

Saras Group
Interim Financial
Report as of
30th September 2020



SARAS

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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
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INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

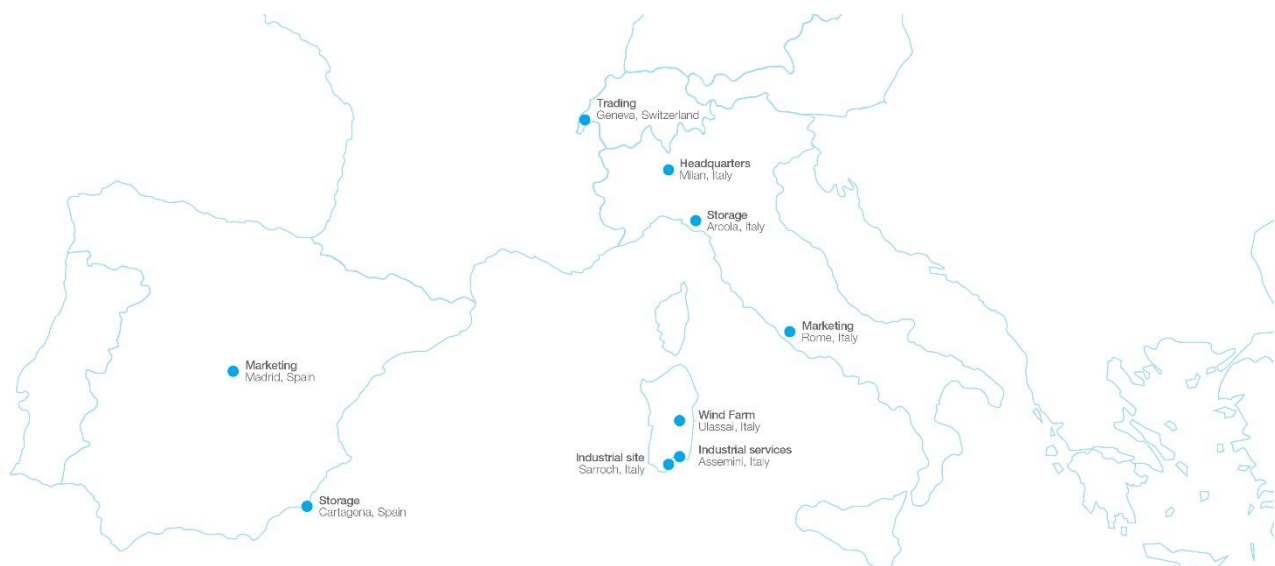
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (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.



Saras Stock Performance

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

SHARE PRICE (EUR)	9M/20
Minimum price (29/09/2020)	0.4268
Maximum price (02/01/2020)	1.474
Average price	0.8395
Closing price at the end of the first nine months of 2020 (30/09/2020)	0.4458

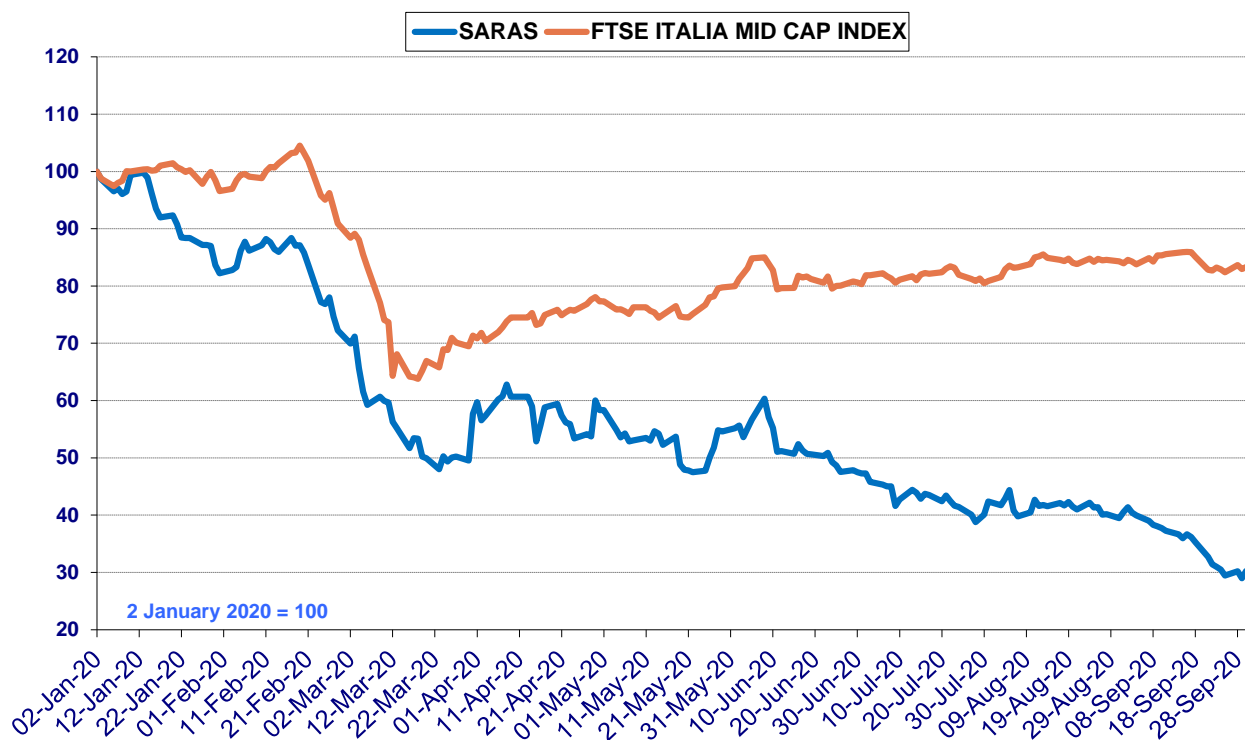
DAILY TRADED VOLUMES	9M/20
Maximum traded volume in EUR million (15/01/2020)	33.0
Maximum traded volume in number of shares (million) (19/05/2020)	32.1
Minimum traded volume in EUR million (20/08/2020)	1.4
Minimum traded volume in number of shares (million) (08/05/2020)	1.9
Average traded volume in EUR million	6.2
Average traded volume in number of shares (million)	7.5

The Market capitalization at the end of the first nine months of 2020 was equal to approximately EUR 424 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 nine months of 2020, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Covid-19 Impact

The first nine months of 2020 were characterized by an economic and social scenario that was seriously affected by the crisis in consumption which followed the containment measures of the Covid-19 pandemic.

Despite the difficult context of the pandemic, Saras, an essential industry in Italy that supplies a significant share of Sardinia's energy, has kept its plant of the Sarroch refinery running while still conducting the major maintenance activities that were scheduled. The refinery and the multitude of suppliers working on the plant maintenance was made possible thanks to the safety and Covid-19 containment measures that were immediately implemented, in compliance with provisions prepared by the National Authorities included the Prime Ministerial Decree and the order of the President of Sardinia Region.

This has allowed us, even in an extremely delicate moment, to provide the best safeguards for all workers at the refinery and the full employment of our workforce, including the many people employed by the companies engaged in the maintenance activities. This allowed us to make a tangible contribution to the economy of the territory where Saras operates. With this aim all the necessary measures were adopted to counter the virus and preserve the health of employees and partners including outside the productive site 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 to cover any need for hospitalization and subsequent 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.

In the refining sector, particularly 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 persisting 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, in an effort to support crude oil prices. The high level of volatility in the price of crude oil was added to these events due to the strong level of uncertainty that characterized the course of the pandemic and therefore also the containment measures adopted. These phenomena led to a significant drop in the refining margins, with evident impacts on the economic and financial results of the sector. With regard to Saras, it should be noted that also in this context the Company was able to leverage its characteristics of high flexibility and resilience, managing to guarantee a management performance in the first half and therefore a positive comparable EBITDA of the Group, which however, only partially offset the impact on the trend in prices on inventories that occurred at the reported EBITDA level.

Subsequently, in the third quarter of the year, there was an unexpected tightening of the scenario with a further decline in the margins of some reference products. The marginality of diesel has reached an all-time low. In addition, the production cuts that mainly impacted medium-heavy high sulfur crude oils further compressed the margins of complex refineries such as Saras (for a more detailed explanation on the evolution of the scenario, see the paragraph "Oil market and refining margins"). These conditions significantly reduced the profitability of the Refining segment in the third quarter, and led to a revision of the estimates of the market recovery times by the main sector analysts, who are now expecting an improvement in the scenario not before the second half of 2021.

In this regard, although the timing of the recovery is uncertain, it should be noted that the recession caused by Covid-19 is due to factors that are external to the economic system, which should therefore not weaken its fundamentals. We therefore consider that Saras Group's operations are able to recover profitability in the coming quarters and restore it in the coming years, depending on the expected recovery in demand.

To describe the "Covid-19 impact" on the Group's business in the first nine months of the year, we compare the main assumptions for the market for 2020 immediately before the crisis with the same average values recorded in the first nine months 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 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 was extremely volatile in the first months of 2020 falling by about 28% compared to expectations, the drop being especially marked since mid-March until it reached historic lows of 13.2 \$/bl in mid-April, after the slump in consumption was worsened by the failure of the Opec+ countries to agree on production cuts. However, once the agreement was reached and had entered into force in May, production cuts were mainly concentrated on high-sulphur medium-heavy crude thus supporting the prices of the entire "sour" basket, whose differentials remained under pressure throughout the second and third quarters.

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 approximately 31% accompanied by a reduction in margins of approximately 50%. Despite an initially lower drop in demand due to the resilience of commercial transport, the average price of Diesel dropped by approximately 33% and the margin contracted by approximately 52%. In the third quarter in particular, diesel margins suffered a further unexpected drop, due to the level of stocks accumulated during the year, also due to the absence of jet fuel demand, a product derived from middle distillates and to the partial recovery of Brent.

This scenario led to a reduction in the reference sector margin (EMC benchmark¹) which in the first nine months showed a negative average value equal at -0.4\$/bl, and a negative value of -1.8 \$/bl in the third quarter, compared to a "Pre-Covid" market expectation of a positive benchmark margin in the year of +3\$/bl.

During the first nine months, the Power and Wind sectors also suffered from the drop in the CIP6 tariff and the PUN. The effect induced by the collapse in gas consumption was also reflected in electricity prices, with an average CIP6 tariff in the period of 75.9€/MWh and an average PUN value of 35.6€/MWh, down approximately 15% and 30% respectively compared to the forecast for the year, despite a partial recovery in the third quarter. 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 first half of 2021.

In addition to the negative impact on the value of stocks that caused a significant reduction in turnover, working capital has gone up due to a significant reduction in payables to suppliers that is more than proportional to the reduction in trade receivables and inventory stock. The collapse of the diesel and gasoline margins in the third quarter further worsened cash generation in the period. This change, together with the important investment plan completed mostly during the first half of the year, led the Group's Net Financial Position, positive at 31 December 2019 at EUR 79 million pre-IFRS 16 (EUR 30 million post IFRS 16) to become a net debt position at 30 September 2020 of EUR 413.3 million pre-IFRS 16 (EUR 455.8 million post IFRS 16).

Beginning from end of March, Saras implemented various operational and financial measures to contain the impacts of the crisis.

In particular, in the Refining sector the fall in demand and the particularly unfavorable margins on the gasoline market led the Company to extend the shutdown of the FCC unit throughout June. This is the largest gasoline-producing plant which had already been undergoing scheduled maintenance in the months of March, April and May. Refinery runs in the second quarter were therefore concentrated on middle 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 to Q2 results. In particular, it resorted to some hedging operations to ensure a margin on diesel production, and took advantage of the commercial opportunities deriving from the marked price contango structure which originated between the end of March and the beginning of April.

