

SARAS GROUP
HALF-YEAR FINANCIAL REPORT
AS OF 30TH JUNE 2018



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Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (10.4 on the Nelson Index ^(*)). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl, and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity. To best exploit these extraordinary resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This context also includes the subsidiary Saras Trading SA, incorporated in Geneva in September 2015, which deals with acquiring crude and other raw materials for the Group's refinery, selling its refined products, and also performing trading activities, acting in one of the main markets for trading oil commodities.

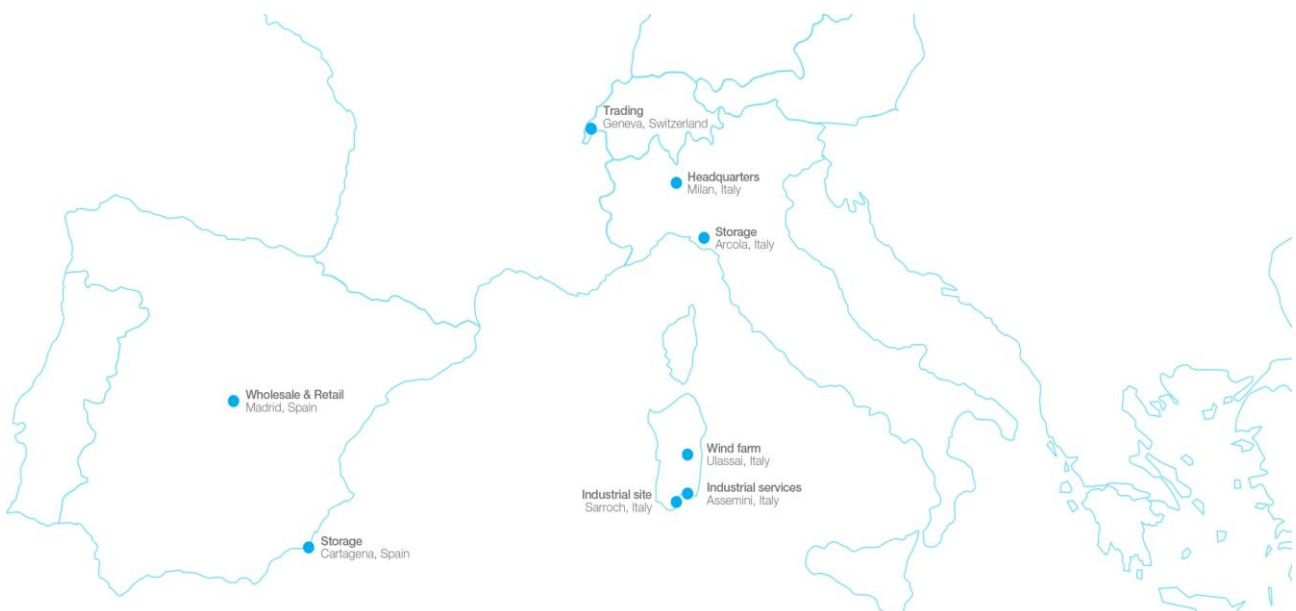
The Group sells and distributes oil products directly, and through its subsidiaries, such as diesel, gasoline, diesel fuel for heating, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and non-European countries.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

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

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

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

^(*) 11.7 including the IGCC plant



Saras Stock Performance

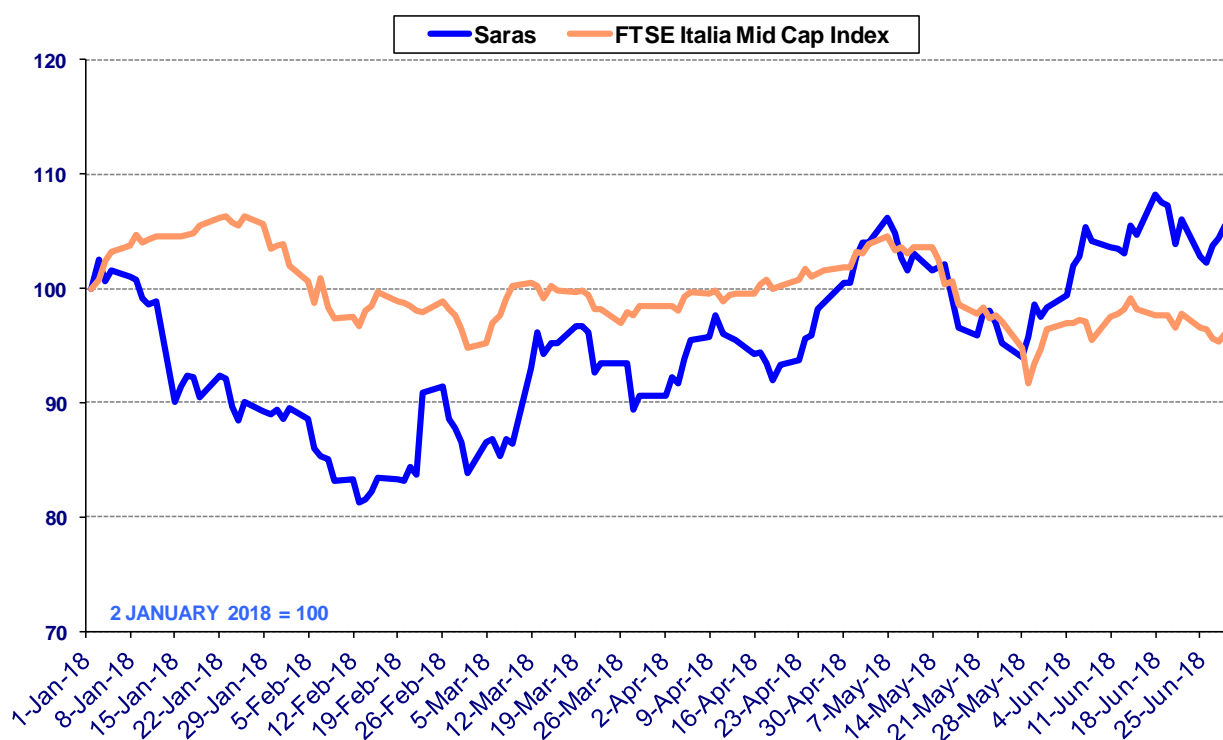
The following data relate to Saras' share prices and the daily volumes, traded during the first half of 2018.

SHARE PRICE (EUR)	H1/18
Minimum price (13/02/2018)	1.598
Maximum price (18/06/2018)	2.130
Average price	1.873
Closing price at the end of the first half of 2018 (29/06/2018)	2.076

DAILY TRADED VOLUMES	H1/18
Maximum traded volume in EUR million (15/01/2018)	41.9
Maximum traded volume in number of shares (million) (15/01/2018)	23.7
Minimum traded volume in EUR million (19/02/2018)	2.2
Minimum traded volume in number of shares (million) (19/02/2018)	1.3
Average traded volume in EUR million	8.3
Average traded volume in number of shares (million)	4.4

The Market capitalization at the end of the first half of 2018 was equal to approximately EUR 1,974 million and the number of shares outstanding was approximately 936 million.

The following graph shows the daily performance of Saras' share price during the first half of 2018, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Non-GAAP measure Alternative performance indicators

In order to give a representation of the Group's operating performance 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	H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
REVENUES	5,591	3,929	42%	3,172	2,032	56%
EBITDA	271.4	141.3	92%	199.2	(19.1)	1143%
<i>Comparable EBITDA</i>	<i>150.4</i>	<i>252.5</i>	<i>-40%</i>	<i>78.8</i>	<i>128.5</i>	<i>-39%</i>
EBIT	186.5	34.3	443%	156.1	(73.2)	313%
<i>Comparable EBIT</i>	<i>65.5</i>	<i>145.1</i>	<i>-55%</i>	<i>35.7</i>	<i>73.9</i>	<i>-52%</i>
NET RESULT	81.4	54.5	49%	58.9	(37.6)	257%
<i>Comparable NET RESULT</i>	<i>14.9</i>	<i>109.9</i>	<i>-86%</i>	<i>6.3</i>	<i>57.4</i>	<i>-89%</i>

EUR Million	H1 2018	H1 2017	Q2/18	Q2/17
NET FINANCIAL POSITION	42	(28)	42	(28)
CAPEX	85	100	36	54

Comments to First Half 2018 Group Results

The Groups revenues in H1/18 were EUR 5,591 million. The difference compared to EUR 3,929 million in the first half of last year is due to the higher average oil prices and rising oil and products trading activity of the subsidiary Saras Trading SA. In particular, in H1/18 the price of gasoline averaged at 669 \$/ton (compared to the average of 531 \$/ton in H1/17), while the price of diesel averaged out to 623 \$/ton (compared to the average of 464 \$/ton in H1/17). This increase in the prices resulted in higher revenues of approximately EUR 1,460 million in the Refining segment and approximately EUR 170 million in the Marketing segment. Finally, the revenues from the Power Generation segment were higher by approximately EUR 35 million compared to first half of last year also thanks to higher CIP6/92 tariff.

The Group's reported EBITDA in H1/18 was EUR 271.4 million, strongly above the EUR 141.3 million in H1/17. This difference was almost entirely attributable to the Refining segment which, even if operated in a less favourable market environment in H1/18 and achieved lower volumes compared to the same period last year, enjoyed a strong positive scenario effect inventories. On the opposite such effect was negative in H1/17.

The reported Group Net Result, equal to EUR 81.4 million, compared to EUR 54.5 million in H1/17, essentially due to the reason shown at EBITDA level. In H1/18, amortisation and depreciation charges were lower (EUR 84.9 million as compared to EUR 107.0 million in H1/17) following changes to the amortisation plan for the IGCC plant, which took place in Q4/17, in view of the extension of its useful life until 2031 instead of the previous limit set in 2021 in correspondence

with the expiry of the CIP6/92 contract. The financial charges (of EUR 6.7 million) were essentially in line with the same period of last year, while other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative by approximately EUR 66 million in H1/18 compared to a positive amount of approximately EUR 55 million in H1/17.

The comparable Group EBITDA was EUR 150.4 million in H1/18, down from EUR 252.5 million achieved in H1/17. This result was mainly due to the Refining segment which operated in a less favourable market scenario and achieved lower volumes also due to a lower operating performance. **The comparable Group Net Result in H1/18 was EUR 14.9 million**, versus EUR 109.9 million in H1/17.

Investments in H1/18 were EUR 85.0 million, in line with the budget, mainly focused on the Refining segment (EUR 75.3 million).

Comments to Second Quarter 2018 Group Results

The Groups revenues in Q2/18 were EUR 3,172 million up 56% versus the EUR 2,032 million in the second quarter of last year as effect of higher average oil prices in the period and rising trading activity of the subsidiary Saras Trading SA. In Q2/18 the price of gasoline averaged at 707 \$/ton (compared to the average of 519 \$/ton in Q2/17), while the price of diesel averaged out to 657 \$/ton (compared to the average of 449 \$/ton in Q2/17). This increase in the prices resulted in higher revenues of approximately EUR 985 million in the Refining segment and approximately EUR 130 million in the Marketing segment. The revenues from the Power Generation segment were higher by approximately EUR 22 million compared to Q2/17 mainly thanks to higher CIP6/92 tariff.

