GROUP CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS FOR SARAS S.P.A. AS AT 31st DECEMBER 2020

FROM SOURCES TO RESOURCES

SARAS

TABLE OF CONTENTS

Saras Group Profile 04

Milestones 06

Letter to the Shareholders 10

Covid-19 Impact 12

Saras Group's Report on Operations 17

Schedules of the Consolidated Financial Statements of Saras Group as at 31st December 2020 87

Notes to the Consolidated Financial Statements at 31st December 2020 93

Report on Operations of Saras SpA 145

Separate Financial Statements of Saras SpA at 31st December 2020 155

Notes to the Separate Financial Statements of Saras SpA at 31st December 2020 161

SARAS GROUP PROFILE

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe.

REFINING CAPACITY

300.000
barrels per day

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, with headquarters in one of the main markets for trading oil commodities.

Trading
Geneva, Switzerland

Headquarters
Milan, Italy

Storage
Arcola, Italy

Wind Farm
Ulassai, Italy

Industrial services
Assemini, Italy

Industrial site
Sarroch, Italy

OIL AND CRUDE PRODUCTS SOLD IN ITALY AND SPAIN THROUGH RETAIL AND WHOLESALE NETWORKS

2,96

million barrels

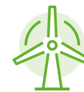
The Group sells and distributes oil products directly and through its subsidiaries, such as diesel, gasoline, diesel fuel for heating, liquefied petroleum gas (LPG), virgin naphtha, fuel for aviation and bunkering, mainly on the Italian and Spanish markets, but also in various other European and non-European countries. In particular, in 2020 approximately 1.91 million tonnes of petroleum products were sold in Italy on the wholesale market and a further 1.05 million tonnes were sold on the Spanish market.

IGCC (INTEGRATED GASIFICATION COMBINED CYCLE) PLANT INTEGRATED WITH THE REFINERY

4.000.000.000

kWh/year

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 IGCC plant uses the refinery's heavy products as feedstock and the plant generates over 4 billion kWh of electricity each year, which corresponds to approximately 48% of the electricity requirements in Sardinia.



ULASSAI WIND FARM

126 MW

installed capacity

Furthermore, in Sardinia, the Group produces and sells electricity from renewable sources through the Ulassai wind farm (installed capacity of 126MW), which has been in operation since 2005 and is managed by the subsidiary Sardeolica Srl.

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

MILESTONES

1960s
Launch of operations

1962
Saras is founded by Angelo Moratti.

1965
Sarroch refinery begins operations.

1968
Start-up of a new Crude Distillation unit (Topping) and of the Fluid Catalytic Cracking plant (FCC).

1970s
Upgrading of the plants

1970
Start-up of the Alkylation unit (ALKY) and of a wastewater treatment plant.

1980s
Increase in conversion capacity

1983
Start-up of a new Reforming Catalytic (CCR) unit and of a Vacuum distillation plant (VSB).

1984
Start-up of a new Continuous Catalytic Reforming unit (CCR).

End of the 80s
Upgrading of the FCC Unit, with capacity increased up to 94,000 bl/day.

1990s
Environment, new technologies and expansion into the wholesale market

1992
Start-up of the first Mild Hydrocracking Unit (MHC1).

Mid 1990s
Saras begins to operate in the wholesale market in Spain (Saras Energia) and Italy (Arcola Petrolifera).

2000s
IPO, new investments in high technology and the environment

2001
Start-up of the Integrated Gasification Combined Cycle plant (IGCC).

Start-up of a second Mild Hydrocracking Unit (MHC2).

Start-up of an Etherification Unit (TAME).

2005
The Ulassai wind farm starts operations, with an installed capacity of 72 MW.

2006
IPO to grow the business and explore new opportunities.

2007
Increase in conversion capacity, leading to significant improvements in the production of automotive diesel.

2008
Achievement of EMAS environmental registration (Eco Management Audit Scheme).

Start-up of the Tail Gas Treatment and Sulphur recovery Unit (TGTU).

Start-up of the gasoline desulphurisation unit (U800).

2009
Sales of gasoline and diesel with 10 ppm (parts per million) sulphur content begin. Significant reduction of indirect SO_2 emissions.

Saras is the first refinery in Italy to obtain the AIA authorisation (Integrated Environmental Authorisation), which represents part of a journey to improve the technical and structural characteristics of the plant, in order to minimise the environmental impact of the production activities.

Extension of the retail network in the southern areas of Spain, through the integration of 71 new service stations acquired from ERG.

During maintenance of plant MHC1, there was a tragic event resulting in the death of three workers.

Completion of an important cycle of maintenance and investments, critical for the future growth of the Company, on the following Units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2 and VSB.

2010s
Focus on safety, environment, efficiency and improvements in profitability

2010
Start of the “Project Focus”, the purpose of which is improving production efficiency, effectiveness of the operations and cutting costs.

Saras becomes a certified member of the OCIMF (Oil Companies International Marine Forum) and it is now allowed to perform “vetting” operations within the SIRE Programme managed by OCIMF.

Bond issue on the Luxembourg Stock Exchange, restricted to institutional investors, with a total nominal amount of EUR 250 million and a maturity of 5 years.

2011
“Project Focus” is successful and is also extended to “Planning” and “Supply & Trading”.

The Group relies on its commercial and operational flexibility to overcome the shortage of Libyan crude oils, as a consequence of the civil war devastating that country.

The ten-year shut-down for scheduled maintenance of the entire IGCC plant takes place.

The subsidiary “Sardeolica Srl” increases the installed capacity of the Ulassai wind farm from 72 to 96 MW.

2012
The Board of Directors of Saras approves the Group Business Plan for 2013-2017, which is focused on activities aimed at improving effectiveness and efficiency, as well as pursuing new commercial opportunities.

In the Refining segment, MildHydroCracking-2 (MHC2) is revamped.

In a competitive environment, which becomes increasingly harder due to the recession in the Eurozone, the Saras Group continues to aim to be a leading operator in terms of safety and efficiency within its sector.

2013
The industrial strategy of the Group remains focused on striving to achieve operating performance excellence.

A major corporate reorganisation is completed, by transferring the business operations of the Refining segment of Saras SpA to the subsidiary Sarlux Srl.

At the end of April, Rosneft acquires 13.70% of the share capital of Saras SpA from majority shareholders, Gian Marco and Massimo Moratti and, in mid-June, an additional 7.29% via a voluntary and partial tender offer.

2014
The Saras Group pursues asset management initiatives aimed at cost reduction, increased energy efficiency and the coordination of its refining business activities and operational management.

Bond issue on the Austrian multilateral trading system, with a total nominal amount of EUR 175 million and a maturity of 5 years.

Important five-year turnaround activities are successfully carried out at the Fluid Catalytic Cracking plant (FCC) and its two main ancillary units: Alkylation (Alky) and Etherification (TAME).

Arcola Petrolifera Srl was merged into Saras SpA, with effect for accounting and tax purposes as of 1st January 2014.

On 29th December 2014, Sarlux Srl purchases a business unit of Versalis SpA, including approximately 80% of the production units of the Versalis petrochemical complex in Sarroch, Sardinia to achieve considerable industrial and organisational synergies and further strengthen the international competitive landscape.

2015
2015 marks a structural change for oil markets: more balanced crude prices; greater availability of non-standard types of crude; recovery in consumption of petroleum products; streamlining of the European refining system; reduction of spare capacity at global level; and the correction of some market distortions contribute to the recovery in refining margins, mostly benefiting complex refineries such as that of the Saras Group.

In order to take full advantage of the opportunities offered by the market, the Saras Group has adopted an innovative business model based on the integrated management of the supply chain (or of the raw materials supply chain). This model is based on the characteristics of flexibility and high conversion of the Sarroch refinery, in addition to the close coordination of planning activities, trading and operational management of plants.

On 15th October, the Capital Markets Day of the Saras Group was held at the Sarroch refinery with presentation of the Business Plan 2016-2019, which is based on the optimal execution of the integrated Supply Chain management model and on a series of improvement initiatives related to reliability, energy efficiency and developments of the site configuration, with moderate investments and short re-entry periods.

On 19th October, Rosneft sold about 8.99% of the share capital of Saras SpA to a qualified group of institutional international investors and reduced its shareholding to 12%.

On 10th December, Saras signed a EUR 265 million five-year bank loan agreement to refinance existing debt.

2016
2016 was another positive year for the European refining industry, due to the continued abundance of crude oil, including non-conventional crudes processed preferably in complex, integrated and high conversion sites such as the Saras plant and an increase in overall demand for refined products (+1.3 mbl/d compared to 2015).

In January, Saras Trading SA became fully operational in Geneva, one of the main global markets for trading oil commodities. This company is a key element in the implementation of the integrated management of the Supply Chain model. It purchases raw materials and sells refined products from the refinery and performs independent crude oil and petroleum product trading activities.

On 22nd April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.17 for each share (corresponding to a dividend yield of 10.8%), for a total of EUR 159.1 million. The return to the payment of a dividend after many years has been made possible by improved refining market conditions and the excellent results in the year 2015.

The year 2016 saw the Saras Group engaged in a major process to reduce average debt costs, seizing the opportunities offered by the low interest rates resulting from the expansionary policies of the European Central Bank.

2017
In 2017, the refining industry continued to benefit from favourable conditions characterised by satisfactory margins on the main refined products. Crude oil was well supplied, despite the implementation of cuts in production by OPEC countries

MILESTONES

and other major producers, although there was some pressure on discounts of heavy crude products, which were most affected by such production cuts. Overall demand for refined products continued to grow and increased by +1.5 mb/d compared to 2016.

On 17th January, Rosneft placed all the shares in Saras SpA which it held, corresponding to 12% of the share capital of Saras, with a group of international investors.

On 20th April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.10 for each share (corresponding to a dividend yield of 4.6%), for a total of EUR 93.6 million.

The #digitalSaras program was launched during the year, for the purpose of defining and implementing the most appropriate technological innovations within the framework of Industry 4.0, with a view to further improving operating performance and efficiency.

On 22th December, the Company completed the private placement of bonds with a nominal value of EUR 200 million, maturing on 28th December 2022 and bearing a fixed annual coupon rate of 1.70%. The operation is a continuation of the financial optimisation process that started in 2016. The proceeds were used to refinance part of the gross debt, even with a positive net financial position, in support of the investment plan.

2018

2018 was a year characterised by strong volatility in the price of crude oil, also influenced by geopolitical tensions.

On 26th February, the Chairman of the Board of Directors, Gian Marco Moratti, passed away. Gian Marco was the son of Angelo Moratti, who founded the Company. He was CEO until 1981 when he became Chairman.

On 12th March, the 2018-2021 Business Plan was presented, which aims to maintain a leading position in the refining sector over the next decade and focuses on operational excellence through investments of EUR 800 million focused on maintaining state-of-the-art facilities, also thanks to the contribution of technological innovation and digitalisation.

After the identification of the available technologies and the start of 10 pilot projects, the industrialisation phase of the digitalisation initiatives was undertaken.

On 27th April, the Shareholders' Meeting resolved to distribute a dividend of EUR 0.12 for each share (corresponding to a dividend yield of 6.2%), for a total of EUR 112 million and appointed the new Board of Directors in office for a three-year period until the date of the shareholders' meeting called to approve the financial statements as at 31st December 2020.

On 3rd May, the new Board of Directors appointed Massimo Moratti as Chairman and Dario Scaffardi as Chief Executive Officer.

On 5th September, Massimo Moratti SApA of Massimo Moratti and MOBRO SpA jointly sold 10% of the capital to a group of institutional investors with the aim of increasing the liquidity of Saras shares on the market.

2019

The year 2019 was dominated by international trade and geopolitical tensions that led to a global economic slowdown. The refining sector has been affected by high volatility, slowing demand for refined products and high sulphur heavy crude prices.

In the first months of 2019, one of the largest turnarounds on plants in the last 5 years was completed successfully and on schedule. The Topping "T2", Vacuum "V2", CCR and MHC1 plants were idle for about 60 days.

On 16th April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.08 for each share (corresponding to a dividend yield of 5.9%), for a total of EUR 75.3 million.

On 24th June, the total non-proportional demerger of MOBRO in favour of Angel Capital Management SpA (ACM) and Stella Holding SpA (Stella) was concluded. As a result of the demerger, Saras SpA is controlled by Massimo Moratti SapA with 20.01%, Angel Capital Management SpA with 10.005% and Stella Holding SpA with 10.005% of the share capital and an aggregate 40.02%, by virtue of the signing of a supplementary agreement to the Saras Pact, aimed exclusively at implementing the effects of the MOBRO demerger and the consequent takeover by ACM and Stella of MOBRO's stake in Saras SpA. As a result of the second tacit renewal of the shareholders' agreement, the next expiry date will fall on 30th September 2022.

The direct marketing of marine fuels (bunkering) in the Sarroch and Cagliari area began in the second half of August. Refuelling is carried out through a modern ship (barge) equipped with the highest safety standards.

During the year under review, the Ulassai wind farm was expanded through the installation of 9 new turbines, adding 30 MW of capacity and bringing the total installed capacity to 126 MW. The work was completed on 27th September and the new wind turbines came into operation from that date.

On 14th October 2019, the Australian fund Platinum Investment Management Ltd stated that it held 3.055% of the capital.

2020s

The year 2020 was characterised by the Covid-19 pandemic and the resulting serious economic and social consequences. Though a positive year was expected, for the refining industry because of the new specifications for marine fuels with the entry into force of the IMO-Marpol VI, the industry suffered an unprecedented shock with the collapse in fuel consumption which brought the price of Brent Dtd to historic lows $13.2/bl in mid-April, before the Opec+ countries had reached initial agreements on production cuts, which caused a further deterioration in refining margins.

During the year, one of the most important turnaround programmes in the history of the Sarroch refinery, involving FCC, ALKY and Topping 1 units, was started and completed as planned.

On 2nd March, the Board of Directors proposed a dividend for the 2019 financial year of EUR 0.04 per share, corresponding to a dividend yield of approximately 3.8%, compared to the closing price of 28th February 2020. On April 17th, the Board of Directors resolved to suspend the proposals for the distribution of the 2019 dividend on profits approved on 2nd March 2020, in order to better safeguard the capital strength and the financial stability of the Company. The decision was taken from a prudential point of view, given the economic and financial crisis caused by the Covid-19 emergency.

On 12th October, Saras announced the finalisation of an agreement with the Territorial Trade Unions and the members of the RSU, CIGL, CISL, UIL and UGL, for the start of the partial Ordinary Redundancy Fund (*Cassa integrazione Guadagni Ordinaria*) to cope with the consequences generated by the on-going emergency, with effect from 26th October 2020, for a period currently estimated to last until 30th June 2021. The decision was necessary given the continuing negative impact that the current epidemiological situation generated by Covid-19 has caused in the global market and, more specifically, in the Group's reference market, for which a more substantial recovery is expected at the end of 2021, in line with forecasted scenarios estimated by main brokers operating in the industry.

On 12th October, assuming a slowdown of the recovery, the Company announced the adoption of a number of extraordinary measures to address the effects of the continuing negative scenario, starting from a reduced refinery operation, confirming, however, the maintenance of all the installations currently in operation and the continuity of the fundamental electricity production to ensure the equilibrium of the Sardinian network; a drastic reduction of investments and costs for the year 2021; and a labour cost containment procedure with the launch of a partial redundancy fund distributed among all Group employees and a plan for voluntary incentivized resolutions of employment relationship.

On 15th October, the Trafigura Group, which is based in Singapore and trades crude oil and petroleum products internationally through its subsidiary, Urion Holdings (Malta) Limited, held a significant stake of Saras shares of 1.379% which subsequently increased to 3.01% on 21st October. Based in Singapore, the Swiss Trafigura Group operates internationally in the trading of crude oil and petroleum products, non-ferrous materials, refined products and raw materials.

On 28th December, Saras concluded a EUR 350 million loan agreement with a pool of main banks and financial institutions, 70% of which was assisted by the SACE guarantees issued under the Italy Guarantee programme, as part of a financial consolidation plan aimed at limiting the impact of the Covid-19 emergency.

Due to the end of the CIP 6 incentivisation period, on 29th December 2020, ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) defined the combined cycle plant of Sarlux Srl, IGCC (Integrated Gasification Combined Cycle), which is scheduled for 20th April 2021, as one of the essential plants for the security of the electricity system for the year 2021.

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The past year has seen unprecedented events that have deeply affected our society and the global economic scenario. This has led us to accelerate even more in the journey we have undertaken towards an energy-mix business model.

First of all, I would like to give a thought to the too many pandemic victims and more specifically, to our employees who have suffered family bereavements and those, fortunately, only a few, who contracted Covid but who thankfully have had a favourable outcome.

At Saras, we have fundamental touch points that led us first of all to immediately address the health emergency, prioritising our employees' safety as well as that of the many employees of the companies engaged in refinery activities.

The health crisis coincided with the beginning of one of the greatest intervention cycles of our refinery's history, a cycle that has been successfully completed, achieving the technical objectives we set for ourselves, without any significant incident. Of course, there were delays due to the difficulties of movement, the limitations on the number of workers and the impossibility of finding certain materials or having specialised technicians travel.

Despite all this, the strong corporate culture based on the utmost respect for the safety of people and the environment, together with our company's history and awareness of its role and responsibility, allowed us to adapt to the new reality very quickly. In a very short time, we were able to organise the work in the field in the optimal way given the existing limits.

Infections in the workplace were almost non-existent and we maintained full operation, continuing to supply fuels to customers and users and above all ensuring the continuity of power production, essential for Sardinia.

Also office work was addressed decisively and without any delay to business operations and deadlines; practically within a weekend, remote was organised for hundreds of people, a truly remarkable accomplishment.

I would like to thank all our people who have shown extraordinary professionalism, a sense of responsibility and great dedication to the Company.

The energy sector and more specifically the oil sector, was among those hardest hit by the disruptive effects arising from the Covid-19 pandemic. In the second quarter of last year there was a rapid and significant decline in oil demand. Among all effects, suffice it to recall the negative value of the WTI last spring, or the OPEC countries over-production.

This led to a period of high margins until there was a surprise agreement with Russia which led to a sharp reversal. Many of these dramatic and unprecedented effects gradually receded; in Q2 2020 the world demand for crude was 82.9 million barrels per day, compared to a value of 99.7 mb/d for 2019, but already in Q3 and Q4 it was 93 and 95 mb/d respectively. For 2021, the IEA (International Energy Agency) estimates a demand of 96.5 mb/d with a full recovery to pre-Covid levels towards the end of the year that will fully consolidate in 2022.

The unexpected drop in the demand for crude as well as for finished products led, as a natural consequence, to the increase of stocks for both. This has been the fundamental reason for the strong pressure on refining margins. Pressure had started to loosen by the end of 2020 but started up again at the beginning of 2021 with the new and unexpected worsening of the health situation.

However – despite the well-known difficulties – the health situation is expected to improve. In the USA there are already clear signs of recovery. This bodes well for the future and so we believe that 2021 will be a year of transition, characterised by a difficult first half but with strong recovery signs beginning with the summer.

Together with the unprecedented market challenges, along with civil society's strong push towards decarbonisation, with the gradual reduction of dependence on fossil fuels, this added pressure did not catch us by surprise. It fits in perfectly with the journey that our Group had already begun in the direction of sustainable development, aware of the fact that what is an environmental necessity will also offer an opportunity for economic growth.

We are proud to provide the energy that improves people's lives and of how we at Saras have reinforced our skills, equipment and technology base over time with a series of projects aimed not only at reducing the refinery's carbon footprint but also at exploring innovative complementary technologies.

Among these, the most immediate implementation includes the expansion of renewable energy sources, with the continuation of wind energy projects. We are

nearing completion of reblading activities at the Ulassai wind farm. This will lead to a new set-up from which we expect a production of approximately 300 GWh/year, while continuing with the last stage of the authorisation process for an additional 250-300 MW of wind and 50-100MW of photovoltaic capacity. We are also in advanced negotiations for the acquisition of a wind farm.

In addition, the development of innovative solutions that complement traditional sources continues: from biofuels (an activity in which we are already active and which we intend to escalate in order to seize the opportunities arising from future, and stricter environmental regulations) to new-generation fuels and, finally, hydrogen. A growing role in energy transactions is envisaged for this latter area, including the collaboration recently signed with ENEL Green Power for the production and use of green hydrogen in the refinery, through the construction of a 20MW electrolyser powered by renewable sources, which, once implemented, will be the largest in Italy.

Concurrently with addressing this complex situation and while continuing to create value, not only economic but also social, we have implemented other important initiatives. This follow three main guidelines: the adaptation of production programmes based on profitability in the processing of the main reference products, a robust structural reduction of all costs, both with regard to operations as well as to related works and a complete overhaul of our operating refining scheme with the aim of increasing its efficiency and effectiveness. Of course, without ever losing sight of the resources necessary to continue safeguarding health, safety and the environment.

Among these measures is the choice to use the Ordinary Redundancy Fund, a decision for which our employees must be thanked, having understood, with a sense of responsibility, the need to take rigorous and incisive actions to limit the emergency's consequences, which however we realise have a significant impact on families. Our commitment is to return to normal as soon as possible.

2021 will also be an important year for our power production business, which will see the finalisation with the control and regulatory Authorities of the technical economic conditions that will regulate essential power production: Sarlux has played and continues to play a fundamental and indispensable role in guaranteeing the stability and security of Sardinia's electricity network.

We believe that this will be a transition year, full of challenges for our Company. Given that our people have demonstrated extraordinary resilience, flexibility and intelligence, they will therefore know how to take advantage of this time to complete and accelerate the process of modernisation under the banner of digitalisation.

Oil will remain for many years an indispensable resource for society and the economy. Thus, we can only reiterate our confidence in our activity of transforming a unique and precious resource today, all the while being fully supported by an intense and qualified presence in all sectors that are involved in the energy transition.

Thanks to the strength and professionalism of those who work with us, Saras will continue its long journey with the purpose to maintain its leading role in the local community, being an innovative and sustainable point of reference among energy suppliers, nationally and in the global market.

The Chairman
Massimo Moratti

COVID-19 IMPACT

FY 2020 was characterised by an economic and social situation that was severely impacted by the Covid-19 pandemic and the lockdown measures taken at the global level to contain it, followed by an unprecedented consumption crisis.

Despite the emergency, as an industry that is essential to the life of the country as it supplies approximately 15% of the Italy's hydrocarbon needs and an essential portion of the electricity required by Sardinia, Saras maintained full operational continuity at the Sarroch refinery plants during the year while also completing the planned maintenance activities, which in turn constituted one the most major turnarounds in the history of the Sarroch refinery.

The refinery operations and the multitude of suppliers working on the plant maintenance were 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. Continuation of operations at the Group's various sites were likewise guaranteed by the use of the same protocols as those used for the industrial site, as well as extensive use of smart-working. 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. This has allowed us to provide the best safeguards for all workers at the refinery and ensure the full employment of our workforce at this difficult time, 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.

In terms of the economic impacts, we recall that the refining industry is one of the most impacted by the effects of the crisis.

Especially Mediterranean area operators, such as Saras, have faced an unprecedented situation brought about by the combination of the collapse in the demand for petroleum products, beginning in March with the adoption of lockdown measures by most countries and, on the supply side, by the production cuts introduced in early May by OPEC + countries, in an effort to support crude oil prices. The high level of volatility in the price 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. This scenario was further exacerbated in the second half, when unexpected and extremely high stock levels were recorded in the main refined products, with a failure to recover margins that were initially expected with the summer months. This phenomenon, unexpected together with the production cuts mentioned above, which mostly affected medium-heavy, high-sulphur crude oils used mainly by complex refineries such as Saras, led to a further collapse in refining margins (for a more detailed explanation on the evolution of the scenario, see the section "Oil market and refining margins").

A comparison of the main market assumptions made by industry analysts for 2020, immediately before the crisis, with the relevant average values actually recorded in the year, shows the degree to which Covid-19 impacted the Group's business in 2020.

The initially expected scenario for 2020 not only projected a trend in consumption in line with 2019, but also incorporated the positive effects, beginning from the second quarter, 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".

The collapse in consumption following the lockdown measures has distorted and erased these predictions.

The impact on global oil demand, which plummeted by 25% in April (35% in OECD countries) compared to the same period in 2019, was

APC MASTER CONTROLLER CV

reflected in Brent prices, which reached almost $70/bl at the end of 2019, to then crash to an all-time low of $13.2/bl in mid-April, when the collapse in consumption was compounded by the effect of the failure of Opec+ countries to agree on production cuts. From May onwards, however, the newfound agreement on production cuts between the OPEC+ countries gradually brought Brent DTD back to values above $30/bl, reaching $55/bl at the end of the year. In 2020 Brent DTD quotations were on average 27% lower than forecasts. Medium-heavy, high-sulphur crude oils (sour crude oils) were the ones mainly affected by the cuts and their differentials against the typically discounted Brent crude oil remained under pressure throughout the year.

On the product front, gasoline [petrol], the product most affected by lockdown measures together with jet fuel, recorded average prices down by approximately 31% with margins approximately 51% lower than had been forecasted. 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 was approximately 56% lower. In the second half of the year in particular, the high level of inventories accumulated during the lockdowns - even in the absence of demand for jet fuel, a product derived from middle distillates - and the lack of discounting on high-sulphur crude oils, kept the diesel crack price between $1 and $6/bl.

In 2020, the reference refining margin (EMC benchmark) consequently averaged -0.5$/bl, with negative values in particular in the second half of the year. The "pre-Covid" expectations of leading market analysts estimated a positive EMC benchmark of +3$/bl for 2020.

During the year, the Power and Wind sectors also suffered from the drop in the CIP6 tariff and the PUN. The effect induced by the collapse in consumption, including gas, was also reflected in electricity prices, with an average CIP6 tariff in the period of 76€/MWh and an average PUN value of 38.9€/MWh, down approximately 15% and 24% respectively compared to expectations.

As far as the impact on the Group's activities is concerned, the scenario described above, which is particularly unfavourable for complex refineries such as Sarroch, caused a deterioration in the profitability of the Refining segment, which achieved an average refining premium in the year of $2/bl compared to the EMC mentioned above (of -$0.5/bl) and a refining margin of $1.5/bl (for further details, please refer to the chapter Refining/Margin).

In addition, the price trend led to a deterioration in the segment's working capital.

These factors, together with the turnaround plan involving the refinery, worsened cash generation with a negative Group Net Financial Position at the end of the financial year equal to a net debt of EUR 505 million pre-IFRS16 (EUR 545 million post application of IFRS16) compared to a positive Net Financial Position of EUR 79 million pre-IFRS16 (EUR 30 million post IFRS16) at 31st December 2019.

To contain the impact of the crisis, Saras has put in place various operational and financial measures since the end of March 2020.

In particular, in the Refining sector the fall in demand and the particularly unfavourable 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

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

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.

Moreover, in light of the situation that developed at the end of March, Saras resorted to hedging operations to guarantee a margin on diesel production and took advantage of the commercial opportunities arising from the marked price contango structure existing between the end of March and the beginning of April.

At the end of March, the Company then gradually reacquired its inventory levels at particularly advantageous prices, with an economic benefit that was reflected in the reported results of the third quarter, although this was adversely offset by the further worsening of the situation during 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 authorise the share buy-back plan approved on March 2nd.

Additionally to these measures, which mainly related to the first half of the year, in October 2020 the Company adopted a cost and investment efficiency plan to contain the economic and financial impact of the continuing economic crisis. This plan will enter into full effect in 2021. This plan envisages keeping the refinery operational to the extent that processing of the main refined products is cost-effective, while safeguarding the production of electricity, which is fundamental for the equilibrium of the Sardinian network, while significantly containing operating and investment costs. The Company also opted to use the redundancy fund as part of this plan. This was partially implemented in respect of all the group's employees from the end of October 2020 and for the first half of 2021. In addition, the Group also implemented a plan for voluntary incentivized resolutions of employment relationship.

Also, in addition to the medium/long-term loans signed in the first quarter of 2020 (respectively amounting to 50 and 20 million euro), the Company obtained ìa loan agreement with a pool of leading Italian financial institutions for EUR 350 million, maturing in 2024, 70% of which is backed by guarantees issued by SACE within the framework of the Italian guarantee programme. The Company was also able to have the lending banks revise the financial parameters applicable to the existing credit lines for 2020, to take into account the changed market conditions.

For updates regarding the potential impact of the continuing Covid-19 emergency on the main financial statement items, please refer to the Notes (Impairment testing). 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 believe that the business conditions for Saras Group activities will ensure a return to profitability in the coming years, particularly from 2022, contingent upon a significant recovery in demand that will be close to pre-pandemic levels; we also believe that in the meantime the cost and investment efficiency plans and the production plans reduction, taking into consideration the credit lines available for the next year, will allow the Group to continue its operating activities in economic and financial balance, waiting for the market rebound and the following recover of Group’s profitability.

SARAS GROUP'S REPORT ON OPERATIONS

TABLE OF CONTENTS SARAS GROUP REPORT ON OPERATIONS

Main Consolidated Financial figures 20

Main Consolidated Financial and Operating figures 23

Corporate and Control Bodies 24

Corporate Governance 26

Comment on Saras Group Results 36

Net Financial Position 39

Segment Review 40

Refining 41

Strategy and Outlook 56

Investments by segment 58

Human Resources 61

Health, Safety and Environment 69

Regulatory Framework 28

Equity Market Performance 30

Saras Stock Performance 32

Structure of the Saras Group 34

Electricity Generation 48

Marketing 51

Wind power 52

Other assets 55

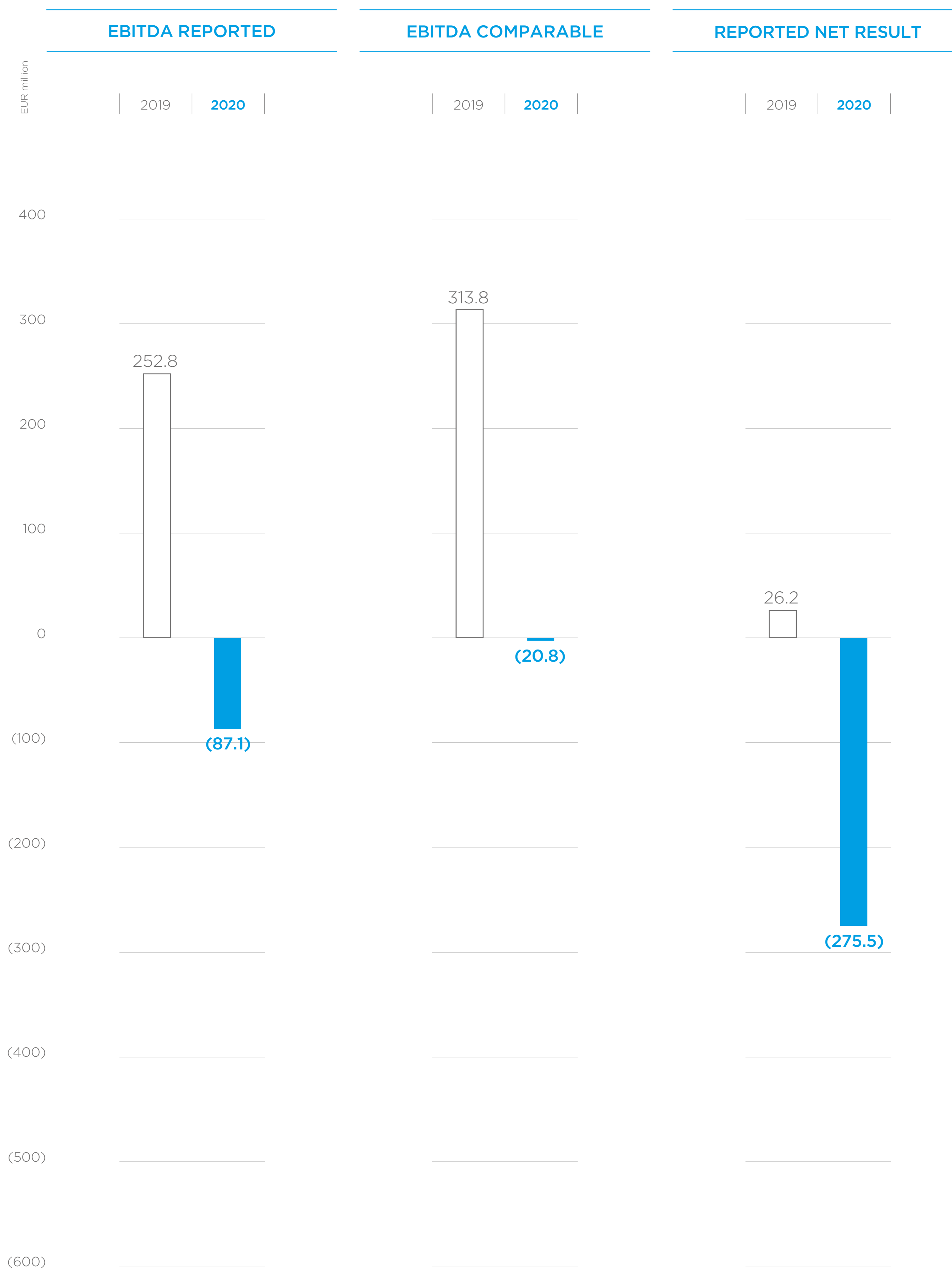
Social responsibility and activities within the community 76

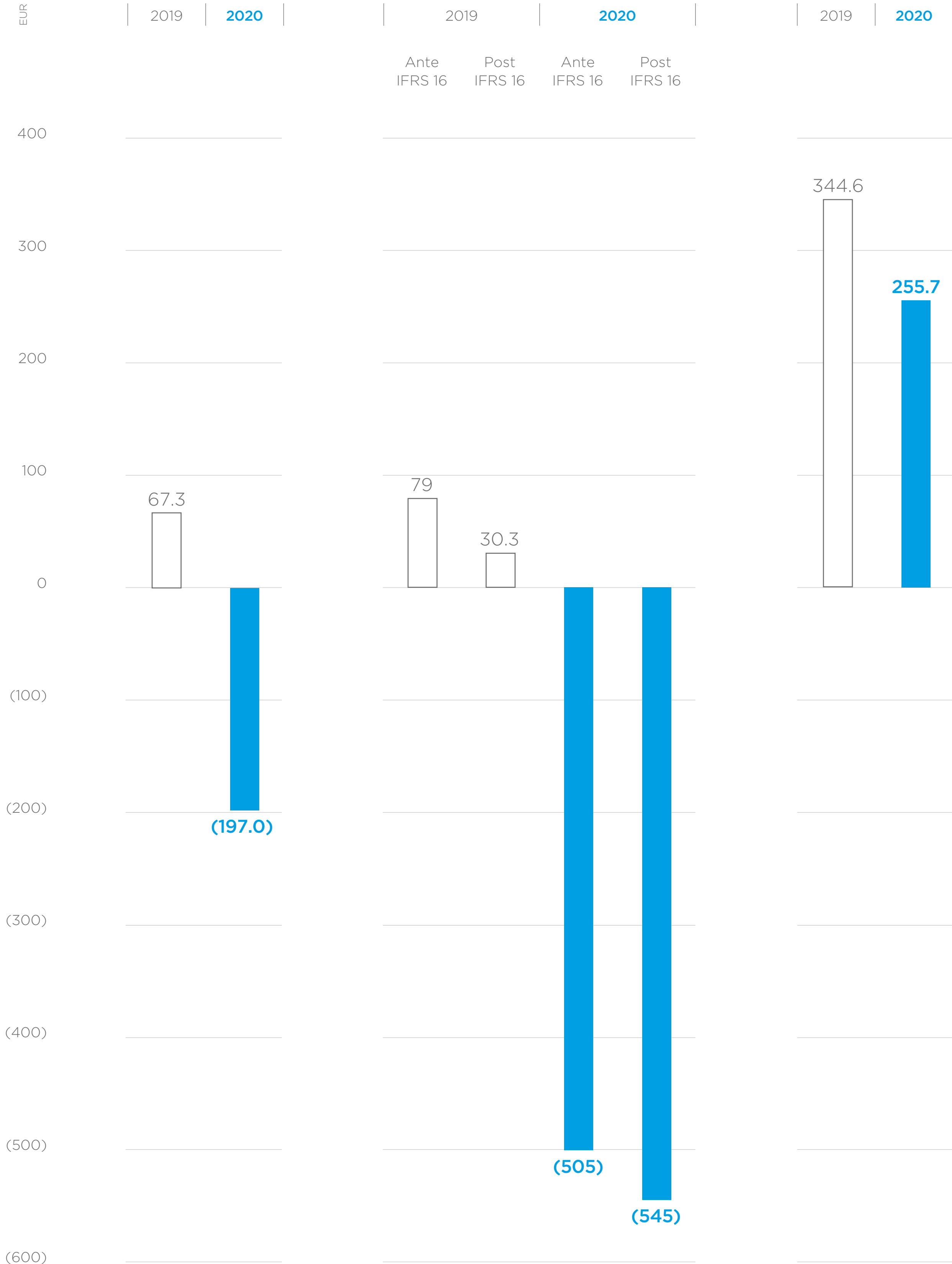
Risk analysis 78

Other information 82

Main events after the end of 2020 85

MAIN CONSOLIDATED FINANCIAL FIGURES





COMPARABLE NET RESULT
NET FINANCIAL POSITION
INVESTMENTS
EUR million
2019
2020
2019
2020
2019
2020
Ante IFRS 16
Post IFRS 16
Ante IFRS 16
Post IFRS 16
400
300
200
100
0
(100)
(200)
(300)
(400)
(500)
(600)
67.3
(197.0)
79
30.3
(505)
(545)
344.6
255.7

MAIN CONSOLIDATED FINANCIAL AND OPERATING FIGURES

EUR MILLION		2020	2019
REVENUE		5,342	9,518
EBITDA		(87.1)	252.8
EBITDA comparable [1]		**(20.8)**	**313.8**
EBIT		(341.1)	54.1
EBIT comparable [1]		**(238.9)**	**115.1**
NET PROFIT		(275.5)	26.2
COMPARABLE NET RESULT [1]		**(197.0)**	**67.3**
Shares outstanding, '000,000 (average no)		940	940
Comparable NET RESULT [1] **per share (EUR)**		**(0.21)**	**0.07**
NET FINANCIAL POSITION BEFORE IFRS 16 EFFECT		**(505)**	**79**
NET FINANCIAL POSITION AFTER IFRS 16 EFFECT		**(545)**	**30**
CAPEX		**255.7**	**344.6**
REFINERY RUNS	Thousand tonnes	**11,369**	**13,172**
	Million barrels	**83.0**	**96.2**
	Thousand barrels/day	**229**	**263**
FOREX	EUR/USD	1.142	1.119
EMC BENCHMARK MARGIN	USD/bl	(0.5)	1,1
SARAS REFINING MARGIN	USD/bl	1.	4.5
IGCC ELECTRICITY PRODUCTION	MWh/1000	4,071	4,075
POWER TARIFF	EURcent/KWh	7.6	9.2
IGCC MARGIN	USD/bl	2.7	3.0
TOTAL MARKETING SALES	Thousand tonnes	2,956	3,574
of which in Italy	Thousand tonnes	**1,909**	**2,155**
of which in Spain	Thousand tonnes	**1,048**	**1,418**

1. 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.