At the end of March, the Company then gradually repurchased the level of inventories at particularly advantageous prices, with an economic benefit that was reflected in the reported results for the third quarter, albeit disadvantaged by the further deterioration of the scenario for the period.

In a prudential perspective and in light of the considerable uncertainty of the markets, to better preserve the financial strength and the economic and financial balance of the Group, Saras deemed it appropriate to suspend the dividend proposals on 2019 profits and to authorize the share buy-back plan approved on March 2.

Alongside these measures, which concerned the first half in particular, the Company decided to adopt some extraordinary measures to contain the effects of the persistent negative scenario, starting with the decision to keep the refinery operational in relation to the cost-effectiveness of marginal processing, safeguarding however, the production of electricity is fundamental for the balance of the Sardinian grid. Saras also took action to implement and started a program to reduce operating costs and investments, also through the temporary use of the redundancy fund, partially adopted for all employees of the group starting from the end of October 2020. Investments instead, they will be revised starting from 2021, as those for 2020 have already been started and concentrated in the first half of the year.

In order to reduce the Group's liquidity risk and contain the potential economic and financial impacts deriving from the persistence of the economic crisis, the Company, in addition to the medium-term loans signed in the first quarter of 2020, has initiated and is currently being defined with some leading credit institutions the strengthening of medium / long-term credit lines, and the review of some financial parameters on existing lines to take into account 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 has also updated the potential impacts due to the persistence of the Covid 19 emergency on the main balance sheet items to which reference should be made to the Explanatory Notes.

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 are reported in both GAAP and non-GAAP measures.

With this in mind, from Q4 2019, the Group decided to update its accounting policy regarding the rules for classifying derivative instruments in the Reported results, classifying the actual realised results rather than the results of derivative instruments for hedging commodities and CO2 charges under Reported EBITDA, consistent with the recognition of transactions for the purchase and sale of crude oil and products, against which they are realised and with which they are directly correlated, despite the fact that their current value continues to be recognised as a counter-entry in the income statement. In addition to meeting the improvement objective mentioned above, this decision also stemmed from the options offered by IFRS 9, which recently became applicable.

To present the Group's operating performance in a way that best reflects the most recent market trends, in line with generally accepted practices in the oil sector, the operating profit and comparable net profit, non-accounting values processed in this report on operations have been stated with the measurement of stocks using the FIFO method, but excluding unrealised gains and losses on stocks resulting from scenario changes calculated by measuring opening stocks (including the related derivatives) at the same unit values as closing stocks (when quantities increase in the period), and closing stocks at the same unit values as opening stocks (when quantities decrease in the period). Items that are non-recurring in terms of their 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.

To allow comparability with these criteria that were adopted starting from the fourth quarter of 2019, the comparable and reported results for the first nine months of 2019 have been restated.

Key financial and operational Group Results

EUR Million	9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
REVENUES	3,960	7,106	-44%	1,218	2,422	-50%
EBITDA reported	(78.1)	258.3	n.s.	36.3	120.2	-70%
Comparable EBITDA	10.2	234.5	-96%	(61.5)	125.7	-149%
EBIT reported	(234.7)	114.8	n.s.	(19.7)	70.6	n.s.
Comparable EBIT	(146.5)	91.0	n.s.	(117.5)	76.1	n.s.
NET RESULT reported	(174.0)	66.8	n.s.	6.7	42.7	-84%
Comparable NET RESULT	(111.1)	53.8	n.s.	(69.6)	51.3	n.s.

EUR Million	9M 2020	FY 2019
NET FINANCIAL POSITION ANTE IFRS 16	(413)	79
NET FINANCIAL POSITION POST IFRS 16	(456)	30
CAPEX	224	345

Comments on the Group Results for the First Nine Months of 2020

In the first nine months of 2020, **Group revenues** were equal to EUR 3,960 million, down by 44% compared to EUR 7,106 million in the first nine months of the previous year. This significant reduction is due to the effects that the measures taken to contain the Covid-19 pandemic had on consumption levels, with an impact on volumes sold and the price of oil products.

In particular, the Refining segment recorded lower revenues of approximately EUR 2,390 million (46% lower than in the same period of the previous year) and the Marketing segment's revenues were lower by about EUR 663 million (43% lower than in the same period of the previous year).

In the Refining segment, volumes decreased by 15% compared to the first nine months of 2019: the plant shutdown in the first half of the year that involved the T1 Topping units and the FCC unit for the important scheduled maintenance cycle, which started in March and was completed at the end of May, was extended to for the FCC plant for the whole month of June, given the low cost of gasoline refining in the second quarter, when the gasoline crack saw a 57% decrease compared to the average of the same period of the previous year. In the first nine months of 2020 gasoline crack averaged 4.1 \$/bl, 43% lower than in the first nine months of 2019 (7.1 \$/bl in the first nine months of 2019). Similarly, diesel crack averaged 7.3 \$/bl in the first nine months of 2019 hitting values below 2 \$/bl, down 48% compared to the average of 14.2 \$/bl in the first nine months of 2019. This decline was concentrated in the third quarter, when the diesel crack reached 4.4 \$/bl, the period in which Saras postponed the maintenance of one of the two mild hydrocrackers, plants used in the processing of middle distillates.

In Marketing, sales volumes decreased by 19%.

Compared to the first nine months of 2019, the contribution of the Power and Wind segments was also lower, as they were affected by the drop in electricity prices, which partially recovered during the third quarter.

The Group's reported EBITDA in the first nine months of 2020 was EUR -78.1 million, down compared with EUR 258.3 million in the first nine months of 2019.

This difference is due to the extremely unfavorable circumstances caused by the Covid-19 pandemic, which led to a sharp drop in oil prices and therefore in the valuation of inventories in the Refining and Marketing segments, particularly in the first half of the year. This had a negative impact of EUR 83.7 million in the nine months that was only partly offset by a recovery in the prices of refined products in the third quarter. Moreover, in the third quarter, contrary to forecasts, the worsening of diesel and gasoline cracks and the absence of discounts on certain types of heavy crude oils, had a further negative effect on the profitability of the Refining segment.

In this context, the Company adopted some measures as early as the first quarter to contain the negative effects: for example, to guarantee a margin on diesel production, hedging transactions were established at the end of March to secure an advantageous price on diesel crack, which closed positively in the second quarter with a contribution to EBITDA of about EUR 19 million. In addition, to take advantage of the clear contango price structure that originated between the end of March and the beginning of April, the Company had increased its stocks of refined products during the second quarter, with a benefit almost entirely realized in the third quarter, albeit not appreciable, given the worsening of the scenario in the period.

It should also be noted that EBITDA for the first nine months of 2020 benefited from the release of the EUR 35.9 million provision set aside for CO2 quotas in the first quarter.

The reported Group Net Result was negative and equal to EUR -174.0 million, compared to EUR 66.8 million in the first nine months of 2019, essentially due to the reasons provided in regard to the EBITDA. During the period under review, amortization and depreciation increased slightly compared to the same period of the previous year and equal to EUR 156.8 million (compared with EUR 143.6 million in the first nine months of 2019) due to the deployment of new investments. The balance between financial income and charges was negative at EUR 11.6 million (compared to a negative balance of EUR 14.6 million in the first nine months of 2019). Other financial items (which comprise realized and unrealized differentials on derivative instruments, net exchange rate differences and other financial income and charges) showed a net negative balance of approximately EUR 0.2 million compared with a net negative jump of EUR 6.3 million in the first nine months of the previous year.

The comparable Group EBITDA was positive at EUR 10.2 million in 9M/20, down from EUR 234.5 million achieved in 9M/19. Compared to the reported EBITDA, this result does not take into account the negative impact of the valuation of the inventories in the Refining and Marketing segments caused by the drop in oil prices, which amounted to EUR 83.6 million in the first nine months.

It should be noted that comparable EBITDA also benefited from the release in the first quarter of 2020 of the EUR 35.9 million provision set aside for CO2 quotas, of which EUR 21.0 million would have been of an extraordinary nature as it relates to the 2015/2017 quotas.

The comparable Group Net Result in 9M/20 was negative for EUR -111.1 million, versus positive result of EUR 53.8 million in the same period last year.

Investments in the first nine months of 2020 were EUR 223.5 million and mainly focused on the Refining segment (EUR 206.6 million), compared to EUR 250.3 million in the first nine months of 2019. EUR 128 million of these investments refers to the aforementioned turnaround.

Comments to Third Quarter 2020 Group Results

In the third quarter of 2020 Group revenues totaled EUR 1,218.2 million, down 50% compared to the EUR 2,422 million recorded in the third quarter of last year, impacting mainly the Refining and Marketing segment, while also influencing the Power and Wind segments due to the reduction in electricity prices.

In the third quarter of 2020, revenues in the Refining segment were approximately EUR 956.5 million lower (-52% compared to the same period of the previous year) and those in the Marketing segment were approximately EUR 350 million lower (-54% compared to the same period of the previous year). From a production point of view, as has already been described, the quarter was characterized by the shutdown of one of the two Mild Hydrocrackers, a plant used in the refining of middle distillates, postponed from the second to the third quarter. This resulted in a 18% reduction in quantities processed particularly positive in terms of margins and performance. As always, production in the period remained mainly concentrated on diesel, whose margins decreased by 72% in the quarter compared to the third quarter of 2019.

The Group's reported EBITDA in the third quarter of 2020 was positive for EUR 36.3 million, down compared with a positive result of EUR 120.2 million in the third quarter of 2019. The contribution deriving from the recovery in prices and recorded in the average valuation of inventories, particularly refined products, was EUR 107 million, with a partial offset in the write-down of stocks recorded in the first half of the year of EUR 191 million.

The reported Group Net Result was positive for EUR 6.7 million, compared to a positive result for EUR 42.7 million in Q3/19, for the same reason as for the EBITDA. In the third quarter of 2020, depreciation and amortization also increased slightly compared to the same period of the previous year (EUR 59 million compared to EUR 49.6 million in the third quarter of 2019) for the reasons explained above, while financial charges (EUR 4.5 million) were slightly lower than in the third quarter of 2019 (EUR 5.8 million). Lastly, other financial items (which comprise realized and unrealized differentials on derivative instruments, net exchange rate differences and other financial income and charges) were positive by approximately EUR 8.1 million in the third quarter of 2020 compared to a negative value of approximately EUR 10 million in the same period of the previous year.

The comparable Group EBITDA was negative for EUR 61.5 million in Q3/20, down from EUR 125.7 million in Q3/19, mainly referring to the Refining segment, as commented in the segment analysis. This result compared to the reported EBITDA does not take into account the positive impact - in the Refining and Marketing segments - of the valuation of inventories resulting from the recovery of oil prices during the quarter, amounting to EUR 107 million.

The comparable Group Net Result in Q3/20 was negative for EUR 69.6 million, down from a positive result of EUR 51.3 million in the same period last year.

Investments in the third quarter of 2020 were EUR 37.5 million (EUR 46.1 million in the third quarter of 2019).

The tables below present the details of the calculation of comparable EBITDA and comparable Net Result for the first nine months and the third quarter of 2020 and 2019.

Calculation of the Group comparable EBITDA

<i>EUR Million</i>	9M 2020	9M 2019	Q3/20	Q3/19
Reported EBITDA	(78.1)	258.3	36.3	120.2
Gain / (Losses) on Inventories and on inventories hedging derivatives	83.6	(17.8)	(107.5)	11.8
Derivatives FOREX	1.1	(5.9)	8.1	(6.2)
Non-recurring items	3.6	-	1.7	-
Comparable EBITDA	10.2	234.6	(61.5)	125.8

Calculation of the Group comparable Net Result

<i>EUR Million</i>	9M 2020	9M 2019	Q3/20	Q3/19
Reported NET RESULT	(174.0)	66.8	6.7	42.7
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	60.3	(13.0)	(77.5)	8.6
Non-recurring items net of taxes	2.6	-	1.2	-
Comparable NET RESULT	(111.1)	53.8	(69.6)	51.3

Net Financial Position

The Net Financial Position at 30 September 2020, before the effects of applying IFRS 16, was EUR 413.3 million, down compared to a reported net financial position of EUR 79 million at 31 December 2019.

