/19	Q2/19	Q3/19	9M/19
Crude oil price and differential ($/bl)								
Brent Dated (FOB Med)	66.8	74.4	75.2	72.1	63.1	68.9	62.0	64.6
Urals (CIF Med)	65.2	72.8	74.4	70.8	63.4	68.1	61.8	64.4
"Heavy-light" price differential	-1.6	-1.6	-0.8	-1.3	+0.3	-0.7	-0.2	-0.2
***Crack spreads* for refined oil products ($/bl)**								
ULSD *crack spread*	12.1	13.7	14.4	13.4	15.2	12.0	15.4	14.2
Gasoline 10ppm *crack spread*	8.7	10.3	10.2	9.7	2.6	8.3	10.4	7.1
Reference margin ($/bl)								
EMC Benchmark	+1.7	+2.2	+2.4	+2.1	+1.1	+0.2	+3.0	+1.4

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

Crude oil prices:

After reaching about 50 $/bl at the end of 2018, Brent prices rose progressively in the first quarter of 2019 to reach about 68 $/bl at the end of March. The main reason behind this increase was the reduction in the oil supply on the market, due both to the sanctions imposed by the US administration on Iran and Venezuela, and to the production cuts implemented by OPEC producers and Russia (-1.2 m/bl/d compared to the October 2018 level). On the consumption front, there was a slowdown in the first quarter of the year in the backdrop of international trade tensions (in particular between the United States and China) and of a reduction in global economic growth.

During the month of April and until mid-May an uptrend brought Brent up to 75 $/bl. Among the main reasons behind this movement, there is the decision of the US administration not to renew waivers for imports of Iranian crude oil and the stop of Ural flows from Russia to Central Europe due to the chloride contamination of the Druzhba pipeline. From the second half of May on the other hand, fears of a slowdown in global economy prevailed and Brent prices fell to around 65 $/bl.

Average Brent prices during the period were down (averaging 62 $/bl in the quarter) compared to the previous quarter and highly volatile, also intra-day, due to the strong geopolitical instability in particular with reference to the drone attacks against two of Saudi Arabia's most important oil infrastructure on September 14th. After a brief surge in the Brent price following the attacks, the bearish trend prevailed in view of the large US production and the slowing macroeconomic environment.

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

The first quarter of 2019 was influenced by the implementation of production cuts by OPEC + producers. On top of which took place the US sanctions against Iran and Venezuela which are among the main producers of heavy-sour crude oil on a global scale. This has actually limited the availability of this crude qualities, significantly reducing their discount compared to Brent. In this particular market context, the Ural went at premium compared to Brent of 0.3 $/bl on average in Q1/19.

In mid-April Ural traded at significant premium compared to Brent (around +1 $/bl) in relation to the aforementioned contamination of the Druzhba pipeline which temporarily blocked the export of this crude to Central Europe. Since the end of May, the resolution of these problems led to a normalization of the quotations bringing them to more usual levels (-2.5 $/bl). In the second quarter, the Ural dealt at an average discount of 0.7 $/bl with respect to Brent in a context of great volatility. Also in the second quarter, crude oils with a high sulfur content were generally affected by US sanctions against Iran and Venezuela, production cuts by OPEC + and the reduction in Canadian crude oil production.

In the third quarter, the Ural price showed a fluctuating trend, moving between +1 $/bl and -1 $/bl compared to Brent. In August its availability was affected by the previously mentioned contamination problems while, starting in September, the situation normalized driving the differential on higher values (up to about -2 $/bl).

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

The first quarter of 2019 was characterized by globally high refinery runs that led to large supplies of gasoline, in a context of seasonally low consumption in Europe and the United States. Inventories rose significantly, and the gasoline crack spread since mid-January went into negative territory. Starting in February, a gradual recovery began, thanks to various out of service (planned or not) of Asian, European and American refineries, and to a recovery in consumption in Indonesia and India. Finally, in March, the recovery of gasoline further strengthened, coinciding with the beginning of the traditional spring maintenance of the refineries and the transition to summer specifications. The average gasoline crack spread was 2.6 $/bl in the Q1/19.

In the second quarter, the gasoline crack spread remained at levels lower than the seasonal averages but significantly higher than the one recorded in the first quarter. The relevant inventories accumulated in the previous months have been progressively disposed of. April was the strongest month due to the traditional maintenance carried out by the European and US refineries and to some runs cut in central Europe as a result of the unavailability of crude imports through the Druzhba pipeline. Finally, the fire at the PES (Philadelphia Energy Solutions) refinery, one of the largest refineries on the east coast of the United States, on 21 June caused its definitive closure with likely consequences on the supply of light distillates in the US market in Latin America in the third quarter. The average gasoline crack spread in the second quarter of 2019 was 8.3 $/bl.

The gasoline crack spread posted a strong recovery in July, coinciding with the period of high seasonality of demand. Some other factors on the supply side had an effect such as the closure of the aforementioned Philadelphia refinery and some production interruptions in Louisiana following Hurricane Barry. Demand from West Africa was particularly robust. In the following months the increases in production of the US and European refineries offset the imbalance and the gasoline crack spread suffered a decline. On average it was 10.4 $/bl in the third quarter.

Moving on to middle distillates, the diesel crack spread showed the maximum values of the last 4 years in the first quarter of 2019, thanks to the robust demand for transport and for industrial uses and heating, and at the same time lower supply from the refineries (out of service for maintenance). A partial compensation derived from an increase in Russian, Chinese and Middle Eastern exports. In March, the crack spreads of middle distillates decreased slightly due to the sharp increase in crude oil prices, not entirely transmitted to products, and to low heating consumption due to mild weather. The diesel crack spread average was 15.2 $/bl in Q1/19.

The diesel crack spread was down by more than 3 $/bl compared to the first quarter, reflecting both seasonal factors such as the decrease in agricultural consumption (due to heavy rains) and lower heating consumption (due to rather mild winter temperatures) and economic factors such as the slowdown in transport consumption. At the same time, exports from China to Europe have increased, also due to the increase in "export quotas" granted by the Government to local refiners. Finally it should be noted the full operation of the new STAR refinery in Turkey which has increased the offer in the Mediterranean area. The average of the diesel crack spread was 12.0 $/bl in the second quarter of 2019.

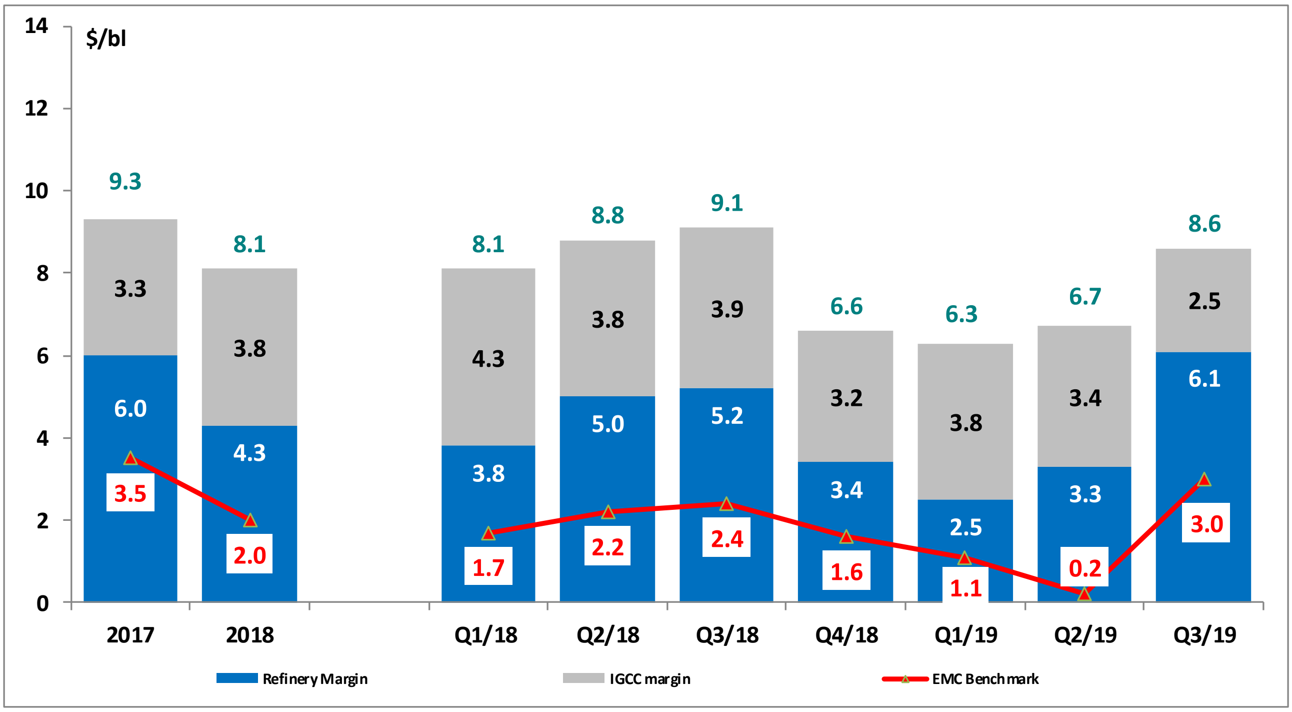
The diesel crack spread gradually strengthened in the third quarter reaching the seasonal highs of last years. This trend stems from the first effects of the introduction of the IMO-Marpol VI legislation, and partly from lower Russian and Saudi exports (which typically represent around 20% of European imports). The drone attacks on the Saudi crude pre-treatment plants, in fact, led to a reduction in processing at domestic refineries, in order to maximize the quantities of crude oil available for export. On the other hand, European consumption contracted both due to the economic slowdown and the decline in sales of diesel cars. Exports of middle distillates from China to Europe were on the rise over the period as a result of the greater "export-quotas" granted by the Government to local refiners.

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 2.0 $/bl in 2018. In Q1/19 the benchmark margin recorded an average of 1.1 $/bl. It was positively influenced by the strength of middle distillates which was more than balanced by the weakness of light distillates and high valuation of Ural. In Q2/19 the benchmark margin was equal to 0.2 $/bl negatively influenced by the weakening of middle distillates, higher Brent prices and a lower value of fuel oil. In the third quarter there was a marked strengthening of the EMC benchmark margin which was on average equal to 3.0 $/ bl thanks to a gradual reinforcement of the diesel and to the seasonal improvement of the gasoline crack spread.

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



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

Segment Review

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

Refining

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

EUR Million	9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
EBITDA reported	155.3	282.8	-45%	57.2	121.2	-53%
***Comparable* EBITDA**	**66.5**	**80.4**	**-17%**	**70.4**	**50.5**	**39%**
EBIT reported	58.6	200.4	-71%	23.6	92.6	-75%
***Comparable* EBIT**	**(30.2)**	**(2.0)**	**-1410%**	**36.8**	**21.9**	**68%**
CAPEX	**206.7**	**115.9**		**36.8**	**40.6**	

Margins and refinery runs

		9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
REFINERY RUNS	Tons (thousand)	9,780	9,882	-1%	3,555	3,354	6%
	Barrels (million)	71.4	72.1	-1%	26.0	24.5	6%
	Bl/day (thousand)	262	264	-1%	282	266	6%
COMPLEMETARY FEEDSTOCK	Tons (thousand)	872	965	-10%	320	388	-17%
EXCHANGE RATE	EUR/USD	1.124	1.194	-6%	1.112	1.163	-4%
EMC BENCHMARK MARGIN	$/bl	1.4	2.1		3.0	2.4	
SARAS REFINERY MARGIN	$/bl	4.1	4.7		6.1	5.2	

Comments to First nine months of 2019 Results

Crude refinery runs during 9M/19 stood at 9.78 million tons (71.4 million barrels, corresponding to 262 thousand barrels per day), broadly in line with 9M/18. Complementary feedstock amounted to 0.87 million tons compared to 0.97 in 9M/18. It is worth mentioning that in the first months of 2019, took place one of the main turnaround of the last 5 years which involved Topping “T2”, Vacuum “V2”, CCR and MHC1 that were stopped for about 60 days. The operational performance was above expectations and the maintenance activities were completed smoothly and on time.

