SARAS GROUP
HALF-YEAR FINANCIAL REPORT
AS OF 30TH JUNE 2020

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

Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

GIANCARLA BRANDA	Chairman
FABRIZIO COLOMBO	Permanent Auditor
PAOLA SIMONELLI	Permanent Auditor
PINUCCIA MAZZA	Stand-in Auditor
ANDREA PERRONE	Stand-in Auditor

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (11.7 on the Nelson Index). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl, and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity. To best exploit these 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 acquires crude and other raw materials for the Group's refinery, sells its refined products, and also performs 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 (fuel for aviation and bunkering), mainly on the Italian and Spanish markets, but also in various other European and non-European countries. In particular, in 2019 approximately 2.16 million tonnes of petroleum products were sold in Italy on the wholesale market, and a further 1.42 million tonnes were sold on the Spanish market.

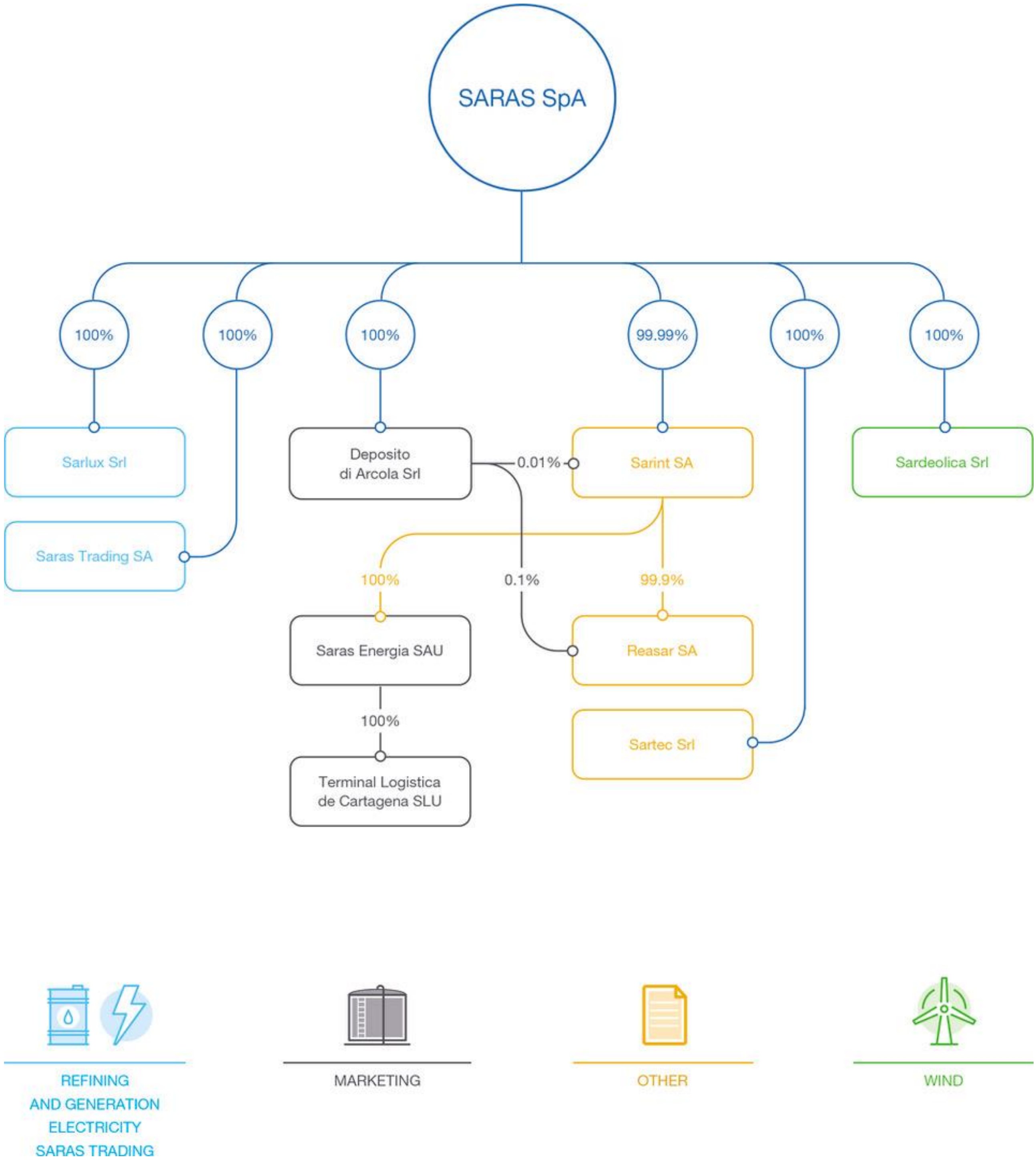
In the early 2000s, the Saras Group also undertook the task of producing and selling electricity by means of an IGCC plant (Integrated Gasification Combined Cycle), which has an installed power of 575 MW and is also managed by the subsidiary Sarlux Srl. The feedstock used by the IGCC plant is the heavy products of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to approximately 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 park has been in operation since 2005 and is managed by the subsidiary Sardeolica Srl. Following the recent expansion with the installation of 9 new turbines, it now has an installed capacity of 126 MW.

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

Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 30th June 2020.



Saras Stock Performance

The following data relate to Saras' share prices and the daily volumes, traded during the first half of 2020.

SHARE PRICE (EUR)	H1/20
Minimum price (30/06/2020)	0.700
Maximum price (02/01/2020)	1.474
Average price	0.968
Closing price at the end of the first half of 2020 (30/06/2020)	0.700

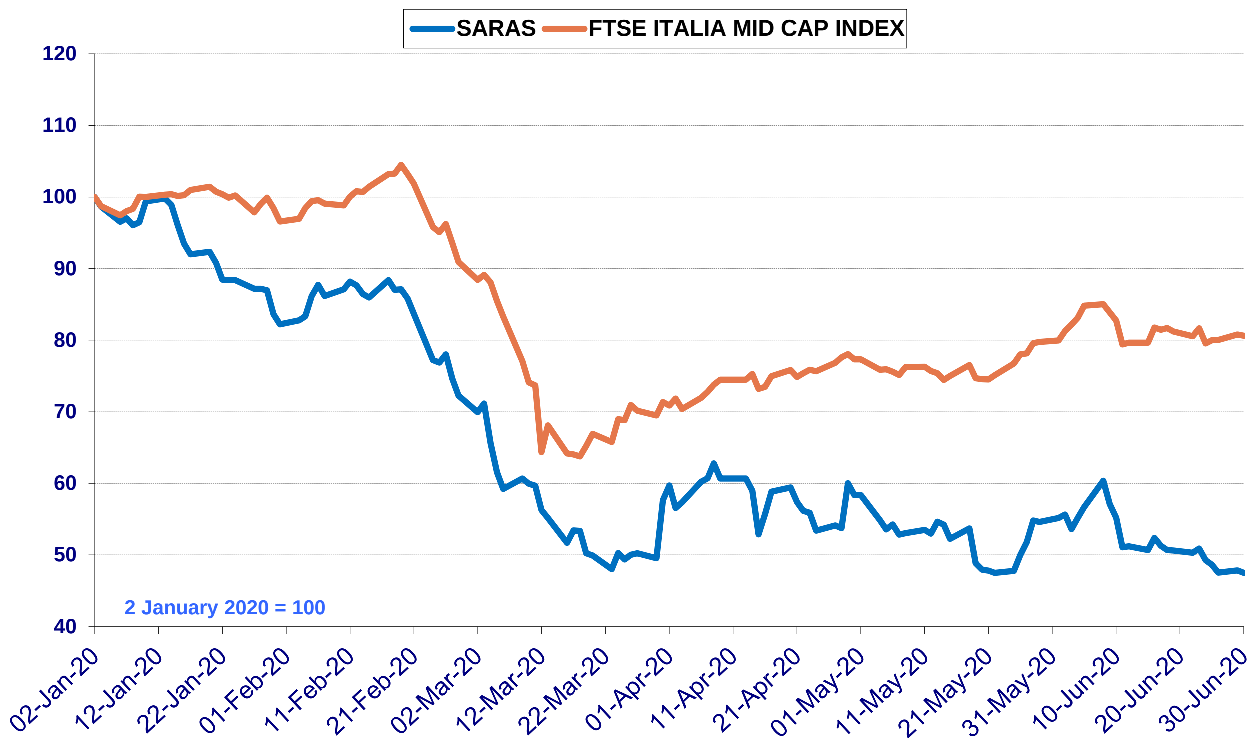
DAILY TRADED VOLUMES	H1/20
Maximum traded volume in EUR million (15/01/2020)	33.0
Maximum traded volume in number of shares (million) (19/05/2020)	32.1
Minimum traded volume in EUR million (08/05/2020)	1.5
Minimum traded volume in number of shares (million) (08/05/2020)	1.9
Average traded volume in EUR million	7.2
Average traded volume in number of shares (million)	7.6

The Market capitalization at the end of the first half of 2019 was equal to approximately EUR 666 million and the number of shares outstanding were 951 million.

The economic crisis triggered by the global COVID-19 epidemic has led to a downward spiral in the prices of the stock market indices of the countries initially most affected. In this context, the energy sector was one of the most penalized equity sectors in view of the impact of the pandemic on consumption and therefore on oil prices.

The Refining sector suffered more than the other sectors of the supply chain, due to the sharp drop in demand which was aggravated by the deterioration of crack spreads and refining margins, as well as having cancelled the benefits expected from the entry into force of the IMO regulation. Marpol VI on marine engine emissions

The following graph shows the daily performance of Saras' share price during the first half of 2020, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Covid-19 Impact

The first half of 2020 was characterized by a negative economic and social scenario as a result of the crisis for the plunge in consumption which followed the containment measures of the Covid-19 pandemic.

Despite the difficult context of the pandemic, Saras, an essential industry to the prosperity of its country, supplying a significant share of the energy demand in Sardinia, has kept its plant of the Sarroch refinery running while carrying on the major maintenance activities planned on maintained full continuity in the activities of the Sarroch refinery, while continuing the important maintenance activities planned for the period.

The refinery's operations, as well as that of the many suppliers working on the maintenance activities, has been made possible thanks to the safety and Covid-19 containment measures immediately put in place, in compliance with provisions prepared by the National Authorities included the Prime Minister Decree and the order of the President of Sardinia Region.

This has allowed to guarantee the best control for all workers at the refinery and the full employment of our workforce in this delicate moment, along with the many people of the companies engaged in the maintenance activities and, overall, a tangible contribution to the economy of the territory where Saras operates.

With this aim all the measures necessary to counter the virus and preserve the health of employees and partners also outside the productive site were adopted, even before the lockdown, in particular with the extensive use of smart working and the use of digital tools and platforms to continue training activities and meetings. An insurance policy was also stipulated for all employees of the Italian Group companies for any cases of hospitalization and subsequent need for assistance in the event of contagion from Covid-19.

From an economic point of view, the oil industry is one of the most impacted by the effects of the crisis.

Refining in particular, and specifically the operators in the Mediterranean area such as Saras, have faced an unprecedented situation brought about by the combination of the drastic drop in the demand for petroleum products, registered since March with the adoption of lockdown measures by many countries and persisted in many of these until mid-June, and, on the supply side, by the production cuts decided in mid-April and introduced in early May by OPEC + countries, to support for the level of crude oil prices. High volatility was added to these events due to the strong uncertainty that characterized the trend of the pandemic and with it the containment measures adopted. These phenomena led to a serious deterioration in the refining margins, with evident impacts on the economic and financial results of the sector in the first half of the year. For a more detailed explanation of the evolution of the scenario, please refer to the paragraph "Oil market and refining margins".

The Refining sector in particular, and specifically the players in the Mediterranean area such as Saras, have faced an unprecedented situation triggered by the combination of the slump in the demand of oil products - started in March with the lockdown measures adopted by many countries and lasted in many of these until mid-June - and, on the supply side, by the production cuts decided in mid-April and introduced in early May by OPEC plus countries, to support the level of crude oil prices. A high volatility in oil prices worsened the scenario due to the uncertainty in the trend of the pandemic and containment measures adopted. These facts led to a deterioration in the refining margins, affecting the economic and financial results of the refining industry in the first half of the year. For a more detailed explanation on the evolution of the scenario, please refer to the paragraph "Oil market and refining margins".

Saras, even in this context, and thanks to its characteristics of high flexibility and resilience, was able to face the market downturn, reporting a positive operational performance and a comparable positive EBITDA, which, however only in part offset the impact of price trend on the inventory stock on the reported EBITDA .

In this regard, it should be noted that the recession from Covid-19, despite the timing of the upturn remains uncertain, is due to factors which are external to the economic system, and then should not weaken its fundamentals. It is therefore believed that also for the Saras Group activities there are the conditions for a recovery in profitability in the next quarters, and also in the coming years, accordingly with expected recovery of demand.

To describe the "Covid-19 impact" on the Group's business in the first half of the year, it is possible to compare the main assumptions for the market for 2020 immediately before the crisis with the same values recorded on average in the first half of 2020. The pre Covid assumptions for the year not only projected a trend in consumption in line with the previous period, but also incorporated an expected benefit from the second quarter of 2020 deriving from the entry into force of the IMO-Marpol VI regulation, with a positive impact in particular on the crack spread of diesel and on the discounts of the basket of crude "sour".

As regards the crude market, the average price of Brent Dtd in the first half of 2020 fell by about 30% compared to expectations, with high volatility with a drop in particular since mid-March, reaching historic lows of 13.2 $/bl in mid-April, after the slump in consumption was added to the effect of failure to agree on production cuts by Opec plus. On the product front, gasoline, the product most affected by lockdown measures together with jet fuel, recorded a heavy drop in demand, with average prices falling by approx. 33% and a reduction in margins of approx. 53%. The diesel, despite a drop in less substantial demand thanks to the resilience of commercial transport, saw the average price drop by approx. 33%, and a margin contraction of approx 42%.

The combination of these phenomena, worsened by the pressure on margins caused by the Opec plus cuts which particularly affected the increase in heavy crude prices, led to a reduction in the reference sector margin (EMC benchmark[1])) which at + 0.3 $/bl, and in the second quarter at a negative value of -0.7 $/bl, compared to a market expectation of a positive benchmark margin in the year of + 3 $/bl.

During the half year, the Power and Wind sectors also suffered from the drop in the CIP6 tariff and the PUN. The effect induced by the collapse in consumption and therefore also in gas was reflected in electricity prices, with an average CIP6 tariff in the half year of 75.2 €/MWh, and an average PUN value of 32,2 €/MWh, down approximately 20% and 50% respectively compared to the last quarter of 2019. In the Wind segment, activities related to the reblading project suffered a slight delay due to the lockdown period, which will however be recovered in the second semester.

With regard to the capital structure, this scenario affected the working capital, which increased due to the combined effect of the impact of price trends on the valuation of stock inventories, and lower revenues and therefore a reduction in payables together with a more than proportional reduction of trade payables. This change, together with the important investment plan completed in the half year, led to a Net Debt of at 30 June 2020 of EUR 337.2 million before IFRS 16 (382 million euros after IFRS 16) from a Net Financial Position positive at EUR 79 million before IFRS 16 at 31 December 2019 (EUR 30 million after IFRS 16).

In this scenario, Saras Group has implemented various operational and financial measures to contain the impacts of the crisis.

In particular, in the Refining sector, the Company, given the fall in demand and the particularly unfavorable margins on the gasoline market, extended the shutdown of the FCC unit, the largest gasoline-producing plant, already involved in the half year by a scheduled maintenance plan which covered the months of March, April and May, throughout the month of June. Refinery runs in the second quarter were therefore concentrated on medium distillates, which were less affected by the slump in demand.

Furthermore, at the end of March the Company gradually restocked the level of inventories at particularly advantageous prices, with an economic benefit of the *reported* results which will be reflected in the coming quarters and in the cash flow improving the net financial position.

From a commercial point of view, in order to seize the opportunity deriving from the weakness on the market of refined products, the Company increased its inventories, taking advantage deriving from the contango structure between the end of March and the beginning of April.