In addition to lower profitability, the negative impact of the crisis on operations caused by the Covid-19 pandemic resulting from the worsening trends in demand and prices of feedstock and products, has in particular led to cash absorption at the level of net working capital, due to a reduction in trade payables that has exceeded the reduction in inventories and receivables.

This dynamic was compounded by the effects of the investments planned for 2020 which were largely concentrated in the first half of the year and totaled EUR 223.5 million in the first nine months.

The **Net Financial Position** including the effects of IFRS16 (negative impact of EUR 42.6 million) was EUR 455.8 million.

It should be noted here that the Group has at 30 September 2020 additional credit lines granted and not used in the medium term (revolving credit line) for Euro 305 million, and in the short term for approximately Euro 200 million.

For more details, please refer to the Explanatory Notes in section 5.3.1 Short-term financial liabilities and 5.4.1 Long-term financial liabilities.

<i>EUR Million</i>	30-Sep-20	31-Dec-19
Medium/long-term bank loans	(49.9)	-
Bonds	(201.8)	(199.0)
Other medium/long-term financial liabilities	(16.4)	(7.0)
Other medium/long-term financial assets	6.0	6.5
Medium-long-term net financial position	(262.1)	(199.5)
Short term loans	(19.3)	(70.0)
Banks overdrafts	(346.5)	(8.0)
Other short term financial liabilities	(31.5)	(91.0)
Fair value on derivatives and realized net differentials	33.5	(14.8)
Other financial assets	39.7	30.8
Cash and Cash Equivalents	172.9	431.5
Short-term net financial position	(151.1)	278.5
Total net financial position ante lease liabilities ex IFRS 16	(413.3)	79.0
Financial lease liabilities ex IFRS 16	(42.6)	(48.7)
Total net financial position post lease liabilities ex IFRS 16	(455.8)	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	Q3/19	9M/19	Q1/20	Q2/20	Q3/20	9M/20
Crude oil price and differential (\$/bl)								
Brent Dated (FOB Med)	63.1	68.9	62.0	64.6	50.2	29.6	42.9	41.1
Urals (CIF Med)	63.4	68.1	61.8	64.4	48.4	31.8	43.1	41.2
"Heavy-light" price differential	+0.3	-0.7	-0.2	-0.2	-1.9	2.2	0.2	0.1
Crack spreads for refined oil products (\$/bl)								
ULSD <i>crack spread</i>	15.2	12.0	15.4	14.2	11.2	6.4	4.4	7.3
Gasoline <i>crack spread</i>	2.6	8.3	10.4	7.1	5.3	2.4	4.5	4.0
Reference margin (\$/bl)								
EMC Benchmark	+1.1	+0.2	+3.0	+1.4	+1.3	-0.7	-1.8	-0.4

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

The refining sector experienced a particularly difficult time in the first nine months of 2020, given the combination of two unprecedented phenomena on both the demand and supply sides: on the one hand, the collapse in consumption caused by the Covid-19 pandemic and, on the other, the supply shock generated at the beginning of April by the production cuts in Opec+ countries and Russia, aimed at raising crude oil prices, which however placed further pressure on the cracks of the main refined products.

The third quarter was characterised in particular by very depressed refining margins as, even after the lockdown measures were withdrawn, oil consumption struggled to recover while the high levels of stocks of refined products prevented prices from rebounding appreciably. Moreover, the effect of OPEC+ Russia production cuts has resulted in a contraction of the sweet-sour differential, which has penalised in particular the complex high-conversion refineries such as Saras, which have a typically heavier, high-sulphur slate.

Crude Oil Prices

After reaching a price of almost \$70/bl at the end of 2019, Brent Dated prices in the first quarter fluctuated in a range between 55 and 70 \$/bl, before falling sharply from the beginning of March, against a reduction in consumption in the Asian market in the first months of the quarter due to the measures taken to contain the Covid 19 pandemic. 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 recorded in the first quarter proceeded to reach the lowest level in 20 years on 21 April, at 13.2 \$/bl.

This trend continued until mid-April when, in the face of the renewed production agreement between OPEC and Russia, stipulating cuts of 9.7Mbl/d as from 1 May plus a further 3Mbl/d of cuts in US and Canadian production, Brent quickly returned to a price of 40 \$/bl, remaining above 40 \$/bl during the months of May and June, closing the second quarter at 41.8 \$/bl.

In the third quarter, prices remained confined to a narrow range of between 38 and 46 \$/bl. From July and until 25 August, there were indications of rising prices, thanks to an initial economic improvement and the effect of OPEC+ Russia production cuts (about 10Mbl/day); subsequently, the increase in contagions and the consequent cooling of the economic cycle caused a "sell off" of the financial markets, against which Brent prices dropped, closing the month of September at 40.7 \$/bl.

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

The first quarter of 2020 saw a back-and-forth trend in the differential, with a discount on heavy crude oils towards light crude oils at around -3 \$/bl and then progressively declining until reaching zero in the first half of February: these discounts below expectations can be traced back to the failure of the bearish effect to materialize regarding heavy crude oils that was expected with the introduction of the new IMO specifications and to the damage caused by the continuing lack of Iranian and Venezuelan crude oil. However, in March 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 Saudi Arabia led to a drastic reduction in official selling prices in April, on the order of 4 ÷ 8 \$/bl, dragging down the entire basket of sour crudes.

The trend then reversed drastically from mid-April, with the renewed agreement between OPEC and Russia and the production cuts that mainly involved medium heavy crude oils with high sulphur content: the entire sour basket suddenly moved upwards, by virtue of the reduced availability of this material, and Ural gained a considerable premium over Brent.

This trend was maintained in the second and third quarters with an average premium differential in the second and third quarters of 2.2 \$/bl and 0.2 \$/bl respectively.

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

The first quarter was characterized by crack spreads beginning to diverge significantly in March, after opening the year at levels that were on average low compared to historical trends and with trends differing significantly depending on the type of product, in relation to the impact on relative consumption of the restrictions applied globally to contain the pandemic. In the second quarter, the persistent weakness in demand, accompanied by the sharp rises in crude oil prices generated by cuts in Opec+ countries, continued to put pressure on the margins of the various products. In many cases these reached minimum values, forcing many European and US refining sector operators to temporarily reduce their utilization rate. Indeed, this rate fell by almost 70% in Europe. In contrast to the expectations at the end of June, in this case there were no signs of improvement in the third quarter, and in fact the trend for middle distillates worsened.

In particular, **jet fuel** is the product most impacted by the effects of the pandemic, with airlines beginning to cancel flights to and from 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 spread went from 10.1 \$/bl in January to 5.8 \$/bl in March. It worsened further in the second quarter, reaching minimum negative values of -5 \$/bl in May with air traffic that almost stopped on a global scale from March. A modest recovery was observed at the end of June and throughout the third quarter, due to a resumption of flights in China, the first country to relax pandemic containment measures. However, this did not allow the crack spread to return to acceptable levels and the average for the third quarter remained negative at -2 \$/bl.

Gasoline is the second product to be hit the hardest by the crisis initially. Its crack spread of around \$5.7/bl in January collapsed rapidly from the second half of February with the spread of COVID and lockdown measures in Europe, reaching negative territory several times, and closing at 2.3 \$/bl at the end of March, before remaining at very low levels for much of the quarter (around 2 \$/bl on average), when lockdown measures led to the collapse of gasoline consumption. A modest improvement could only be observed towards the end of May, partly due to the easing of the lockdown in many European countries (with partial resumption of private car usage), and partly also to the "economic run cuts" (i.e., production cuts) decided by many refineries, given the depressed refining margins. With the end of the lockdown measures, gasoline consumption recovered fairly well between June and July, allowing for a reduction in stocks that had reached critical levels. However, this trend was quickly overturned in August, when fears of a new wave of the infection prevented the crack spread from strengthening significantly. Moreover, the numerous production stops linked to the hurricane season in the USA offered additional support to gasoline, thereby allowing the crack spread to reach an average of around 6 \$/bl in September.

Diesel has proven to be more resilient than other products, maintaining an average crack spread 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). In March, on the other hand, demand was affected by the consequences of the pandemic, albeit less than that of jet fuel and gasoline, thanks to the stability of commercial traffic (food and other goods, including deliveries) as well as consumption for agriculture and heating. The crack spread for diesel closed March at 12.5 \$/bl. Despite that, in the second quarter diesel saw its margin halved from +10 \$/bl in April to around +5 \$/bl in May and June: the stability of commercial traffic of foodstuffs and essential goods was not sufficient to offset the effect induced by the reduction in industrial consumption. In the third quarter, middle distillates proved to be the products most affected by the economic implosion resulting from the pandemic: the diesel crack in particular was affected by the drop in industrial consumption and the jet fuel surplus that was not consumed by air traffic. The average for the quarter was 4.4 \$/bl, and the inventories of diesel were further inflated, reaching capacity limits.

The **VLSFO crack spread** also declined markedly as early as the first quarter: the strength shown in January, when the new IMO specification came into force, was progressively reduced, as the feared criticality in product availability did not materialize and the average crack spread in the first quarter stood at 8.2 \$/bl. In the second and third quarters this trend worsened: the support of the new IMO specification seen at the beginning of the year was completely cancelled out by the effects of the pandemic, which also reduced maritime traffic, and the VLSFO crack spread dropped to an average value of 0.3 \$/bl. in the third quarter. A similar trend was recorded for the **LSFO crack**, which is used as blendstock in the VLSFO probunker formulation. It reached a negative average of -1.2 \$/bl in the third quarter.

By contrast, the strong negative trend in the first quarter was reversed for the **HSFO crack** beginning in March and continued until the end of September, due to the reduction in the availability of ATZ crude oils following both the OPEC+ and Russian cuts in production and the readjustment of the refineries that converted production into middle distillates, bringing the spread from an average of -14.7 \$/bl in the first quarter to an average of -5.6 \$/bl in the third quarter.

Refining Margin

For 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.

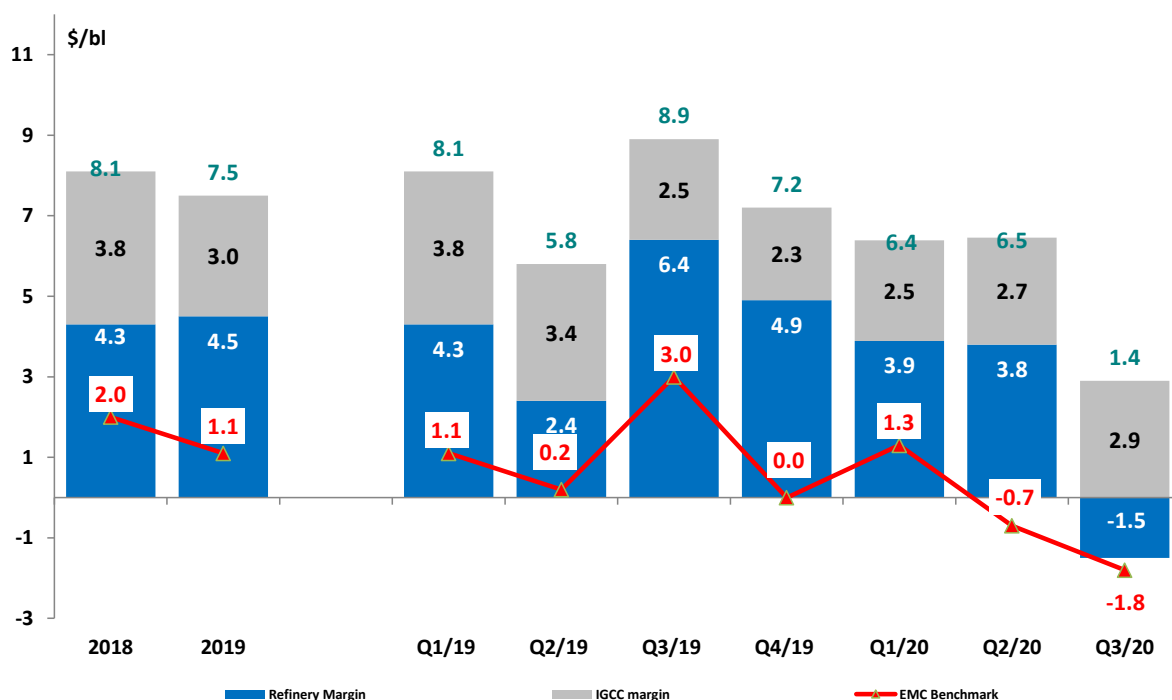
Because of its high level of flexibility and the complexity of its plants, the Saras Group refinery has the capacity to refine many types of crude oil and therefore is typically able to achieve a refining margin higher than the EMC Benchmark margin (see table below), thanks to its flexibility and resilience characteristics.