The comparable EBITDA amounted to EUR 66.5 million in 9M/19, with a Saras refinery margin of +4.1 $/bl (as usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 80.4 million and a Saras refinery margin of +4.7 $/bl in 9M/18. 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.

Market conditions, in 9M/19 proved to be less favourable in particular with reference to the effect of crude differentials that were influenced by low availability of heavy sour due to sanctions against Iran and Venezuela and OPEC cuts. On the products side, the weakness of gasoline crack spread was partially offset by stronger middle distillates crack spread. The total effect on the value of production was negative by EUR 40 million compared to 9M/18. The effect of the EUR/USD exchange rate (1 EUR was worth 1.124 USD in 9M/19 and 1.194 in 9M/18) on the opposite was positive by approximately

EUR 20 million.

With regard to operational performance, in 9M/19 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 higher by approximately EUR 3 million compared to 9M/18 thanks to the supply chain optimisation measures.

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 in line with 9M/18 despite a heavier maintenance program that was offset by a sound operating performance.

Commercial management (involving the supply of crude and additional raw materials, the sale of finished products, the rental costs of oil tankers, and inventory management, including mandatory stocks) generated EBITDA higher by approximately EUR 3 million compared to 9M/18 thanks to the results of the trading activity.

Investments made in 9M/19 were EUR 206.7 million, referring to the investment plan and the maintenance program, the latter mainly relating to the aforementioned turnaround.

Comments to Third quarter of 2019 Results

Crude refinery runs during Q3/19 stood at 3.56 million tons (26.0 million barrels, corresponding to 282 thousand barrels per day), up by 6% compared to Q3/18. Complementary feedstock amounted to 0.32 million tons compared to 0.39 in Q3/18. No significant maintenance was carried out during the period on the plants and the operating performance was very positive.

The comparable EBITDA amounted to EUR 70.4 million in Q3/19, with a Saras refinery margin of +6.1 $/bl (as usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 50.5 million and a Saras refinery margin of +5.2 $/bl in Q3/18. 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.

Market conditions in Q3/19 proved to be more favourable than the same period of previous year, in fact gasoline and diesel crack spreads were higher and the tighter crude differentials was offset by lower Brent price. Total effect due to the scenario was positive by about EUR 30 million. The effect of the EUR/USD exchange rate (1 EUR was worth 1.112 USD in Q3/19 and 1.163 in Q3/18) increased the value of production by approximately EUR 5 million.

Operational performance (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), in Q3/19 resulted in an EBITDA lower by approximately EUR 10 million compared to Q3/18.

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 EUR 10 million higher than in Q3/18 thanks a strong industrial performance.

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 10 million compared to Q3/18.

Investments made in Q3/19 were EUR 36.8 million.

Crudes processed and yields of finished products

The mix of crudes that the Sarroch refinery processed in 9M/19 had an average density of 34.5°API, and is therefore lighter than the average density processed in 9M/18. A more detailed analysis of the crude oil grades shows an overall stability of the percentage of light crude oils with a low and very low sulphur content (“light sweet” and “light extra sweet”). The decrease of heavy crude oils with low and high sulphur content (“Heavy sour/sweet”) has been reflected in an increase of the percentage of medium crude oils with a high sulphur content (“medium sour”). This processing mix was due to contingent plant set-up situations (heavy maintenance carried out in the period) and to economic and commercial choices in view of market supply conditions.

		9M 2019	9M 2018	Q3/19
Light extra sweet		37%	37%	36%
Light sweet		12%	13%	13%
Medium sweet/extra sweet		1%	0%	0%
Medium sour		36%	34%	34%
Heavy sour/sweet		14%	17%	17%
Average crude gravity	°API	34.5	33.7	34.4

Turning to the analysis of finished product yields, we note that in 9M/19 the yield of the light distillates (28.0%) was slightly lower than the in 9M/18. The yield of middle distillates (51.2%) instead was a higher. Finally, fuel oil yield was quite low (4.7%) as opposed to a higher yield of TAR (7.5%). These changes are mainly due to the maintenance activity carried out in the period and commercial choices.

		9M 2019	9M 2018	Q3/19
LPG	Tons (thousand)	235	224	73
	yield (%)	2.2%	2.1%	1.9%
NAPHTHA + GASOLINE	Tons (thousand)	2,978	3,074	1,054
	yield (%)	28.0%	28.3%	27.2%
MIDDLE DISTILLATES	Tons (thousand)	5,449	5,462	2,010
	yield (%)	51.2%	50.4%	51.9%
FUEL OIL & OTHERS	Tons (thousand)	498	556	201
	yield (%)	4.7%	5.1%	5.2%
TAR	Tons (thousand)	801	819	295
	yield (%)	7.5%	7.5%	7.6%

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

Marketing

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

EUR Million	9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
EBITDA	16.8	19.9	-16%	8.2	9.5	-14%
***Comparable* EBITDA**	**17.7**	**16.0**	**11%**	**8.5**	**8.8**	**-3%**
EBIT	14.5	15.8	-8%	7.4	8.1	-9%
***Comparable* EBIT**	**15.3**	**11.9**	**28%**	**7.7**	**7.4**	**3%**
CAPEX	**0.6**	**1.5**		**0.0**	**1.2**	

Sales

		9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
TOTAL SALES	**Tons (thousand)**	**2,666**	**2,763**	**-4%**	**945**	**942**	**0%**
of which: in Italy	Tons (thousand)	1,613	1,593	1%	587	556	6%
of which: in Spain	Tons (thousand)	1,053	1,170	-10%	359	386	-7%

Comments to First Nine Months of 2019 Results

According to data collected by UP (Unione Petrolifera – the Oil Industry Union), in 9M/19 total oil consumption was down by about 1% on the Italian market, which represents the main wholesale channel of the Saras Group. In particular, in Italy in the period considered, gasoline demand was broadly in line with the same period of previous year and diesel registered a contraction of 0.8%. Consumption of automotive fuels (gasoline + diesel) amounted to 23.5 million tons, down 0.5% (-118 ktons) compared to the same period of previous year. In the first nine months of 2019, new car registrations decreased by 1.6%, with diesel vehicles accounting for 41% of the total (compared to 53% in 9M/18). The Saras Group kept its own sales volumes stable in Italy.

In Spain, the data collected by CORES indicates road fuel consumption up by 0.7% in the first 8 months of 2019. The Spanish subsidiary Saras Energia decreased the volumes sold by 10%.

Comparable EBITDA for the Marketing segment amounted to EUR 17.7 million, versus the EUR 16.0 million of 9M/18 mainly due to better wholesale margins and lower fixed costs. Such result should be considered in conjunction with the Refining results in light of the strong coordination between technical and commercial skills on which the Group business model is shaped.

Comments to Third quarter of 2019 Results

According to data collected by UP (Unione Petrolifera – the Oil Industry Union), in Q3/19 total oil consumption was up by about 1% on the Italian market. In particular, in Italy in the period considered, gasoline showed an increase of 3% and diesel registered a contraction of 1%. Demand of bunker increased by 4% in the period.

As far as the Spanish market is concerned, the data compiled by CORES shows consumption of transport fuels up 1% in the period July-August 2019.

Group volumes were stable in Q3/19 as well as **comparable EBITDA at EUR 8.5 million**, also after the deconsolidation of Spanish retails business.

On 25 July 2019 in fact, the Spanish subsidiary Saras Energia and Kuwait Petroleum Espana SA signed the deed of sale of the business unit attributable to the business consisting of service stations located in Spain, including the stations, directly owned and operated, the ancillary services and the related personnel directly referable to the network. The total consideration for the sale amounts to EUR 35 million (in addition to the value of working capital and the inventory equal to EUR 3.8 million transferred at the time of the closing). It should be noted, that some stations and the related current assets have not yet been transferred (and the related price has not yet been paid) pending receipt of some authorizations from local authorities and therefore are classified as “Non current assets held for sales”.

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	9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
EBITDA	123.4	135.8	-9%	43.1	45.2	-5%
***Comparable* EBITDA**	**123.1**	**166.9**	**-26%**	**37.3**	**62.4**	**-40%**
EBIT	83.2	97.0	-14%	29.3	32.2	-9%
***Comparable* EBIT**	**82.9**	**128.1**	**-35%**	**23.5**	**49.4**	**-52%**
EBITDA ITALIAN GAAP	**68.5**	**70.8**	**-3%**	**40.7**	**28.4**	**43%**
EBIT ITALIAN GAAP	**53.6**	**57.2**	**-6%**	**35.5**	**23.8**	**49%**
CAPEX	**20.4**	**12.8**		**6.8**	**3.8**	

Other figures

		9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
ELECTRICITY PRODUCTION	MWh/1000	2,984	3,145	-5%	1,114	1,170	-5%
POWER TARIFF	**Eurocent/KWh**	**9.3**	**9.7**	**-4%**	**9.3**	**9.7**	**-4%**
POWER IGCC MARGIN	$/bl	3.2	4.0	-20%	2.5	3.9	-36%

Comments to First Nine Months of 2019 Results

In 9M/19, the Electricity Generation segment carried out the maintenance work on three "Gasifier–combined cycle Turbine" and on one the two "gas washing line trains". Electricity production reached 2.984 TWh, down by 5% compared to the first nine months of last year, due to a heavier maintenance programme concentrated in the first half of the year. The annual planned maintenance program was completed and no further activity is scheduled for the rest of the year.

Comparable EBITDA stood at EUR 123.1 million compared to EUR 166.9 million achieved in 9M/18. The scenario was less favourable than in the same period of previous year as the value of the CIP6/92 tariff declined by -4% while the feedstock (TAR) costs increased. Fixed costs were slightly up as effect of the heavier maintenance program. It should be noted that the difference between comparable and reported EBITDA is attributable a reclassification of the results of the CO_2 hedging derivatives. Such item was negative by EUR 0.3 million in 9M/19 as effect of the change of CO_2 value over the period (compared to a positive effect of EUR 31 million in 9M/18).

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 68.5 million in 9M/19, 3% below the EUR 70.8 million achieved in the same period last year. The difference is due to the combined effect of lower electricity production (-5%), lower CIP6/92 tariff (-4%). Moreover, the cost of acquiring raw materials (TAR) increased. This result does not include the effect of the above mentioned CO2 hedging derivatives (negative by EUR 0.3 million) that are within the financial charges (versus a positive contribution of EUR 31 million in 9M/18).

Investments amounted to EUR 20.4 million.

Comments to Third quarter of 2019 Results

In Q3/19, the Electricity Generation segment in absence of any maintenance activity produced at full capacity. Electricity production reached 1.114 TWh, down by 5% compared to the thirds quarter of last year, due to less positive operating performance.

Comparable EBITDA stood at EUR 37.3 million compared to EUR 62.4 million achieved in Q3/18. The scenario was less favourable than in the same period of previous year as the value of the CIP6/92 tariff decreased by 4% and the cost of TAR, that is linked to oil price, rose. Moreover the effect of the linearization was lower than in the same period of previous year. It should be noted that the difference between comparable and reported EBITDA is attributable a reclassification of the results of the CO_2 hedging derivatives. Such item was negative by EUR 5.8 million in Q3/19, due to the decline of the value of CO_2 quotas in the period (while it was positive by EUR 17 million in Q3/18).