Furthermore, at the end of March, the Company decided to guarantee a margin on diesel by fixing the crack on the product at an advantageous price with a hedging position which was closed positively in the second quarter.

Per mitigare l'impatto finanziario del Covid 19, la Società ha inoltre avviato un piano di riduzione dei costi operativi e una revisione del piano di investimenti. Questi ultimi verranno rivisti a partire dal 2021, visto che quelli per il 2020 si sono concentrati nel primo semestre dell'anno.

To mitigate the financial impact of Covid 19, the Company also started a plan aimed at the reduction of the operating costs and a review of the investment plan. The second will be reviewed starting from 2021, given that those for 2020 were concentrated in the first half of the year.

Finally, in a prudential perspective, and in light of the considerable uncertainty of the markets, the Company suspended the dividend proposals on 2019 profits and to authorize the buy-back plan approved on March 2, in order to better preserve the financial structure strength and the economic and financial balance of the Company.

In order to reduce the Group liquidity risk, and to contain potential economic and financial impacts deriving from the persistence of the economic crisis, in addition to the medium-term loans taken out in the first quarter of 2020, the Company has started the negotiation with some primary credit institutions in order to strengthen its medium/long-term credit lines, as well as for the review of some financial ratios on existing lines, to take in consideration the changed market conditions.

[1] The EMC benchmark was constructed to reflect the refining margin for a complex refinery located in the Mediterranean that works with a mix of crude oils made up of 50% Urals and 50% Brent. Other benchmark margins are available from various sources (such as IEA, Reuters, Bloomberg), but none of these correctly reflect Saras' real market environment.

The group also carried out an analysis of the potential impacts induced by the Covid 19 emergency on the main balance sheet figures, in particular by renewing the impairment test of the assets.

GAAP and Non-GAAP measure

Alternative performance indicators

In 2019, the Saras Group continued to improve the methodologies used to measure its operating performance and financial results, which includes both GAAP and non-GAAP indicators.

In this respect, with effect from Q4/19, the Group decided to update its accounting policy for the classification of derivative instruments in the reported results, classifying the realised and unrealised gains/losses on commodity and CO2 hedging derivatives within the Reported EBITDA, consistently with the entry of the purchase and sale of crude oil and products, against which they are realized and directly related, despite the recognition of the current value of the same as a counterpart of the income statement. In addition to the improvement objective mentioned above, this decision also stemmed from the options offered by IFRS 9, which recently became applicable.

In order to give a representation of the Group's operating performance that best reflects the most recent market dynamics, in line with the consolidated practice of the oil sector, the results at operating level and at the level of Comparable Net Result, non-accounting measures elaborated in this management report, are shown by evaluating the inventories on the basis of the FIFO method, however, excluding unrealized gains and losses on inventories deriving from scenario changes calculated by evaluating opening inventories (including the related derivatives) at the same unit values of closing inventories (when quantities rise in the period), and closing inventories at the same unit values of opening inventories (when quantities decrease in the period). Non-recurring items in terms of nature, materiality and frequency have been excluded from both the operating profit and the comparable net profit.

The results thus calculated, which are referred to as “comparable”, are not indicators defined by the International Financial Reporting Standards (IAS/IFRS) and are unaudited. Non-GAAP financial measures should be read together with information determined by applying the International Accounting Standards (IAS/IFRS) and do not stand in for them.

In order to allow comparability with these criteria, adopted from the fourth quarter of 2019, the results of the first half of 2019, comparable and reported, have been restated.

Key financial and operational Group Results

EUR Million	H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
REVENUES	2,742	4,684	-41%	857	2,590	-67%
EBITDA reported	(114.4)	138.1	n.s.	(22.4)	89.2	n.s.
Comparable EBITDA	**71.7**	**108.8**	**-34%**	**15.0**	**55.1**	**-73%**
EBIT reported	(215.0)	44.2	n.s.	(73.4)	41.5	n.s.
Comparable EBIT	**(29.0)**	**14.9**	**n.s.**	**(36.0)**	**7.4**	**n.s.**
NET RESULT reported	(180.7)	24.0	n.s.	(67.6)	28.2	n.s.
***Comparable* NET RESULT**	**(41.5)**	**2.5**	**n.s.**	**(41.1)**	**4.5**	**n.s.**

EUR Million	H1 2020	FY 2019
NET FINANCIAL POSITION ANTE IFRS 16	**(337)**	**79**
NET FINANCIAL POSITION POST IFRS 16	**(382)**	**30**
CAPEX	**186**	**345**

Comments to First Half 2020 Group Results

In the first half of the year 2020, the **Group's revenues amounted to EUR 2,742 million**, down 41% from the EUR 4,684 million achieved in the first half of the previous year. This significant reduction is due to the effects that the containment measures of the Covid-19 pandemic had on the level of consumption, with an impact both on the volumes sold and on the average prices of petroleum products.

In particular, the Refining segment recorded lower revenues for approximately EUR 1,464 million (45% lower than the same period of the previous year) and the Marketing segment for approximately EUR 439 million (44% lower than the same period of the previous year).

In the Refining segment, volumes decreased by 13% compared to the first half of 2019: the shutdown of plants that involved the Topping T1 units and the FCC unit in the half-year due to the important scheduled maintenance cycle, started in the month of March, and ended at the end of May, was also extended to the entire month of June for the FCC plant, given the low economics of refining gasoline in the second quarter. In the first half of 2020, in fact, gasoline prices recorded an average of 364 $/ton, 39% lower than that of the first half of 2019 (596 $/ton in the first half of 2019). Similarly, diesel prices were on average equal to 362 $/ton, also down 39% from the average of 594 $/ton in the first half of 2019. In Marketing, sales volumes decreased by 23%, even if sales guaranteed positive and higher margins of around 26% compared to the same half of the previous year.

The contribution of the Power and Wind sectors, which suffered from the drop in electricity prices, was also lower than in the first half of 2019.

The Group's reported EBITDA in the first half of 2020 was EUR -114.4 million, compared to the positive EBITDA of 138.1 million euros in the first half of 2019.

The negative change is mainly attributable to the extremely unfavorable scenario due to the Covid-19 pandemic and to the consequent drop in oil prices which led to a negative effect in particular in the enhancement of the inventory stocks of the Refining and Marketing segments, with a price impact equal to EUR 191.1 million, of which EUR 155.3 million in the first quarter, the period in which most of the negative effect was concentrated, partially offset by the release for EUR 36 million of the provision for risks recorded for CO2 shares for EUR 35.9 million, relating to the acquisition of the business unit from Versalis (northern plants), following the definitive assignment of the same for the period 2015-2020.

In the face of the high availability of refined products on the market, and in order to seize the advantage deriving from the marked price contango structure that arose between the end of March and the beginning of April, the Company also increased its inventories of refined products.

It should also be noted that the valuation of finished and semi-finished oil products according to the FIFO method does not include an amount of approximately EUR 95 million equal to the market value of inventories at average prices for the month of July.

In order to guarantee a margin on diesel production, at the end of March the Company decided to fix the crack on diesel at an advantageous price with hedging operations which closed positively in the second quarter for acontribution to the EBITDA of approx.. EUR 19 million.

It should also be remembered that EBITDA in the first half of 2020 instead benefited from the release of the fund recorded for CO2 shares for EUR 35.9 million, as already described.

The Group's reported Net Result was negative and equal to EUR -180.7 million, compared to EUR 24.0 million Euros achieved in the first half of 2019, essentially as illustrated in the EBITDA level. In the half year, amortization and depreciation also increased slightly compared to the same period of the previous year and amounted to EUR 100.8 million (EUR 94.0 million in the first half of 2019) due to the entry into operation of the new investments. Financial charges amounted to EUR 7.0 million (compared to EUR 8.8 million in the first half of 2019). The other financial items (which include realized and unrealized differentials on derivative instruments, net exchange differences and other financial charges and income) were negative for approximately EUR 8.0 million in the first half of 2020 compared to a positive effect of EUR 3.8 million in the first half of the previous year.

The Group's comparable EBITDA stood at a positive value of EUR 71.7 million in the first half of the year 2020, compared to the EUR 108.8 million achieved in the first half of 2019. This result compared to the reported EBITDA does not consider the negative impact - in the Refining and Marketing segments - of the valuation of inventory stocks resulting from the collapse of oil prices, which in the half-year amounted to EUR 191.1 million.

It should also be remembered that comparable EBITDA in the first half of 2020 also benefited from the release of the fund recorded for CO2 quotas for EUR 35.9 million, as previously described, of which EUR 21.0 million relating to the quotas 2015/2017 which have been of an extraordinary nature.

The Group comparable Net Result in the first half of 2020 was negative by EUR 41.5 million, compared to a positive result of EUR 2.5 million in the same period of the previous year.

Investments in the first half of 2020 amounted to EUR 186.0 million and mainly dedicated to the Refining segment (EUR 173.1 million), compared to EUR 204.2 million in the first half of 2019. Of these EUR 93 million refer to the capitalization of costs, mainly related to the aforementioned multi-year turnaround

Comments to Second Quarter 2020 Group Results

In the second quarter of 2020, Group revenues amounted to EUR 857 million, down 67% from EUR 2,590 million achieved in the second quarter last year, with an impact that mainly involved the Refining and Marketing segment, but which also affected the Power and Wind sectors due to the reduction in electricity prices.

In the second quarter of 2020 the revenues of the Refining segment were lower by around EUR 1,464 million (-27% compared to the same period of the previous year) and those of the Marketing segment by around EUR 436 million (-44% compared to the first half 2019). From a production point of view, the quarter, as already described, was characterized by the shutdown of the FCC plant, the main gasoline refining plant, overall, three months. To this stop was added that of Topping T1 in the months of May and June. This led to a reduction in terms of quantities processed by 36%, with a production that over the period concentrated mainly on middle distillates. From a price point of view, diesel margins decreased by 47% in the quarter.

The Group's reported EBITDA in the second quarter of 2020 was negative for EUR 22.4 million, compared to a positive result of EUR 89.2 million recorded in the second quarter of 2019. The effect of the drop in prices in the valuation of inventories in the Refining and Marketing segments was EUR 35.9 million, highlighting a more limited impact on the drop in crude oil prices than in the first quarter, but still negative. In the face of the high availability of refined products on the market, the Company also increased its inventories of refined products, taking advantage of the marked price contango structure that originated between the end of March and the beginning of April.
As previously described, the reported EBITDA for the quarter benefited from the positive effect of the hedging operations put in place to ensure a margin on the diesel crack.

The Group's reported Net Result was negative for EUR 67.6 million, compared to a positive result of EUR 28.2 million achieved in the second quarter of the financial year 2019 essentially as illustrated at the EBITDA level. In the second quarter of 2020, moreover, depreciation and amortization increased slightly compared to the same period of the previous year (EUR 51.2 million against EUR 47.8 million in the second quarter of 2019) for the reasons illustrated above, while the charges financial (equal to EUR 2.2 million) showed a slight decrease compared to the second quarter of 2019 (EUR 3.2 million). Finally, the other financial items (which include realized and unrealized differentials on derivative instruments, net exchange differences and other financial charges and income) were positive for around EUR 4.6 million in the second quarter of 2020 compared to the contribution positive for about EUR 7.9 million Euros recorded in the same period of the previous year.

Group's comparable EBITDA stood at EUR 15.0 million in the second quarter of the 2020 financial year, compared to EUR 55.1 million achieved in the second quarter of 2019. This result compared to the reported EBITDA does not consider the negative impact - in the Refining and Marketing segments - of the valuation of inventories resulting from the collapse in oil prices, which in the quarter was EUR 35.9 million.

The Group comparable Net Result in the second quarter of 2020 was negative for EUR 41.1 million, compared to EUR 4.5 million achieved in the same period of the previous year.

Investments in the second quarter of 2020 amounted to EUR 88.7 million (EUR 89.2 million in the second quarter of 2019) mainly dedicated to the Refining segment (EUR 77.4 million).

The following tables present the details on the calculation of comparable EBITDA and comparable Net Result for the first half and second quarter of 2020 and 2019.

Calculation of the Group comparable EBITDA

EUR Million	H1 2020	H1 2019	Q2/20	Q2/19
***Reported* EBITDA**	**(114.4)**	**138.1**	**(22.4)**	**89.2**
Gain / (Losses) on Inventories and on inventories hedging derivatives	191.1	(29.6)	35.9	(32.5)
Derivatives FOREX	(7.0)	0.3	0.7	(1.6)
Non-recurring items	2.0	-	0.8	-
***Comparable* EBITDA**	**71.7**	**108.8**	**15.0**	**55.1**

Calculation of the Group comparable Net Result

EUR Million	H1 2020	H1 2019	Q2/20	Q2/19
***Reported* NET RESULT**	**(180.7)**	**24.0**	**(67.6)**	**28.2**
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	137.8	(21.6)	25.9	(23.7)
Non-recurring items net of taxes	1.4	-	0.6	-
***Comparable* NET RESULT**	**(41.5)**	**2.4**	**(41.1)**	**4.5**

Net Financial Position

The Net Financial Position at 30 June 2020, prior to the effects of the application of IFRS 16, was equal to EUR 337.1 million, a decrease compared to the positive position for EUR 79 million reported at 31 December 2019.

The negative impact of the crisis originating from the Covid-19 pandemic on operations, as a result of the worsening dynamics on the feedstock and products, resulted in the absorption of cash at the level of net working capital in the first half of the year, due to the combined effect of the reduction in inventory (net of inventory losses caused by falling prices) and receivables, and the more than proportional reduction in trade payables.

Added to this trend were the effects of the investments planned for 2020, which were largely concentrated in the first half of the year and amounted to EUR 186 million.

The **Net Financial Position** including the effect of IFRS16 (negative for EUR 44.9 million) is equal to EUR 382.0 million Euros.

For more details, see the Notes on the Statements of Accounts.

EUR Million	**30-Jun-20**	**31-Dec-19**
Medium/long-term bank loans	(50.0)	-
Bonds	(200.9)	(199.0)
Other medium/long-term financial liabilities	(16.6)	(7.0)
Other medium/long-term financial assets	6.2	6.5
Medium-long-term net financial position	**(261.3)**	**(199.5)**
Short term loans	(18.9)	(70.0)
Banks overdrafts	(345.8)	(8.0)
Other short term financial liabilities	(30.8)	(91.0)
Fair value on derivatives and realized net differentials	(30.0)	(14.8)
Other financial assets	116.7	30.8
Cash and Cash Equivalents	233.1	431.5
Short-term net financial position	**(75.8)**	**278.5**
Total net financial position ante lease liabilities ex IFRS 16	**(337.1)**	**79.0**
Financial lease liabilities ex IFRS 16	**(44.9)**	**(48.7)**
Total net financial position post lease liabilities ex IFRS 16	**(382.0)**	**30.3**

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]	Q1/19	Q2/19	H1/19		Q1/20	Q2/20	H1/20
Crude oil price and differential ($/bl)							
Brent Dated (FOB Med)	63.1	68.9	66.0		50.2	29.6	39.9
Urals (CIF Med)	63.4	68.1	65.7		48.4	31.8	40.1
"Heavy-light" price differential	+0.3	-0.7	-0.2		-1.9	2.2	0.15
***Crack spreads* for refined oil products ($/bl)**							
ULSD *crack spread*	15.2	12.0	13.6		11.2	6.4	8.8
Gasoline *crack spread*	2.6	8.3	5.4		5.3	2.4	3.8
Reference margin ($/bl)							
EMC Benchmark	+1.1	+0.2	+0.6		+1.3	-0.7	+0.3

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

In the first half of 2020, the refining sector saw a particularly difficult market context, given the combination of two unprecedented phenomena on both the demand and supply sides: on the one hand, the drop in consumption caused by the CoVid-19 pandemic on the other, the shock of the offer triggered at the beginning of April with the production cuts in the OPEC + countries and Russia, aimed at raising the prices of crude oil, an event which however put the crack of the main refined products under further pressure.