The size of the Saras premium above the EMC Benchmark nevertheless depends on the specific market conditions, as well as the performance of industrial and commercial operations in each single quarter.

In the first nine months of 2020, given a market scenario that had deteriorated sharply as a result of the pandemic, the EMC Benchmark recorded a negative average of -0.4 \$/bl (it had averaged 1.1 \$/bl in 2019). In the same period, Saras achieved an average EMC premium of +2.4 \$/bl with an average refining margin of 2.0 \$/bl².

In particular, the absence of a significant recovery in demand in the third quarter, which worsened the already high level of stocks on the market, and the persistence of the negative effects deriving from production cuts affecting mainly the heavy crude oils such as Urals, were reflected in a further worsening of the EMC margin, which reached an average negative value of -1.8 \$/bl during the quarter.

In this context, Saras was able to secure a premium of +0.3 \$/bl³ on the EMC benchmark, recording a negative refining margin of -1.5 \$/bl. This result, is a direct consequence of some specific phenomena that played out in the third quarter, placing the Saras refinery at a disadvantage compared to the "standard Mediterranean refinery" to which EMC refers. In particular, Saras' lower yield in high-sulphur fuel oils, whose margins appreciated significantly during the quarter, and the higher yield of the Saras refinery with regard to middle distillates such as diesel, whose crack spreads decreased significantly during the quarter, affected results negatively. This factor was compounded by the failure to create a more favourable environment in terms of discounts for the heavy crude oils typically purchased by Saras.



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 The processing in the first nine months of 2020 was low compared to the average and amounted to 61 million barrels (compared to 71 million barrels in the same period of 2019).

³ Processing in the Q1/20 period amounted to 21.2 million barrels (compared to 26 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, also including 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 2021, following the expiration of the CIP6/92 tariff electricity sales agreement, the refining sector and the electricity generation sector that produces power through the combined cycle plant will be aggregated according to the strategy of integrating the production assets of the two sectors, with a large part of the electricity produced to be consumed by the refinery.

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 tonnes/year, which corresponds to approximately 17% of the total distillation capacity in Italy. Below are the financial and operational highlights of the segment.

EUR Million	9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
EBITDA reported	(165.1)	107.9	n.s.	1.6	73.1	n.s.
Comparable EBITDA	(88.9)	83.4	n.s.	(98.5)	78.4	n.s.
EBIT reported	(272.5)	11.3	n.s.	(37.6)	39.5	n.s.
Comparable EBIT	(196.3)	(13.4)	n.s.	(137.7)	44.8	n.s.
CAPEX	206.6	206.6	0%	33.5	36.8	-9%

Margins and refinery runs

		9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
REFINERY RUNS	<i>Tons (thousand)</i>	8,333	9,780	-15%	2,903	3,555	-18%
	<i>Barrels (million)</i>	60.8	71.4	-15%	21.2	26.0	-18%
	<i>Bl/day (thousand)</i>	224	262	-15%	233	282	-18%
COMPLEMENTARY FEEDSTOCK	<i>Tons (thousand)</i>	573	871	-34%	130	320	-59%
EXCHANGE RATE	<i>EUR/USD</i>	1.124	1.124	0%	1.170	1.112	5%
EMC BENCHMARK MARGIN	<i>\$/bl</i>	(0.4)	1.4		(1.8)	3.0	
SARAS REFINERY MARGIN	<i>\$/bl</i>	2.1	4.1		(1.5)	6.4	

Comments to First nine months 2020 Results

Crude refinery runs during 9M/20 stood at 8.3 million tonnes (60.8 million barrels, corresponding to 224 thousand barrels per day), down by 15% compared to 9M/19. Complementary feedstock amounted to 0.57 million tonnes compared to 0.87 in the first nine months of 2019. This trend is primarily due to the important scheduled maintenance cycle in the first half of the year that mainly involved the T1 Topping plants and the FCC unit, the largest gasoline production plant, with an impact on the first half of the year of about 90 days. In addition, the FCC unit, given the extremely unfavourable margins and therefore the low cost of producing and selling gasoline, only came back into operation in July, remaining at a standstill for another 30 days longer than expected. In the third quarter there were fewer processing operations due to the reduced margins and due to the shutdowns of one of the two mild hydrocrackers, for about 30 days, plants used in the production of diesel.

The comparable EBITDA was negative for EUR 88.9 million, with a refining margin of +2.1 \$/bl (as is usual, net of the impact from the maintenance activities conducted during the period). This result compares with a comparable positive EBITDA equal to EUR 83.4 million and a Saras refinery margin of +\$4.1/bl in the same period of last year. As always, the comparison must take into account market conditions and the specific performance of the Saras Group, from an operational as well as a commercial perspective. It should be noted that the EBITDA for 2020 includes the positive effect of

approximately EUR 36 million from the release of the CO2 risk provision as described above, with EUR 21.0 million relating to the 2015/2017 quotas that would have been of an extraordinary nature.

The result for the first nine months of 2020 was mainly affected by a **negative scenario with an impact on EBITDA of approximately EUR -178 million** compared to the same period of 2019. In particular, the negative impact of the lower diesel and gasoline crack spreads was not offset by the reduction in the price of Brent and the related premiums and discounts on purchased crude oils. The effect of the EUR/USD exchange rate (EUR 1 was worth USD 1.101 in the first half of 2020 as compared to 1.130 in the first half of 2019) was instead neutral in the first nine months.

From the **operational performance** point of view, in the first nine months of 2020 the production planning activity (which consists in the optimization of the mix of raw materials brought into processing, in the management of semi-finished products, and in the production of finished products, including those with special formulations) brought to EBITDA of the period with a contribution of about EUR 10 million lower than in the first nine months of 2019, in consideration of the limited opportunities for optimization deriving from the changed market context and 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 the higher consumption compared to the technical limits of certain "utilities" such as fuel oil, steam, electricity and fuel gas) had a negative impact on EBITDA of EUR 8 million compared to the same period of 2019, due to the numerous scheduled plant shutdowns that characterized the period.

Trading & supply activities (which concerns the procurement of crude oils 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 contribution on EBITDA higher than that of the first half of 2019 for EUR 17 million, exploiting in particular the market opportunities created in the second quarter by the strong contango structure on the crude and product market.

As already described above, in the first nine months, comparable EBITDA benefited from the positive effect of the hedging operations implemented to ensure a margin on the diesel crack of approximately EUR 19 million.

Finally, the results of the first nine months benefited in the first part of the year from a reduction in operating costs, mainly due to lower costs for the purchase of electricity and catalysts. This benefit ceased in the third quarter, in particular due to the rise in the price of electricity.

Investments in the Refining segment made in the first nine months of 2020 amounted to EUR 206.6 million, in line with the investment plan envisaged for the period and with the maintenance program, the latter mainly relating to the aforementioned turnaround.

Comments to Third quarter of 2020 Results

In the third quarter of 2020, **comparable EBITDA was negative and equal to EUR -98.5 million**, with a negative Saras refining margin equal to -1.5 \$/bl (as usual, already at net of the impact deriving from the maintenance activity carried out in the period). This compares with a comparable positive EBITDA equal to EUR 78.4 million and a Saras refining margin equal to +6.4 \$/bl in the same period of the previous year.

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

In particular, in the quarter the significant decline compared to the already negative previous months in the margins of middle distillates such as diesel had a negative impact. To this factor was added the failure to materialize a more favourable scenario in terms of discounts for heavy crude oils typically purchased by Saras.

Crude processing in the third quarter amounted to 2.9 million tons (corresponding to 21.2 million barrels, 233 thousand barrels / day), 18% lower than in the third quarter of 2019. Processing of complementary feedstock amounted to 0.13 million tons compared to 0.32 million tons in the third quarter of 2019. The lower processing is due to the lower margins of the period and to scheduled maintenance activities, moved from the second to the third quarter, which mainly involved a plant used in the production of middle distillates, the mild hydrocracker, for about a month from mid-July to mid-August.

The **overall effect of the scenario on comparable EBITDA** for the period was particularly unfavorable and equal to -180 million euros compared to the same period of the previous year, mainly due to the collapse of the diesel crack - which went to values below 2 \$/bl - only to a limited extent offset by the reduction in the cost of crude oil.

In the third quarter of 2020, **production planning** (which consists of optimizing the mix of raw materials brought into processing, managing semi-finished products, and the production of finished products, including those with special formulations) brought EBITDA a higher contribution of about EUR 3 million compared to the third quarter of 2019, for the optimization of the supply of some crude oils and for the maximization of the yield in light distillates such as gasoline compared to diesel, less profitable in the quarter.

The **execution of production activities** (which takes into account the penalties related to maintenance, both scheduled and not, and the higher consumption compared to the technical limits of certain "utilities" such as fuel oil, steam, electricity and fuel gas) brought a lower benefit to comparable EBITDA for the quarter compared to the same period of the previous year, for EUR 15 million, mainly due to the aforementioned shut down for maintenance of the mild hydrocracker.

The trend in **commercial management** (which concerns the procurement of crude oils and complementary raw materials, the sale of finished products, chartering costs, and the management of inventories, including mandatory stocks) has determined a lower contribution of EUR 10 million compared to the third quarter of 2019, mainly due to the missed opportunities in the sale of products also in the face of the saturation of stocks on the market.

The investments in the third quarter of 2020 in the Refining segment amounted to EUR 33.5 million.

Crudes runs and yields of finished products

The mix of crude oils that the Sarroch refinery processed in the first nine months of 2020 has an average density of 33.0 ° API, heavier than that of the mix brought into processing in the first nine months of 2019. Analysing in detail the classes of feedstock, there is a reduction in the percentage of processing of light crude oils with a very low sulfur content ("light extra sweet") as opposed to an increase in heavy crudes with a high sulfur content ("Heavy sour / sweet"). This processing mix is due to the contingent set up situation of the plant (due to the important cycle of stops scheduled in the period) and to economic and commercial choices attributable to the conditions of offer on the market.

	9M 2020	9M 2019	Q3/20
Light extra sweet	22%	37%	28%
Light sweet	16%	12%	18%
Medium sweet/extra sweet	4%	1%	6%
Medium sour	33%	36%	24%
Heavy sour/sweet	26%	14%	23%
Average crude gravity	°API	33.0	34.5
			33.7

Turning to the analysis of finished product yields, we note that in the first nine months of 2020 the yield of the light distillates (24.4%) was lower than the first nine months of 2019.