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 40.7 million in Q3/19, versus the EUR 28.4 million achieved in Q3/18. The difference is due to the combined effect of lower electricity production (-5%) and CIP6/92 tariff and the increase of cost of acquiring raw materials (TAR). This result does not include the effect of the aforementioned CO_2 hedging derivatives (negative by EUR 5.8 million) that are booked as financial charges (vs +EUR 17 million in Q3/18).

Investments amounted to EUR 6.8 million.

Wind

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

EUR million	9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
EBITDA	6.8	6.8	0%	0.7	0.9	-22%
***Comparable* EBITDA**	**6.8**	**6.8**	**0%**	**0.7**	**0.9**	**-22%**
EBIT	3.1	3.4	-9%	(0.5)	(0.2)	-150%
***Comparable* EBIT**	**3.1**	**3.4**	**-9%**	**(0.5)**	**(0.2)**	**-150%**
CAPEX	**22.3**	**0.2**		**2.4**	**0.1**	

Other figures

		9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
ELECTRICITY PRODUCTION	MWh	136,272	119,490	14%	26,366	19,593	35%
POWER TARIFF	EURcent/KWh	5.0	5.3	-6%	4.7	6.7	-30%
INCENTIVE TARIFF	EURcent/KWh	9.2	9.9	-7%	9.2	9.9	-7%

Comments to First Nine Months of 2019 Results

In 9M/19 the comparable EBITDA for the Wind Power segment (equal to the reported EBITDA) was bang in line with the same period of previous year at EUR 6.8 million.

In detail, the volumes produced increased by 14% compared to the same period last year, thanks to more favourable wind conditions. The Incentive Tariff decreased by 0.7 Eurocent/kWh compared to 9M/18 and the incentivised production represented 10% of the volumes (compared to 30% in 9M/18). The power tariff declined by 6% versus 9M/18.

Investments amounted to EUR 22.3 million, mainly aimed at the expansion of the wind farm with the installation of 9 new turbines with an additional capacity of 30 MW. The works were completed on 27th September and from such date the new farms are in operation.

Comments to Third Quarter of 2019 Results

In Q3/19 the comparable EBITDA for the Wind Power segment (equal to the reported EBITDA) stood at EUR 0.7 million, compared to EUR 0.9 million in Q3/18.

In detail, the volumes produced increased by 35% compared to the same period last year, thanks to very positive wind conditions. The Incentive Tariff decreased by 0.7 Eurocent/kWh compared to Q3/18 and the electricity tariff declined by 2.0 Eurocent/kWh compared to Q3/18.

Other Activities

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

EUR Million	9M 2019	9M 2018	Change %	Q3/19	Q3/18	Change %
EBITDA	3.5	2.7	30%	0.9	(0.2)	550%
***Comparable* EBITDA**	**3.5**	**2.7**	**30%**	**0.9**	**(0.2)**	**550%**
EBIT	2.9	2.2	32%	0.7	(0.4)	275%
***Comparable* EBIT**	**2.9**	**2.2**	**32%**	**0.7**	**(0.4)**	**275%**
CAPEX	**0.4**	**0.5**		**0.1**	**0.2**	

Strategy and Outlook

Thanks to its high-conversion configuration, the integration with the IGCC plant, and its operational model based on the integrated Supply Chain Management, the Saras' refinery, positioned in Sarroch (Sardinia, Italy), has a leading position among the European refining sites. Given such features, the Group is well positioned with respect to the expected scenario evolution especially Group with reference to the impact of IMO – Marpol VI regulation that envisages, from January 2020, the lowering of the sulphur emission allowed in the fumes of marine engines, leading to positive market conditions for the sites like the one in Sarroch. The Group intends to pursue initiatives to improve the operational performance and reliability of the plants as well as streamlining costs and complete the important investment cycle.

The year 2019 opened with Brent at around 60 $/bl, despite the agreement reached by the OPEC+ countries and the decline of export from Iran and Venezuela. Oil market proved to be quite balanced thanks to continuous increases in production by unconventional US producers. After a brief spike in the Brent price following the drone attacks against two of Saudi Arabia's most important oil infrastructures on September 14, the bearish trend prevailed. The forward curve point to a Brent of around 60 $/bl for the remaining part of the year. The price differential between light and heavy crude confirms to be tight due to the implementation of production cuts by OPEC+ producers and the US sanctions against Iran and Venezuela that limit mainly the availability of these qualities.

On the consumption front, in the report of August 2019, the International Energy Agency revised down estimate of global demand of +1.1 mbl/d in 2019. The International Monetary Fund recently cut its estimated economic growth to 3.0% in 2019 and pointed out higher risks on global growth due to protectionist policies and geopolitical uncertainties, anticipating a slowdown in the Chinese and US economy.

The outlook for the last quarter is positive. Middle distillates progressively reinforced during the third quarter reaching the seasonal maximum levels of the last few years also thanks to the first effects of the introduction of the IMO - Marpol VI regulation and the experts agree in indicating a crack spread in further strengthening in the fourth quarter as effect of the preparation of the logistics system to the new regulation. On gasoline it is anticipated a slight decline, after having reached rather high levels in the summer months, according to the usual seasonal pattern. Taking into consideration market conditions and planned maintenance, the Saras group will aim to achieve, in last quarter a premium above the EMC Benchmark margin of around 2.4 ÷ 2.8 $/bl (net of maintenance).

On 21 June 2019, Cagliari Port Authority approved for Saras the concession to start bunkering in Cagliari area. The procedure has been completed, with the visa of the Court of Auditors received on 25 July 2019, and the company started operations.

As for the Marketing segment results, it expected the consolidation of the good results achieved. The contribution of this activity must be considered jointly to that of refining due to the strong coordination between technical and commercial skills on which our business model is based.

From an operational point of view, in the Refining segment, 2019 is influenced by an important maintenance cycle, higher than in previous years and concentrated in the first quarter. In Q1/19 it was carried out according to plan one of the main turnaround of the last 5 years which involved Topping “T2”, Vacuum “V2”, CCR and MHC1. Minor maintenance activities are planned for the last quarter on North Plants, topping “RT2” and Vacuum “V1” and the VisBreaking “VSB”. Overall, yearly crude runs are expected at 13.3÷13.5 million tons (corresponding to 96÷99 million barrels), plus further 1.2 million tons of complementary feedstock (corresponding to approx. 9 million barrels).

With reference to the Power Generation segment, the annual planned maintenance program was completed in the first half of the year and no further activity is scheduled for the rest of the year. CIP6 tariff is influenced by lower gas prices driven by large availability of gas on the market.

Finally, in the Wind segment, the subsidiary Sardeolica in July 2018 obtained a positive opinion on the environmental compatibility and, on December 2018, the Single Authorization for the expansion project of the Ulassai wind farm for an additional capacity of 30 MW. The installation for the installation of 9 new turbines of the new 9 turbines was completed on 27th September and entered into operation. In July 2019, it was obtained the permit for the reblading project of the Ulassai plant which consists of replacing all the blades, with a consequent increase in production for the same installed capacity. The works will be carried out in three lots and will be completed by the fourth quarter of 2020. In the new set up it is expected a production of about 300 GWh/year at regime.

Investments by business Segment

EUR Million	9M 2019	9M 2018	Q3/19	Q3/18
REFINING	206.6	115.9	36.8	40.6
POWER GENERATION	20.4	12.8	6.8	3.8
MARKETING	0.6	1.6	0.0	1.2
WIND	22.3	0.2	2.4	0.1
OTHER	0.4	0.5	0.1	0.2
Total	**250.3**	**130.9**	**46.1**	**45.9**

Main events after the end of the First Nine Months of 2019

On 14th October 2019 the Australian fund Platinum Investment Management Ltd declared to own a stake of 3.055% of the share capital of Saras.

Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible mitigation with reference to the strategic, operational and financial areas. The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and also to assess the acceptable residual risk.
The management of the risks found in the company processes is based on the principle by which the operational or financial risk is managed by the person responsible for the related process, based on the indications of top management, while the control function measures and controls the level of exposure to risk and the results of the actions to mitigate such risk. To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of cover and without resorting to complex structures.

FINANCIAL RISKS

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

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

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

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

OTHER RISKS

Price fluctuation risk
The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, principally crude oil). In addition, to carry out production, the Saras Group is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices. Also subject to fluctuations is the selling price of electricity, produced and sold by our subsidiaries Sarlux and Sardeolica, as well as the prices of energy efficiency certificates, green certificates and CO2 emissions. The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially pre-set prices. To mitigate the risks deriving from price fluctuation, the Saras Group also takes out derivative contracts on commodities with hedging nature.

Risk related to the procurement of crude oil
A significant portion of the crude oil refined by Saras originates from countries exposed to a higher level of political, social and macroeconomic uncertainty than other countries; changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, withpotential 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 shut-downs. Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/or interruption to production.

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

Legislative and regulatory risk
Owing to the characteristics of the business carried out by the Group, it is conditioned by the continuously evolving legislative and regulatory context of the countries in which it operates. With regard to this, Saras is committed to a continuous activity of monitoring and constructive dialogue with national and local institutions aimed at researching joint activities and promptly evaluating the applicable normative amendments, acting on minimising the economic impact deriving from them. In this context, the most significant aspects of the main regulatory developments relate to:
• Regulations relating to the reduction of national emissions of determined atmospheric pollutants and the relative impact of the same on the limits indicated in the current AIA permit.
• The view of the European Commission and the AAEG implementing documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.
• Regulatory dispositions relating to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the GSE.
• Reference regulations relating to the fact that the Sarlux Srl subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP resolution no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production.

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

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

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

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

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

Other Information

Research and Development

Saras did not undertake meaningful “Research and Development” activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first nine months of 2019.

Own shares

During the first nine months of 2019 no transactions took place, involving the sale or purchase of Saras SpA own shares. However, on 13th May 2019, following the results of the Stock Grant Plan 2016 – 2018, number 5,769,638 Saras S.p.A. ordinary shares were attributed to the management of the Saras Group. Therefore on 30th September 2019, the number of ordinary shares outstanding is equal to 941,779,784, and the treasury shares are equal to 9,220,216 (corresponding to 0.970%).

Non-recurring and unusual Transactions

On 25 July 2019, upon completion of the agreement signed in November 2018, the Spanish subsidiary Saras Energia and Kuwait Petroleum Espana SA signed the deed of sale of the business unit, already classified as of 31 December 2018 under “Non-current assets held for sale”, attributable to the business consisting of service stations located in Spain. The sale concerns the stations, directly owned and operated, the ancillary services and the related personnel directly referable to the network. The total consideration for the sale amounts to EUR 35 million (in addition to the value of working capital and the inventory equal to EUR 3.8 million transferred at the time of the closing). It should be noted, that as of the date on which the aforementioned deed was signed, some stations and the related current assets have not yet been transferred (and the related price has not yet been paid) pending receipt of some authorizations from local authorities: consequently, the subsidiary received a partial consideration of approximately EUR 30 million.

Authorisation of a programme to purchase own shares and to dispose of them

The Shareholders’ Meeting held on 16th April 2019 revoked in the part not executed, the authorisation to purchase and dispose of Saras SpA own shares resolved by the Shareholders’ Meeting held on 27th April 2018 and at the same time the Shareholders’ Meeting resolved to approve a new programme to purchase Saras SpA own shares and to dispose of them, pursuant respectively to Articles 2357 and 2357-ter of the Italian Civil Code, and to Article 132 of the Legislative Decree 58/1998 (hereinafter the “TUF”). The 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 16th April 2019 by the Shareholders’ Meeting, which means during the 12 months ending on 16th April 2020. 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.