Crude oil prices:

After reaching a price of almost 70 $/bl at the end of 2019, the Brent Dated prices in the first quarter fluctuated in a fork between 55 and 70 $/bl, and then dramatically decreased from the beginning of March, against the reduction of consumption in the Asian market recorded in the first few months of the quarter for the measures to contain the pandemic from Covid 19. The reduction in demand was joined by the trade war between the OPEC + countries which, following the lack of agreement between the producing countries of the OPEC + and Russia led Saudi Arabia in early March to respond with an increase in supply to over 10 million barrels per day, with a downward effect on prices of approx. 30%, just over 30 $/bl. The fall in Brent Dtd in the first quarter continued to touch the low of the last 20 years on April 21, at 13.2 $/bl.

This trend lasted until mid-April when, in the face of the renewed production agreement between OPEC and Russia, with cuts of 9.7 Mbl/d starting from May 1st, to which were added an additional 3Mbl/d of cuts in US production and Canada, Brent quickly returned to a price of 40 $/bl, staying above 40 $/bl over the months of May and June, closing the second quarter at 41.8 $/bl.

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

The first quarter of 2020 saw a fluctuating trend in the differential, with a discount at the beginning of the year for heavy crude oils towards light crude oils at around -3 $/bl and gradually decreasing until it fell to zero in the first half of February: these discounts were lower than expected they can be traced back to the failure to materialize of the bearish effect on heavy crudes expected with the introduction of the new IMO specifications, and to the penalization determined by the continuous lack of Iranian and Venezuelan crude. In March, however, the trend reversed due to the lack of agreement between OPEC + countries and Russia, closing the end of the first quarter at -5.4 $/bl: the price war unleashed by the Saudi determined a drastic reduction in official selling price in April, of the order of 4 ÷ 8 $/bl, dragging down the whole basket of raw crude products.

A drastic turnaround took place starting from mid-April, with the renewed agreement between OPEC and Russia and the production cuts that mainly affected the medium-heavy crude oils with high sulfur: the whole sour basket moved upward suddenly, by virtue of the reduced availability of this material, and Ural has led to a significant prize on the Brent. This trend continued until the end of the quarter with a heavy-light differential at the end of June at a premium of 1.67 $/bl and an average in the quarter of 2.2 $/bl. The same differential in the first half recorded an average premium of 0.1 $/bl (a discount of -0.2 $/bl in the first half of 2019).

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

The first quarter was characterized by crack spreads which, after opening the year on average low levels with respect to historical trends, starting from March they began to diverge significantly with very dissimilar trends depending on the type of product, in relation the impact on relative consumption of the restrictions applied globally for the pandemic.

In particular, **jet** fuel is the product most impacted by the pandemic, with airlines beginning to cancel flights from and to China as early as January, until the nearly complete halt of flights in late March when the virus had become a global issue. In this context, the jet fuel crack went from 10.1 $/bl in January to 5.8 $/bl in March.

Gasoline is the second most affected product by the crisis, with a crack of around 5.7 $/bl in January which, since the second half of February with the spread of COVID and lockdown measures in Europe, has collapsed rapidly, taking several times in negative territory, closing at 2.3 $/bl at the end of March, and then remained at very low levels for most of the quarter (around 2 $/ bl on average).

Diesel has been shown to be more resilient than other products, maintaining an average crack in the range of 10-12 $/bl. In the first two months of the year, this level was lower than market forecasts, due to the fact that there was no materialization of support for marine gasoil in the new IMO specifications; in addition, European consumption was lower than expected, both for automotive use and for heating use (milder temperatures than seasonal averages). On the other hand, in March, demand for diesel was less impacted by the consequences of the pandemic, due to the continuation of commercial traffic (food and other goods, including those delivered to homes) as well as consumption for agriculture and heating. Diesel cracks at the end of March was 12.5 $/bl

The **VLSFO crack** was down significantly during the quarter: the initial strength shown in January simultaneous with the entry into force of the new IMO specifications, gradually reduced as the feared critical issues in product availability did not come to pass. The **LSFO** crack spread was also positive, as it is being acquired for subsequent blending down with BTZ components, while the **HSFO** crack is up considerably due to higher consumption for navigation and a progressive reduction in availability from refineries.

In the second quarter, the persistent weakness of demand, accompanied by strong increases in the prices of crude oils generated by the cuts in the Opec + countries, continued to keep the margins of the various products under pressure, which in many cases touched minimum values, forcing many operators in the sector of refining, both in Europe and in the United States, to temporarily reduce their utilization rate which, in Europe, fell by a value close to 70%.

In particular, the **jet fuel crack** has further worsened compared to the first quarter, reaching a negative minimum value of -5 $/bl in May, against air traffic that has stopped almost on a global scale since March, with a modest recovery observed at the end of the quarter, due to a recovery in flights in Asia/China, the first countries to ease the measures to contain the pandemic. In June, the jet fuel crack recorded an average value of -2 $/bl.

As regards **gasoline**, lockdown measures led to the collapse of gasoline consumption, and the crack remained very low for most of the quarter (around 2 $/bl on average). A modest improvement was observed only towards the end of May, due in part to the easing of the lockdown in many European countries (with a partial recovery of the movements of private cars), and partly also to the "economic run cuts" decided by numerous refineries, in a context of depressed refining margins.

Diesel, although less impacted than gasoline, during the second quarter saw its margin halve from +10 $/bl in April to around +5 $/bl in May and June: the maintenance of commercial traffic in food and essential goods in fact, it only partially offset the effect induced by the reduction in industrial consumption.

The **crack in the VLSFO** further worsened the already marked drop in the first quarter: the support of the new IMO specification at the beginning of the year was subsequently canceled by the effects of the pandemic, which also reduced maritime traffic. A similar trend also followed the **LSFO crack**, as it was also used as a blendstock, in the VLSFO probunker formulation, while the **HSFO crack** remained above -5 $/bl, continuing the trend started in the first quarter, with a readjustment of the refineries, which have converted production, and partly due to the reduction in availability of ATZ crude oils, following the OPEC + and Russia production cuts.

<u>Refining Margin:</u>

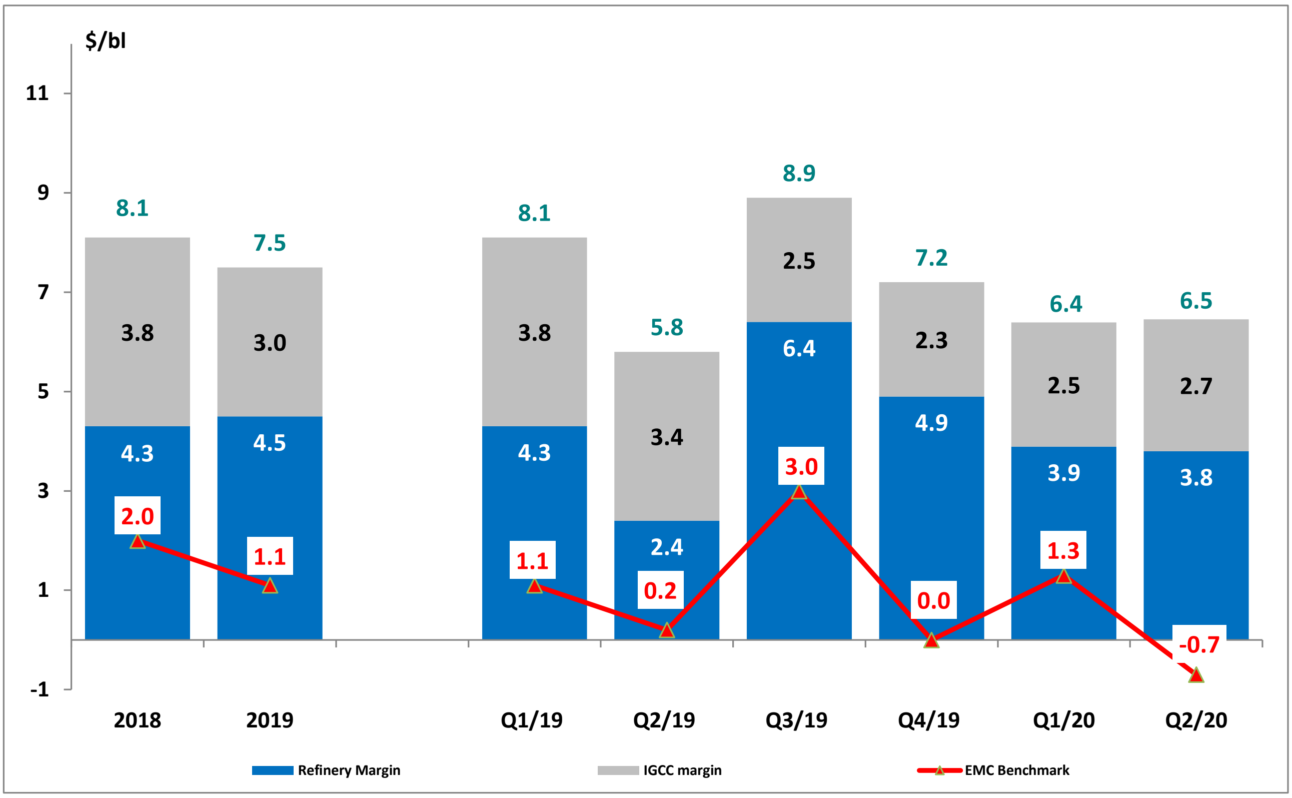
As regards the analysis of the profitability of the refining sector, Saras traditionally uses the refinery margin calculated by EMC (Energy Market Consultants) as a reference for a medium complexity coastal refinery, located in the Mediterranean Basin, which processes a feedstock made up of 50% Brent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

Thanks to the highly flexible and complex characteristics of its plants, capable of refining many types of crude oils, the Saras Group refinery is typically able to achieve a refining margin higher than the EMC Benchmark margin (see the table below). The variability of the Saras margin premium above the EMC Benchmark is however a function of specific market conditions, as well as the performance of industrial and commercial operations during each individual quarter.

In particular, the EMC Benchmark, which in 2019 stood at an average of 1.1 $/bl, compared to the scenario described above, recorded an average value of 0.3 $/bl in the first half of 2020. During the period, Saras confirmed its characteristics of flexibility and resilience to adverse market conditions, managing to achieve an average EMC premium of + 3.5 $/bl and an average margin of 3.8 $/bl.

In the second quarter, the EMC benchmark margin saw a drastic drop and settled to negative values starting from May, given the collapse in consumption and the cuts introduced by the producer countries, which mainly affected heavy crude oils such as Urals.

Against an average of EMC in the quarter of -0.7 $ bl Saras, thanks to the management performance previously described, managed to achieve a premium of + 4.5 $/bl[2] on the EMC benchmark, and a refining margin equal to 3.8 $/bl.



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

[2] Against processing equal to 16.7 million barrels in the period (compared to 26.1 million barrels in the same period of 2019).

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.

It should be noted that starting from the year 2021, the refining and electricity generation sectors produced by the combined cycle plant will be aggregated in accordance with the industrial integration strategy of the production assets of the two sectors with the destination of a large part of the electricity produced for consumption of the refinery, consequently the termination of the convention for the sale of electricity at the CIP6 / 92 tariff which is about to expire.

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 are provided below.

EUR Million	H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
EBITDA reported	(166.7)	34.9	n.s.	(42.9)	32.6	n.s.
***Comparable* EBITDA**	**9.6**	**5.1**	**88%**	**(9.9)**	**(4.8)**	**n.s.**
EBIT reported	(234.9)	(28.2)	n.s.	(77.7)	0.1	n.s.
***Comparable* EBIT**	**(58.6)**	**(58.1)**	**-1%**	**(44.7)**	**(37.4)**	**-19%**
CAPEX	**173.1**	**169.9**	**2%**	**77.4**	**67.2**	**15%**

Margins and refinery runs

		H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
REFINERY RUNS	*Tons (thousand)*	5,431	6,225	-13%	2,293	3,571	-36%
	Barrels (million)	39.6	45.5	-13%	16.7	26.1	-36%
	Bl/day (thousand)	219	251	-13%	184	290	-36%
COMPLEMETARY FEEDSTOCK	*Tons (thousand)*	443	551	-20%	211	270	-22%
EXCHANGE RATE	*EUR/USD*	1.101	1.130	-3%	1.101	1.124	-2%
EMC BENCHMARK MARGIN	*$/bl*	0.3	0.6		(0.7)	0.2	
SARAS REFINERY MARGIN	*$/bl*	3.8	3.2		3.8	2.4	

Comments to First half of 2020 Results

The processing of crude in the refinery in the first half of 2020 was 5.43 million tons (39.6 million barrels, corresponding to 219 thousand barrels / day), down 13% compared to the first half of 2019. Processing of complementary raw materials was 0.44 million tons compared to 0.55 million tons in the first half of 2019. This trend is primarily attributable to the important scheduled maintenance cycle which mainly involved the Topping plants T1 and the FCC unit, the largest gasoline-producing plant, with an impact on the half year of approximately 90 days. In addition, given the extremely unfavourable margins and therefore the low cost of producing and selling gasoline, the FCC unit came back into operation only from the month of July, remaining still for 30 more days than expected.

The comparable EBITDA was equal to EUR 9.6 million, with a refining margin of +3.8 $/bl (as usual, already net of the impact deriving from the maintenance activity carried out in the period). This compares with a comparable EBITDA of EUR 5.1 million and a Saras refining margin of +3.2 $/bl in the same half of the previous year. As always, the comparison must take into account both the market conditions and the specific performance of the Saras Group, both from an operational and commercial management point of view. It should be remembered that EBITDA includes the positive effect of around EUR 36 million of the release of the CO_2 risk provision as described above of which EUR 21.0 million pertaining to the 2015/2017 quotas which have been of an extraordinary nature.

The effect of the **scenario** on the EBITDA for the period was overall negative and equal to approximately EUR 8 million compared to the first half of 2019. In particular, the negative impact of the lower crack of diesel and gasoline did not compesate the reduction in the price of the brent and the relative premiums and discounts on the crude oils purchased. Furthermore, the effect of the exchange rate Euro/USD (1.101 USD for 1 Euro in the first half of 2020 compared to 1.130 in the first half of 2019) was slightly more favourable, with a contribution to the value of production for the period of approximately EUR 4 million.

From the **operational performance** point of view, in the first half of 2020, production planning (which consists in optimizing the mix of crudes brought into processing, in the management of semi-finished products, and in the production of finished products,(including those with formulations specials) brough a lower contribution for EUR 13 million to EBITDA for the period compared to the first half of 2019, in consideration of the limited optimization opportunities deriving from the layout of the plants in the half year.

The execution of **production activities** (which takes into account the penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of certain "utilities" such as fuel oil, steam, electricity and fuel gas) contributed to EBITDA with EUR 6 million more than in the first half of 2019, compared to a maintenance plan which is in any case less expensive than that which characterized the first half of 2019.

The trend of **commercial management** (which concerns the supply of crude and complementary feedstock, the sale of finished products, the chartering, and the management of inventories, including mandatory stocks) has determined a contribution on EBITDA higher than that of the first half of 2019 for EUR 27 million, taking advantage in particular of the market opportunities that have arisen in the period from the strong contango structure on the crude and products market.

As previously described, comparable EBITDA benefited in the half year from the positive effect of the hedging operations put in place to ensure a margin on diesel crack of approximately EUR 19 million

Finally, the half-year results benefited from a reduction in operating costs, mainly due to lower costs for the purchase of electricity and catalysts.

Investments made in the first half of 2020 amounted to 173.1 million Euros, in line with the investment plan envisaged in the first half and with the maintenance program, the latter mainly relating to the aforementioned turnaround.

Comments to Second quarter of 2020 Results

In the second quarter of 2020, **comparable EBITDA was negative and equal to EUR -9.9 million**, with a Saras refining margin of +3.8 $/bl (as usual, already net of the impact deriving from the maintenance activity carried out in the period). This compares with a comparable negative EBITDA of EUR -4.8 million and a Saras refining margin of +2.4 $/bl in the same period of the previous year.