The Group's reported EBITDA in Q2/18 was EUR 199.2 million, well above the EUR -19.1 million in Q2/17 almost entirely due to the Refining segment. In fact, in the second quarter of 2018 the positive effect of the scenario on the inventory differences between the beginning and end of the period, due to the sharp rise in the Brent price, more than offset less favourable market scenario that led to lower unitary refining margins.

The reported Group Net Result was equal to EUR 58.9 million, compared to EUR -37.6 million in Q2/17, essentially due to the reason shown at EBITDA level. In Q2/18, amortisation and depreciation charges were lower (EUR 43.1 million as compared to EUR 54.1 million in Q2/17) following above mentioned changes to the amortisation plan for the IGCC which took place in Q4/17. The financial charges (of EUR 3.2 million) were essentially unchanged from the same quarter last year, while other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative at approximately EUR 69 million in Q2/18, compared to a positive amount of approximately EUR 28 million in Q2/17.

The comparable Group EBITDA was EUR 78.8 million in Q2/18, down from EUR 128.5 million in Q2/17. This result was mainly due to the Refining segment which operated in a less favourable market scenario, mainly featured by high Brent prices, that weighted on the refining margins. **The comparable Group Net Result in Q2/18 was EUR 6.3 million**, down from EUR 57.4 million in the second quarter of last year.

Investments in Q2/18 were EUR 35.9 million, in line with the budget and mainly focused on the Refining segment (EUR 33.8 million).

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

Calculation of the Group comparable EBITDA

EUR Million	H1 2018	H1 2017	Q2/18	Q2/17
Reported EBITDA	271.4	141.3	199.2	(19.1)
Gain / (Losses) on Inventories	(113.2)	43.8	(93.1)	101.1
Hedging derivatives and net FOREX	(33.2)	55.1	(42.9)	30.1
Non-recurring items	25.3	12.4	15.6	16.4
Comparable EBITDA	150.4	252.5	78.8	128.5

In H1/17, the non-recurring items mainly referred to a provision made in relation to a dispute related to energy efficiency certificates, assigned and to be assigned to the subsidiary Sarlux.

In H1/18 the non-recurring items refer to the change of the fair value of CO₂ hedging derivatives and to a provision related to CO₂ costs of past years. In H1/18, thanks to the final allocations of energy efficiency certificates received from the GSE, the gains realized on the sales of the same (EUR 11.8 million), were considered recurring by nature, relevance and frequency, and therefore, they contribute to the determination of Comparable results, being related to the recurring industrial activity.

Calculation of the Group comparable Net Result

EUR Million	H1 2018	H1 2017	Q2/18	Q2/17
Reported NET RESULT	81.4	54.5	58.9	(37.6)
Gain & (Losses) on Inventories net of taxes	(81.6)	31.3	(67.1)	72.6
Derivatives related to future deals	4.1	4.3	3.6	2.5
Non-recurring items net of taxes	11.0	19.8	11.0	19.8
Comparable NET RESULT	14.9	109.9	6.3	57.4

In H1/17, the non-recurring items refer to the provision related to interests requested by the counterparty on past supplies and which are currently under negotiation, on top of the above mentioned provision related to energy efficiency certificates.

In H1/18, the non-recurring items refer to the above mentioned provision 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 June 2018 was positive by EUR 42 million, compared to the positive amount of EUR 87 million as at 31 December 2017. The cash flow generated by operations was absorbed by the investments, the dividend payment on May 2018 and the inventories increase.

EUR Million	30-Jun-18	31-Dec-17
Medium/long-term bank loans	(49)	(59)
Bonds	(198)	(198)
Other medium/long-term financial liabilities	(9)	0
Other medium/long-term financial assets	8	8
Medium-long-term net financial position	(249)	(249)
Short term loans	(3)	(0)
Banks overdrafts	(29)	(4)
Other short term financial liabilities	(32)	(125)
Fair value on derivatives and realized net differentials	7	2
Other financial assets	31	43
Cash and Cash Equivalents	315	422
Short-term net financial position	291	337
Total net financial position	42	87

Oil Market and Refining Margins

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

Average values ⁽¹⁾	Q1/17	Q2/17	H1/17	Q1/18	Q2/18	H1/18
Crude oil price and differential (\$/bl)						
Brent Dated (FOB Med)	53.7	49.6	51.7	66.8	74.4	70.6
Urals (CIF Med)	52.5	48.9	50.7	65.2	72.8	69.0
"Heavy-light" price differential	-1.2	-0.8	-1.0	-1.6	-1.6	-1.6
Crack spreads for refined oil products (\$/bl)						
ULSD <i>crack spread</i>	10.3	10.6	10.0	12.1	13.7	12.9
Gasoline 10ppm <i>crack spread</i>	11.3	12.5	11.9	8.7	10.3	9.5
Reference margin (\$/bl)						
EMC Benchmark	+3.3	+3.8	+3.5	+1.7	+2.2	+1.9

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

Crude oil prices:

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

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

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

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

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

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

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

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

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

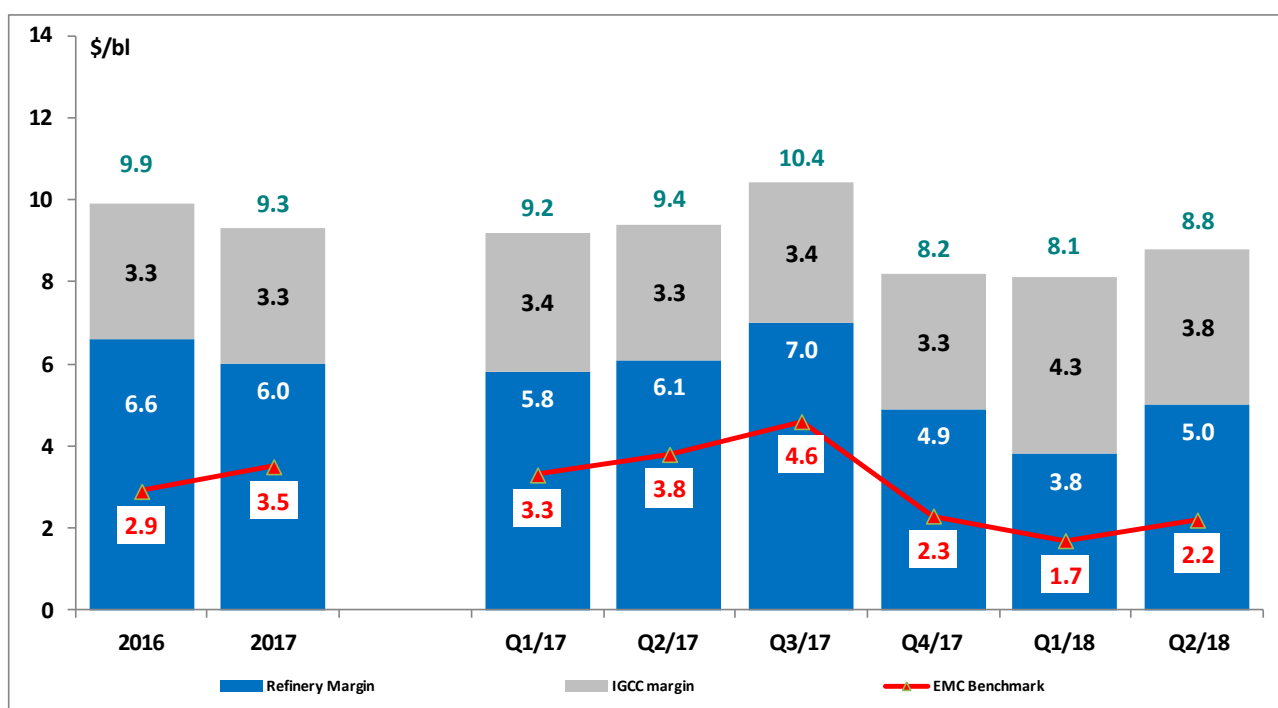
Also Q2/18 diesel demand was strong and higher than that of gasoline thanks to robust global economic growth. This dynamic along with rather low inventories levels and strong jet fuel request sustained the crack spread of diesel which posted an average of 13.7 \$/bl in Q2/18.

Refining Margin:

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

This reference margin (called the “EMC Benchmark”) averaged 3.5 \$/bl in 2017. In detail, in the first quarter the EMC averaged 3.3 \$/bl and then strengthened to 3.8 \$/bl in the second quarter and to 4.6 \$/bl in the third quarter thanks to high gasoline and diesel crack spreads during the summer months driven both by structural factors, including strong global demand, and contingent factors (unplanned maintenance at some refineries). Finally, the margin averaged 2.3 \$/bl in the last quarter as a consequence of seasonal weakening of the gasoline and fuel oil cracks and the rapid rise in Brent. Such conditions, together with further strengthening of the price of crude oil, continued in the initial months of 2018 and the reference margin posted an average of 1.7 \$/bl in the first quarter. In the second quarter of 2018 some improvements in gasoline and diesel crack spreads led to an average EMC of 2.2 \$/bl.

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	H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
EBITDA	161.6	28.2	472%	142.0	(75.1)	289%
Comparable EBITDA	29.9	139.7	-79%	20.8	70.1	-70%
EBIT	107.8	(27.1)	497%	114.4	(103.2)	211%
Comparable EBIT	(23.9)	84.4	-128%	(6.8)	42.1	-116%
CAPEX	75.3	88.0		33.8	46.6	

Margins and refinery runs

		H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
REFINERY RUNS	Tons (thousand)	6,528	6,917	-6%	3,320	3,481	-5%
	Barrels (million)	47.7	50.5	-6%	24.2	25.4	-5%
	Bl/day (thousand)	263	279	-6%	269	282	-5%
COMPLEMENTARY FEEDSTOCK	Tons (thousand)	577	674	-14%	315	297	6%
EXCHANGE RATE	EUR/USD	1.210	1.083	12%	1.191	1.102	8%
EMC BENCHMARK MARGIN	\$/bl	1.9	3.5		2.2	3.8	
SARAS REFINERY MARGIN	\$/bl	4.4	6.0		5.0	6.1	

Comments to First Half 2018 Results

Crude refinery runs during H1/18 stood at 6.53 million tons (47.7 million barrels, corresponding to 263 thousand barrels per day), down by 6% compared to H1/17. Complementary feedstock amounted to 0.58 million tons compared to 0.67 in the first half of 2017. This dynamic is mainly due to a maintenance programme that involved both distilling and conversion units and lower than expected operating performance. In H1/18 the scheduled maintenance of the year was substantially completed.

The comparable EBITDA amounted to EUR 29.9 million in H1/18, with a Saras refinery margin of +4.4 \$/bl (as is usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 139.7 million and a Saras refinery margin of +6.0 \$/bl in H1/17. As always, the comparison between the two quarters must take into account market conditions and the specific performance of the Saras Group, both from an operational and commercial perspective.

With regard to market conditions, the increase in crude oil prices in H1/18 combined with other market factors resulted in a penalisation of approx. EUR 100 million compared to H1/17 (also including the increase in the cost of "consumption and losses"). The weakening of the gasoline crack spread was more than offset by the strengthened diesel crack spread, with a positive net effect on production of approximately EUR 30 million, compared to H1/17. The effect of the EUR/USD exchange rate (1 EUR was worth 1.2104 USD in H1/18 and 1.0830 in H1/17) reduced the value of production by approximately EUR 25 million.