Dividends

Following the authorisation received by the Ordinary Shareholders Meeting of Saras SpA held on the 16th of April 2019, the company paid, on the 22nd of May 2019, a dividend equal to EUR 0.08 per each of the 941,779,784 ordinary shares in circulation, for a total payment of EUR 75,310 thousands.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as at 30th September 2019

Thousands of EUR		30/09/2019	31/12/2018
ASSETS	(1)		
Current assets	5.1	**2,058,809**	**1,683,910**
Cash and cash equivalents	5.1.1	232,509	272,831
Other financial assets	5.1.2	98,151	131,723
Trade receivables	5.1.3	346,540	290,210
Inventories	5.1.4	1,206,026	861,601
Current tax assets	5.1.5	51,452	19,051
Other assets	5.1.6	124,131	108,494
Non-current assets	5.2	**1,393,990**	**1,241,008**
Property, plant and equipment	5.2.1	1,226,788	1,087,107
Intangible assets	5.2.2	85,860	112,127
Right of use on leasing assets	5.2.3	44,116	0
Other investments	5.2.4	502	502
Deferred tax assets	5.2.5	30,145	37,205
Other financial assets	5.2.6	6,579	4,067
Non-current assets held for sale	5.3	**7,038**	**35,001**
Total assets		**3,459,837**	**2,959,919**
LIABILITIES AND EQUITY			
Current liabilities	5.4	**1,850,133**	**1,301,078**
Short-term financial liabilities	5.4.1	50,071	106,630
Trade and other liabilities	5.4.2	1,540,410	1,043,162
Current tax liabilities	5.4.3	174,079	74,948
Other liabilities	5.4.4	85,573	76,338
Non-current liabilities	5.5	**512,936**	**554,771**
Long-term financial liabilities	5.5.1	302,145	256,001
Provisions for risks and charges	5.5.2	170,413	203,313
Provisions for employee benefits	5.5.3	10,351	10,322
Deferred tax liabilities	5.5.4	3,658	3,819
Other liabilities	5.5.5	26,369	81,316
Total liabilities		**2,363,069**	**1,855,849**
EQUITY	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		964,406	898,089
Net result		66,806	140,425
Total parent company equity		**1,096,768**	**1,104,070**
Third-party minority interests		-	-
Total equity		**1,096,768**	**1,104,070**
Total liabilities and equity		**3,459,837**	**2,959,919**

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

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 30th September 2019

CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD 1ST JANUARY - 30TH SEPTEMBER 2019

Thousands of EUR	(1)	1st January 30th September 2019	*of which non-recurring*	1st January 30th September 2018	*of which non-recurring*
Revenues from ordinary operations	6.1.1	7,009,635		8,848,343	
Other income	6.1.2	96,385		112,316	5,821
Total revenues		**7,106,020**	***0***	**8,960,659**	**5,821**
Raw materials, consumables and supplies	6.2.1	(6,171,842)		(7,817,083)	
Services and sundry costs	6.2.2	(513,695)		(582,175)	(24,278)
Personnel costs	6.2.3	(114,703)		(113,332)	
Amortisation, depreciation and write-downs	6.2.4	(143,597)		(129,225)	
Total costs		**(6,943,837)**	***0***	**(8,641,815)**	***(24,278)***
Operating result		**162,183**	***0***	**318,844**	***(18,457)***
Net income (charges) from equity investments					
Financial income	6.3	155,913		224,169	
Financial charges	6.3	(224,366)		(326,378)	(3,625)
Pre-tax result		**93,730**	***0***	**216,635**	***(22,082)***
Income taxes	6.4	(26,924)		(62,479)	6,020
Net result		**66,806**	***0***	**154,156**	***(16,062)***
Net result attributable to:					
Shareholders of the parent company		66,806		154,156	
Third-party minority interests		0		0	
Net earnings per share – base (Euro cents)		**7.09**		**16.49**	
Net earnings per share – diluted (Euro cents)		**7.09**		**16.49**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE PERIOD 1ST JANUARY - 30TH SEPTEMBER 2019

Thousands of EUR	1st January 30th September 2019	1st January 30th September 2018
Net result (A)	**66,806**	**154,156**
Items of comprehensive income that may be subsequently reclassified under profit (loss) for the period		
Effect of translation of the financial statements of foreign operations	128	86
Items of comprehensive income that may not be subsequently reclassified under profit (loss) for the period		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
Other profit/(loss), net of the fiscal effect (B)	**128**	**86**
Total consolidated net result (A + B)	**66,934**	**154,242**
Total consolidated net result attributable to:		
Shareholders of the parent company	66,934	154,242
Third-party minority interests	0	0

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

Consolidated Statement of Changes in Equity to 30th September 2019

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) period	Total equity attributable to the Parent Company	Third-party Minority Interest	Total equity
Balance at 31/12/2017	**54,630**	**10,926**	**765,904**	**240,836**	**1,072,296**	**0**	**1,072,296**
Allocation of previous year result			240,836	(240,836)	0		0
Dividend Distribution			(112,321)		(112,321)		(112,321)
Conversion effect balances in foreign currency			86		86		86
Actuarial effect IAS 19			0		0		0
Reserve for stock option plan			1,489		1,489		1,489
F.T.A. effect IFRS 9			1,204		1,204		1,204
Net result				154,156	154,156		154,156
Total net result			*86*	*154,156*	*154,156*	*0*	*154,156*
Balance at 30/09/2018	**54,630**	**10,926**	**897,198**	**154,156**	**1,116,910**	**0**	**1,116,910**
Allocation of previous period result			0	0	0		0
Dividend Distribution			0		0		0
Conversion effect balances in foreign currency			54		54		54
Actuarial effect IAS 19			336		336		336
Reserve for stock option plan			501		501		501
F.T.A. effect IFRS 9			0		0		0
Net result				(13,731)	(13,731)		(13,731)
Total net result			*54*	*(13,731)*	*(13,731)*	*0*	*(13,731)*
Balance at 31/12/2018	**54,630**	**10,926**	**898,089**	**140,425**	**1,104,070**	**0**	**1,104,070**
Allocation of previous year result			140,425	(140,425)	0		0
Dividend Distribution			(75,310)		(75,310)		(75,310)
Conversion effect balances in foreign currency			128		128		128
Reserve for stock option plan			491		491		491
Other changes			583		583		583
Net result				66,806	66,806		66,806
Total net result			*128*	*66,806*	*66,806*	*0*	*66,806*
Balance at 30/09/2019	**54,630**	**10,926**	**964,406**	**66,806**	**1,096,768**	**0**	**1,096,768**

Consolidated Statement of Cash Flows for the period to 30th September 2019

Thousands of EUR	1/1/2019-30/09/2019	1/1/2018- 30/09/2018
A -Initial cash and cash equivalents	**272,831**	**421,525**
B -Cash flow from (for) operating activities		
Net result	66,806	154,156
Unrealised exchange rate differences on bank current accounts	(6,901)	25,364
Amortization, depreciation and write-downs of assets	143,597	129,225
Net change in risk provisions	(32,900)	43,296
Net change in provision for employee benefits	29	615
Net change in deferred tax liabilities and deferred tax assets	6,899	3,826
Net interest	14,009	12,195
Income tax set aside	20,025	58,653
Change in the fair value of derivatives	(29,023)	4,135
Other non-monetary components	1,202	2,779
Profit (Loss) for the period before changes in working capital	**183,743**	**434,243**
(Increase)/Decrease in trade receivables	(56,330)	(70,175)
(Increase)/Decrease in inventories	(344,425)	(257,044)
(Increase)/Decrease in trade and other payables	497,248	229,824
Change other current assets	(48,038)	(17,772)
Change other current liabilities	117,501	71,064
Interest received	473	365
Interest paid	(14,482)	(12,560)
Taxes paid	(29,160)	(54,502)
Change other non-current liabilities	(54,947)	(65,159)
Total (B)	**251,583**	**258,284**
C - Cash flow from (for) investment activities		
(Investments) in tangible and intangible assets	(250,348)	(129,995)
(Investments) in right of use on leasing activities	(50,779)	
(Increase)/Decrease in other financial assets	90,446	28,463
Increase for disposal of non current assets held for sale	27,963	0
Total (C)	**(182,718)**	**(101,532)**
D - Cash flow from (for) financing activities		
Increase/(decrease) m/l-term financial payables	46,144	(497)
Increase/(decrease) short-term financial payables	(86,922)	(130,257)
Distribution of dividends and treasury share purchases	(75,310)	(112,321)
Total (D)	**(116,088)**	**(243,075)**
E - Cash flows for the period (B+C+D)	**(47,224)**	**(86,323)**
Unrealised exchange rate differences on bank current accounts	6,901	(25,364)
F - Final cash and cash equivalents	**232,509**	**309,838**

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

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

For the Board of Directors
The Chairman
Massimo Moratti

NOTES ON THE STATEMENTS OF ACCOUNTS CONSOLIDATED AS AT 30 SEPTEMBER 2019

1. Introduction

Publication of the condensed consolidated financial statements of the Saras Group for the period ended 30 September 2019 was authorised by the Board of Directors on 30 October 2019.

Saras S.p.A. (the "Parent") is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, S.S. 195 "Sulcitana" Km. 19. It is jointly controlled by Massimo Moratti S.A.P.A. (20.01%), Angel Capital Management S.p.A. (10.005%) and Stella Holding S.p.A. (10.005%), which together represent 40.02% of the share capital of Saras S.p.A. (excluding treasury shares) under the shareholders' agreement signed by these companies on 24 June 2019. The company is established until 31 December 2056, as stated in its articles of association.

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

These condensed consolidated financial statements are presented in euro, since this is the currency of the economy in which the Group operates. They consist of a Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and these Notes. All amounts shown in these Notes to the Consolidated Financial Statements are expressed in thousands of euro, unless otherwise stated.

2. Basis of preparation and changes to Group accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements of the Saras Group for the period ended 30 September 2019, presented pursuant to Article 154-*ter* of the TUF, as subsequently amended, have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Union, which include all the international accounting standards (IASs) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC). The condensed consolidated financial statements for the period ended 30 September 2019 have been prepared pursuant to IAS 34 - Interim Financial Reporting.

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

The main standards adopted by the Saras Group for the preparation of the condensed consolidated financial statements as at 30 September 2019 are consistent with those applied in the consolidated financial statements as at 31 December 2018 and the corresponding interim reporting period, except for the new accounting standards, interpretations and amendments described below, which, as of the date of preparation of these condensed consolidated financial statements, had already been enacted and had become effective in this financial year.