CORPORATE 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 EMANUELE MORATTI	Director
GILBERTO CALLERA	Lead Independent Director, 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	Auditor
PAOLA SIMONELLI	Auditor
PINUCCIA MAZZA	Alternate Auditor
ANDREA PERRONE	Alternate Auditor

MANAGER IN CHARGE OF FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

AUDIT FIRM

EY SpA

CORPORATE GOVERNANCE

The Company adheres to both the Corporate Governance Code of listed companies in force until 31st December 2020, prepared by the Corporate Governance Committee and published by Borsa Italiana SpA in the first version issued in March 2006, as subsequently amended (the "Corporate Governance Code") and the new Corporate Governance Code, published in January 2020 (the "New Corporate Governance Code"), entered into force starting in 2021, with information to be reported in the Reports on corporate governance to be published during 2022. In this regard, it is specified that, although the system of corporate governance rules adopted by Saras is already substantially in line with the principles of the New Corporate Governance Code, on the occasion of the entry into force of the New Corporate Governance Code, the Company will evaluate, where appropriate, interventions to its corporate practices in accordance with the guidelines that inspired the revision.

The Annual Report on Corporate Governance (the "Report") is prepared by the Board of Directors (the "Board") and published within 21 days of the Shareholders' Meeting (the "Shareholders' Meeting") called to approve the 2020 financial statements. In this Report, which is drawn up pursuant to Article 123-*bis*, paragraph 1 of Legislative Decree no. 58 of 24th February 1998 (the Consolidated Finance Act or TUF), as amended, the main features of the Saras corporate governance system are described, as well as how its various components function in practical terms, with a specific focus on compliance with the recommendations contained in the Corporate Governance Code and the New Corporate Governance Code.

The Company's governance system is formalised in the Code of Ethics, the Articles of Association, the Regulations of the Shareholders' Meetings, the Committee Regulations and in a series of principles and procedures periodically updated based on national and international best practices. The corporate organisation of Saras SpA complies with the Italian Civil Code and other laws on corporations, specifically those contained in the Consolidated Finance Act.

The Company is structured in accordance with the traditional model for administration and control, with a 12-member Board of Directors tasked with managing the Company. Within the Board, there is a Remuneration and Appointments Committee, an Audit, Risks and Sustainability Committee, whose functions also include those of the Committee for Related-Party Transactions and a Steering and Strategies Committee, as well as a Board of Statutory Auditors, composed of three standing members and two alternate members, whose tasks include monitoring compliance with legislation and with the Articles of Association and controlling the adequacy of the Company's organisational structure, internal audit system and administrative and accounting systems.

The composition of the current Board of Directors and the current Board of Statutory Auditors, in office for three years until the date of the Shareholders' Meeting called to approve the financial statements at 31st December 2020, was defined at the Shareholders' Meeting of 27th April 2018, which appointed its members.

On 3rd May 2018, the Board of Directors appointed and conferred the office of Chair to Massimo Moratti and of Chief Executive Officer to Dario Scaffardi.

The Company has entrusted the audit firm EY SpA (EY) with the task of auditing the separate and consolidated financial statements for the financial years 2015-2023, as well as the limited audit of the half-year reports for the same period.

The Report provides details of the role and tasks of the Board of Directors, listing the functions that can and cannot be delegated and providing up-to-date information on its composition and the meetings held in 2020 and in the first months of 2021.

The Board of Directors' meeting of 3rd May 2018, having assessed the existence of the independence requirements for Directors Gilberto Callera, Adriana Cerretelli, Laura

Fidanza, Isabelle Harvie-Watt, Francesca Luchi, Lawyer and Leonardo Senni, has also appointed the Lead Independent Director in the person of Gilberto Callera, the Remuneration and Appointments Committee (composed of Gilberto Callera, Laura Fidanza and Francesca Luchi), the Audit, Risks and Sustainability Committee (composed of independent non-executive directors, Gilberto Callera, Adriana Cerretelli, Laura Fidanza, Isabelle Harvie-Watt and Leonardo Senni).

Both Committees have consultative and advisory functions, as provided for in the Corporate Governance Code and met regularly during 2020 and in the first few months of 2021, as illustrated in detail in the Report on Corporate Governance. The main functions of the Related Parties Committee were transferred to the Audit, Risks and Sustainability Committee to be undertaken whenever it becomes necessary, in accordance with the Procedure adopted by the Company pursuant to Article 2391-*bis* of the Italian Civil Code, as implemented by the Consob Regulation adopted with Resolution No. 17221 of 12th March 2010; furthermore, in the Board Meeting held on 6th February 2020, the functions of the Committee were supplemented with the functions of supervision, evaluation and monitoring in regard to the sustainability profiles related to the company's activities, with the consequence that the above Committee has taken on the new name "Audit, Risks and Sustainability Committee". In the meeting on 3rd May 2018 previously referred to, the Board of Directors established the Steering and Strategies Committee, as part of the BoD to advise and support the Board in defining the strategic business guidelines, including finance, as well as the guidelines on sustainability.

The Report also describes the Company's internal control system, for which the Board of Directors is responsible and which establishes the guidelines and periodically reviews the operational adequacy and effectiveness, using the Audit and Risks Committee and the Internal Audit Department.

The Board appointed the Chief Executive Officer Dario Scaffardi as the Executive Director responsible for overseeing the operations of the internal control system.

The Company has also appointed the Chief Financial Officer, Franco Balsamo, as the director in charge of financial reporting, according to Article 154-*bis* of the Consolidated Finance Act.

The Company has had an "organisation, management and control model" in place since January 2006. It has been updated on many occasions, in implementation of the legislation relating to the "Rules governing the administrative liability of companies pursuant to Legislative Decree No. 231/2001, which is overseen by a special supervisory body.

The Group's Code of Ethics (approved by the Board of Directors of Saras SpA on 1st August 2016 and subsequently transposed by the Boards of Directors of other companies in the Group) is also part of the internal control system. It sets out, in a single document, the shared values and principles which underpin the action of the Saras Group and which must be observed by all employees, collaborators and all those who establish relationships with the Group.

In view of the growing importance that Saras assigns to non-economic aspects in terms of defining the Company's value, the Report briefly illustrates, including with references to the "Sustainability Report" that has been published by Saras since 2017, the Company's orientation towards sustainability (inspired by the main national and international standards such as the Corporate Governance Code and Legislative Decree No. 254/2016 and the declaration of non-financial information and diversity (so-called DNF [Non-Financial Statement])).

Lastly, the Report describes the contents of the "*Compliance Guideline – Rules for managing relevant information and inside information and the establishment of an Insider Registe*r", as well as the Procedure to be followed for internal dealing, procedures for related-party transactions and the Code of Conduct for Saras Group Directors, as adopted by the Company's Board of Directors.

REGULATORY FRAMEWORK

The most important regulations in 2020 relating to the energy, environment and health and safety at work sectors are as follows:

- Decree of the Ministry of Economic Development of 30th December 2020 concerning the "*Update of the Decree of 10th October 2014, regarding the obligation to release biofuels for consumption, including advanced ones*";
- Commission Implementing Regulation (EU) 2020/2085 of 14th December 2020 "*amending and correcting Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council*";
- Law No. 176 of 18th December 2020, concerning the "*conversion into law, with amendments, of Decree-Law No. 137 of 28th October 2020, concerning additional urgent measures in the area of health protection, support to workers and businesses, justice and safety, related to the Covid-19 epidemiological emergency*";
- Decree-Law No. 137 of 28th October 2020, concerning "*Additional urgent measures in the area of health protection, support to workers and businesses, justice and safety, related to the Covid-19 epidemiological emergency*";
- Commission Delegated Regulation (EU) No. 2020/2174 of 19th October 2020 "*amending Annexes IC, III, IIIA, IV, V, VII and VIII to Regulation (EC) No 1013/2006 of the European Parliament and of the Council on shipments of waste*";
- Implementing Commission Regulation (EU) 2020/1435 of 9th October 2020 "*on the duties placed on registrants to update their registrations under Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)*";
- Law No. 120 of 11th September 2020, concerning the "*Conversion into law, with amendments, of Decree-Law No. 76 of 16th July 2020, concerning urgent measures for digital simplification and innovation*";
- Legislative Decree No. 118 of 3rd September 2020, concerning "*Implementation of Articles 2 and 3 of Directive (EU) No. 2018/849, amending Directives 2006/66/EC concerning batteries and accumulators and waste batteries and accumulators and 2012/19/EU on waste electrical and electronic equipment*";
- Legislative Decree No. 116 of 3rd September 2020, concerning "*Implementation of Directive (EU) 2018/851 amending Directive 2008/98/EC on waste and implementation of Directive (EU) 2018/852 amending Directive 1994/62/EC on packaging and packaging waste*";
- Commission Delegated Regulation (EU) 2020/1677 of 31st August 2020 "*amending Regulation (EC) No 1272/2008 of the European Parliament and of the Council on classification, labelling and packaging of substances and mixtures in order to improve the workability of information requirements related to emergency health response*";
- Legislative Decree No. 102 of 30th July 2020, concerning "*Provisions supplementing and correcting Legislative Decree No. 183 of 15th November 2017 which implemented the Directive (EU) 2015/2193 of the European Parliament and of the Council of 25th November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants, as well as for the reorganisation of the regulatory framework of the factories that produce emissions into the atmosphere, within the meaning of Article 17 of Law No. 170 of 12th August 2016*";
- Law No. 77 of 17th July 2020, concerning the "*Conversion into law, with amendments, of Decree-Law No. 34 of 19th May 2020, concerning urgent measures in the area of health protection, support to work and the economy, as well as social policies related to the Covid-19 epidemiological emergency*";
- Decree-Law of 16th July 2020, concerning "*Urgent measures for digital simplification and innovation*";
- Legislative Decree No. 73 of 14th July 2020 concerning "*Implementation of Directive (EU) 2018/2002 amending Directive 2012/27/EU on energy efficiency*";
- Regulation (EU) 2020/878 of 18th June 2020 "*amending Annex II to Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals*";

- Legislative Decree No. 48 of 10th June 2020, concerning the "*Implementation of Directive (EU) 2018/844 of the European Parliament and of the Council, of 30th May 2018, amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency*;

- Law No. 40 of 5th June 2020 concerning the "*Conversion into law of Decree-Law No. 23/20 containing urgent measures on access to credit and tax obligations for companies, special powers in strategic sectors, as well as interventions in the areas of health and work and the extension of administrative and procedural deadlines*";

- Legislative Decree No. 46 of 1st June 2020, concerning the "*Implementation of Directive (EU) 2019/692 of the European Parliament and of the Council of 17th April 2019 concerning common rules for the internal market in natural gas*";

- Legislative Decree No. 44 of 1st June 2020 concerning the "*Implementation of the Directive (EU) 2017/2398 of the European Parliament and of the Council of 12th December 2017 amending Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work*";

- Decree-Law No. 34 of 19th May 2020, concerning "*Additional urgent measures in the area of health protection, support to workers and businesses, justice and safety, related to the Covid-19 epidemiological emergency*";

- Commission Delegated Regulation (EU) No. 2020/1182 of 19th May 2020 "*amending, for the purposes of its adaptation to technical and scientific progress, Part 3 of Annex VI to Regulation (EC) No. 1272/2008 of the European Parliament and of the Council on classification, labelling and packaging of substances and mixtures*";

- Interministerial Decree of 2nd May 2020 "*prepared pursuant to Article 232 of Legislative Decree No. 81 of 9th April 2008 and subsequent amendments and supplements, with which the fourth list of indicative occupational exposure values is defined*";

- Law No. 27 of 24th April 2020, concerning the "*Conversion into law, with amendments, of Decree-Law No. 18 of 17th March 2020, concerning measures to strengthen the National Health Service and for economic support for families, workers and businesses related to the Covid-19 epidemiological emergency". Extension of deadlines for the adoption of legislative decrees*";

- The Decree of the Ministry for the Environment and Protection of the Land and Sea, 21st April 2020 on the "*Mode of organisation and operation of the national registry for the collection of permissions issued on the results of the simplified procedures concluded for the performance of recovery transactions*";

- Law No. 23 of 8th April 2020 concerning the "*Urgent measures on access to credit and tax obligations for companies, special powers in strategic sectors, as well as interventions in the areas of health and work and the extension of administrative and procedural deadlines*";

- Decree-Law No. 18 of 17th March 2020, concerning "*Measures to strengthen the National Health Service and for economic support for families, workers and businesses related to the Covid-19 epidemiological emergency*";

- Law No. 8 of 28th February 2020, concerning the "*Conversion into law, with amendments, of Decree-Law No. 162 of 30th December 2019, concerning urgent provisions regarding the extension of legislative deadlines, the organisation of public administrations, as well as technological innovation*";

- Commission Regulation No. (EU) 2020/171 of 6th February 2020 "*amending Annex XIV to Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)*".

- Resolution No. 598/2020/R/eel of 29th December 2020, ARERA (Italian Regulatory Authority for Energy, Networks and Environment), "*Admission to the cost recovery regime of the Assemini, Biopower Sardegna and Portoferraio plants and determinations on the Sarlux plant, for the year 2021*".

EQUITY MARKET PERFORMANCE

For financial markets, 2020 was a unique year. It was marked by the consequences of the global pandemic, a “black swan” that caused the largest quarterly decline in global GDP and the largest increase in unemployment since the Great Depression. The decline in the stock markets was one of the fastest on record. Similarly, unprecedented phenomena affected oil prices, causing them to temporarily drop into negative territory in mid-April. These also caused volatility of the financial markets, which exceeded the levels observed during the global financial crisis of 2008-2013.

More specifically, after a particularly positive 2019 for markets, 2020 began with concern regarding the macroeconomic data that at the end of January signalled a widespread slowdown and, in China, the first fears of an epidemic. In March, the pandemic declared by the WHO and the subsequent blockade of economic activities in many European countries - Italy, France, Spain, Germany - and the United States, triggered an unprecedented global fall in stock markets. On 12th March 2020, the main European listings set negative records: the FTSE MIB lost -16.92%, the CAC in Paris -12.28%, the German DAX -12.21% and the FTSE100 in London -9.81%. On the same day, Wall Street fell 10%, the worst session since 1987.

In late March, the fiscal and monetary response by the Authorities saw the FED cut rates to zero and launch unlimited QE, while the ECB adopted a strongly expansionary monetary policy through maintaining interest rate levels at record lows and adopting a dedicated anti-pandemic bond buying plan (PEPP), while maintaining QE measures. At the same time, governments delivered significant tax packages. In this way, after the March collapses, world stock markets gradually began to recover with never before recorded increases, especially in the months of April and August.

The US stock exchange and, with it, those around the world have also recovered quickly, driven by NASDAQ tech stocks, which have benefited from the habits of millions of people in lockdown (online shopping, smart working, home entertainment, etc.), setting new all-time highs.

Nevertheless, in October, the second wave of the virus slowed the recovery and gave rise to further declines on the main indices.

Beginning in November, the success of the vaccine tests led to a reversal of the market trend, favouring a rotation towards cyclical stocks. In this way, losses were fully recovered by the American and Asian stock markets, while the main European exchanges only partially managed to limit the damage.

Notwithstanding the substantial recovery compared to the early months of the year, European indices are the ones that have suffered the most from the Covid-19 crisis: the exception is the DAX Index in Frankfurt, which ended the year up by 3.55%; the other Eurozone indices have not recovered the losses accumulated during the year. The FTSE 100 in London, which in addition to Covid-19 suffered the Brexit penalty, dropped 14.34%. The CAC 40 Index in Paris lost 7.14%; the FTSE ASE Large Cap in Athens posted a loss of 15.81%.

The FTSE Mib closed down 5.42%.

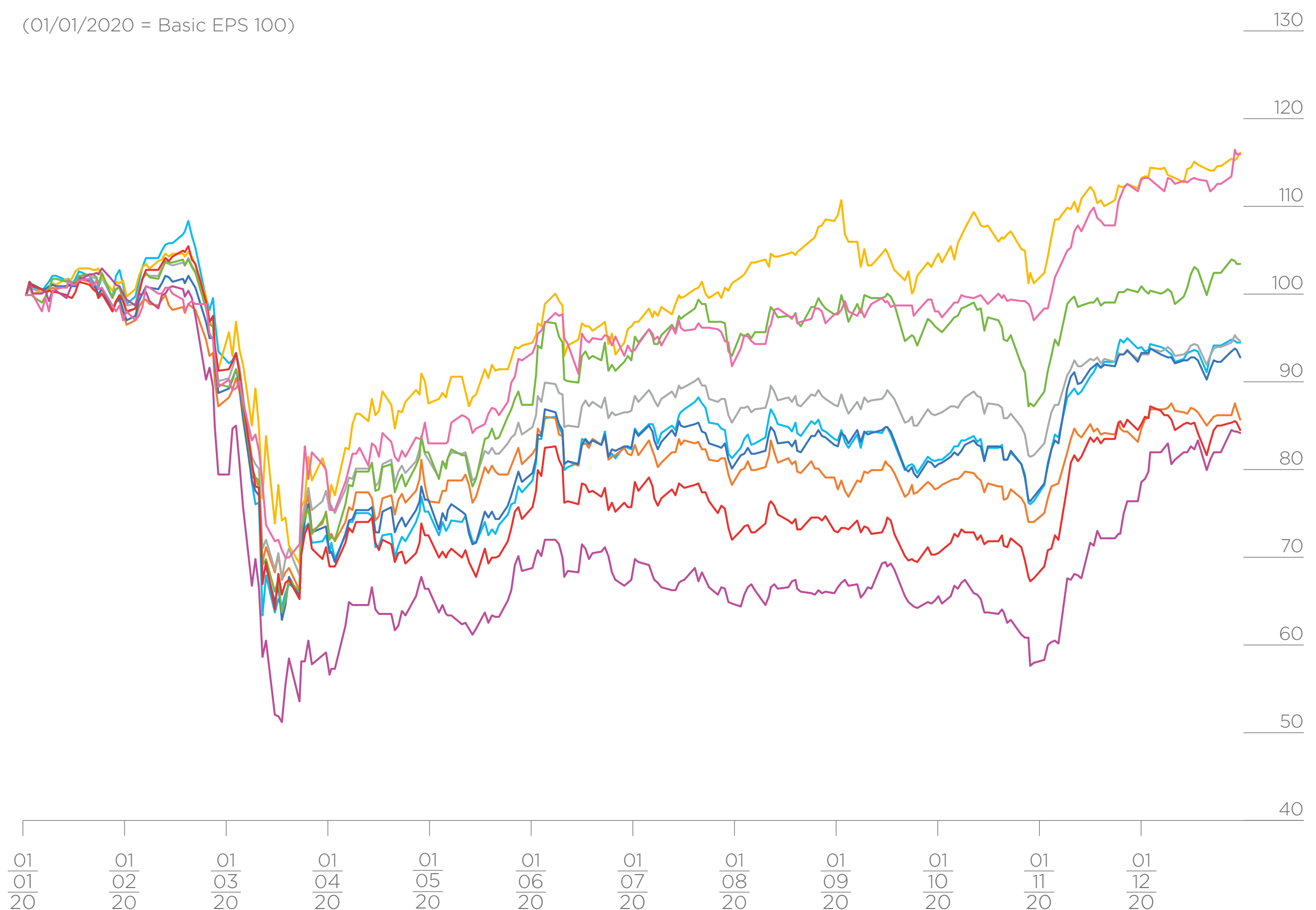
The composite index that summarises the performance of the 300 largest European companies (“FTSE EuroFirst 300”) closed down 5.38%. Among the sectors particularly stricken are banks, cruise lines and airlines and, of course, companies linked to the oil and gas industry that have been heavily penalised by lower energy demands.

Internationally, Japan's Nikkei 225 index closed the year with a strong recovery of +16.01%.

The US indices also performed well with the S&P 500 gaining 16.26%. NASDAQ had the best performance in 2020, gaining almost 44%, arriving at around 12,900 points.

The following graph provides a visual representation of the fluctuations in the share prices commented on, using the prices of 1st January 2020 as the “base 100” reference.

MAIN WORLD MARKET INDICES (SOURCE: BLOOMBERG)



FTSE MIB Index: index of 40 stocks most representative of the Italian market
UKX Index: index of 100 stocks most representative of the UK market
E300 Index: indice rappresentativo delle 300 società europee più grandi per capitalizzazione
SPX index: index of 500 stocks most representative of the USA market chosen from all sectors of the economy
CAC Index: index of 40 stocks most representative of the French market
DAX Index: index of 100 stocks most representative of the German market
IBEX Index: index of 35 stocks most representative of the Spanish market
FTASE Index: Index: representative index of 300 European companies with the highest capitalisation
NIKKEI Index: index of 225 stocks most representative of the Japanese market

SARAS STOCK PERFORMANCE

SHARE PRICE (EUR)	2020
Minimum price (13/10/2020) *	0.4166
Maximum price (02/01/2020) *	1.474
Average price	0.760
Closing price on 30/12/2020	0.5945

* Minimum and maximum prices refer to official reference prices on the closing of each trading day.

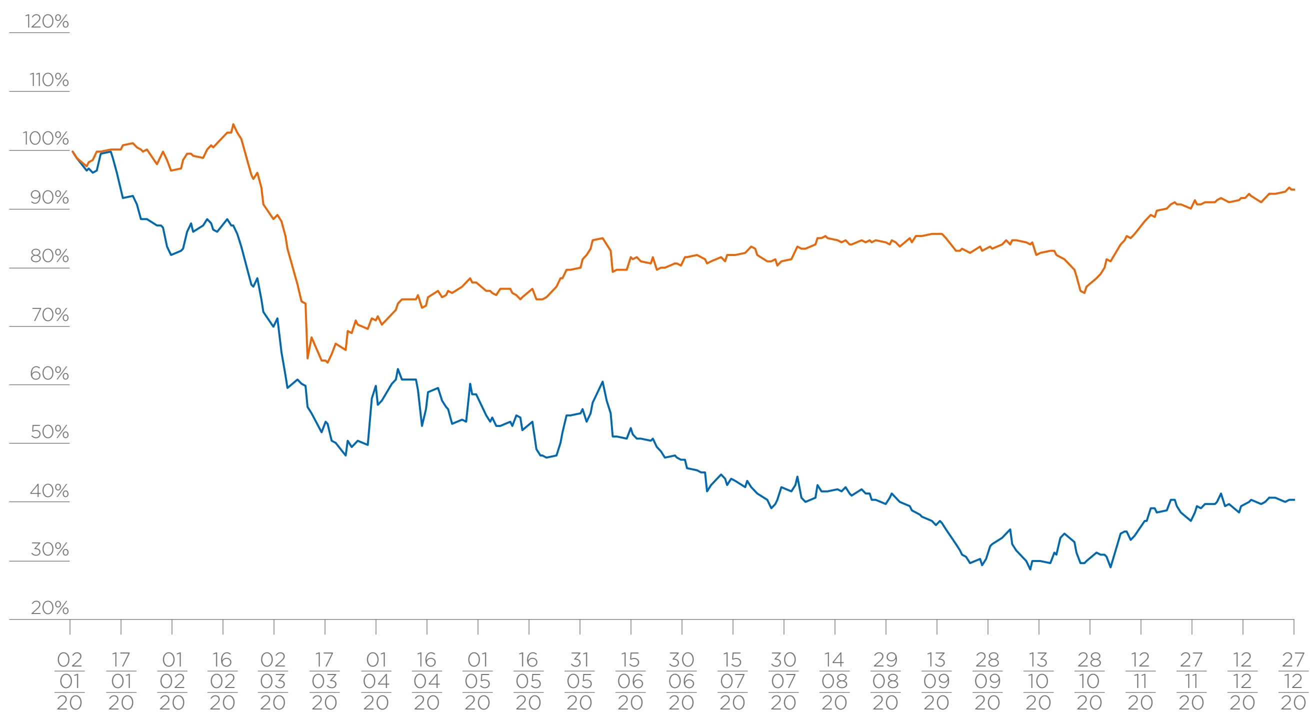
DAILY TRADING VOLUMES	2020
Minimum traded volume in EUR million (20/08/2020)	1.4
Minimum traded volume in number of shares (million) (08/05/2020)	1.9
Maximum traded volume in EUR million (15/01/2020)	33.0
Maximum traded volume in number of shares (million) (24/11/2020)	34.1
Average traded volume in EUR million	6.1
Average traded volume in number of shares (million)	8.6

The previous data relate to Saras' share prices and the daily volumes, traded during the period from 2nd January 2020 to 30th December 2020.

The market capitalisation at 30th December 2020 (last open market day of the year) amounted to approximately EUR 565 million and, on the same date, there were 951 million shares (shares outstanding 942 million). At year-end 2020, Saras SpA holds 9,220,216 treasury shares, corresponding to 0.97% of the share capital. For details on own shares held in treasury and on the share movements during the year, reference should be made to the Report on Operations to the separate financial statements of Saras SpA.

The following graph shows the daily trend of the Saras stock, compared with the benchmark index, the FTSE Italia Mid Cap index of the Milan stock exchange: as a result of the phenomena described in the course of this Report and which have affected the refining market, the Saras stock logged a negative performance of 58.54% in 2020. During 2020, the main indices of the Oil & Gas market recorded negative performances, much lower than those of the overall equity market. Regarding the Italian market, the benchmark FTSE Mid Cap index, which includes the Saras stock, saw a drop of 5.8%.

SARAS VS FTSE ITALIA MID CAP



STRUCTURE OF THE SARAS GROUP

SARAS SpA

100% — Sarlux Srl

100% — Saras Trading SA

100% — Deposito di Arcola Srl

99,99% — Sarint SA

100% — Sartec Srl

100% — Sardeolica Srl

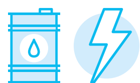
Deposito di Arcola Srl 0,01% — Sarint SA

Sarint SA 100% — Saras Energia SAU

Sarint SA 99,9% — Reasar SA

Deposito di Arcola Srl 0,1% — Reasar SA

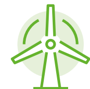
Saras Energia SAU 100% — Terminal Logistica de Cartagena SLU



REFINING AND GENERATION ELECTRICITY TRADING

MARKETING

OTHER



WIND

The picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 31st December 2020.

REGISTERED OFFICES OF THE CONSOLIDATED COMPANIES

Saras SpA
SS. Sulcitana 195, Km 19
09018 Sarroch – Cagliari

Sarlux Srl
SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Deposito di Arcola Srl
Via XXV Aprile 18
19021 Arcola - La Spezia

Sartec Srl
Località Grogastu
Traversa 2^ Strada Est
09032 Assemini - Cagliari

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COMMENT ON SARAS GROUP RESULTS

GAAP and Non-GAAP measures (alternative performance indicators)

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.

KEY GROUP FINANCIAL AND OPERATING RESULTS

EUR million	2020	2019
REVENUE	5,342	9,518
EBITDA	(87.1)	252.8
Comparable EBITDA	**(20.8)**	**313.8**
EBIT	(341.1)	54.1
Comparable EBIT	**(238.9)**	**115.1**
NET INCOME	(275.5)	26.2
comparable NET RESULT	**(197.0)**	**67.3**
NET FINANCIAL POSITION BEFORE IFRS 16 EFFECT	**(505)**	**79**
NET FINANCIAL POSITION AFTER IFRS 16 EFFECT	**(545)**	**30**
CAPEX	**256**	**345**

Comment on group results 2020

In 2020, the refining sector experienced one of the worst crises in its history, triggered by an unprecedented slump in consumption following global restrictions to contain the pandemic. **Group revenue for the year totalled EUR 5,342 million, down by 44%** compared to EUR 9,518 million in the previous year. The Refining segment recorded lower revenues of approximately EUR 3,174 million (46% lower than in the same period of the previous year) and the Marketing segment's revenues were lower by about EUR 897 million (44% lower than in the same period of the previous year). The contribution of the Power and Wind segments was also lower in 2020, with revenues 20% and 14% lower. Respectively, than in 2019, due to the lower value of the CIP6 tariff and the general fall in electricity prices.

This situation has significantly impacted the volumes sold, prices and margins of oil products.

In the Refining segment, volumes decreased by 14% compared to 2019. This reduction is also due to one of the most important turnarounds in

the history of the Sarroch refinery, already planned for 2020 and duly completed during the year, which involved the Topping T1 units and the FCC unit, the main plant used in the production of gasoline. The plant shutdown for maintenance of the FCC plant, which began in March and was initially scheduled to last until the end of May, was extended to the entire month of June, in view of the poor performance of gasoline refining, particularly in the second quarter when gasoline crack fell by 57% compared to the same period of the previous year. In the third quarter there was also less processing due to the shutdown of one of the two mild hydrocrackers, the plants used in the production of diesel oil, which lasted about 30 days. In the fourth quarter, production remained at 80% of capacity.

In Marketing, sales volumes fell by 17% compared to 2019, in comparison to a national average where gasoline consumption fell by 21% and diesel consumption dropped by 17% in 2020. In particular, the performance of the segment in Italy confirmed a trend of fuel sales in the wholesale channel that was overall better than the market.

In terms of prices, gasoline averaged at 382 $/ton (compared to the average of 595 $/ton in Q3/17), while the price of diesel averaged out to 362 $/ton (compared to the average of 586 $/ton in 2019). Gasoline crack averaged $3.9/bl for the year, 44% lower than in 2019 ($7.0/bl). Similarly, diesel crack averaged $6.7/bl, touching values below $2/bl or a 53% drop from the average of $14.3/bl in 2019, with particularly low values in the second half of the year, to $1.3/bl in September.

These phenomena resulted in a negative Group reported EBITDA of EUR 87.1 million in FY 2020, compared to a positive Group reported EBITDA of EUR 252.8 million in 2019.

This result is attributable to the situation following the pandemic crisis, which was reflected in the Refining segment with a negative impact (estimated in management accounts) at the reported EBITDA level of about EUR 287 million, mainly as a result of the compromised margins of the sector, in particular with reference to diesel and gasoline crack. This was only partially offset by the falling prices of the crude oils that were purchased. This result also takes into account the negative impact of the valuation of Refining and Marketing inventories resulting from the collapse in oil prices, amounting to EUR 32.2 million in the year, with a particularly negative effect in the first half of the year, at the same time as the collapse in prices, which was then partially reabsorbed in the months that followed.

The contribution to the Group's EBITDA of the Refining segment's production planning activities was lower than in 2019, in view of the limited opportunities for optimisation arising from the changed market environment and its high volatility and uncertainty, as well as the structure of the plants in the year (for further details, please refer to the description of the Refining segment's operations).

However, these effects were partly offset by specific actions implemented by the Company, such as a reduction in processing and an increase in efficiency, which benefitted the bottom line by lowering operating expenses.

In addition, the commercial management of the Refining segment also resulted in a higher EBITDA contribution than in 2019.

To guarantee a margin on diesel crack, the company implemented hedging transactions in the second quarter, which benefitted EBITDA by approximately EUR 19 million in 2020.

Finally, EBITDA in 2020 benefited from lower variable costs, which were reduced compared to the previous year both in terms of unit prices and consumption, as a result of the lower processing volumes. Less processing also meant lower costs in terms of CO_2 emissions.

As mentioned above, it should be noted that the EBITDA for 2020 includes EUR 35.9 million from the release of the CO_2 risk provision for the former Versalis facilities, of

which EUR 21.0 million are related to the 2015/2017 quotas that are of an extraordinary nature when assessed against comparable results.

The Group's reported Net Profit was negative by EUR 275.5 million, compared to EUR 26.2 million in 2019, substantially due to the factors described above for EBITDA, net of the tax effect. Moreover, amortisation and depreciation increased compared to the last year (EUR 218.1 million, compared with EUR 198.7 million in 2019) due to new investments that were deployed.

It should also be noted that, as a result of the Impairment test under IAS 36, there is a reduction in value attributable to tangible non-current assets of EUR 35 million. For further details, please refer to what is described in the Notes in Chapter 5.2 "Non-current assets".

The balance between financial income and charges was negative at EUR 16.4 million (compared to a negative balance of EUR 18.2 million in 2019). Other financial items (which comprise realised and unrealised differentials on mostly foreign exchange derivatives, net exchange rate differences and other financial income and charges) showed a net positive balance of approximately EUR 2.5 million compared to a net negative balance of about EUR 0.5 million in the previous year. Finally, there is an allocation to a "tax provision" for assessments on taxes paid in previous years.

In terms of comparable EBITDA the Group result was negative by EUR 20.8 million, compared to a positive comparable EBITDA of EUR 313.8 million in 2019. Compared to reported EBITDA, this result also takes into account the negative impact of the valuation of Refining and Marketing inventories resulting from the volatility of oil prices, amounting to EUR 32.2 million in the year, with a particularly negative effect in the second half of the year, concurrently with the collapse in prices, which was then partially reabsorbed in the months that followed. Comparable EBITDA with respect to reported EBITDA also does not include the effect of certain non-recurring items relating to personnel costs and leaving incentives, as well as write-downs relating to the material inventory of the subsidiary Sarlux, whilst it includes the positive effect of the reversal of CO_2 provision related to ex-Versalis plant, reversed during 2020 and including EUR 21 million referred to 2015-2017.

The Group's comparable Net Result in 2020 was a loss of EUR 197.0 million, compared to a profit of EUR 67.3 million in the previous year and, compared to the net comparable result, in addition to the differences described for EBITDA, this does not take into account the reduction in value on tangible non-current assets due to the impairment test, net of the tax effect and the allocation to a "tax provision" related to assessments on taxes paid in previous years.

Investments in 2020 totalled EUR 255.7 million and were mainly allocated to the Refining segment (EUR 225.9 million), in comparison with EUR 344.6 million in 2019. EUR 128 million of these investments refers to the aforementioned long-term turnaround activities.

The tables below present the details of the calculation of comparable EBITDA and Net Result for 2020 and 2019.

DETAILS ON THE CALCULATION OF COMPARABLE EBITDA

EUR million	2020	2019
Reported EBITDA	**(87.1)**	**252.8**
Gains/(losses) on inventories and inventory hedging	32.2	53.9
Exchange rate derivatives	5.3	(1.9)
Non-recurring items	28.8	8.9
Comparable EBITDA	**(20.8)**	**313.8**

DETAILS ON THE CALCULATION OF THE COMPARABLE NET RESULT

EUR million	2020	2019
Reported NET RESULT	**(275.5)**	**26.2**
Gains/(losses) on inventories and inventory hedging, net of taxes	23.4	38.9
Non-recurring items after tax	55.2	2.3
Comparable NET RESULT	**(197.0)**	**67.3**

NET FINANCIAL POSITION

The Net Financial Position as at 31st December 2020, before the effect of applying IFRS 16, was negative by EUR 504.6 million, compared with a positive reported net financial position of EUR 79.0 million as at 31st December 2019. The Net Financial Position including the effects of IFRS16 (negative impact of EUR 40.3 million) was negative EUR 544.9 million.

In addition to lower profitability, the downward compression on demand and prices of raw materials and products triggered by the pandemic crisis led to cash absorption at the level of net working capital.

In fact, cash generation was negative by EUR 575 million over the twelve month period. In addition to the operating loss with negative reported EBITDA of EUR 87 million and investments of EUR 255.7 million for the year, the most significant impact came from the change in working capital, which was negative in the year by EUR 193 million. This change was mainly due to a steep decrease in trade payables, caused mainly by price dynamics, which decreased by EUR 732 million compared to the end of the previous year, exceeding the cumulative decrease of EUR 398 million recorded in trade receivables and inventories and other minor changes, such as those related to the release of the CO_2 provision of EUR 32 million, which had no monetary effect and the decrease in the provision for deferred tax assets of EUR 72 million.

It is hereby noted that to strengthen the Group's financial structure, at the end of 2020 the Company concluded a loan agreement with a pool of leading Italian financial institutions in the amount of EUR 350 million, maturing in 2024 recognised under medium and long term bank loans. 70% of this loan is backed by guarantees issued by SACE as part of the Italian guarantee programme. The Company was also able to have the lending banks revise the financial parameters applicable to the existing credit lines, to take into account the changed market conditions. For further details, please refer to Consolidated Cash Flow and to paragraph 5.4.1 Long term financial liabilities.

We also draw your attention to the additional (both medium-term and short-term) credit line of approximately EUR 400 million that were at the Group's disposal but still unused as at 31st December 2020.

For further details, please see the Notes at sections 5.3.1 - Short-term financial liabilities and 5.4.1 - Long-term financial liabilities.

KEY GROUP FINANCIAL AND OPERATING RESULTS

EUR million	2020	2019
Medium- and long-term bank loans	(399)	-
Medium- and long-term bonds	(199)	(199)
Other medium- and long-term financial liabilities	(13)	(7)
Other medium- and long-term financial assets	6	7
Net medium-/long term financial position	**(606)**	**(200)**
Current bank loans	(19)	(70)
Payables to banks for bank overdrafts	(456)	(8)
Other short-term financial liabilities	(39)	(91)
Fair value on derivatives and realised net differentials	(6)	(15)
Other financial assets	62	31
Cash and cash equivalents	559	432
Net short-term financial position	**101**	**279**
Total Net Financial Position before lease liability pursuant to IFRS 16	**(505)**	**79**
Financial payables for leased assets pursuant to IFRS 16	(40)	(49)
Total Net Financial Position after lease liability pursuant to IFRS 16	**(545)**	**30**

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.

REFINING

The Saras Group operates in the Refining sector through its Sarroch refinery, one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes/year) and also in terms of the complexity of plants and it is ranked among the best in Europe (11.7 on the Nelson Index). Located on the coast south-west of Cagliari, it enjoys a strategic position in the middle of the Mediterranean Basin, close to the various crude supplier countries and the main markets for refined products.

Oil market and refining margins

Here below there is a short analysis of the performance of crude oil prices, the crack spreads of the main refined oil products and 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 annual values[1]	2020	2019
Crude Oil (USD/bl)		
Price of Dated Brent (FOB Med)	41.8	64.2
Price of Urals (CIF Med)	42.1	63.8
Heavy-Light price differential	+0.2	-0.4
Refined Products (USD/tonne)		
ULSD price	362.1	585.6
Gasoline 10ppm	381.8	594.6
HSFO	214.5	324.0
Crack spreads (USD/bl)		
ULSD crack spread	6.7	14.3
Gasoline crack spread	3.9	7.0
HSFO crack spread	-7.8	-12.8
Other indicators of profitability		
EMC Benchmark margin (USD/bl)	-0.5	+1.1
USD/EUR forex	1.141	1.195

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

In 2020, the refining sector experienced the worst crisis in its history. Restrictions adopted globally to contain the Covid-19 pandemic have led to an unprecedented drop in consumption since March. To support crude oil prices, which plummeted to unprecedented levels, in early April Opec+ countries and Russia agreed and implemented major production cuts. While these helped to support the economies of producing countries, they put further severe pressure on the crack margins of key refined products throughout the subsequent months of the year that they remained in place.