The yield of middle distillates (50.3%) was slightly in line in comparison with the value recorded in the first nine months of 2019.

Finally fuel oil yield was higher (8.9%) and of TAR (9.0%). These changes are mainly due to the maintenance activity carried out in the period affected T1 topping and FCC plant.

		9M 2020	9M 2019	Q3/20
LPG	Tons (thousand)	131	235	55
	yield (%)	1.5%	2.1%	1.8%
NAPHTHA + GASOLINE	Tons (thousand)	2,176	2,978	805
	yield (%)	24.4%	28.0%	26.5%
MIDDLE DISTILLATES	Tons (thousand)	4,484	5,449	1,570
	yield (%)	50.3%	51.2%	51.8%
FUEL OIL & OTHERS	Tons (thousand)	796	498	141
	yield (%)	8.9%	4.7%	4.6%
TAR	Tons (thousand)	800	801	255
	yield (%)	9.0%	7.5%	8.4%

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

Marketing

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

EUR Million	9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
EBITDA	6.3	16.8	-63%	3.5	8.2	-57%
Comparable EBITDA	18.3	17.6	4%	5.7	8.5	-32%
EBIT	4.2	14.5	-71%	2.7	7.4	-64%
Comparable EBIT	16.2	15.3	6%	4.9	7.7	-36%
CAPEX	0.9	0.6		0.4	-	

Sales

		9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
TOTAL SALES	<i>Tons (thousand)</i>	2,170	2,666	-19%	837	945	-11%
of which: in Italy	<i>Tons (thousand)</i>	1,394	1,613	-14%	545	587	-7%
of which: in Spain	<i>Tons (thousand)</i>	776	1,053	-26%	292	359	-19%

Comments to first nine months of 2020 Results

According to data collected by Unione Petrolifera, in the first nine months of 2020 oil consumption, compared to the same period of the previous year, fell by about 19.1% on the Italian market, the main extra-network channel of the Saras Group.

In particular, in Italy, in the period considered, gasoline showed a drop of 21.3% and diesel recorded a contraction of 16.3%. The consumption of automotive fuels (gasoline + diesel) amounted to just under 19 million tons, down by 18.9% (-4,412 ktons).

In the first nine months of 2020, new registrations were down by 34.2%, with diesel registrations accounting for 35% of the total (compared to 41% in the first nine months of 2019). The Saras group recorded lower sales volumes in Italy by 13.6%

Turning to the analysis of the Spanish market, the data compiled by CORES show consumption of motor fuels down by 19.4% in the first 9 months of 2020. The Spanish subsidiary Saras Energia reduced the volumes sold by 24%.

The Saras Group suffered a 19% decline in sales volumes, in particular 14% in Italy and 26% in Spain.

The comparable EBITDA of the Marketing segment in the nine months amounted to EUR 18.3 million, compared to the EUR 17.6 million recorded in the same period 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 is based.

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

Comments to Third quarter of 2020 Results

According to the data collected by Unione Petrolifera, in the third quarter of 2020 oil consumption was down by approximately 11.1% on the Italian market compared to the third quarter of 2020. In particular, in Italy, in the quarter, gasoline showed a decrease of 3.4% and diesel recorded a contraction of 4.4%.

As for the Spanish market, the data compiled by CORES show consumption of automotive fuels down by 9.8% in the third quarter of 2020.

Saras' sales volumes decreased overall in the quarter by 11% (less than 7% in Italy and 19% in Spain), **the comparable EBITDA of the Marketing segment was equal to EUR 5.7 million**, compared to 8.5 million Euros in the third quarter of 2019. In Italy, the segment's performance was however positive and higher than the same period of the previous year, confirming a trend in the sale of fuels in the wholesale channel that was overall better than the market, and despite the contraction of fuel withdrawals by oil companies in Sardinia which was also confirmed in the summer quarter.

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	9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
EBITDA	77.4	123.1	-37%	30.7	37.3	-18%
Comparable EBITDA	77.4	123.1	-37%	30.7	37.3	-18%
EBIT	35.7	82.9	-57%	16.5	23.5	-30%
Comparable EBIT	35.7	82.9	-57%	16.5	23.5	-30%
CAPEX	13.9	20.4	-32%	2.7	6.8	

Other figures

		9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
ELECTRICITY PRODUCTION	MWh/1000	3,007	2,984	1%	1,021	1,114	-8%
POWER TARIFF	Eurocent/KWh	7.6	9.3	-18%	7.6	9.3	-18%
POWER IGCC MARGIN	\$/bl	2.6	3.6	-28%	2.9	2.5	16%

Comments to first nine months of 2020 Results

In the first nine months of 2020, electricity production was equal to 3.007 TWh, in line with the first nine months of 2019, due to a reduced demand compared to the previous year and to the greater scheduled maintenance activities on the gasification turbines.

Comparable EBITDA (coinciding with the Reported EBITDA) amounted to EUR 77.4 million, compared to 123.1 million euros achieved in the first nine months of 2019. The change is mainly due to the lower contribution in the period of linearization on revenues (with a non-monetary effect) and the less favorable scenario compared to the same period of the previous year. In particular, the value of the CIP6/92 tariff decreased by 18%, only partially offset by a reduction in the cost of the TAR which decreased by 23% while the price of hydrogen remained substantially unchanged. Fixed costs, despite greater maintenance, were in line with those of the first nine months of 2019.

Investments in the first nine months in the Power segment amounted to EUR 13.9 million.

Comments to Third quarter of 2020 Results

Comparable EBITDA (coinciding with the Reported EBITDA) amounted to EUR 30.7 million, compared to 37.3 million euros achieved in the third quarter of 2019. The change is mainly due to the lower contribution in the quarter of linearization on revenues (with a non-monetary effect) and the less favorable scenario compared to the same period of the previous year, in particular the value of the CIP6/92 tariff decreased by 18%, and is only partially offset by a reduction in the cost of the TAR which is decreased by 35%. The price of hydrogen was also lower than the third quarter of 2019.

The result for the quarter was also impacted by the extension in the quarter of the maintenance on of one of the gasification turbines with less volumes (-8% compared to Q3/19) and equal to 1.02 TWh.

Investments in the quarter amounted to EUR 2.7 million.

Wind

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

<i>EUR million</i>	9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
EBITDA	4.0	6.8	-41%	0.7	0.7	-
Comparable EBITDA	4.0	6.8	-41%	0.7	0.7	-
EBIT	(0.9)	3.1	n.s.	(0.9)	(0.5)	-80%
Comparable EBIT	(0.9)	3.1	n.s.	(0.9)	(0.5)	-80%
CAPEX	1.7	22.2		0.8	2.4	

Other figures

		9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
ELECTRICITY PRODUCTION	MWh	149,357	136,272	10%	30,339	26,366	15%
POWER TARIFF	EURcent/KWh	3.3	5.0	-34%	4.1	4.8	-15%
INCENTIVE TARIFF	EURcent/KWh	9.9	9.2	8%	9.9	9.2	7%

Comments to First Half of 2020 Results

In the first nine months of 2020, the comparable EBITDA of the Wind segment (coinciding with the reported) was equal to EUR 4.0 million, compared to EUR 6.8 million achieved in the same period of 2019.

The decrease in EBITDA is mainly due to the 34% decrease in the electricity tariff compared to that recorded in the same period of 2019, with an average sales price of 3.4 Euro cents per KW/h compared to 4.9 cents of Euro per KW/h in the first nine months of 2019. It should be noted that the volumes produced in the period were 10% 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 1.7 million.

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

Comments to Third Quarter of 2020 Results

In the third quarter of 2020, comparable EBITDA of the Wind segment (corresponding to the reported) was equal to EUR 0.7 million, in line with the Q3/19.

Other Activities

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

EUR Million	9M 2020	9M 2019	Change %	Q3/20	Q3/19	Change %
EBITDA	(0.6)	5.0	n.s.	(0.1)	0.9	n.s.
Comparable EBITDA	(0.6)	5.0	n.s.	(0.1)	0.9	n.s.
EBIT	(1.2)	4.1	n.s.	(0.3)	0.7	n.s.
Comparable EBIT	(1.2)	4.1	n.s.	(0.3)	0.7	n.s.
CAPEX	0.6	0.4		0.1	0.1	

Investments by business Segment

EUR Million	9M 2020	9M 2019	Q3/20	Q3/19
REFINING	206.6	206.6	33.5	36.8
POWER GENERATION	13.9	20.4	2.7	6.8
MARKETING	0.9	0.6	0.4	-
WIND	1.6	22.2	0.8	2.4
OTHER	0.6	0.4	0.1	0.1
Total	223.5	250.3	37.5	46.1

Main events after the end of the First nine months of 2020

Finally, it should be recalled that on **30 September** the prosecutor of the Court of Cagliari notified the start of an investigation relating to some operations for the purchase of crude oils from the autonomous region of Kurdistan which took place between 2014 and 2016, on the basis of which the investigators hypothesize unlawful conduct. The investigations underway are the natural follow-up to news reported for some time through television broadcasts, on the contents of which Saras promptly acted, recently obtaining recognition of its reasons from the authors. Saras provided the investigators and will continue to provide all forms of cooperation in ascertaining the facts which, we are sure, took place without any irregularities of any kind on the part of the parties concerned. In any case, the Company reiterates the correctness of the conduct of its representatives, trusting that this will ultimately be the conclusion that the competent authorities will reach. In the meantime, Saras will leave no stone unturned to defend its reputation - consolidated over time and internationally recognized - as a serious operator, ethically impeccable, respectful of the law and the rules of the market.

On 12 October 2020 Saras Spa communicated the finalization of an agreement with the Local Trade Union Organizations and the members of the RSU, CIGL, CISL, UIL and UGL, for the start of the partial Ordinary Redundancy Fund to address the consequences generated by the persistence of the pandemic emergency in progress, with effect from 26 October 2020, for a period currently estimated up to 30 June 2021. The decision was necessary in the face of the continuing negative impact that the current epidemiological situation generated by Covid- 19 determined in the global market and, specifically, in the reference market of the Group, for which a more consistent recovery is expected in 2021. Within this period Saras will resort to the "Covid 19 Redundancy Fund" until it becomes available. The Redundancy Fund will be distributed among all the 1,378 employees of the Saras (Milan and Rome) and Sarlux (Cagliari) companies, according to a principle of full equity, i.e. involving the maximum number of people possible, compatibly with the technical, production and organizational needs related the activities in place in the company. The agreement was made possible thanks to an effective discussion with the trade union parties and workers in consideration of the need to continue with rigorous and incisive actions to combat the consequences of the Covid-19 emergency, with the aim of achieving the best possible result in the limit the inconvenience of workers and safeguard the important production reality of the Group, and in full awareness of the moment

of serious general economic situation linked to the coronavirus emergency. During the period concerned, the Group Companies will continue to carry out the necessary maintenance activities of the plants, also to ensure the safety of the same, and of the essential services of the sites, as well as management necessary for the current obligations of the company.

On October 15, the Swiss company Farringford Foundation acquired Saras shares, increasing it to a significant stake of 1.379% and subsequently, on October 21, up to 3.01%. The Farringford Foundation is head of the Swiss group Trafigura, based in Singapore, operating internationally in the trading of crude and petroleum products, non-ferrous materials, refined and raw materials.

Outlook

The International Monetary Fund, considering the crisis triggered by the Covid-19 pandemic, has recently revised its forecasts for the global economy growth. These forecasts, while showing an improvement for 2020 compared to those published at the end of the first half, presented a slowdown in recovery in 2021. The global GDP is expected to go down by 4.4% in 2020 (4, 9% in the forecast at the end of June). Based on these estimates, Italy is expected to show a lower growth by 10.6% in 2020 (compared to the 12.8% estimated at the end of June), with a rebound of 5.2% in 2021. For the Eurozone it is expected to decline by 8.3% (10.2% in the previous forecast), with an estimated growth of 4.7% in 2021 and for the United States a decline of 4.3% in 2020 (the forecast at the end of June was 8%), with an estimated increase in 2021 to 3.1%. The evaluation of the International Monetary Fund foresees an irregular recovery for Europe, still characterized by high uncertainty.