With regard to operational performance, in H1/18 production planning (which involves optimising the mix of the crude oils for processing, the management of semi-finished products, and the production of finished products, including those with special formulations) resulted in an EBITDA lower by approximately EUR 10 million compared to H1/17, mainly due to a less advantageous crude oil mix available.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) resulted in an EBITDA essentially in line with H1/17.

Commercial management (involving the supply of crude and additional raw materials, the sale of finished products, the rental costs of oil tankers, and inventory management, including mandatory stocks) generated EBITDA lower by approximately EUR 8 million compared to H1/17, due to fewer trading opportunities, among other things.

Investments made in H1/18 were EUR 75.3 million, in line with the scheduled maintenance programme and the business plan.

Comments to Second Quarter 2018 Results

Crude refinery runs during Q2/18 stood at 3.32 million tons (24.2 million barrels, corresponding with 269 thousand barrels per day), down by 5% compared to the same period in 2017. Complementary feedstock amounted to 0.32 million tons compared to 0.30 in the second quarter of 2017. This dynamic is mainly due to the maintenance carried out in the period and to minor technical issues that led, among others, to some sub-optimisation of the commercial and supply chain management process.

The comparable EBITDA amounted to EUR 20.8 million in the Q2/18, with a Saras refinery margin of +5.0 \$/bl (as is usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 70.1 million and a Saras refinery margin of +6.1 \$/bl in Q2/17. As always, the comparison between the two quarters must take into account market conditions and the specific performance of the Saras Group, both from an operational and commercial perspective.

With regard to market conditions, the increase in crude oil prices in Q2/18 combined with other market factors resulted in a penalisation of approx. EUR 55 million compared to Q2/17 (also including the increase in the cost of “consumption and losses”). The weakening of the gasoline crack spread was more than offset by the strengthened diesel crack spread, with a positive net effect on production of approximately EUR 25 million, compared to Q2/17. The effect of the EUR/USD exchange rate (1 EUR was worth 1.1915 USD in Q2/18 and 1.1021 in Q2/17) reduced the value of production by approximately EUR 10 million.

With regard to operational performance, in Q2/18 production planning (which involves optimising the mix of the crude oils for processing, the management of semi-finished products, and the production of finished products, including those with special formulations) resulted in an EBITDA lower by approximately EUR 3 million compared to Q2/17.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) resulted in an EBITDA essentially in line with Q2/17.

Commercial management (involving the supply of crude and additional raw materials, the sale of finished products, the rental costs of oil tankers, and inventory management, including mandatory stocks) generated EBITDA lower by approximately EUR 3 million compared to Q2/17.

Finally Q2/18 results were influenced by higher fixed costs compared to Q2/17, mainly as effect of postponement of some costs referring to Q1/18.

Investments made in Q2/18 were EUR 33.8 million.

Crudes processed and yields of finished products

The mix of crudes that the Sarroch refinery processed in H1/18 had an average density of 33.7°API, and is therefore lighter than the average density processed in H1/17. A more detailed analysis of the crude oil grades shows an increase in the percentage of light crude oils with a very low sulphur content (“light extra sweet”) and a reduction in the percentage of medium crude oils with a high sulphur content (“medium sour”). The weight of light crudes with low sulphur content (“light sweet”) and of heavy crude oils with low and high sulphur content (“Heavy sour/sweet”) remained broadly stable instead. This processing mix was partly due to contingent plant set-up situations (arising from scheduled maintenance in H1/18) and to economic and commercial choices in view of market supply conditions.

		H1 2018	H1 2017	Q2/18
Light extra sweet		37%	32%	35%
Light sweet		13%	14%	13%
Medium sweet/extra sweet		0%	0%	0%
Medium sour		35%	39%	37%
Heavy sour/sweet		16%	15%	15%
Average crude gravity	°API	33.7	33.0	33.4

Turning to the analysis of finished product yields, we note that in H1/18 the yield of the light distillates (29.0%) was higher than in H1/17. The yield of middle distillates (49.4%) instead was broadly stable vs H1/17, as well as LPG yields (2.0%). Finally fuel oil yield was lower (5.7%) as opposed to a higher yield of TAR (7.2%). These changes are mainly due to the maintenance activity carried out in the period and commercial choices.

		H1 2018	H1 2017	Q2/18
LPG	Tons (thousand)	145	149	72
	yield (%)	2.0%	2.0%	2.0%
NAPHTHA + GASOLINE	Tons (thousand)	2,058	2,067	1,058
	yield (%)	29.0%	27.2%	29.1%
MIDDLE DISTILLATES	Tons (thousand)	3,509	3,780	1,826
	yield (%)	49.4%	49.8%	50.2%
FUEL OIL & OTHERS	Tons (thousand)	408	625	168
	yield (%)	5.7%	8.2%	4.6%
TAR	Tons (thousand)	512	482	281
	yield (%)	7.2%	6.4%	7.7%

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	H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
EBITDA	10.4	5.7	83%	6.6	3.9	69%
Comparable EBITDA	7.2	8.3	-14%	3.2	5.2	-38%
EBIT	7.7	3.1	145%	5.2	2.7	93%
Comparable EBIT	4.5	5.3	-16%	1.8	3.5	-48%
CAPEX	0.3	0.5		0.1	0.3	

Sales

		H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
TOTAL SALES	Tons (thousand)	1,821	1,784	2%	921	914	1%
of which: in Italy	Tons (thousand)	1,037	1,043	-1%	538	547	-2%
of which: in Spain	Tons (thousand)	784	741	6%	383	368	4%

Comments to First Half 2018 Results

According to data collected by UP (Unione Petrolifera – the Oil Industry Union), in H1/18 total oil consumption was up by 2% on the Italian market, which represents the main wholesale channel of the Saras Group. In H1/18 new car registrations decreased by 1.4%, with diesel vehicles accounting for 53.7% of the total (compared to 56.5% in H1/17). The Saras Group kept broadly stable its own sales volumes in Italy.

In Spain, the data collected by CORES indicates increases of more than 4% in the first 5 months of 2018. In detail, on the Spanish market the total fuel consumption (gasoline + diesel) was approximately 11.6 million tonnes, up by 3% compared to the same period of the previous year, with gasoline increasing by 3.5% and diesel by 3% approximately. Moreover, consumption of kerosene and fuel oil increased by approximately 6.5% compared to H1/17. In this framework, the Spanish subsidiary Saras Energia increased its volumes sold by 6%.

Comparable EBITDA for the Marketing segment amounted to EUR 7.2 million, down versus the EUR 8.3 million of H1/17 mainly due to lower unitary margins in Spain.

Comments to Second Quarter 2018 Results

In Q2/18 total oil consumption was up by 1% on the Italian market and by 5% in the Spanish market.

In Q2/18, the Saras Group decreased its sales volumes in Italy by 2% while it increased them by 4% in Spain, keeping the Group volumes substantially stable.

Comparable EBITDA for the Marketing segment amounted to EUR 3.2 million, down versus the EUR 5.2 million of Q2/17 mainly due to lower unitary margins in Italy and Spain.

Power Generation

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

EUR Million	H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
EBITDA	90.6	95.8	-5%	47.2	47.9	-1%
Comparable EBITDA	104.5	92.9	13%	51.4	49.0	5%
EBIT	64.8	49.4	31%	34.3	24.5	40%
Comparable EBIT	78.7	46.5	69%	38.5	25.6	50%
EBITDA ITALIAN GAAP	42.4	28.8	47%	34.2	25.8	33%
EBIT ITALIAN GAAP	33.4	-0.7	4723%	29.8	10.8	175%
CAPEX	9.0	11.2		1.8	7.1	

Other figures

		H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
ELECTRICITY PRODUCTION	MWh/1000	1,975	1,755	13%	1,089	1,021	7%
POWER TARIFF	Eurocent/KWh	9.5	8.7	9%	9.5	8.7	9%
POWER IGCC MARGIN	\$/bl	4.1	3.3	24%	3.8	3.3	15%

Comments to First Half 2018 Results

In H1/18, the Electricity Generation segment conducted the scheduled maintenance work on two "Gasifier – combined cycle Turbine" and on a one the two "gas washing line trains". Electricity production reached 1.975 TWh, up by 13% compared to the first half of last year, due to a less onerous maintenance programme and a better operating performance compared to the same period of last year.

Comparable EBITDA stood at EUR 104.5 million, up 13% compared to EUR 92.9 million achieved in H1/17. This difference is due to the lower fixed costs thanks to the lighter maintenance cycle conducted and the increase in the value of the CIP6/92 tariff (+9%) that more than offset higher feedstock (TAR) costs. Sales of steam and hydrogen (not subject to the equalisation procedure) were essentially in line with the H1/17. It should also be noted that the difference between comparable and reported EBITDA is attributable to the change of the fair value of CO₂ hedging derivatives.

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 42.4 million in H1/18, well above the EUR 28.8 million achieved in the same period last year. The difference is due to the combined effect of higher electricity production (+13%), the higher CIP6/92 tariff (+9%) and lower fixed costs. Conversely, the cost of acquiring raw materials (TAR) increased by approximately EUR 15 million compared to the same period last year.

Investments amounted to EUR 9.0 million, in line with the forecasts.

Comments to Second Quarter 2018 Results

In Q2/18, the Electricity Generation segment conducted the scheduled maintenance work on one "Gasifier – combined cycle Turbine". Electricity production reached 1.089 TWh, up by 7% compared to the second quarter of last year, thanks to a better operating performance.

Comparable EBITDA was equal to EUR 51.4 million, vs. EUR 49.0 million achieved in Q2/17. This difference is due to the higher the value of the CIP6/92 tariff (+9%) that more than offset higher feedstock (TAR) costs. Sales of steam and hydrogen (not subject to the equalisation procedure) were essentially in stable versus Q2/17. It should be noted that the difference between comparable and reported EBITDA is attributable to the change of the fair value of CO₂ hedging derivatives.

Moving on to the analysis of EBITDA calculated according to Italian accounting standards, this stood at EUR 34.2 million in Q2/18, up vs. The EUR 25.8 million achieved in the same period last year. The difference is due to the

combined effect of higher electricity production (+7%) and CIP6/92 tariff (+9%). Conversely, the cost of acquiring raw materials (TAR) increased by approximately EUR 10 million, compared to the same period last year.

Investments amounted to EUR 1.8 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	H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
EBITDA	5.9	10.8	-46%	1.3	3.9	-67%
<i>Comparable EBITDA</i>	5.9	10.8	-46%	1.3	3.9	-67%
EBIT	3.6	8.5	-58%	0.2	2.7	-93%
<i>Comparable EBIT</i>	3.6	8.5	-58%	0.2	2.7	-93%
CAPEX	0.1	0.0		0.0	0.0	

Other figures

		H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
ELECTRICITY PRODUCTION	MWh	99,897	82,720	21%	32,120	31,452	2%
POWER TARIFF	EURcent/KWh	5.1	4.8	6%	5.0	4.1	22%
INCENTIVE TARIFF	EURcent/KWh	9.9	10.7	-8%	9.9	10.7	-8%

Comments to First Half 2018 Results

In H1/18 the comparable EBITDA for the Wind Power segment (equal to the IFRS EBITDA) stood at EUR 5.9 million, compared to EUR 10.8 million in H1/17.