IFRS 16 Leases

With effect from 1 January 2019, the new international financial reporting standard, IFRS 16 - Leases, came into effect. The standard was approved by Regulation 2017/1986, issued by the European Commission on 31 October 2017. It replaces IAS 17 - Leases and defines a single model for recording leases, based on the recording by the lessee of an asset representing the right of use of the asset (the "right-of-use asset") and a liability representing the obligation to make the payments envisaged by the contract (the "lease liability"). As of 1 January 2019, due to first-time application of IFRS 16, the Saras Group recognises for all leases, with the exception of short-term leases (i.e. leases with a term of 12 months or less that do not contain a purchase option) and leases with low-value assets (i.e. with a unit value of less than approximately EUR 5 thousand), a right of use at the lease commencement date, i.e. the date on which the underlying asset is available for use. Lease payments for short-term and low-value leases are recognised as costs in the income statement on a straight-line basis throughout the term of the lease. The accounting treatment of the new standard envisages, in short, the recording, for the lessee:

- in the statement of financial position, of the right-of-use assets and the financial liabilities relating to the obligation to make the payments envisaged by the contract. Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, adjusted for any subsequent remeasurement of lease liabilities. The value assigned to right-of-use assets corresponds to the initial amount of the lease liabilities plus any initial direct costs incurred, lease payments made before the lease commencement date and restoration costs, minus any lease incentives received. At the commencement date, the lessee measures the lease liability at a total amount equal to the present value of the lease payments to be paid over the term of the lease, discounted using the incremental borrowing rate ("IBR") if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of the lease liabilities increases to reflect the accrual of interest and decreases to reflect the payments made.
- in the income statement, (i) of the depreciation of the right-of-use asset, which, unless the Saras Group is not reasonably certain that it will obtain ownership of the leased asset at the end of the lease, is amortised on a straight-line basis according to the estimated useful life or the lease term, if this is shorter, and (ii) of the interest expense accrued on the lease liability, which represents the financial cost incurred during the lease term, to reflect a constant interest rate on the residual amount payable on the liability, for each period; lease payments on short-term and low-value leases and variable payments related to the use of the asset that are not included in the determination of the right-of-use asset/lease liability are also recognised in the income statement, as permitted by the standard;
- the effects in the cash flow statement consist of the following reclassifications of cash flows related to leases, compared with the previous accounting treatment: a) a change to the net cash flow from operating activities, which no longer includes lease payments, but instead includes outlays for interest expense on the lease liability, per the Group's choice; and b) a change to the net cash flow from financing activities, which now includes outlays for the repayment of lease liabilities.

During the first application of the new standard, the Saras Group acted as follows:

- it applied the modified retrospective approach;
- it availed itself of the practical expedient that allows it not to apply IFRS 16 to leases with a residual term as at 01 January 2019 of less than 12 months, for all asset types;
- it considered as leases all contracts classifiable as such under IFRS 16, without applying the "grandfathering" expedient (possibility of not reviewing all contracts existing as at 01 January 2019, only applying IFRS 16 to contracts previously identified as leases in accordance with IAS 17 and IFRIC 4);
- it measured the right-of-use asset at an amount equal to the lease liability;
- the options for renewal or early termination were analysed, where present, in order to determine the overall term of the contract.

The key assumptions used to define the incremental borrowing rate (IBR) at the date of first-time application of the new standard are as follows:

- a method was defined to estimate the IBR to apply to a portfolio of leases with reasonably similar characteristics. The Group then opted to adopt the practical expedient of simplifying the definition of this parameter, as permitted by the new standard;
- the IBR at the date of first-time application of the new standard was estimated based the Parent Saras S.p.A.'s average effective borrowing rate as at 31 December 2018 (as the Group's cash pooling is centralized with the Parent) with a maturity similar to the average maturity of the agreements subject to restatement. This rate was appropriately adjusted according to the requirements of the new accounting rules to simulate a theoretical IBR consistent with the leases being measured.

The IBR applied to discount lease payments as of 1 January 2019 is 1.55%.

The application of the new standard had significant impacts on the economic and equity position and cash flow of the Group, as a consequence:

(i) of an increase in fixed assets for the right-of-use of assets amongst assets;
(ii) of an impact on net financial debt, deriving from the rise in financial liabilities for lease payables;
(iii) of an increase in EBITDA and, to a lesser extent, EBIT, as a result of the exclusion from these figures of the lease payments previously included in operating costs, and a simultaneous increase in depreciation;
(iv) of a marginal change in the net result, reflecting the difference between the various cost items (financial charges and depreciation) booked in application of the new standard, and the lease payments which were previously entirely recognised in the income statement;
(v) of an improvement in net cash flow from operating activities, which no longer includes payments for operating lease payments, but only outlays for interest expense on the lease liability;
(vi) of a worsening to net cash flow from loans, which includes outlays connected with the reimbursement of the lease liability.

The analysis covered the following types of leases:

Historical Cost	01/01/2019	N° considered contracts	N° excluded contracts	N° included contracts
Lands and Buildings	35,197	20	3	17
Leased Plant and Machinery	11,952	10	0	10
Other Assets in leasing	6,290	9	3	6
Total	**53,439**	**39**	**6**	**33**

The impacts on the consolidated Income Statement were:

- increase in EBITDA by EUR 8.7 million (decrease in costs for services);
- increase in EBIT by EUR 2.2 million (increase in amortisation/depreciation);
- increase in the net result by EUR 1 million (effect net of tax of the difference between previous items, plus the EUR 0.6 million increase in financial expense).

The difference between the estimated financial assets and liabilities in the Group's consolidated financial statements as at 31 December 2018 and the opening balance at first-time application indicated above, amounting to roughly EUR 2 million, is due to the further refinement of the criteria used to determine the discount rate.

The identification of the lease term is an extremely important aspect as form, legislation and business practices for real estate leases vary significantly from one jurisdiction to another and the assessment of the effects of options to extend at the end of the non-cancellable lease period on the estimated lease term entails the use of assumptions. Indeed, to define the lease term, the Group has considered the lessee's, lessor's or both parties' options to respectively extend and cancel the lease. When both contractual parties may exercise options to extend the lease, the Group considered whether there are significant disincentives in refusing the extension request.

The application of the method described above, considering the specific facts and circumstances and an assessment of the reasonable certainty that the option will be exercised has led the Group to, where it reasonably expects that the option will be exercised, consider a lease term up to the second contractual extension date, based on past experience and the fact that it cannot consider extensions past the second term as reasonably certain.
In June 2019, the IFRS Interpretation Committee began a discussion of the lease term (project: Lease Term and Useful Life of Leasehold Improvements). At the preparation date of these condensed consolidated financial statements, the Group considered these discussions and will monitor developments during the year.

IFRIC Interpretation 23 – Uncertainty of Income Tax Treatments

The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties affecting the application of IAS 12 and does not apply to taxes or fees that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interests or penalties due to uncertain tax treatments.
The Interpretation specifically deals with the following points:

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

An entity must define whether to consider each uncertain tax treatment separately or together with others (one or more) uncertain tax treatments. The approach that allows the best prediction of the uncertainty resolution should be followed. The Group applies a significant degree of judgement in identifying uncertain tax income treatments. Since the Group operates in a complex multinational context, it has evaluated whether the Interpretation may have had an impact on the consolidated interim financial statements.
At the adoption date of the Interpretation, the Group has examined whether there are any uncertain tax positions and found that there was no impact on the consolidated financial statements since the Saras Group already applied IAS 12 consistently with IFRIC 23.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument may be measured at amortised cost or fair value in the statement of comprehensive income as long as the contractual cash flows are "solely payments of principal and interest" (SPPI) and that the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract.
These amendments have had no impact on the consolidated financial statements of the Saras Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.

The amendments to IAS 19 establish the accounting treatment for cases in which, during the reporting period, there is an amendment, curtailment or settlement to an employee benefit plan. The amendments specify that when a plan amendment, curtailment or settlement occurs during the reporting period, an entity is required to determine the service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement, using the relevant actuarial assumptions to remeasure its net defined benefit liability or asset in order to reflects the benefits offered by the plan and the plan assets after the event. The entity is also required to determine the net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement: the net liability (asset) for defined benefits that reflects the benefits offered by the plan and the plan assets after the change; and the discount rate used to adjust the net liability (asset) for defined benefits.
These amendments have not had any impact on the consolidated financial statements as the Saras Group did not have any amendments, curtailments or settlements of plans in the reporting period.

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

These amendments specify that an entity applies IFRS 9 to long-term interests in an associate or joint venture not measured using the equity method but that substantially form part of the net interest in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model under IFRS 9 applies to these long-term interests.
The amendments also clarify that, when applying IFRS 9, an entity must not consider any losses of the associate or joint venture or any impairment in the equity investment recognised as adjustments to the net interest in the associate or joint venture due to the application of IAS 28 Investments in Associates and Joint Ventures.
These amendments do not apply to the Saras Group.

Annual Improvements - 2015-2017 Cycle

- IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including the remeasurement of the previously held interest in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures the previously held interest in the joint operation.
The entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019; early application is permitted.
This amendment does not have any impact on the consolidated financial statements of the Saras Group as there were no business combinations in which joint control was obtained.

- IFRS 11 Joint Arrangements

An entity that participates in a joint operation, without joint control, could obtain joint control of the joint operation if the operation constitutes a business as defined by IFRS 3.
The amendments clarify that the previous held interests in the joint operation are not remeasured. An entity applies these amendments to transactions in which it holds joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019; early application is permitted.
This amendment does not have any impact on the consolidated financial statements of the Saras Group as there were no business combinations in which joint control was obtained.

- IAS 12 Income Taxes

The amendments clarify that the effects of income taxes on dividends are linked to past transactions or events that generated distributable income, rather than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss for the period, in other comprehensive income or shareholders' equity according to the way in which the entity previously recognised such past transactions or events.
An entity applies these amendments to reporting periods beginning on or after 1 January 2019; early application is permitted. When an entity applies these amendments for the first time, it applies them to the effects of income taxes on dividends recognised as from the start of the first reporting period.
Since the Group's current practice is in line with these amendments, they do not have any impact on the Saras Group's consolidated financial statements.

- IAS 23 Borrowing Costs

The amendments clarify that an entity treats any borrowing that was originally agreed specifically to develop an asset as non-specific if all the necessary steps to prepare such asset for use or sale have been completed.
An entity applies these amendments to borrowing costs incurred on or after the beginning of the period in which the entity applies these amendments for the first time. An entity applies these amendments to reporting periods beginning on or after 1 January 2019; early application is permitted.

Since the Group’s current practice is in line with these amendments, they do not have any impact on the Saras Group’s consolidated financial statements.

2.3 Accounting standards issued but not yet in force

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018)

The IASB published the revised version of the Conceptual Framework for Financial Reporting with first-time application on 1 January 2020. The main changes concern:

- a new chapter on measurement;
- improved definitions and guidance, particularly with regard to the definition of a liability;
- clarifications of important concepts, such as stewardship, prudence and measurement uncertainty.

Amendments to the definition of a business in IFRS 3 (issued on 22 October 2018)

The IASB published amendments to the definition of a business in IFRS 3 with the aim of helping to determine whether a transaction is an acquisition of a business or a set of activities that does not meet the definition of a business under IFRS 3. The amendments will apply to acquisitions after 1 January 2020. The Group will apply the amendments when they come into effect.

Amendments to the definition of material in IAS 1 and IAS 8 (issued on 31 October 2018)

The IASB published amendments to the definition of material in IAS 1 and IAS 8, in order to clarify the definition of “material” and help entities to assess whether information should be included in the financial statements. The amendments will apply as of 1 January 2020. The Group will apply the amendments when they come into effect.

IFRS 17 - Insurance Contracts (issued on 18 May 2017)

The IASB has published IFRS 17 - Insurance Contracts, a new complete standard which covers the recognition and measurement, presentation and disclosure of insurance contracts. The standard will be effective for annual periods starting on or after 1 January 2021 and will apply to all types of insurance contracts, regardless of the entity writing them, and to certain guarantees and financial instruments with discretionary participation characteristics. On the basis of preliminary analyses, the Group does not expect the standard to have any material effects on its consolidated financial statements.

2.3 Consolidation area

Consolidated subsidiaries are listed below.

Consolidated on a line-by-line basis	**% owned**
Deposito di Arcola S.r.l.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.r.l.	100%
Sarint SA and subsidiaries:	100%
Saras Energia SAU	100%
Terminal Logistica de Cartagena SLU	100%
Reasar SA	100%
Sardeolica S.r.l.	100%
Saras Trading SA	100%

Other equity investments measured at fair value	
Consorzio La Spezia Utilities	5%
Sarda Factoring	4.01%

As compared with 31 December 2018, the only change made is the liquidation of the company Alpha Eolica S.r.l. (already in liquidation last year).