This situation of uncertainty and continuous evolution of the scenario does not allow us to provide reliable forecasts on the impacts that may be determined on the Group's economic and financial results in the medium term.

In particular, the expectations at the end of July for the start of a recovery between the second half of 2020 and the first quarter of 2021, had to face a marked worsening of the scenario recorded in the third quarter, in which there was a further unexpected reduction of product cracks, in particular of diesel, the main product of the Sarroch refinery, and the absence of favourable conditions on the raw materials market, with a lack of discounts on some crude oils typically used by Saras as feedstock for processing.

Assuming a slowdown in recovery, expected not earlier than the beginning of second half 2021, the Company therefore decided to adopt some extraordinary measures to contain the effects of the persistence of a negative scenario, starting from the decision to keep the refinery operational in relation to the profitability of refining processing, while preserving the production of electricity which is essential for the balance of the Sardinian grid. refinery kept operational even at a lower capacity

In light of this scenario characterized by a further quarter of reduced margins, and the consequent reduced processing in the period, Saras expects to achieve an average premium for 2020 above the EMC Benchmark margin of +2.1 \$/bbl, slightly lower to the guidance of 2.5 - 3.0 \$/bbl (net of maintenance).

With reference to the Electricity Generation segment, despite the drop in demand, it is expected to be able to achieve an annual production in the order of 3.9-4.1 TWh, and to benefit from a recovery in the price of electricity towards values closer to those preceding the crisis due to the recovery in consumption.

Finally, as regards the Wind segment, activities are underway relating to the reblading project of the Ulassai plant which consists of the replacement of all blades, with a consequent increase in production with the same installed capacity. The works, which have accumulated some delays during the lockdown period, they will be concluded by the first half of 2021 instead of in the third quarter of 2020. In the new structure, full production is expected of approximately 300 GWh/year.

With regard to the Net Financial Position, in the first half strongly impacted by the dynamics of prices on inventories and other working capital items, and further penalized in the third quarter by the lack of profitability of the period, it is expected that the level of the same could suffer a further lowering, based on a scenario characterized by low margins in the fourth quarter, and the payment of the balance of excise duties referring to the previous months as well as the VAT payment expected in the last quarter of the year.

In order to reduce the Group's liquidity risk and contain the potential economic and financial impacts deriving from the persistence of the economic crisis, the Company, in addition to the medium-term loans signed in the first quarter of 2020, expects to finalize the negotiation with some leading financial institutions of new credit lines in order to strengthening the current financial structure, and to review some financial parameters on existing lines, which could take into account 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, when this is deemed appropriate.

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 meet contractual obligations and to comply with the covenants deriving from the loan agreements entered into.

Self-financing capacity and consequently the level of debt of the Group, historically limited, are determined by the generation of cash from operations and working capital trends; in particular, the latter is a function of the levels of demand and supply of crude oil and oil products as well as their prices, and their extreme volatility and sensitivity to external phenomena (such as economic, social and political factors). During the first half of 2020, the shock of the oil markets (in terms of demand, supply and prices) due to the spread of the Covid 19 pandemic and the drastic containment measures worldwide inevitably affected the Group's debt level, the recovery of which may take place as a function of the recovery of these market conditions. As already highlighted for the third quarter, as well as in light of the tightening of expectations for the following quarters, the Group's debt level may be subject to further pressure due to the lower self-financing capacity.

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.

Covid 19 risk

The intensification of the economic and financial crisis caused by the Covid-19 emergency has led to a drastic and widespread decline in the demand for oil products, combined with the volatility of commodity prices and in particular oil. In light of the new lockdown measures in many countries, it is also highlighted the prolongation of the situation of uncertainty about the risk of any second waves of the pandemic, with a further impact on the margins of the sector and of the Group. The recovery in consumption, postponed in the expectations of sector analysts compared to initial expectations and expected no earlier than the second half of 2021, could however rebalance the situation of uncertainty and price volatility, with a recovery in 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 nine months of 2020.

Own shares

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

Pursuant to the above, as at 30 September 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 nine months 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 SEPTEMBER 2020

Consolidated Statement of Financial Position as at 30th September 2020

Thousands of EUR		30/09/2020	31/12/2019
ASSETS	(1)		
Current financial assets	5.1	1,524,317	2,117,692
Cash and cash equivalents	5.1.1	172,854	431,463
Other financial assets	5.1.2	172,793	51,928
Trade receivables from third parties	5.1.3	260,999	351,539
Inventories	5.1.4	723,543	1,040,842
Current tax assets	5.1.5	84,795	84,058
Other assets	5.1.6	109,333	157,862
Non-current assets	5.2	1,579,980	1,439,254
Property, plant and equipment	5.2.1	1,367,485	1,272,572
Intangible assets	5.2.2	56,395	77,970
Right-of-use of leased assets	5.2.3	44,322	49,919
Other investments	5.2.4	502	502
Deferred tax assets	5.2.5	105,302	31,816
Other financial assets	5.2.6	5,974	6,475
Non-current assets held for sale	5.3	67	7,038
Property, plant and equipment	5.3.1	67	7,038
Total assets		3,104,364	3,563,984
LIABILITIES AND EQUITY			
Current liabilities	5.4	1,720,729	2,015,764
Short-term financial liabilities	5.4.1	496,793	204,897
Trade and other payables	5.4.2	915,984	1,648,736
Tax liabilities	5.4.3	238,817	76,472
Other liabilities	5.4.4	69,135	85,659
Non-current liabilities	5.5	497,499	489,381
Long-term financial liabilities	5.5.1	310,660	254,704
Provisions for risks and charges	5.5.2	173,167	194,278
Provisions for employee benefits	5.5.3	9,615	9,858
Deferred tax liabilities	5.5.4	3,730	4,437
Other liabilities	5.5.5	327	26,104
Total liabilities		2,218,228	2,505,145
EQUITY	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		994,649	967,129
Net result		(174,069)	26,154
Total parent company equity		886,136	1,058,839
Third-party minority interests		-	-
Total equity		886,136	1,058,839
Total liabilities and equity		3,104,364	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 September 2020

Thousands of EUR	(1)	1 JANUARY 30 SEPTEMBER 2020	of which non- recurring	1 JANUARY 30 SEPTEMBER 2019 (2)	of which non- recurring
Revenues from ordinary operations	6.1.1	3,838,047		7,009,635	
Other income	6.1.2	121,881		96,385	
Total returns		3,959,928	0	7,106,020	0
Purchases of raw materials, consumables and supplies	6.2.1	(3,604,549)		(6,171,842)	
Cost of services and sundry costs	6.2.2	(319,384)		(561,238)	
Personnel costs	6.2.3	(114,017)		(114,703)	
Depreciation/amortisation and write-downs	6.2.4	(156,812)		(143,597)	
Total costs		(4,194,762)	0	(6,991,380)	0
Operating result		(234,834)	0	114,640	0
Net income (charges) from equity investments					
Financial income	6.3	57,593		46,784	
Financial charges	6.3	(69,014)		(67,694)	
Result before taxes		(246,255)	0	93,730	0
Income tax	6.4	72,186		(26,924)	
Net result		(174,069)	0	66,806	0
Net result attributable to:					
Shareholders of the parent company		(174,069)		66,806	
Third-party minority interests		0		0	
Net earnings per share – base (euro cents)		(18.48)		2.55	
Net earnings per share - diluted (euro cents)		(18.48)		2.55	

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

Thousands of EUR	1 JANUARY 30 SEPTEMBER 2020	1 JANUARY 30 SEPTEMBER 2019 (2)
Net result (A)	(174,069)	24,031
Items that may be reclassified subsequently to profit or loss		
Effect of translation of the financial statements of foreign operations	(637)	(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)	(637)	(77)
Total consolidated net result (A + B)	(174,706)	23,954
Total consolidated net result attributable to:		
Shareholders of the parent company	(174,706)	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 9, 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 September 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			128		128		128
Reserve for stock option plan			491		491		491
Other changes			583		583		583
Net result				66,806	66,806		66,806
<i>Total net result</i>			128	66,806	66,934		66,934
Balance at 30/09/2019	54,630	10,926	964,406	66,806	1,096,768	0	1,096,768
Conversion effect balances in foreign currency			(86)		(86)		(86)
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				(40,652)	(40,652)		(40,652)
<i>Total net result</i>			(86)	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			(637)		(637)		(637)
Reserve for stock option plan			2,003		2,003		2,003
Net result				(174,069)	(174,069)		(174,069)
<i>Total net result</i>			(637)	(174,069)	(174,706)	0	(174,706)
Balance at 30/09/2020	54,630	10,926	994,649	(174,069)	886,136	0	886,136

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

Thousands of EUR	(1)	1/1/2020- 30/09/2020	1/1/2019- 30/09/2019
A - Initial cash and cash equivalents		431,463	272,831
B - Cash flow from (for) operating activities			
Net result	5.5	(174,069)	66,806
Unrealised exchange rate differences on bank current accounts		(6,230)	(6,901)
Amortisation, depreciation and write-downs of assets	6.2.4	156,812	143,597
Net change in risk provisions	5.4.2	(21,111)	(32,900)
Net change in provision for employee benefits	5.4.3	(243)	29
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	(74,193)	6,899
Net interest		11,055	14,009
Income tax set aside	6.4	2,007	20,025
Change in the fair value of derivatives	5.1.2 - 5.3.1	(33,526)	(29,023)
Other non-monetary components	5.5	1,366	1,202
Profit (loss) for the year before changes in working capital		(138,132)	183,743
(Increase)/Decrease in trade receivables	5.1.3	90,540	(56,330)
Increase)/Decrease in inventories	5.1.4	317,299	(344,425)
Increase/(Decrease) in trade and other payables	5.3.2	(732,752)	497,248
Change other current assets	5.1.5 - 5.1.6	47,792	(48,038)
Change other current liabilities	5.3.3 - 5.3.4	143,814	117,501
Interest received		1,252	473
Interest paid		(12,307)	(14,482)
Taxes paid	5.3.2	0	(29,160)
Change other non-current liabilities	5.4.5	(25,777)	(54,947)
Total (B)		(308,271)	251,583
Cash flow from (for) investment activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(223,198)	(250,348)
Investments) in Right-of-use of leased assets		(1,355)	(50,779)
(Increase)/Decrease in other financial assets	5.1.2	12,718	90,446
Increases in the sale of non-current assets held for sale	5.2.1-5.2.2	6,971	27,963
Total (C)		(204,864)	(182,718)
D - Cash flow from (for) financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	55,956	46,144
Increase/(decrease) short-term financial payables	5.3.1	192,340	(86,922)
Distribution of dividends and treasury share purchases		0	(75,310)
Total (D)		248,296	(116,088)
E - Cash flows for the period (B+C+D)		(264,839)	(47,224)
Unrealised exchange rate differences on bank current accounts		6,230	6,901
F - Final cash and cash equivalents		172,854	232,509

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

For the Board of Directors
The Chairman
Massimo Moratti



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

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1. Introduction

Publication of the condensed consolidated financial statements of Saras Group for the period ended 30 September 2020 was authorised by the Board of Directors on 04 November 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 Consolidated Financial Statements for the year ended 30 September 2020 are presented in Euro, since this is the currency of the economy in which the Group operates. They consist of a Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and these Notes. All 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.

The accounting standards shown below have been applied consistently to all the periods reported.