Market conditions unexpectedly worsened in the second half of the year: in fact, despite the easing of lockdown measures during the summer months, oil consumption struggled to recover in the third quarter. In particular, the collapse in air traffic, which remained at levels more than 60% lower than pre-pandemic levels, prevented any increases in diesel prices and margins and stocks remained at very high levels globally. Moreover, the effect of OPEC+ Russia production cuts was particularly strong beginning from June, causing a contraction of the sweet-sour differential that particularly affected complex high-conversion refineries such as Saras, which have a typically heavier, high-sulphur slate.

The situation did not improve in the last quarter. This was in part due to the arrival of a second wave of Covid contagions and the resulting implementation of new restrictive measures. At the same time, the prices for the basket of main crude oils used as feedstock by Saras remained just below parity or at a premium to Brent.

Below is a detailed analysis on the performance of crude oil prices, petroleum products and the refining margin of reference for the European market (the EMC Benchmark), which is the main geographical context in which the Saras Group Refining segment conducts its operations.

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 21st 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 1st 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 25th 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.

In October, prices remained stable at the previous quarter's levels, with demand remaining weak, increased supply as exports from Libya resumed and higher volumes produced by Iraq compared to OPEC+ cuts, with many refineries undergoing autumn maintenance shutdowns. In late November and December, however, prices picked up thanks to the vaccine announcements and news of OPEC+ Russia's intentions to continue production cuts in early 2021. The year ended with Brent DTD quotations above $50/bl, levels that had not been seen since early March.

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 materialise 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 raw sour.

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.

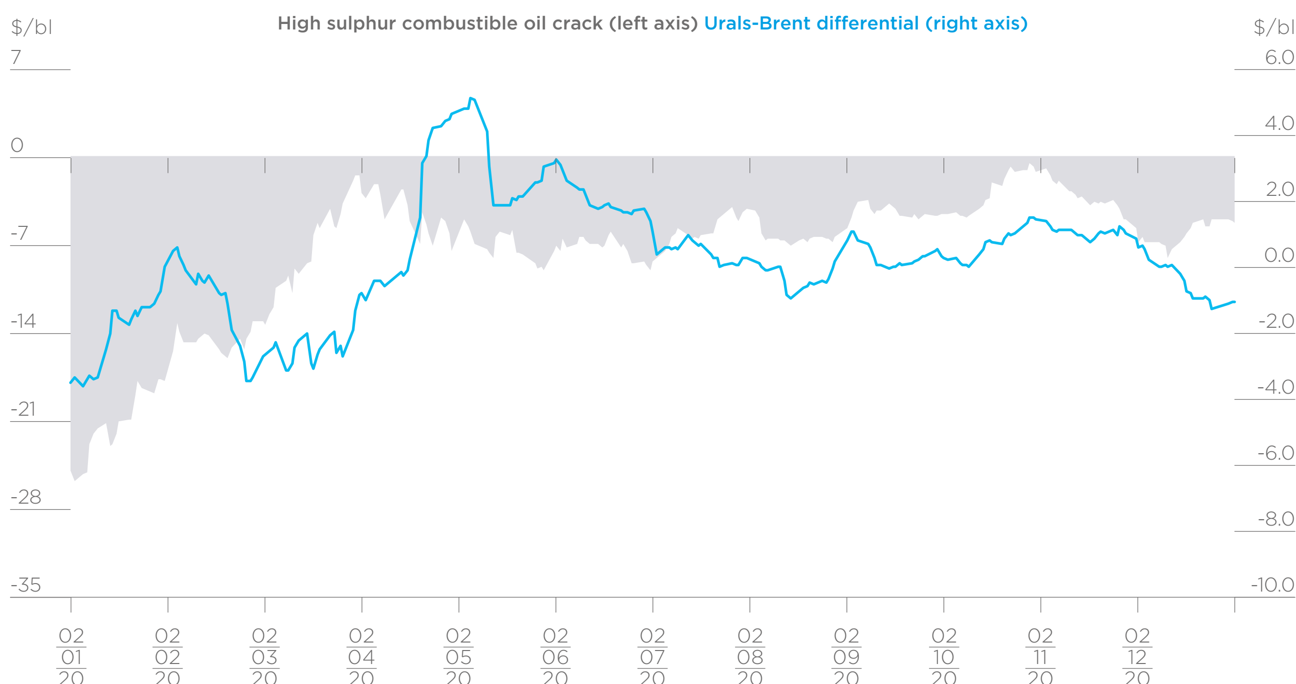
This trend was maintained in the second and third quarters with an average premium differential in the second and third quarters of $+2.2/bl and $+0.2/bl respectively. In October and November, continued cuts kept Ural Med at a premium to Brent; a decline was recorded in December due to an initial increase in loadings and the average differential for the quarter rose to +$0.46/bl.

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

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 utilisation 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. The last quarter of the year showed no substantial improvement, with a very slight improvement in the diesel crack and a retreat below $5/bl for gasoline, whose margins again came close to zero.

In particular, **jet** fuel is the product most impacted by the pandemic, as airlines began to cancel flights from and to China as early as January, until flights all but stopped 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. Air traffic continued its gradual recovery in the fourth quarter, thanks to the recovery of flights in Asia, finally returning to positive territory at the beginning of November, when the

PRICE DIFFERENTIAL OF "URALS-BRENT" CRUDE OIL AND THE CRACK SPREAD OF FUEL OIL (SOURCE: PLATTS)

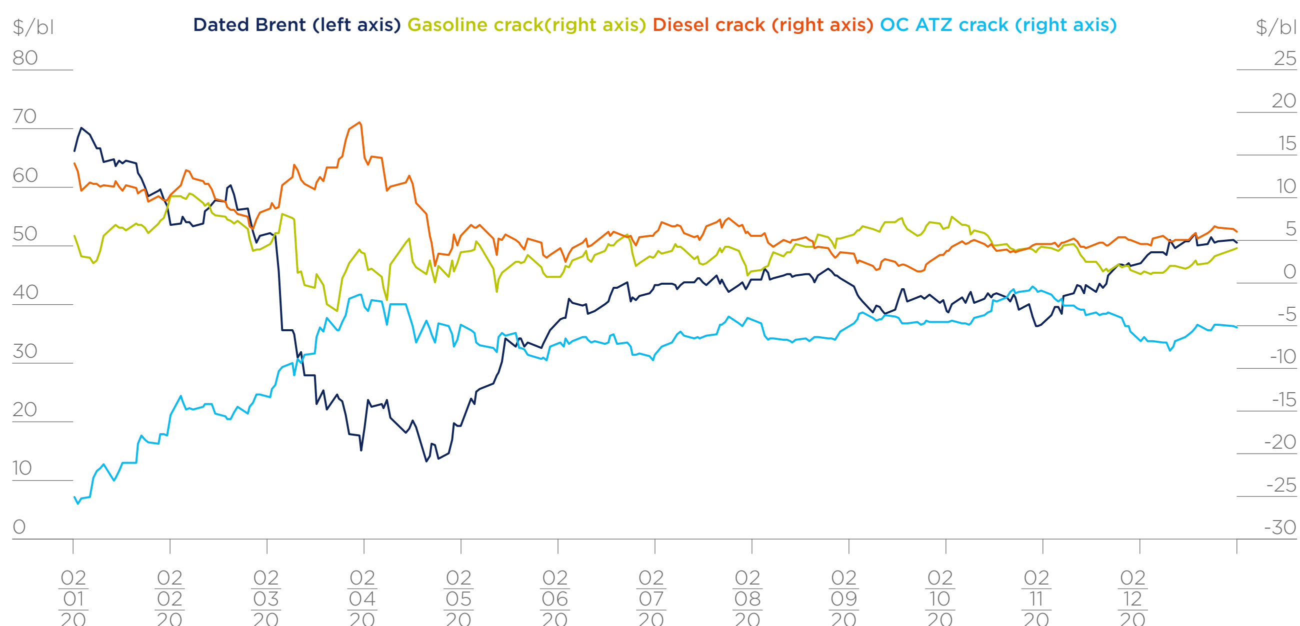


average reached $1.8/bl. **The year ended with an average margin over the twelve months of $1.2/bl ($13.1/bl in 2019)**.

Gasoline was the second product to be hit the hardest 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, thereby allowing the crack spread to reach an average of $6/bl in September. At the beginning of October, gasoline consumption slowed down again, with the arrival of a second wave of infection and new measures to contain the pandemic. During the fourth quarter, inventories began to increase again, especially in Northern Europe and North America. They had only been slightly reduced by the numerous shutdowns of the refineries for autumn maintenance. Gasoline crack, which had reached $7/bl at the end of September, averaged around $5/bl in October, around $3/bl in November and finally just under $2/bl in December. **During the year, gasoline recorded an average margin of $3.9/bl ($6.6/bl in 2019)**.

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 materialisation 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. Over the past three months, diesel crack has averaged $4.8/

DATED BRENT AND GASOLINE, DIESEL AND FUEL OIL CRACK SPREADS (SOURCE: PLATTS)



Crack spread: difference between the price of a finished product (e.g. gasoline or diesel) and the price of the reference crude oil (e.g. Dated Brent)

bl, up from its September lows, but was still weighed down by weakness in industrial consumption and road transport. **During the year, the diesel crack margin averaged $6.7/bl ($14.5/bl in 2019)**.

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 materialise 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 formulation of VLSFO probunker. It reached a negative average of -$1.2/bl in the third quarter. Both VLSFO and **LSFO** margins rebounded from October and continued in November, due to lower production on account of autumn maintenance at European and US refineries against a backdrop of recovering bunker consumption, with crack reaching $3.9 and $2.1/bl respectively in the last quarter. **During the year, average margins for the two products were higher than in the past, at $3.8/bl for VLSFO and $1.3/bl for LSFO**.

By contrast, in QI the strong negative trend was reversed for **HSFO crack** beginning in March due to the reduction in the availability of ATZ crude oils following both the OPEC+ and Russian cuts in production and the adaptation 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. The upward trend continued until the beginning of November, when a partial downturn was recorded, due to reduced demand from Asia (Pakistan and Bangladesh), which brought crack to -$6/bl. **The average price for HSFO crack in 2020 was -$7.8/bl (-$27.6/bl in 2019)**.

Reference 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 graph 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 a market scenario that had deteriorated sharply as a result of

the pandemic, the EMC Benchmark recorded a negative average of -$0.5/b in 2020 (it had averaged $1.1/bl in 2019).

Compared to this EMC margin, in 2020 Saras achieved an average refining margin of $1.5/bl ($4.5/bl in 2019), with an average premium of $2.0/bl (premium of $3.4/bl in 2019), also due to lower amount of processing compared to the previous year.

This result, which is lower than the historical average, is due to several specific factors that have placed the Saras refinery at a disadvantage compared with the "standard Mediterranean refinery" referred to by the EMC: these include, above all, Saras' lower yield in high-sulphur fuel oils, with margins that have increased significantly since the second half of the year.

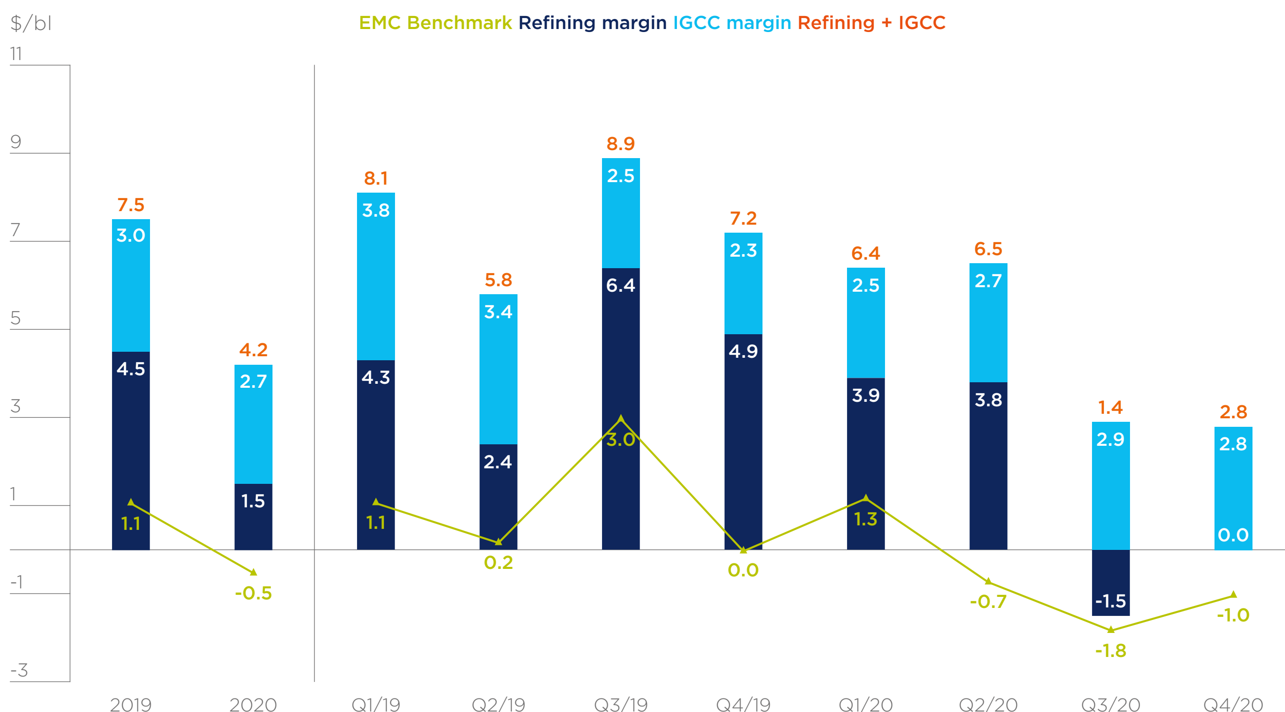
The much higher level of the crack spread of fuel oil compared to the previous year (in particular with respect to the second half of 2019, when the prices of this product were lower, incorporating the expectations related to the entry into force of the IMO regulation) has positively affected the EMC Benchmark margin for the strengthening of the fuel oil crack spread compared to 2019. Saras was only able to partially capture this effect, having a significantly lower fuel oil production than that modelled in the reference margin (around 5% compared to 15% of the EMC Benchmark).

Net of this distorting effect, worth approx. 0.9 $/bl, the EMC Benchmark reference margin would have been -1.4 $/ bl (compared to -0.5 $/bl) and the Saras margin premium +2.9 $/bl (compared to 2 $/bl).

However, Saras' overall performance still allowed for a refining margin that was higher than the EMC, in particular thanks to the company's commercial performance and the adjustment of maintenance plans by reducing processing in the face of the poor performance of middle distillate processing in some months of the year, which also led to the containment of operating costs.

The graph below shows in detail the changes to the margins achieved by the Saras Group refinery during 2019 and 2020, both on an annual and a quarterly basis.

SARAS GROUP: INTEGRATED MARGINS 2019 – 2020



Refining margin: comparable EBITDA (of the Refining sector + Fixed Costs) / Refinery runs in the period.
IGCC Margin: (EBITDA IGCC plant + Fixed Costs) / Refinery runs in the period.
EMC Benchmark Margin: refining margin calculated by EMC (Energy Market Consultants), with crude slate 50% Urals and 50% Brent.

Operating results

REFINERY RUNS	2020	2019	%
REFINERY RUNS (CRUDE)			
Thousand tonnes	11,369	13,172	-14%
Million barrels	83.0	96.2	-14%
Thousand barrels/day	229	263	-14%
COMPLEMENTARY FEEDSTOCKS			
Thousand tonnes	702	1,278	-45%

Crude oil processing in refineries in 2020 amounted to 11.4 million tonnes (13.2 million tonnes in 2019), corresponding to 83 million barrels (96.2 million barrels in 2019) and 229 thousand barrels per day (263 thousand barrels per day in 2019), down 14% compared to 2019. Complementary feedstock amounted to 0.7 million tonnes compared to 1.3 million tonnes in 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, given the poor cost-effectiveness in the production and sale of gasoline due to extremely unfavourable margins, the FCC unit returned to operation only from the month of July, remaining shut down 30 days longer than expected. In the third quarter there was also less processing due to the shutdown of one of the two mild hydrocrackers, for 30 days, used in the production of diesel. In the fourth quarter, production remained equal to 80% of capacity.

RAW MATERIALS BY TYPE		2020	2019
Light extra sweet		26%	38%
Light sweet		15%	11%
Medium sweet/extra sweet		4%	1%
Medium sour		32%	34%
Heavy sour/sweet		24%	16%
Average Density	°API	33.6	34.4

The mix of crudes processed in 2020 had an average density of 33.6°API, i.e. heavier than the average density processed in 2019. A more detailed analysis of the crude oil grades shows a decrease in the percentage of processing of light crude oils with a very low sulphur content (“light extra sweet”) and an increase in the percentage of heavy crude oils with a high sulphur content (“heavy sour/sweet”). This processing mix was due to contingent plant set-up situations (arising from significant planned maintenance carried out in the period) and to economic and commercial decisions in view of market supply conditions.

RAW MATERIALS BY ORIGIN	2020	2019
North Africa	22%	25%
North Sea	6%	6%
Middle East	31%	29%
Russia and Caspian region	27%	26%
West Africa	13%	14%
Other	0%	0%

Turning to the analysis of finished product yields, we note that in 2020, the yield of the light distillates (26.0%) decreased compared to 2019 (27.9%). Similarly, the average distillate yield (50.4%) decreased compared to the values recorded in 2019 (52.1%). Conversely, the yields of fuel oil (7.0%) and TAR (8.9%) were higher. These changes are attributable to the maintenance cycle carried out in the first half of the year, which involved the Topping T1 and the FCC plant, mainly dedicated to the production of gasoline and to a lesser extent, diesel. In particular, the higher percentage yield in TAR reflects, as compared to the lower quantities of crude oil processed, the constant production of the quantities required to ensure the charging of the IGCC plant for power generation.

PRODUCTION		2020	2019
LPG	thousands of tonnes	210	292
	yield	1.7%	2.0%
NAPHTHA + GASOLINES	thousands of tonnes	3,139	4,026
	yield	26.0%	27.9%
MIDDLE DISTILLATES	thousands of tonnes	6,082	7,530
	yield	50.4%	52.1%
FUEL OIL AND OTHERS	thousands of tonnes	847	603
	yield	7.0%	4.2%
TAR	thousands of tonnes	1,075	1,091
	yield	8.9%	7.5%

Note: The balance to 100% of production comprises “Consumption & Losses”

Main financial results

EUR million	2020	2019	% change
EBITDA	(204.2)	65.9	n.s.
Comparable EBITDA	**(153.1)**	**124.2**	**n.s.**
EBIT	(390.7)	(68.5)	n.s.
Comparable EBIT	**(304.6)**	**(10.3)**	**n.s.**
CAPEX	**225.7**	**291.9**	**-23%**

The comparable EBITDA in FY 2020 was negative by EUR 153.1 million, with a refining margin for Saras of +$+1.5/bl (as is usual, net of the impact from the maintenance activities conducted during the period). This compares with a comparable EBITDA of EUR 124.2 million and a Saras refinery margin of USD +4.5$/bl in 2019. For a description of margin performance, please refer to the paragraph "Reference Refining Margin".

This comparable EBITDA was affected by the unprecedented situation following the pandemic crisis, which was reflected in the year with a negative impact (estimated in management accounts) of approximately EUR 287 million compared to comparable EBITDA in 2019. In particular, the effect caused by the very low diesel and gasoline crack spreads was only partially offset by the reduction in the price of Brent and the related premiums and discounts on crude oils purchased. This effect of this adverse scenario also includes the impact from the depreciation of the US dollar, with the Euro/US dollar exchange rate weighing negatively in the year by EUR 8 million (USD 1.142 for EUR 1 in 2020 against EUR 1.120 in 2019).

The effects of this highly detrimental situation, characterised by high volatility and uncertainty, have limited the opportunities for optimisation linked to production planning activities (consisting of optimising the mix of crude oils brought in for processing, the management of semi-finished products and the production of finished products, including those with special formulations) with a negative impact on the EBITDA level of approximately EUR 24 million compared to 2019.

However, these effects were partly offset by specific actions implemented by the Company, starting from the adaptation of production levels to the changed scenario with a reduction in processing and an increase in efficiency and a benefit to the bottom line by lowering operating expenses.

The fulfilment of production activities - which takes into account any downsides related to maintenance, both scheduled and unscheduled and higher consumption compared to the technical limits of certain "utilities" such as fuel oil, steam, electricity and fuel gas - in fact resulted in a higher contribution to EBITDA of approximately EUR 23 million compared to the previous year. This was mainly due to the maintenance plan that, in terms of lost production, was less onerous in the first half of the year than in 2019.

The outcome of commercial operations - which involves the procurement of crude oil and complementary raw materials, the sale of finished products, tanker rental costs and inventory management, including compulsory stocks, also resulted in a higher EBITDA contribution than in 2019 of EUR 24 million, thanks to the market opportunities created in the second quarter, against the accentuated contango structure on both the crude oil and product markets.

In addition, to ensure a margin on diesel crack, as described above, the company entered into hedging transactions in the second quarter that resulted in a benefit on comparable EBITDA in 2020 of approximately EUR 19 million.

Finally, comparable EBITDA for the year benefited from lower variable costs of EUR 58 million: the crisis following the pandemic led to a reduction in variable costs both in unit terms, as in the case of electricity, hydrogen and steam, whose prices fell significantly during the year and in terms of volumes, due to lower processing, which also led to lower charges in terms of CO_2 emitted, landing taxes and demurrage.

Finally, as already described in the previous paragraphs, the 2020 EBITDA includes approximately EUR 36 million related to the release of the provision for CO_2 risks related to the former Versalis plants, of which EUR 21.0 million related to the 2015/2017 quotas that would have been of an extraordinary nature.

As already mentioned in the comments on the Group's results, it should also be noted that, as a result of the impairment test under IAS 36, there is a permanent loss of value attributable to tangible non-current assets of the Refining segment of EUR 35 million. For further details, please refer to what is described in the Notes in Chapter 5.2 "Non-current assets".

Investments made in 2020 in the Refining segment totalled EUR 225.7 million, in line with the investment plan and maintenance programme, mainly focusing on the aforementioned turnaround.

ELECTRICITY GENERATION

The Saras Group operates in the electricity generation sector, through an IGCC plant (Integrated Gasification Combined Cycle) at the Sarroch industrial site which is perfectly integrated with the Group refinery.

The IGCC plant, owned and managed by the subsidiary Sarlux Srl, is one of the biggest of its kind in the world. It has an installed capacity of 575 MW and produces more than 4 billion kWh/year of electricity, sold to GSE through a 20-year agreement in Cip 6/92 scheme and expiring on April 2021, contributing to about 45% of Sardinia's energy needs. Moreover, the IGCC plant is one of the fundamental units of the refinery for the conversion of heavy products and, at the same time, it is the most important utility of our industrial site, because it provides high volumes of hydrogen to the "hydrocracking" and "hydrotreating" units of the refinery and also produces high quantities of steam, which are needed in several other units in the refinery.

Reference market

AVERAGE VALUES PER YEAR		2020 [1]	2019 [1]
Electricity demand in Italy	GWh	302,751	319,597
Import	GWh	39,787	38,163
Internal Production [2]	GWh	273,108	283,846
of which: Thermoelectric	GWh	***175,376***	***186,811***
Single national price (PUN) [3]	EUR/MWh	38.9	52.3

1. Terna estimated data (www.terna.it), subject to correction
2. Production net of consumption for auxiliary services
3. Source: GME SpA (www.mercatoelettrico.org)

Domestic electricity demand in 2020 (including network losses and net of electricity intended for consumption for auxiliary services) was 302,751 GWh, down 5.3% compared to 2019. 51% of this demand was met in 2020 through production from Non-Renewable Energy Sources (in 2019 equal to 53%), 38% through Renewable Energy Sources (35% in 2019) and the remaining 11% was imported from abroad (12% in 2019). In 2020, there was also a change in exports, increasing sharply (+30.0%) compared to 2019.

At a geographical level, in 2020 the percentage change in needs compared to 2019 was -6.3% in the Northern Italy area, -5.0% in the Centre, -3.2% in the South and -4.1% in the Islands.

Lastly, it should be noted that the average value of the PUN (Single National Price) in 2020 was 38.9 EUR/MWh, down from the previous year (52.3 EUR/MWh). This trend is mainly related to the reduction in generation costs, including in particular the cost of gas due to the wide availability on the market.

Main operating and financial results

		2020	2019	% change
ELECTRICITY PRODUCTION	MWh/1000	4,071	4,075	0%
POWER TARIFF	EURcent/KWh	7.6	9.2	-18%
SERVICE FACTOR	%	84.1%	84.4%	0%
TAR FEEDSTOCK AT THE PLANT	Thousand tonnes	1,075	1,091	-2%

In 2020, electricity production, which was lower than average following the pandemic crisis and amounted to 4.071 TWh, was nevertheless in line with 2019, a year characterised by a particularly onerous maintenance plan and lower operating performance than in previous years.

EUR million	2020	2019	% change
EBITDA	104.8	151.6	-31%
Comparable EBITDA	**105.2**	**151.8**	**-31%**
EBIT	48.4	96.7	-50%
Comparable EBIT	**48.8**	**96.6**	**-50%**
CAPEX	**20.1**	**24.8**	**-19%**

Comparable EBITDA stood at EUR 105.2 million, compared to EUR 151.8 million achieved in 2019.

In particular, the value of the CIP6/92 tariff decreased by 18%, with a negative impact of about EUR 68 million and the price of hydrogen decreased by 15%, with an impact of EUR 5 million. These lower revenues were only partially offset by a reduction in the cost of the TAR, which fell by 24%, with a positive impact of EUR 32 million. The change is also attributable to the lower contribution in 2020 of the equalisation on revenues (with a non-cash effect).

Fixed costs decreased compared to 2019 mainly due to a less onerous maintenance plan than in the comparison financial year.

Investments in 2020 totalled EUR 20.1 million.

MARKETING

The Saras Group conducts its Marketing activities in Italy and in Spain, directly and through its subsidiaries, primarily in wholesale channels. To this end, in addition to the logistics of the refinery, in Italy the Group uses its own coastal warehouse located in Arcola (La Spezia), which has a total capacity of 200,000 cubic metres and it has medium-/long-term transit contracts for storage capacity with other warehouses owned by third parties, located mainly in the central-northern part of the Italian peninsula (Civitavecchia, Livorno, Ravenna, Marghera, Genoa, Lacchiarella, Naples, etc.).

In Spain, the associate company Saras Energia owns and manages the warehouse located in Cartagena (Spain), with a capacity of 114,000 cubic metres and also uses other terminals in the rest of Spain (owned by third-party operators, mainly including Decal and CLH) that allow it to distribute products throughout the Iberian territory.

In July 2019, the Spanish subsidiary Saras Energia stipulated with Kuwait Petroleum Espana SA the deed for the sale of the business unit consisting of the service stations located in Spain and the ancillary services and the relative personnel directly relating to the network of the directly owned and operated stations.

In 2020, the sale of the Group's last service stations to Kuwait Petroleum Espana SA was finalised.

Reference market

According to data collected by Unione Petrolifera, oil consumption in Italy, the main market for the Saras Group wholesale channel, amounted to 49.9 million tonnes in 2020, down 17.1% compared to 2019, a drop that has never occurred previously in a single year.

In particular, in Italy, gasoline consumption fell by 21.2% and diesel consumption by 16.6% in 2020. Consumption of automotive fuel (gasoline + diesel) totalled 25.6 million tonnes, a decline of 17.7% (-5,513 ktonnes).

In 2020, new registrations were down 27.9%, with gasoline accounting for 37.8% of the total (44.5% in 2019), diesel 32.7% (it was 39.8% in 2019) and hybrids 18% (6.9% in 2019). As for other fuels, the weight of cars running on LPG in 2020 was 6.8% (7% in 2019), cars running on methane was 2.3% (2% in 2019) and electric cars 2.4% (0.6% in 2019).

In the Spanish market, data compiled by CORES indicates that consumption is at 1993 levels. More specifically, automotive fuel consumption grew by 17%, gasoline consumption by 21%, kerosene consumption by 65% and fuel oil by 30%.

Main operating and financial results

		2020	2019	% change
TOTAL SALES	**Thousand tonnes**	**2,956**	**3,574**	**-17%**
of which in Italy	Thousand tonnes	1,909	2,155	-11%
of which in Spain	Thousand tonnes	1,048	1,418	-26%

In terms of operating performance, the Group recorded a 17% decrease in its sales volumes with an 11% decrease in Italy and a 26% decrease in Spain.

The Comparable EBITDA of the Marketing segment was EUR 21.6 million, down by 2% compared to the EUR 22.0 million of 2019.

This contribution should be considered together with that of Refining because their technical and commercial expertise, on which the Group's business model is based, is closely correlated.

Finally, investments in 2020 in the Marketing segment totalled EUR 1.5 million.

EUR million	2020	2019	% change
EBITDA	10,9	20,3	-46%
Comparable EBITDA	**21,6**	**22,0**	**-2%**
EBIT	7,2	17,3	-58%
Comparable EBIT	**18,8**	**19,1**	**-2%**
CAPEX	**1,5**	**0,6**	

WIND POWER

The Saras Group has been active in the production and sale of electricity from renewable sources since 2005, through its subsidiary Sardeolica Srl, which operates a wind park in Ogliastra (Sardinia).

The park consists of 57 wind turbines, with a total installed power of 126 MW and is equipped with a Management System certified according to ISO 45001:2018 (Health and Safety), ISO 14001:2015 (Environment) for which it has obtained EMAS accreditation, ISO 9001:2015 (Quality) and ISO 50001:2018 (Energy).

In 2020, the production of the Ulassai wind park amounted to 225,530 MWh, which covers the annual electricity needs of around 165,600 people. Exploiting the renewable wind source has therefore resulted in the saving of almost 290,000 barrels of oil, with the consequent reduction of CO_2 emissions by about 145,000 tonnes. Moreover, cumulatively in the period starting from its operational start date until 31st December 2020, the wind farm's electricity production reached 2,669,646 MWh.

PRODUCTION 2020 [MWH]	EQUIVALENT ANNUAL POPULATION[1]	TEP[2] "SAVED"	BARRELS OF OIL[3] "SAVED"
225,530	165,587	42,174.1	288,864
PRODUCTION 2020 [MWH]	**POLLUTANT**	**SPECIFIC EMISSIONS[4] [KG/MWH]**	**EMISSIONS AVOIDED [T]**
225,530.0	CO_2	648	146,143.4

PRODUCTION 2005-2020 [MWH]	TEP[2] "SAVED"	BARRELS OF OIL[3] "SAVED"	
2,669,646.0	499,223.8	3,419,341	
PRODUCTION 2005-2020 [MWH]	**POLLUTANT**	**SPECIFIC EMISSIONS[4] [KG/MWH]**	**EMISSIONS AVOIDED [T]**
2,669,646.0	CO_2	648	1,729,930.6

1. Energy consumption per capita in Sardinia for domestic use, 2017: 1,307 kWh/person/year (Terna: Statistical Data, Consumption http://download.terna.it/terna/0000/1089/69.PDF)
2 .1 kWh = 0,187x10-3 TEP (AEEGSI, Delibera EEN 3/08, http://www.autorita.energia.it/it/docs/08/003-08een.htm)
3. 1 equivalent barrel of oil = 0.146 TEP (https://it.wikipedia.org/wiki/Tonnellata_equivalente_di_petrolio)
4. Regional Environmental Energy Plan for Sardinia. "Towards a shared energy economy". Adoption of the technical proposal and start of the strategic environmental assessment procedure, p. 114 (http://www.regione.sardegna.it/documenti/1_274_20160129120346.pdf)

The work of the Ulassai wind farm reblading project, which will lead to a 33 GWh/year increase in production, began in January 2020 and suffered a sharp slowdown due to the limitations imposed subsequent to the spread of the Covid-19 pandemic that saw the suspension of the work from March 16th to May 5th. As of 31st December 2020, the work is completed on 20 out of a total of 48 wind turbines included in the project. The completion of the project, following a review of the time schedule, should take place within the first half of 2021.

Reference market

Italy was one of the first Member States to adopt, at the end of 2017, a National Energy Strategy (SEN) inspired by the European Clean Energy Package. The SEN sets ambitious goals for the period 2020-30 and in particular to make the national energy system more competitive (price reduction and energy costs), more sustainable (environmental and decarbonisation objectives) and safer (supply security and system flexibility).

From the beginning, the SEN foresaw a contribution from renewable sources of 28% of total consumption by 2030 (17.5% in 2015) and, for electric renewables, the transition is from 48-50% to 55%.

The SEN thus formed the programmatic and political basis for the subsequent adoption of the Integrated National Plan for Energy and Climate – PNIEC, which took place in January 2020. The PNIEC set the portion of electricity from renewable sources in 2030 at 55%, the same already present in the SEN in 2017, while raising the contribution

from renewable sources on total consumption in 2030 from 28% to 30% (17.5% in 2015).

According to the ANIE Rinnovabili FER Observatory, an association of ANIE Federazione, on the basis of Terna's Gaudì data, in the first 10 months of 2020 new photovoltaic, wind and hydroelectric installations reached a total of 650 MW of power (-26% compared to 2019) with varied trends for the three sectors: positive for photovoltaic (+25%) and hydroelectric (+59%), negative for wind power (-87%).

At European level, according to WindEurope, 14.7 GW (10.5 GW in the EU-27) of new wind capacity was installed in 2020, of which 80% was from onshore plants. The 6% drop compared to 2019 is due to the impact of the Covid-19 pandemic on the latter.

The Netherlands installed the largest wind capacity in the year, thanks to offshore installations in particular. Norway has installed the largest land-based wind farms, while Germany has seen the worst year for installations since 2010.

The latest data produced by Terna show that wind power in Italy produced 18,547 GWh in 2020, down 7.4% compared to 2019, as a result of poorer wind conditions. Wind power production covers 6.8% of domestic electricity production and 5.8% of electricity demand in Italy.

Main operating and financial results

		2020	2019	% change
ELECTRICITY PRODUCTION	MWh	225,530	220,363	2%
POWER TARIFF	Eurocent/KWh	3.7	4.7	-23%
INCENTIVE TARIFF	Eurocent/KWh	9.9	9.2	+8%

In 2020, the comparable EBITDA of the Wind segment was EUR 7.4 million, compared to EUR 10 million in 2019, with a slight difference compared to the reported EBITDA, which amounted to EUR 6.7 million in the year, attributable to costs related to redundancy incentives at the subsidiary Sardeolica.

This change is mainly due to a 23% reduction in the electricity tariff compared to the previous year, with an average selling price of 3.7 euro cents per KW/h compared to 4.7 euro cents per KW/h in 2019. The Incentive Tariff was 0.8 EUR cents/kWh higher than in 2018 and incentivised production represented about 8% of volumes in 2020 (compared to 9% in 2019).

The volumes produced in the period were only 2% higher than in the same period last year, despite the commissioning in Q4 last year of new wind power capacity of 30 MW (the "Maistu" project) amounting to approximately 33GWh, due to the lower wind levels particularly in the second and third quarters of the year.

Investments totalled EUR 7.5 million and mainly referred to the reblading of the Ulassai wind farm; this involves replacing all the blades for an increase in production with the same installed capacity. Investments continued in 2020 with a slight delay due to the lockdown period and are expected to be completed in June 2021.

EUR million	2020	2019	% change
EBITDA	6.7	10.0	-33%
Comparable EBITDA	**7.4**	**10.0**	**-26%**
EBIT	0.2	4.6	-94%
Comparable EBIT	**0.9**	**4.6**	**-71%**
CAPEX	**7.5**	**26.4**	

OTHER ASSETS

This segment includes the activities of the subsidiaries Sartec Srl, Reasar SA and others.

More specifically, Sartec Srl, a 100% subsidiary of Saras SpA, is the Group Company that provides engineering, services, consultancy and technologies designed to improve industrial and environmental performance, with a comprehensive offering targeted toward oil, petrochemical and energy companies as well as public administrations and the local community, operating in the following main sectors:

- optimisation of production processes, industrial efficiency and energy saving (technology studies, process engineering, plant engineering and automation, industrial services, analytical services in the petroleum field, supply of package and analysis systems);
- sustainability and environmental protection (environmental engineering, environmental analysis systems, environmental monitoring analytical services);
- digital and industry 4.0 projects (development of solutions based on machine learning, artificial intelligence, robotic process automation, business intelligence, process simulation and data steward services; cybersecurity OT).

During the year, Sartec maintained its focus in the engineering and industrial services sectors, with the objective of achieving performance levels that guarantee value and sustainability for the core business, while maintaining control over the activities developed for the "non-captive" market.

EUR million	2020	2019	% change
EBITDA	(5.3)	4.9	n.s.
Comparable EBITDA	**(1.9)**	**5.6**	**n.s.**
EBIT	(6.2)	4.0	n.s.
Comparable EBIT	**(2.8)**	**4.7**	**n.s.**
CAPEX	**0.7**	**0.8**	

Reported EBITDA, negative by EUR 5.3 million in 2020, compares with reported EBITDA that was positive by EUR 4.9 million in 2019.

This reduction is due to lower revenues - down EUR 8 million - because of less services in the year and mainly with regard to the parent company Sarlux, due to lower business volumes compared to 2019, in addition to EUR 3.4 million in non-recurring charges related to redundancy incentives of the Sartec subsidiary. The latter, due to their non-recurring character, are not included in the comparable EBITDA for 2020, which is equal to a negative result of EUR 1.9 million (positive for EUR 5.6 million in 2019).

STRATEGY AND OUTLOOK

The International Monetary Fund revised its economic growth estimates for both 2020 and 2021, reflecting the positive effects of the start of vaccinations and the support measures launched by various countries at the end of last year. Despite delays in vaccines and fears over new variants of Covid, which are affecting the Eurozone and Italy in particular, the IMF expects that the progress of health campaigns will support economic recovery in the second half of the year, together with the new fiscal stimuli expected in some countries, starting with the United States and Japan.

The contraction of the global economy in 2020 is expected to stop at -3.5%, almost one percentage point less than the: for the US, the contraction of GDP in 2020 is expected to be -3.4% compared to the -4.3% estimated in October, in Europe -7.2% compared to the -8.3% estimated in October, in Italy -9.2%, an improvement on the -10.6% estimated in October.

Looking ahead to 2021, the IMF expects the global economy to grow in line with and even slightly above the latest forecasts at +5.5% this year, before settling at +4.2% in 2022. China's economy is expected to grow by +2.3% in 2020 and accelerate to +8.1% in 2021. The United States and Japan will return to end-of-2019 activity levels in the second half of the year, with a recovery of +5.1% in 2021.