As always, the comparison must take into account both the market conditions and the specific performance of the Saras Group, from an operational and commercial management point of view.

The processing of crude in the second quarter was 2.29 million tons (corresponding to 16.7 million barrels, 184 thousand barrels / day), 36% lower than in the second quarter of 2019. The processing of complementary loads unfinished it was 0.21 million tons compared to 0.27 million tons in the second quarter of 2019. The lower processing is due to the tournaround activities which, starting from March, concerned the Topping plants T1 and the FCC unit, whose maintenance lasted until the end of May. As already mentioned, the activity of the FCC plant was also suspended in June.

The overall effect of the scenario on comparable EBITDA for the period was slightly more unfavorable and equal to EUR -7 million compared to the same period of the previous year, mainly weighed down by the collapse of the diesel crack and only partially offset by the reduction in the cost of the crude.

In the second quarter of 2020, production planning (which consists in optimizing the mix of crudes brought into processing, in the management of semi-finished products, and in the production of finished products, including those with special formulations) made the EBITDA of period with a contribution of around EUR 4 million compared to the first quarter of 2019, in consideration of the limited optimization opportunities deriving from the structure of the plants in the period.

The execution of production activities (which takes into account the penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of certain "utilities" such as fuel oil, steam, electricity and fuel gas) had a negative impact of EUR 37 million on comparable EBITDA compared to the second quarter of 2019 due to the stops of the more heavy maintenance plan in the period and the extension of the FCC stop.

The trend of commercial management (which concerns the supply of crude and complementary raw materials, the sale of finished products, the rental costs of oil tankers, and the management of inventories, including mandatory stocks) has determined a contribution of more than EUR 43 million compared to the second quarter of 2019, taking advantage in particular of the market opportunities that have arisen in the period due to the strong contango structure on the crude oil and products market, and thanks to better management of hedges on inventories.

As already described above, comparable EBITDA benefited in the quarter from the positive effect of the hedging operations put in place to guarantee a margin on diesel crack of approximately EUR 19 million.

Finally, the results for the quarter benefited from a reduction in operating costs, mainly due to lower costs for the purchase of electricity and catalysts.

Investments made in the second quarter of the 2020 financial year amounted to EUR 77.4 million.

Crudes runs and yields of finished products

The mix of crudes that the Sarroch refinery processed in H1/20 had an average density of 33.0°API and is therefore heavier than that of the mix brought into processing in the first half of 2019. Analysing in greater detail the classes of feedstock used, there is a reduction in the percentage of processing of light crude oils with low and very low sulphur content ("light sweet" and "light extra sweet") and medium crude oils with high sulphur content ("Medium sour") as opposed to an increase in heavy crude oils with both low and high sulphur content ("Heavy sour / sweet"). This processing mix is due to the contingent set-up situations of the plants (due to the important cycle of stops scheduled in the period) and to economic and commercial choices attributable to the conditions on offer on the market.

		H1 2020	H1 2019	Q2/20
Light extra sweet		18%	38%	5%
Light sweet		15%	11%	20%
Medium sweet/extra sweet		2%	1%	2%
Medium sour		38%	37%	41%
Heavy sour/sweet		27%	13%	31%
Average crude gravity	°API	33.0	34.6	32.7

Turning to the analysis of finished product yields, we note that in H1/20 the yield of the light distillates (23.3%) was slightly lower than the in H1/19.
The yield of middle distillates (49.6%) was slightly in line in comparison with the value recorded in H1/19.
Finally fuel oil yield was higher (11.2%) opposed to a higher yield of TAR (9.3%). These changes are mainly due to the maintenance activity carried out in the period affected T1 topping and FCC plant.

		H1 2020	H1 2019	Q2/20
LPG	Tons (thousand)	76	162	32
	yield (%)	1.3%	2.4%	1.3%
NAPHTHA + GASOLINE	Tons (thousand)	1,371	1,924	517
	yield (%)	23.3%	28.4%	20.6%
MIDDLE DISTILLATES	Tons (thousand)	2,914	3,440	1,178
	yield (%)	49.6%	50.8%	47.0%
FUEL OIL & OTHERS	Tons (thousand)	655	298	425
	yield (%)	11.2%	4.4%	17.0%
TAR	Tons (thousand)	546	506	229
	yield (%)	9.3%	7.5%	9.1%

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 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
EBITDA	2.8	8.6	-67%	3.6	4.2	-14%
***Comparable* EBITDA**	**12.6**	**9.2**	**38%**	**8.0**	**7.5**	**6%**
EBIT	1.5	7.1	-79%	3.0	3.4	-12%
***Comparable* EBIT**	**11.3**	**7.6**	**49%**	**7.4**	**6.7**	**10%**
CAPEX	**0.5**	**0.5**		**0.4**	**0.2**	

Sales

		H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
TOTAL SALES	***Tons (thousand)***	**1,333**	**1,721**	**-23%**	**615**	**845**	**-27%**
of which: in Italy	*Tons (thousand)*	849	1,027	-17%	412	522	-21%
of which: in Spain	*Tons (thousand)*	484	694	-30%	203	324	-37%

Comments to First half of 2020 Results

According to data collected by Unione Petrolifera, in the first half of 2020 oil consumption decreased by around 20.5% on the Italian market, which represents the main non-network channel of the Saras Group.

In particular, in Italy in the period considered, gasoline showed a decrease of 31% and diesel recorded a contraction of 25.3%. The consumption of automotive fuels (gasoline + diesel) was 11.3 million tons, down by 26.6% (-4,070 ktons).

In the first half of 2020, new registrations were down 46.1%, with diesel registrations covering 35% of the total (compared to 43% in the first half of 2019). The Saras group recorded lower sales volumes in Italy for 17%.

Turning to the analysis of the Spanish market, the data compiled by CORES show fuel consumption for motor vehicles down by 28% in the first 5 months of 2019. The Spanish subsidiary Saras Energia reduced volumes sold by 30%.

The Saras Group suffered a 23% drop in sales volumes, in particular 17% in sales in Italy and 30% in Spain.

The comparable EBITDA of the Marketing segment was EUR 12.6 million, compared to the 9.2 million Euros recorded in the first half of 2019, thanks to the better margins achieved on the wholesale in Italy and lower fixed costs.

This contribution must be considered together with that of refining due to the strong coordination between technical and commercial skills on which the Group's business model rests.

It should also be noted that at the end of June the sale of two of the three remaining service stations among the Group's assets to KUWAIT Petroleum Espana SA was completed.

Comments to second quarter of 2020 Results

According to data collected by Unione Petrolifera, in the second quarter of 2020 oil consumption decreased by around 34.3% on the Italian market compared to the second quarter of 2020. In particular, in Italy in the period considered, gasoline showed a decrease of 43.1% and diesel recorded a decrease of 32.7%.

As for the Spanish market, the CORES data shows fuel consumption for motor vehicles down 24% in the period April-May 2020.

Saras' total sales volumes decreased by 27% while the comparable **EBITDA of the Marketing segment was EUR 8.0 million,** compared to 7.5 million Euros in the second quarter of 2019 thanks to the better margins on the Extra network in Italy and at lower fixed costs.

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 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
EBITDA	46.7	85.8	-46%	16.4	48.8	-66%
***Comparable* EBITDA**	**46.7**	**85.8**	**-46%**	**16.4**	**48.8**	**-66%**
EBIT	19.2	59.4	-68%	2.7	35.7	-92%
***Comparable* EBIT**	**19.2**	**59.4**	**-68%**	**2.7**	**35.7**	**-92%**
CAPEX	**11.2**	**13.6**		**10.2**	**2.8**	

Other figures

		H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
ELECTRICITY PRODUCTION	MWh/1000	1,986	1,870	6%	801	883	-9%
POWER TARIFF	**Eurocent/KWh**	**7.5**	**9.4**	**-20%**	**7.5**	**9.4**	**-20%**
POWER IGCC MARGIN	$/bl	2.6	3.6	-28%	2.7	3.4	-22%

Comments to First half of 2020 Results

In the first half of 2020, electricity production was equal to 1,986 TWh, an increase of 6% compared to the first six months of 2019, due to a less important maintenance activity compared to the previous year.

Comparable EBITDA (coinciding with the Reported) was EUR 46.7million, compared to Eur 85.8 million in the first half of 2019. The change is mainly due to the lower contribution of the linearization on revenues (with a non-monetary effect) and to the scenario less favorable than in the same period of the previous year. In particular the value of the CIP6/92 tariff decreased by 20%, only partially offset by a reduction in the cost of the TAR which decreased by 14% while the cost of hydrogen remained substantially unchanged. Fixed costs were € 12 million lower, due to lower maintenance activities compared to the first half of 2019.

Investments amounted to 11.2 million Euros.

Comments to Second quarter of 2020 Results

Comparable EBITDA coinciding with the Reported) was EUR 16.4 million, compared to 48.8 million Euros in the second quarter of 2019. The change is mainly due to the lower contribution of the linearization on revenues (with a non-monetary effect) and to the less favourable scenario compared to the same period of the previous year, in particular the value of the CIP6/92 tariff decreased by 20%, and is only partially offset by a reduction in the cost of the TAR which decreased by 14% while the cost of hydrogen remained substantially unchanged. In addition, some unscheduled stops occurred in the quarter.

Turning to the analysis of EBITDA calculated according to Italian accounting principles, it was equal to -36.6 million Euros in the second quarter of 2020, compared to -16.3 million Euros achieved in the same period of the previous year. The difference is due to the effect of the lower production of electricity, and to the decrease in the CIP6 / 92 tariff.

Investments amounted to 10.2 million euros.

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 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
EBITDA	3.3	6.1	-46%	0.9	2.5	-64%
***Comparable* EBITDA**	**3.3**	**6.1**	**-46%**	**0.9**	**2.5**	-64%
EBIT	**0.0**	3.6	-100%	(0.8)	1.3	n.s.
***Comparable* EBIT**	**0.0**	**3.6**	**-100%**	**(0.8)**	**1.3**	**n.s.**
CAPEX	**0.9**	**19.8**		**0.6**	**18.9**	

Other figures

		H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
ELECTRICITY PRODUCTION	MWh	119,018	109,906	8%	44,980	43,852	3%
POWER TARIFF	EURcent/KWh	3.2	5.1	-37%	2.0	4.5	-56%
INCENTIVE TARIFF	EURcent/KWh	9.9	9.2	8%	9.9	9.2	8%

Comments to First Half of 2020 Results

In the first half of 2020, the comparable EBITDA of the Wind segment (corresponding to the reported) was EUR 3.3 million, compared to 6.1 million Euros achieved in the first half of 2019**.**

The decrease in EBITDA is mainly due to the 41% decrease in the electricity tariff compared to that recorded in the first half of 2019, with an average selling price of 3.2 euro cents per KW/h compared to 5.1 euro cents of Euro per KW/h in the first half of 2019. It should be noted that the volumes produced in the half year were 8% higher than in the same period of the previous year, thanks to the entry into operation at the end of the previous year of additional wind capacity for 30 MW ("Maistu" project) equal to approx. 33GWh.

Investments amounted to EUR 0.9 million.

The activities of the reblading project continued with a slight delay due to the lockdown period.

Comments to Second Quarter of 2020 Results

In the second quarter of 2020, comparable EBITDA of the Wind segment (corresponding to the reported) was equal to EUR 0.9 million, compared to EUR 2.5 million in the second quarter of 2019.

The decrease in EBITDA is mainly due to the 56% decrease in the electricity tariff compared to that recorded in the second quarter of 2019, with an average selling price of 2.0 euro cents per KW/h compared to 4.5 euro cents of Euro per KW/h in the second quarter of 2019. It should be noted, however, that the volumes produced in the second quarter were 3% higher than in the same period of the previous year.

Other Activities

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

EUR Million	H1 2020	H1 2019	Change %	Q2/20	Q2/19	Change %
EBITDA	(0.5)	4.1	n.s.	(0.4)	2.1	n.s.
***Comparable* EBITDA**	**(0.5)**	**4.1**	**n.s.**	**(0.4)**	**2.1**	**n.s.**
EBIT	(0.9)	3.4	n.s.	(0.6)	2.0	n.s.
***Comparable* EBIT**	**(0.9)**	**3.4**	**n.s.**	**(0.6)**	**2.0**	**n.s.**
CAPEX	**0.4**	**0.3**		**0.1**	**0.1**	

Investments by business Segment

EUR Million	H1 2020	H1 2019	Q2/20	Q2/19
REFINING	173.1	169.9	77.4	67.2
POWER GENERATION	11.2	13.6	10.2	2.8
MARKETING	0.5	0.6	0.4	0.2
WIND	0.9	19.8	0.6	18.9
OTHER	0.4	0.3	0.1	0.1
Total	**186.0**	**204.2**	**88.7**	**89.2**

Main events after the end of the First Half of 2020

There are no significant events after 30 June 2020.

Outlook

The International Monetary Fund recently revised downwards its forecasts for the global economy growth compared to those published at the end of the first quarter in the face of the crisis triggered by the Covid-19 pandemic, with a GDP contraction of 4.9% in the 2020. Based on these estimates, Italy remains one of the most affected countries with an estimated GDP reduction of around 12.8%. For the Eurozone a drop of 10.2% is expected and for the United States of 8%.

The current state of uncertainty does not yet allow to provide reliable forecasts on the impacts that may be determined on the Group's economic and financial results in the medium term.

The Group's business model, based on the high conversion configuration, the integration with the IGCC plant and the integrated management of the supply chain, the strategic position of the production site in the centre of the Mediterranean combined with the customer portfolio guaranteed by its Trading company, make the Group particularly resilient to difficult market conditions, ensuring the placement of the refinery's output and at the same time allowing to seize the opportunities offered by price volatility and greater availability of crude oils.

Thanks to this high level of flexibility, as well as the conclusion in the first half of the most important investments planned for the year, and therefore with the full production capacity restored in the second half of 2020, Saras is confident to be able of taking full advantage from the first signs of recovery, initially forecasted for the second half of the year, and now expected between the second half of 2020 and the first quarter of 2021.

In the Refining and Marketing segments, given the recent positive signs from the easing of production cuts by the Opec plus countries, whose benefits has not yet been reflected on the market, the Group is ready to seize the opportunities in terms of discounts deriving from the current abundance of crude oils on the market, and from a gradual recovery in demand as well as in the margins of the main oil products. In addition, a second barge for bunkering activities is expected to start working in the second half of the year.

Even with the uncertainty of the market scenario, the Saras Group therefore confirms its guidance for the year, achieved in the first half of 2020, of achieving an average premium above the EMC Benchmark margin of 2.5 - 3.0 $/bl (net of maintenance).

With reference to the Power Generation segment, the maintenance program for the second half of the year include standard interventions with a production substantially in line with previous years. Also for this segment, therefore, the outlook for 2020 on the volumes of electricity produced is confirmed, while we expect a upturn in the price of electricity towards values closer to those before the Covid-19 crisis, according with the recovery in consumption.

Finally, as regards the Wind power segment, work is underway on the reblading project of the Ulassai plant which consists of replacing all the blades, with a consequent increase in production for the same installed capacity. The works, which suffered some delays in the first half of the year, will be carried out in three batches and will be completed - instead of by the third quarter of 2020 - by the first quarter of 2021. In the new set-up, production is expected to be up to 300 GWh/year.

As regards the Net Financial Position, which in the first half of the year was impacted by the price dynamics on inventories and on other working capital items, it is expected to remain stable with potential areas for improvement in the second half of the year according with the recovery of demand and the level of prices.

In order to reduce the Group liquidity risk, and to contain potential economic and financial impacts deriving from the persistence of the economic crisis, in addition to the medium-term loans taken out in the first quarter of 2020, the Company has started the negotiation with some primary credit institutions in order to strengthen its medium/long-term credit lines, as well as for the review of some financial ratios on existing lines, to take in consideration the changed market conditions.

Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible mitigation with reference to the strategic, operational, and financial areas. The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and also to assess the acceptable residual risk.