In detail, the volumes produced increased by 21% compared to the same period last year, thanks to better wind conditions. This dynamic was partially offset by the reduction of the Incentive Tariff (-0.8 Eurocent/kWh compared to H1/17). Moreover, the incentive period expired on approximately 70% of volumes produced. Finally the electricity tariff rose by 0.3 Eurocent/kWh compared to H1/17.

Comments to Second Quarter 2018 Results

In Q2/18 the comparable EBITDA for the Wind Power segment (equal to the IFRS EBITDA) was equal to EUR 1.3 million, compared to EUR 3.9 million in Q2/17.

In detail, the volumes produced increased by 2% compared to the same period last year and the electricity tariff was higher than in Q2/17 (+0.9 Eurocent/kWh compared to Q2/17). With reference to the Incentive Tariff, it is worth noting that in Q2/18 it was 0.8 Eurocent/kWh lower than in Q2/17 and the incentive period expired on approximately 80% of volumes produced.

Other Activities

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

EUR Million	H1 2018	H1 2017	Change %	Q2/18	Q2/17	Change %
EBITDA	2.9	0.8	267%	2.1	0.3	600%
<i>Comparable EBITDA</i>	2.9	0.8	267%	2.1	0.3	600%
EBIT	2.6	0.4	491%	2.0	0.1	1900%
<i>Comparable EBIT</i>	2.6	0.4	491%	2.0	0.1	1900%
CAPEX	0.3	0.2		0.1	0.1	

Strategy and Outlook

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

The year 2018 opened with Brent on the maximum levels of the last 3 years at approximately 70 \$/bl also thanks to the growth in demand. The supply instead was influenced by the production cuts implemented by OPEC and Russia, by some geopolitical tensions in Libya and Nigeria and by the involuntary reductions of Venezuela and Mexico, which were only partly offset by rising volumes from United States, Canada, Brazil and Kazakhstan. In mid-May, the Brent hit 80 \$/bl following the announcement of the US exit from the nuclear agreement with Iran and then fall back thanks to the response of the OPEC countries (Saudi Arabia in particular) that decided to increase their supply by around 1 mbl/d. Brent current forward curves point to approx. 75 \$/bl for in the second half of the year. As far as the price differential between light and heavy crude is concerned, no particular changes are foreseen compared to the values recorded in 2017.

Looking at the demand side, in the report published in July 2018, the International Energy Agency (IEA) expects global demand to grow by +1.4 mbl/d in 2018, driven by non-OECD countries (primarily China).

Moving to the profitability of the main refined products, gasoline crack spread was penalized by the sharp increase of Brent price. With regards to the middle distillates, instead diesel crack spread was above previous year, driven by demand of gasoil for industrial uses, which is directly correlated to the economic cycle (2018 GDP expected to grow by 2.2% in Europe in 2018 and by 3.7% globally). All in all, the above described market conditions should pave the way for positive refining margins, even if slightly lower than in 2017, and the Saras Group will aim to achieve a premium above the EMC benchmark margin of approx. 2.5 ÷ 3.0 \$/bl (net of maintenance).

From an operational standpoint, in the Refinery segment, scheduled maintenance was carried out regularly in the first half of the year and annual activity was substantially completed. In details, for the remaining part of the year, it is worth noting that in the third quarter no major activity is planned and finally, in the fourth quarter, the scheduled activities will take place on the Catalytic Reforming “CCR”. Overall, yearly crude runs are expected at 13.8÷14.2 million tons (corresponding to 100÷105 million barrels), plus further 1 million tons of complementary feedstock (corresponding to approx. 7 million barrels).

With reference to the Power Generation segment, the heaviest part of the annual maintenance programme was realised in the first half of the year. Between the third and the fourth quarter maintenance will be performed on one “Gasifier – Combined Cycle Turbine” train. Therefore, total production of electricity in 2018 is expected to recover compared to previous year, reaching approx. 4.30 TWh (vs. 4.09 TWh produced in 2017).

In the Marketing segment the profitability achieved previous year thanks to the costs and clients portfolio optimisation actions undertaken will be consolidated.

Finally, with regard to the Wind segment, in 2018 the incentive period on 42 of the 48 wind turbines expired, while the remaining 6 will remain incentivised until 2025. The subsidiary Sardeolica in July obtained a positive opinion on the environmental compatibility for the expansion project of the Ulassai wind farm (located in the municipality of Ulassai and Perdasdefogu) for a capacity of an additional 30 MW.

Investments by business Segment

EUR Million	H1 2018	H1 2017	Q2/18	Q2/17
REFINING	75.3	88.0	33.8	46.6
POWER GENERATION	9.0	11.2	1.8	7.1
MARKETING	0.3	0.5	0.1	0.3
WIND	0.1	0.0	0.0	0.0
OTHER	0.3	0.3	0.1	0.2
Total	85.0	99.9	35.9	54.1

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 principal existing loan contracts are stipulated in part at variable market rates and in part at fixed rates. The Saras Group also uses derivative instruments to reduce the risk of variations in results and in cash flows deriving from interest.

Credit risk

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

Liquidity risk

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

Other risks

Price fluctuation risk

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

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

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

Risk related to the procurement of crude oil

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

Risks of interruption of production

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

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

Environmental risk

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

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

Regulatory risk

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

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

Dependencies on third parties

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

Protection of Personal Data

The Saras Group operates in compliance with the current regulations on data protection regarding its customers, employees, suppliers and all those with whom it comes into contact daily. In particular, on 25 May 2018 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.

Main events after the end of the First Half of 2018

On 10th of July 2018 the subsidiary Sardeolica obtained a positive opinion on the environmental compatibility for the expansion project of the Ulassai wind farm (located in the municipality of Ulassai and Perdasdefogu) for a capacity of an additional 30 MW.

During the first half of the year, the appeal presented by the Company relating to the dispute established with the Customs Authority, with reference to port taxes for the period 2005-2007, was rejected in the second instance. Therefore, in July, Saras SpA paid the amount due in addition to late payment interests.

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 half of 2018.

Own shares

During the first half of 2018 no transactions took place, involving the sale or purchase of Saras SpA own shares. Therefore, as of 31th June 2018, Saras SpA held in treasury 14,989,854 own shares, corresponding to 1.576% of the company's issued share capital.

Non-recurring and unusual Transactions

During the first half of 2018 there were no activities originated from non-recurring and/or unusual transactions, and there are no open positions originating from such transactions.

Dividends

Following the authorisation received by the Ordinary Shareholders Meeting of Saras SpA held on the 27th of April 2018, the company paid, on the 23rd of May 2018, a dividend equal to EUR 0.12 per each of the 936,010,146 ordinary shares in circulation, for a total payment of EUR 112,321,217.52.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as at 30th June 2018

Thousands of euros		30/06/2018	31/12/2017
ASSETS	(1)		
Current assets	5.1	1,974,833	1,960,049
Cash and cash equivalents	5.1.1	315,245	421,525
Other financial assets	5.1.2	109,708	98,291
Trade receivables	5.1.3	413,580	391,400
Inventories	5.1.4	970,255	875,269
Current tax assets	5.1.5	18,426	24,562
Other assets	5.1.6	147,619	149,002
Non-current assets	5.2	1,195,478	1,197,112
Property, plant and equipment	5.2.1	1,035,807	1,020,210
Intangible assets	5.2.2	136,185	152,691
Other investments	5.2.3	502	502
Deferred tax assets	5.2.4	15,102	15,969
Other financial assets	5.2.5	7,882	7,740
Total assets		3,170,311	3,157,161
LIABILITIES AND EQUITY			
Current liabilities	5.3	1,625,730	1,530,482
Short-term financial liabilities	5.3.1	134,436	183,068
Trade and other payables	5.3.2	1,178,773	1,150,284
Current tax liabilities	5.3.3	245,379	120,366
Other liabilities	5.3.4	67,142	76,764
Non-current liabilities	5.4	501,071	554,383
Long-term financial liabilities	5.4.1	256,396	257,140
Provisions for risks and charges	5.4.2	117,199	122,085
Provisions for employee benefits	5.4.3	10,887	10,250
Deferred tax liabilities	5.4.4	4,955	4,848
Other liabilities	5.4.5	111,634	160,060
Total liabilities		2,126,801	2,084,865
EQUITY	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		896,536	765,904
Net result		81,418	240,836
Total equity		1,043,510	1,072,296
Total liabilities and equity		3,170,311	3,157,161

(1) Please refer to the Notes to the consolidated financial statements, 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 June 2018

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD 1ST JANUARY - 30TH JUNE 2018

Thousands of euros	(1)	1st January 30 June 2018	of which non recurring	1st January 30 June 2017 (2)	of which non recurring
Revenues from ordinary operations	6.1.1	5,519,764		3,916,863	
Other income	6.1.2	70,946	5,821	12,270	
Total revenue		5,590,710	5,821	3,929,133	0
Purchases of raw materials, replacement parts and consumables	6.2.1	(4,870,716)		(3,405,609)	
Cost of services and sundry costs	6.2.2	(373,283)	(17,277)	(307,613)	(15,192)
Personnel costs	6.2.3	(75,256)		(74,559)	
Amortisation/depreciation and write-downs	6.2.4	(84,967)		(107,027)	
Total costs		(5,404,222)	(17,277)	(3,894,808)	(15,192)
Operating result		186,488	(11,456)	34,325	(15,192)
Net income (charges) from equity investments					
Financial income	6.3	143,396		133,452	
Financial charges	6.3	(215,608)	(3,625)	(83,506)	(11,592)
Result before taxes		114,276	(15,081)	84,271	(26,784)
Income tax	6.4	(32,858)	4,066	(29,792)	7,021
Net result		81,418	(11,015)	54,479	(19,763)
Net result attributable to:					
Shareholders of the parent company		81,418		54,479	
Third-party minority interests		0		0	
Net earnings per share – base (euro cents)		8.71		5.82	
Net earnings per share – diluted (euro cents)		8.71		5.82	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 30TH JUNE 2018

Thousands of euros	1st January 30 June 2018	1st January 30 June 2017 (2)
Net result (A)	81,418	54,479
Items that may be reclassified subsequently to profit or loss		
Effect of translation of the financial statements of foreign operations	(74)	296
Items that will not be reclassified to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
Other profit/(loss), net of the fiscal effect (B)	(74)	296
Total consolidated net result (A + B)	81,344	54,775
Total consolidated net result attributable to:		
Shareholders of the parent company	81,344	54,775
Third-party minority interests	0	0