For Europe and the United Kingdom, however, a more significant recovery is expected only from 2022. More specifically, in Europe, expectations see a slowdown in growth in 2021, which will stand at +4.2%. According to the IMF, contagion and lockdowns actually caused economic activity to weaken at the end of 2020, with effects that will overlap into 2021. In Italy in particular, according to the IMF, the pronounced slump in 2020 will be followed by a modest rebound, with slower growth that will not exceed +3% in 2021, compared to +5.2% that the Fund had estimated in October.

With reference to the oil market, the International Energy Agency (IEA) recently forecasted an increase in global oil demand in 2021 of 96.6 million barrels per day, mostly expected in the second half of the year.

Moreover, the estimates of the main market analysts, who stress that there is a high level of uncertainty inherent in the forecasts due to the continuing evolution of the pandemic, reflect a still slow recovery for 2021: more specifically with reference to the main middle distillates, the level of the crack spread will still be weak in the first half of the year, to record an improvement in the second half, which will extend to more significant levels starting from 2022. However, the timing and extent of these developments remains uncertain.

It should be noted that, faced with the slowdown observed in the recovery of petroleum products margins, at the end of 2020, the management adopted a series of measures for 2021 for operating efficiency, cost containment and investment planning for the Group, with the goal of minimising the economic impact of the scenario and to strengthen the Group's balance sheet and financial structure, reducing the level of indebtedness of 2021 to levels not exceeding those at the end of 2020. These measures were incorporated into the 2021-2024 Business Plan approved by the Board of Directors. The achievement of these objectives will allow the expected market recovery to be fully captured at more significant levels, as described, starting from 2022. More specifically, these measures are based on three guidelines: the adjustment of production programmes according to main product processing margins, a significant reduction in operating costs and the postponement of planned refinery investments while continuing the main maintenance activities meant to assure for the following years the same levels of production capacity and efficiency, with a normalisation of the same in future years as a function of the recovery of the margins of refined products.

With reference to the Electricity Generation activity, by 15th April 2021 the ARERA (Italian Regulatory Authority for Energy, Networks and

Environment) is expected to define the essentiality regime, which the production levels and the recovery of costs associated with the plant depend on.

The transition from the CIP6/92 agreement to the essentiality regime will lead to a significant change in the way the Sarlux plant operates, since the technical and economic parameters to be considered for its operation will be those laid down in the said regime and will take into account the very high level of integration of the power station with the refinery, whose activities will therefore be included from 2021 in a single segment, including integrated refining, marketing and electricity generation activities.

In such a business perspective, therefore, the aim will no longer be the maximisation of the production in the two systems (the refinery and the IGCC), but the balancing between the two that provides the maximum efficiency of the refinery in respect of the limits of production assigned to the IGCC, thus requiring Saras to review the internal production planning processes of the two systems, the internal control procedures and the management's strategic and operational decisions. Though previously the connection of the two plants was only of a physical nature, through the transfer pipeline of the TAR to the IGCC, in the future the power plant will effectively be subservient to the refinery's operation and production (in terms of quantity and mix). The refinery and the IGCC plant, already integrated into the refinery's production system, will be run by pursuing the economic optimisation of the industrial site as a whole. In this perspective, the industrial integration between the two systems will be reinforced by the investment that will allow for the physical connection of the IGCC power plant to the Internal User Grid of the South Site, devoting about a third of its maximum electricity production in order to meet a large part of the consumption of the refinery's South plants (approximately 150MW), while previously the entire electrical production had its maximum remuneration under the CIP6/92 tariff.

Based on an expected refining scenario in 2021 that is still weak, as reflected in an EMC that is expected by leading industry analysts to be negative, amounting to approximately -0.4$/bl and on the basis of the Company's main assumptions on the reintegration of costs under the essentiality regime, the integrated activities of refining and production and the sale of electricity lead to an estimate for 2021 of an annual integrated Saras premium for the new segment of between 3.5 - 4.0 $/bl on the EMC benchmark margin.

As for the Marketing, sales are expected to recover in line with the expected market recovery in the second half of 2021, with EBITDA in keeping with previous years.

In 2020, the Company also strengthened its skills, assets and technology base with a series of projects aimed at exploring innovative complementary technologies while also reducing the refinery's carbon footprint.

These include the completion within the first half of 2021 of the Ulassai wind farm reblading project, which will lead to a 33 GWh/year increase in production, while the authorisation procedures for an additional 250-300 MW of wind power capacity and 50-100 MW of photovoltaic capacity continue as per the last plan.

The company is concurrently continuing to develop innovative solutions that complement traditional sources: from biofuels (an activity in which Saras is already active and which it intends to escalate in order to seize the opportunities arising from future, stricter environmental regulations) to new-generation fuels and, finally, hydrogen. A growing role in energy transactions is envisaged for this latter area, including the collaboration recently signed with ENEL Green Power for the production and use of green hydrogen in the refinery, through the construction of a 20MW electrolyser powered by renewable sources, the largest in Italy currently.

INVESTMENTS BY SEGMENT

In 2020, the Saras Group made investments of approximately EUR 255.7 million compared to EUR 344.6 million in 2019, mainly aimed at the large scale turnaround plan that involved the refinery during the year.

As usual, a significant part of the investments was dedicated to full compliance with all HSE requirements and to maintaining the operational efficiency of the plants. The breakdown of investments by segment of activity is shown in the corresponding table:

EUR million	2020	2019
REFINING	225.9	291.9
ELECTRICITY GENERATION	20.1	24.8
MARKETING	1.5	0.6
WIND	7.5	26.4
OTHER ACTIVITIES	0.7	0.8
TOTAL	**255.7**	**344.6**

The turnaround that concerned the refining sector aimed to improve production capacity and optimise processes for improved efficiency. It should be noted that most of the investments were concentrated, as planned, during the first part of the year, despite the situation created by the pandemic.

In addition, the upgrading of the South Dock and maintenance of the tanks have been regularly continued in order to maintain storage and consequently operational flexibility.

Among the specific initiatives dedicated to Health, Safety and Environment (so-called HSE) is the final completion of the investment related to the vapour recovery unit (VRU) on the South Dock, aimed at significantly reducing losses related to volatile components.

The Ulassai wind farm 48 blade reblading project also continued during the year, to increase energy production, despite some slowdowns due to the limitations imposed by the national lockdown and completion is expected by the first half of 2021.

Lastly, the Company continued the #DigitalSaras programme initiatives, with interventions aimed at improving the operation of the plants, making their operation more efficient and optimising maintenance plans and interventions through the ongoing monitoring of critical machines.

SARLUX

HUMAN RESOURCES

In accordance with the provisions of Article 5, paragraph 3, letter b of Legislative Decree No 254/2016, the Company prepared the consolidated non-financial statement, which constitutes a separate report. The 2020 consolidated non-financial statement, prepared in accordance with GRI Standards, consists of an autonomous document, which, in addition to fulfilling the requirements of Legislative Decree No 254/16, enables the sharing of the Company Purpose and the sustainable development strategy. Therefore, the chapters concerning Human Resources, Social Responsibility, Health, Safety and Environment and activities with the community, will be broken down more thoroughly in the Sustainability Report - Consolidated Non-Financial Statement.

The systematic set of tools, interventions and activities prepared during the year in the field of human resources is illustrated below to ensure that the organisation achieves it business objectives and continuously improves performance according to the strategic plan defined in the business plan and in the annual budget.

The interventions were inspired by the principles contained in the Group's Purpose relating to sustainable development, the transformation of our way of working and the enhancement of the potential of our people. The initiatives carried out have focused on the development of existing skills, the strengthening of managerial sensibilities enabling people management roles and the importance of awareness of the individual impact on results.

During 2020, human resource management was inevitably conditioned by the effects that the sector crisis had on the Group.

Despite the emergency, the Saras Group guaranteed the continuity of activities at the production sites and the planned plant maintenance, thanks to the timely adoption of effective measures to prevent and contain the risk of infection.

Since the beginning of the application of the pandemic containment measures introduced at regional and national levels, extensive use has been made of smart working and the digital communication and collaboration tools that were already available. In this way, the employees of all the Group's offices were able to continue their work activities, hold meetings and participate in training activities from their homes.

In the year just ended, as repeatedly mentioned, the refining sector was the one most affected by the pandemic.

Given this situation, the Group has begun to transform its organisational processes, with a view to greater efficiency, to be ready when the rebound takes place.

Concurrently, a detailed plan aimed at reducing operating costs through extraordinary measures was planned and launched in 2020 and will continue during 2021.

As part of this programme, from the end of October 2020, the Covid-19 redundancy fund was adopted in all Italian Companies of the Group to a partial extent, according to a gradual and socially sustainable approach. In addition, a plan was implemented which made it possible to pay substantial incentives for retirement and support for those wishing to undertake a different professional or business activity. A total of 54 employees opted to join this plan. Both interventions were carried out in agreement with trade union representatives.

In this regard, it should be noted that, mainly as a result of the implementation of the termination plan with redundancy incentives in the last months of 2020, immediately after the end of the year, on 1st January 2021, a further 61 staff terminations were recorded. Thus, as of 1st January 2021, the workforce consisted of 1,626 employees.

Organisational development

As a result of the activities carried out during the year, the Group's workforce decreased by 6.8% compared to the previous year.

A total of 144 reductions to be considered part of the operations carried out in 2020, which include 83[1] exits from the Group recorded during the year and 61 further staff terminations formalised on 1/1/2021. The 83 exits that occurred during 2020, of which 56 were from Italian companies, are mainly attributable to retirements and terminations with incentives for retirement, while for foreign subsidiaries they relate mainly to the finalisation of the sale of the service station network of the Saras Energia subsidiary. Most of the additional 61 exits result from the implementation of the termination plan with redundancy incentives that ran during the last months of the year.

At the end of 2020, the Group's workforce consisted of 1,687 employees, while at 1st January 2021 there were 1,626 employees.

To best address the sector crisis and the difficult and uncertain scenario due to the Covid-19 pandemic, the reorganisation interventions of 2020 were geared toward the rationalisation of structures and processes, generating greater efficiency, reliability and operational flexibility, all inspired by the realisation of an organic vision for the Group and enhanced collaboration between departments.

In 2020, the structure of the Saras Group was modified by implementing the necessary transformation to prepare the organisation to face future challenges, taking into account recent market developments and the prospects of the energy scenario. The organisation has been streamlined and made more compact to give maximum momentum to the transformation and to the achievement of performance levels that guarantee value and sustainability to the core business.

The management of the industrial operations of the Sarroch Site, the engineering services and industrial technology related to it have been centralised in the Industrial organisation, under a single coordination that enhances the skills spread within the Group, driving new and more effective synergies among the work teams. Therefore, currently within the organisation framework of the Chief Industrial Officer:

- **Industrial Technology** is responsible for the activities aimed at the improvement of processes in the areas of refining, power, digital innovation and environmental technology, with a focus on the short and medium term to guide production structures;
- **Industrial Operations** is responsible for ensuring the industrial operations of refining, energy production and basic chemical production, through an agile organisation that focuses on the execution, management and optimisation of the Sarroch Site's assets;
- **Industrial Engineering & Services** is responsible for ensuring multidisciplinary design and other functional services for industrial operations, coordinating available skills within the Group and organising them in the most efficient and appropriate manner.

Reporting to the Chief Industrial Officer, the Industrial Optimisation function transversely supports the organisation to optimise the processes related to it and to maximise the efficiency of the interactions among the various structures that compose it.

During the last months of the year certain organisational changes were carried out within these structures that were aimed at gaining further efficiency and effectiveness and at maximising people's skills.

More specifically, certain operational structures and positions were merged in the Industrial Operations

1. The 2020 figure includes a termination that occurred in December 2019, which was recorded in the company's systems during 2020

organisation, as part of the progressive realisation of an increasingly agile production organisation. Regarding Assets, given the reduction of the investment plan and the maintenance adjustments, the Asset Technical Services and Maintenance & Construction structures have been enhanced in order to increase asset availability and improve aspects of quality assurance & control, optimise work scheduling and facilitate the insourcing of certain activities.

The management of the oil supply chain and the commercial process have been merged into a single function to strengthen the business model of a commercial refinery ready to seize the best opportunities in a highly volatile market.

In the commercial organisation, the oil supply chain management structure has thus been integrated, including the activity related to short-term planning & scheduling, with the aim of maximising the economic return of the optimisation choices of the entire value chain, taking advantage of market opportunities and the potential of the assets.

In addition, within the Supply & Trading structure, the Bunkering function was created to better coordinate the management and operational aspects, in addition to the economic ones, related to bunkering activities.

Activities related to energy transition and the coordination of the Sardeolica activities were integrated into the organisation of the Chief Energy & Sustainability Officer, responsible for strategic guidelines of the core activities of refining and energy production oversight and the evolution of the energy scenarios aimed at ensuring business sustainability.

Regarding the changes in the business support organisations, in 2020 the process aimed at implementing an integrated strategy for the entire Group continued, leveraging the synergies already existing among the Parent Company and the Subsidiaries.

Within the Chief Financial Officer's organisation, the structure that deals with Administration, Finance and Control at Saras Energia merged into the Accounting & Tax structure, which ensures the coordination of activities related to the Spanish subsidiaries with regard to Budgeting & Control and Finance. Similarly, the Budgeting & Control structure has integrated the related activities of Sartec and Sardeolica into its processes.

In the Chief Security ICT & Procurement Officer's organisation, Security & Facilities Services has strengthened its role in the coordination and integration of security and facilities management activities for the Group.

The organisation of the ICT management function has been updated to ensure maximum alignment with the new Group organisation and oversight of IT services for all Companies. Finally, in the Procurement area, the activities related to the Sartec subsidiary have also merged.

As part of the General Counsel & Corporate Affairs function, the Eolico [wind power] role was established, dedicated to supporting Sardeolica's business.

Finally, the Internal Communications role was created, reporting to the Chief Human Resources Officer, with the responsibility of providing support in defining and implementing internal communication initiatives for the entire Saras Group.

Industrial relations

In the initial months of 2020, the activities with trade unions focused on the reorganisation of the Shipping and Utilities areas of the South plants of the Sarroch Site, aimed at responding to the new operational needs connected to the bunkering activity and continuing with the efficiency gain initiatives. At the same time, the organisational and management methods for the major shutdowns that affected the production site during the year were shared (FCC, ALKY, BD, T1, MHC, TARGAS plants).

The management of the pandemic crisis strongly influenced trade union relations for the remaining part of 2020.

First, a joint committee, composed of members of Corporate Management and RSU/RLSA, was set up to define all measures to contain the spread of the virus.

As part of the wider programme to reduce operating costs, various actions of a managerial/organisational nature were implemented during the year through the signing of specific trade union agreements relating to:

- planning of collective holidays and the usage of residual holidays accrued in previous years;
- recourse to the redundancy fund (CIG Covid-19) for limited periods of suspension of work activity;
- consensual terminations with redundancy incentives and the possibility of using the NASPI [New Employment Social Insurance Benefit] allowance;
- internalisation of the management of sulphur tablet presses (in Sarlux).

These actions were carried out practically for all the Italian companies of the Group in agreement with the trade union representatives who, in the awareness of the exceptionally difficult situation, agreed with the objective and supported its completion.

The Covid-19 Redundancy Fund was introduced for a period of 9 weeks starting from 26th October 2020, providing for a reduction in work activity corresponding to an increasing number of days (from 1 to 5 per month) for daily staff and 3 days/month for shift staff. The CIG measure was adopted according to a socially sustainable approach: the partial suspension of work activity in fact affected the employees of all Italian companies in a fair and distributed way, compatible with the need to preserve work performance and the appropriate management of assets that are essential for operational and business continuity. The Company anticipated the economic treatment used for the Covid-19 CIG reductions.

In the same agreement, the basis for work activity reductions were established in terms of CIG days for the first 6 months of 2021, setting 7 days per month for daily staff and always 3 for shift staff.

Also in October, the agreement was signed with the Trade Unions for the incentivised termination of the employment relationship in accordance with the Decree-Law No. 104 of 14th August 2020. This allowed the participating workers to obtain the NASPI payment, in addition to the payment of the incentive.

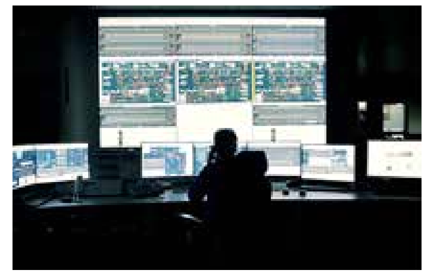
Recipients of the agreement were those employees who would have accrued the requirements for access to the early retirement treatment under Law No. 26/2019 (so-called "Quota 100") by 31st December 2021 and employees who would have accrued the requirements for access to early retirement or old age treatment within the terms of use of the NASPI allowance. For both these types of recipients, a form of wage supplementation by the Company for the months of NASPI payment was also provided.

In addition, the possibility of subscribing to the agreement was also provided for other employees interested in the incentivised exit, but who were not in possession of the aforementioned requirements, provided that the Company considered this to be compatible with technical, productive and organisational needs.

A total of 54 employees of the various Group Companies joined the agreement, who left the organisation at the beginning of 2021.

Despite the difficult environment, in July the productivity and profitability KPIs for the 2020 Result Bonus were defined with the Trade Unions.

As part of the progressive realisation of an agile organisation and in order to make the technical coordination of the structures of the Sarroch Site more effective, in December the agreement was signed defining the new role of Site Technician within the Industrial Operations organisation, combining the positions of Service Technician and Technician on Duty.



57,394
Total training hours 2020, Saras Group

Training and development of human resources

Saras Group companies promote learning and the continuous development of skills in the belief that the challenges constantly launched by the economic system in which the Group operates can only be addressed and predicted through investment in people. The proposed initiatives, in line with the Company's values and the personal and professional characteristics of its people, are reflected in the Learning & Development Training Plan. This sets out actions and programmes aimed at specific targets and/or that are available across the board for all of the Group's people, creating conditions that promote "learning by doing" as a powerful tool for learning and preparation.

The main macro-areas of intervention concern the development of specialist technical skills, soft skills and managerial skills, with adequate space and attention always afforded to compliance training.

The approach is always inspired by the development of "Learning Agility", i.e., the ability to independently undertake learning pathways and acquire knowledge and skills, continuing the process of raising awareness of the importance of being the creators of one's own development.

As expected, 2020 represented the year of experimentation of the digital learning platform and created the basis for the launch of the Saras Academy, perfectly timed with the requirement for new delivery methods arising from the sudden lockdown.

SarasLearning promptly became the training environment within which colleagues were able to take advantage of all the contents for the development of technical, managerial and soft skills.

The commitment with colleagues and consultants to reconvert and reorient the methodologies of conducting and managing the classroom, the development of materials and teaching tools, through the use of a Digital logic, was important.

This allowed us to provide continuity to the main projects in progress at that time, with specific reference to technical-specialist training necessary for the deployment of investment interventions and the training for the positions of young operators hired by Sarlux at the beginning of 2020.

Also on the subject of digitisation of learning contexts, the contribution of colleagues who took the opportunity to capitalise their skills and experience and transform them into learning content through digital learning tools was noteworthy. Worth mentioning is the "Learning Cards" project through which a shared methodology has been acquired, within the Saras Group, which allows the development of micro-learning content to create digital learning paths that can be used autonomously on SarasLearning.

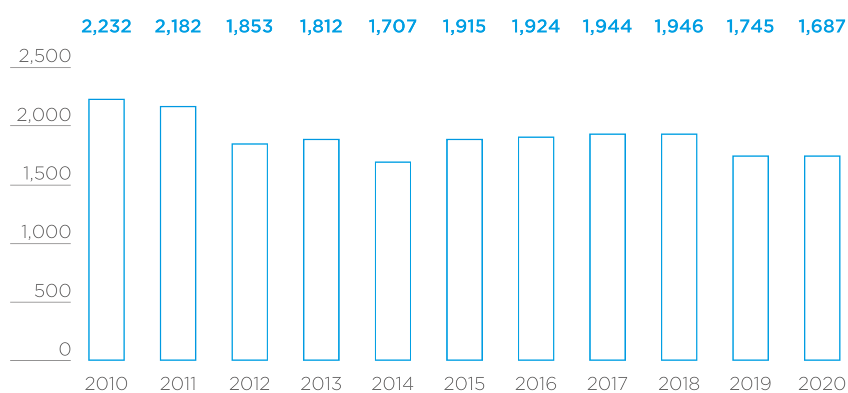
For the first time, in 2020, all persons in the Group were offered the opportunity to learn and update their knowledge of foreign languages, with a main focus on English, through free full-time access to a language-learning platform.

At the beginning of the year, the project work was undertaken for the project aimed at the development of Project Management Skills, launched in 2019, implemented in collaboration with the Polytechnic University of Milan.

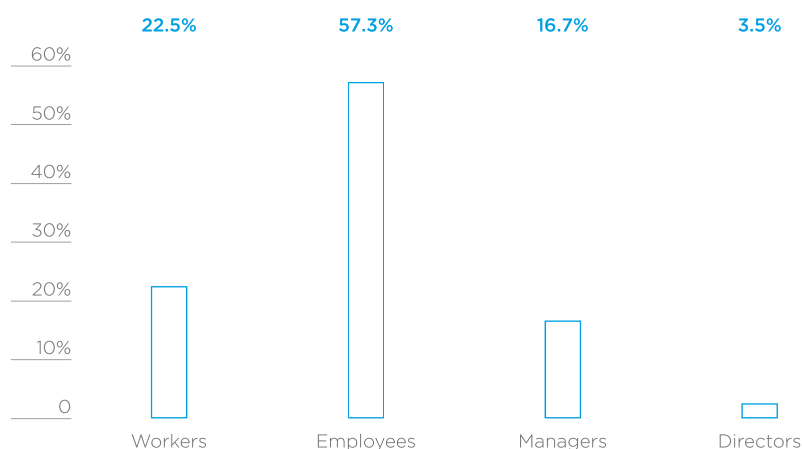
The Group has continued to invest in the managerial skills of its leaders during the pandemic and even increased efforts, through courses aimed at Leadership development, individual coaching and the People Managers course.

Again within the Learning Agility logic, people were invited to delve deeper into the content available on SarasLearning, or were redirected to other platforms, to acquire useful tools and information to deal with and manage the challenges of life and work triggered by the pandemic conditions (to work safely, to work and manage people that are smart working and, more in general, the whole world of soft skills).

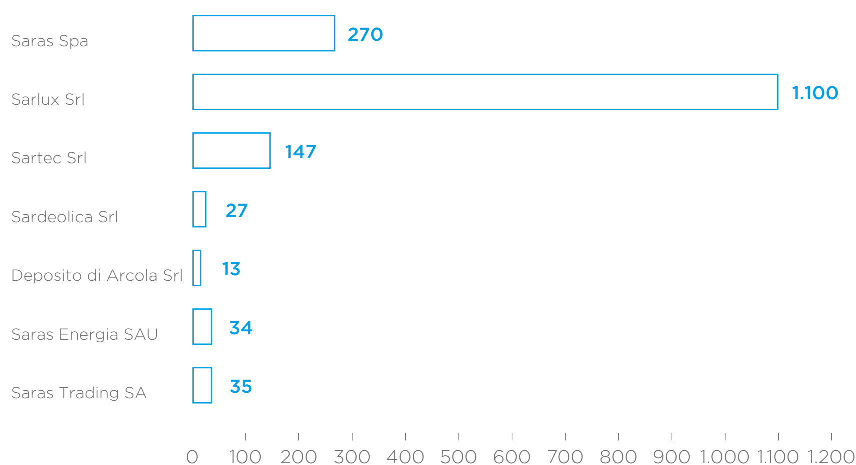
SARAS GROUP: TOTAL EMPLOYEES



SARAS GROUP: POPULATION BANDS



EMPLOYEES DISTRIBUTION BY COMPANY



To facilitate the constant updating and comparison on the development of political, economic and financial trends, Saras managers had the opportunity to participate in the Ambrosetti meetings, which were provided as live webinars in 2020.

As part of the Induction Programme, addressed to recently hired colleagues, the "Learning by moving and experimenting" module was launched, an opportunity for on-the-job learning to stimulate the development of soft skills, increase one's business vision and promote transversal development. The project was suspended in view of the situation linked to the Covid-19 pandemic and its effects on the organisation.

Compliance training on the subject of Privacy (following the entry into force of the GDPR) and of the Organisation, Management and Control Model under Legislative Decree No. 231/2001 is always available to everyone on SarasLearning and is also an integral part of the on-boarding course on SarasLearning attended by all new hires.

In summary, it can be said that the promptness with which the management and training methodology delivery was revised has made it possible to proceed with a selection of initiatives envisaged in the Learning & Development Plan, while postponing others for a later time.

Internal communication

Since the onset of the Covid-19 emergency, internal communication has focused on the goal of informing employees, keeping them involved and supporting the value of the organisation's unity. Frequent communication activities were implemented, aimed at providing information regarding new working methods and measures to combat the spread of the virus. Email was the tool that was mainly used for this and the information was collected in the intranet to facilitate its retrieval and consultation.

With over 600 Group employees smart working, people managers have played a key role in developing employee autonomy and accountability and maintaining work groups cohesive, motivated and aligned towards goals, in a completely new and unexpected environment for all.

At the beginning of June the video "Ready to change" was released, which validates the capacity to change people and the organisation as a whole, a factor that is certainly essential for the future as well. The accompanying communication on the return to the premises after the lockdown was thus initiated, followed by regular updating information on the evolution of the company's health-protecting measures.

During the year, thanks to the availability of effective communication technologies, certain initiatives were also implemented that were mainly aimed at supporting the transformation by disseminating and sharing strategies and objectives, values, culture and, more generally, useful information to involve employees in the achievement of corporate objectives.

These certainly include some events with the Chief Executive Officer, who in the first period of the lockdown wanted to share with the Group's management the main scenario elements and the guidelines for the following months, taking the opportunity to convey confidence and appreciation for the people's response to the change imposed by the emergency.

At the end of July, an online meeting was held with the people managers of the Group's first levels, during which the CEO presented the new organisation, designed to implement the transformation necessary to be prepared to face future challenges, taking into account recent market developments and the prospects for energy.

Following the decision to have recourse to the redundancy fund, the employees were invited to participate in a meeting with the CEO and the Executive Committee, which was streamed live, in which the market scenario and the sector crisis were described. Also presented was the cost reduction programme and the rationale for the adoption of the redundancy fund measure, giving ample space to the questions of the participants.

Finally, the initiatives designed to accompany the transformation include the launch of the newsletter, DigitalNews and the publishing of the website, Digital Saras, a new space for news on innovation and digitisation, on the net and accessible to Group employees, which contains reports on progress, news and links to innovative applications developed to allow everyone to be updated and to participate in the process of change.

Remuneration policies

Management pay components

The gross annual fixed remuneration refers to the Contract for Managers of Companies Producing Goods and Services (National Industry Managers Contract). This remuneration may be supplemented by any benefits and a variable component linked to strategic objectives and operating results.

On 16th April 2019, the Shareholders' Meeting approved the long-term incentive plan for the management of the Saras Group (Stock Grant Plan 2019/2021). Details are provided in a subsequent section of this Report on Operations.

Non-management staff pay components

The gross annual fixed pay for non-management staff refers to the "National Collective Labour Agreement" (Energy and Oil National Collective Labour Agreement and Metalworkers National Collective Labour Agreement, where applicable) and supplementary second-level agreements in force.

This remuneration is supplemented by the variable Performance bonus, managed and regulated through trade union agreements. In some cases, benefits and/or a part of an individual variable linked to results may also be assigned.

Be safe, always.

“We are committed to maintaining
a safe workplace.
For all our employees
it remains the single
most important principle
in the working environment.
We have developed a code of conduct
that specifically emphasises
staff training and safety”

HEALTH, SAFETY AND ENVIRONMENT

Protection of Health and Safety

The Saras Group's commitment to Health and Safety in the Workplace was confirmed in 2020 with an accident index level that is consistently lower than the sector benchmarks (CONCAWE).

More specifically, the accident frequency index for the whole Group decreased to 2.17, an improvement compared to 2.30 recorded in 2019, despite a decrease in the number of hours worked, which is the denominator of the ratio by which the frequency index is calculated. In fact, the number of hours worked for the Group amounted to approximately 2.8 million hours in 2020 (compared to about 3 million hours in 2019), mainly due to the workforce reduction resulting from the sale of the business unit related to Saras Energia's service stations (in July 2019).

Moreover, there is an increase in the frequency index of the Sarlux subsidiary; 6 accident events in 2020 compared to 4 events recorded in 2019, none of which can be classified as "high consequences" (i.e., such as to give rise to more than 6 months of absence from work as a result of the accident). More specifically, of the 6 accidents that happened to the Sarlux staff in 2020, only 2 were considered to be related to the job risk (for which, starting from the Risk Assessment Document, the Employer has put in place all the necessary mitigation measures); while the causes of the other 4 accidents were related to distraction (3) and actions not provided for in the job of reference (1). Regarding the gender division, all 6 of the injured persons of the Sarlux subsidiary are men. The accident events resulted in a Group severity index of 0.09, substantially in line with the value of 0.08 recorded in the previous year.

Finally, the field supervision activities implemented in 2020 made it possible to detect 27 "serious near misses" (i.e., events that by mode and type could have caused an injury).

Below we list some of the most significant activities carried out in the Sarroch Plant, with a view to continuous improvement:

- Asset Management System (AMS): as part of the wider and broader project of digitisation and technological innovation, the Sarlux plant in Sarroch has implemented a new computerised system for the management of all activities required by law for active fire prevention systems (cooling, extinguishing, control, water and foam, detection and alarm systems).

  This system constitutes the basis for the management and future development of all issues related to the prevention of major accident risks, through modern and digital geolocalisation of fire prevention assets.

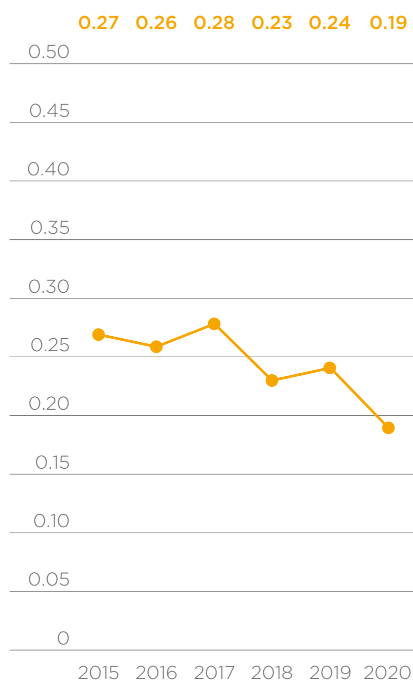
BBS (Behaviour-Based Safety): The Saras Group promotes a culture of safety at all corporate levels through training staff, sharing information and checking the degree of effectiveness of the activities pursued. Disseminating the culture of safety translates into continuous training and the creation of working conditions aimed at gradually reducing emergencies and accidents involving Saras Group staff and the employees of contractor companies with the goal of achieving "zero accidental events", which periodically involves all rotational workers, the HSE Implementation Committee (composed of operations managers, operations supervisors, HSE analysts) in a review of the recorded results with reference to safety objectives and areas and goals for improvement.

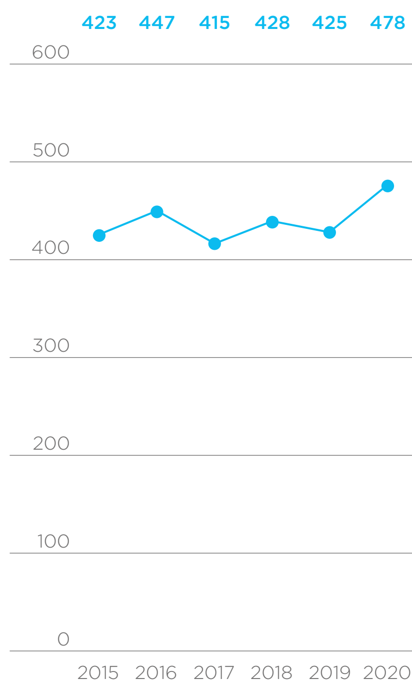
The application of the BBS protocol at the Sarlux site began in 2015 with a pilot project in some areas of the plant (Energy, Utilities, Handling and Assets) and was quickly extended to the entire plant and all operational functions. By now, from 2018 onwards, more than 20 thousand observations are made on an annual basis, with percentages of safe behaviour exceeding 98%, a sign that a culture of safety is widespread throughout all company areas.

As a result of the pandemic event starting from March 2020, there have been changes to the BBS protocol, supplementing observation sheets with specific behaviour tests intended to prevent the spread of Covid-19 (e.g., knowledge of the hygiene rules recommended by the Ministry of Health, avoiding crowded places, social distancing, using masks, ventilating rooms, etc.). This update of the protocol has proved particularly effective also in the plant areas, to minimise the possibility of infection.

- **Systematic Periodic Exchanges with Contractors**: In synergy with the Asset Management function, a weekly schedule of meetings to discuss HSE issues that have occurred on the site is followed during the shutdown periods. Proactive exchange was further enriched by the contribution of the companies' prevention and protection representatives, who also attend the above-mentioned meetings.

- **Analysis of incidental and near-miss events**: Near-misses are events related to work activities, with the potential to produce severe damage to persons and/or things. Once again, in 2020, the aim was to monitor the trend in near-misses in order to increase the level of perception of the risk for staff working at the site. This





was achieved by classifying the severity of near-misses according to the accident scenario, the consequences (magnitude) and possible frequency of the occurrence of the event. During the year, 63 near-misses were reported (there were 93 in 2019), including 27 serious near-misses (there were 41 in 2019); these figures are commensurate with major field operations conducted in parallel with the massive amount of maintenance activities on the site during the first half of the year. The near misses classified as serious were analysed by following the same accidents procedure with a level 1 and 2 analysis through which root causes, contributors and corrective and improvement actions are identified.

- **Audit of HSE Management Systems**: In 2020, 20 internal audits were planned and conducted.

- **Site inspections**: a total of 129 audits were carried out (there were 132 in 2019) with the involvement of 45 companies and about 500 audited workers, as part of the constant monitoring of the activities carried out by the companies.

The environment: A constantly improving picture

Being innovative, sustainable and a model among suppliers of safely and reliably produced energy is one of the principles that guide the strategic choices of the Saras Group. Improving reliability and continuity in operations and at the same time guaranteeing territorial and environmental protection is a priority of the Company. In particular, activities to protect the health and safety of all those who work directly and indirectly for the Saras Group are of vital concern. Our company's continued commitment has made it possible to significantly reduce the impact of production activities on the environment.

During the 2020 financial year, the decline of the processed product volume, due to the planned maintenance turnaround of a significant part of the plants of the Plant integrated by the consolidated management methods, has contributed to the constant improvement of environmental performance and the main emission parameters in particular.

Minor fluctuations still exist from year to year, which relate to specific plant interventions and extraordinary maintenance.

During the year, technical and operational interventions continued to equip the Plant with the most effective technologies and means in terms of production and respect for the environment; to this end, investments are also included to improve energy efficiency with the consequent reduction of fuel burned (and thus lower atmospheric emissions).

Sulphur dioxide (SO_2) and carbon dioxide (CO_2) emissions, reviewed with the above considerations, provide concrete evidence of the continuous improvement of recent years. In 2020, SO_2 emissions amounted to 2,256 tonnes while CO_2 emissions were 5,772,344 tonnes.

The 2020 information is provisional, because it has yet to undergo a verification process and subsequent certification by an accredited body, as required by Directive 2003/87/EC.

The environmental protection policies also require continuous investment in staff training, which involves all workers at the refinery (including those of contractor companies) and other Group companies in a process aimed at creating a high degree of awareness of environmental issues. Even the most advanced technological systems must be supported by careful management and control by all those involved in the production cycle.

During the year, all the monitoring activities of all environmental aspects related to air, water and soil were carried out and also for the year 2020, no situations emerged for which the company was found guilty of environmental damage.

A detailed and accurate overview of all the environmental aspects that directly or indirectly affect the environment, within and outside the Sarroch Plant, is given in the annual "Environmental Statement", created according to the Community Eco-Management and Audit Scheme.

AIA: Integrated Environmental Authorisation

From 9th April 2009, all environmental authorisations have been integrated and replaced by decree DSA-DEC-2009-0000230 of 24/03/2009 of Integrated Environmental Authorisation (AIA). The Sarroch refinery was the first in Italy to obtain it, in 2009. After the acquisition of the Northern Plants (formerly Versalis Group Eni), the process of integrating the two authorisations was started.

In 2017, the Plant operated under the new decree that partly maintained the two AIA decrees active. While the one that in fact unified the two pre-existing AIA decrees introduced, in the area of atmospheric emissions, the new limits that relate to large combustion plants (combustion plants with a rated thermal power of not less than 50 MWth) that use mixed fuel (fuel gas and fuel oil), while for those that are single-fuel, the limits of the Consolidated Environmental Act continue to apply.

The overall review of the Sarlux Integrated Environmental Authorisation (DEC-MIN-0000263 of 11th October 2017) was published on the website of the Ministry for the Environment and was released on 27th October 2017.

The review investigation, which became mandatory for all refineries following the publication of the new BAT in October 2014, ended with the Services Conference on 20th July 2017, in the presence of all competent Bodies (Ministry of the Environment, Region, Metropolitan City of Cagliari, Municipality of Sarroch, National Institute for Environmental Protection and Research (ISPRA) and Regional Environmental Protection Agency (ARPAS)), following a process started on 28th July 2016 with submission of the required documentation.

The current AIA is valid for 16 years as our plant holds the ISO 14001 certification and the EMAS registration. In 2016 it was also extended to cover the Northern Plants and it authorises the Operator to exercise the three activities carried out here at Sarroch, namely:

- refinery - (manufacture of products derived from oil refining);
- IGCC plant - (electricity production);
- Northern Plants - (manufacture of basic organic chemicals).

The monitoring and control activities stipulated in the AIA permit continued on a regular basis during 2020.

Greenhouse gas emissions

The activities carried out in the Sarroch Plant by the subsidiary Sarlux Srl bring the Saras Group within the scope of the European "Emission Trading System" (ETS) Directive.

The ETS Directive was introduced in 2005 to help member states comply with the requirements of the Kyoto Protocol and reduce carbon dioxide emissions as part of the battle against the greenhouse effect and consequent climate change. It works by assigning an emissions cap through a "National Allocation Plan" to each individual plant falling within the scope of the Directive. The ETS mechanism also allows for surplus allowances that may be traded and/or stockpiled and any deficit must instead be covered by purchasing emissions allowances on the market.

The allowance is assigned for each of the reference periods established by the Directive. The first reference period was the three-year period between 2005 and 2007, the second related to the five-year period between 2008 and 2012, while the current period relates to 2013-2020. In the second period of application of the ETS Directive, allocations were tighter, based on the Kyoto Protocol targets. The third period (eight years), which started in 2013 and ended in 2020, has also led to a further annual reduction in the allocation of emissions allowances.