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

FINANCIAL RISKS

Exchange rate risk

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

Interest rate risk

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

Credit risk

The refining sector represents the Group's reference market and it is principally made up of multinational companies operating in the oil sector. Transactions executed are generally settled very quickly and are often guaranteed by primary credit institutions. Sales in the retail and wholesale markets are small on an individual basis; nonetheless, also these sales are usually guaranteed or insured with a very low risk of not recoverability . Following the economic crisis determined by the Covid-19 emergency the credit risk of the Group is unchanged.

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 to fulfil contractual obligations and respect covenants deriving from the financing contracts entered into.

Self-financing capacity and as a result the Group's level of debt, historically limited, are determined by the generation of cash from operations and working capital trends; in particular, the latter is based on levels of demand and supply of crude oil and oil products as well as the relative prices, and their extreme volatility and sensitivity to external phenomena (such as economic, social and political factors). In the first quarter of the year, the oil market shock (in terms of demand, supply and prices) due to the spread of the Covid-19 pandemic to and the drastic containment measures enacted at global level inevitably negatively impacted the Group's level of debt, which it will be possible to recover as market conditions improve.

The Group has implemented appropriate actions to mitigate the increase in the level of indebtedness through appropriate short and medium-long term credit lines.

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.

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. To deal with the risks deriving from price fluctuation, and in particular to mitigate the fluctuation of the prices on quantities purchased and sold in comparison with the monthly average, the Saras Group also takes out derivative contracts on commodities with hedging nature.

Also subject to fluctuations is the selling price of electricity, produced and sold by our subsidiaries Sarlux and Sardeolica, as well as the prices of energy efficiency certificates, and CO2 emissions

Risk related to the procurement of crude oil

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

Risks of interruption of production

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

Environmental risk

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

Legislative and regulatory risk

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

• Regulations relating to the reduction of national emissions of determined atmospheric pollutants and the relative impact of the same on the limits indicated in the current AIA permit.

• The view of the European Commission and the ARERA implementing documents in relation to the recognition of the Sarlux subsidiary as an energy-intensive enterprise.

• Regulatory dispositions relating to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the GSE.

• Reference regulations relating to the fact that the Sarlux Srl subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP resolution no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production.

Dependencies on third parties

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

Protection of Personal Data

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

Information Technology and Cyber Security

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

Rischio Covid 19

The intensification of the economic and financial crisis caused by the Covid-19 emergency led to a drastic and widespread drop in the demand for oil products, combined with the volatility of commodity prices and in particular of oil. Furthermore, despite the loosening of lockdown measures in many countries, there remains a situation of uncertainty regarding the risk of any second wave of the pandemic. The prolonged scenario effect has led, for the Saras Group and for the entire refining sector, to a reduction in profitability and an increase in short-term liquidity needs. However, the recovery in consumption could rebalance the situation of uncertainty and price volatility, with a recovery of profitability and an improvement in the level of debt.

Provisions for risks and charges

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

Other Information

Research and Development

Saras did not undertake meaningful "Research and Development" activities during the period; therefore, no significant cost was capitalised or accounted in the Income Statement during the first six months of 2020.

Own shares

During the first quarter of 2020, Saras S.p.A. did not buy or sell any treasury shares.

Pursuant to the above, as at 31 June 2020, Saras S.p.A. held 9,220,216 treasury shares or 0.97% of the share capital, while there were 941,779,784 Saras S.p.A. ordinary shares outstanding.

Non-recurring and unusual Transactions

In the first quarter of 2020, no significant transactions were carried out and no open positions originated from any non-recurring and/or unusual transactions are being carried out.

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

On 17th April 2020 following the economic and financial crisis determined by the Covid-19 emergency the Board deems appropriate to prudentially withhold the authorization for the purchase and disposal of treasury shares approved on 2nd March. This is aimed at better safeguarding the solidity of the balance sheet and the sound economic and financial balance of the company.

Dividends

Regarding the financial year closed on 31st December 2019, the Board of Directors proposed to the Shareholders' Meeting, at first convened on 21st April 2020, a distribution of dividend equal to Euro 0.04.

On 17th April 2020 following the economic and financial crisis determined by the Covid-19 emergency the Board deems appropriate to prudentially withhold the dividend distribution proposal on the net income pertaining year 2019 approved on 2nd March. This is aimed at better safeguarding the solidity of the balance sheet and the sound economic and financial balance of the company.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH JUNE 2020

Consolidated Statement of Financial Position as at 30th June 2020

Thousands of EUR		30/06/2020	31/12/2019
ASSETS	(1)		
Current financial assets	5.1	**1,664,868**	**2,117,692**
Cash and cash equivalents	5.1.1	233,115	431,463
Other financial assets	5.1.2	263,352	51,928
Trade receivables from third parties	5.1.3	247,263	351,539
Inventories	5.1.4	725,148	1,040,842
Current tax assets	5.1.5	85,191	84,058
Other assets	5.1.6	110,799	157,862
Non-current assets	5.2	**1,574,760**	**1,439,254**
Property, plant and equipment	5.2.1	1,377,175	1,272,572
Intangible assets	5.2.2	63,580	77,970
Right-of-use of leased assets	5.2.3	46,702	49,919
Other investments	5.2.4	502	502
Deferred tax assets	5.2.5	80,640	31,816
Other financial assets	5.2.6	6,161	6,475
Non-current assets held for sale	5.3	**1,058**	**7,038**
Property, plant and equipment	5.3.1	1,058	7,038
Total assets		**3,240,686**	**3,563,984**
LIABILITIES AND EQUITY			
Current liabilities	5.4	**1,869,726**	**2,015,764**
Short-term financial liabilities	5.4.1	572,330	204,897
Trade and other payables	5.4.2	1,056,698	1,648,736
Tax liabilities	5.4.3	180,231	76,472
Other liabilities	5.4.4	60,467	85,659
Non-current liabilities	5.5	**491,434**	**489,381**
Long-term financial liabilities	5.5.1	312,321	254,704
Provisions for risks and charges	5.5.2	152,670	194,278
Provisions for employee benefits	5.5.3	10,029	9,858
Deferred tax liabilities	5.5.4	3,115	4,437
Other liabilities	5.5.5	13,299	26,104
Total liabilities		**2,361,160**	**2,505,145**
EQUITY	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		994,554	967,129
Net result		(180,584)	26,154
Total parent company equity		**879,526**	**1,058,839**
Third-party minority interests		-	-
Total equity		**879,526**	**1,058,839**
Total liabilities and equity		**3,240,686**	**3,563,984**

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

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 30th June 2020

Thousands of EUR	(1)	1 JANUARY 30 JUNE 2020	*of which non-recurring*	1 JANUARY 30 JUNE 2019 (2)	*of which non-recurring*
Revenues from ordinary operations	6.1.1	2,648,589		4,619,366	
Other income	6.1.2	93,183		64,285	
Total returns		**2,741,772**	***0***	**4,683,651**	**0**
Purchases of raw materials, consumables and supplies	6.2.1	(2,590,636)		(4,065,486)	
Cost of services and sundry costs	6.2.2	(188,556)		(403,986)	
Personnel costs	6.2.3	(76,854)		(75,907)	
Depreciation/amortisation and write-downs	6.2.4	(100,830)		(94,047)	
Total costs		**(2,956,876)**	***0***	**(4,639,426)**	***0***
Operating result		**(215,104)**	***0***	**44,225**	***0***
Net income (charges) from equity investments					
Financial income	6.3	35,626		35,041	
Financial charges	6.3	(50,643)		(40,058)	
Result before taxes		**(230,121)**	***0***	**39,208**	***0***
Income tax	6.4	49,537		(15,177)	
Net result		**(180,584)**	***0***	**24,031**	***0***
Net result attributable to:					
Shareholders of the parent company		(180,584)		24,031	
Third-party minority interests		0		0	
Net earnings per share – base (euro cents)		**(19.17)**		**2.55**	
Net earnings per share - diluted (euro cents)		**(19.17)**		**2.55**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 30TH JUNE 2020

Thousands of EUR	1 JANUARY 30 JUNE 2020	1 JANUARY 30 JUNE 2019
Net result (A)	**(180,584)**	**24,031**
Items that may be reclassified subsequently to profit or loss		
Effect of translation of the financial statements of foreign operations	(65)	(77)
Items that will not be reclassified subsequently to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
Other profit/(loss), net of the fiscal effect (B)	**(65)**	**(77)**
Total consolidated net result (A + B)	**(180,649)**	**23,954**
Total consolidated net result attributable to:		
Shareholders of the parent company	(180,649)	23,954
Third-party minority interests	0	0

(1) Please refer to the Notes, section 6 “Notes to the Statement of Comprehensive Income”

(2) During 2019, the Saras Group continued to further improve the methods used to measure its operating performance and economic results, reflected in both GAAP and non-GAAP indicators communicated internally and externally. To this end, starting in the fourth quarter of 2019, the Group decided to revise its accounting policy regarding the rules for the classification of derivative instruments, including the results achieved and not the results of derivative instruments used to hedge commodities and CO2 charges to the operating result. This decision was also inspired by the opportunities introduced by the recent entry into force of IFRS 9. In accordance with IFRS, the figures for 2018 impacted by this reclassification have been restated to allow their comparability with those of the current year.

Consolidated Statement of Changes in Equity to 30th June 2020

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Financial year	Total Equity attributable to the Parent Company	Third-party Minority Interests	Total Equity
Balance at 31/12/2018	**54,630**	**10,926**	**898,089**	**140,425**	**1,104,070**	**0**	**1,104,070**
Allocation of previous year result			140,425	(140,425)	0		0
Dividend Distribution			(75,310)		(75,310)		(75,310)
Conversion effect balances in foreign currency			(77)		(77)		(77)
Actuarial effect IAS 19			0		0		0
Reserve for stock option plan			491		491		491
Other changes			583		583		583
Net result				24,031	24,031		24,031
Total net result			*42*	*26,154*	*26,196*		*26,196*
Balance at 30/06/2019	**54,630**	**10,926**	**964,201**	**24,031**	**1,053,788**	**0**	**1,053,788**
Allocation of previous period result			0	0	0		0
Dividend Distribution			0		0		0
Conversion effect balances in foreign currency			119		119		119
Actuarial effect IAS 19			(703)		(703)		(703)
Reserve for stock option plan			1,167		1,167		1,167
Other changes			2,345		2,345		2,345
Net result				2,123	2,123		2,123
Total net result			*0*	*26,154*	*26,154*	*0*	*26,154*
Balance at 31/12/2019	**54,630**	**10,926**	**967,129**	**26,154**	**1,058,839**	**0**	**1,058,839**
Allocation of previous year result			26,154	(26,154)	0		0
Conversion effect balances in foreign currency			(65)		(65)		(65)
Reserve for stock option plan			1,336		1,336		1,336
Net result				(180,584)	(180,584)		(180,584)
Total net result			*(65)*	*(180,584)*	*(180,649)*	*0*	*(180,649)*
Balance at 30/06/2020	**54,630**	**10,926**	**994,554**	**(180,584)**	**879,526**	**0**	**879,526**

Consolidated Statement of Cash Flows for the period to 30th June 2020

Thousands of EUR	(1)	1/1/2020-30/06/2020	1/1/2019-30/06/2019
A - Initial cash and cash equivalents		**431,463**	**272,831**
B - Cash flow from (for) operating activities			
Net result	5.5	(180,584)	24,031
Unrealised exchange rate differences on bank current accounts		(11,074)	958
Amortisation, depreciation and write-downs of assets	6.2.4	100,830	94,047
Net change in risk provisions	5.4.2	(41,608)	(51,428)
Net change in provision for employee benefits	5.4.3	171	496
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	(50,146)	8,998
Net interest		7,041	8,716
Income tax set aside	6.4	609	6,179
Change in the fair value of derivatives	5.1.2 - 5.3.1	30,098	(3,019)
Other non-monetary components	5.5	1,271	997
Profit for the year before changes in working capital		**(143,392)**	**89,975**
(Increase)/Decrease in trade receivables	5.1.3	104,276	26,136
(Increase)/Decrease in inventories	5.1.4	315,694	(201,283)
Increase/(Decrease) in trade and other payables	5.3.2	(592,038)	370,566
Change other current assets	5.1.5 - 5.1.6	45,930	(16,342)
Change other current liabilities	5.3.3 - 5.3.4	77,958	101,243
Interest received		1,250	359
Interest paid		(8,291)	(9,075)
Taxes paid	5.3.2	0	0
Change other non-current liabilities	5.4.5	(12,805)	(52,461)
Total (B)		**(211,418)**	**309,118**
C - Cash flow from (for) investment activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(186,471)	(204,201)
Investments) in Right-of-use of leased assets (2)		(1,355)	(49,625)
(Increase)/Decrease in other financial assets	5.1.2	(64,444)	100,043
Increases in the sale of non-current assets held for sale	5.2.1-5.2.2	5,980	0
Total (C)		**(246,290)**	**(153,783)**
D - Cash flow from (for) financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	57,617	48,543
Increase/(decrease) short-term financial payables	5.3.1	190,669	(1,027)
Distribution of dividends and treasury share purchases		0	(75,310)
Total (D)		**248,286**	**(27,794)**
E - Cash flows for the period (B+C+D)		**(209,422)**	**127,541**
Unrealised exchange rate differences on bank current accounts		11,074	(958)
F - Final cash and cash equivalents		**233,115**	**399,414**

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

(2) It includes the effects of first time application of IFRS16: therefore, the variation is a non-monetary item.

For the Board of Directors
The Chairman
Massimo Moratti

NOTES TO THE CONSOLIDATED STATEMENTS OF ACCOUNTS AS AT 30 JUNE 2020

1. Introduction

Publication of the condensed half-year consolidated financial statements of Saras Group for the period ended 30 June 2020 was authorised by the Board of Directors on 30 July 2020.

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

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

These condensed half-year consolidated Financial Statements for the period ended 30 June 2020 are presented in Euro,. They consist of a Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and these Notes. All the amounts shown in these Notes to the Consolidated Financial Statements are expressed in thousands of Euro, unless otherwise stated.

2. General preparation criteria for the Consolidated Financial Statements

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS or international accounting standards) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002 and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree No. 38 of 28 February 2005.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft consolidated and separate financial statements were approved by its Board of Directors and set out in the relevant EU regulations published as of that date.

The financial statements have been prepared using the following criteria, in line with IAS 1, deemed suitable to provide a more complete picture of the financial position, operating results and cash flows of the Group:

- Statement of Financial Position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Income Statement and Statement of Comprehensive Income: income statement items are presented according to their nature;
- Cash Flow Statement: presented using the indirect method, which distinguishes between cash flows from operations, investing and financing activities;
- Statement of Changes in Consolidated Equity.

Having taken into consideration the economic and financial situation of the first half of 2020, significantly impacted by Covid pandemia (for further details, please refer to Report on Operations' section "Covid-19 impacts"), the economic assumptions included in 2020 budget and 2020-2023 Industrial Plan (both approved by Board of Directors on February 6th and March 2nd and revised by the Management due to the following events), as well as the forecasts of net working capital and financial situation of the Group, the Directors decided to prepare these condensed half-year financial statements in accordance with the going concern principle.
Directors had determined that there are no financial, management or other indicators that could signal criticalities in the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties related to the business, as well as the variability of external and market factors to which the Group's economic and financial performance is exposed, are described in the dedicated sections of the Report on Operations. A description of how the Group manages the risks connected to those factors, as well as financial risks, including liquidity and capital risks, is provided in the section on additional information on financial instruments and risk management policy of these notes.

3. Standards of preparation and changes to Group Accounting Standards

3.1 Standards of preparation

The condensed consolidated financial statements of the Saras Group for the period ended 30 June 2020, presented pursuant to Article 154-*ter* of the Consolidated Finance Act (TUF), as subsequently amended, have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Union, which include all the international accounting standards (IASs) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC). The condensed consolidated financial statements for the period ended 30 June 2020 were prepared pursuant to IAS 34 - Interim Financial Reporting. The Group did not opt for the early application of any new standards, interpretations or changes.