2.4 Use of estimates

The preparation of financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions affects the amounts reported in the financial statements, i.e. the statement of financial position, income statement, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based. The main estimates relate to the amortisation and depreciation of non-current assets, the recoverable amount of non-current assets, the recoverable amount of inventories, deferred taxes, the provisions for risks, the allowance for impairment, revenues from the sale of electricity by the subsidiary Sarlux S.r.l. to GSE, the measurement of the recoverable value of receivables and the measurement of assets and liabilities arising from the application of the new IFRS 16 - Leases.

Estimates and valuations are reviewed periodically and the effects of each of them are recognised in profit or loss. A summary of the most significant estimates is provided in the Group's consolidated financial statements as at 31 December 2018, 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. refinement;
2. marketing;
3. generation of power by the combined cycle plant;
4. generation of power by wind farms;
5. other businesses.

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

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

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

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

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

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

3.2 Segment information

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

Income Statement 30th September 2019	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	8,226,010	382,240	1,521,186	8,513	20,600	10,158,549
to be deducted: intersectoral revenues	(3,084,112)	(47,461)	(639)	0	(16,701)	(3,148,913)
Revenues from third parties	**5,141,898**	**334,779**	**1,520,547**	**8,513**	**3,899**	**7,009,635**
Other operating revenues	93,670	56,287	4,599	1,828	300	156,684
to be deducted: intersectoral revenues	(59,542)	(385)	0	(155)	(217)	(60,299)
Other income from third parties	**34,128**	**55,902**	**4,599**	**1,673**	**83**	**96,385**
Amortisation, depreciation and write-downs	(96,697)	(40,185)	(2,267)	(3,769)	(679)	(143,597)
Gross operating result	**58,554**	**83,188**	**14,533**	**3,053**	**2,857**	**162,183**
Financial income (a)	148,314	12,781	348	49	11	161,503
Financial charges (a)	(215,127)	(13,260)	(1,465)	(81)	(25)	(229,958)
Income tax	1,813	(24,193)	(3,001)	(985)	(559)	(26,924)
Profit (loss) for the period	**(6,446)**	**58,516**	**10,415**	**2,036**	**2,284**	**66,806**
Total directly attributable assets (b)	**1,920,993**	**1,209,959**	**190,748**	**103,267**	**34,870**	**3,459,837**
Total directly attributable liabilities (b)	**1,908,143**	**128,516**	**275,866**	**21,621**	**28,923**	**2,363,069**
Investments in tangible fixed assets	**208,135**	**20,458**	**12**	**22,288**	**406**	**251,299**
Investments in intangible fixed assets	**225**	**0**	**186**	**9**	**1**	**421**

Income Statement 30th September 2018	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	11,429,587	569,547	2,179,818	13,596	35,690	14,228,238
to be deducted: intersectoral revenues	(3,876,649)	(60,466)	(987)	0	(22,269)	(3,960,371)
Revenues from third parties	**7,552,938**	**509,081**	**2,178,831**	**13,596**	**13,421**	**10,267,867**
Other operating revenues	161,030	54,908	3,614	2,295	655	222,502
to be deducted: intersectoral revenues	(92,181)	(474)	0	(309)	(493)	(93,457)
Other income from third parties	**68,849**	**54,434**	**3,614**	**1,986**	**162**	**129,045**
Amortisation, depreciation and write-downs	(115,998)	(52,312)	(5,286)	(4,536)	(706)	(178,838)
Gross operating result	**26,575**	**94,051**	**19,013**	**6,037**	**(877)**	**144,800**
Financial income (a)	352,803	46,595	411	80	17	399,906
Financial charges (a)	(352,933)	(514)	(5,718)	(14)	(5)	(359,184)
Income tax	(338)	(43,606)	(1,020)	(360)	227	(45,097)
Profit (loss) for the period	**26,107**	**96,526**	**12,686**	**5,743**	**(637)**	**140,425**
Total directly attributable assets (b)	**1,321,164**	**1,272,565**	**251,252**	**83,032**	**31,906**	**2,959,919**
Total directly attributable liabilities (b)	**1,342,393**	**229,397**	**244,781**	**16,816**	**22,462**	**1,855,849**
Investments in tangible fixed assets	**206,673**	**20,684**	**763**	**6,882**	**549**	**235,551**
Investments in intangible fixed assets	**6,716**	**0**	**586**	**22**	**76**	**7,400**

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

4. Impairment testing

The Group carries out impairment testing once a year (as at 31 December) and when circumstances suggest that there may be a reduction in the recoverable value of goodwill. Impairment testing of goodwill and intangible assets with an indefinite useful life is based on the calculation of value in use. The variables used to calculate the recoverable value of the various cash generating units (CGUs) are described in the consolidated financial statements as at 31 December 2018.

When it reviews its impairment indicators, the Group takes into account, among other factors, the ratio of its market capitalisation to the book value of its shareholders' equity. As at 30 September 2019, the Group's market capitalisation was greater than the book value of its shareholders' equity, and no material changes had taken place in the operations of the Group or the various CGUs, meaning that there were no indicators of potential impairment in the property, plant and equipment and intangible assets recognised in the financial statements. Furthermore, with specific respect to the latter, the updates of the scenario analyses performed by the Group on the relevant CGUs did not show any impairment indicators, confirming the substantial reliability of the estimates used in the impairment tests as at 31 December 2018.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	30/09/2019	31/12/2018	Change
Bank and postal deposits	232,257	271,616	(39,359)
Cash	252	1,215	(963)
Total	**232,509**	**272,831**	**(40,322)**

Unrestricted bank deposits mainly relate to Saras S.p.A. for EUR 162,156 thousand and to Saras Trading S.A. for EUR 55,705 thousand. For further details on the net financial position, reference is made to the relevant section of the Report on Operations. The change in cash and cash equivalents is summarised in the cash flow statement.

5.1.2 Other financial assets

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

Current financial assets	30/09/2019	31/12/2018	Change
Current financial derivatives	59,386	93,143	(33,757)
Deposits to secure derivatives	37,517	30,595	6,922
Other assets	1,248	7,985	(6,737)
Total	**98,151**	**131,723**	**(33,572)**

Derivatives consist of both the positive fair value of instruments in place at period end and the positive differences realised and not yet collected.

The item "Derivative guarantee deposits" includes the balance at 30 September 2019 of deposits to guarantee open positions in derivative instruments required by the counterparties with which the Group has entered into such transactions.

5.1.3 Trade receivables

Trade receivables amount to EUR 346,540 thousand, up on the equivalent amount as at 31 December 2018, by EUR 56,330 thousand. The item is presented net of the provision for doubtful receivables, which amounts to EUR 5,955 thousand (unchanged on 31 December 2018).

5.1.4 Inventories

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

Inventories	30/09/2019	31/12/2018	Change
Raw materials, consumables and supplies	419,372	193,810	225,562
Unfinished products and semi-finished products	97,738	105,924	(8,186)
Finished products and goods	567,211	439,405	127,806
Spare parts and raw materials, supplies	121,705	122,462	(757)
Total	**1,206,026**	**861,601**	**344,425**

The increase in the value of oil inventories (mainly crude oil and finished products) is essentially due to the combined effect of the increase in quantities held in stock at the end of the period - due to a concentration of purchases near to the end of the period - and rising prices.
The measurement of inventories at their net realisable value did not result in any write-downs.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	30/09/2019	31/12/2018	Change
VAT credit	78	81	(3)
IRES credits	31,239	4,493	26,746
IRAP credits	16,449	12,680	3,769
Other amounts due from the tax authorities	3,686	1,797	1,889
Total	**51,452**	**19,051**	**32,401**

IRES receivables are essentially due to the advances paid in the period in addition to the surpluses of the eliminated Robin Hood Tax, recovered through offsets against payment of other taxes. IRAP receivables mainly refer to deposits paid in previous years by the subsidiary Sarlux and results exceeding the competent tax.
Other receivables also include tax requested by way of reimbursement or paid provisionally, the portion of the tax credit relative to the incentive investments 2014/2015 pursuant to art. 18 of Decree Law 91/14, net of use offsetting other tax payments made during the period.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/09/2019	31/12/2018	Change
Accrued income	380	251	129
Prepaid expenses	17,540	10,403	7,137
Other short-term loans	106,211	97,840	8,371
Total	**124,131**	**108,494**	**15,637**

Prepayments mainly relate to insurance premiums paid by the subsidiaries, which, due to their nature, increase in the year and decrease at year end, and charges relating to biofuel regulations for the Parent.

"Other receivables" mainly comprise:
- the receivable of EUR 55,609 thousand due to the subsidiary Sarlux S.r.l. from the Equalisation Fund for the Electricity Sector for the payment, pursuant to Title II, paragraph 7-*bis*, CIP Regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emissions Trading), in application of Authority for Electricity and Gas Resolution ARG/elt 77/08 of 11 June 2008, referring to first nine months of 2019;
- white certificates of EUR 36,347 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 36,600 thousand in 2018); for additional information, reference should be made to section 7.1.

This item also includes receivables recognised in connection with the refund claimed from GSE for green certificates that were purchased and delivered in the past and that, following an unfavourable ruling, were written off in 2018 for EUR 29 million. For further details, reference is made to that described in paragraph 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	31/12/2018	Increases	Decreases	Write-downs	Other changes	30/09/2019
Land and buildings	183,869	27	(13,118)	0	1,689	172,467
Plant and machinery	3,357,574	65,698	(5,847)	0	67,008	3,484,433
Industrial and commercial equipment	34,993	0	(234)	0	247	35,006
Other assets	603,861	243	(244)	0	3,095	606,955
Tangible fixed assets under construction	177,689	185,331	248	0	(74,802)	288,466
Total	**4,357,986**	**251,299**	**(19,195)**	**0**	**(2,763)**	**4,587,327**

Depreciation Fund	31/12/2018	Depreciation	Use	Write-downs	Other changes	30/09/2019
Land and buildings fund	109,765	3,762	(12,420)	0	(924)	100,183
Plant and machinery fund	2,686,555	86,602	(5,728)	0	85	2,767,514
Industrial and commercial equipment fund	25,170	2,563	(154)	0	(67)	27,512
Other assets	449,389	16,182	(147)	0	(94)	465,330
Total	**3,270,879**	**109,109**	**(18,449)**	**0**	**(1,000)**	**3,360,539**

Net Value	31/12/2018	Increases	Decreases	Depreciation	Write-downs	Other changes	30/09/2019
Land and buildings	74,104	27	(698)	(3,762)	0	2,613	72,284
Plant and machinery	671,019	65,698	(119)	(86,602)	0	66,923	716,919
Industrial and commercial equipment	9,823	0	(80)	(2,563)	0	314	7,494
Other assets	154,471	243	(97)	(16,182)	0	3,190	141,625
Tangible fixed assets under construction	177,689	185,331	248	0	0	(74,802)	288,466
Total	**1,087,106**	**251,299**	**(746)**	**(109,109)**	**0**	**(1,762)**	**1,226,788**

"Land and buildings" chiefly include industrial buildings, offices and warehouses with a carrying amount of EUR 33,446 thousand, office buildings in Milan and Rome owned by the Parent Company with a carrying amount of EUR 2,019 thousand and land largely relating to the Sarroch and Arcola sites owned by the subsidiaries Sarlux S.r.l. and Deposito di Arcola S.r.l., respectively, with a carrying amount of EUR 36,818 thousand.