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

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

Consolidated Statement of Changes in Equity to 30th June 2018

Thousands of euros	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) period	Total Equity Attributable to the Parent Company	Third-party Minority Interests	Total Equity
Balance as at 31/12/2016	54,630	10,926	660,841	196,330	922,727	0	922,727
Allocation of profit previous year			196,330	(196,330)	0		0
Distribution of dividends			(93,601)		(93,601)		(93,601)
Conversion effect balances in foreign currency			296		296		296
Actuarial effect IAS 19					0		0
Reserve for stock option plan			987		987		987
Net result				54,479	54,479		54,479
<i>Total net result</i>			<i>1,283</i>	<i>240,836</i>	<i>242,419</i>	<i>0</i>	<i>242,419</i>
Balance as at 30/06/2017	54,630	10,926	764,853	54,479	884,888	0	884,888
Allocation of profit previous period			0	0	0		0
Distribution of dividends			0		0		0
Conversion effect balances in foreign currency			(523)		(523)		(523)
Actuarial effect IAS 19			751		751		751
Reserve for stock option plan			823		823		823
Net result				186,357	186,357		186,357
<i>Total net result</i>			<i>(759)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Balance as at 31/12/2017	54,630	10,926	765,904	240,836	1,072,296	0	1,072,296
Allocation of profit previous year			240,836	(240,836)	0		0
Distribution of dividends			(112,321)		(112,321)		(112,321)
Conversion effect balances in foreign currency			(74)		(74)		(74)
Actuarial effect IAS 19			0		0		0
Reserve for stock option plan			987		987		987
First time adoption IFRS 9			1,204		1,204		1,204
Net result				81,418	81,418		81,418
<i>Total net result</i>			<i>(74)</i>	<i>81,418</i>	<i>81,418</i>	<i>0</i>	<i>81,418</i>
Balance as at 30/06/2018	54,630	10,926	896,536	81,418	1,043,510	0	1,043,510

Consolidated Statement of Cash Flows for the period to 30th June 2018

Thousands of euros	(1)	1/1/2018- 30/06/2018	1/1/2017- 30/06/2017
A - Initial cash and cash equivalents		421,525	359,175
B - Cash flow from operating activities			
Net result	5.5	81,418	54,479
Unrealised exchange rate differences on bank current accounts		6,656	(641)
Amortisation/depreciation and impairment losses	6.2.4	84,967	107,027
Net change in risk provisions	5.4.2	(4,886)	(14,804)
Net change in provision for employee benefits	5.4.3	637	689
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	974	23,643
Net interest		6,671	5,042
Income tax set aside	6.4	31,884	6,149
Change in the fair value of derivatives	5.1.2 - 5.3.1	(6,815)	(23,089)
Other non-monetary components	5.5	2,117	1,283
Profit (loss) for the period before changes in working capital		203,623	159,778
(Increase)/Decrease in trade receivables	5.1.3	(22,180)	182,362
(Increase)/Decrease in inventories	5.1.4	(94,986)	(73,293)
Increase/(Decrease) in trade and other payables	5.3.2	28,489	(220,029)
Change other current assets	5.1.5 - 5.1.6	7,519	(10,864)
Change other current liabilities	5.3.3 - 5.3.4	83,507	74,897
Interest received		282	18
Interest paid		(6,953)	(5,060)
Taxes paid	5.3.2	0	0
Change other non-current liabilities	5.4.5	(48,426)	(66,753)
Total (B)		150,875	41,056
C - Cash flows used in investing activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(84,058)	(97,731)
(Increase)/Decrease in other financial assets	5.1.2	66,651	78,413
Total (C)		(17,407)	(19,318)
D - Cash flows used in financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	(744)	0
Increase/(decrease) short-term financial payables	5.3.1	(120,027)	(81,116)
Distribution of dividends and treasury share purchases		(112,321)	(93,601)
Total (D)		(233,092)	(174,717)
E - Cash flows for the period (B+C+D)		(99,624)	(152,979)
Unrealised exchange rate differences on bank current accounts		(6,656)	641
F - Final cash and cash equivalents		315,245	206,837

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

For the Board of Directors
The Chairman
Massimo Moratti



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

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1. Introduction

Publication of the condensed consolidated half year financial report of Saras Group at 30 June 2018 was authorised by the Board of Directors on 30 July 2018.

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, 195 "Sulcitana" Km. 19. It is jointly controlled by MOBRO S.p.A. and Massimo Moratti S.A.P.A., which own 25.01% each and 50.02% jointly of the share capital (excluding treasury shares), under the shareholders' agreement signed by the two companies on 1 October 2013 and subsequently renewed on 1 October 2016. 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..

2. Basis of preparation and changes of Group accounting policies

2.1 Basis of preparation

The condensed consolidated half-year financial report at 30 June 2018 were prepared pursuant to IAS 34 - Interim Financial Reporting.

The condensed consolidated half-year financial do not provide all the information required in the preparation of the annual consolidated financial statements. For that reason, these condensed consolidated financial statements shall be read together with the consolidated financial statements at 31 December 2017.

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

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

IFRS 9 – Financial Instruments

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

1. classification and measurement of the financial instruments on the basis of the entity's business model and the characteristics of cash flows generated by the same financial instruments;
2. impairment of financial instruments on the basis of a new and single impairment model based on the recognition of the losses expected by an entity. This model does not apply to equity instruments and provides for operating simplifications for trade receivables;
3. hedge accounting based on a more flexible approach than that set out in IAS 39.

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

The Group decided to adopt the new standard on the date it became effective.

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

Non-controlling interests

They were previously recognised at cost in accordance with IAS 39. Under IFRS 9, they are recognised at fair value, with a balancing entry in the income statement or the statement of comprehensive income. These interests (Sarda Factoring and Consorzio La Spezia Utilities) are of a modest value. Consequently, the estimate of the current value had no significant quantitative effects on the financial statements.

Factored trade receivables

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

Financial liabilities to be renegotiated

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

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

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

- most of the receivables arising from the Group's operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees);
- most of the receivables arising from cargo trading activities (with a significant unit value) are characterised by very tight payment terms (i.e., a few days after the delivery of the goods);
- the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions;
- the credit losses historically incurred by the Group are negligible.

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

At present, the Saras Group does not apply hedge accounting rules to its derivative portfolio. Following this accounting policy, the application of the new rules introduced by IFRS 9 starting from 1 January 2018 had no accounting impact on the opening balance or the presentation of derivatives in the statement of financial position. However, given the simplifications introduced on this issue by IFRS 9 and the larger number of circumstances which could be managed under hedge accounting rules, in the future, the Group may carry out further analyses in view of the potential application of hedge accounting to its derivative portfolio.

IFRS 15 - Revenue from Contracts with Customers

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

The new standard supersedes all current IFRS requirements on revenue recognition. It is effective for annual periods beginning on or after 1 January 2018, with full retrospective or amended application. Early application was permitted. The Group decided to apply the new standard starting from its mandatory effective date, using the full retrospective approach.

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

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;

- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when (or as) the entity satisfies a performance obligation.

In 2017, the Group analysed the impact of the adoption of the new standard. The main findings are given below.

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

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

- identify the contract, the customer and the relevant contractual clauses
- identify the goods or services covered by the performance obligation in the contract, including guarantees, options, ancillary and multiple services
- determine the transaction price, including variable, financial, non-monetary and amending components
- allocate any variable or discount factors to the performance obligations
- recognise revenue in profit or loss when the performance obligation is satisfied, checking the transfer of control and any acceptance, repurchase, deposit and other significant clauses.

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

The use of contracts based on a standard form which uniquely highlights the main characteristics of the transaction (buyer, seller, product, delivery, quantity, quality, laydays, payment condition, price, laytime and demurrage, etc.) facilitates the creation of similar categories of transactions with respect to Oil sales.

The oil sale categories and the peculiarities on which the analysis mainly focused were as follows:

Cargo sales

These refer to the sale of oil products by vessel, where revenue is recognised upon the transfer of control of the asset identified based on generally recognised international commercial conditions (In.co.term). These contracts do not include performance obligations other than the sale of the asset or financial or discount policies. Any recharging of transport costs, managed on behalf of the buyer and recharged to the same, is considered, similarly to demurrage costs, if any, an ancillary charge to the characteristic performance, which does not configure an independent sale transaction in which Saras acts as the agent. The consideration is determined based on the qualitative characteristics of the product, checked by an independent expert who observes the loading or unloading of the vessel, depending on the trade condition applied. Therefore, these transactions did not highlight the need to modify the accounting treatments applied to date.

Stock transfers

These refer to the sale of oil products by delivering the product to a third-party depository where it can be collected by the buyer. From the moment the product is delivered to the depository, the seller ceases to have title to the product. Indeed, title thereto is transferred to the buyer in line with the tax registers and the seller can no longer dispose of it. Saras recognises the revenue from the sale in this moment. Similarly to Cargo sales, an independent experts checks the quality of the product delivered upon its delivery at the depository. Therefore, these transactions did not highlight the need to modify the accounting treatments applied to date.

Trading

Since 2016, the Group has launched its business, focusing on optimisation and trading through the subsidiary Saras Trading SA. These transactions essentially follow the above structure of oil and product sales, purchasing and selling the physical product and, when the company only acts as the trader within the Group, it is not necessary to identify the roles of agent and principal at consolidation level. Therefore, these transactions did not highlight the need to modify the accounting treatments applied to date.

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

With respect to other income, the following categories were reclassified to revenues from sales and the comparative data included in the Consolidated Income Statement restated:

- the feed-in tariff on the generation of electricity from renewable sources (wind), which previously consisted in the allocation of green certificates which could be sold independently, is now considered as revenue from the entity's ordinary activity, as described in IFRS 15: as it is now an integral part of the sale price, it is no longer separately classified. Such item was registered, in the Consolidated Half Year Financial Report as of 30th June 2017, for Eur 8,879 thousand

- revenues from the sale of biodiesel certificates as they are generated by the core product of ordinary refining activities. Such item was registered, in the Consolidated Half Year Financial Report as of 30th June 2017, for Eur 19,848 thousand
- similarly to the recharging of transport costs, revenues from the recharging of demurrage costs to oil product buyers are considered as ancillary charges to the ordinary performance and do not configure an independent sale transaction. Such item was registered, in the Consolidated Half Year Financial Report as of 30th June 2017, for Eur 5,621 thousand. Conversely, revenues from white certificates for energy-savings projects and the granting of contributions for emission trading charges are maintained under other income as they are not generated by the ordinary activities of the entity that manufactures the products sold to customers, as per IFRS 15.

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

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

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

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

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

IASB has issued amendments to IFRS 2 Share-based payment which deal with three main issues: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of a liability-settled share-based payment; accounting in the eventuality of an amendment in the terms and conditions of a share-based payment transaction modifies its classification from a cash-settled to an equity-settled transaction. At the time of adoption, entities must apply the amendments without restating previous financial periods, but the retrospective application is allowed if chosen for all three amendments and if other criteria apply. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments had no significant effects on the consolidated financial statements.

IFRS 16 Leases

IFRS 16, which was issued in January 2016, replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 defines the criteria for the recognition, measurement, presentation and disclosure of leases, requiring lessees to recognise all leases on the basis of a single model similar to that used for finance leases in accordance with IAS 17. The standard provides for two exemptions for the recognition of lessees - leases relating to "low value" assets (for example personal computers) and short-term leases (for example the lease term is 12 months or less) On the commencement date of a lease, the lessee will recognise a liability for lease payments (the lease liability) and an asset that represents the right of use of the underlying asset for the term of the lease (the right-of-use asset). Lessees shall recognise separately the interest on the lease liability and the amortisation of the right-of-use asset.

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

Under IFRS 16, lessees shall provide more detailed information compared to IAS 17.

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

The Group began the analysis activities to assess the impacts of the new IFRS introduction.