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

The main standards adopted by the Saras Group for the preparation of the condensed half-year consolidated financial statements as at 30 June 2020 are consistent with those applied in the consolidated financial statements as at 31 December 2019 and the corresponding interim reporting period, except for the new accounting standards, interpretations and amendments described below, which, as of the date of preparation of these condensed half-year consolidated financial statements, had already been enacted and had become effective in this financial year.

Note that during the first half of 2020, the Saras Group applied hedge accounting in accordance with IFRS 9, for some transactions - completed and closed during the half-year - to hedge the strategic refining risk. This application involved, for the Cash Flow Hedge derivatives, the initial recognition in the shareholders' equity reserve and in other items of comprehensive income of the changes in the fair value of those derivatives considered to be effective and, subsequently, their allocation to the income statement, consistent with the economic effects produced by the hedged transaction.

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

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

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

The amendment has had no effect on these condensed consolidated financial statements.

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

The IASB published amendments to the Definition of a Business in IFRS 3 with the aim of helping to determine whether a transaction is an acquisition of a business or a set of activities that does not meet the definition of a business under IFRS 3. The amendments apply to purchases made after 01 January 2020 and have had no effect on these condensed half-year consolidated financial statements, while they could have effects on the following years if the Group make some business combinations.

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

The IASB published amendments to the Definition of material in IAS 1 and IAS 8, in order to clarify the definition of 'material' and help entities to assess whether information should be included in the financial statements. Materiality depends on the nature or on the size of the information (or both of them) and the Group must determine whether the information (stand-alone as well as combined with other information) is significant for the financial statements as a whole. The amendments apply as from 01 January 2020 and have had no effect on these condensed half-year consolidated financial statements.

Amendments to IFRS 7, IFRS 9 e IAS 39: Interest rate benchmark reform

Amendments to IFRS 9 and to IAS 39 provide certain relief in connection with the demonstration of the effectiveness of hedge accounting due to interest rate benchmark reform. The amendments have had no effect on these condensed half-year consolidated financial statements.

Standards issued but not yet in force

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

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

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

3.3 Consolidation area

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

The consolidated financial statements have been prepared as at 30 June and are generally those specifically prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to align them with the accounting standards of the Parent Company.

Consolidated subsidiaries are listed in the table below:

Consolidated on a line-by-line basis	**% owned**
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e tecnologie Srl	100%
Sarint SA and subsidiaries	100%
Saras Energia SAU	100%
Terminal Logistica de Cartegena SLU	100%
Reasar SA	100%
Sardeolica Srl	100%
Saras Trading SA	100%
Other investments: measured at cost as not significant	
Sarda Factoring	4.01%
Consorzio La Spezia Utilities	5%

There are no changes with respect to 31 December 2019.

3.4 Use of estimates

The preparation of the condensed half-year 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 the amounts reported in the financial statements, i.e., the statement of financial position, income statement, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual results of the accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based. The main estimates relate to the amortisation and depreciation of non-current assets, the recoverable amount of non-current assets, the recoverable amount of inventories, deferred taxes, the provisions for risks, the allowance for impairment, revenues from the sale of electricity by the subsidiary Sarlux S.r.l. to G.S.E., the measurement of the recoverable value of receivables and the estimate of the fair value of derivative instruments.

Trends in market indicators, both in the short term and in the medium and long term, such as oil prices and oil offer, global demand for oil products compared with refining capacity can significantly affect the perfomance of the Group and therefore are among the main assumptions in every evaluation process, notably those regarding fixed assets and inventories, as well as derivatives.
The underlying evaluation processes, considering their complexity, require estimations which are linked to external factors, with high volatility and based on assumptions that, by nature, involve a high degree of judgement by the management. In such processes, the management also relies on external, independent experts.
In addition, the Covid-19 pandemia has determined unprecedented effects on the global economy, and especially on the oil industry, which have significantly affected economic and financial performances of Saras Group. The time and the probability that markets and operators will recover to the usual level of operation are uncertain, as uncertain is the chance that the emergency

related to the pandemia could return in Italy and globally: therefore, it is very difficult – especially in the oil industry – to develop forecasts on the performance of the Group for the future.
Such forecasts are the basis on which the Group has performed its impairment test at June 30th, 2020 with the support of an independent expert, by elaborating estimates and assumptions – especially on cash flows - whose actual results in the future could be significantly different.

Considering the facts described in Report on Operations' "Covid-19 Impact" section, the Group performed the analysis related to verify the going concern principle and the recoverability of its assets, as detailed in the following section 5.2; in the meantime, the Group has also updated the description of its risks.

Estimates and valuations are reviewed periodically and the effects of each of them are recognised in the income statement. A summary of the most significant estimates is provided in the Group's consolidated financial statements as at 31 December 2019, to which reference is made.

4. Information by business segment and geographical area

4.1 Introduction

The Saras Group's business segments are:
1. refining;
2. marketing;
3. electricity generated by the combined cycle plant;
4. electricity generated by wind farms;
5. other businesses.

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

The finished products are sold to major international operators.

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 consisting of the owned base (Sarroch), third-party bases under a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and Deposito di Arcola Srl for the logistics management of the Arcola depot (SP);
- in Spain, by Saras Energia SA, for non-network customers, 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.

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

Starting from 2021, refining and power segment will be aggregated, in coeherence with the strategy of industrial integration fo the related plants; most of the electricity generated by the IGCC plan will be absorbed by refinery plants from 2021 on, as the CIP 6/92 scheme will elapse.

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

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

The management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are unchanged from the consolidated financial statements as at 31 December 2019.

4.2 Segment information

In order to continuously and consistently present the individual marginality attributable to the various segments, in the event of extraordinary corporate transactions such as mergers and business transfers, the inter-divisional relationships that cease as the result of such corporate transactions continue to be reported based upon the conditions set forth in the previously existing contracts.
A breakdown by segment follows below. For further quantitative details and comments, please refer to the appropriate sections of the Report on Operations:

Income Statement as at 30 June 2020	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	3,051,237	189,176	551,209	4,577	9,869	3,806,068
to be deducted: intersectoral revenues	(1,123,494)	(26,619)	(331)	0	(7,035)	(1,157,479)
Revenues from third parties	**1,927,743**	**162,557**	**550,878**	**4,577**	**2,834**	**2,648,589**
Other operating revenues	(3,084,692)	32,443	2,468	1,004	134	(3,048,643)
to be deducted: intersectoral revenues	(31,771)	(207)	0	0	(92)	(32,070)
Other income from third parties	**57,434**	**32,236**	**2,468**	**1,004**	**42**	**93,183**
Depreciation/amortisation and write-downs	(68,207)	(27,572)	(1,368)	(3,273)	(411)	(100,832)
Gross Operating result	**(234,859)**	**19,164**	**1,467**	**(9)**	**(866)**	**(215,104)**
Financial income (a)	39,239	53	29	8	2	39,331
Financial charges (a)	(53,468)	(237)	(563)	(78)	(3)	(54,349)
Income tax	56,587	(4,378)	(2,890)	27	191	49,537
Profit (loss) for the period	**(192,501)**	**14,602**	**(1,957)**	**(52)**	**(676)**	**(180,584)**
Total directly attributable assets (b)	**1,808,368**	**1,182,806**	**122,149**	**108,579**	**18,784**	**3,240,686**
Total directly attributable liabilities (b)	**1,939,297**	**122,638**	**265,961**	**21,729**	**11,537**	**2,361,160**
Investments in tangible assets	**173,080**	**11,232**	**426**	**754**	**400**	**185,892**
Investments in intangible assets	**15**	**0**	**27**	**97**	**7**	**146**

Income Statement as at 30 June 2019	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	5,392,311	258,137	987,415	7,032	14,727	6,659,622
to be deducted: intersectoral revenues	(2,000,128)	(28,185)	(428)	0	(11,515)	(2,040,256)
Revenues from third parties	**3,392,183**	**229,952**	**986,987**	**7,032**	**3,212**	**4,619,366**
Other operating revenues	64,522	34,078	3,063	1,372	224	103,259
to be deducted: intersectoral revenues	(38,433)	(253)	0	(132)	(154)	(38,972)
Other income from third parties	**26,089**	**33,825**	**3,063**	**1,240**	**70**	**64,285**
Depreciation/amortisation and write-downs	(63,094)	(26,489)	(1,488)	(2,521)	(455)	(94,047)
Gross Operating result	**(28,620)**	**60,000**	**7,094**	**3,582**	**2,169**	**44,225**
Financial income (a)	25,090	12,928	249	38	8	38,313
Financial charges (a)	(35,052)	(7,430)	(777)	(55)	(19)	(43,333)
Income tax	3,771	(16,169)	(1,397)	(1,012)	(369)	(15,177)
Profit (loss) for the period	**(28,667)**	**43,183**	**5,169**	**2,555**	**1,791**	**24,031**
Total directly attributable assets (b)	**1,994,002**	**1,227,967**	**194,299**	**111,382**	**36,336**	**3,563,984**
Total directly attributable liabilities (b)	**2,031,463**	**196,036**	**222,002**	**25,964**	**29,680**	**2,505,145**
Investments in tangible assets	**164,223**	**13,606**	**259**	**19,840**	**292**	**198,220**
Investments in intangible assets	**4,951**	**0**	**290**	**9**	**1**	**5,251**

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

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	**30/06/2020**	**31/12/2019**	**Change**
Bank and postal deposits	233,043	431,398	(198,355)
Cash	72	65	7
Total	**233,115**	**431,463**	**(198,348)**

Unrestricted bank deposits mainly relate to Saras S.p.A. for EUR 163,618 thousand and to Saras Trading S.A. for EUR 53,226 thousand. For further details on the net financial position, reference is made to the relevant section of the Report on Operations. The change in cash and cash equivalents is summarised in the cash flow statement.

5.1.2 Other financial assets

The following table shows a breakdown of Other financial assets held for trading:

Current financial assets	**30/06/2020**	**31/12/2019**	**Change**
Current financial derivatives	146,666	21,086	125,580
Deposits to secure derivatives	115,440	29,600	85,840
Other assets	1,246	1,242	4
Total	**263,352**	**51,928**	**211,424**

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

The item “Derivative guarantee deposits” includes the balance as at 30 June 2020 of deposits to guarantee open positions in derivative instruments required by the counterparties with which the Group has entered into such transactions.

5.1.3 Trade receivables

Trade receivables amount to EUR 247,263 thousand, down on the equivalent amount as at 31 December 2019, of EUR 104,276 thousand. The item is presented net of the provision for doubtful receivables, which amounts to EUR 6,800 thousand (unchanged on 31 December 2019). The reduction of receivables is essentially due to the combined effect, brought about by the spread of the Coronavirus epidemic, of the decline in sales and consumption of oil products and the sharp drop in market prices. For further comments on sales performance, please refer to the Report on Operations.

5.1.4 Inventories

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

Inventories	30/06/2020	31/12/2019	Change
Raw materials, consumables and supplies	193,908	400,474	(206,566)
Unfinished products and semi-finished products	37,296	70,502	(33,206)
Finished products and goods	374,458	455,812	(81,354)
Spare parts and raw materials, supplies	119,486	114,054	5,432
Total	**725,148**	**1,040,842**	**(315,694)**

The decrease in the value of oil inventories (mainly related to crude and finished products) is essentially due to the decreased market price dynamics: the average market price of the products, compared to the end of 2019, was lower by about 35%.
In compliance with the provisions of the accounting standards, the Group has measured inventories at the lower of purchase or production cost and the recoverable amount on the market: this comparison did not reveal the presence of any impairment. On the other hand, it should be noted that the market value of the inventories of finished products in stock as at 30 June 2020 exceeded the value of the cost of production (at which they are recorded in the financial statements) by approximately EUR 95 million.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	30/06/2020	31/12/2019	Change
VAT credit	36	33	3
IRES credits	62,299	62,357	(58)
IRAP credits	19,944	19,944	0
Other amounts due from the tax authorities	2,912	1,724	1,188
Total	**85,191**	**84,058**	**1,133**

IRES receivables mainly relate to advances paid during last year and surplus results in respect of the debt accrued at year-end, as well as the now eliminated Robin Hood Tax, which was recovered by offsetting it against the payment of other taxes.
IRAP receivables refer to the advances paid during the previous year by the subsidiary Sarlux and the surplus results with respect to the relevant tax.
Other receivables include tax for which a rebate has been requested, or which have been paid on a provisional basis.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/06/2020	31/12/2019	Change
Accrued income	190	211	(21)
Prepaid expenses	25,860	17,486	8,374
Other short-term loans	84,749	140,165	(55,416)
Total	**110,799**	**157,862**	**(47,063)**

Prepayments mainly relate to insurance premiums and charges for the biofuel regulations for the Parent Company.
The item “Other receivables” mainly includes:

- the receivable of EUR 32,357 thousand due to the subsidiary Sarlux S.r.l. from the Equalisation Fund for the Electricity Sector for the payment, under Title II, paragraph 7-*bis*, Cip Regulation No. 6/92, of charges resulting from Directive

2003/87/EC (Emissions Trading), in application of ARERA (Authority for the Regulation of Energy, Grids and Environment) Resolution ARG/elt 77/08 of 11 June 2008, referring to the first half of 2020;

- white certificates of EUR 36,896 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by the GSE and carried out at the Sarroch refinery (EUR 36,688 thousand in 2019); for additional information, reference should be made to section 7.1;
- the receivable, amounting to EUR 5,980 thousand, relating to the final sale of two service stations of the subsidiary Saras Energia S.A.U., was completed in June (previously classified as Non-current assets classified as held for sale).

The decrease, amounting to EUR 55,416 thousand, is mainly due to the collection of both an insurance rimboursement and of the refund from CSEA (Cassa Conguaglio per il Settore Elettrico) related to previous year's Emission Trading costs, granted to Sarlux.

5.2 Non-current assets

During the first half of 2020, the spread of the Covid-19 pandemic and the negative impacts of the severe restrictions put in place at a global level to combat it have caused, beginning from March, an unprecedented collapse in global demand for petroleum products. This has inevitably affected the business of the Saras Group and, consequently, the market capitalisation of the Parent company.

What characterises the "Covid-19" phenomenon is certainly its uniqueness both in terms of occurrence and impact and it can be categorised among those risks with a low probability of occurrence but with a significant impact. At the macroeconomic level this crisis is no different from any other "external impact" that proceeds erratically, a time forecast for actual recovery of high level uncertainty.

The causes of the crisis are not of a financial nature andthey are mainly attributable to causes that do not belong to the economic sphere of the business and should therefore not undermine its fundamentals; all the containment measures implemented by the various Authorities aim to inject liquidity into the system with the final objective of reaching a subsequent stage in which normal operating conditions will have returned.

Therefore, in accordance with the provisions of the IAS 36 (Impairment of Assets) and on the basis of the recommendations of the main regulatory authorities that have given their opinions on the matter (ESMA, CONSOB, IOSCO), the Company has performed the necessary checks regarding corporate continuity and assessments of the businesses, following the impact of the effects of the Covid-19 pandemic. In addition to the International Accounting Standards IAS/IFRS and IAS 36 in particular, (Impairment of Assets), the Italian Valuation Standards (PIV) of 2015 and the International Valuation Standards of 2020 were adopted as guidelines. The Company also referred to the Discussion Paper of the Italian Valuation Body (OIV) "Guidelines for impairment testing after the effects of the Covid-19 pandemic" of 10 July 2020 and the most recent literature available.

Consistently with what has already been described in the 2019 financial statements, these valuations have been carried out at the Cash Generating Unit (CGU) level to which the value of the assets is attributed, assuming the greater of the market value and the value in use. The analysis was performed with specific reference to the complex of tangible and intangible assets that make up the operating segment "Refining, Marketing and Power", in which the valuation process is aimed at verifying whether the same had become impaired at the reference date of this Interim Report.

The impairment test must reflect the consensus to date and there is no reason to believe that corporate conditions are such that the business cannot recover in the medium term; regardess of the the loss of income occurred during the first half of 2020, the Groups believes that the fundamentals that will ensure that operations will return to normal in the medium and long term remain unchanged.