Having taken into consideration the economic and financial situation of the first nine months 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 interim financial statements in accordance with the going concern principle.

These Financial Statements were prepared in accordance with the going concern principle, as the Directors 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 September 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 September 2020 were prepared pursuant to IAS 34 - Interim Financial Reporting.

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 consolidated financial statements as at 30 September 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 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 consolidated financial statements.

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

The IASB published amendments to the Definition of material in IAS 1 and IAS 8, in order to clarify the definition of 'material' and help entities to assess whether information should be included in the financial statements. The amendments apply as from 01 January 2020 and have had no effect on these condensed 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 interim 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 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 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 September, 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%
Sardegolica 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 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 performance 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.

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.

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 September 2020	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	4,344,242	283,066	859,638	6,015	14,073	5,507,034
to be deducted: intersectoral revenues	(1,623,290)	(34,659)	(557)	0	(10,481)	(1,668,987)
Revenues from third parties	2,720,952	248,407	859,081	6,015	3,592	3,838,047
Other operating revenues	117,050	53,293	3,373	1,461	194	175,371
to be deducted: intersectoral revenues	(53,105)	(248)	0	0	(136)	(53,489)
Other income from third parties	63,945	53,045	3,373	1,461	58	121,882
Depreciation/amortisation and write-downs	(107,472)	(41,728)	(2,082)	(4,907)	(623)	(156,812)
Gross Operating result	(272,538)	35,612	4,227	(942)	(1,193)	(234,834)
Financial income (a)	63,244	117	29	7	2	63,399
Financial charges (a)	(72,885)	(565)	(1,251)	(115)	(4)	(74,820)
Income tax	87,470	(10,688)	(5,289)	338	356	72,187
Profit (loss) for the period	(194,709)	24,476	(2,284)	(712)	(840)	(174,069)
Total directly attributable assets (b)	1,650,058	1,194,330	133,793	108,488	17,695	3,104,364
Total directly attributable liabilities (b)	1,725,351	139,610	322,847	20,720	9,700	2,218,228
Investments in tangible assets	204,693	13,921	855	1,519	521	221,509
Investments in intangible assets	1,905	0	1	97	30	2,033

Income Statement as at 30 September 2019	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	8,226,009	382,240	1,521,186	8,513	20,600	10,158,548
to be deducted: intersectoral revenues	(3,084,112)	(47,461)	(639)	0	(16,701)	(3,148,913)
Revenues from third parties	5,141,897	334,779	1,520,547	8,513	3,899	7,009,635
Other operating revenues	93,670	56,287	4,599	1,828	300	156,684
to be deducted: intersectoral revenues	(59,542)	(385)	0	(155)	(217)	(60,299)
Other income from third parties	34,128	55,902	4,599	1,673	83	96,385
Depreciation/amortisation and write-downs	(96,697)	(40,185)	(2,267)	(3,769)	(679)	(143,597)
Gross Operating result	11,295	82,904	14,533	3,053	2,857	114,642
Financial income (a)	51,685	281	348	49	11	52,374
Financial charges (a)	(71,240)	(476)	(1,465)	(81)	(25)	(73,287)
Income tax	1,813	(24,193)	(3,001)	(985)	(558)	(26,924)
Profit (loss) for the period	(6,447)	58,516	10,415	2,036	2,286	66,806
Total directly attributable assets (b)	1,994,002	1,227,967	194,299	111,382	36,334	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	286,176	24,836	346	26,414	844	338,616
Investments in intangible assets	5,727	0	225	9	1	5,962

(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	30/09/2020	31/12/2019	Change
Bank and postal deposits	172,794	431,627	(258,833)
Cash	60	(164)	224
Total	172,854	431,463	(258,609)

Unrestricted bank deposits mainly relate to Saras S.p.A. for EUR 130,133 thousand and to Saras Trading S.A. for EUR 31,085 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	30/09/2020	31/12/2019	Change
Current financial derivatives	133,082	21,086	111,996
Deposits to secure derivatives	38,469	29,600	8,869
Other assets	1,242	1,242	0
Total	172,793	51,928	120,865

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 September 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 260,999 thousand, down on the equivalent amount as at 31 December 2019, of EUR 90,540 thousand. The item is presented net of the provision for doubtful receivables, which amounts to EUR 6,958 thousand (with an increase of EUR 158 thousand compared to 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	30/09/2020	31/12/2019	Change
Raw materials, consumables and supplies	153,090	400,474	(247,384)
Unfinished products and semi-finished products	56,011	70,502	(14,491)
Finished products and goods	404,047	455,812	(51,765)
Spare parts and raw materials, supplies	110,395	114,054	(3,659)
Total	723,543	1,040,842	(317,299)

The decrease in the value of oil inventories is mainly related to crude inventories, both due to their lower level in terms of quantities as well as to the decreased market price dynamics compared to the end of 2019.

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 revealed the necessity to record the lower value of EUR 65 million for the inventories.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	30/09/2020	31/12/2019	Change
VAT credit	41	33	8
IRES credits	62,299	62,357	(58)
IRAP credits	19,944	19,944	0
Other amounts due from the tax authorities	2,511	1,724	787
Total	84,795	84,058	737

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 taxes 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	30/09/2020	31/12/2019	Change
Accrued income	245	211	34
Prepaid expenses	14,916	17,486	(2,570)
Other short-term loans	94,172	140,165	(45,993)
Total	109,333	157,862	(48,529)

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 53,150 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 of Cip Regulation No. 6/92, of the charges resulting from Directive 2003/87/EC (Emissions Trading), in application of Authority for Electricity and Gas Resolution ARG/elt 77/08 of 11 June 2008, referring to the first nine months of 2020;
- white certificates of EUR 36,904 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 36,688 thousand in 2019); for additional information, reference should be made to section 7.1.

The decrease of EUR 45,993 thousand compared to 31 December 2019 refers mainly to the collection of the insurance reimbursements recognised in the previous year and also the receivable from the Equalisation Fund for the Electricity Sector for the payment, under Title II, paragraph 7-bis of Cip Regulation No. 6/92, of the charges resulting from Directive 2003/87/EC (Emissions Trading), referring to the previous year.

5.2 Non-current assets

During 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 and they 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 as well as in the Half-year Interim Report (June 2020), 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; regardless of the loss of income occurred during the nine months 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, the uncertainty of the short-term macroeconomic scenario remained unchanged and the rebound of consumption, forecasted for the second part of 2020, failed to appear during the last quarter, also due to the return of the pandemic wave. Such circumstances led to a crisis that forced the Group to enforce a three-direction plan for this contingent phase: a sharp cut of capital expenditures for 2021, a decrease of maintenance costs (while keeping the plants in operation in order to be ready for the forecasted rebound of consumption in 2021) and a reduction of labour costs through a partial Redundancy Fund plan spread to all employees.

Therefore, the Group has adopted a fundamental analysis approach, which has been limited to estimate the effect of the pandemic on short-term cash flows, taking into consideration the available updated scenarios and the financial and economic effects of the action plan described: the Group believes that to date there are no conditions solid enough to state with adequate confidence whether the recoverable amount of the CGU has been affected, and to which extent.

Furthermore, 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 evaluation process was articulated in the same way as it was for the 2019 Financial Statements and for the June 2020 Interim Report. The assumptions underlying the discounting rates have been updated, with a light worsening in the explicit projection rate.

These tests confirmed the recoverability of the carrying amounts.

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 as defined by IAS36.

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	30/09/2020
Land and buildings	177,174	136	(3)	0	476	177,783
Plant and machinery	3,566,290	104,822	(5,213)	0	35,947	3,701,846
Industrial and commercial equipment	37,058	1	(9)	0	249	37,299
Other goods	642,596	432	(911)	0	1,137	643,254
Tangible fixed assets under construction	248,297	116,118	(919)	0	(41,921)	321,575
Total	4,671,415	221,509	(7,055)	0	(4,112)	4,881,757

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	30/09/2020
Land and buildings fund	100,663	3,470	0	0	(43)	104,090
Plant and machinery fund	2,799,894	98,556	(4,666)	0	(292)	2,893,492
Industrial and commercial equipment fund	28,593	2,878	0	0	(28)	31,443
Other goods	469,693	17,347	(863)	0	(930)	485,247
Total	3,398,843	122,251	(5,529)	0	(1,293)	3,514,272

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	30/09/2020
Land and buildings	76,511	136	(3)	(3,470)	0	519	73,693
Plant and machinery	766,396	104,822	(547)	(98,556)	0	36,239	808,354
Industrial and commercial equipment	8,465	1	(9)	(2,878)	0	277	5,856
Other goods	172,903	432	(48)	(17,347)	0	2,067	158,007
Tangible fixed assets under construction	248,297	116,118	(919)	0	0	(41,921)	321,575
Total	1,272,572	221,509	(1,526)	(122,251)	0	(2,819)	1,367,485

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 34,264 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,611 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 221,509 thousand and mainly refer to technological interventions on refinery plants and the extension of the wind farm, as mentioned previously.

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	30/09/2020
Industrial patent and original work rights	53,300	125	(1,334)	0	4,097	56,188
Concessions, licences, trademarks and similar rights	24,349	1	0	0	111	24,461
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible fixed assets	531,832	0	0	0	(1,352)	530,480
Intangible assets under construction	1,218	1,905	0	0	0	3,123
Total	631,718	2,031	(1,334)	0	2,856	635,271

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	30/09/2020
Industrial patent and original work rights	48,515	2,994	(982)	0	(660)	49,867
Concessions, licences, trademarks and similar rights	12,043	410	0	0	366	12,819
Other intangible fixed assets	493,190	24,231	0	0	(1,231)	516,190
Total	553,748	27,635	(982)	0	(1,525)	578,876

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	30/09/2020
Industrial patent and original work rights	4,785	125	(352)	(2,994)	0	4,757	6,321
Concessions, licences, trademarks and similar rights	12,306	1	0	(410)	0	(255)	11,642
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	0	21,019
Other intangible fixed assets	38,642	0	0	(24,231)	0	(121)	14,290
Intangible assets under construction	1,218	1,905	0	0	0	0	3,123
Total	77,970	2,031	(352)	(27,635)	0	4,381	56,395

The decrease compared with 31 December 2019 mainly reflects amortisation in the period of EUR 27,635 thousand, calculated using the same annual rates as in 2018, which are reported below.

Diritti di brevetto industriale e diritti di utilizzazione delle opere di ingegno	20%
Concessioni, licenze, marchi e diritti simili	3% - 33%
Altre immobilizzazioni immateriali	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 mainly relates to the goodwill recognised for the former subsidiary Parchi Eolici Ulassai Srl, which was afterwards merged into Sardeolica S.r.l. (EUR 20,937 thousand). It was justified given the projection of future cash flows expected by the subsidiary Sardeolica S.r.l. until 2035 when its concessions expire.

Other intangible 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	30/09/2020
Leased land and buildings	39,956	1,285	0	0	(171)	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	1,440	0	0	(160)	60,573

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	30/09/2020
Leased land and buildings	5,096	3,778	0	0	(48)	8,826
Leased plant and equipment	1,649	1,155	0	0	0	2,804
Leased industrial and commercial equipment	0	0	0	0	0	0
Other leased assets	2,629	1,993	0	0	(1)	4,621
Total	9,374	6,926	0	0	(49)	16,251

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	30/09/2020
Leased land and buildings	34,860	1,285	0	(3,778)	0	(123)	32,244
Leased plant and equipment	10,303	0	0	(1,155)	0	0	9,148
Leased industrial and commercial equipment	0	0	0	0	0	0	0
Other leased assets	4,757	155	0	(1,993)	0	11	2,930
Total	49,919	1,440	0	(6,926)	0	(112)	44,322

The balance as at 30 September 2020 of EUR 44,322 thousand, relates to the application of the IFRS 16 - Leases. 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.