The analysis consists of the following stages:

- mapping all types of leases in place in 2017;
- collecting and analysing in detail all leases underlying the types identified during the mapping stage;
- defining the applicability of the new standard to individual types/leases;
- determining the accounting effects of the new standard.

The analysis is currently underway. No significant impacts are expected since the Group did not enter into any significant leases.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The objective of this interpretation is that of establishing the exchange rate to be used in the translation of advances in foreign currency, paid or received. In the presence of paid or received advances, the exchange rate to be used to translate assets, liabilities, revenues or costs identified at a later time is that used to translate the advance. This interpretation, which is expected to come into force on 1 January 2018, has not yet been endorsed by the European Union.

2.3 Consolidation scope

Consolidated subsidiaries are listed below.

Consolidated on a line-by-line basis	% of investment
Deposito of Arcola S.r.l.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Terminal Logistica de Cartagena S.L.U.	100%
Reasar S.A.	100%
Sardeolica S.r.l.	100%
Alpha Eolica S.r.l. (in liquidation)	100%
Saras Trading S.A.	100%
Other equity investments at fair value	
Consorzio La Spezia Utilities	5%
Sarda Factoring	5,95%

The consolidation scope is unchanged compared to 31 December 2017.

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 application of these estimates and assumptions affects both the recognition of certain assets and liabilities and the assessment of contingent assets and liabilities. The main estimates are used in determining the value in use of the cash generating units and estimating the provisions for risks and charges and the allowances for impairment. Estimates and valuations are reviewed periodically and the effects of each of them are taken to profit or loss. A summary of the most significant estimates is provided in the Group's consolidated financial statements at 31 December 2017, to which reference should be made.

3. Reporting by business and geographical segment

3.1 Introduction

The Saras Group's business segments are:

1. refining;
2. marketing;
3. generation of electricity via the combined cycle plant;

4. generation of electricity via wind farms;
5. other activities.

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 plant in Sarroch, Sardinia;
- and, in part, by acquiring oil products from third parties.

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 SA, for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of depots located throughout the country, the most important of which, the Cartagena terminal, is owned by the company itself.

3. The electricity generated by the combined cycle plant refers to the sale of the electricity generated by the Sarroch power station owned by Sarlux S.r.l.. Sales take place exclusively with G.S.E. 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 of the business segments separately, in order to determine the allocation of resources and assess 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 at 31 December 2017.

3.2 Segment reporting

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 1st half 2018	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	6,102,714	263,276	1,039,064	8,226	17,113	7,430,393
to be deducted: intersectoral revenues	(1,875,252)	(24,921)	(465)	0	(9,991)	(1,910,629)
Revenues from third parties	4,227,462	238,355	1,038,599	8,226	7,122	5,519,784
Other operating revenues	93,636	21,504	3,868	993	339	120,340
to be deducted: intersectoral revenues	(48,786)	(250)	0	(120)	(238)	(49,394)
Other income from third parties	44,850	21,254	3,868	873	101	70,946
Depreciation/amortisation and write-downs	(53,799)	(25,817)	(2,721)	(2,285)	(345)	(84,967)
Gross operating result	107,803	64,830	7,654	3,631	2,570	186,488
Financial income (a)	131,947	14,061	193	38	8	146,247
Financial charges (a)	(216,984)	(158)	(1,300)	(14)	(3)	(218,459)
Income tax	(9,227)	(21,581)	(1,366)	10	(694)	(32,858)
Profit (loss) for the period	13,539	57,152	5,181	3,665	1,881	81,418
Total directly attributable assets (b)	1,526,465	1,287,418	241,908	84,736	29,784	3,170,311
Total directly attributable liabilities (b)	1,801,411	192,070	295,138	22,995	15,187	2,126,801
Investments in tangible fixed assets	75,109	9,029	57	95	233	84,523
Investments in intangible fixed assets	171	0	249	0	65	485

Income statement 1st half 2017	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	3,985,994	245,780	872,801	12,843	9,657	5,127,075
to be deducted: intersectoral revenues	(1,174,106)	(26,577)	(1,006)	0	(8,523)	(1,210,212)
Revenues from third parties	2,811,888	219,203	871,795	12,843	1,134	3,916,863
Other operating revenues	79,340	6,659	3,774	9,818	298	99,889
to be deducted: intersectoral revenues	(51,551)	(150)	(1,190)	(119)	(261)	(53,271)
Other income from third parties	27,789	6,509	2,584	9,699	37	46,618
Depreciation/amortisation and write-downs	(55,356)	(46,405)	(2,689)	(2,275)	(301)	(107,026)
Gross operating result	(27,132)	49,367	3,054	8,522	514	34,325
Financial income (a)	136,041	68	179	30	8	136,326
Financial charges (a)	(81,666)	(3,121)	(1,525)	(49)	(20)	(86,381)
Income tax	(13,092)	(13,085)	(1,198)	(2,275)	(142)	(29,792)
Profit (loss) for the period	14,151	33,229	510	6,228	360	54,479
Total directly attributable assets (b)	992,396	1,278,722	204,251	102,827	25,560	2,603,756
Total directly attributable liabilities (b)	1,187,002	207,730	283,365	24,644	16,127	1,718,868
Investments in tangible fixed assets	87,519	11,032	274	0	234	99,059
Investments in intangible fixed assets	441	131	203	1	25	801

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

4. Impairment test of goodwill and the intangible assets with an indefinite useful life

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

In reviewing the indicators of impairment, the Group takes into account, among other factors, the relationship between its market capitalisation and equity. At 30 June 2018, the Group's market capitalisation was higher than equity, thus indicating the absence of a potential impairment loss on recognised property, plant and equipment and intangible assets. With particular reference to recognised goodwill, the updates of the scenarios analyses carried out on the reference CGUs do not highlight any indicators of impairment. Consequently, the directors did not carry out an impairment test at 30 June 2018 for the above segments.

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	30/06/2018	31/12/2017	Change
Bank and postal deposits	313,410	419,621	(106,211)
Cash	1,835	1,904	(69)
Total	315,245	421,525	(106,280)

Bank deposits mainly refer to Saras S.p.A. (Euro 193,710 thousand), Sardeolica S.r.l. (Euro 10,172 thousand) and Saras Trading S.A. (Euro 83,635 thousand). For further details on the company's net financial position, reference should be made to the relevant section of the Report on Operations and the statement of cash flows.

5.1.2 Other financial assets

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

Current financial assets	30/06/2018	31/12/2017	Change
Current financial derivatives	78,210	55,553	22,657
Deposits to secure derivatives	29,844	40,883	(11,039)
Other assets	1,654	1,855	(201)
Total	109,708	98,291	11,417

Financial derivatives comprise both the positive fair value of existing instruments at the reporting date and the positive differentials realised and not yet received.

Derivative guarantee deposits include deposits requested by the counterparties with which the Group uses derivatives to guarantee open positions at the reporting date (30 June 2018).

5.1.3 Trade receivables

Trade receivables amount to Euro 413,580 thousand, up by Euro 22,180 thousand on the 2017 year-end balance. They are shown net of the allowance for impairment, which amounts to Euro 9,449 thousand (unchanged compared to 31 December 2017).

5.1.4 Inventories

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

Inventories	30/06/2018	31/12/2017	Change
Raw materials, consumables and supplies	318,394	326,606	(8,212)
Unfinished products and semi-finished products	70,580	62,596	7,984
Finished products and goods	471,430	378,892	92,538
Spare parts and raw materials, supplies	109,851	107,175	2,676
Total	970,255	875,269	94,986

The increase in oil inventories is mainly due to the rise in the price of oil products.
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	30/06/2018	31/12/2017	Change
VAT credit	94	1,595	(1,501)
IRES credits	3,322	3,972	(650)
IRAP credits	11,805	12,960	(1,155)
Other amounts due from the tax authorities	3,205	6,035	(2,830)
Total	18,426	24,562	(6,136)

IRES (corporate income tax) and IRAP (regional tax on production activities) receivables refer to prior year excess taxation. The change is due to the taxes of the reference period.

5.1.6. Other assets.

The balance breaks down as follows:

Other assets	30/06/2018	31/12/2017	Change
Accrued income	1,954	1,565	389
Prepaid expenses	19,862	10,370	9,492
Other short-term loans	125,803	137,067	(11,264)
Total	147,619	149,002	(1,383)

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

"Other receivables" mainly comprise:

- Euro 17,655 thousand from the subsidiary Sarlux S.r.l. with the Equalisation Fund for the Electricity Sector for the recognition, pursuant to Title II, paragraph 7 bis, Cip regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emission Trading), in application of the Authority for Electricity and Gas 11 June 2008, ARG/elt 77/08, referring to the first half of 2018;
- recovery of the amount paid by the subsidiary Sarlux S.r.l. to GSE of Euro 28,744 thousand, as described in section 7.1;
- white certificates of Euro 45,687 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 49,741 thousand in 2017); for additional information, reference should be made to section 7.1;

It should be noted that during the period the subsidiary Sarlux Srl fully cashed in the receivable, amounting EUR 14,176 thousand, deriving from the recognition of the status of "energy intensive company" with reference to the year 2014.

The Company has already obtained the qualification of "energy intensive company" for the years 2013, 2014 and 2016 and believes to have the requisites necessary to obtain it also for 2015, 2017 and 2018.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	30/06/2018
Land and buildings	225,652	42	(943)	0	304	225,055
Plant and machinery	3,220,527	21,085	(3,580)	0	67,040	3,305,072
Industrial and commercial equipment	38,682	98	(330)	0	1,285	39,735
Other assets	566,663	126	(3,331)	0	19,218	582,676
Tangible fixed assets under construction	143,434	63,173	0	0	(88,433)	118,174
Total	4,194,958	84,524	(6,184)	0	(686)	4,270,712

Depreciation Fund	31/12/2017	Depreciation/Amortisation	Use	Write-downs	Other changes	30/06/2018
Land and buildings fund	122,524	2,398	0	0	0	124,922
Plant and machinery fund	2,583,901	53,274	(3,580)	0	0	2,633,595
Industrial and commercial equipment fund	27,154	1,513	(163)	0	0	28,504
Other assets	441,169	9,893	(3,178)	0	0	447,884
Total	3,174,748	67,078	(6,921)	0	0	3,234,905

Net Value	31/12/2017	Increases	Decreases	Depreciation/Amortisation	Write-downs	Other changes	30/06/2018
Land and buildings	103,128	42	(943)	(2,398)	0	304	100,133
Plant and machinery	636,626	21,085	0	(53,274)	0	67,040	671,477
Industrial and commercial equipment	11,528	98	(167)	(1,513)	0	1,285	11,231
Other assets	125,494	126	(153)	(9,893)	0	19,218	134,792
Tangible fixed assets under construction	143,434	63,173	0	0	0	(88,433)	118,174
Total	1,020,210	84,524	(1,263)	(67,078)	0	(586)	1,035,807

"Land and buildings" chiefly include industrial buildings, offices and warehouses with a carrying amount of Euro 57,442 thousand, office buildings in Milan and Rome belonging to the Parent with a carrying amount of Euro 2,678 thousand and land largely relating to the Sarroch and Arcola sites belonging to the subsidiaries Sarlux S.r.l. and Deposito di Arcola S.r.l., respectively, with a carrying amount of Euro 40,014 thousand.