"Plant and machinery" mainly relates to the refining and combined-cycle power plants at Sarroch. The increase in the period is mainly due to the capitalisation of costs for one of the largest turn-around maintenance projects in recent years, as described in the Report on Operations.

"Industrial and commercial equipment" includes equipment relative to the chemical laboratory and the control room connected with refinement and various assets supplied as necessary to the production process.

The item "Other assets" mainly includes tanks and oil pipes for the movement of products and crude products of the group companies (Sarlux S.r.l., Saras Energia S.A.U. and Deposito di Arcola S.r.l.).

"Assets under construction" reflect costs incurred mainly for capex in tanks and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes.

The caption increased by EUR 251,299 thousand during the period, mainly reflecting technological work on refinery plants.

The main annual depreciation rates used, which are the same as in 2018, are as follows:

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

The concession for the use of public lands on which some of the facilities of the Sarroch refinery (wastewater treatment, sea water desalination, blow-down, flare and landing stage) are located, issued by the Port Authority of Cagliari and valid until 31 December 2027. This concession was taken into account in the aforementioned first-time application of IFRS 16.

5.2 2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	30/09/2019
Industrial patent and original work rights	51,615	193	0	0	2,751	54,559
Concessions, licences, trademarks and similar rights	24,490	0	(30)	0	0	24,542
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible assets	527,317	228	0	0	3,311	530,856
Intangible assets under construction	4,847	0	0	0	(4,847)	0
Total	**629,288**	**421**	**(30)**	**0**	**1,215**	**630,976**

Amortisation Fund	31/12/2018	Depreciation	Use	Write-downs	Other changes	30/09/2019
Industrial patent and original work rights	45,077	3,092	0	0	(184)	47,985
Concessions, licences, trademarks and similar rights	11,272	456	(3)	0	208	11,933
Other intangible assets	460,812	24,283	0	0	22	485,117
Total	**517,161**	**27,831**	**(3)**	**0**	**46**	**545,035**

Net Value	31/12/2018	Increases	Decreases	Depreciation	Write-downs	Other changes	30/09/2019
Industrial patent and original work rights	6,538	193	0	(3,092)	0	2,935	6,575
Concessions, licences, trademarks and similar rights	13,300	0	(33)	(456)	0	(208)	12,609
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	66,505	228	0	(24,283)	0	3,289	45,739
Intangible assets under construction	4,847	0	0	0	0	(4,847)	0
Total	**112,127**	**421**	**(33)**	**(27,831)**	**0**	**1,169**	**85,860**

The decrease compared with 31 December 2018 mainly reflects amortisation in the period of EUR 27,831 thousand, calculated using the same annual rates as in 2018, which are reported below.

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

The item includes investments underway to purchase software licences. The main items are set out in detail below.

Concessions, licences, trademarks and similar rights
This item mainly refers to surface rights acquired by the subsidiary Sardeolica on the land where the Ulassai wind farm stands. Its amortisation period will end in 2035.

Goodwill
This caption mainly relates to the goodwill recognised for the subsidiary Sardeolica S.r.l. (EUR 20,937 thousand), which was paid to acquire this company. It was justified given the projection of future cash flows expected by the subsidiary Sardeolica S.r.l. until 2035 when its concessions expire.

Other intangible fixed assets

This item mainly includes the value (EUR 37.5 million, compared with EUR 60 million as at 31 December 2018) of the long-term contract for the supply of electricity under the CIP6 regime signed between the subsidiary Sarlux S.r.l. and Gestore dei Servizi Elettrici S.p.A. (hereinafter referred to as GSE). This contract, which will expire in 2020 and was initially recognised at fair value (EUR 547.5 million) in the 2006 consolidated financial statements, has always been measured in previous years to determine its recoverable value, in light of scenario and regulatory changes in the intervening period. The recoverable value of the contract in 2018 was also estimated, with the carrying amount confirmed. Updates to the scenario analyses carried out by management do not show any material changes during the period to the main assumptions incorporated within the valuation.

5.2.3 Right-of-use of leased assets
The balance at 30 September 2019, for EUR 44,116 thousand, relates to the first application of the new standard IFRS 16 - Leases. Booking essentially refers to the following types of contracts:

1) Concessions, building rights and similar: these are mainly concessions of areas on which part of the production site of Sarroch and the oil depots of Arcola and Cartagena are located, as well as the area on which the Ulassai wind farm was built and operates;
2) Plants: these are mainly contracts stipulated by the subsidiary Sarlux with suppliers for the construction and operation of some plants within the production site of Sarroch;
3) Company car fleets: these are long-term lease contracts on company cars used both within the industrial site of Sarroch and by employees in various managerial and commercial sites.

For further details, please see the comments in paragraph 2.2 (New accounting standards, interpretations and amendments adopted by the Group) on the adoption of the new international financial reporting standard, IFRS 16 - Leases.

5.2.4 Other investments
Other investments break down as follows:

Other investments	30/09/2019	31/12/2018	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	502	502	0

5.2.5 Prepaid tax assets
The balance at 30 September 2019 of EUR 30,145 thousand refers to deferred tax assets believed to be recoverable from future taxable income as envisaged under the Group's most recent plans.

5.2.6 Other financial assets
At 30 September 2019, this item amounts to EUR 6,579 thousand (EUR 4,067 thousand last year) and relates to medium-/long-term receivables.

5.4 Non-current assets classified as held for sale

The balance at 30 September 2019 of EUR 7,038 thousand consists of the residual value of the subsidiary Saras Energia S.A.U.'s business unit, which is held for sale. On 25 July 2019, to complete the agreement signed in November 2018 with Kuwait Petroleum España SA, the Spanish subsidiary sold the service stations in Spain. The residual balance refers to the value of certain stations whose transfer has not yet been completed pending certain authorisations from the local authorities.

5.4 Current liabilities

5.4.1 Short-term financial liabilities

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

Short-term financial liabilities	30/09/2019	31/12/2018	Change
Current bank loans	74	0	74
Bank current accounts	158	16,957	(16,799)
Financial derivatives	30,363	26,937	3,426
Other short-term financial liabilities	19,476	62,736	(43,260)
Total	**50,071**	**106,630**	**(56,559)**

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

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

"Financial derivatives" comprise the negative fair value of the financial derivatives in place at 30 September 2019: the increase of such items on 31 December 2018 is primarily due to the rise in the prices of crude and oil products.

The following table shows assets and liabilities measured at fair value as at 30 September 2019, broken down by fair value hierarchy:

Financial derivatives	30/09/2019 Assets	FV level 1	FV level 2	FV level 3	30/09/2019 Liabilities	FV level 1	FV level 2	FV level 3	FV level 3
Interest rate swaps	0				100		100		
Fair value derivatives on commodities	55,418	55,418			30,186	30,186			
Fair value forward purchases and sales on exchange rates	0				77		77		
Fair value forward purchases and sales on CO2 allowances	3,968		3,968						
Total	**59,386**	**55,418**	**3,968**	**0**	**30,363**	**30,186**	**177**	**0**	**0**

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

For further details, see the cash flow statement.

5.4.2 Trade and other payables

Trade payables amount to EUR 1,540,410 thousand, up on the balance as at 31 December 2018. The increase on the previous year-end balance is essentially due to the increase in quantities acquired near the end of the period.

5.4.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	30/09/2019	31/12/2018	Change
Payables for VAT	25,060	14,727	10,333
IRES payables (and income tax foreign firms)	22,220	234	21,986
IRAP payables	0	806	(806)
Other tax payables	126,799	59,181	67,618
Total	**174,079**	**74,948**	**99,131**

The change in "VAT payables", which refers to the payable of the period of Italian and foreign companies, comprises the non-recurring taxes paid on account by Italian companies in December 2018 in accordance with the law.
The change for IRES payables reflects the period tax debt.
"Other tax payables" mainly include payables for excise duties on products released for consumption by the Parent, Saras S.p.A., (EUR 118,339 thousand) and the subsidiary Saras Energia S.A.U. (EUR 5,154 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

5.4.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	30/09/2019	31/12/2018	Change
Payables employee benefit and social security	9,651	11,397	(1,746)
Payables due to employees	28,443	25,236	3,207
Payables to others	15,576	9,467	6,109
Accrued liabilities	4,155	7,452	(3,297)
Deferred income	27,748	22,786	4,962
Total	**85,573**	**76,338**	**9,235**

The item "Due to personnel" includes salaries for September not yet paid and the accrued portion of additional monthly payments, as well as bonuses for the achievement of corporate goals.
The item "Deferred income" includes, amongst other entries, the income recorded by the subsidiary Sardeolica S.r.l. for definitive grants obtained pursuant to Law 488 in relation to the construction of the Ulassai wind farm. These grants are suspended in the statement of financial position and released to the income statement in the various financial years in correlation with the depreciation of the facilities for which they were received.

5.5 Non-current liabilities

5.5.1 Long-term financial liabilities

This item breaks down as shown below.

Long-term financial liabilities	30/09/2019	31/12/2018	Change
Non-current bonds	201,465	198,675	2,790
Non-current bank loans	49,887	49,393	494
Other long-term financial liabilities	50,793	7,933	42,860
Total	**302,145**	**256,001**	**46,144**

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

Values expressed in millions of euro	Commencement / Renegotiation	Original amount	Base rate	Residual at 31/12/2018	Residual at 30/09/2019	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Unicredit	April 2017	50	6M Euribor	49.4	49.9	49.9	
Bond	December 2017	200	1.70%	198.7	201.5		201.5
Total liabilities to banks for loans				**248.1**	**251.4**	**49.9**	**201.5**

"Long-term financial liabilities" comprise:

- a bond for a total nominal value of EUR 200 million, maturing on 28 December 2022 with a fixed annual coupon of 1.70%, represented by a private placement of debt securities on Third Market, the Austrian multilateral trading facility owned by Wiener Börse AG;
- a EUR 50 million loan, taken out by Saras S.p.A., subject to the following covenants: in financial terms, the company will have to meet the following ratios: net financial debt/EBITDA < 3.5 and net financial debt/shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements as at 31 December each year; in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.
  Failure to comply with these covenants will give the banking syndicate the right to demand early repayment of the loan.

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

The Parent Company, Saras, also has a revolving credit facility of up to EUR 255 million in place, expiring in 2020. None of this amount had been drawn down as at 30 September 2019.

The increase in "Other long-term financial liabilities" on last year is mainly due to the registration of financial liabilities for leasing relative to the specified first application of the new standard IFRS 16. For further details, please see the comments in paragraph 2.2 (New accounting standards, interpretations and amendments adopted by the Group) on the adoption of the new international financial reporting standard, IFRS 16 - Leases.

5.5.2 Provisions for risks and charges

Provisions for risks and charges break down as follows.

Provisions for risks and charges	31/12/2018	Provision	Use	Other Changes	30/09/2019
Plant dismantling provision	19,039	0	0	0	19,039
Charges for CO2 allowances provision	155,759	68,155	(99,199)	0	124,715
Other provisions for risks and charges	28,515	0	(1,856)	0	26,659
Total	**203,313**	**68,155**	**(101,055)**	**0**	**170,413**

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

The provision for CO2 allowances (EUR 124,715 thousand) was accrued pursuant to Legislative decree no. 216 of 4 April 2006, which introduced limits on CO2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO2 must be purchased on the appropriate market. The provision in question includes the provision made for the units due and not yet acquired. In the first half-year, EUR 99,199 thousand of the provision was utilised, for the purchase (and delivery) of allowances pertaining to the previous financial year. It should also be noted that the provision also includes the expense for the allowances relating to the northern site of the Sarroch refinery: for further details, please see the 2018 consolidated financial statements.