It is hereby noted that compared to 31 December 2019, the increase is essentially due to the expansion of the areas on which the Ulassai wind farm is located, while there were no significant changes in the assumptions used for the application of the said standard.

5.2.4 Other equity investments

Other equity investments break down as follows:

Other investments	30/09/2020	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 September 2020 of EUR 105,302 thousand refers to the 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 September 2020, the balance of this item amounts to EUR 5,974 thousand (EUR 6,475 thousand last year) and relates to medium-long-term receivables.

5.4 Non-current assets classified as held for sale

The balance as at 30 September 2020 of EUR 67 thousand consists of the residual value of the subsidiary Saras Energia SAU's business unit, which is held for sale. It decreased compared to 31 December by EUR 6,971 thousand, following the completion of the sale that took place in June, of two of the three stations to Kuwait Petroleum España SA.

5.4 Current liabilities

5.4.1 Short-term financial liabilities

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

Short-term financial liabilities	30/09/2020	31/12/2019	Change
Current bank loans	19,271	70,017	(50,746)
Bank current accounts	346,483	7,973	338,510
Financial derivatives	99,556	35,875	63,681
Other short-term financial liabilities	31,483	91,032	(59,549)
Total	496,793	204,897	291,896

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".

"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.

Saras SpA has obtained and uses a short term credit facility, called "Revolving Credit Facility", for a maximum amount of EUR 305 million: as at September 30th, 2020 the balance of such line was zero. Also, a "Hot money" Credit facility has been obtained, amounting to EUR 135 million.

The item "Financial derivatives" reflects the negative fair value of the financial derivatives in place as at 30 September 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 September 2020, broken down by the underlying type:

Financial derivatives	30/09/2020 Assets	30/09/2020 Liabilities	31/12/2019 Assets	31/12/2019 Liabilities	Change
Interest rate swaps	0	(438)		(100)	(338)
Fair value derivatives on commodities	103,813	(99,118)	21,086	(29,392)	(69,726)
Fair value forward purchases and sales on exchange rates	397	0		(3,283)	3,283
Negative Fair value, derivative instruments	28,872	0		(3,100)	3,100
Total	133,082	(99,556)	21,086	(35,875)	(63,681)

"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 915,984 thousand, down compared to the balance as at 31 December 2019. The decrease is mainly due to the decrease in the quantities purchased towards the end of the period, compared with those purchased at the end of 2019.

5.4.3 Current tax liabilities

This item breaks down as shown below:

Tax liabilities	30/09/2020	31/12/2019	Change
Payables for VAT	28,658	9,888	18,770
IRES payables (and income tax foreign firms)	1,948	255	1,693
Other tax payables	208,211	66,329	141,882
Total	238,817	76,472	162,345

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 202,588 thousand) and the subsidiary Saras Energia S.A.U. (EUR 3,187 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, starting from 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 93.5 million.

5.4.4 Other liabilities

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

Other current liabilities	30/09/2020	31/12/2019	Variazione
Payables employee benefit and social security	7,970	11,038	(3,068)
Payables due to employees	23,812	19,977	3,835
Payables to others	20,164	21,690	(1,526)
Accrued liabilities	2,116	3,904	(1,788)
Deferred income	8,682	29,050	(20,368)
Deferred income straight-line reporting Sarlux/Gse	6,391	0	6,391
Total	69,135	85,659	(16,524)

The item "Payables to personnel" includes salaries for September not yet paid and the accrued portion of additional monthly payments, as well as bonuses for the achievement of corporate goals.

The item "Sarlux/Gse linearisation deferred income" 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 the basis of both the term of the contract (20 years), as well as the forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs. In the previous year this item was classified under "Other non-current liabilities".

5.5 Non-current liabilities

5.5.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	30/09/2020	31/12/2019	Change
Non-current bonds	201,800	198,994	2,806
Non-current bank loans	59,920	0	59,920
Other long-term financial liabilities	48,940	55,710	(6,770)
Total	310,660	254,704	55,956

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 30/09/2020	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Unicredit	February 2020	50	6M Euribor	49.4	49.9		49.9
Bond	December 2017	200	1.7%	198.7	201.8		201.8
Saras Energia SAU							
Santander	May 2020	10	2.5%		10.0		10.0
Total liabilities to banks for loans				248.1	261.7	-	261.7

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., 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.

The Parent Company, Saras, also has a revolving credit facility of up to EUR 305 million in place, expiring in 2025. The amount used as at 30 September 2020 was equal to zero.

The item “Other long-term financial liabilities” is mainly due to the registration of financial liabilities for leasing relative to the specified first application of the new IFRS 16 standard.

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	30/09/2020	Change
Plant dismantling fund	19,038	0	0	0	19,038	0
Charges for CO2 quotas fund	148,711	69,350	(89,788)	0	128,273	(20,438)
Other funds for risks and charges	26,529	3,060	(3,733)	0	25,856	(673)
Total	194,278	72,410	(93,521)	0	173,167	(21,111)

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 CO₂ quota charges (EUR 128,273 thousand) was accrued pursuant to Legislative Decree No. 216 of 4 April 2006, which introduced limits on CO₂ emissions from plants. If these limits are exceeded, quotas covering the excess amount of CO₂ must be purchased on the appropriate market. The use during the period is mainly due to:

- the release of EUR 35,931 thousand previously recognised against the risk of failing to recognise the CO₂ quotas in relation to the purchase of the business unit (north plant) from Versalis S.p.A. following their final assignment for the period 2015-2020;
- the purchase of quotas for the fulfilment of the 2019 obligation, amounting to EUR 53,857 thousand.

The item “Other provisions for risks” mainly refers to provisions recorded for probable liabilities of a legal and fiscal 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	30/09/2020	31/12/2019	Change
Post-employment benefits	9,615	9,858	(243)
Total	9,615	9,858	(243)

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 3,730 thousand, relate to foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/09/2020	31/12/2019	Change
Deferred income straight-line reporting Sarlux/Gse	0	25,563	(25,563)
Other payables	327	541	(214)
Total	327	26,104	(25,777)

Compared to 31 December 2019, the change is mainly due to the decrease in the item "prepaid income" of the subsidiary Sarlux Srl, reclassified under the item "Other liabilities" since the entire release will take place during the year.

5.6 Shareholders' equity

Shareholders' equity is comprised of by the following:

Total equity	30/09/2020	31/12/2019	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	994,649	967,129	27,520
Net profit (loss) for the period	(174,069)	26,154	(200,223)
Total	886,136	1,058,839	(172,703)

Share capital

As at 30 September 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 994,649 thousand, representing a net increase of EUR 27,520 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 637 thousand);
- the EUR 2,003 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 174,069 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, the Group 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 CO₂ 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	30/09/2020	30/09/2019	Change
Revenues from sales and services	3,562,811	6,639,066	(3,076,255)
Sale of electricity	267,719	362,585	(94,866)
Other remunerations	6,787	8,120	(1,333)
Change in contract work in progress	730	(136)	866
Total	3,838,047	7,009,635	(3,171,588)

Revenues from sales and services are down by EUR 3,076,255 thousand, due both to the average level of market prices, which is lower during the period than it was in the same period of last year, as well as to the decrease in the volumes sold. This decline is caused by the spread of the Coronavirus epidemic, and by 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 247,705 thousand relating to the gasification plant, EUR 15,106 thousand relating to the subsidiary Sarlux S.r.l.'s internal utility network sales, and EUR 4,908 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	30/09/2020	30/09/2019	Change
Compensation for storage of mandatory stocks	7,712	7,215	497
Sale various materials	312	520	(208)
Grants	1,325	1,404	(79)
Chartering	2,051	4,095	(2,044)
Recovery for claims and compensation	473	1,006	(533)
CO2 charges reimbursement	53,028	55,609	(2,581)
Other revenues	56,980	26,536	30,444
Total	121,881	96,385	25,496

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

The item "Other revenues" mainly comprises the release of the provision made in previous years for CO₂ quotas in relation to the purchase of the business unit (North plants) from Versalis S.p.A. following their final assignment for the period 2015-2020, 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	30/09/2020	30/09/2019	Change
Purchase of raw materials	870,861	3,586,935	(2,716,074)
Purchase semi-finished products	106,737	260,624	(153,887)
Purchase supplies and consumables	63,301	64,450	(1,149)
Increase in property, plant and equipment	(13,774)	(10,709)	(3,065)
Purchase finished products	2,269,449	2,621,757	(352,308)
Change in inventories	307,975	(351,215)	659,190
Total	3,604,549	6,171,842	(2,567,293)

Costs for the purchase of raw materials are down by EUR 2,716,074 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. For further details, please refer to Report on operations.

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 revealed the necessity to record the lower value of EUR 65 million for the inventories.

6.2.2 Costs of services and sundry costs

Services and sundry costs	30/09/2020	30/09/2019	Change
Costs for services	462,400	487,259	(24,859)
Capitalisations	(79,040)	(54,848)	(24,192)
Derivatives on crude oil products and CO2	(153,050)	47,543	(200,593)
Costs for use of third-party goods	1,718	1,368	350
Provisions for risks	72,410	68,166	4,244
Other operating costs	14,946	11,750	3,196
Total	319,384	561,238	(241,854)

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". The item, which includes the net economic result of derivatives on crude oil, petroleum products and CO₂ 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;

"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	30/09/2020	30/09/2019	Change
Salaries and wages	88,499	88,305	194
Increases in fixed assets for internal work	(9,535)	(8,900)	(635)
Social security contributions	24,418	25,970	(1,552)
Post-employment benefits	5,064	4,938	126
Other costs	4,082	2,759	1,323
Remuneration to the Board of Directors	1,489	1,631	(142)
Total	114,017	114,703	(686)

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	30/09/2020	30/09/2019	Change
Amortisation of intangible assets	27,635	27,831	(196)
Depreciation of tangible assets	122,251	109,109	13,142
Depreciation of tangible leased assets	6,926	6,657	269
Total	156,812	143,597	13,215

"Depreciation of tangible non-current assets" increases due to the commissioning and consequent start of depreciation 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	30/09/2020	30/09/2019	Change
Bank interest income	1,252	473	779
Unrealised differences on derivatives	397	1,328	(931)
Realised differences on derivatives	8,693	0	8,693
Profit on exchange rates	47,251	44,983	2,268
Total	57,593	46,784	10,809

Financial charges	30/09/2020	30/09/2019	Change
Unrealised differences on derivatives	(439)	0	(439)
Realised differences on derivatives	1,228	0	1,228
Interest expenses on loans and other financial charges	(12,307)	(14,482)	2,175
Interest on rights of use on leases	(525)	(603)	78
Exchange rate losses	(56,971)	(52,609)	(4,362)
Total	(69,014)	(67,694)	(1,320)

The table below shows net income/charges by type:

Financial income and Financial charges	30/09/2020	30/09/2019	Change
Net interest	(11,580)	(14,612)	3,032
Result of derivative instruments, of which:	9,879	1,328	8,551
<i>Realised</i>	9,921	0	9,921
<i>Fair value of open positions</i>	(42)	1,328	(1,370)
Net exchange rate differences	(9,720)	(7,626)	(2,094)
Other	0	0	0
Total	(11,421)	(20,910)	18,040

The entire fair value of the derivatives in place as at 30 September 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	30/09/2020	30/09/2019	Change
Current taxes	2,005	19,738	(17,733)
Net deferred tax liabilities (assets)	(74,292)	7,186	(81,478)
Total	(72,287)	26,924	(99,211)

Current taxes related entirely to the foreign subsidiaries, while the change in prepaid and deferred taxes almost totally relate to the losses of Saras SpA and its Italian subsidiaries 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 September 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 September 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 periods.