The Resolution No. 34/2020 of the National Committee for the management of Directive 2003/87/EC updated the free quotas allocated to the entire Sarlux plant starting from 2015 following the acquisition of the Versalis business unit (Northern Plants).

The "Emissions Trading System" National Register is available for consultation and records the allowances assigned and the YoY emissions of CO_2 in Italy.

The subsidiary Sarlux has been allocated a single position based on the total emissions from all its operations at the Sarroch plant. Sarlux keeps a register that records, calculates and monitors CO_2 emissions. The system is certified by accredited independent bodies in accordance with European guidelines and was updated subsequent to the purchase of the Northern Plants.

From 1st January 2021, we entered Phase IV of the system (2021-2030). Commission Regulation No. 2019/331 of 19.12.2018 established

new rules for the allocation of free emission allowances for Phase IV of the system divided into two periods (2021-2025 and 2026-2030).

For the period 2021-2025 for the plant (Refinery, IGCC and Northern Plants), in June 2019, a suitable application for allocation was submitted as established by the National Committee for the management of Directive 2003/87/EC based on processing/production data for the period 2014 - 2018.

Caring for the sea

We are conscious that we must preserve and limit any type of change to the environment. For this reason, we have for years had very stringent criteria relating to the transport of oil and refined products by sea. Starting from 2009, only the latest generation "twin-hulled" ships are used, in anticipation of current legislation on maritime traffic.

Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals. In this regard, vetting inspections are regularly carried out at other ports by trusted Saras personnel, in accordance with international criteria, as are on-the-spot pre-mooring inspections.

Furthermore, during the entire stay of the ships at the Sarroch Marine Terminals, a trusted Safety Inspector is always present on board, who supervises all embarking and disembarking activities of oil products in order to verify the strict compliance of procedures with particular reference to Health, Safety and Environment issues.

Waste

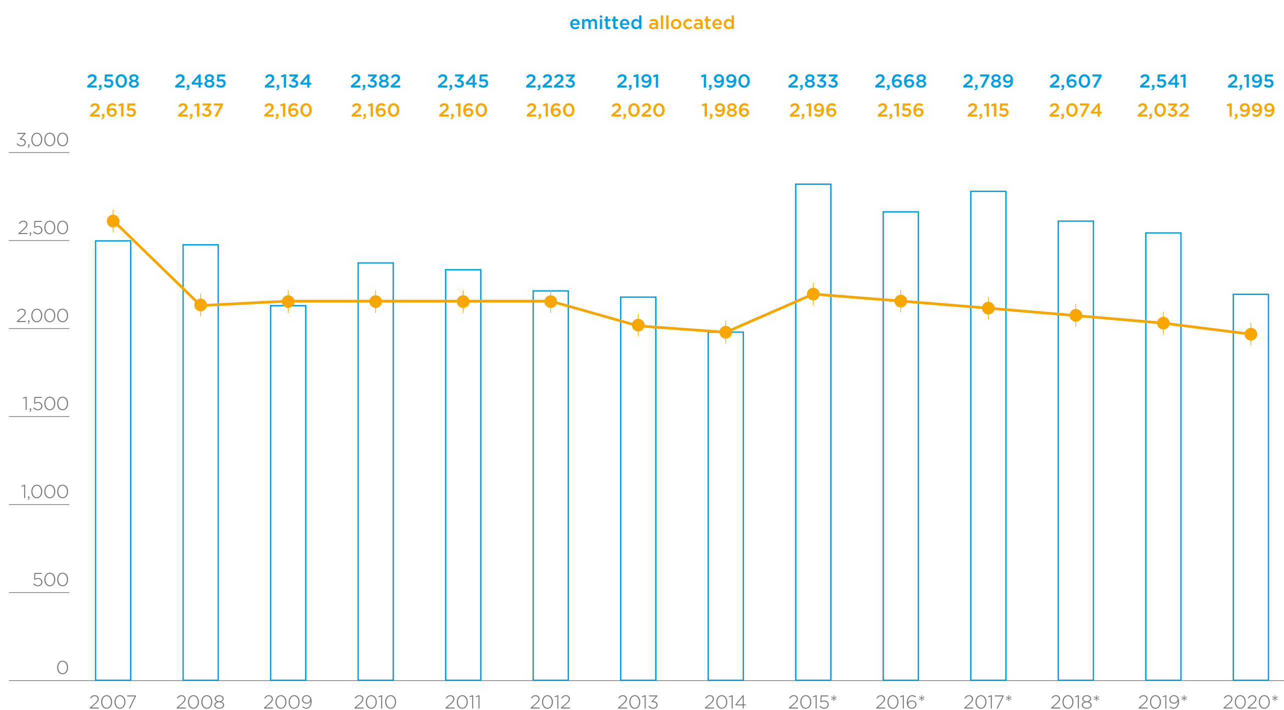
With reference to the problems related to waste, the subsidiary Sarlux, owner of the Sarroch industrial site, generates about 99% of the waste (both hazardous and non-hazardous) produced by the entire Group. For this reason, the Group has codified and formalised all aspects of waste management and monitoring at its operationally relevant site, using an ISO 14001 certified Environmental Management System and the EMAS regulation.

2020 saw a reduction in the production of waste at the site, more specifically which related to investment and maintenance activities, despite the intense construction and maintenance activities that characterised the first half of 2020.

Also for 2020, the search for more efficient management solutions from an environmental point of view has allowed for good results to be obtained, with approximately 38% of the total waste produced sent to recovery.

Instead, in the area of the reduction

REFINERY CO_2 EMISSIONS (TONS/YEAR)



* 2018 emissions have been modified following the verifications and consequent certifications by Lloyd's, temporally following the publication of the financial statements.

** The free quotas relating to the Northern Plants (included among the allocated quantities) have been requested and are awaiting approval.

of outgoing waste, in 2020 it was possible to fully measure the improvement expected from the installation of the thermo-drying plant that was put into service in December 2019 at the waste treatment plant inside the site. This is managed by an authorised third-party company and is aimed at the reduction, through dehydration, of the amount of the main waste product from the Sarlux processes.

In fact, in 2020 there was a reduction in outgoing waste, resulting from the treatment of process sludge, equal to about 80% compared to the amount of waste that would have been outgoing in the absence of the new thermo-drying plant.

A further commitment on the part of Sarlux is to optimise the collection of waste that can be classified as municipal waste. In 2020, the differentiated portion compared to the total produced was approximately 56%.

66% of the total waste produced by Sarlux in 2020 was classified as "hazardous", given that it was derived almost entirely from industrial processes. However, analysing the waste by destination, for Sarlux it is found that about 98% is allocated to the appropriate forms of treatment and recovery, while only a minimal part is sent for direct disposal in landfills.

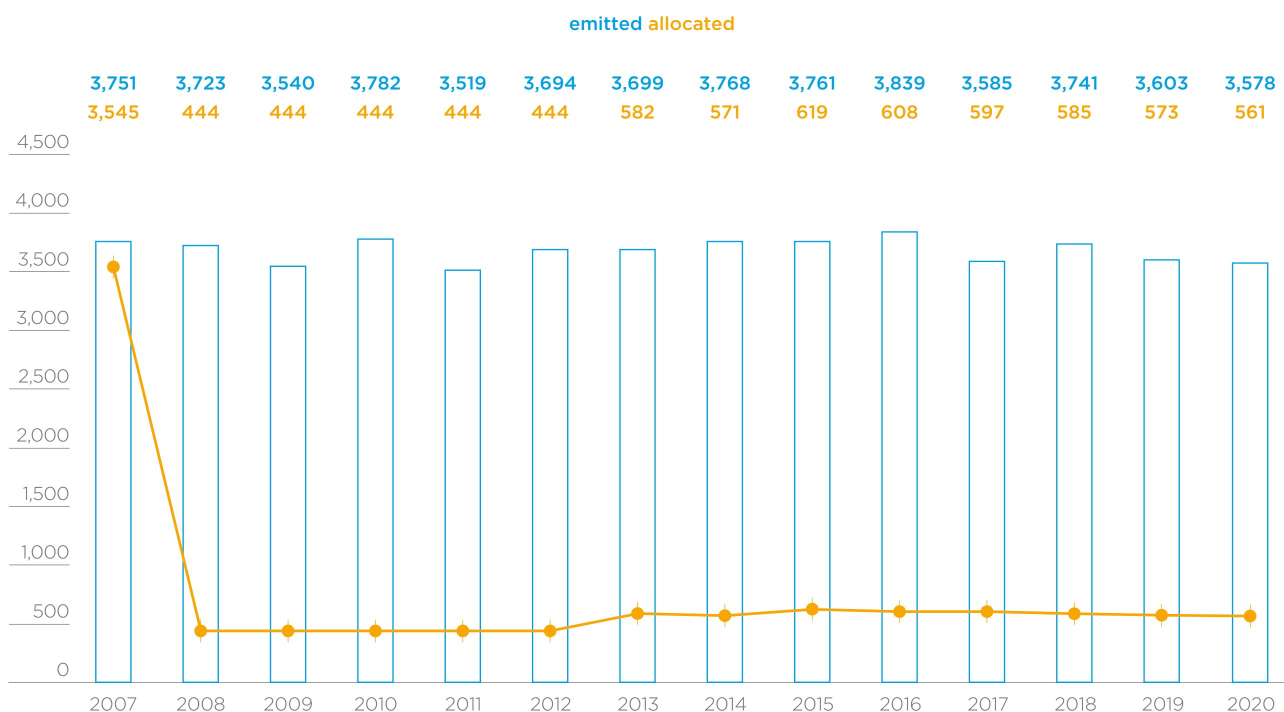
The HSE Management System of the Sarroch Plant

The HSE Management System (Health, Safety and Environment) of Sarlux is now an integrated management system for major accident prevention, occupational health and safety and environmental protection, gradually constructed over the years, which constitutes the main management tool for achieving continuous improvement.

The HSE Management System is the result of a complex process that began in 2001 and led Sarlux to obtain the Environmental Management System (EMS) certification according to the international ISO 14001 standard. The certification was issued in 2004, confirmed in the following years and extended also to the Northern Plants pursuant to the acquisition of the same by Versalis, an ENI Group company, up to the last positive verifications in August 2020. Following a similar path to that undertaken for the EMS, in December 2007, the plant achieved the OHSAS 18001 certification for the Health and Safety Management System (SMS); in August 2020 the certification for the OHSAS standard was reconfirmed and the migration to UNI EN ISO 45001 standard was validated.

In 2008, the "Organisation, Management and Control Model" was adapted, pursuant to Legislative Decree No. 231/01, to comply with the provisions of Law No. 123/07 and the subsequent

IGCC CO_2 EMISSIONS (KTON/YEAR)



* 2018 emissions have been modified following the verifications and consequent certifications by Lloyd's, temporally following the publication of the financial statements.
The figure published for 2019 is provisional and it may be amended upon completion of the certification process required pursuant to Directive 2003/87/EC

Note: as of 2013, the National Allocation Plan of CO_2 allowances provides a single allocation for the entire Sarroch site (Refinery+IGCC)

Legislative Decree No. 81/08 on the protection of health and safety in the work place and this was updated again in 2011.

The Safety Management System for the Prevention of Major Accidents (SMS-MAPP), mandatory for the Plant and falling within the scope of Legislative Decree No. 105/2015 (Seveso Directive), completes the overall HSE framework.

Sarlux defined its scope of application of the HSE Management System for the voluntary certification of components (with reference to ISO 14001 and ISO 45001 standards), taking into account:

- internal and external factors;
- stakeholder requirements;
- planned and performed work activities, products and services offered;
- production units to which ISO14001 and ISO 45001 standards apply;
- compliance obligations;
- the degree of authority and ability that Sarlux has to influence and/or exercise control over third parties and activities carried out by such parties.

The HSE Management System, for the voluntary certification of components, is applicable to processes related to the services and products described below:

- refining, reception, storage, preparation and shipment of petroleum products;
- production and sale of electricity;
- manufacture of other basic organic chemicals.

Regarding the component related to the Management System for the Prevention of Major Accidents (SGS-MAPP) in accordance with Legislative Decree No.105/15, it consists of:

- production plants (refining, production of electricity and organic chemical products);
- handling and shipping facilities;
- marine terminal (South Dock and North Dock);
- tanks (North tanks and South tanks);
- offices;
- ancillary services.

The ability of the HSE Management System to meet all requirements derives from the commitment of the Management and the involvement of all corporate departments to continuously improve performance. The criteria and methods that are necessary to ensure the effective operation and control of the processes involved are described in the documented information of the system.

On an annual basis, the Management sets objectives for the prevention of accidents, the protection of the health and safety of workers and the environment and plans through the budget, the need of resources, both human and infrastructure (facilities, equipment, instrumentation, etc.) to eliminate or minimise the risks. The Management promotes and supports the implementation of all the necessary actions to achieve the planned results and continuously improve the processes; the processes are managed by adopting the standard reference model herein. To synergistically use common parts, introducing performance measurement and the planning of improvement objectives and targets, constitutes the main management tool for achieving continuous improvement of the plant.

The Energy Management System (EMS) certification to UNI EN ISO 50001 has been implemented from May 2018.

The pursuit of certifications represents an important objective that imposes new challenges and greater commitment on the part of the organisation in relation to the multiple changes taking place at the regulatory level and regarding social awareness on the subject of the environment, health and safety at work.

EMAS registration

Since October 2008 Sarlux has joined the community Eco-Management and Audit Scheme. EMAS is joined on a voluntary basis by both public and private companies and organisations which thus commit to assessing, improving and disseminating their environmental “efficiency”.

EMAS is an important tool for improving environmental performance by providing supervisory authorities and citizens (the general public) with access to information, certified by an accredited environmental verifier, on the environmental performance of companies and organisations.

In August 2020, the compliance of the EMS with UNI EN ISO 14001:2015 and the EMAS regulation was confirmed, including the amendments made by EU Regulation No. 2026/2018.

Sarlux annually presents its Environmental Statement wherein are illustrated:

- Sarlux’s activities
- the environmental aspects connected to these activities, whether directly or indirectly
- the environmental improvement objectives that the company has set for itself.

Following the validation visit, the document shall always be available on the Sarlux website (https://www.sarlux.saras.it/it/ambiente-certificazioni/)

Again, with a view to improving transparency, the PRTR (Pollutant Release and Transfer Register) was updated regularly throughout the year with the site’s main environmental data. This information is sent to the Ministry for the Environment and Protection of the Land and Sea, which in turn sends it to the European Commission. Specifically, the information concerned levels of water and air emissions based on various parameters relating to the activities carried out.

SOCIAL RESPONSIBILITY AND ACTIVITIES WITHIN THE COMMUNITY

RELATIONS WITH THE COMMUNITY

Every company starts out and grows in a specific local context and the relationship it establishes with that community characterises the future growth of both the Company and the local community.

The Saras Group, now a major international organisation, was originally founded and expanded in Sardinia, an island with a strong identity and for which it has great respect.

That is why, for almost 60 years now, Saras has been actively engaged in initiatives and projects to support the social fabric, history and traditions of this region, with a special focus on young people and the needs of the community.

The Company has defined an "Our stakeholders" policy, setting out the Group's approach to managing relations with the local communities and recognises the local community and the regions of reference as strategically important stakeholders. Saras promotes social projects capable of creating value for the community. After conducting a preliminary assessment of the economic aspects and consistency with the corporate purpose, the projects considered to have the largest impact and value for the community are chosen.

In recent years, the Group has adopted specific guidelines with regard to the scope of its activities, based on two main principles: the social context, in terms of the people who deserve support – especially young people, the elderly and less affluent members of society – and the physical territory, meaning the area covered by the Group's actions. One objective that is especially important for Saras is the promotion of the business culture and demonstrating that "doing business" in Sardinia is still possible. To that end, Saras supports educational activities at schools and has ongoing relations with the university, aimed at fostering social development that cannot take place without employment, sustainability and economic growth, in a region weakened by depopulation, especially with many young people moving away.

THE SARAS GROUP IN SUPPORT OF THE COVID EMERGENCY

2020 was a year characterised by the global Covid-19 pandemic. The Company, in response to the emergency, has supported several initiatives, consistent with its values, on behalf of institutions and communities that were most affected.

In support of the Italian healthcare system to combat the Coronavirus emergency, Saras allocated donations to: the Lombardy Region, the Niguarda and Sacco hospitals in Milan and the Brotzu and SS Trinità hospitals in Cagliari.

In the territory where the production company Sarlux is located, the Group provided free fuel that was necessary to guarantee the safety and to cope with the emergency of the Metropolitan City of Cagliari.

In the period when there was little availability on the market, the company donated a large number of masks to the municipalities of the Sarroch industrial area, law enforcement and civil protection.

The Group made its technological contribution to the world of schools, donating personal computers for online teaching to certain middle schools in Milan and Sarroch.

The Saras Group community service group agreed to donate to essential diagnostic and treatment instruments to the SS Trinità of Cagliari hospital.

SARAS FOR SCHOOLS

Over the years, Saras has met the demands of schools and contributed to innovative and more effective teaching in many different ways. In the first months of the year, before the spread of the pandemic, the school-work alternation projects began. Some classes of three Institutes started the traditional course of Transversal Skills and Orientation from March. Due to the well-known reasons related to the pandemic, the programmes were adapted and initiatives were held on-line where possible.

Ad hoc lessons were organised for each course, during which technicians and managers of the Company addressed industrial topics such as safety, the environment, production processes, ICT, corporate structure, often also including simulations to represent our way of working and convey key concepts to help them do well in the workplace. It was with this in mind that in-depth information was provided on how to prepare a CV and hold a job interview.

Before the lockdown, some students visited the Group's labs and control rooms, gaining hands-on experience of practical applications and attending lessons on specific subjects on Industry 4.0 and the application of innovation in the refining industry and on wind farms.

In the last five years, over 1,000 students have participated in Courses for Transversal Skills and Orientation (PCTO), which has enabled them to see the working world up close and in particular to observe the complex system of

skills and technological innovation that develops into a large industrial group. This has definitely contributed to increasing interaction with the community and consolidating a model of social responsibility within the Company that is ongoing.

For primary schools, Saras has continued to support the cultural growth of students at the Sarroch comprehensive state school for over 20 years. Textbooks were loaned to students and then, in accordance with the culture of sustainability, sent on to other institutes where they are still current given that educational programmes vary. Dedicated tablets and computer rooms were also provided, in preparation for the digital future.

SARAS FOR UNIVERSITIES

As part of the Memorandum of Understanding with the University of Cagliari, regular technical seminars were organised as part of the training for future engineers and projects in collaboration with the various faculties, aimed at advancing scientific and technological innovation. In the first months of 2020, before the spread of the pandemic, a series of seminars was held aimed at promoting knowledge of the organisational structure and management methods of production processes within modern industrial systems. The course, aimed mainly at students of the three-year and master's degree programmes in Mechanical Engineering, was also open to 50 new-enrollees of the Order of Engineers, who attend these seminars as preparatory courses for entry into the workplace. Since March, for well-known reasons related to the pandemic, in agreement with the University all interventions have been rescheduled. Saras hosted 6 trainees of various disciplines, in the various Group companies. Activities were carried out in mixed mode, in person when this was possible and then online following the government's 2020 orders. Furthermore, Saras also contributed in 2020 to scholarships for the best Chemical Engineering graduates, within the framework of a project conceived by the Italian Chemical Engineering Society.

SARAS FOR THE COMMUNITY AND SPORT

Saras also supports the community by sponsoring amateur and professional sports associations. In 2020, the general government policy linked to the emergency forced the suspension of many sports activities. The Saras Group has supported the "Sarroch Polisportiva Volley", an important local team, which the company is proud to help grow, so as to continue to support real training centres for young athletes.

Saras is also among the partners of the Cagliari Football Academy. This Academy was established with the aim of being a point of reference for children playing football in Sardinia, to stimulate personal growth as well as technical skills and create a virtuous cycle where sport fosters individual growth.

COMMUNITY AND SAFETY

Saras shares its expertise in the field of safety at the workplace with many local firms and holds HSE training courses with a view to disseminating an appropriate industrial culture in tune with these fundamental principles.

THE VALUE OF SARAS FOR THE COMMUNITY

In this particular year, based on the strength of its history and its managerial and operational capacity, the Saras Group has guaranteed the continuity of the Sarlux industrial site, as a plant that is essential for the life of the country that supplies a significant part of Sardinia's fuel and necessary electricity. The Group has retained full continuity in the activities of the plants of the refinery and the significant planned maintenance, in compliance with all the safety protocols established by the national and regional authorities in the areas of prevention and containment of the risk of Covid-19 infection. All the technological tools necessary for preventive monitoring, sanitisation of environments and means have been introduced, social distancing has been regulated and work shifts have been restructured to promote greater safety of the distribution of in-person attendance. All this has made it possible to make a tangible contribution to the functioning of the local economy.

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 so as 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 hedging and without using 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 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 where 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 are generally settled in a very short time and they are often guaranteed by primary lenders. Sales that take place outside of the network are of individually small amounts and are also often guaranteed or insured, with a very low risk of non-recoverability. The Group's credit risk profile has not changed following the economic crisis caused by the Covid-19 emergency.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the use of externally-sourced financing and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit, as well as to fulfil contractual obligations and respect covenants deriving from the financing contracts entered into.

Self-financing capacity and as a result the Group's level of debt, which has historically been limited, are determined by the generation of cash from operations and the performance of working capital; in particular, the latter is based on levels of demand and supply of crude oil and oil products as well as the relative prices and their extreme volatility and sensitivity to external phenomena (such as economic, social and political factors). During FY 2020, the oil market shock (in terms of demand, supply and prices) due to the spread of the Covid-19 pandemic and the drastic pandemic containment measures enacted at a global level, inevitably negatively affected the Group's ability to generate cash from operating activities and therefore the Group's level of debt. The recovery of Group's level of debt could occur in case the oil market conditions will recover and subsequently the profitability levels will come back to the past levels. The Group implemented a range of actions in order to mitigate the liquidity risk, by obtaining new credit lines both at short term and at medium\long term, one of which granted by the Government. The Group was also able to have the lending banks revise the financial parameters

applicable to the existing credit lines for 2020, to take into account the changed market conditions.

The Group has implemented the appropriate actions to mitigate the liquidity risk and has obtained new short and medium/long-term credit lines, including State-guaranteed and is currently reviewing certain financial parameters on the existing lines to take account of changed market conditions.

At present, the liquidity risk is therefore closely related to a worsening of market conditions, which to date was not expected by leading market analysts.

OTHER RISKS

Price fluctuation risk

The Saras Group results 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, for its production activities, 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. In order to address the risks arising from price changes and more specifically to mitigate the precise price fluctuations on the quantities bought and sold compared to the monthly averages, the Group also enters into hedging contracts on commodities.

The selling price of electricity sold by our subsidiaries Sarlux and Sardeolica is also prone to fluctuations, as are the prices of Energy Efficiency Certificates and CO_2 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 compared to other countries; changes in legislation, politics, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potentially negative effects on the Group’s economic and financial position. At 31st December 2020, the Saras Group’s procurement broke down as follows: North Africa 22%, North Sea 6%, Middle East 31%, Russia and Caspian region 27% and West Africa 13%.

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 accidents 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 incurring 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 there is no certainty that new legislation will not impose further costs in the future.

Legislative and regulatory risk

The characteristics of the Group's business are influenced by the continuously evolving legislative

and regulatory context of the countries in which it operates. With regard to this, Saras is committed to continuously monitoring and maintaining a 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 specific atmospheric pollutants and their effect on the limits indicated in the current AIA permit;
- the view of the European Commission and the ARERA (Italian Authority for Electricity, Gas and Water) 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 G.S.E.;
- reference regulations relating to the fact that the Sarlux Srl subsidiary sells the electricity generated to the G.S.E. under the conditions specified by the legislation in force (Law No. 9/1991, Law No. 10/1991, CIP Decision 6/92 as amended, 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;
- regulations and implementing documents issued by Terna and ARERA regarding the "essentiality" requirements of the IGCC plant in Sarlux, as provided for by ARERA Resolution No.111/06 and 598/20 and the cost reimbursement regime.

Dependencies on third parties
The IGCC plant, owned by the Sarlux Srl subsidiary, depends on oxygen supplied by Air Liquide Italia in addition to raw materials derived from crude oil supplied by Saras. Should these supplies fail, Sarlux would have to locate alternative sources, which it may not be able to find or to source at similar financial terms and 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 the new Regulation (EU) 2016/679 ("GDPR") on the protection of personal data entered in force. The Saras Group launched 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 cybersecurity
Complex information systems support the various business activities and processes. Risk aspects concern the adequacy of such systems and the availability, integrity and confidentiality of data and information. In particular, some major systems may be exposed to the risk of cyberattacks. The Group has long been developing projects and applying solutions that aim to significantly reduce this type of risk, making use of consultants that are specialised on the subject and adopting the international standard IEC 62443.

Covid-19 Risk
The intensification of the economic and financial crisis unleashed by the Covid-19 crisis has resulted, beginning from April 2020, in a drastic and widespread drop in demand for oil products, with a consequent impact on the refining margin, along with the volatility of commodity prices and oil prices in particular. There also remains a situation of uncertainty about the pandemic's evolution; in light of the increase in infections recorded in the first months of 2021, the start of vaccination activities suggests that a recovery in oil consumption is likely, but to date the timing and extent of this recovery are not clear.

These extended effects resulted in reduced profitability and increased short-term liquidity requirements for the Saras Group and for the refining sector as a whole: should such conditions last in the mid-term, they would be unbearable. The recovery in consumption is expected in the second half of 2021 and at more significant levels between 2022 and 2024 and it could however rebalance the situation of uncertainty and price volatility, with a recovery in profitability and an improvement in debt levels. However, the extent and timing of the recovery remain uncertain.

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

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OTHER INFORMATION

Treasury shares
In the course of 2020, Saras SpA has not bought or sold any treasury shares.

Pursuant to the above, at 31st December 2020, Saras SpA held 9,220,216 treasury shares or 0.97% of the share capital, while there were 941,779,784 Saras SpA shares outstanding.

Changes in the shareholding structure
On 15th October and 21st October 2020, the Trafigura Group which is based in Singapore trades crude oil and petroleum products internationally through its subsidiary, Urion Holdings (Malta) Limited, acquired a significant stake of Saras shares, first of 1.379% and then 3.01%.

Stock Grant Plans
On 16th April 2019, the Shareholders' Meeting approved the "Long-term incentive plan for Saras Group management" (the "2019/2021 Stock Grant Plan"), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.

The recipients of the Plan are:

- managers with strategic responsibilities within the Company;
- directors of Italian and/or foreign subsidiaries of the Company pursuant to Article 2539 of the Italian Civil Code;
- other senior positions within the Group, including those with an independent employment contract.

Each Beneficiary is assigned a right to receive shares free of charge upon achievement of the following performance targets:

1. TSR: the relative positioning of Saras' Total Shareholder Return (TSR) compared with the TSR of a group of industrial companies (peer group) included in the FTSE Italia Mid Cap index (accounting for 30% of the Rights Assigned);
2. Margin vs EMC Benchmark Margin: the positioning of the Margin, expressed in USD/bbl and compared in terms of absolute distance from the EMC Benchmark Margin (accounting for 40% of the Rights Assigned);
3. EBITDA in the Power segment (accounting for 30% of the Rights Assigned).

The Plan involves a maximum of 9,500,000 Shares; the shares will be delivered within six months from the end of the Performance Period.

At the beginning of each year of the three-year period of the Plan, the Performance Targets, their weight in relation to the Rights Assigned and their level of achievement on the basis of which the Shares are assigned to the Beneficiaries may be reviewed and modified.

Transactions with related parties
At the end of 2020, the effect on the Saras Group Balance Sheet and Income Statement arising from transactions or positions with related parties was not significant. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 7.3 "Transactions with Related Parties".

Use of financial instruments
Details can be found in the Notes to the Consolidated Financial Statements, in the chapter "Additional information".

Research and development
In 2020, Saras did not undertake any significant research and development activities. Therefore, no significant costs have been capitalised or recorded in the Income Statement. For further information, please refer to paragraph 5.2.2 "Intangible assets".

Information by segment and geographical area
Information on the breakdown of purchases and sales by business segment and geographical area is provided in chapter 4 "Information by business segment and geographical area" of the Notes to the Consolidated Financial Statements.

Non-recurring and unusual transactions
During 2020 the last service stations of the Spanish subsidiary Saras Energia were sold to Kuwait Petroleum Espana SA on the basis of the deed of sale of the business unit stipulated by the two parties in July 2019.

Information on shareholdings held by members of the Board of Directors, Board of Statutory Auditors and Managers

EUR thousand	NET RESULT	EQUITY
As per the Financial Statements of Saras SpA as at 31st December 2019	**(65,198)**	**615,424**
Differences between book value and Equity as at 31st December 2019 of shareholdings at cost in the Financial Statements valued of Saras SpA	(202,398)	143,595
Corrections made during consolidation	(7,920)	25,503
As per the Group Consolidated Financial Statements as at 31st December 2019	**(275,516)**	**784,522**

Details are available in the Notes to the Separate Financial Statements of Saras SpA at section 7.5 "Shareholdings held by members of the Board of Directors, Statutory Auditors, General Manager and Managers with strategic responsibilities".

Adoption of the fiscal consolidation
Details are available in paragraph 3.4 "Summary of accounting standards and policies" in the Notes to the Consolidated Financial Statements, under paragraph X "Taxes".

Reconciliation between Group Net Result and Shareholders' Equity
The reconciliation between the Group's Net Result and Shareholders' Equity and that of the Parent Company's Net Result and Shareholders' Equity is provided in the table below.

MAIN EVENTS AFTER THE END OF 2020

Please refer to the relevant section in the Notes to Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

Thousands of EUR	(1)	(2)	31/12/2020	31/12/2019
ASSETS				
Current financial assets	**5.1**		**1,841,050**	**2,117,692**
Cash and cash equivalents	5.1.1	A	558,997	431,463
of which with related parties:			-	*17*
Other financial assets	5.1.2	B	153,677	51,928
Trade receivables from third parties	5.1.3	C	256,641	351,539
of which with related parties:			*87*	*109*
Inventories	5.1.4	D	737,389	1,040,842
Current tax assets	5.1.5	E	14,289	84,058
Other assets	5.1.6	F	120,057	157,862
Non-current assets	**5.2**		**1,529,138**	**1,439,254**
Property, plant and equipment	5.2.1	H	1,310,794	1,272,572
Intangible assets	5.2.2	J	47,225	77,970
Right-of-use of leased assets	5.2.3	I	42,801	49,919
Other investments	5.2.4	L	502	502
Deferred tax assets	5.2.5	X	121,844	31,816
Other financial assets	5.2.6	M	5,972	6,475
Non-current assets held for sale	**5.3**		**0**	**7,038**
Property, plant and equipment	5.3.1		0	7,038
Intangible assets	5.3.2		0	0
Total assets			**3,370,188**	**3,563,984**
LIABILITIES AND EQUITY				
Current liabilities	**5.4**		**1,676,426**	**2,015,764**
Short-term financial liabilities	5.4.1	R	611,441	204,897
Trade and other payables	5.4.2	R	916,594	1,648,736
Tax liabilities	5.4.3	X	80,499	76,472
Other liabilities	5.4.4	R	67,892	85,659
Non-current liabilities	**5.5**		**909,240**	**489,381**
Long-term financial liabilities	5.5.1	R	652,064	254,704
Provisions for risks and charges	5.5.2	P, AA	244,165	194,278
Provisions for employee benefits	5.5.3	Q	8,901	9,858
Deferred tax liabilities	5.5.4	X	3,730	4,437
Other liabilities	5.5.5	R	380	26,104
Total liabilities			**2,585,666**	**2,505,145**
EQUITY	**5.6**	**N,O,W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			994,482	967,129
Net result			(275,516)	26,154
Total parent company equity			**784,522**	**1,058,839**
Third-party minority interests			-	-
Total equity			**784,522**	**1,058,839**
Total liabilities and equity			**3,370,188**	**3,563,984**

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

(2) Please refer to the Notes, section 3.4 "Summary of accounting standards and policies"

CONSOLIDATED STATEMENT OF INCOME FOR 2020

Thousands of EUR	(1)	(2)	01/01/2020 31/12/2020	*of which non-recurring*	01/01/2019 31/12/2019	*of which non-recurring*
Revenues from ordinary operations	6.1.1	S	5,184,875		9,369,093	
Other income	6.1.2	S	157,409		148,603	
of which with related parties:			*199*		*133*	
Total returns			**5,342,284**	**0**	**9,517,696**	***0***
Purchases of raw materials, consumables and supplies	6.2.1	T	(4,745,491)	(8,000)	(8,345,145)	*(2,500)*
Cost of services and sundry costs	6.2.2	T, AA	(520,375)		(771,109)	*(674)*
of which with related parties:			*517*		*517*	
Personnel costs	6.2.3	Q,T	(163,497)	(15,380)	(148,653)	
Depreciation/amortisation and write-downs	6.2.4	H,J	(254,032)	*(35,893)*	(198,697)	
Total costs			**(5,683,395)**	***(59,273)***	**(9,463,604)**	***(3,174)***
Operating result			**(341,111)**	***(59,273)***	**54,092**	***(3,174)***
Financial income	6.3	U	68,601		57,979	
Financial charges	6.3	U	(82,419)	*(837)*	(76,757)	
Result before taxes			**(354,929)**	***(60,110)***	**35,314**	***(3,174)***
Income tax	6.4	X	79,413	*6,341*	(9,160)	*885*
Net result			**(275,516)**	***(53,769)***	**26,154**	***(2,288)***
Net result attributable to:						
Shareholders of the parent company			(275,516)		26,154	
Third-party minority interests			0		0	
Net earnings per share – base (euro cents)		Z	**(29,25)**		**2,78**	
Net earnings per share – diluted (euro cents)		Z	**(29,25)**		**2,78**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2020

Thousands of EUR		01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net result (A)		**(275,516)**	**26,154**
Items that may be reclassified subsequently to profit or loss			
Effect of translation of the financial statements of foreign operations	V	(466)	42
Items that will not be reclassified to profit or loss			
Actuarial effect IAS 19 on employee post-employment benefits	Q, T	(215)	(703)
Other profit/(loss), net of the fiscal effect (B)		**(681)**	**(661)**
Total consolidated net result (A + B)		**(276,197)**	**25,493**
Total consolidated net result attributable to:			
Shareholders of the parent company		(276,197)	25,493
Third-party minority interests		0	0

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

(2) Please refer to the Notes, section 3.4 "Summary of accounting standards and policies"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 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**
Period 1/1/2019 - 31/12/2019							
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			42		42		42
Actuarial effect IAS 19			(703)		(703)		(703)
Reserve for stock option plan			1,658		1,658		1,658
F.T.A. effect IFRS 9			2,928		2,928		2,928
Net result				26,154	26,154		26,154
Total net result			*42*	*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**
Period 1/1/2020 - 31/12/2020							
Allocation of previous year result			26,154	(26,154)	0		0
Dividend Distribution			0		0		0
Conversion effect balances in foreign currency			(466)		(466)		(466)
Actuarial effect IAS 19			(215)		(215)		(215)
Reserve for stock option plan			1,880		1,880		1,880
Net result				(275,516)	(275,516)		(275,516)
Total net result			*(466)*	*(276,197)*	*(276,197)*	*0*	*(276,197)*
Balance at 31/12/2020	**54,630**	**10,926**	**994,482**	**(275,516)**	**784,522**	**0**	**784,522**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2020

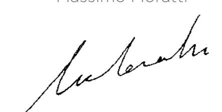
Thousands of EUR	(1)	(2)	01/01/2020 31/12/2020	01/01/2019 31/12/2019
A - Initial cash and cash equivalents			**431,463**	**272,831**
B - Cash flow from (for) operating activities				
Net result	5.5		(275,516)	26,154
Unrealised exchange rate differences on bank current accounts			(3,082)	(256)
Amortisation, depreciation and write-downs of assets	6.2.4	K, J	254,032	198,697
Net change in risk provisions	5.4.2	P, AA	49,887	(9,035)
Net change in provision for employee benefits	5.4.3	Q	(957)	(464)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	X	(90,735)	6,007
Net interest		U	(1,239)	17,457
Income tax set aside	6.4	X	11,322	3,153
Change in the fair value of derivatives	5.1.2 - 5.3.1		39,875	14,789
Other non-monetary components	5.5		1,199	3,925
Profit for the year before changes in working capital			**(15,214)**	**260,427**
(Increase)/Decrease in trade receivables	5.1.3	C	94,898	(61,329)
of which with related parties:			-	*(24)*
(Increase)/Decrease in inventories	5.1.4	D	303,453	(179,241)
(Increase)/Decrease in trade and other payables	5.3.2	R	(732,142)	605,574
Change other current assets	5.1.5 - 5.1.6	F	107,574	(114,375)
Change other current liabilities	5.3.3 - 5.3.4	R	(25,062)	77,008
Interest received		U	1,239	1,578
Interest paid		U	0	(19,035)
Taxes paid	5.3.2	X	0	(69,316)
Change other non-current liabilities	5.4.5	R	(25,724)	(55,212)
Total (B)			**(290,978)**	**446,079**
C - Cash flow from (for) investment activities				
(Investments) in PPE and intangible assets	5.2.1-5.2.2	H, I	(252,327)	(340,688)
(Investments) in Right-of-use of leased assets			(2,064)	(59,236)
(Increase)/Decrease in other financial assets	5.1.2	B	(10,136)	98,473
Increases in the sale of non-current assets held for sale	5.2.1-5.2.2		7,038	27,963
Total (C)			**(257,489)**	**(273,488)**
D - Cash flow from (for) financing activities				
Increase/(decrease) m/l-term financial payables	5.4.1	R	397,360	(1,297)
Increase/(decrease) short-term financial payables	5.3.1	R	275,559	62,392
Distribution of dividends and treasury share purchases			0	(75,310)
Total (D)			**672,919**	**(14,215)**
E - Cash flows for the period (B+C+D)			**124,452**	**158,376**
Unrealised exchange rate differences on bank current accounts			3,082	256
F - Final cash and cash equivalents			**558,997**	**431,463**

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

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

For the Board of Directors - The President

Massimo Moratti



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2020

TABLE OF CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2020

1 INTRODUCTION

2 GENERAL PREPARATION CRITERIA FOR THE CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING STANDARDS APPLIED
3.1 New accounting standards, interpretations and changes adopted by the Group
3.2 Standards issued but not yet in force
3.3 Consolidation Scope and Criteria
3.4 Summary of accounting standards and basis of measurement
3.5 Use of estimates and discretionary evaluations, also as a consequence of Covid 19
3.6 Most significant accounting policies requiring a greater degree of discretion

4 INFORMATION BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA
4.1 Introduction
4.2 Segment information
4.3 Reporting by geographical area

5 NOTES TO THE STATEMENT OF FINANCIAL POSITION
5.1 Current assets
5.1.1 Cash and cash equivalents
5.1.2 Other financial assets
5.1.3 Trade receivables
5.1.4 Inventories
5.1.5 Current tax assets
5.1.6 Other assets
5.2 Non-current assets
5.2.1 Property, plant and equipment
5.2.2 Intangible assets
5.2.3 Right-of-use of leased assets
5.2.4 Equity investments
5.2.4.1 Other investments
5.2.5 Prepaid tax assets
5.2.6 Other financial assets
5.3 Non-current assets held for sale
5.4 Current liabilities
5.4.1 Short-term financial liabilities
5.4.2 Trade and other payables
5.4.3 Current tax liabilities
5.4.4 Other liabilities
5.5 Non-current liabilities
5.5.1 Long-term financial liabilities
5.5.2 Provisions for risks and charges
5.5.3 Provisions for employee benefits
5.5.4 Deferred tax liabilities
5.5.5 Other liabilities
5.6 Shareholders' equity

6 NOTES TO THE INCOME STATEMENT

6.1 Revenues
- 6.1.1 Revenues from ordinary operations
- 6.1.2 Other income

6.2 Costs
- 6.2.1 Purchases of raw materials, supplies and consumables
- 6.2.2 Costs of services and sundry costs
- 6.2.3 Personnel expense
- 6.2.4 Depreciation/amortisation and write-downs

6.3 Financial income and charges

6.4 Income taxes

7 OTHER INFORMATION

7.1 Main legal actions pending

7.2 Earnings per share

7.3 Related-party transactions

7.4 Information pursuant to IFRS 7 and 13 Financial Instruments: Disclosures
- 7.4.1 Information on the Statement of Financial Position
- 7.4.2 Information on the Income Statement
- 7.4.3 Supplementary information
  - 7.4.3.1 Accounting for derivative transactions
  - 7.4.3.2 Fair value
- 7.4.4 Risks deriving from financial instruments
  - 7.4.4.1 Credit risk
  - 7.4.4.2 Liquidity risk
  - 7.4.4.3 Market risk

7.5 Average staff numbers

7.6 Fees and remuneration of key management personnel

7.7 Commitments

7.8 Disclosure of external auditor's fees

7.9 Other

7.10 Subsequent events

8 PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2020

1. Introduction

Saras SpA (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 SpA (10.005%) and Stella Holding SpA (10.005%), which together represent 40.02% of the share capital of Saras SpA (excluding treasury shares) under the shareholders' agreement signed by these companies on 24th June 2019. The Company is established until 31st December 2056, as stated in its articles of association.