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

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

"Other assets" mainly include tanks and pipelines used to handle products and crude oil of Group companies (Sarlux S.r.l., Saras Energia S.A.U. and Deposito di Arcola S.r.l.).

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

The caption increased by Euro 84,523 thousand during the period, mainly reflecting technological work on refinery plants.

The main depreciation rates used 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%

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2017	Increases	Decreases	Write-downs	Other changes	30/06/2018
Industrial patent and original work rights	47,846	318	0	0	844	49,008
Concessions, licences, trademarks and similar rights	50,155	0	0	0	0	50,155
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	21,909
Other	519,898	0	0	0	3	519,901
Intangible assets under construction	1,550	168	0	0	0	1,718
Total	641,358	486	0	0	847	642,691

Depreciation Fund	31/12/2017	Depreciation/ Amortisation	Use	Write-downs	Other changes	30/06/2018
Industrial patent and original work rights	42,339	1,152	0	0	11	43,502
Concessions, licences, trademarks and similar rights	24,431	923	0	0	0	25,354
Other	421,897	15,814	0	0	(61)	437,650
Total	488,667	17,889	0	0	(50)	506,506

Net Value	31/12/2017	Increases	Decreases	Depreciation/ Amortisation	Write-downs	Altri movimenti	30/06/2018
Industrial patent and original work rights	5,507	318	0	(1,152)	0	833	5,506
Concessions, licences, trademarks and similar rights	25,724	0	0	(923)	0	0	24,801
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,909
Other	98,001	0	0	(15,814)	0	64	82,251
Intangible assets under construction	1,550	168	0	0	0	0	1,718
Total	152,691	486	0	(17,889)	0	897	136,185

Amortisation of intangible assets totaled Euro 17,889 thousand, and was calculated using the annual rates shown below.

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

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

This caption mainly refers to the concessions relating to Estaciones de Servicio Caprabo S.A. (merged into Saras Energia S.A.U.) for the operation of the petrol stations in Spain, and to Sardeolica S.r.l. for the operation of the Ulassai wind farm, which will be fully amortised in 2026 and 2035, respectively.

Goodwill

This caption mainly relates to the goodwill recognised for the subsidiary Sardeolica S.r.l. (Euro 21,408 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

This caption mainly includes the value (Euro 75 million) of the long-term contract for the supply of electricity under the CIP6 regime signed between the subsidiary Sarlux S.r.l. and GSE S.p.A.. This contract, which expires in 2020, was measured in accordance with IAS 36 criteria. At 31 December 2017, an independent appraisal confirmed the recognised amount. The analyses carried out do not highlight significant changes during the period in the main assumptions included in the independent appraisal.

5.2.3 Other equity investments

Other equity investments break down as follows:

Other investments	30/06/2018	31/12/2017	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	502	502	0

5.2.4 Deferred tax assets

At 30 June 2018, they amount to Euro 15,102 thousand and refers to tax assets considered as recoverable from future taxable income according to the most recent business plan.

5.2.5 Other financial assets

The balance at 30 June 2018 amounts to Euro 7,882 thousand (31 December 2017: Euro 7,740 thousand) and is mainly comprised of the long-term portion of a loan asset to the Parent Saras S.p.A. from third parties.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	30/06/2018	31/12/2017	Change
Current bank loans	2,524	496	2,028
Bank current accounts	28,997	4,163	24,834
Financial derivatives	71,395	53,731	17,664
Other short-term financial liabilities	31,520	124,678	(93,158)
Total	134,436	183,068	(48,632)

"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 June 2018.

"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, reference should be made to the statement of cash flows.

5.3.2 Trade and other payables

The table below shows a breakdown of this caption.

Payables to suppliers	30/06/2018	31/12/2017	Change
Customers advances account	983	3,481	(2,498)
Payables to current suppliers	1,177,790	1,146,803	30,987
Total	1,178,773	1,150,284	28,489

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

"Payables to suppliers" mainly comprise the payables related to the provision of raw materials. The increase on the previous year-end balance is essentially due to the rise in the purchase costs of raw materials in the first half of the year.

5.3.3 Current tax liabilities

This caption breaks down as shown below:

Current tax liabilities	30/06/2018	31/12/2017	Change
Payables for VAT	66,069	29,556	36,513
IRES payables (and income tax foreign firms)	52,089	28,364	23,725
IRAP payables	7,698	223	7,475
Other tax payables	119,523	62,223	57,300
Total	245,379	120,366	125,013

The change in "VAT payables", which refer to the payable of the period of Italian and foreign companies, comprises the taxes paid on account by Italian companies in December 2017 in accordance with the law.

The change in the IRES payable reflects the tax liability of the period and the previous year outstanding balance, while the change in the "IRAP payables" is due to the taxable income of the period of Italian companies.

"Other tax payables" mainly include payables for excise duties on products released for consumption by the Parent, Saras S.p.A., (Euro 111,355 thousand) and the subsidiary Saras Energia S.A.U. (Euro 4,997 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below.

Other current liabilities	30/06/2018	31/12/2017	Change
Payables employee benefit and social security	8,535	11,658	(3,123)
Payables due to employees	29,076	22,009	7,067
Payables due to others	12,571	28,328	(15,757)
Accrued liabilities	1,576	1,421	155
Deferred income	15,384	13,348	2,036
Total	67,142	76,764	(9,622)

"Due to personnel" includes June remuneration not yet paid and the accrued portion of additional monthly payments, as well as performance bonuses.

"Other payables" mainly refer to port fees previously assessed by the Customs in relation to the Parent for the 2005-2007 period. Following the unfavourable outcome of the relevant litigation, the company paid these fees in July.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This caption breaks down as shown below:

Long-term financial liabilities	30/06/2018	31/12/2017	Change
Non-current bonds	198,495	198,342	153
Non-current bank loans	49,078	49,975	(897)
Other long-term financial liabilities	8,823	8,823	0
Total	256,396	257,140	(744)

It comprises the medium/long-term portions of the bank loans raised by the Parent and renegotiated in the previous year. They are summarised as follows (values in million Euro):

Values expressed in millions of euro	Commencement / renegotiation of the payable	Original amount	Base rate	Residual at 31/12/2017	Residual at 30/06/2018	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Unicredit	April 2017	50	6M Euribor	50.0	49.1		49.1
Pool financing	October 2016	265	6M Euribor	-	-		-
Bond	December 2017	200	1.70%	198.3	198.5		198.5
Total liabilities to banks for loans				248.3	247.6	-	247.6

"Long-term financial liabilities" comprise:

- a bond with a total nominal amount of Euro 200 million, due on 28 December 2022 and with an annual fixed coupon of 1.70%; a Euro 50 million loan raised by Saras S.p.A., subject to the following covenants:-
 - financial covenants (compliance with the following parameters: Net financial indebtedness / EBITDA < 3.5 and Net financial indebtedness / Equity < 1,5, both calculated based on the Group's consolidated financial statements as at 31 December of each year.
 - corporate covenants, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing share capital, selling the majority investments 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.

5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows.

Funds for risks and charges	31/12/2017	Provisions	Use	Other changes	30/06/2018	Change
Plant dismantling fund	19,038	0	0	0	19,038	0
Charges for CO ₂ quotas fund	43,940	50,257	32,560	0	61,637	17,697
Other funds for risks and charges	59,106	3,860	26,442	0	36,524	(22,582)
Total	122,084	54,117	59,002	0	117,199	(4,885)

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 (Euro 61,637 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 represents allowances required and not yet purchased.

During the first half of the year the CO2 quotas fund was used for Eur 32,560 thousand against the purchase (and the delivery) of the quotas referring to previous year.

"Other risk provisions" mainly relate to provisions made to cover probable legal and tax liabilities (including those described in section 7.1), as well as charges related to the acquisition of the Versalis business unit that will be incurred by the subsidiary Sarlux S.r.l. and reimbursed by the transferor.

5.4.3 Provisions for employee benefits

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

Provisions for employee benefits	30/06/2018	31/12/2017	Change
Post-employment benefits	10,887	10,250	637
Total	10,887	10,250	637

In Italy, post-employment benefits (TFR) are governed by article 2120 of the Italian Civil Code and reflect the estimated amount that the company will be required to pay employees when they leave their employment. The liability accrued at 31 December 2006 was determined using actuarial techniques.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling Euro 4,955 thousand, relate to the foreign subsidiaries.

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/06/2018	31/12/2017	Change
Deferred income straight-line reporting Sarlux/Gse	110,581	158,747	(48,166)
Other payables	1,053	1,313	(260)
Total	111,634	160,060	(48,426)

The change compared with 31 December 2017 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux S.r.l.. This caption relates to the agreement for the sale of energy between the subsidiary and G.S.E. S.p.A., Revenues from the sale of energy are affected by the effects of recognition on a straight-line basis since the electricity supply contract, has been recognized, in substance, as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. These revenues have therefore been recognised on a straight-line basis in accordance with both the term of the contract (20 years) and forecasts for the price of gas, which is a determining factor for the electricity tariff.

5.5 Equity

Equity comprises the following:

Total equity	30/06/2018	31/12/2017	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	896,536	765,904	130,632
Net profit (loss) for the period	81,418	240,836	(159,418)
Total	1,043,510	1,072,296	(28,786)

Share capital

At 30 June 2018, the share capital of Euro 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares without par value.

Legal reserve

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

Other reserves

This caption totals Euro 896,536 thousand, up by a net Euro 130,632 thousand compared with the previous year-end balance. The net increase is due to:

- the allocation of the prior year profit (Euro 240,836 thousand)

- the decrease due to the allocation of dividends, as approved by the shareholders in their meeting of 27 April 2018 (Euro 112,321 thousand);
- the negative effect of the translation of foreign currency financial statements of foreign subsidiaries (Euro 74 thousand);
- the Euro 987 thousand increase in the reserve for the bonus issue to all employees under the company's stock grant plans;
- the Euro 1,204 thousand increase due the first-time adoption of IFRS 9.

Pursuant to IAS 1.1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

Profit for the period

The profit for the period amounts to Euro 81,418 thousand.

Dividends

On 27 April 2018, Saras S.p.A.'s shareholders, in their ordinary meeting called to approve the financial statements at 31 December 2017, resolved to pay a dividend of Euro 0.12 for each of the 936,010,146 outstanding ordinary shares, for a total of Euro 112,321 thousand, distributed during the quarter.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from core business

"Revenues from core business" break down as follows:

Revenues from ordinary operations	30/06/2018	30/06/2017	Change
Revenue from sales and services	5,257,157	3,678,971	1,578,186
Sale of electricity	252,552	222,575	29,977
Other remuneration	9,667	15,080	(5,413)
Change in contract work in progress	388	237	151
Total	5,519,764	3,916,863	1,602,901

Revenues from sales and services rose by Euro 1,578,186 thousand, mainly as a result of the performance of the price of oil products. During the first half of 2018, the Group's purchases and sales of raw materials and oil products rose on the same period of the previous year, following the increased operations of the subsidiary Saras Trading SA.

Revenues from the sale of electricity mainly refer to the gasification plant of the subsidiary Sarlux S.r.l. (Euro 235,497 thousand) and the wind farm owned by the subsidiary Sardeolica (Euro 5,065 thousand).

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 Euro/USD exchange rate until the contract expires. The projections are reviewed when there are 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.