"Other provisions for risks" mainly refers to provisions made for probable legal and tax liabilities (including those described in point 7.1), mainly for a dispute with GSE for the recognition of white certificates (TEE).

5.5.3 Provisions for employee benefits

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

Provisions for employee benefits	30/09/2019	31/12/2018	Change
Post-employment benefits	10,351	10,322	29
Total	**10,351**	**10,322**	**29**

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

5.5.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,658 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/09/2019	31/12/2018	Change
Deferred income linearisation reporting Sarlux/Gse	25,563	80,263	(54,700)
Other payables	806	1,053	(247)
Total	**26,369**	**81,316**	**(54,947)**

The change compared with 31 December 2018 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux S.r.l. This item relates to the recognition of revenues arising from the agreement for the sale of energy between the subsidiary and G.S.E. (Gestore dei Servizi Energetici S.p.A.) on a straight-line basis in accordance with both the term of the contract (20 years) and forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs.

5.6 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	30/09/2019	31/12/2018	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	964,406	898,089	66,317
Net profit (loss) for the period	66,806	140,425	(73,619)
Total	**1,096,768**	**1,104,070**	**(7,302)**

Share capital
At 30 September 2019, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

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

Other reserves
This item totals EUR 964,406 thousand, representing a net increase of EUR 66,317 thousand on the previous year. The net increase was the combined result of:

- the allocation of the prior year profit (EUR 140,425 thousand);
- a decrease of EUR 75,310 thousand for a dividend distribution, approved by the shareholders' meeting of 16 April 2019 and paid out in May;
  thousands of euros;
- the positive effect of the translation of foreign currency financial statements of foreign subsidiaries (EUR 128 thousand);
- other minor changes, totalling EUR 583 thousand;
- the EUR 491 thousand increase due to the reserve for the bonus issue to all employees under the company's stock grant plans;

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

Net result
Profit for the period amounts to EUR 66,806 thousand.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

"Revenues from ordinary operations" break down as follows:

Revenues from ordinary operations	30/09/2019	30/09/2018	Change
Revenues from sales and services	6,639,066	8,441,147	(1,802,081)
Sale of electricity	362,585	393,312	(30,727)
Other remuneration	8,120	12,888	(4,768)
Change in contract work in progress	(136)	996	(1,132)
Total	**7,009,635**	**8,848,343**	**(1,838,708)**

Revenues from sales and services decreased by EUR 1,802,081 thousand, essentially due to the drop in average market prices, which were lower in the first nine months of the year than in the same period of the previous year. The decrease also reflects the reclassification of trading costs and revenues in the fourth quarter of 2018.

Revenues from the sale of electricity mainly comprise EUR 277,749 thousand relating to the gasification plant, EUR 23,278 thousand relating to the subsidiary Sarlux S.r.l.'s internal utility network sales, and EUR 6,857 thousand relating to the subsidiary Sardeolica's wind farm.
Revenues from the sale of electricity by the subsidiary Sarlux comprise the effect of the recognition of figures on a straight-line basis, calculated over the residual term of the contract that expires in 2020, principally taking into account the tariff amount and the forward curves of both the price of gas and the projected EUR/USD exchange rate until the contract expires. These projections are reconsidered when they undergo significant changes.

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

Revenues from ordinary operations are broken down by business segment in paragraph 3.2 above ("Segment information").

6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	30/09/2019	30/09/2018	Change
Compensation for storage of mandatory stocks	7,215	6,116	1,099
Sale various materials	520	440	80
Grants	1,404	1,228	176
Chartering	4,095	3,995	100
Recovery for claims and compensation	1,006	1,266	(260)
CO2 charges reimbursement	55,609	32,807	22,802
Other revenues	26,536	66,464	(39,928)
Total	**96,385**	**112,316**	**(15,931)**

The item "Repayment of CO2 charges" refers to the revenues recognised by the subsidiary Sarlux S.r.l. following the obtainment, pursuant to Title II, point 7-*bis* of CIP measure no. 6/92, of the repayment of the charges incurred as part of the application of Directive 2003/87/EC (Emission Trading) as per AEEG's Resolution 77/08. The increase compared with the same period of the previous year is mainly due to the rise in the value of the CO_2 allowances.

The decrease in "Other revenues" is mainly due to the income of the subsidiary Sarlux S.r.l. relating to energy efficiency securities recognised in the previous year.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, consumables and supplies

Purchase of raw materials, consumables and supplies	30/09/2019	30/09/2018	Change
Purchase of raw materials	3,586,935	4,576,431	(989,496)
Purchase semi-finished products	260,624	168,597	92,027
Purchase supplies and consumables	64,450	63,088	1,362
Increase in property, plant and equipment	(10,709)	(9,088)	(1,621)
Purchase finished products	2,621,757	3,274,157	(652,400)
Change in inventories	(351,215)	(256,102)	(95,113)
Total	**6,171,842**	**7,817,083**	**(1,645,241)**

Costs to purchase raw materials, consumables and supplies decreased by EUR 1,645,241 thousand on the same period of the previous year, mainly due to the trend in raw materials and oil product prices. The decrease was also due to the reclassification of trading costs and revenues in the fourth quarter of 2018.

6.2.2 Cost of services and sundry costs

Services and sundry costs	30/09/2019	30/09/2018	Change
Costs for services	487,259	555,435	(68,176)
Capitalisations	(54,848)	(16,444)	(38,404)
Costs for use of third-party goods	1,368	11,443	(10,075)
Provisions for risks	68,166	24,288	43,878
Other operating costs	11,750	7,453	4,297
Total	**513,695**	**582,175**	**(68,480)**

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

The "Capitalisations" item mainly relates to the costs of turn-around maintenance costs capitalised in the period. The increase compared with the same period of the previous year is due to the extensive cycle of scheduled closures carried out during the half-year.

"Use of third-party assets" decreased on the first nine months of 2018 (EUR 10,075 thousand), due to the introduction of the new IFRS 16 which requires, among other things, the reclassification of costs for leases and rentals as described and detailed in paragraph 2.2.

"Provisions for risks and charges" include the allowance for charges relating to the application of Directive 2003/87/EC (Emissions Trading). The increase on the same period of the previous year is mainly due to the increase in the market value of the relevant allowances.

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

6.2.3 Personnel expense

The breakdown of “Personnel expense” is as follows:

Personnel costs	30/09/2019	30/09/2018	Change
Salaries and wages	88,305	85,749	2,556
Increases in assets for internal work	(8,900)	(6,596)	(2,304)
Social security contributions	25,970	24,852	1,118
Post-employment benefits	4,938	5,029	(91)
Other costs	2,759	2,882	(123)
Remuneration to the Board of Directors	1,631	1,416	215
Total	**114,703**	**113,332**	**1,371**

Given the substantial stability of the Group’s average workforce, personnel expense is in line with the same period of the previous year.

6.2.4 Depreciation/amortisation and write-downs

Amortisation and depreciation figures are shown below.

Amortisation, depreciation and write-downs	30/09/2019	30/09/2018	Change
Amortisation of intangible assets	27,831	26,838	993
Depreciation of tangible assets	109,109	102,387	6,722
Depreciation of leased tangible assets	6,657	0	6,657
Total	**143,597**	**129,225**	**14,372**

Depreciation of property, plant and equipment increased by EUR 6,722 thousand, due to the implementation in the previous year of a substantial portion of the investment plan launched by the Group.

The item “Depreciation of right-of-use assets” comprises depreciation in the period, calculated pursuant to IFRS 16, of EUR 6,657 thousand. For further details, please see the comments in paragraph 2.2 (New accounting standards, interpretations and amendments adopted by the Group) on the adoption of the new international financial reporting standard, IFRS 16 - Leases.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

Financial income	30/09/2019	30/09/2018	Change
Bank interest income	473	365	108
Unrealised differences on derivatives	25,829	92,408	(66,579)
Realised differences on derivatives	70,455	57,456	12,999
Other income	14,173	213	13,960
Profit on exchange rates	44,983	73,727	(28,744)
Total	**155,913**	**224,169**	**(68,256)**

Financial charges	30/09/2019	30/09/2018	Change
Unrealised differences on derivatives	(33,369)	(69,203)	35,834
Realised differences on derivatives	(123,303)	(158,606)	35,303
Interest expenses on loans and other financial charges	(14,482)	(12,560)	(1,922)
Interests on rental right of use	(603)	0	(603)
Other financial charges	0	(6,948)	6,948
Exchange rate losses	(52,609)	(79,061)	26,452
Total	**(224,366)**	**(326,378)**	**102,012**

The item “Interest on right-of-use assets” comprises financial charges calculated pursuant to IFRS 16, of EUR thousand. For further details, please see the comments in paragraph 2.2 (New accounting standards, interpretations and amendments adopted by the Group) on the adoption of the new international financial reporting standard, IFRS 16 - Leases.

The table below shows net income/charges by type:

Financial income and Financial charges	30/09/2019	30/09/2018	Change
Net interest	(14,009)	(12,195)	(1,814)
Result of derivative instruments, of which:	(46,215)	(77,945)	31,730
Realised	*(38,675)*	*(101,150)*	*62,475*
Fair value of open positions	*(7,540)*	*23,205*	*(30,745)*
Net exchange rate differences	(7,626)	(5,334)	(2,292)
Interests on rental right of use	(603)	0	(603)
Other	0	(6,735)	6,735
Total	**(68,453)**	**(102,209)**	**65,486**

The change in the net value of "Financial income and charges" is mainly due, as well as to net foreign exchange differences, to significant fluctuations in the price of raw materials and oil products in the first half of the year compared with the same period of the previous year.

The fair value of derivative instruments held at 30 September 2019 generated a net expense of EUR 7,540 thousand (compared with a net gain of EUR 23,205 thousand in the same period of the previous year).

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

6.4 Income tax

Income tax

Income tax	30/09/2019	30/09/2018	Change
Current taxes	19,738	58,505	(38,767)
Net deferred tax assets	7,186	3,974	3,212
Total	**26,924**	**62,479**	**(35,555)**

Current taxes, amounting to EUR 19,738 thousand, related entirely to IRAP owned by the subsidiaries, while the change in prepaid and deferred taxes reflects the trend in reversals and provisions during the period.

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 Saras S.p.A. and some Group companies were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts. With respect to 31 December 2018, no significant updates apply to current disputes, nor have any new actions been taken.

The Group Companies are involved in legal disputes filed by different plaintiffs for various reasons. The outcome of some of these disputes is hard to predict. Although the decisions made by the ordinary and administrative courts with regard to the alleged infringements have been contradictory, the Group believes that the probability of any liability arising is remote. If, however, a liability is deemed probable, appropriate accruals have been made to the provision for risks. Also in this context, with respect to 31 December 2018, no significant updates apply to current disputes, nor have any new actions been taken.

The subsidiary Sarlux S.r.l. is involved in pending litigation concerning energy issues:

- non-recognition of the IGCC plant as a cogeneration plant with the consequent alleged obligation to purchase green certificates;
- recognition of white certificate credits for achieved energy efficiency;
- recognition of free CO2 emissions allowances for plants in Northern Italy;

Refer to the 2018 consolidated financial statements for further details.
Also in this context, with respect to 31 December 2018, no significant updates apply to current disputes, nor have any new actions been taken.

7.2 Commitments

There are no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company issued sureties totalling EUR 273,755 thousand as at 30 September 2019, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.3 Related party transactions

The transactions carried out by Saras Group with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. During the period, there were no new types of related party transactions. The impact of these transactions or positions on the items of the statement of financial position, income statement and cash flow statement are immaterial and substantially in line with previous periods.