More specifically, given the current persisten uncertainty in the short term macroeconomic scenario, ut also the temporary (albeit fragile) reversal of the trend observed in the financial and commodity markets, since the Company is able to address the current demand imbalances, including in the financial sense, a fundamental analysis approach has been adopted. This approach is limited to estimating the effects of the pandemic on short-term cash flows, considering that, to date, conditions are not yet steady enough to determine, with relative confidence, whether there are actually medium-and long-term impacts on the CGU's recoverable value, whose expected profitabilities have been assumpted in coeherence with the Industrial Plan. Subsequently, also sensitivity analysis have been elaborated with the assumption of profitability in line with the going concern principle and with capital expenditures adaptable to future market conditions, although granting the minimum level that ensures the full technical availability of plants.

Therefore, it has been assumed that, since the crisis is endogenous and non-financial in nature, with an uncertain intensity and re-absorption period, the Company's long-term income-generating capacity is resilient to the crisis itself. The predicted scenario is based on the recovery of Saras' business after the pandemic and on the return to the Plan's expected medium-term trends, albeit with a significant time-lag.

The valuation process was structured in the way that was described in the 2019 Financial Statements, and it has been supported by an independent expert.

It is assumed that the medium-long term value can be realized thanks to the Company's resilience and the interventions that it will adopt to achieve it in the long term, whist in the short term a higher risk premium has been used in the discount rates of the explicit projection flows and of the present value of the TV [terminal value].

The evaluation process has been articulated in the same way as described in 2019 Financial Statements. Cash flows have been determined on the basis of the assumptions of 2020-2023 Group Industrial Plan, yet it has updated 2020 and 2021 cash flows to reflect the new curves forecasts for the oil markets scenario (crude oils, oil products and refinery margins), duly supported by the most recent sources of primary analysts of the industry.

As far as the electricity scenario is concerned, the Group has adopted the same assumptions of 2020-2023 Group Industrial Plan, yet it has updated 2020 and 2021 cash flows to reflect the new forecasts obtained from the most recent sources of primary analysts of the industry.

The assumption underlying the whole process is that the value in the medium and long term could be realised due to the Group's resilience and to the actions that it will adopt, whilst in the short term a higher premium has been applied to the risk in discounting the cash flows and terminal value (TV), with a WACC (weighted average cost of capital) equal to 7.6%.

As the Group assumed the risk to be higher in the closest flows, the adopted discount rates for such flows therefore has been determined considering a higher premium for the risk. The present value of TV (terminal value) has been discounted at a risk-free rate that only incorporate the time value.

The assumptions for determining the TV are similar to those described in the 2019 financial statements. The discounting rates adopted therefore incorporate the following estimates:

i) a rate increased by a higher risk premium for the explicit projection period

ii) a rate increased by a higher risk premium for the discounting of TV-related flows at the end of the explicit projection period due to a more uncertain scenario

iii) a rate that expresses the financial value of the time for the discounting of the TV (approximate with the cost of the current debt of the Company), given that the passage of time between the reference date and the Terminal Value (2023), does not involve risks.

These tests confirmed the recoverability of the carrying amounts.

Taking into account the current situation's volatility, more specifically regarding the commodities market and, as recommended by the guidelines cited above, simulation techniques were also applied (sensitivity analyses and "Monte Carlo" simulations) in order to consider some of the possible alternate market scenarios for the period 2020-23, on the basis of changes in the main variables linked to reference commodities (Brent crude, diesel, gasoline and ULSFO cracks, exchange rate).

Also, the sensitivity analyses that were conducted, with reasonable variations in the main basic assumptions, showed recoverable values above the carrying value of the CGU in question and without any impairment losses.

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	30/06/2020
Land and buildings	177,174	0	(10)	0	0	177,164
Plant and machinery	3,566,290	85,745	(1,787)	0	8,277	3,658,525
Industrial and commercial equipment	37,058	0	6	0	248	37,312
Other goods	642,596	327	40	0	1,151	644,114
Tangible fixed assets under construction	248,297	99,820	(943)	0	(11,449)	335,725
Total	**4,671,415**	**185,892**	**(2,694)**	**0**	**(1,773)**	**4,852,840**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	30/06/2020
Land and buildings fund	100,663	2,213	0	0	0	102,876
Plant and machinery fund	2,799,894	62,531	(1,316)	0	(83)	2,861,026
Industrial and commercial equipment fund	28,593	1,914	0	0	0	30,507
Other goods	469,693	11,562	0	0	1	481,256
Total	**3,398,843**	**78,220**	**(1,316)**	**0**	**(82)**	**3,475,665**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2020
Land and buildings	76,511	0	(10)	(2,213)	0	0	74,288
Plant and machinery	766,395	85,745	(471)	(62,531)	0	8,361	797,499
Industrial and commercial equipment	8,466	0	6	(1,914)	0	247	6,805
Other goods	172,903	326	40	(11,562)	0	1,151	162,858
Tangible fixed assets under construction	248,297	99,820	(943)	0	0	(11,449)	335,725
Total	**1,272,572**	**185,891**	**(1,378)**	**(78,220)**	**0**	**(1,690)**	**1,377,175**

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 34,703 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,767 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux S.r.l. and the subsidiary Deposito di Arcola S.r.l. with a net value of EUR 36,818 thousand.

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

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

The item “Other assets” mainly include tanks and pipelines used to carry the group companies’ products and crude oil (Sarlux S.r.l., Saras Energia S.A. and Deposito di Arcola S.r.l.).

The item “Assets under construction and payments on account” reflect costs incurred mainly for investments in tanks and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes.

Increases for the year amounted to EUR 185,891 thousand and mainly refer to technological interventions on refinery plants.

The main annual depreciation rates used, which are the same as in 2019, are as follows:

	for I.G.C.C.plant	per other fixed assets (annual base)
Industrial buildings (land and buildings)	until 2031	5.50%
Generic plant (plant and machinery)	until 2031	8.38%
Highly corrosive plant (plant and machinery)	until 2031	11.73%
Pipelines and tanks (plant and machinery		8.38%
Thermoelectric power plant (plant and machinery)	until 2031	
Wind park (plant and machinery)		10.00%
Supplies (equipment plant and machinery)		25.00%
Electronic office equipment (other assets)		20.00%
Office furniture and machinery (other assets)		12.00%
Vehicles (other assets)		25.00%

The concession for the use of public lands on which some of the service facilities of the Sarroch refinery stand (wastewater treatment, seawater desalination, blow-down, torches and landing stage) issued by the Port Authority of Cagliari is valid until 31 December 2027.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	30/06/2020
Industrial patent and original work rights	53,300	131	0	0	1,755	55,186
Concessions, licences, trademarks and similar rights	24,349	0	0	0	193	24,542
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	20,937
Other intangible fixed assets	531,832	15	(155)	0	(1)	531,691
Intangible assets under construction	1,218	0	0	0	1,718	2,936
Total	**631,636**	**146**	**(155)**	**0**	**3,665**	**635,292**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	30/06/2020
Industrial patent and original work rights	48,515	1,583	0	0	(278)	49,919
Concessions, licences, trademarks and similar rights	11,961	292	0	0	344	12,597
Other intangible fixed assets	493,190	16,163	(152)	0	(5)	509,196
Total	**553,748**	**18,038**	**(152)**	**0**	**61**	**571,712**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2020
Industrial patent and original work rights	4,785	131	0	(1,583)	0	1,934	5,267
Concessions, licences, trademarks and similar rights	12,388	0	0	(292)	0	(151)	11,945
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible fixed assets	38,642	15	(307)	(16,163)	0	308	22,495
Intangible assets under construction	1,218	0	0	0	0	1,718	2,936
Total	**77,970**	**146**	**(307)**	**(18,038)**	**0**	**3,809**	**63,580**

The decrease compared with 31 December 2019 mainly reflects amortization in the period of EUR 18,038 thousand, calculated using the same annual rates as in 2019, which are reported below.

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

There are no intangible assets with a finite useful life held for disposal. The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of this item mainly refers to surface rights acquired by the subsidiary Sardeolica on the land where the Ulassai wind farm stands. Its amortisation period will end in 2035.

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

Other intangible non-current assets

The subsidiary Sarlux S.r.l. has entered into a long-term contract for the supply of electricity under the CIP6 regime signed with Gestore dei Servizi Elettrici S.p.A. (hereinafter, GSE). This contract – which was originally recognised at fair value in the 2006 consolidated financial statements at EUR 547.5 million and amortised over its term – was measured over its term, in accordance IAS 36.
In the past few years, the value of this contract was always tested for impairment, based on scenario and legislative changes. In view of the fact that this contract under the CIP6 regime will expire during the early months of 2021 and that during the period, no events took place that suggested permanent, significant losses of value, it was not considered necessary to estimate the recoverable amount of the Contract.

Intangible non-current assets under construction and advance payments

The item includes investments underway to purchase software licences. There are no intangible assets with a finite useful life held for disposal.

5.2.3 Right-of-use of leased assets

The Saras Group has acquired rights-of-use of third-party assets, mainly intended for the use of:

- functional areas that are essential to the pursuit of its core business (state-owned areas adjacent to the sites of Sarroch and Arcola, areas on which the Ulassai wind farm stands, etc.), of which it was unable or did not consider it appropriate to purchase ownership;
- properties used for executive offices;
- capital assets and plants built and operated by industrial partners, for which the Group did not have the adequate technological know-how to allow for their development and operation.

Changes to rights-of-use of leased assets are shown in the tables below:

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	30/06/2020
Leased land and buildings	39,956	0	0	0	1,114	41,070
Leased plant and equipment	11,952	0	0	0	0	11,952
Leased industrial and commercial equipment	0	0	0	0	0	0
Other leased assets	7,385	155	0	0	11	7,551
Total	**59,293**	**155**	**0**	**0**	**1,125**	**60,573**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	30/06/2020
Leased land and buildings	5,096	2,519	0	0	(75)	7,540
Leased plant and equipment	1,649	792	0	0	0	2,441
Leased industrial and commercial equipment	0	0	0	0	0	0
Other leased assets	2,629	1,261	0	0	0	3,890
Total	**9,374**	**4,572**	**0**	**0**	**(75)**	**13,871**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2020
Leased land and buildings	34,860		0	(2,519)	0	1,189	33,530
Leased plant and equipment	10,303	0	0	(792)	0	(0)	9,511
Leased industrial and commercial equipment	0	0	0	0	0	0	0
Other leased assets	4,757	155	0	(1,261)	0	10	3,661
Total	**49,919**	**155**	**0**	**(4,572)**	**0**	**1,199**	**46,702**

The balance as at 30 June 2020 of EUR 46,702 thousand, relates to the application of the IFRS 16 - Leases standard. The registration essentially refers to the following types of contracts:
1) Concessions, surface rights and similar: these are mainly concessions of areas on which part of the production site of Sarroch and the oil depots of Arcola and Cartagena are located, as well as the area on which the Ulassai wind farm was built and operates.
2) Plants: these are mainly contracts stipulated by the subsidiary Sarlux with suppliers for the construction and operation of some plants within the production site of Sarroch;
3) Company car fleets: these are long-term lease contracts on company cars used both within the industrial site of Sarroch and by employees in various managerial and commercial sites;
4) Property leases for executive and commercial offices.

Please note that no significant changes have been made since 31 December 2019, both as regards the scope of application and the assumptions used for the application of this standard.

5.2.4 Other equity investments

Other equity investments break down as follows:

Other investments	30/06/2020	31/12/2019	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	502	502	0

5.2.5 Prepaid tax assets

The balance as at 30 June 2020 of EUR 80,640 thousand refers to prepaid taxes believed to be recoverable from future taxable income as envisaged under the Group's most recent plans, including the effects of Covid-19 pandemia as described in the related Report on Operations section. The increase compared to the previous year is mainly due to the registration of prepaid taxes on the tax loss for the period.

5.2.6 Other financial assets

As at 30 June 2020, the balance of this item amounts to EUR 6,161 thousand (EUR 6,475 thousand last year) and relates to medium-/long-term receivables.

5.3 Non-current assets classified as held for sale

The balance as at June 30th, 2020 of EUR 1,058 thousand consists of the residual value of the subsidiary Saras Energia SAU's business unit, which is held for sale: more specifically, it relates to the value of the last gas station to be transferred, for which the subsidiary is still waiting for the last authorisation from local Authorities. It decreased compared to 31 December by EUR 5,980 thousand, following the completion of the sale, that took place in June, of two of the three stations to Kuwait Petroleum España SA.
The related receivable for the disposal of the stations has been entered under the item "Other current assets".

5.4 Current liabilities

5.4.1 Short-term financial liabilities

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

Short-term financial liabilities	30/06/2020	31/12/2019	Change
Current bank loans	18,944	70,017	(51,073)
Bank current accounts	345,783	7,973	337,810
Financial derivatives	176,764	35,875	140,889
Other short-term financial liabilities	30,839	91,032	(60,193)
Total	**572,330**	**204,897**	**367,433**

The item "Current bank loans" includes the short-term portion of bank loans granted to the Group, which are valued at amortised cost. The terms and conditions of the loans and bonds are described in the subsequent note "5.4.1 - Long-term financial liabilities". The decrease is mainly due to the renegotiation of a EUR 50 million loan, originally expiring on March 2020 and now classified among Long term financial liabilities.

"Current bank accounts" comprises the credit lines balance as well as the "hot money" transactions used by the Group in the normal course of business. In addition, Saras has in place a credit line ("Revolving Credit Facility") for a maximum of EUR 305 million: as at June 30th, 2020 the balance of such credit line amounted to EUR 150 milion.

Furhermore, Saras has opened an "hot money" short term loan, amounting to EUR 182 million, expiring on July 20th, 2020.

The item "Financial derivatives" reflects the negative fair value of the financial derivatives in place as at 30 June 2020: the increase of such items on 31 December 2019 is primarily due to the rise in the prices of crude and oil products.

The following table shows assets and liabilities measured at fair value as at 30 June 2020, broken down by the underlying type:

Financial derivatives	30/06/2020 Assets	30/06/2020 Liabilities	31/12/2019 Assets	31/12/2019 Liabilities	Change
Interest rate swaps	0	508		(100)	608
Fair value derivatives on commodities	117,553	176,054	21,086	(29,392)	205,446
Fair value forward purchases and sales on exchange rates	0	202		(3,283)	3,485
Fair value, derivative instruments	29,113	0		(3,100)	3,100
Total	**146,666**	**176,764**	**21,086**	**(35,875)**	**212,639**

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

For further details, see the cash flow statement.

5.4.2 Trade and other payables

Trade payables amount to EUR 1,056,698 thousand, with a decrease amounting to 592,038 compared to the balance as at 31 December 2019. The reduction is partly due to a decline in the quantities purchased in the run-up to the end of the period and partly to the sharp declining trend seen in market prices during the six-month period.

5.4.3 Current tax liabilities

This item breaks down as shown below:

Tax liabilities	30/06/2020	31/12/2019	Change
Payables for VAT	26,264	9,888	16,376
IRES payables (and income tax foreign firms)	842	255	587
Other tax payables	153,125	66,329	86,796
Total	**180,231**	**76,472**	**103,759**

The item "Other tax payables" mainly includes payables for excise duties on products released for consumption by the Parent Company, Saras S.p.A., (EUR 147,809 thousand) and the subsidiary Saras Energia S.A.U. (EUR 2,974 thousand). The increase essentially arises from the effect of the excise tax advance payments made only in December, as provided by Italian law.

In addition, during the second quarter, the Group took advantage of the option - granted by the "Relaunch Decree" (Decree-Law No. 34 of 19 May 2020, providing: "Urgent measures in the areas of health, support for work and the economy, as well as social policies related to the COVID-19 epidemiological emergency", Article 132) as regards the payment of 80% of excise duties and a different instalment schedule for tax warehouse operators. The combination of these options allowed the Group to postpone to the last quarter of 2020 a portion of the excise duty payments due in the quarter, amounting to approximately EUR 66 million.