6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	30/06/2018	30/06/2017	Change
Compensation for storage of mandatory stocks	3,482	1,921	1,561
Sale various materials	272	203	69
Grants	820	824	(4)
Chartering	2,067	50	2,017
Recovery for claims and compensation	1,112	127	985
CO2 charges reimbursement	17,316	6,509	10,807
Other revenues	45,877	2,636	43,241
Total	70,946	12,270	58,676

"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 no. 77/08. The increase on the same period of the previous year is mainly due to the rise in the value of the relevant allowances.

"Other revenues" mainly comprise revenues from energy efficiency certificates earned during the period following the sale on the market (approximately EUR 11.8 million) and those earned during the period. Furthermore, the caption comprises revenues from the services provided by the subsidiary Sarlux S.r.l. at the Sarroch site to leading oil operators (EUR 6.9 million).

It includes non-recurring items for EUR 5,821 thousand.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Raw materials, consumables and supplies

Purchase of raw materials, consumables and supplies	30/06/2018	30/06/2017	Change
Purchase of raw materials	2,783,365	2,182,124	601,241
Purchase semi-finished products	76,559	107,465	(30,906)
Purchase supplies and consumables	48,022	35,503	12,519
Increase in property, plant and equipment	(8,340)	(3,348)	(4,992)
Purchase finished products	2,065,990	1,156,940	909,050
Change in inventories	(94,880)	(73,075)	(21,805)
Total	4,870,716	3,405,609	1,465,107

Costs to purchase raw materials, consumables and supplies rose by Euro 1,465,107 thousand on the same period of the previous year due to the price trend of oil products and the volumes purchased during the semester. . As described in section 6.1, during the first half of 2018, the Group's purchase and sale of raw materials and oil products rose on the same period of the previous year as a consequence of the increased operations of the subsidiary Saras Trading SA.

6.2.2 Services and sundry costs

Cost of services and sundry costs	30/06/2018	30/06/2017	Change
Costs for services	355,109	288,583	66,526
Capitalisations	(13,832)	(12,450)	(1,382)
Costs for use of third-party goods	7,504	6,703	801
Provisions for risks	16,779	15,855	924
Other operating costs	7,723	8,922	(1,199)
Totale	373,283	307,613	65,670

Costs for services mainly comprise maintenance, rentals, transport, electricity and other utilities, as well bank charges.

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

"Provision for risks" comprises the amount accrued in relation to the charges arising from the application of Directive 2003/87/EC (Emission Trading). The increase on the same period of the previous year is mainly due to the rise in the volume of allowances.

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

It includes non-recurring items for Euro 17,277 thousand.

6.2.3 Personnel expense

"Personnel expense" breaks down as follows.

Personnel costs	30/06/2018	30/06/2017	Change
Salaries and wages	57,477	54,738	2,739
Increases in fixed assets for internal work	(5,121)	(2,912)	(2,209)
Social security contributions	16,440	16,158	282
Post-employment benefits	3,339	3,225	114
Other costs	2,029	1,961	68
Remuneration to the Board of Directors	1,092	1,389	(297)
Total	75,256	74,559	697

Given the substantial stability of the Group's average workforce, personnel expense is in line with the first semester of the previous year.

6.2.4 Amortisation/depreciation and impairment losses

Amortisation and depreciation figures are shown below.

Purchase of raw materials, consumables and supplies	30/06/2018	30/06/2017	Change
Depreciation of intangible fixed assets	17,889	17,139	750
Depreciation of tangible fixed assets	67,078	89,888	(22,810)
Total	84,967	107,027	(22,060)

Depreciation of tangible assets decreased by Euro 22,810 thousand on the previous year, mainly as a consequence of the review of the useful life of I.G.C.C.'s plant in the last quarter of the previous year.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	30/06/2018	30/06/2017	Change
Bank interest income	282	18	264
Unrealised differences on derivatives	63,968	43,408	20,560
Realised differences on derivatives	22,226	35,498	(13,272)
Other income	127	(258)	385
Profit on exchange rates	56,793	54,786	2,007
Total	143,396	133,452	9,944

Financial charges	30/06/2018	30/06/2017	Change
Unrealised differences on derivatives	(67,386)	(29,131)	(38,255)
Realised differences on derivatives	(85,608)	3,835	(89,443)
Interest expenses on loans and other financial charges	(6,952)	(5,061)	(1,891)
Other financial charges	(3,625)	(11,591)	7,966
Exchange rate losses	(52,037)	(41,558)	(10,479)
Total	(215,608)	(83,506)	(132,102)

The table below shows net income/charges by type:

Financial income and Financial charges	30/06/2018	30/06/2017	Change
Net interest	(6,670)	(5,043)	(1,627)
Result of derivative instruments, of which:	(66,800)	53,610	(120,410)
<i>Realised</i>	(63,382)	39,333	(102,715)
<i>Fair value of open positions</i>	(3,418)	14,277	(17,695)
Net exchange rate differences	4,756	13,228	(8,472)
Others	(3,498)	(11,849)	8,351
Total	(72,212)	49,946	(122,158)

The change in this caption is mainly due to the significant fluctuations in the price of raw materials and oil products recorded in the first half of the year compared to the same period of the previous year.

The fair value of derivatives at 30 June 2018 resulted in a net charge of Euro 3,418 thousand (compared to net income of Euro 14,277 thousand in the same period of the previous year).

These derivatives relate to hedging transactions not subject to "hedge accounting" rules. It includes non-recurring items for Euro 3,625 thousand.

6.4 Income taxes

Income taxes may be analysed as follows.

Income tax	30/06/2018	30/06/2017	Change
Current taxes	9,959	26,452	(16,493)
Net deferred tax assets	22,899	3,340	19,559
Total	32,858	29,792	3,066

Current taxes comprise the IRAP and IRES taxes calculated on the taxable income of consolidated companies.

The change in deferred taxes is due to the recovery, realized in the first half of 2017, continued and completed in the previous year and not present in the first half of 2018, of the prior year tax losses of the Italian subsidiaries.

It includes the net positive fiscal effect of the above mentioned non-recurring items for Euro 4,066 thousand.

7. Other Information

For information on the events after the reporting date, 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., Sarlux S.r.l. and Sareolica S.r.l. were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts.

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

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

In particular, it is worth noting that in the period it was rejected in second instance the appeal presented by the company related to the long standing dispute related to past years with the Customs Authority for port taxes for the period 2005-2007. Therefore, the holding company in July paid Eur 17,539 thousand plus late payment interests.

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

Specifically:

i) 2002-2005 generation After inspecting the IGCC plant in 2007, an ad hoc AEEG committee subsequently and differently reinterpreted the above resolution contrary to that discussed during the generation period. As a result, the AEEG deemed that the company was required to buy green certificates for the years from 2002 to 2005; Sarlux initiated administrative proceedings for all the years in question. In March 2015, the Council of State allowed, in its final decision, Sarlux's appeal for the years from 2002-2005, voiding the outcome of the inspection and the challenged

acts that had obliged the company to buy green certificates. In 2018, the GSE completed the repayment of the amount paid by Sarlux.

ii) 2009 Generation. The Council of State, in the above decision, did not deliver any opinion on one of the items appealed (hydrogen produced by the plant qualifying as "useful heat"), an interpretation that, if granted, would have enabled the subsidiary to be considered a cogeneration plant, including with reference to 2009 Generation. As it believes in the reasons already included in the appeal filed with the Council of State, Sarlux commenced new proceedings to obtain recognition of the validity of its reasons about the cogeneration arising from the production of hydrogen as "useful heat". This applies to all units, including the third one, for which, meanwhile, it paid green certificates, net of the expected reimbursement, in February 2017.

iii) 2011 and subsequent generation. As regards the 2011, 2012, 2013 and 2014 generation years, the Company submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered the resolution still in effect. Conversely, GSE deemed that, starting with the 2012 obligation (2011 and subsequent generation), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial decree of 4 April 2011, and therefore rejected the Company's request. Therefore, Sarlux S.r.l. lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the 2011, 2012, 2013 and 2014 generation years in accordance with GSE's calculation worth Euro 67.0 million and immediately submitted a claim for reimbursement to the AEEG, obtaining Euro 11.7 million for the 2011 generation year, Euro 15.1 million for 2012 and Euro 14.6 million for 2013. The appeal to the Regional Administrative Court relative to the 2012 generation year, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015. Sarlux S.r.l. appealed to the Italian Council of State in September 2015 and deems that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not recognise any expense or any revenue with reference to the 2011 generation year.

Furthermore, it recognised receivables for white certificates under other assets (as described in section 5.1.6 – Other assets), against the energy savings achieved through specific projects preliminarily authorised by GSE. During 2016, the GSE began inspecting all projects, despite the preliminary authorization; upon completion of the inspections, GSE during 2017 redetermined the number of white certificates pertaining to the company in respect of the inspected projects. The Group commenced administrative proceedings against the outcome of the above investigations and reflected its assessment of the risk inherent to the possible outcome of the proceedings in the financial statements. During the first half of 2018 GSE partially accepted, on some projects, the claim moved by the subsidiary, and reached a final decision: the effects of such evolution were properly reflected in current half year financial report.

Furthermore, the group companies were subjected to tax audits by the tax authorities throughout the years which, in some cases, resulted in disputes pending before the tax courts.

7.2 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 new types of related party transactions.



Declaration in respect of the Half-Year Financial Report, pursuant to the article 81-ter of Consob Regulation n. 11971 of 14th May 1999 and subsequent amendments and additions thereto

The undersigned, Dario Scaffardi, Chief Executive Officer, and Franco Balsamo, the Executive responsible for the preparation of Saras S.p.A. financial reporting, hereby attest, pursuant also to the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24th February 1998:

- the appropriateness in respect of the type of company, and
- the efficient application of the administrative and accounting procedures for the preparation of the interim consolidated half year financial statements, for the period 1st January 2018 to 30th June 2018.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as at 30th June 2018:

- a) was prepared in accordance with the applicable international accounting standards recognised in the European Union, pursuant to European Parliament and Council Regulation (EC) n. 1606/2002 of 19th July 2002;
- b) accurately represents the figures in the company's accounting records;
- c) gives a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies.

2. the interim "report on operations" includes a reliable analysis of the main events which took place during the first semester of the financial year and their impact on company results together with a description of the main risks and uncertainties for the remaining semester of the financial year.

The Half-Year Financial Report also contains a reliable analysis of the transactions with related parties.

This declaration is made pursuant to article 154-bis, paragraphs 2 and 5, of the Legislative Decree 58, dated 24th February 1998.

Milan, 30th July 2018

Signature: delegated authority

Signature: director responsible for drawing up the accounting statements

Chief Executive Officer

(Ing. Dario Scaffardi)

(Dott. Franco Balsamo)

Saras S.p.A.

**Interim condensed consolidated financial statements
as of 30 June 2018**

**Review report on the
interim condensed consolidated financial statements
(Translation from the original Italian text)**

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended and the related explanatory notes of Saras S.p.A. and its subsidiaries (the "Saras Group") as of 30 June 2018. The Directors of Saras S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Saras Group as of 30 June 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 30 July 2018

EY S.p.A.
Signed by: Alberto Romeo, Partner

This report has been translated into the English language solely for the convenience of international readers



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