Saras SpA operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished 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 Srl and a wind farm run by the subsidiary Sardeolica Srl.

These Consolidated Financial Statements for the year ended 31st December 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 amounts shown in these Notes to the Consolidated Financial Statements are expressed in thousands of euro, unless otherwise stated.

As described in more detail in the section on the "Covid-19 Impact" of the Report on Operations, the Refining sector is among those that have suffered the most from the effects of the crisis caused by the pandemic and as a result of this the Mediterranean area operators, such as Saras, have faced an unprecedented situation brought about by the combination of the collapse in the demand for petroleum products, beginning in March with the adoption of lockdown measures by most countries and, on the supply side, by the production cuts introduced in early May by OPEC+ countries, in an effort to support crude oil prices. The high level of volatility in the price 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. This situation was further exacerbated in the second half of the year, when, contrary to expectations, consumption did not pick up in the summer months and this led to unexpectedly high stock levels of the main refined products.

This phenomenon, together with the production cuts mentioned above, that have mainly affected the medium-heavy, high-sulphur crude oils principally used by complex refineries such as Saras, have led to a decline in refining margins resulting in a market context and unexpected sector rationales with respect to the various scenarios that industry analysts had assumed for 2020, immediately prior to the crisis, with demand for oil products worldwide in the month of April plummeting by 25% (35% in the OECD countries) compared to the same period of 2019. This is reflected in the prices of Brent crude oil, which, after having reached almost 70$/bl at the end of 2019, collapsed to the historic lows of 13.2$/bl in mid-April.

In 2020 Brent DTD quotations were on average 27% lower than forecasts. On the product front, gasoline [petrol], the product most affected by lockdown measures together with jet fuel, recorded average prices down by approximately 31% with margins approximately 51% lower than had been forecasted. 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 was approximately 56% lower.

In the second half of the year in particular, the high level of inventories accumulated during the lockdowns - even in the absence of demand for jet fuel, a product derived from middle distillates - and the lack of discounting on high-sulphur crude oils, kept the diesel crack price between $1 and $6/bl. In 2020, the reference refining margin (EMC benchmark) consequently averaged -0.5$/bl, with negative values in particular in the second half of the year. The "pre-Covid" expectations of leading market analysts estimated a positive EMC benchmark of +3$/bl for 2020.

During the year, the Power and Wind sectors also suffered from the drop in the CIP6 tariff and the PUN. The effect induced by the collapse in consumption, including gas was also reflected in electricity prices, with an average CIP6 tariff in the period of 76€/MWh and an average PUN value of 38.9€/MWh, down approximately 15% and 24% respectively compared to expectations.

In this unpredictable context, Saras continued its operation. However, due to the described context, it endured unpredictable and significant economic losses and absorption of cash, which, also due to the completion of the investments that were already in progress, have resulted in a worsening of cash

flow generation with a negative Group Net Financial Position at the end of the financial year equal to a net debt of EUR 505 million pre-IFRS16 (EUR 545 million post application of IFRS16) compared to a positive Net Financial Position of EUR 79 million pre-IFRS16 (EUR 30 million post IFRS16) at 31st December 2019.

To contain the impact of the crisis, since the end of March, Saras has implemented several operational and financial measures, adjusting production, both in terms of quantity and quality of distillates, to the changed market scenario and using hedging transactions to ensure a margin on diesel production.

Furthermore, 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 authorise the share buy-back plan approved on March 2nd.

Additionally to these measures, which mainly related to the first half of the year, in October 2020 the Company adopted a cost and investment efficiency plan to contain the economic and financial impact of the continuing economic crisis. This plan will enter into full effect in 2021. This plan envisages keeping the refinery operational to the extent that processing of the main refined products is cost-effective, while safeguarding the production of electricity, which is fundamental for the equilibrium of the Sardinian network, while significantly containing operating and investment costs. The Company also opted to use the redundancy fund as part of this plan. This was partially implemented in respect of all the group's employees from the end of October 2020 and for the first half of 2021.

Also, in addition to the medium-term loans renewed in the first quarter of 2020, the Company obtained new medium/long-term credit lines from a number of leading banks in 2020. In particular, at the end of the year, a loan agreement was signed with a pool of leading Italian financial institutions for EUR 350 million, maturing in 2024, 70% of which is backed by guarantees issued by SACE within the framework of the Italian guarantee programme. The Company was also able to have the lending banks revise for 2020 the financial parameters applicable to the existing credit lines, to take into account the changed market conditions.

The unexpected economic and financial results of 2020, significantly far from imaginable scenarios in the absence of the Covid-caused crisis, were induced by the pandemic emergency. Thus, despite the current uncertainty about the solution's timings, given that the causes are external to the economic system, they should not undermine its fundamentals in the mid-term.

It is believed, therefore, that also for the Saras Group's activities, the business conditions exist for the restoration of profitability in future years and, more specifically, starting from 2022, as a function of a recovery in demand that is more significant and closer to the levels seen prior to the pandemic. In the meantime, the cost containment measures and investments, together with the production plans for 2021, rationalised as a function of the market margins of the various products and, considering the available lines of credit that are sufficient to cover the needs of the next 12 months, permit the Group to still continue its operation in an economic and financial equilibrium that will allow it to participate in the anticipated recovery of the market and the consequent restoration of Group profitability. Therefore, despite the current increase in uncertainty regarding the reasonably foreseeable market scenarios, even for just the short-term, on the basis of the business forecasts developed for 2021, the financial resources that the banking system has made available to the Group, with the demonstrated willingness to review the financial parameters on the existing payables in accordance with the changed context and considering the plans for cost containment and investments in the medium term, Saras has considered it appropriate to use the going concern assumption for a period of not less than the next twelve months in the preparation of the financial statements for the year 2020.

2. General preparation criteria for the Consolidated Financial Statements

The consolidated financial statements of the Group for the year ending 31st December 2020 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 19th July 2002 and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree No 38 of 28th 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.

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. Accounting standards applied

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

The standards and interpretations which had already been issued at the preparation date of these consolidated financial statements and which became effective during the year are listed below. It should be noted that the first application of these new standards did not have any effect on the Group's shareholders' equity.

New accounting standards, interpretations and changes adopted by the Group

The Group has applied for the first time certain standards or amendments that have been in force since 1st January 2020. The Group has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process that together significantly contribute to the ability to create an output. Furthermore, it has been clarified that a business can exist without including all the inputs and processes needed to create an output. These amendments had no impact on the Group's consolidated financial statements but could have an effect on future financial years if the Group were to carry out business combinations.

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

The amendments to IFRS9 and IAS 39 provide a number of practical expedients that apply to hedge relationships that are directly affected by the reform of the benchmark interest rates. A hedge relationship that is affected by the reform is subject to uncertainties about the timing and extent of cash flows based on the benchmark rate with respect to the hedged instrument. These amendments have no impact on the Group's consolidated financial statements.

Conceptual Framework for Financial Reporting issued 29th March 2018

The Conceptual Framework does not represent a standard and none of the concepts in it take precedence over the concepts or requirements of a standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers to develop consistent accounting policies for specific circumstances that are not covered by an applicable standard and to assist all parties to understand and interpret the standards.

The revised version of the Conceptual Framework includes some new concepts, provides updated definitions and updated recognition criteria for assets and liabilities and clarifies some important concepts. These amendments have had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28th May 2020, the IASB published an amendment to the IFRS 16 standard. The amendment allows a lessee to elect not to apply the IFRS 16 requirements to the accounting effects of contractual modifications regarding rent concessions granted by lessors that are a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient whereby a lessee may elect not to assess whether the rent concession represents a lease modification. A lessee who elects to use this expedient accounts for these concessions as if they were not contractual modifications for the purpose of IFRS 16.

The amendments shall apply to financial statements for which the accounting period starts on or after 1st June 2020. Early adoption is allowed. These amendments have had no impact on the consolidated financial statements of the Group.

3.2 Standards issued but not yet in force

IAS 8.30 requires disclosure for those standards that have been issued but are not yet in force; it is required for the purpose of providing known or reasonably estimable information that is relevant to enable users to assess the possible impact of the application of these standards on an entity's financial statements. Below, standards and interpretations are illustrated which, at the Group's reporting date, had been issued but were not yet in force. The Group intends to adopt these standards and interpretations, if applicable, once they come into force.

IFRS 17 Insurance Contracts
In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a new comprehensive standard which covers insurance contracts' recognition and measurement, presentation and disclosure. Once into force, IFRS 17 will replace IFRS 4 Insurance Contracts, published in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life and non-life, direct insurance and re-insurance), regardless of the nature of the entity that issues them, as well as some guarantees and financial instruments with discretionary participation features.

The standard will provide for some limited exceptions. The scope of IFRS 17 is to introduce an accounting model for insurance contracts that is more useful and consistent for insurers. Contrary to the provisions of IFRS 4 which largely maintain the previous accounting policies, IFRS 17 introduces an exhaustive model for all insurance contracts, covering all significant accounting issues. The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation characteristics (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

IFRS 17 will be in force for financial years starting on 1st January 2021 or later and will require the presentation of the comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously. No significant effects on the Group's consolidated financial statements are expected.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by the right to defer settlement;
- that the right of defer must exist at the end of the financial year;
- classification is not affected by the likelihood that the entity will exercise its right to defer;
- only if an embedded derivative in a convertible liability is itself a capital instrument does the liability's maturity have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1st January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on the current situation and whether the renegotiation of existing loan contracts would become necessary; it also keeps updated on the IFRIC discussions on this topic.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB published amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard.

The Board has also added an exception to the valuation standards of IFRS 3 to avoid the risk of potential losses or gains "of the day after" arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.

At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets will not be affected by the update of the references to the Framework for the Preparation and Presentation of Financial Statements.

The amendments will be effective for financial years beginning on 1st January 2022 and are to be applied prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which prohibits an entity from deducting from the cost of property, plant and equipment any amounts received from selling items produced during the period while the entity is preparing the asset for it to be used in the way the entity's management intended. Instead, an entity will recognise such sales proceeds from such products and related costs to produce such products, in the Income Statement.

The amendment will be effective for financial years beginning on or after 1st January 2022 and must be applied retrospectively to items of property, plant and

equipment made available for use on or after the start date of the period preceding the period in which the entity first applies such amendment.

No material effects are expected for the Group with respect to these amendments.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB published amendments to IAS 37 to specify what costs should be considered by an entity when assessing whether a contract is onerous or at a loss.

The amendment provides for the application of an approach called the "directly related cost approach". Costs that relate directly to a contract for the supply of goods or services include both incremental costs as well as costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly rechargeable to the counterparty on the basis of the contract.

The amendments will be effective for financial years beginning on 1st January 2022 or later. The Group will assess the effects of such amendments in the event of contracts for which it has not yet fulfilled all its obligations at the beginning of the first financial year application.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts accounted for by the parent company, taking into account the date of transition to IFRS by the parent company. This amendment also applies to affiliated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1.

The amendment will be effective for financial years beginning on or after 1st January 2022 and early application is permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. An entity applies such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies the amendment.

The amendment will be effective for financial years beginning on or after 1st January 2022 and early application is permitted. The Group will apply such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies such amendment.

No material effects are expected for the Group with respect to such amendment.

IAS 41 Agriculture – Taxation in fair value measurements
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements in paragraph 22 of IAS 41 relating to the exclusion of cash flows for taxes when the fair value of an asset is assessed for the purpose of IAS 41.

An entity applies this amendment prospectively to the fair value measurement starting from financial years beginning on or after 1st January 2022, early application is permitted.

No material effects are expected for the Group with respect to such amendment.

IASB also approved two amendments to IAS1 and IAS8 in relation with the information on relevant accounting policies and with the definition of an estimate and modification of accounting estimates.

3.3 Consolidation Scope and Criteria

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 31st December 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.

On 30th March 2021, the Board of Directors of Saras SpA approved the draft separate financial statements of Saras SpA.

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 e società controllate	100%
Saras Energia SAU	100%
Terminal Logistica de Cartagena SLU	100%
Reasar SA	100%
Sardeolica Srl	100%
Saras Trading SA	100%

Other investments: measured at cost as not significant	
Sarda Factoring	4.01%
Consorzio La Spezia Utilities	5%

No changes were made compared to 31st December 2020.

The criteria adopted for the line-by-line consolidation of subsidiaries consolidated on a line-by-line basis are as follows:

[I] assets and liabilities, expenses and income are consolidated on a line-by-line basis attributing to minority shareholders, where applicable, the portion of shareholders' equity and net result for the period pertaining to them; these items are reported separately in specific items of Shareholders' Equity and the Consolidated Statement of Comprehensive Income;

[II] business combinations that lead to the control of an entity being acquired are accounted for using the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities and any equity instruments issued are acquired. The difference between:

- the consideration paid (generally calculated on the basis of its fair value at acquisition date) and – in the case of a business combination achieved in stages – the fair value at the date of acquisition of control of the equity investment already held in the Company; and

- the fair value of the identifiable assets acquired net of the identifiable liabilities taken on, measured at the date that control is acquired

is recognised, where the relevant conditions apply, as goodwill on the date that control of the business is acquired. In the case of negative goodwill, this is recognised in the Income Statement.

[III] gains and losses arising from transactions between companies that are consolidated on a line-by-line basis, which have yet to be realised with third parties, are derecognised, where significant, as are any intragroup payables and receivables, costs and revenues and financial income and charges;

[IV] gains and losses arising from the disposal (without loss of control) of equity investments in consolidated companies are charged to equity for amounts corresponding to the difference between the selling price and the portion of consolidated equity effectively transferred. If further acquisitions of equity investments take place without a change in control, the difference between the purchase price and the corresponding portion of equity acquired is recognised through equity.

Investments in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the Group exercises significant influence (referred to hereinafter as "affiliated companies"), which is presumed to exist when a stake of between 20% and 50% is held, are accounted for using the equity method, except where the application of this method does not impact on the Group's financial position, operating results and cash flow; in such instances, the investment is measured at fair value. The way in which the equity method is applied is described below:

[I] the carrying amount of an investment is brought into line with the equity of the investee, adjusted, where necessary, to reflect the adoption of accounting policies that are consistent with those adopted by the Parent Company and includes, where applicable, any goodwill identified at the time of the acquisition;

[II] the Group's proportionate share of profits or losses is recognised in the consolidated income statement from the date on which the significant and controlling influence commences until the day it ceases to exist. Should the company, as a result of losses, report a net deficit, the carrying amount of the investment is eliminated and any excess amount attributable to the Group is allocated to the relevant provision, only where the Group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not allocated to the result posted in the income statement are directly added to or deducted from equity reserves;

[III] unrealised gains and losses arising from transactions between the Parent Company and subsidiaries or investee companies are derecognised based on the value of the stake held by the Group in the investees. Unrealised losses are eliminated, except where they represent an impairment loss.

The financial statements of the companies included in the basis of consolidation are prepared using the currency of the main economic environment in which they operate (functional currency). The consolidated financial statements are presented in euro, which is the functional currency of the Parent Company. The following rules are followed when translating the financial statements of companies expressed in a currency other than the functional currency into euro:

[I] assets and liabilities are translated at the applicable exchange rates on the reporting date;

[II] costs and revenues are translated at the average exchange rate for the period;

[III] the translation reserve includes both exchange rate differences arising from the translation of income statement amounts at an exchange rate different from the year-end rate and those arising from the translation of equity balances at the beginning of the year at an exchange rate different from the year-end rate;

[IV] goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of that entity and translated at the previous year-end exchange rate;

[V] when preparing the consolidated statement of cash flows, the average exchange rates for the period are used to translate the cash flows of foreign subsidiaries.

3.4 Summary of accounting standards and basis of measurement

The consolidated statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main valuation criteria used are described below, which are unchanged compared with the previous year, except the comments made in the following paragraph "6 - Notes to the Income Statement" concerning the classification of results from derivative instruments.

A Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, demand deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; overdrafts in bank accounts are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value and changes are reported in the income statement.

B Other financial assets

Other financial assets are reported at fair value, with any gains reported in the income statement under "Financial income" and "Financial charges". Other financial assets also include derivative contracts, which are discussed in the appropriate section "Y Derivative Instruments" to which reference is made for additional details.

C Trade receivables

Trade receivables are measured at fair value on initial recognition. Subsequently, they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows.

At the closing date of each balance sheet, the Group conducts an analysis of any expected losses on trade receivables measured at amortised cost and recognises or adjusts specific provisions for impairment.

The provisions for the above-mentioned expected losses are based on assumptions regarding the risk of default and expected losses. To this end, management uses its professional judgement and historical experience, as well as knowledge of current market conditions and forward estimates at the end of each reporting period.

Expected Credit Loss (ECL), determined using probability of default (PD), loss in case of default (LGD) and exposure to risk in case of default (EAD), is determined as the difference between the cash flows due under the contract and the expected cash flows (including cash inflows) discounted using the original effective interest rate.

The Group essentially applies an analytical approach, on individually significant positions and in the presence of specific information on the significant increase in credit risk. For individual assessments, PD is obtained mainly from external providers such as legal advisors who are entrusted with debt collection cases.

Receivable assignments

Receivable assignments are accounted for in accordance with the method indicated by IFRS 9 for the derecognition of financial assets. Consequently, all receivables assigned to the factoring company, when contractual provisions include clauses that involve maintaining significant exposure to the performance of cash flows arising from the receivables assigned, remain recognised in the financial statements.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the Group expects to obtain from their sale as part of its ordinary business activities, also considering sales made after the reporting date, or, for later periods, the expected price curves. The value of crude oil, materials and spare parts is determined by the FIFO method. The value of oil product inventories is calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised at amortised cost.

F Other assets

Other current assets are measured at fair value on initial recognition. Where there is objective evidence indicating impairment, the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

White certificates are recognised on an accruals basis under "Other income", in proportion to the savings,

expressed as tonnes of oil equivalent (TOE), achieved during the year.

The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. The decreases due to the sale of white certificates accrued in the current or prior years are measured at the sale price. Gains and losses arising from the sale of certificates in different years from those in which they were accrued are recognised under 'Other income' or 'Services and sundry costs', respectively.

G Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised at once (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them in full and without delay and (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over that asset.

In cases where the Group has transferred the rights to receive cash flows from an asset or entered into an agreement under which it retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that continue to be incumbent upon the Group.

When the entity's continuing involvement is a guarantee on the transferred asset, the involvement is measured at the lower of the amount of the asset and the maximum amount of consideration received that the entity may have to repay.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such exchange or change is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in profit or loss.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in preparing the assets for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Maintenance and repair charges are expensed as incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Turnaround costs are classed as extraordinary maintenance costs and capitalised in the year in which they are incurred. They are amortised over the expected length of time until the next turnaround. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated over their useful life; the residual value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

The carrying amount of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the Group for each of the various asset categories is as follows:

	for I.G.C.C. plant	per other
Buildings	until 2031	18 years
General plants	until 2031	12 years
Highly corrosive plants	until 2031	9 years
Thermoelectric plant	until 2031	
Wind Farm		10/25 years
Transformation stations	until 2031	13 years
Office furniture and equipment		4 years
Vehicles		4 years
Other assets		5/12 years
Leasehold improvements	The shorter of the duration of the lease and the useful life of the asset	

The useful life of property, plant and equipment and their residual value are revised annually at each reporting date and adjusted accordingly.

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one component differs significantly from that of the others, each component of the asset is depreciated separately

in accordance with the component approach. Tangible assets are derecognised at the time of their disposal or when no future economic benefits are expected from their use or disposal; the relative profit or loss is recognised in the Income Statement.

I Leased assets and rights to use assets

Assets held through leasing contracts or contracts granting rights to use third party assets are recognised as Group assets at their current value or, if lower, at the current value of the minimum lease payments due, except for those of short-term or low value. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. The assets are depreciated on a straight-line basis over the term of the underlying contract and the financial liability is repaid on the basis of the payments provided for in the lease or the right to use.

J Intangible assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

Tangible assets are derecognised at the time of their disposal or when no future economic benefits are expected from their use or disposal; the relative profit or loss is recognised in the Income Statement.

[I] Goodwill

Goodwill is the excess cost of the acquisition cost plus the fair value of any minority interests already held at the point when control is acquired, incurred over net fair value, as recorded on the acquisition date, when acquiring assets and liabilities forming businesses or business units. Goodwill relating to equity-accounted investees is included in the carrying amount of the investees. It is not systematically amortised, but is periodically tested for impairment. This test is carried out with regard to the cash generating unit to which goodwill is to be allocated. Any reduction in goodwill is recognised where the recoverable amount of goodwill is lower than its carrying amount; the recoverable amount is the higher of the fair value of the cash generating unit, less disposal costs and its value in use, which is the present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life.

In the event that the impairment arising from the test is greater than the amount of goodwill allocated to the cash generating unit, the residual amount is in turn allocated to the assets included within the cash generating unit, in proportion to their carrying value. The minimum amount for this allocation is the highest of the following:

- the fair value of the asset, less disposal costs;
- its value in use, as defined above;
- zero.

Where goodwill was previously written down for impairment, the write-down is not reversed.

[II] Patent rights, concessions, licences and software (intangible assets with a finite useful life)

Intangible assets with a finite useful life are amortised systematically over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying amount of the assets is checked using the same method applied to “Property, plant and equipment”.

[III] Research and development expenses

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or otherwise relating to other scientific research or technological development are treated as current costs and taken to profit or loss when incurred.

K Impairment of assets

At each reporting date, property, plant and equipment and intangible assets with a finite useful life and equity investments are tested for impairment, originating from both internal and external sources. Where such indicators exist, the recoverable amount of these assets is estimated and any impairment loss duly charged to the income statement. The recoverable amount of an asset is the greater of its fair value minus selling costs and its value in use, where the latter is the present value of the future cash flows that the asset is expected to generate. In determining value in use, future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for impairment no longer exist, the impairment loss is reversed to profit or loss up to the carrying amount that the asset would have had, had it not been impaired and if it had been depreciated.

L Other investments

The investments included under “Other investments” are measured at fair value, with the impact of any

changes in fair value recognised through equity. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IFRS 9. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

M Other financial assets

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following categories:

(i) financial assets measured at amortised cost;

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);

(iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortised cost if held for the purpose of collecting the contractual cash flows (hold-to-collect business model). The application of the amortised cost method results in the recognition in the income statement of interest income determined on the basis of the effective interest rate, exchange rate differences and any write-downs.

The treatment of financial assets linked to derivative instruments is shown under point “Y Derivatives”.

N Treasury shares

Treasury shares are recognised at cost and deducted from equity.

O Shareholders’ equity

[I] Share capital

Share capital consists of the Parent Company’s subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise equity-related reserves set aside for a specific purpose relating to the Parent Company; they include retained earnings.

[III] Share-based payments by the Parent Company to Group employees and management

The Group grants additional benefits to employees and management via the allocation of bonus shares. In accordance with *IFRS 2-Share-based Payments*, the cost of stock plans is recognised in profit or loss over the vesting period on a straight-line basis, with a balancing entry in equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and charges

Provisions for risks and charges are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best estimate of the sum that must be paid to discharge the obligation.

Those risks in respect of which it is only possible to show a future liability are disclosed in the section on commitments and risks and no provision is made.

Q Provisions for employee benefits

The Group provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1st January 2007, the regulations governing post-employment benefits (TFR) were amended to include the option for employees to decide where these are held. Specifically, new post-employment benefits may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- **Provisions made up to 31st December 2006**
  Post-employment benefits pursuant to Article 2120 of the Italian Civil Code are treated in the same way as “defined benefit plans”; these plans are based on the working life of the employees and on the remuneration they receive over a pre-determined period of service. The liability relating to post-employment benefits is entered on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. The recognition of defined benefit plans requires the estimate of the benefits accrued by the employees in exchange for the service provided using actuarial techniques. These services are then discounted in order to determine the present value of the Group’s obligations. The present value of the Group’s obligations is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of “accrued benefit methods”, considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.

The cost accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued on the present value of the Group's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

Following application of IAS 19 (revised), actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income.

- **Allocations accrued from 1st January 2007**

The allocations in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the Group.

The corresponding liability is determined according to Article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

They are measured, on initial recognition, at fair value and subsequently at amortised cost, using the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally calculated.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the Company. In this case, the assets are not derecognised, the debt for the repurchase is of a financial nature and the difference is recognised in profit and loss as a component of a financial nature.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with a balancing entry in profit or loss at each reporting date.

S Revenue recognition

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (over time) or at a specific time (at a point in time).

With reference to the products sold for the Group, the time of revenue recognition generally coincides:

- for crude and oil products, with shipping;
- for electricity with delivery to the customer;
- for oil products sold on the network market, with delivery to service stations.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums and of directly related taxes.

Excise duties paid on purchases are netted off against those collected on sales.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and interest expense are recognised on an accrual basis applying the effective interest method.

V Conversion of items expressed in a currency other than the euro

Foreign currency transactions are translated into euros at the exchange rates ruling on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividends

[A] Dividends received

Dividends are recognised on the date on which the resolution approving them is carried by a shareholders' meeting.

[B] Dividends distributed

The payment of dividends to Parent Company shareholders is recognised as a liability in the statement of financial position of the year in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception of goodwill and those relating to temporary differences originating from investments in subsidiaries, when the timing of the reversal of such differences is controlled by the Group and it is probable that the differences will not be reversed within a reasonably foreseeable timescale. In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.

Changes in tax rates due to regulatory amendments are recorded in the income statement or under equity, in relation to the transaction that generated the underlying deferred tax.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to equity, in which case the tax effect is taken directly to equity. Current and deferred taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.

Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".

The Parent Company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to Articles 117-128 of the Consolidated Law on Income Tax (the "Consolidated National Tax"). As a result, a single tax base is created for the Parent Company and some Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the parent company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivative instruments

All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of assets/liabilities), they are recorded at fair value in the income statement; with the effects of the changes taken to profit or loss; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged.

Derivative financial instruments on commodities, in accordance with IFRS 9, are recognised at fair value with the change in the fair value of the instrument recognised in the income statement and this change is allocated to the items of operating costs to which the hedges refer.

Derivative financial instruments on commodities, realised on the basis of strategies other than the fixing of prices of crude oil and products, are entered at fair value with the recognition of economic effects in the items of financial operations.

Derivative financial instruments on exchange rates and interest rates are recorded at fair value with the change in the fair value of the instrument recognised in the income statement, which is charged to the items of financial operations.

The fair value of financial instruments listed on active markets is represented by the related market price (the bid price) on the closing date of the period in question. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Note that most of these stipulated derivatives relate to hedging transactions not subject to "hedge accounting" rules.

Z Earnings per share

[I] Basic

Basic EPS is calculated by dividing the Group's profit or loss, adjusted by the portion of profit or loss attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding treasury shares.

[II] Diluted

Diluted EPS is calculated by dividing Group-operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while the Group's profit or loss is adjusted to take into account the after-tax effects of the conversion.

AA Emission Trading
Decree-Law No. 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase allowances or credits on the relevant market representing the excess CO_2.

If the allowances allocated are insufficient, the value of the shortfall is measured at market value and recorded in risks; if, however, the allowances exceed requirements, the surplus, measured at purchase cost aligned to the market value at the end of the year if lower, is recorded under intangible assets.

AB Segment information
An operating segment is a part of an entity:

- that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
- whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and
- for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area and subject to risks and benefits substantially different from those related to other geographical areas.

3.5 Use of estimates and discretionary evaluations, also as a consequence of Covid-19

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.

3.6 Most significant accounting policies requiring a greater degree of discretion

A brief description is provided below of the most significant accounting policies requiring greater discretion by the directors in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[I] Depreciation of fixed assets: depreciation of fixed assets is a significant cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the Group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The Group periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable amount in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Recoverable amount of property, plant and equipment: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the regulatory framework. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

[III] Recoverable amount of inventories: the estimate of the recoverable amount of inventories entails a valuation process that is highly influenced by the performance of the oil product market, which is exposed to significant changes, including of a short-term nature. Therefore, the net realisable value of crude oil and finished goods at year end is estimated based on the amount that the Group expects to obtain from their sale, by observing the sales taking place after the reporting date. Consequently, this assessment is influenced by market conditions.

[IV] Deferred tax assets: deferred tax assets are accounted for on the basis of expected taxable income in future periods. The measurement of expected income for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[V] Provisions for risks and impairment losses on current assets: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of current assets is not always straightforward. The directors consider such circumstances on a case-by-case basis and at the same time estimate the amount of financial resources needed to discharge the obligation. Where the directors feel

that a liability or the risk of not recovering an asset are only possible, the associated risks are disclosed in the note concerning commitments and risks and no accrual is made. Where the directors feel that a liability or the risk of not recovering an asset are only probable, a special risk provision is recorded.

[VI] Revenues from the sale of electricity by the subsidiary Sarlux Srl to the G.S.E. (Gestore dei Servizi Energetici SpA): said revenues are affected by the straight-line basis calculation based on both the duration of the contract (20 years, expiring on April 2021) and forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs; in the years ahead, crude oil and gas prices could vary significantly from estimates as a result of events that cannot be predicted at present.

[VII] Measurement of the recoverable amount of receivables: most of the receivables arising from the Group's operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees). Most receivables arising from cargo trading activities (with a significant unit amount) are characterised by extremely limited terms of payment (i.e., a few days after the date of delivery of the goods); the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions. It is also recalled that the losses on receivables historically recognised by the Group are not of a significant amount.

[VIII] Estimation of the fair value of derivatives: the assessment depends on expectations regarding the trend of the market variables, including commodity prices and exchange rates, the variability and volatility of which depends on factors that are outside the sector.

The trend of market variables, in the medium-long term and in the short term, including the price and supply of crude oil and the worldwide demand of finished products with respect to the processing capacity, are capable of influencing, even significantly, the Group's performance. This represents one of the critical assumptions for the various valuation processes, more specifically for the assessment of assets and of the recoverable value of inventories as well as the volatility of the current values of financial instruments. The underlying valuation processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions which, by their nature, involve the use of a high degree of judgement on the part of Company Management. The same, for this purpose, also considers scenarios expressed by independent sector experts.

4. Information by business segment and geographical area

4.1 Introduction

The Saras Group's business segments are:

1. refining;
2. marketing;
3. generation of power by the combined cycle plant;
4. generation of power by wind farms;
5. other activities.

The **refining activities** carried out by the parent company Saras SpA and the subsidiary Sarlux Srl 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 SpA. (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, 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 Srl. Sales take place exclusively with the client G.S.E. (Gestore dei Servizi Energetici SpA) and benefit from the feed-in tariff under CIP 6/92, expiring on April 2021.

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

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

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 31st 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 31st December 2020	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	5,944,671	378,049	1,148,918	9,961	20,346	7,501,945
to be deducted: intersectoral revenues	(2,249,774)	(44,522)	(7,547)	0	(15,226)	(2,317,069)
Revenues from third parties	**3,694,897**	**333,527**	**1,141,371**	**9,961**	**5,120**	**5,184,875**
Other operating revenues	168,403	73,631	5,239	2,868	439	250,580
to be deducted: intersectoral revenues	(92,642)	(272)	(21)	0	(237)	(93,172)
Other income from third parties	**75,761**	**73,359**	**5,218**	**2,868**	**201**	**157,407**
Depreciation/amortisation and write-downs	(186,521)	(56,378)	(3,677)	(6,548)	(908)	(254,032)
Operating result	**(390,707)**	**48,381**	**7,229**	**170**	**(6,184)**	**(341,111)**
Financial income (a)	76,203	173	29	7	4	76,416
Financial charges (a)	(87,570)	(620)	(1,886)	(152)	(6)	(90,234)
Income tax	100,001	(16,869)	(5,391)	196	1,476	79,413
Profit (loss) for the year	**(302,073)**	**31,065**	**(19)**	**221**	**(4,710)**	**(275,516)**
Total directly attributable assets (b)	**1,869,967**	**1,265,624**	**100,838**	**113,365**	**20,394**	**3,370,188**
Total directly attributable liabilities (b)	**2,207,087**	**158,957**	**182,437**	**24,079**	**13,106**	**2,585,666**
Intangible fixed assets	**222,991**	**20,091**	**1,545**	**7,395**	**661**	**252,683**
Investments in intangible assets	**2,505**	**0**	**1**	**97**	**30**	**2,633**

Income Statement as at 31st December 2019	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	10,987,930	495,444	2,039,165	12,953	28,643	13,564,135
to be deducted: intersectoral revenues	(4,108,682)	(62,239)	(831)	0	(23,291)	(4,195,043)
Revenues from third parties	**6,879,248**	**433,205**	**2,038,334**	**12,953**	**5,352**	**9,369,093**
Other operating revenues	148,549	76,035	5,389	2,121	528	232,622
to be deducted: intersectoral revenues	(82,958)	(512)	(24)	(202)	(321)	(84,017)
Other income from third parties	**65,591**	**75,523**	**5,365**	**1,919**	**207**	**148,603**
Depreciation/amortisation and write-downs	(134,537)	(54,845)	(3,020)	(5,381)	(914)	(198,697)
Operating result	**(68,514)**	**96,719**	**17,269**	**4,591**	**4,030**	**54,092**
Financial income (a)	64,508	369	377	54	13	65,321
Financial charges (a)	(81,532)	(535)	(1,897)	(108)	(27)	(84,099)
Income tax	20,840	(23,989)	(4,304)	(871)	(838)	(9,160)
Profit (loss) for the year	**(64,698)**	**72,564**	**11,445**	**3,666**	**3,178**	**26,154**
Total directly attributable assets (b)	**1,994,002**	**1,227,967**	**194,299**	**111,382**	**36,336**	**3,563,984**
Total directly attributable liabilities (b)	**2,031,463**	**196,036**	**222,002**	**25,964**	**29,680**	**2,505,145**
Intangible fixed assets	**286,176**	**24,836**	**346**	**26,414**	**844**	**338,616**
Investments in intangible assets	**5,727**	**0**	**225**	**9**	**1**	**5,962**

(a) Determined without considering infra-sector eliminations. For an assessment of intercompany transactions, see section 7.2 of the separate financial statements of Saras SpA.

(b) Total assets and liabilities are calculated after intercompany eliminations.

Taking into consideration the modifications that will occur starting from 2021 in the scheme of production and sale of electricity produced by the gasification of the refinery residue, due to the end of the CIP6/92 regime to the "essentiality" regime, from that year there will be a deep revision of the way the Group will manage and operate the refinery as a whole (including IGCC), whose production and efficiency will become strongly interdependent. As a consequence, industrial performance will be monitored, both forecasting and actualising, considering the IGCC as a part of the refinery.

Furthermore, Marketing segment – which was formerly, mainly made of the gas station network in Spain and the intermediate logistic network sold during 2019 and 2020 – from 2021 will be basically made of the remaining network of oil depots (Arcola in Italy and Cartagena in Spain), which are substantially subordinated to the refinery.

As a consequence of such modifications in the business model and in the operating activities of the Group, Power and Marketing segment will no longer have their own autonomy and will therefore be melted with the Refining segment, forming a new, aggregated segment in the segment information.

4.3 Informativa per area geografica

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Directly attributable assets and investments by geographical area of location.

Directly attributable assets	31/12/2020	31/12/2019	Change
Italy	3,158,090	3,186,620	(28,530)
Other EEC	72,481	148,603	(76,122)
Non-EEC	139,617	228,761	(89,144)
Total	**3,370,188**	**3,563,984**	**(193,796)**

Investments in tangible and intangible fixed assets	31/12/2020	31/12/2019	Change
Italy	254,737	339,748	(85,011)
Other EEC	577	246	331
Non-EEC	(0)	4,583	(4,584)
Total	**255,314**	**344,578**	**(89,264)**

Net revenues from ordinary operations by geographical area.

Revenues from ordinary operations	31/12/2020	31/12/2019	Change
Italy	1,524,418	2,623,572	(1,099,154)
Spain	125,191	811,279	(686,088)
Other EEC	908,456	1,154,799	(246,343)
Non-EEC	2,544,746	4,391,196	(1,846,450)
USA	239,473	536,851	(297,378)
Total	**5,342,284**	**9,517,697**	**(4,175,413)**

Amounts are shown net of inter-company eliminations. For more information on the sector, please refer to the relevant section of the Report on Operations.

The following table shows a breakdown of trade receivables by geographical area:

Trade receivables from third parties	31/12/2020	31/12/2019	Change
Italy	111,274	114,049	(2,775)
Spain	22,073	36,934	(14,861)
Other EEC	26,527	18,133	8,394
Non-EEC	100,642	186,829	(86,187)
USA	3,099	2,394	705
Bad debt provision	(6,974)	(6,801)	(173)
Total	**256,641**	**351,539**	**(94,897)**

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are illustrated below.