5.4.4 Other liabilities

The breakdown of other current liabilities is shown in the table below:

Other current liabilities	30/06/2020	31/12/2019	Change
Payables employee benefit and social security	6,968	11,038	(4,070)
Payables due to employees	22,239	19,977	2,262
Payables to others	21,002	21,690	(688)
Accrued liabilities	1,182	3,904	(2,722)
Deferred income	9,076	29,050	(19,974)
Total	**60,467**	**85,659**	**(25,192)**

The item "Payables to personnel" includes salaries for June not yet paid and the accrued portion of additional monthly payments, as well as bonuses for the achievement of corporate goals.
The decrease in "prepayments" is mainly due to the subsidiary Reasar.

5.5 Non-current liabilities

5.5.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	30/06/2020	31/12/2019	Change
Non-current bonds	200,853	198,994	1,859
Non-current bank loans	60,002	0	60,002
Other long-term financial liabilities	51,466	55,710	(4,244)
Total	**312,321**	**254,704**	**57,617**

The item comprises the medium-/long-term portions of the bank loans granted to the Parent Company. These are summarised as follows (values in EUR millions):

Values expressed in millions of EUR	Commencement / Debt renegotiation	Original amount	Base rate	Balance at 31/12/2019	Balance at 30/06/2020	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Unicredit	February 2020	50	6M Euribor	49.4	50.0		50.0
Bond	December 2017	200	1.7%	198.7	200.9		200.9
Santander	May 2020	10	2.5%		10.0		10.0
Total liabilities to banks for loans				**248.1**	**260.9**	**-**	**260.9**

The item "Long-term financial liabilities" comprises:

- a bond for a total nominal value of EUR 200 million, maturing on 28 December 2022 with a fixed annual coupon of 1.70%, represented by a private placement of debt securities on Third Market, the Austrian multilateral trading facility owned by Wiener Börse AG;
- a EUR 50 million loan, taken out by Saras S.p.A. during the first half of 2020, subject to the following covenants: in financial terms, the company must meet the following ratios: Net financial debt/EBITDA < 3.5 and net financial debt/shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements as at 31 December each year; in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.
  Failure to comply with these covenants will give the banking syndicate the right to demand early repayment of the loan.
- a EUR 10 million loan granted to Saras Energia SA on 22 May 2020 with maturity in 2023, at an annual fixed rate of 2.5% .

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

"Other long-term financial liabilities" are mainly due to the registration of financial liabilities.

5.5.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

Provisions for risks and charges	31/12/2019	Provisions	Use	Other Changes	30/06/2020
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO2 quotas fund	148,711	48,834	(89,787)	0	107,758
Other funds for risks and charges	26,529	3,028	(3,683)	0	25,874
Total	**194,278**	**51,862**	**(93,470)**	**0**	**152,670**

The provisions for decommissioning plants relate to the future costs of decommissioning plants and machinery, which are accounted for wherever there is a legal and implicit obligation to be met in this regard.

The provision for CO_2 quota charges (EUR 107,758 thousand) was accrued pursuant to Legislative Decree No. 216 of 4 April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, quotas covering the excess amount of CO_2 must be purchased on the appropriate market. The use during the period is mainly due to:

- the release (amounting to EUR 35,931 thousand) of the provision made previously for CO_2 quotas in relation to the purchase of the business unit (north plant) from Versalis S.p.A. following their final assignment of the same for the period 2015-2020;
- the purchase of quotas for the fulfilment of the 2019 obligation.

The item “Other provisions for risks” mainly refers to provisions recorded for probable liabilities of a legal nature, mainly due to a dispute with GSE for the recognition of white certificates (TEE). With specific reference to the TEE, in June the subsidiary Sarlux received a notice from GSE that part of this dispute had been settled, in relation to certain projects and certain years: consequently, the subsidiary proceeded to release part of the fund that was set aside and at the same time to make a contribution thereto.

5.5.3 Provisions for employee benefits

The following table shows the changes in “Employee end-of-service benefits”:

Provisions for employee benefits	30/06/2020	31/12/2019	Change
Post-employment benefits	10,029	9,858	171
Total	**10,029**	**9,858**	**171**

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

5.5.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,115 thousand (with a decrease amounting to EUR 1,322 thousand), relate to foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/06/2020	31/12/2019	Change
Deferred income straight-line reporting Sarlux/Gse	12,782	25,563	(12,781)
Other payables	517	541	(24)
Total	**13,299**	**26,104**	**(12,805)**

The change compared with 31 December 2019 is mainly due to the decrease in the “deferred income” item of the subsidiary Sarlux S.r.l. This item in question relates to the linearisation of revenues arising from the agreement for the sale of energy between the subsidiary and G.S.E. (Gestore dei Servizi Energetici S.p.A.) on a straight-line basis in accordance with both the term of the contract (20 years) and forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs.

5.6 Shareholders' equity

Shareholders’ equity is comprised of by the following:

Total equity	30/06/2020	31/12/2019	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	994,554	967,129	27,425
Net profit (loss) for the period	(180,584)	26,154	(206,738)
Total	**879,526**	**1,058,839**	**(179,313)**

Share capital
As at 30 June 2020, the fully subscribed and paid-up share capital of EUR 54,630 thousand was represented by 951,000,000 ordinary shares with no par value.

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

Other reserves
This item totals EUR 994,554 thousand, representing a net increase of EUR 27,425 thousand on the previous year. The net increase was the combined result of:

- the allocation of the prior year profit (EUR 26,154 thousand);
- the negative effect of the translation of foreign currency financial statements of foreign subsidiaries (EUR 65 thousand);

- the EUR 1,336 thousand increase due to the reserve for the bonus issue of shares to all employees under the company's stock grant plans;

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

Net result

The period loss amounts to EUR 180,584 thousand.

6. Notes to the Income Statement

In FY 2019, the Saras Group continued to analyse additional possible refinements to the method by which to show the Group's economic performance, reflected in GAAP and non-GAAP indicators. More specifically, it launched an analysis aimed at verifying the existence of requirements for the application of hedge accounting, in compliance with IFRS 9 "Financial Instruments" to the portfolio of derivatives.
On the basis of the analyses carried out and their results, starting from 2019, and even though the Group continues to apply a non-hedging approach to the great majority of its derivative financial instruments, it has been decided to review the accounting policy regarding the accounting classification of derivatives, representing the hedging transactions implemented to mitigate the risk of changes in the price of crude oil, semi-finished products, oil products and CO_2 allowances, in line with the commodity purchases and sales to which the derivatives refer and only attributed in the context of the corporate financial management system. Instead, the derivative transactions stipulated for other purposes remain classified under the item of the income statement that relates to financial management.
This reclassification entails the registration under the item "Cost of services and sundry costs" of the net result of hedging transactions.
In compliance with the provisions of IFRS standards, the 2019 data that have been affected by this reclassification were restated to allow for their comparison with that of the current year.

6.1 Revenues

6.1.1 Revenues from ordinary operations

"Revenues from ordinary operations" break down as follows:

Revenues from ordinary operations	30/06/2020	30/06/2019	Change
Revenues from sales and services	2,466,285	4,364,287	(1,898,002)
Sale of electricity	176,297	248,853	(72,556)
Other remunerations	5,319	5,944	(625)
Change in contract work in progress	688	282	406
Total	**2,648,589**	**4,619,366**	**(1,970,777)**

Revenues from sales and services are down by EUR 1,898,002 thousand due to the average level of market prices, which is lower during the first six months than it was in the same period of last year. This decline is due to the combined effect, brought about by the spread of the Coronavirus epidemic, of the decline in sales and consumption of oil products. For further details, see the Report on Operations.

Revenues from the sale of electricity mainly comprise EUR 149,300 thousand relating to the gasification plant, EUR 10,522 thousand relating to the subsidiary Sarlux S.r.l.'s internal utility network sales and EUR 3,693 thousand relating to the subsidiary Sardeolica's wind farm.
Among the revenues from the sale of electricity by the subsidiary Sarlux is included the effect of the linearisation calculated on the basis of 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 as well as the projected EUR/USD exchange rate until the contract expires. These projections are reconsidered when they undergo significant changes.
Please note that, pending the settlement of the dispute with the Italian Regulatory Authority for Energy, Networks and the Environment (ARERA) over the method of calculating the Avoided Fuel Cost (CEC), revenues from the sale of electricity were determined in accordance with Law-Decree No. 69/2013 ("Decreto del Fare"), which is less beneficial for the subsidiary.

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

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

6.1.2 Other income

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

Other operating revenues	30/06/2020	30/06/2019	Change
Compensation for storage of mandatory stocks	5,099	4,836	263
Sale various materials	254	374	(120)
Grants	896	964	(68)
Chartering	1,946	3,460	(1,514)
Recovery for claims and compensation	466	383	83
CO2 charges reimbursement	32,236	33,534	(1,298)
Other revenues	52,286	20,734	31,552
Total	**93,183**	**64,285**	**28,898**

The item “Repayment of CO_2 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 (Emissions Trading) as per AEEG's Resolution No. 77/08

The item “Other revenues” mainly comprises the release of the provision made in previous years for CO_2 quotas in relation to the purchase of the business unit (North plants) from Versalis S.p.A. against EUR 35.9 million.

6.2 Costs

The following table shows a breakdown of the main costs

6.2.1 Purchases of raw materials, supplies and consumables

Purchases of raw materials, replacement parts, consumables	30/06/2020	30/06/2019	Change
Purchase of raw materials	534,292	2,360,123	(1,825,831)
Purchase semi-finished products	79,222	148,943	(69,721)
Purchase supplies and consumables	50,751	45,056	5,695
Increase in property, plant and equipment	(5,800)	(10,274)	4,474
Purchase finished products	1,615,566	1,725,754	(110,188)
Change in inventories	316,605	(204,116)	520,721
Total	**2,590,636**	**4,065,486**	**(1,474,850)**

Costs for the purchase of raw materials are down by EUR 1,825,831 thousand as compared with the same period of last year, mainly due to the reduction of prices and the reduction of quantities acquired, as a result of the spread of the Coronavirus epidemic mentioned previously.

In compliance with the provisions of the accounting standards, the Group has measured inventories at the lower of purchase or production cost and the recoverable amount on the market: this comparison had not led to any adjustment in the value of inventories.

6.2.2 Costs of services and sundry costs

Services and sundry costs	30/06/2020	30/06/2019	Change
Costs for services	334,229	335,612	(1,383)
Capitalisations	(72,766)	(51,034)	(21,732)
Derivatives on crude oil products and CO2	(139,694)	57,435	(197,129)
Costs for use of third-party goods	1,242	1,004	238
Provisions for risks	51,862	49,045	2,817
Other operating costs	13,683	11,924	1,759
Total	**188,556**	**403,986**	**(215,430)**

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

Please note that, as mentioned at point 6 "Notes to the Income Statement", transactions relating to derivatives have been classified under the item "Costs of services and sundry costs", with an effect on the first half of 2019 amounting to EUR -57,435 thousand) . The item, which includes the net economic result of derivatives on crude oil, petroleum products and CO_2 quotas, reflects the performance of these variables during the six-month period, details of which are given in the Report on Operations.

The item "Capitalisations" mainly refers to the turn-around maintenance costs capitalised during the period. The increase in such item is due to the significant maintanance cycle carried out during the first half of 2020.

"Provisions for risks and charges" mainly include the allowance for charges relating to the application of Directive 2003/87/EC (Emissions Trading).

The item "Other operating costs" is chiefly comprised of indirect taxes (municipal tax on property and air emissions taxes) and membership fees.

6.2.3 Personnel expense

The breakdown of "Personnel expense" is as follows:

Personnel costs	30/06/2020	30/06/2019	Change
Salaries and wages	59,111	57,851	1,260
Increases in fixed assets for internal work	(6,391)	(5,691)	(700)
Social security contributions	16,366	17,433	(1,067)
Post-employment benefits	3,688	3,403	285
Other costs	3,102	1,823	1,279
Remuneration to the Board of Directors	978	1,088	(110)
Total	**76,854**	**75,907**	**947**

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

6.2.4 Depreciation/amortisation and write-downs

Amortisation and depreciation figures are shown below:

Depreciation/amortisation and write-downs	30/06/2020	30/06/2019	Change
Amortisation of intangible assets	18,038	18,325	(287)
Depreciation of tangible assets	78,220	71,031	7,189
Depreciation of tangible leased assets	4,572	4,691	(119)
Total	**100,830**	**94,047**	**6,783**

"Depreciation of tangible non-current assets" increases due to the commissioning of a significant part of the investments made by the Group.
The item "Amortisation of leased assets" includes amortisation of the period calculated in accordance with the provisions of IFRS 16.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	30/06/2020	30/06/2019	Change
Bank interest income	1,250	359	891
Unrealised differences on derivatives	0	(1,362)	1,362
Realised differences on derivatives	9,465	1,038	8,427
Profit on exchange rates	24,911	35,006	(10,095)
Total	**35,626**	**35,041**	**585**

Financial charges	30/06/2020	30/06/2019	Change
Unrealised differences on derivatives	(610)	359	(969)
Realised differences on derivatives	1,761	(3,928)	5,689
Interest expenses on loans and other financial charges	(8,291)	(9,127)	836
Interest on rights of use on leases	(335)	(406)	71
Exchange rate losses	(43,168)	(26,956)	(16,212)
Total	**(50,643)**	**(40,058)**	**(10,585)**

The table below shows net income/charges by type:

Financial income and Financial charges	30/06/2020	30/06/2019	Change
Net interest	(7,041)	(8,768)	1,727
Result of derivative instruments, of which:	10,616	(3,893)	14,509
Realised	*11,226*	*(2,890)*	*14,116*
Fair value of open positions	*(610)*	*(1,003)*	*393*
Net exchange rate differences	(18,257)	8,050	(26,307)
Other	(335)	(406)	71
Total	**(15,017)**	**(5,017)**	**(10,000)**

The entire fair value of the derivatives in place as at 30 June 2020 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

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

6.4 Income taxes

Income taxes can be shown as follows:

Income tax	30/06/2020	30/06/2019	Change
Current taxes	832	6,036	(5,204)
Net deferred tax liabilities (assets)	(50,369)	9,141	(59,510)
Total	**(49,537)**	**15,177**	**(64,714)**

Current taxes relates entirely to foreign subsidiaries, while the change in prepaid and deferred taxes is almost totally related to the fiscal losses of the Italian subsidiaries – as well as of Saras – for the period.

7. Other information

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

7.1 Main legal actions pending

The Parent Company Saras S.p.A. and some Group companies were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts. With respect to 31 December 2019, no significant updates apply to current disputes, nor have any new actions been taken.

The Group companies are involved in legal disputes filed by different plaintiffs for various reasons. The outcome of some of these disputes is hard to predict. Although the decisions made by the
ordinary and administrative courts with regard to alleged infringements have been contradictory, the Group believes that the probability of any liability arising is remote. If, however, a liability is deemed probable, appropriate accruals have been made to the provision for risks. Also, in this context, with respect to 31 December 2019, no significant updates apply to current disputes, nor have any new actions been taken.

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

- the non-recognition of the IGCC plant as a co-generation plant with the consequent alleged obligation to purchase green certificates;
- the recognition of white certificate credits for achieved energy efficiency;

please refer to the 2019 consolidated financial statements for further details.
Also, in this context, with respect to 31 December 2019, no significant updates apply to current disputes, nor have any new actions been taken.

7.2 Commitments

As at 30 June 2020, there are no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company Saras issued sureties totalling EUR 237,662 thousand as at 30 June 2020, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.3 Related-party transactions

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

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 2020 to 30th June 2020.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as at 30th June 2020:
   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 20

Signature: delegated authority

Chief Executive Officer

(Ing. Dario Scaffardi)

Signature: director responsible for drawing up the accounting statements

(Dott. Franco Balsamo)

Saras S.p.A.

Interim condensed consolidated financial statements as of 30 June 2020

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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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 and the related explanatory notes of Saras S.p.A. and its subsidiaries (the "Saras Group") as of 30 June 2020. 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 June 30, 2020 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 2020

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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