5. Notes to the Statement of Financial Position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	31/12/2020	31/12/2019	Change
Bank and postal deposits	558,933	431,627	127,306
Cash	64	(164)	228
Total	**558,997**	**431,463**	**127,534**

Bank deposits, are mainly attributable to Saras SpA (EUR 517,595 thousand), Reasar SA (EUR 5,291 thousand), Sarlux (EUR 8,775 thousand) and Saras Trading SA (EUR 22,475 thousand).

Bank deposits also receive part of the sum disbursed during the month of December for the loan of EUR 350 million, with 70% of the amount assisted by SACE guarantees. There are no constraints or restrictions on such bank deposits.

For further details on the net financial position, reference is made to the relevant section of the Report on Operations and the statement of cash flows.

5.1.2 Other financial assets

Other financial assets break down as follows:

Current financial assets	31/12/2020	31/12/2019	Change
Current financial derivatives	91,110	21,086	70,024
Deposits to secure derivatives	61,325	29,600	31,725
Other assets	1,242	1,242	0
Total	**153,677**	**51,928**	**101,749**

The item financial derivative instruments comprises the positive fair value of existing instruments on the year-end date and the positive differentials realised and not yet received.

For further details, see 5.4.1.

The item derivative guarantee deposits includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee open positions on the year-end date.

5.1.3 Trade receivables

Trade receivables total EUR 256,641 thousand, down by EUR 94,898 thousand compared with the previous financial year. The reduction of receivables is essentially due to the combined effect of the decline in sales and consumption of oil products and the sharp drop in market prices, brought about by the spread of the Coronavirus epidemic. For further comments on sales performance, please refer to the Report on Operations.

The item is presented net of the provision for doubtful receivables, which amounts to EUR 6,974 thousand (EUR 6,800 thousand as at 31st December 2019). As already mentioned, the Group conducts a specific analysis of credit positions and the provision for write-downs includes the results of these assessments. For further analysis, see section 7.4, information under IFRS 7 and 13.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred in the year:

Inventories	31/12/2020	31/12/2019	Change
Raw materials, consumables and supplies	218,803	400,474	(181,671)
Unfinished products and semi-finished products	77,244	70,502	6,742
Finished products and goods	329,373	455,812	(126,439)
Spare parts and raw materials, supplies	111,969	114,054	(2,085)
Total	**737,389**	**1,040,842**	**(303,453)**

The decrease in the value of oil inventories (crude oil and finished products) is essentially due to the combined

effect of the decrease in quantities held in stock at the end of the financial year and the decreasing price trend.

The inventories of consumables were assessed at the presumed recovery value; as a consequence of the above-mentioned plan to cut expenses and costs, a razionalization of such inventories have been implemented and it also led to a write-down amounting to EUR 8 million.

In compliance with the provisions of the accounting standards, the Group has measured inventories of oil products at the lower of purchase or production cost and the recoverable amount on the market and this comparison leads to the recording of a lower value of inventories - essentially products - in the amount of EUR 89 million.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 1,014 thousand tonnes of oil products (valued at around EUR 332 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree No. 22 of 31st January 2001 (in the previous year, these stocks amounted to 955 thousand tonnes valued at around EUR 425 million).

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	31/12/2020	31/12/2019	Change
VAT credit	38	33	5
IRES credits	1,074	62,357	(61,283)
IRAP credits	7,625	19,944	(12,319)
Other amounts due from the tax authorities	5,552	1,724	3,828
Total	**14,289**	**84,058**	**(69,769)**

The decrease in IRES and IRAP receivables, recorded in previous years and attributable to advances paid and results in excess of the accrued payable, is mainly attributable to the assignment of the tax receivables of certain group companies requested by way of reimbursement with the latest tax return.

Other Tax Receivables include taxes for which reimbursement 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	31/12/2020	31/12/2019	Change
Accrued income	36	211	(175)
Prepaid expenses	9,918	17,486	(7,568)
Other short-term loans	110,103	140,165	(30,062)
Total	**120,057**	**157,862**	**(37,805)**

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

Other receivables" mainly comprises:

- the receivable of EUR 73,449 thousand due to the subsidiary Sarlux Srl from the Equalisation Fund for the Electricity Sector for the payment, pursuant to Title II, paragraph 7-*bis*, Cip Regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emissions Trading), in application of Authority for Electricity and Gas Resolution ARG/elt 77/08 of 11th June 2008, referring to 2020 and the first quarter of 2020; substantially unchanged compared to what was recorded in the previous financial year;

- white certificates of EUR 30,978 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), partially covered by the risk provision; for additional information, reference should be made to section 7.1.

The change in the item "Other receivables" compared to 31st December 2019 is mainly due to the recording during the previous financial year of a receivable for an insurance refund (EUR 20,500 thousand) collected during the financial year.

5.2 Non-current assets

During the 2020 financial year, 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. Certainly, at the macroeconomic level this crisis is no different from any other "external impact": it involves an induced and non-systemic crisis that proceeds erratically, a time forecast for actual recovery and a high level uncertainty. This is not a mere suspension of business and it will take some time before normal conditions can resume.

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

Also in compliance 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, of any certain or predictable effects of the

Covid-19 pandemic emergency on the amounts of the financial statements and the Group's financial structure and, finally, in accordance with the provisions of IAS 36 (impairment of assets), has assessed whether its assets are carried at a value that is greater than their recoverable amount.

In preparation for carrying out the impairment test, 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" and the most recent literature available on the necessary checks regarding corporate continuity and assessments of the businesses, following the impact of the effects of the Covid-19 pandemic.

Such assessments were performed on the Cash Generating Units (CGUs) to which the value of the assets was allocated, assuming the recoverable value to be greater of the market value and the value in use obtainable on the basis of the discounting of the derivable cash flows of the multi-year plans updated and approved by the Board of Directors on 30th March 2021.

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 continue in the medium term; the loss of income during this period may not be recovered later but nevertheless, the fundamentals remain unchanged for a recovery of profitability in future financial years and, more specifically starting from 2022, as a function of a more significant resumption in demand and closer to the levels seen prior to the pandemic.

More specifically, given the current persistent uncertainty in the macroeconomic scenario over the short term and unlike what was previously foreseen, the absence of a recovery in consumption that was initially predicted for the second half of 2020, also due to the resurgence of the epidemic, has caused a crisis situation that has led the Company to undertake cost containment measures during this transitional phase, along three guidelines: - a drastic reduction in investments for the year 2021 and for the following years – a reduction in maintenance, but confirming the choice of maintaining all the plants in operation in anticipation of a recovery in consumption from 2021 – a labour cost containment procedure with the launch of a partial redundancy fund distributed among all Group employees.

It has also been assumed that, since the crisis is exogenous 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 envisaged scenario is therefore based on the recovery of the Saras business and the return to profitability from 2022, with a progressive growth over the following three years to the pre-Covid levels throughout the Plan period.

The impairment test was conducted according to the general criteria approved by the Board of Directors on 23rd February 2021. The analysis was performed with specific reference to the complex of tangible and intangible assets that make up the CGU "Refining, Marketing and Power" and the CGU "Wind", in which the valuation process is aimed at verifying whether the same had suffered a permanent loss of value at the reporting date of these Financial Statements.

To identify the CGUs, the company considered:

- The internal control system;

- The criteria according to which management takes strategic and operational decisions.

A CGU is configured if there is an active market for its products and services, even if these are intended for "internal sales"; the relevant factor is the possibility of identifying a reliable market price for the finished product or semi-finished product and that the CGU's cash flows do not affect the cash flows of other CGUs, that is, they are largely independent in their determination.

CGUs must be identified by criteria that is uniform from financial year to financial year unless corporate or organisational changes in the company, or changes of an external or internal nature that affect the CGU's configuration.

There are four levels of Impairment Tests:

a) an individual asset (non-current asset), if capable of generating cash flows (from internal use or from external disposal) largely independent of those deriving from other assets, for which there are signs of Impairment;

b) a CGU, as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows arising from other assets or groups of assets, for which signs of Impairment appear;

c) a group of CGUs that constitutes the minimum level at which the company management monitors the goodwill (and which cannot exceed the size of the operating segment);

d) corporate assets, i.e., centrally managed assets that do not generate independent cash flows (unless the company has decided to divest such assets) and that are not attributable to any CGU. These assets (and their costs) are allocated to a group of higher-order CGUs or to the company as a whole, which may constitute a single CGU.

An Impairment Test can be conducted on multiple levels (IAS 36).

The minimum level to be considered for a CGU is, therefore, that with respect to which the internal control system provides to the management that economic data that is used for the monitoring and management of the asset (including the checking of

performance) and that reflects the granularity with which the management formulates its strategic and operational decisions.

The entire enterprise can also constitute a CGU. In any event, the choice of the most appropriate level must be consistent with the internal management methods of the business. The "maximum" limitation relating to the segment is defined by the accounting standard only with reference to the Impairment Test of goodwill, which in this case is relevant only for the "Wind" CGU.

As regards the Impairment Test of tangible assets, as in the case of the "Refining, Marketing and Power" CGU of Saras, the reference for recoverability is to "incurred" investments and their application (or use) in the reference business.

Saras' business has always referred to both the plants (refinery and the IGCC power plant), to their "physical" assemblage and to their economic synergies and until now, from the regulatory point of view, the plant relative to the Power sector has possessed the requirements to benefit from the CIP6/92 incentive: this contract is recorded under intangible assets with a finite useful life from 2006 and is due to expire in April 2021.

In the event of changes to the configuration of the CGUs, the company has approved the new structuring of the CGUs and any assets to be subjected to Impairment Testing.

The discontinuity due to the expiration of the CIP6 contract had already been presented both in the 2020-2023 Business Plan and in the Financial Statements as at 31st December 2019. More specifically, the 2020-2023 Business Plan presented the possible scenarios that could be set up in the event of the transition to the essentiality regime of the IGCC plant of Sarlux and the effects in terms of lower value compared to the CIP6 regime and compared to the sale without consumption in the Internal User Networks (RIU) of the South site approved by the Board of Directors on 2nd March 2020.

It is noted that on the basis of the documentation approved by the Board of Directors on 6th February 2020 and 2nd March 2020, the company had assessed that, with regard to the Power sector, at the expiry of the CIP6 Agreement for the sale of the electricity produced by the IGCC plant, this plant could be put into service in part to meet the Refinery's electricity consumption and in part to stabilise the electricity system of the Sardinia Region (with the possible application of the "essentiality regime" and the partial reimbursement of operating costs).

With Resolution No. 598/2020/R/eel of 29th December 2020, ARERA (Italian Regulatory Authority for Energy, Networks and Environment) has indicated that TERNA register the combined cycle power plant of Sarlux Srl, IGCC (Integrated Gasification Combined Cycle), among the plants that are essential to the safety of the electricity system for the year 2021. Sarlux will therefore be included in the list, prepared on an annual basis, of essential plants as from the expiry of the relevant CIP6/92 agreement (April 2021), which is currently in place. ARERA has also determined that TERNA will initiate the process for the identification of the essentiality regime and defining the technical-economic parameters to be used; this process will be the subject of subsequent definition with ARERA for admission to the cost reimbursement regime by the Authority by 15th April 2021.

The transition from the CIP6/92 agreement to the essentiality regime already introduced with the ARERA resolution leads to a significant change with regard to the actual mode of operation of the plant, since the technical-economic parameters to be considered for its operation will be those provided by the essentiality regime's rules, with specific reference to the cost reimbursement regime.

More specifically, reference is made to the production planning of the two plants, to the internal control procedures and to the management decisions of a strategic and operational nature.

The IGCC power plant cannot live without the refinery. The connection of the two plants is of a physical nature, so much so that in the acknowledgement of essentiality, reference was made to the type of fuel used and to self-consumption.

The refinery's production profiles are now closely linked to the power plant's production and influence one another, generating an impact on sales. Unlike in the past, the production of the refinery, both in terms of volume and type of finished products, must therefore be planned to maximise the refining margins, taking account of the production constraints of the essentiality regime, of the opportunities for self-consumption and of the penalty applied to the selling price of any excess energy produced, therefore making it necessary to strike a balance among the different constraints - industrial, technical and regulatory - to achieve the maximisation of efficiency of the Sarroch industrial site as a whole. In summary, the industrial methods and rationales for the management and remuneration of the plants of the Sarroch site are modified, as well as the ways in which the company management controls the operation of the entity and makes decisions on whether to keep the Saras assets operational or to decommission them.

Economic reasons must be included for a CGU's reorganisation and normally these reasons lie in revenue or cost synergies.

Accordingly, the forecast data after 2020, included in the 2021-24 Business Plan at the base of the impairment tests, are no longer operationally distinct, on account of the subjugation of the power plant to the refinery and consider the cash flow expectations no longer largely independent of the revenue from the sale of electricity by IGCC and revenue from other outputs of the refining process, but estimate unitary cash flows for the entire Sarroch site in line the methods with which the corporate Management will conduct the plants and will measure their performance.

In addition, the Marketing segment included the Spanish distribution network and the depots used

as intermediate logistics; the sale of the network, completed in 2019, which accounted for the relevant activity of the operating sector and of the "Marketing" CGU, resulted in the loss of the CGU, given that the plants remaining after such sale (the depots of Arcola, La Spezia and of Cartagena, Spain) are now subservient to the logistics of the refinery. Therefore, also the Marketing segment no longer has its own independent significance and will therefore be aggregated to the single "Refining, Power and Marketing" segment for the purposes of the Impairment Test.

Since the Impairment Test refers to the current situation of the CGUs as of the reporting date of the Impairment Test itself, if the reorganisation/change took place at the end of the financial year/the beginning of the new financial year (for example, 31st December/1st January) and the new business plan had a perspective that was consistent with the new organisation, it would be necessary to perform the Impairment Test in the new perspective, even if the financial statemewnts to which the Impairment Test relates maintain the previous view of the operating segments and the CGU (Italian Valuation Body (OIV), 2012, 6.1.3).

The valuation process was structured in a similar way to what has already been described in the 2019 Financial Statements, the 2020 Half-Year Financial Report and the 2020 Third Quarter Interim Report.

Regarding the macroeconomic and sectoral context, the impairment indicators that emerged during 2020 related to the high volatility of the oil and refining reference scenario (Brent price, price of related commodities, crack spreads, refining margins) remain, at least in the short and medium term.

In detail, the heavy drop in oil consumption in 2020, the attainment of stock levels that were well above the historical average and the production cuts of OPEC+ and Russia, have led to a significant revision of expectations, despite the prospect of a recovery in consumption that is emerging, following vaccination campaigns.

Saras has therefore proceeded to test the tangible and intangible non-current assets relating to the "Refining, Marketing and Power" CGU by means of a remodelling of the financial-economic projections on the basis of the impairment tests, using the forecasts of the most reliable external sources, also acknowledged in the 2021-2024 Business Plan approved by the Board of Directors on March 30th, 2021.

For the determination of the value in use, reference was made to the cash flows reflected in the 2021-2024 Business Plan approved by the Board of Directors, referring to the new operation of the site described above. These documents reflect the best estimates that can be made by the Management regarding corporate operations, production profiles, the market environment and the evolution of the regulatory framework of reference.

Following the process described above, the recoverable value was determined in terms of value in use comparable with the carrying value of the "Refining, Marketing and Power" CGU, from which a loss of value emerged, which will be accounted for below.

With regard to the "Wind" CGU, the valuation process was structured in a similar way to the previous financial year, taking into account the reblading project being completed and updating the electrical scenarios, the progress of investments and the value of the WACC, which will be accounted for below.

For more detailed information, see the specific note at sub-paragraph 5.2.2 below.

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	31/12/2019
Land and buildings	183,869	24	(12,531)	0	5,812	177,174
Plant and machinery	3,357,574	89,028	(8,309)	0	127,997	3,566,290
Industrial and commercial equipment	34,993	49	(229)	0	2,245	37,058
Other goods	603,861	948	(2,713)	0	40,500	642,596
Tangible fixed assets under construction	177,689	248,566	(31)	0	(177,927)	248,297
Total	**4,357,986**	**338,615**	**(23,813)**	**0**	**(1,373)**	**4,671,415**

Amortisation Fund	31/12/2018	Amortisation	Use	Write-downs	Other changes	31/12/2019
Land and buildings fund	109,765	4,642	(12,935)	0	(809)	100,663
Plant and machinery fund	2,686,555	121,265	(7,871)	0	(55)	2,799,894
Industrial and commercial equipment fund	25,170	3,645	(138)	0	(84)	28,593
Other goods	449,389	23,157	(2,727)	0	(126)	469,693
Total	**3,270,879**	**152,709**	**(23,671)**	**0**	**(1,074)**	**3,398,843**

Net Value	31/12/2018	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2019
Land and buildings	74,104	24	404	(4,642)	0	6,621	76,511
Plant and machinery	671,019	89,028	(438)	(121,265)	0	128,052	766,396
Industrial and commercial equipment	9,823	49	(91)	(3,645)	0	2,329	8,465
Other goods	154,472	948	14	(23,157)	0	40,626	172,903
Tangible fixed assets under construction	177,689	248,566	(31)	0	0	(177,927)	248,297
Total	**1,087,107**	**338,615**	**(142)**	**(152,709)**	**0**	**(299)**	**1,272,572**

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Land and buildings	177,174	441	(7)	0	1,521	179,129
Plant and machinery	3,566,290	113,335	(22,628)	(35,000)	104,700	3,726,697
Industrial and commercial equipment	37,058	1	(35)	0	634	37,658
Other goods	642,596	542	(944)	0	27,124	669,318
Tangible fixed assets under construction	248,297	138,364	(24)	0	(140,172)	246,465
Total	**4,671,415**	**252,683**	**(23,638)**	**(35,000)**	**(6,193)**	**4,859,267**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Land and buildings fund	100,663	4,529	0	0	(1)	105,191
Plant and machinery fund	2,799,894	138,219	(20,258)		29	2,917,884
Industrial and commercial equipment fund	28,593	3,820	0	0	0	32,413
Other goods	469,693	24,149	(857)	0	0	492,985
Total	**3,398,843**	**170,717**	**(21,115)**	**0**	**28**	**3,548,473**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Land and buildings	76,511	441	(7)	(4,529)	0	1,522	73,938
Plant and machinery	766,395	113,335	(2,370)	(138,219)	(35,000)	104,672	808,813
Industrial and commercial equipment	8,466	1	(35)	(3,820)	0	633	5,245
Other goods	172,903	542	(87)	(24,149)	0	27,124	176,333
Tangible fixed assets under construction	248,297	138,364	(24)	0	0	(140,172)	246,465
Total	**1,272,572**	**252,683**	**(2,523)**	**(170,717)**	**(35,000)**	**(6,221)**	**1,310,794**

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 34,466 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,456 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux Srl, and the subsidiary Deposito di Arcola Srl with a net value of EUR 37,016 thousand.

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

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

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

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 252,683 thousand and mainly refer to technological interventions on refinery plants and the extension of the wind farm, as mentioned previously.

The main depreciation ratesused, unchanged comparing to 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 the service facilities of the Sarroch refinery (wastewater treatment, desalination sea water, blow-down, flare and landing stage) issued by the Port Authority of Cagliari is valid until 31st December 2027.

During the year, no financing costs were capitalised.

As a result of the manifestation of certain external phenomena linked to the macroeconomic and commodity scenario, such as to be able to cause a reduction in recoverable value, in accordance with the provisions of the accounting standards applied by the Group and in particular IAS 36, all the tangible and intangible assets that make up the "Refining, Marketing and Power" operating segment were tested for impairment at the reference date of these financial statements.

The test was performed by comparing the carrying amount with the recoverable amount, representing by the higher of fair value, net of selling costs and value in use, as required by IAS 36.

The impairment testing process was organised into the following phases:

a) **Definition of cash-generating units (hereinafter, the CGU)**: the CGU that is the subject of valuation is represented by the complex of tangible and intangible assets of the operating sector "Refining, Marketing and Power": as shown in the document on the general criteria for the preparation of the impairment test as at 31/12/2020, approved by the Board of Directors on 23rd February 2021 and previously summarised.

b) **Determination of the recoverable value of plants based on their value in use:**

The recoverable amount of the CGU in question was determined on the basis of its value in use, i.e., the present value of future cash flows expected to originate from the CGU.

The cash flows were determined on the basis of the assumptions set out in the Group's 2021-2024 Business Plan approved by the Board of Directors, considering cash flows net of future developments.

The 2021-2024 cash flows (explicit period) were determined by taking into account the oil scenario (crude oil prices, petroleum products and refining margins), which is supported by recent publications of leading sector analysts, applied to the production levels consistent with the past and with the expected production plans, in application of the new industrial rationales as described above. Regarding the electricity structure, after the expiration of the CIP 6/92 agreement, since the plant is now strongly integrated with the refinery, the capacity of the Power plant will be mainly placed at the service of the stability of the Sardinian region's electricity service, considering an energy remuneration that is consistent with the conditions established in the reference legislation in terms of the determination of the reimbursement of the fixed and variable costs and remuneration of capital, which is applicable due to the declared importance of the plant itself to the Sardinian electricity system, assumed also in the medium term.

With regard to the electricity scenario, more specifically the price of electricity and CO_2, reference was made to studies by leading sector analysts. The assumptions underlying the estimate of the revenue streams are associated with the forecasts of the evolution of the world and national economic scenarios of the oil and energy sector. These are generally difficult to forecast, but characterised, from the start of the pandemic, by a significant and unpredictable volatility; the trend of the market variables, including the price of crude oil, the refining margins, the price of electricity and the technical and economic terms of the application of the essentiality regime. In the foreseeable future these represent some of the more critical assumptions for the valuation of the recoverable value of the non-current assets.

In addition, the business plan forecasts, assumed on the basis of the valuation model, have therefore considered the significant containment of operating costs and investments described above and already started between the end of 2020 and the beginning of 2021.

The recoverable value of the CGU in question was determined on the basis of the estimate of its value in use, using the valuation methodology of the Unlevered Discounted Cash Flow, as follows:

- a discount rate for the discounting of cash flows (weighted average cost of capital - WACC) has been estimated at 6.3%, through the application of market parameters specific to the reference sector;

- at the end of the plan horizon, a Terminal Value was estimated on the basis of the operating cash flow estimated in the last forecast year, applying a growth rate over that of the plan of 1%, in line with analysts' estimates of expected long-term inflation. The expected operating cash flow for the "Refining and Marketing" operating segment was used as the normalised cash flow, with the exception of the contribution relating to essentiality, for which a defined duration was assumed.

The impairment test process was conducted assuming that the current crisis is endogenous and non-financial in nature, with an uncertain intensity and re-absorption period, but with the Company's long-term income-generating capacity resilient to the crisis itself. The envisaged scenario is therefore based on the recovery of the Saras business and the return to the expected trends in the projections in the medium term, but with a medium and long term value lower than that envisaged in the previous impairment tests.

A sensitivity analysis was applied considering the following hypothetical changes:

- a WACC increase of 0.3%, including in the reference basket those companies operating in the broader Oil & Gas sector that would show a further loss of value of EUR 48 million and adecrease of the same of 0.3%, narrowing the reference basket to only companies operating in the "refinery" sector that would show a greater value of EUR 53 million.

In order to represent the recoverable amount of the CGU with the utmost caution, taking into account the uncertainty of the overall framework, it is considered appropriate to proceed with a value reduction of the CGU of EUR 35 million, equal to 3% of the value of non-current assets, pending an accurate quantification of the expected profitability from the essentiality regime of the IGCC power plant.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	31/12/2019
Industrial patent and original work rights	51,615	423	0	0	1,262	53,300
Concessions, licences, trademarks and similar rights	24,490	0	(30)	0	(111)	24,349
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible fixed assets	527,317	4,514	0	0	1	531,832
Intangible assets under construction	4,847	1,026	(4,479)	0	(176)	1,218
Total	**629,288**	**5,963**	**(4,509)**	**0**	**976**	**631,718**

Amortisation Fund	31/12/2018	Amortisation	Use	Write-downs	Other changes	31/12/2019
Industrial patent and original work rights	45,077	2,868	0	0	570	48,515
Concessions, licences, trademarks and similar rights	11,272	606	(3)	0	86	11,961
Other intangible fixed assets	460,812	33,197	0	0	(819)	493,190
Total	**517,161**	**36,671**	**(3)**	**0**	**(163)**	**553,748**

Net Value	31/12/2018	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2019
Industrial patent and original work rights	6,538	423	0	(2,868)	0	692	4,785
Concessions, licences, trademarks and similar rights	13,300	0	(33)	(606)	0	(273)	12,388
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible fixed assets	66,505	4,514	0	(33,197)	0	820	38,642
Intangible assets under construction	4,847	1,026	(4,479)	0	0	(176)	1,218
Total	**112,127**	**5,963**	**(4,512)**	**(36,671)**	**0**	**1,063**	**77,970**

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	53,300	2,920	(1,289)	0	4,548	59,479
Concessions, licences, trademarks and similar rights	24,349	2	0	0	192	24,543
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible fixed assets	531,832	0	(1,607)	0	189	530,414
Intangible assets under construction	1,218	0	(289)	0	0	929
Total	**631,718**	**2,922**	**(3,185)**	**0**	**4,929**	**636,384**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	48,515	4,224	(840)	0	(23)	51,876
Concessions, licences, trademarks and similar rights	11,961	1,405	0	0	(325)	13,041
Other intangible fixed assets	493,190	32,331	(1,223)	0	(138)	524,160
Total	**553,748**	**37,960**	**(2,063)**	**0**	**(486)**	**589,159**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	4,785	2,920	(449)	(4,224)	0	4,571	7,603
Concessions, licences, trademarks and similar rights	12,388	2	0	(1,405)	0	517	11,502
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible fixed assets	38,642	0	(384)	(32,331)	0	327	6,254
Intangible assets under construction	1,218	0	(289)	0	0	0	929
Total	**77,970**	**2,922**	**(1,122)**	**(37,960)**	**0**	**5,415**	**47,225**

Amortisation of intangible assets totalled EUR 37,960 thousand and was calculated using the annual rates shown below.

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

There are no significant intangible assets with finite useful life held for sale.

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights
The balance of the item mainly refers to the concession for the operation of the Ulassai wind farm of the subsidiary Sardeolica Srl, which will be fully amortised by 2035.

Goodwill and intangible assets with indefinite life
This item relates to the goodwill recognised for the subsidiary Sardeolica Srl (EUR 20,937 thousand), paid by Saras SpA for the purchase of Parchi Eolici Ulassai Srl (merged by incorporation into Sardeolica Srl in 2017): this goodwill is justified by the projection of future cash flows expected by the subsidiary Sardeolica Srl over a time horizon extended until the term of the concessions obtained (2035).

In accordance with the accounting standards applied by the Group, particularly IAS 36, the goodwill in question was tested for impairment as of the date of these financial statements to verify whether the asset had undergone no impairment. The analysis showed that no impairment had taken place and – as in previous years – it was therefore unnecessary to post any write-downs.

The test was performed by comparing the CGU's carrying value with the related recoverable value represented by the value in use.

The impairment testing process was organised into the following phases:

Definition of cash-generating units (CGUs): Sardeolica Srl is identified as a CGU, i.e., as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows generated by other assets or groups of assets, given that it is the only company of the Group to manage the business of electricity generation from wind power. During 2019, the "Reblading" Project was launched to replace the wind turbine blades and overhaul the main components of the wind turbine. All authorisations have been obtained and all contracts have been signed for the implementation of the project, which is being performed by suppliers. The project suffered a slowdown during the pandemic phase during 2020, but the works will be completed by the first half of 2021.

a) **Allocation of goodwill to the CGU**: goodwill is entirely attributable to the subsidiary Sardeolica Srl as it arose during the purchase of 30% of the share capital of the same. It is equal to EUR 20,937 thousand;

   Determination of the recoverable amount of goodwill based on value in use: the recoverable value of the CGU Sardeolica Srl was determined on the basis of value in use, i.e., the present value of the nominal future cash flows expected to be generated by the CGU with a time horizon of 2035 (period of validity of the concession obtained by the Municipality of Ulassai and the Municipality of Perdasdefogu).

   At the end of the concession period, a terminal value equal to the net invested capital remaining at the end of the time horizon was assumed and discounted at the WACC.

   The cash flows were determined on the basis of the 2021-2024 Business Plan prepared by the company management and approved by the Board of Directors, considering the overall cash flows of the Reblading Project, net of future developments.

   The cash flow determination was made in view of the scenario of energy sale prices until the end of the concession, applying it to the predicted windiness based on historical series and in consideration of the productivity increase induced by the reblading project, enhanced with the application of expected price curves derived from important independent companies specialised in the sector and consistent with the Business Plan.

   The discount rate for cash flows (weighted average cost of capital - WACC) has been estimated at 4.3%, through the application of market parameters specific to the reference sector;

b) **Sensitivity analysis**: this analysis showed that a reasonable change in the key assumptions (the quantity of electricity produced and the electricity sale prices) shows recoverable values higher than the carrying amount of the goodwill in question, thus not resulting in impairment losses as defined by IAS 36;

c) **External indicators:** lastly, no events took place during the year that had an impact on the production of wind power in general or that generated by the CGU in particular, which would lead to an impairment loss.

Other intangible non-current assets
The subsidiary Sarlux Srl has entered into a long-term contract for the supply of electricity under the CIP6 regime signed with Gestore dei Servizi Elettrici SpA. (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.

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 CIP6 contract will expire in early 2021 and therefore its net book value will be null, as well as considering that no events have occurred during 2020 that would indicate a significant impairment loss, it was not deemed necessary to estimate the recoverable amount of the contract for 2020.

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 following tables:

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	31/12/2019
Leased land and buildings	0	39,956	0	0	0	39,956
Leased plant and equipment	0	11,952	0	0	0	11,952
Other leased assets	0	7,261	0	0	124	7,385
Total	**0**	**59,169**	**0**	**0**	**124**	**59,293**

Amortisation Fund	31/12/2018	Amortisation	Use	Write-downs	Other changes	31/12/2019
Leased land and buildings provision	0	5,889	0	0	57	5,096
Leased plant and machinery provision	0	1,649	0	0	0	1,649
Other goods	0	2,629	0	0	0	2,629
Total	**0**	**9,317**	**0**	**0**	**57**	**9,374**

Net Value	31/12/2018	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2019
Leased land and buildings	0	39,956	0	(5,039)	0	(57)	34,860
Leased plant and equipment	0	11,952	0	(1,649)	0	0	10,303
Other leased assets	0	7,262	0	(2,629)	0	123	4,756
Total	**0**	**59,170**	**0**	**(9,317)**	**0**	**66**	**49,919**

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Leased land and buildings	39,956	0	0	0	1,114	41,070
Leased plant and equipment	11,952	0	0	0	0	11,952
Other leased assets	7,385	679	0	0	175	8,239
Total	**59,293**	**679**	**0**	**0**	**1,289**	**61,261**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Leased land and buildings provision	5,096	5,036	0	0	(19)	10,113
Leased plant and machinery provision	1,649	1,518	0	0	0	3,167
Other goods	2,629	2,628	0	0	(77)	5,180
Total	**9,374**	**9,182**	**0**	**0**	**(96)**	**18,460**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Leased land and buildings	34,860	(171)	0	(5,036)	0	1,304	30,957
Leased plant and equipment	10,303	0	0	(1,518)	0	0	8,785
Other leased assets	4,757	679	0	(2,628)	0	251	3,059
Total	**49,919**	**508**	**0**	**(9,182)**	**0**	**1,555**	**42,801**

The balance at 31st December 2020, of EUR 42,801 thousand, relates to the application of the standard 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) Leases of buildings to be used as management and commercial premises.

5.2.4 Equity investments

Following is a list of the equity investments held as at 31st December 2020, with an indication of the main information relating to investee companies:

Name	Registered office	Currency	Share Capital	Amount held of Group (%) at 31-12-20	Amount held of Group (%) at 31-12-19	Amount (%) on Share Capital	Shareholder	% by law voting	Relationship of investment
Deposito di Arcola Srl	Arcola (SP)	Euro	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie Srl	Assemini (CA)	Euro	3,600,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sarint SA and subsidiaries:	Luxembourg	Euro	50,705,314	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Energia SAU and subsidiary:	Madrid (Spain)	Euro	44,559,840	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect Subsidiary
Terminal Logistica de Cartagena SLU	Cartagena (Spain)	Euro	3,000	100.00%	100.00%	100.00%	Saras Energia SA	100.00%	Indirect Subsidiary
Reasar SA	Luxembourg	Euro	2,225,000	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect Subsidiary
Sarlux Srl	Sarroch (CA)	Euro	100,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sardeolica Srl and subsidiaries:	Cagliari	Euro	56,696	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Trading SA	Geneva (Switzerland)	Usd	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Consorzio La Spezia Utilities	La Spezia	Euro	122,143	5.00%	5.00%	5.00%	Deposito di Arcola Srl	5.00%	Other investments
Sarda Factoring	Cagliari	Euro	9,027,079	4.01%	4.01%	4.01%	Saras SpA	4.01%	Other investments

As previously mentioned, equity investments in subsidiaries are consolidated on a line-by-line basis in these financial statements.

5.2.4.1 Other investments

Other equity investments break down as follows:

Other investments	31/12/2020	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 net deferred tax assets and liabilities of the Saras Group at 31st December 2020 amounted to EUR 118,114 thousand (consisting of deferred tax assets of EUR 121,844 recognised under non-current assets and deferred tax liabilities of EUR 3,730 thousand).

With regard to the above, the total balance of the Group's net position is almost entirely due to the taxes of the Italian companies and consists of:

- net deferred tax assets allocated on tax losses generated during the year amounting to EUR 87,665 thousand;
- deferred tax assets of EUR 19,395 thousand for accruals to the provision for risks and charges, mainly on CO_2 allowances;
- deferred taxes of EUR 23,293 relating to excess and accelerated depreciation.

Directors, based on the Plan 2021-2024 forecasts, assumed that the tax assets related to previous years losses are recoverable.

The following table shows the changes in the net position of prepaid and deferred taxes.

Figures in thousands of EUR	Total 31/12/2019	Other movement	Accruals	Reversal	Total 31/12/2020
Deferred tax assets					
Expenses deductible in future years	2,109		*3,838*	*1,741*	4,206
Write-downs of fixed assets and receivables and temporary differences in statutory-tax depreciation and amortisation	25,952		*10,142*	*1,922*	34,173
Tax losses	20,365		*67,300*	*0*	87,665
Provisions for risks and charges (taxed)	31,517		*13,907*	*26,028*	19,395
Tax assets tax loss transferred to National Consolidated	178		*18,699*	*191*	18,716
Provision for bad debts	1,202		*0*	*0*	1,202
Other residual items	247		*756*	*247*	756
Effect IAS/Consolidated (other residual items Group companies)	5,488	(247)	*3,438*		8,679
Effect IAS/Consolidated (straight-line revenues Sarlux)	7,146				7,146
IFRS 16 effect	19			*5*	14
Total deferred taxes	**94,222**	**(247)**	**118,080**	**30,104**	**181,951**
Deferred tax liabilities					
Non-accounting amortisation and depreciation	25,414			*2,121*	23,293
Deferred income and taxation	9,683				9,683
Tax assets tax loss transferred to National Consolidated	1,046		*30*	*1,076*	0
Revaluation land	7,049		*946*		7,995
Other residual items	3,875			*1,172*	2,703
Effect IAS/Consolidated (other residual items Group companies)	5,157		*616*		5,773
Effect IAS/Consolidated (Fair value contract GSE - Sarlux)	8,370				8,370
Effect IAS/Consolidated (capitalised financial charges on IGCC plant)	1,150				1,150
Effect IAS/Consolidated (Valorisation licences wind farms - Sardeolica)	3,411			*227*	3,183
Effect IAS/Consolidated (homogenisation inventory valuation criteria - Saras)	1,687				1,687
Total deferred taxes	**68,842**		**1,592**	**4,597**	**63,837**
Total net	**27,380**		**116,488**	**25,507**	**118,114**

In relation to the National Tax Consolidation, it should be noted that as of tax year 2017, Article 7-*quater* of Decree-Law No. 193/2016 (converted into Law No 225/2016) introduced the automatic renewal of this option.

As a result of this change, therefore, the 'Tax Consolidation' regime is automatically renewed for the period provided for by law, unless the option is expressly revoked under the same terms and conditions provided for the original choice, either by the parent company or any subsidiary concerned from time to time. Note that no changes were made compared to the previous financial year.

5.2.6 Other financial assets

At 31st December 2020, this item amounts to EUR 5,972 thou-sand (EUR 6,475 thousand in 2019) and mainly relates to medium-/long-term receivables.

5.3 Non-current assets held for sale

The balance at 31st December 2019 of EUR 7,038 thousand represents the value of the business unit of the subsidiary Saras Energia SAU, related to pending finalisation for two gas stations, which took place on June 2020 by obtaining the pending government authorisations.

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	31/12/2020	31/12/2019	Change
Current bank loans	19,059	70,017	(50,958)
Bank current accounts	456,144	7,973	448,171
Financial derivatives	97,327	35,875	61,452
Other short-term financial liabilities	38,911	91,032	(52,121)
Total	**611,441**	**204,897**	**406,544**

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 "5.5.1 - Long-term financial liabilities".

"Current bank accounts" comprises the balance of the utilised credit lines as well as the "hot money" transactions used by the Group in the course of business. The Parent Company Saras also has a Revolving Credit Facility in place for a maximum amount of EUR 305 million: the amount used as at 31st December 2020 was equal to EUR 80 million.

At the end of the financial year, the Group had only partially used the available credit lines.

The item "Derivative financial instruments" includes the negative fair value of derivative financial instruments held at year-end.

The following tables show the notional values and corresponding fair values of the derivatives outstanding as at 31st December 2020 and 31st December 2019:

Type of Operation	31/12/2020				31/12/2019			
	Notional value		Fair value		Notional value		Fair value	
	Purchases	Sales	Pos.	Neg.	Purchases	Sales	Pos.	Neg.
oil and crude products	(253,224)		56,890	(95,105)	(105,106)	340,506	21,086	(29,392)
exchange rates	(313,206)			(1,637)	(457,160)			(3,283)
interest rates	(50,000)			(586)	(50,000)			(100)
CO_2 allowances			34,220					(3,100)
Total	**(616,431)**	**0**	**91,110**	**(97,328)**	**(612,266)**	**340,506**	**21,086**	**(35,875)**

"Other current financial liabilities" essentially include receipts related to receivables factored without recourse and without notification, received from customers and that have yet to be forwarded to factors.

Long-term bank loans and bonds are measured using the amortised cost method.

For further details, see the cash flow statement.

5.4.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/12/2020	31/12/2019	Change
Customers advances account	1,582	80,400	(78,818)
Payables to current suppliers	915,012	1,568,336	(653,324)
Total	**916,594**	**1,648,736**	**(732,142)**

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

The balance of "Trade payables" essentially includes payables for crude oil supplies; the decrease compared to the previous financial year is mainly due to the combined effect of lower purchases of crude oil and petroleum products made at the end of the financial year and the decrease of oil prices.

5.4.3 Current tax liabilities

This item breaks down as shown below:

Tax liabilities	31/12/2020	31/12/2019	Change
Payables for VAT	15,739	9,888	5,851
IRES payables (and income tax foreign firms)	365	255	110
Other tax payables	64,395	66,329	(1,934)
Total	**80,499**	**76,472**	**4,027**

"Other tax payables" mainly include payables for excise duties on products released for consumption by the Parent Company (EUR 56,333 thousand) and the subsidiary Saras Energia SA (EUR 2,247 thousand).

5.4.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	31/12/2020	31/12/2019	Change
Payables employee benefit and social security	10,395	11,038	(643)
Payables due to employees	26,928	19,977	6,951
Payables to others	21,162	21,690	(528)
Accrued liabilities	1,135	3,904	(2,769)
Deferred income	8,272	29,050	(20,778)
Total	**67,892**	**85,659**	**(17,767)**

The item "Payables due to personnel" includes salaries not yet paid for December, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets. The increase compared to the previous financial year is mainly due to the payable to staff who have joined the collective agreement for the termination of the employment relationship, implemented by the Group during the second half of the year and the financial manifestation of which will take place during the first half of 2021.

5.5 Non-current liabilities

5.5.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/12/2020	31/12/2019	Change
Non-current bonds	199,344	198,994	350
Non-current bank loans	399,236	0	399,236
Other long-term financial liabilities	53,484	55,709	(2,225)
Total	**652,064**	**254,703**	**397,361**

It comprises the medium/long-term portions of the bank loans taken out by the Parent Company and renegotiated in the previous year. The following table summarises these loans, showing both short-term and medium-/long-term portions (amounts expressed in millions of euros):

Values expressed in millions of EUR	Commencement / Debt renegotiation	Original amount	Rate base	Balance at 31/12/2019	Balance at 31/12/2020	Maturities	
						1 year	1 > 5 years
Saras SpA							
Bond	December 2017	200	1.7%	199.0	199.3		199.3
Unicredit	February 2020	50	6M Euribor	50.0	49.2		49.2
Sace loan	December 2020	350	0.95%	-	350.0		350.0
Total liabilities to banks for loans				**249.0**	**598.5**	**-**	**598.5**

The "Long-term financial liabilities" include a bond with a total nominal value of EUR 200 million, maturing on 28th December 2022 and a fixed coupon of 1.70% on an annual basis represented by a private placement of bonds with the Austrian multilateral trading system, Third Market, which belongs to Wiener Börse AG.

During the month of December 2020 - SARAS signed a EUR 350 million loan contract with 70% of the amount assisted by SACE guarantees issued under the Italy Guarantee programme and intended to strengthen the capital structure of the Company. The loan was organised and underwritten by a pool of leading Italian financial institutions, composed of Banco BPM, Intesa Sanpaolo and UniCredit as Mandated Lead Arrangers and Lender Banks. Intesa Sanpaolo covers the role of Custodian Bank, Agent Bank and SACE Agent.

The transaction is part of a financial consolidation plan put in place by Saras to address the effects of the Covid-19 emergency and, in line with the provisions of the "Liquidity Decree" of 9th April 2020 and the SACE legislation, will be mainly aimed at supporting the Company's working capital.

The loan was provided in a lump sum and will mature on 30th September 2024, with a grace period of 9 months and provides for a repayment in constant quarterly instalments starting from the end of December 2021, at a rate, inclusive of the cost of the SACE guarantee, in line with the average cost of the Group's debt.

The company was able to have the lending banks revise the financial parameters applicable to the existing credit lines, to take into account the changed market conditions. Financial parameters are measured on six-month basis.

5.5.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

Provisions for risks and charges	31/12/2018	Provisions	Use	Other changes	31/12/2019
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO_2 quotas fund	155,759	92,151	(99,199)	0	148,711
Other funds for risks and charges	28,516	0	(1,987)	0	26,529
Total	**203,313**	**92,151**	**(101,186)**	**0**	**194,278**

Provisions for risks and charges	31/12/2019	Provisions	Use	Other changes	31/12/2020
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO_2 quotas fund	148,711	120,114	(53,856)	(35,931)	179,038
Other funds for risks and charges	26,529	23,326	(3,766)	0	46,089
Total	**194,278**	**143,440**	**(57,622)**	**(35,931)**	**244,165**

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

The provision for CO_2 allowances (EUR 179,038 thousand) was accrued pursuant to Legislative decree No. 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The use during the period is mainly due to:

- the release of EUR 35,931 thousand previously recognised against the risk of failing to recognise the CO_2 quotas in relation to the purchase of the business unit (north plant) from Versalis SpA following their final assignment for the period 2015-2020;

- purchase of quotas for the fulfilment of the 2019 obligation equal to EUR 53,856 thousand.

The provision refers to quotas, necessary for the fulfilment of that obligation, not yet purchased. The increase compared with the previous financial year is mainly due to the increase in the value of allowances.

"Other risk provisions" mainly refer to provisions accrued in respect of probable legal and tax liabilities.

The provisions of a legal nature mainly refer to a dispute with GSE for the recognition of white certificates (TEE).

The provisions of a tax nature mainly refer to the provision made regarding certain Invitations to Hearings, notified by the Regional Tax Directorate and aimed at verifying the correct tax treatment assigned to the ACE facility applicable for the 2016-2017 period.

The item also includes the provision, made at the end of the financial year, for charges related to a corporate plan to incentivise the termination of the employment relationship that will be implemented during 2021.

5.5.3 Provisions for employee benefits

The balance breaks down as follows:

Provisions for employee benefits	31/12/2020	31/12/2019	Change
Post-employment benefits	8,901	9,858	(957)
Total	**8,901**	**9,858**	**(957)**

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 31st December 2006 was determined using actuarial methods, in compliance with IAS19. The impact of actuarial evaluation are shown in the Comprehensive Income.

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

31/12/2018	10,322
Provision part for defined contributions	6,972
Interest	79
actuarial (income)/charges	703
Utilisations/ Contributions to supplementary funds or INPS Treasury	(8,218)
31/12/2019	**9,858**
Provision part for defined contributions	7,533
Interest	34
actuarial (income)/charges	215
Utilisations/ Contributions to supplementary funds or INPS Treasury	(8,739)
31/12/2020	**8,901**

Pursuant to IAS 19, the post-employment benefits fund was valued using the projected unit credit cost method and the following assumptions:

ECONOMIC ASSUMPTIONS	31/12/2020	31/12/2019
Increase in the cost of living:	1.50%	1.50%
Discount rate:	0.34%	0.77%
Pay increase:	2.50%	2.50%
Annual rate of CPAS increase:	n.a.	n.a.

DEMOGRAPHIC ASSUMPTIONS	
Probability of death	Use of tables SIM 2002 differentiated between males and females
Probability of invalidity	Use of tables C.N.R. unisex
Probability of dismissal	Used assumption of constant annual rate, corresponding to historical company values
Probability of retirement	Assumed the achievement of the first of the retirement requirements valid for A.G.B.
Probability of payout	An annual value per year of 3% is assumed

As at 31st December 2020, the discount rate used was the IBOXX Eurozone Corporates AA- (0.34%).

The actuarial calculation takes into account the changes to pensions legislation (Decree Law no. 201/2011).

Given the accounting method used (see the section entitled "Summary of accounting standards and policies" and sub-paragraph Q "Provisions for employee benefits" of these Notes), as at 31st December 2020, an actuarial loss is recorded in the financial statements.

As required by IAS 19 (revised), a sensitivity analysis of the main actuarial assumptions as at 31st December 2020 and 2019 for post-employment benefits are indicated:

2020	Reference parameter change	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	8,602	7,835
	Reference parameter change	
	-0.5%	0.5%
ANNUAL INFLATION RATE	7,999	8,571
	Reference parameter change	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	8,276	8,275

2019	Reference parameter change	
	-0,5%	0.5%
ANNUAL DISCOUNT RATE	10,382	9,375
	Reference parameter change	
	-0.5%	0.5%
ANNUAL INFLATION RATE	9,554	10,177
	Reference parameter change	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	9,842	9,867

5.5.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,730 thousand, relate to the foreign subsidiaries. For more details, please see 5.2.5 "Deferred tax assets".

5.5.5 Other non-current liabilities

At 31st December 2020, this item amounts to EUR 380 thousand (EUR 26,104 thousand in the previous financial year) and mainly relates to:

Other non-current liabilities	31/12/2020	31/12/2019	Change
Deferred income straight-line reporting Sarlux/Gse	0	25,563	(25,563)
Other payables	380	541	(161)
Total	**380**	**26,104**	**(25,724)**

The change compared with 31st December 2019 is mainly due to the decrease in the "deferred income" item of the subsidiary Sarlux Srl. The item in question related to the accounting of the linearisation of revenues arising from the agreement for the sale of energy between the subsidiary and G.S.E. (Gestore dei Servizi Energetici SpA) on the basis of both the term of the contract (20 years) and expiring on April 2021.

5.6 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	31/12/2020	31/12/2019	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	994,482	967,129	27,353
Net profit (loss) for the year	(275,516)	26,154	(301,670)
Total	**784,522**	**1,058,839**	**(274,317)**

Share capital
As at 31st December 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 caption totals EUR 994,482 thousand, up by a net EUR 27,353 thousand compared with the previous year-end balance.

The net increase was the combined result of:

- increase due to the allocation of the previous year's profit, of EUR 26,254 thousand;
- increase of EUR 1,880 thousand in the reserve for the bonus issue to all employees under the Company's stock grant plans;
- decrease of EUR 215 thousand, due to the effect of IAS 19 discounting;
- decrease of EUR 466 thousand in the reserve for the translation of the financial statements of foreign operations.

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 consolidated loss for the year amounted to EUR 275,516 thousand.

Restrictions on the distribution of equity reserves
The main restrictions on the distribution of reserves are as follows:

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the "Locked-in reserve" pursuant to Article 7, paragraph 6 of Legislative Decree No. 38/05", totalling EUR 19.7 million and included in "Other reserves", is distributable solely to cover losses or to increase share capital.

Dividends
On 22nd May 2020, the Ordinary Shareholders' Meeting of Saras SpA, called for the approval of the Financial Statements as at 31st December 2019, resolved to allocate the entire 2019 net profit to the extraordinary reserve.

The average number of shares outstanding was 941,779,784 in 2020, an increase compared to the average number of shares outstanding in 2019 due to the allotment in May 2019 of shares at the end of the 2016/2018 Stock Grant Plan.

As at 31st December 2020, Saras SpA held 9,220,216 treasury shares as a result of the bonus allocation of shares to the management of Group companies.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The "Revenues from operations" break down as follows:

Revenues from ordinary operations	31/12/2020	31/12/2019	Change
Revenues from sales and services	4,811,313	8,888,000	(4,076,687)
Sale of electricity	363,458	470,557	(107,099)
Other remunerations	9,216	10,874	(1,658)
Change in contract work in progress	888	(338)	1,226
Total	**5,184,875**	**9,369,093**	**(4,184,218)**

The decrease in "Revenues from sales and services" is largely due to the trend in the price of oil products during the year and to a decrease in volumes sold. For a more in-depth analysis, please refer to the Report on Operations.

Revenues from the sale of electricity include those relating to the gasification plant of the subsidiary Sarlux Srl (EUR 355,187 thousand) and those relating to the wind farm owned by the subsidiary Sardeolica Srl (EUR 8,271 thousand). The decrease recorded in

the financial year was mainly due to the decrease in the price of electricity.

Revenues from the sale of electricity by the subsidiary Sarlux Srl comprise the effect of the linearisation calculated over the residual term of the contract that expires in 2020, principally taking into account the tariff amount, the future scenarios relating to both the price of gas and crude and the projected EUR/USD exchange rate until the contract expires; said projections are reviewed when there are significant changes.

It is worthy of note that, pending the settlement of the dispute with the ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) over the method of calculating the avoided fuel cost component (CEC), revenues from the sale of electricity were determined in accordance with Decree-Law No. 69/2013 (the "Decree of doing"), which is less beneficial for the subsidiary.

Other remuneration essentially includes the revenues earned by the subsidiaries Sartec Srl and Reasar S.A. in their respective business segments.

Revenues from ordinary operations are broken down by business segment and geographical area in sections 4.2 "Segment information" and 4.3 "Breakdown by geographical area" above.

6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	31/12/2020	31/12/2019	Change
Compensation for storage of mandatory stocks	10,186	9,715	471
Sale various materials	396	619	(223)
Contributions	1,808	1,608	200
Ship tanks hire	3,900	3,955	(55)
Recovery for claims and compensation	724	22,244	(21,520)
CO_2 charges reimbursement	73,327	75,232	(1,905)
Other revenues	67,068	35,230	31,838
Total	**157,409**	**148,603**	**8,806**

The item "Repayment of CO_2 charges" refers to the revenues recognised by the subsidiary Sarlux Srl 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 CO_2 quotas in relation to the purchase of the business unit (North plants) from Versalis SpA following their final assignment for the period 2015-2019, 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, consumables and supplies

Purchases of raw materials, replacement parts, consumables	31/12/2020	31/12/2019	Change
Purchase of raw materials	1,443,330	3,909,046	(2,465,716)
Purchase semi-finished products	127,518	340,496	(212,978)
Purchase supplies and consumables	85,799	87,725	(1,926)
Increase in property, plant and equipment	(7,059)	(15,301)	8,242
Purchase finished products	2,793,388	4,218,177	(1,424,789)
Change in inventories	302,515	(194,998)	497,513
Total	**4,745,491**	**8,345,145**	**(3,599,654)**

The negative change in costs for the purchase of raw, ancillary and consumable materials totalled EUR 3,599,654 thousand compared to the previous financial year; this change is attributable to the trend in the average prices of crude oil and petroleum products and the quantities purchased during the year. For a more in-depth analysis, please refer to the Report on Operations.

6.2.2 Cost of services and sundry costs

Services and sundry costs	31/12/2020	31/12/2019	Change
Costs for services	596,296	658,930	(62,634)
Capitalisations	(84,826)	(67,895)	(16,931)
Derivatives on crude oil products and CO_2	(142,621)	66,141	(208,762)
Costs for use of third-party goods	2,919	1,581	1,338
Provisions for risks	123,244	94,651	28,593
Bad debt provision trade receivables	0	674	(674)
Other operating costs	25,363	17,027	8,336
Total	**520,375**	**771,109**	**(250,734)**

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

The change compared to the previous year, amounting to EUR 62,634 thousand, is due primarily to the decrease in costs for electricity and other utilities, due to both the lower quantities purchased as well as lower prices; furthermore, the costs for technical services and consultancy requested from the Parent Company and from the subsidiary Sarlux also decreased.

For a more in-depth analysis, please refer to the Report on Operations.

Note that 2020 was characterised by an important maintenance cycle at the Sarroch refinery, which led to a natural increase in capitalisations during the period.

Note that starting from the 2019 financial year, the economic results of derivative transactions for hedging purposes have been classified under the item "Cost of services and sundry costs". The item, which includes the net economic result of derivatives on crude oil, petroleum products and CO_2 quotas, reflects the performance of these variables during

the financial year, further details of which are given in the Report on Operations.

"Provisions for risks and charges" mainly include the allowance for charges relating to the application of Directive 2003/87/EC (Emissions Trading), which increased compared to the previous financial year due to the sharp increase in the price of CO_2 quotas, which occurred mainly at the end of the financial year.

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

6.2.3 Personnel expense

The breakdown of "Personnel costs" is as follows:

Personnel costs	31/12/2020	31/12/2019	Change
Salaries and wages	120,189	114,876	5,313
Increases in fixed assets for internal work	(11,578)	(12,371)	793
Social security contributions	31,144	33,047	(1,903)
Post-employment benefits	7,533	6,972	561
Other costs	14,162	4,054	10,108
Remuneration to the Board of Directors	2,047	2,075	(28)
Total	**163,497**	**148,653**	**14,844**

Labour costs increased by EUR 14,844 thousand compared to the previous year, mainly due to the effect of the company's collective agreement to incentivise the anticipated termination of the employment relationship implemented by the Group at the end of the financial year.

To address the economic consequences of the Coronavirus pandemic, Saras put in place certain measures to contain costs, including the use of social safety nets for the Group's staff. The company has in fact reached an agreement with the unions for the start of partial lay-offs for all Group employees, a measure that started on 26th October and, according to estimates, will last until 30th June 2021.

The other costs also include the provision, made at the end of the financial year, for charges related to a corporate plan to incentivise the termination of the employment relationship that is going to end during 2021.

On 16th April 2019, the Shareholders' Meeting approved the "Long-term incentive plan for the management of the Saras Group" (the "2019/2022 Stock Grant Plan"), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.

The recipients of the Plan are the Directors with strategic responsibilities within the Company; the Directors of the Board of Italian and/or foreign subsidiaries controlled by the Company and some other senior executives within the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares after achieving performance objectives determined in relation to:

- the relative positioning of the Total Shareholder Return of Saras compared to the TSR of a group of industrial companies that are part of the FTSE Italia Mid Cap;
- the positioning of the Refining margin achieved by the Group with respect to the EMC Benchmark margin;
- EBITDA performance in the Power segment.

The cost for the year totals EUR 1,880 thousand.

6.2.4 Depreciation/amortisation and write-downs

"Amortisation, depreciation and write-downs" are shown below:

Depreciation/amortisation and write-downs	31/12/2020	31/12/2019	Change
Amortisation of intangible assets	37,960	36,671	1,289
Depreciation of tangible assets	170,997	152,709	18,288
Impairment (Reversal of impairment)	35,893	0	35,893
Total	**244,850**	**189,380**	**55,470**

The item increased as a result of the entry into operation and therefore the amortising the investments made during the financial year and due to the write-down of EUR 35 million on the value of tangible non-current assets, already commented on in section 5.2.1.

"Amortisation, depreciation and write-downs" break down as follows:

Amortisation of leased items	31/12/2020	31/12/2019	Change
Amortisation of leased tangible fixed assets	9,182	9,317	(135)
Total	**9,182**	**9,317**	**(135)**

This item represents the effect of the application of IFRS 16, which took place in the previous financial year.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/12/2020	31/12/2019	Change
Bank interest income	1,239	1,578	(339)
Unrealised differences on derivatives	0	173	(173)
Realised differences on derivatives	10,100	1,912	8,188
Other income	0	12	(12)
Profit on exchange rates	57,262	54,304	2,958
Total	**68,601**	**57,979**	**10,622**

Financial charges	31/12/2020	31/12/2019	Change
Unrealised differences on derivatives	(2,123)	(3,206)	1,083
Realised differences on derivatives	(2,054)	(3,573)	1,519
Interest expenses on loans and other financial charges	(16,911)	(19,035)	2,124
Interest on rights of use on leases	(693)	(791)	98
Exchange rate losses	(60,638)	(50,152)	(10,486)
Total	**(82,419)**	**(76,757)**	**(5,662)**

The table below shows net income/charges by type:

Financial income e Financial charges	31/12/2020	31/12/2019	Change
Net interest	(16,365)	(18,248)	1,883
Result of derivative instruments, of which:	5,923	(4,694)	10,617
Realised	*8,046*	*(1,661)*	*9,707*
Fair value of open positions	*(2,123)*	*(3,033)*	*910*
Net exchange rate differences	(3,376)	4,152	(7,528)
Other	0	12	(12)
Total	**(13,818)**	**(18,778)**	**4,960**

The entire fair value of the derivatives in place as at 31st December 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 tax

Income taxes are shown below:

Income tax	31/12/2020	31/12/2019	Change
Current taxes	11,568	17,983	(6,415)
Net deferred tax liabilities (assets)	(90,981)	(8,823)	(82,158)
Total	**(79,413)**	**9,160**	**(88,573)**

Current taxes consist mainly of taxes from previous financial years attributable to a tax dispute being finalised.

Prepaid taxes are mainly allocated on tax losses generated in the financial year.

Differences between the theoretical and effective tax rates for the two periods compared are shown below (figures in EUR million):

IRES	2020	2019
PRE-TAX RESULT [A]	**(355.0)**	**35.3**
IRES THEORETICAL TAX [A*24%] [B]	**(85.2)**	**8.5**
THEORETICAL TAX RATE [B/A*100] %	24.0%	24.0%
EFFECTIVE INCOME TAX [C]	**(79.9)**	**6.2**
EFFECTIVE TAX RATE [C/A*100] %	22.5%	17.6%

	2020		2019	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	**(85.2)**	**24.0%**	**8.5**	**24.0%**
Effect of Law 201/2011 (ACE)	0.0	0.00%	(1.5)	-4.33%
Previous years' taxes	10.5	-2.96%	0.0	0.00%
Super amortisation facilitation	(7.7)	2.18%	(6.6)	-18.59%
Other permanent differences	2.6	-0.72%	5.8	16.53%
Effective tax	**(79.9)**	**22.5%**	**6.2**	**17.6%**

IRAP	2020	2019
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS [A]	**-305.2**	**54.1**
IRAP THEORETICAL TAX [A*2,93%] [B]	**-8.9**	**1.6**
THEORETICAL TAX RATE [B/A*100] %	2.93%	2.93%
EFFECTIVE INCOME TAX [C]	**0.5**	**2.9**
EFFECTIVE TAX RATE [C/A*100] %	-0.2%	5.4%

	2020		2019	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	**(8.9)**	**2.93%**	**1.6**	**2.93%**
IRAP effect on foreign companies with positive Production Value	(0.2)	0.05%	(0.2)	-0.28%
Effect of different regional rates on production value	(0.3)	0.10%	(1.1)	-2.04%
Non-recognition of Tax Asset for IRAP companies with negative EBIT	8.1	-2.66%	3.0	5.51%
Other permanent differences	1.8	-0.59%	(0.4)	-0.74%
Effective tax	**0.5**	**-0.2%**	**2.9**	**5.4%**

The theoretical tax rate for 2020 was calculated using the 2.93% ordinary rate, instead of the 3.90% soft rate, which was currently introduced by the Autonomous Region of Sardinia (Regional Law No. 5/2015).

7. Other information

7.1 Main legal actions pending

The Parent Saras SpA and the subsidiaries Sarlux Srl and Sardeolica Srl were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts. During 2020 Sarlux Srl received from the Sardinian Tax Inspectors some Invitations to discuss the tax treatment for the period 2016-2017 of ACE facilitation.

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

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

In particular:

i) Productions 2002-2005. An ad hoc AEEG committee, after inspecting the IGCC plant in 2007, came, a posteriori, to a different interpretation than what it made during the generation period relative to the above resolution. As a result, the AEEG deemed that the company was required to buy green certificates for the years from 2002 to 2005; Sarlux initiated administrative proceedings for all the years in question. In March 2015, the Council of State allowed, in its final decision, Sarlux's appeal for the years from 2002-2005, voiding the outcome

of the inspection and the challenged acts that had obliged the company to buy green certificates. In the present financial year, the GSE completed the repayment of the amount paid by Sarlux.

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

iii) Production 2011 et seq. As regards production in 2011, 2012, 2013 and 2014, the Company submitted the cogeneration declaration pursuant to the requirements of Resolution no. 42/02, as in previous years, since it considered the resolution still in effect. The GSE instead deemed that, starting with the 2012 obligation (2011 and subsequent generation), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial Decree of 4th April 2011 and therefore rejected the Company's request. Sarlux Srl therefore lodged various appeals with the Regional administrative court (TAR) with the aim of receiving confirmation that Resolution 42/02 is applicable or, if the regulation for High Yield Cogeneration is applicable, that cogeneration conditions were satisfied for the years in question. In the meantime, to avoid incurring administrative penalties, the Company purchased green certificates for the 2011, 2012, 2013 and 2014 generation years in accordance with the GSE's calculation worth EUR 76.0 million and immediately submitted a claim for reimbursement to the AEEG, obtaining EUR 11.7 million for the 2011 generation year, EUR 15.1 million for 2012, EUR 14.6 million for 2013 and EUR 7,5 million for 2014. The appeal to the Regional Administrative Court relative to the 2012 generation, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and argues that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. In November 2018, the Council of State, with reference to said year and for Resolution 42/02, definitively rejected the appeal presented by Sarlux. In light of this sentence, there is a risk that the appeals for the years 2011 and 2013 referring to AEEG Resolution 42/02 may have the same outcome, while a different interpretation should be given to the appeals concerning the requirements of the High Yield Cogeneration legislation, where it becomes difficult to assess the probability of non-acceptance of the appeals presented by the company.

Consequently, the Company did not recognise any expenses or revenue with reference to the generation from 2011 onward.

Furthermore, other assets (as described in note 5.1.6 – Other assets) include receivables for white certificates (TEE) related to benefits assigned for energy savings obtained through specific projects preliminarily authorised by GSE. In 2016, the latter commenced its inspections on all projects, although they had been already preliminary authorised. Upon completion of the inspections, in 2017 GSE recalculated the portion of TEE pertaining to the Company to the extent of the projects inspected. The Group initiated an administrative dispute challenging the outcome of the above inspections. Its assessment of the risk arising from the possible outcome of the dispute was reflected in the financial statements. In 2018 and 2020, the GSE partially accepted the claims put forward by the subsidiary for some projects, thus arriving at the final definition: the effects of these changes were adequately reflected in therespective financial statements.

Finally, with regard to the accruals recognised in the financial statements, under the provisions for CO_2 allowances (as described in section 5.5.2 - Provisions for risks and charges), relating to the free CO_2 allocation allowances due to the Northern Plants for the period 2015-17, it is noted that a formal request was resubmitted in October 2018 following the dispute relating to the process previously followed, pending approval by the European Commission.

7.2 Earnings per share

Earnings per share (EPS) is calculated by dividing the profit (loss) for the year by the weighted average number of Saras SpA shares outstanding during the year, excluding treasury shares.

The net earnings per share totalled EUR -25.77 cents per share for 2020 and EUR +2.78 cents per share for 2019. Diluted earnings per share do not vary significantly from basic earnings per share.

The average number of shares outstanding was 941,779,784 in 2020. As at 31st December 2020, Saras SpA held 9,220,216 treasury shares as a result of the bonus allocation of shares to the management of Group companies.

7.3 Related-party transactions

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below and information is provided on the largest transactions.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2020		Absolute value (Euro/000) and % on balance sheet 31/12/2019	
Related party transactions involving Saras Group's majority shareholders				
Trade receivables	87	0.03%	109	0.03%
Other operating revenues	199	0.13%	133	0.09%
Cost of services and sundry costs	517	0.10%	517	0.07%
Other related parties				
Liquid assets	0	0.00%	17	0.00%

With regard to the above-mentioned transactions, contracts governing provision of services are settled with amounts in line with market conditions.

The effects of transactions or positions with related parties on the statement of financial position and the income statement are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2020			Absolute value (Euro/000) and % on balance sheet 31/12/2019		
	Related parts	Total	Incidence %	Related parts	Total	Incidence %
Liquid assets	0	558,997	0.00%	17	431,463	0.00%
Trade receivables	87	256,641	0.03%	109	351,539	0.03%
Other operating revenues	199	157,409	0.13%	133	148,603	0.09%
Cost of services and sundry costs	517	520,375	0.10%	517	771,109	0.07%

The main cash flows with related parties are shown in the table below:

Flows with related parties	2020	2019
(Increase) Decrease in trade receivables	22	(24)
Increase (Decrease) in trade payables	0	0
Cash flow from (for) activities in the year	**22**	**(24)**
Interest received (paid)	0	0
Cash flow from (for) investment activities	**0**	**0**
(Increase)/Decrease financial payables	0	0
Cash flow from (for) financial activities	**0**	**0**
Total cash flows towards related parties	**22**	**(24)**

The effects of cash flows with related parties are shown in the table below:

	Absolute value (Euro/000) and % on balance sheet 31/12/2020			Absolute value (Euro/000) and % on balance sheet 31/12/2019		
	Related parts	Total	Incidence %	Related parts	Total	Incidence %
Cash flow from (for) activities in the year	22	(324,696)	-0.01%	(24)	446,079	-0.01%

7.4 Information pursuant to IFRS 7 and 13 – Financial instruments: Disclosures

To the extent that it is applicable to the Saras Group, the disclosure on financial instruments to be provided in financial statements and interim reports is mainly set out in IFRS 7 and 13.

IFRS 7 – Financial Instruments: Disclosures, requires entities to provide supplementary disclosures in financial statements that make it possible to evaluate:

a) the value of financial instruments with respect to the financial position and results of operations;

b) the nature and extent of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date and the way in which this is managed.

IFRS 13 – Fair Value Measurement, which is applicable from 1st January 2013, requires supplementary disclosures on fair value, some of which is also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Sub-paragraphs a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this end, IFRS 13 defines a precise three-tier fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the various levels of reliability of fair value, depending on whether it is based on:

a) unadjusted quotations taken from an active market – as defined by IAS 39 – for the assets and liabilities being measured (level 1);

b) measurement techniques based on factors other than the quoted prices referred to above, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);

c) measurement techniques that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the Group as at 31st December 2020, broken down by fair value hierarchy:

Type of Operation	31/12/2020 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2020 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps					(586)		(586)	
Derivatives on commodities	56,890	56,890			(95,104)	(95,104)		
Exchange rate derivatives					(1,637)		(1,637)	
Derivatives on CO_2 allowances	34,220		34,220				0	
Total	**91,110**	**56,890**	**34,220**	**0**	**(97,327)**	**(95,104)**	**(2,223)**	**0**

The Group's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.

Pursuant to sub-paragraph c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the year.

Measurement techniques

As shown in the table in the section above, financial instruments measured at fair value by the Saras Group largely consist of derivatives entered into by the Parent Company and the subsidiaries Sarlux Srl and Saras Trading to hedge the currency and interest rate risks and the fluctuating price of oil and crude products and CO_2 emission allowances.

Specifically, the fair value measurement of these instruments is carried out:

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;

- for commodity-based derivatives and CO_2 quotas, based on the account statements of open positions that are periodically received from the clearing broker through which these instruments are agreed.

For all types of derivatives described above, the fair value measurements received from the counterparties in open positions are verified by comparing them to the fair value measurement carried out within the Group for the same positions. These internal measurements are carried out using reference parameters observable on markets (spot and forward interest rates, exchange rates and crude oil and oil product prices available in active regulated markets).

The valuation does not consider the counterparty risk as the effect is not significant considering the existing security deposits.

The Saras Group has no financial assets or liabilities that are measured at fair value level 3 pursuant to IFRS 13.

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

7.4.1 Information on the Statement of Financial Position

With reference to the Statement of Financial Position, Sections 8 - 19 of the standard in question state that the carrying value of all financial instruments belonging to the categories set out in IFRS 9 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or derecognised them from the accounts. The statement of financial position of the Saras Group as at 31st December 2020 and 31st December 2019 is shown below, with details of the Group's financial instruments:

31/12/2020	Accounting value of financial derivatives categories, defined according to IFRS 9				
ASSETS	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2020
Current financial assets	**1,073,524**	**1,242**	**0**	**766,285**	**1,841,050**
Cash and cash equivalents	558,997				558,997
Other financial assets	152,435	1,242			153,677
Titles held for the purpose of trading					
Derivative instruments	*152,435*				
Other current financial assets		*1,242*			
Trade receivables from third parties	256,641				256,641
Inventories				737,389	737,389
Current tax assets				14,289	14,289
Other assets	105,450			14,607	120,057
Emissions Trading Credit	*75,231*				
White certificates	*36,688*				
Other	*(6,469)*				
Non-current assets	**5,972**	**0**	**0**	**1,523,167**	**1,529,138**
Property, plant and equipment				1,310,794	1,310,794
Intangible assets				47,226	47,225
Right-of-use of leased assets				42,802	42,801
Equity investments at cost					0
Other investments				502	502
Deferred tax assets				121,844	121,844
Other financial assets	5,972				5,972
Loans	*2,077*				
Sundry receivables	*3,895*				
Non-current assets held for sale	**0**	**0**	**0**	**0**	**0**
Property, plant and equipment				0	0
Intangible assets				0	0
Total active financial instruments	**0**	**0**	**0**	**0**	**3,370,188**
LIABILITIES					
Current liabilities	**97,327**	**1,430,708**	**0**	**148,391**	**1,676,426**
Short-term financial liabilities	97,327	514,113			**611,441**
Bonds loans					
Bank loans		*19,059*			
C/a advances		*456,144*			
Financial payables to Group companies		*38,911*			
Derivative instruments	*97,327*				
Trade and other payables		916,594			**916,594**
Tax liabilities				80,499	**80,499**
Other liabilities				67,892	**67,892**
Other payables				*67,892*	
Non-current liabilities	**0**	**652,444**	**0**	**253,796**	**906,240**
Long-term financial liabilities		652,064			652,064
Bank loans		*399,236*			
Bonds loans		*199,344*			
Financial payable IFRS 16		*40,329*			
Other payables		*13,155*			
Risk funds				244,165	244,165
Provisions for employee benefits				8,901	8,901
Deferred tax liabilities				3,730	3,730
Other liabilities		380		0	380
Other payables		*380*			
Total passive financial instruments	**97,327**	**2,083,152**	**0**	**405,187**	**2,585,666**

31/12/2019	Accounting value of financial derivatives categories, defined according to IFRS 9				
ASSETS	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2019
Current financial assets	**967,660**	**1,242**	**0**	**1,580,252**	**2,117,692**
Cash and cash equivalents	431,463				431,463
Other financial assets	50,686	1,242			51,928
Titles held for the purpose of trading					
Derivative instruments	*50,686*				
Other current financial assets		*1,242*			
Trade receivables from third parties	351,539				351,539
Inventories				1,040,842	1,040,842
Current tax assets				84,058	84,058
Other assets	133,972			23,889	157,862
Emissions Trading Credit	*75,231*				
White certificates	*36,688*				
Other	*22,053*				
Non-current assets	**6,475**	**0**	**0**	**1,432,779**	**1,439,254**
Property, plant and equipment				1,272,572	1,272,572
Intangible assets				77,970	77,970
Right-of-use of leased assets				49,919	49,919
Equity investments at cost					0
Other investments				502	502
Deferred tax assets				31,816	31,816
Other financial assets	6,475				6,475
Loans	*2,580*				
Sundry receivables	*3,895*				
Non-current assets held for sale	**974,135**	**1,242**	**0**	**3,013,032**	**7,038**
Property, plant and equipment				(2,728)	(2,728)
Intangible assets				9,766	9,766
Total active financial instruments	**0**	**0**	**0**	**0**	**3,563,984**
LIABILITIES					
Current liabilities	**35,875**	**1,817,758**	**0**	**162,130**	**2,015,764**
Short-term financial liabilities	35,875	169,022			204,897
Bonds loans					
Bank loans		*70,017*			
C/a advances		*7,973*			
Financial payables to Group companies		*91,032*			
Derivative instruments	*35,875*				
Trade and other payables		1,648,736			1,648,736
Tax liabilities				76,472	76,472
Other liabilities				85,659	85,659
Other payables				*85,659*	
Non-current liabilities	**0**	**255,245**	**0**	**229,699**	**489,381**
Long-term financial liabilities		254,704			254,704
Bank loans		*0*			
Bonds loans		*198,994*			
Financial payable IFRS 16		*48,667*			
Other payables		*7,042*			
Risk funds				194,278	194,278
Provisions for employee benefits				9,858	9,858
Deferred tax liabilities				4,437	4,437
Other liabilities		541		25,563	26,104
Other payables		*541*			
Total passive financial instruments	**35,875**	**2,073,003**	**0**	**391,830**	**2,505,145**

Financial instruments measured at fair value in the income statement comprise derivatives held by the Parent Company and the subsidiaries Sarlux Srl and Saras Trading, described in paragraph 5.4.1. The derivatives relate to commodities, interest rates and foreign exchange. The first type was entered into by the Parent Company to hedge the risks inherent in the business in which it operates, which stem from changes in the price of crude and oil products (futures, options and swaps). The second type was entered into by the Parent Company and the subsidiary to hedge the interest rate risk on loans. Finally, the third type was entered into by the Parent Company to hedge the currency risk on open currency positions;

All trade receivables and most other current and

non-current receivables are classed as "Loans" since they consist of non-derivative financial assets with fixed or determinable payments that are not listed on any active market. The value entered in the financial statements is close to fair value.

With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying amount is close to their fair value.

Other financial liabilities valued at amortised cost include all the Group's financial liabilities and trade payables arising from the Group's contractual obligations to deliver cash or other financial assets to another entity.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a 'without recourse' basis. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.4.2 Information on the Income Statement

Paragraph 20 of the standard in question requires companies to state the net gains or losses generated by financial assets and liabilities, broken down according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overloading the accounting statements with information, the Group has opted for the second alternative, as advised in the Appendix to the accounting standard itself.

The following tables therefore show details of income statement items for the current and the previous year:

31/12/2020	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2020
Revenues from ordinary operations				5,184,875	5,184,875
Other income				157,409	157,409
Total returns				**5,342,284**	**5,342,284**
Purchases of raw materials, consumables and supplies				(4,745,491)	(4,745,491)
Cost of services and sundry costs	142,621			(662,997)	(520,375)
Personnel costs				(163,497)	(163,497)
Depreciation/amortisation and write-downs				(254,032)	(254,032)
Total costs				**(5,826,018)**	**(5,683,395)**
Operating result					**(341,111)**
Net income (charges) from equity investments					
Other financial income (charges)	5,923	(19,742)			(13,818)
from titles held for the purpose of trading					
- of which:					
Realised differentials					
FV change					
from interest on current accounts		*1,239*			1,239
from loans made to Group companies					
from derivative instruments	*5,923*				5,293
- of which:					
Realised differentials	*8,046*				8,046
FV change	*(2,123)*				(2,122)
from Other financial assets					
from Interest on bank loans		*(16,911)*			(16,911)
from Interest on loans from Group companies		*(3,740)*			(3,739)
from other credits/debts		*(329)*			(329)
Result before taxes					**(354,929)**
Income tax					**79,413**
Net result					**(275,516)**

31/12/2019	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2019
Revenues from ordinary operations				9,369,093	9,369,093
Other income				148,603	148,603
Total returns				**9,517,696**	**9,517,696**
Purchases of raw materials, consumables and supplies				(8,345,145)	(8,345,145)
Cost of services and sundry costs	(66,141)			(704,968)	(771,109)
Personnel costs				(148,653)	(148,653)
Depreciation/amortisation and write-downs				(198,697)	(198,697)
Total costs				**(9,397,463)**	**(9,463,604)**
Operating result					**54,092**
Net income (charges) from equity investments					
Other financial income (charges)	(4,693)	(14,085)			(18,778)
from titles held for the purpose of trading					
- of which:					
Realised differentials					
FV change					
from interest on current accounts		*1,578*			
from loans made to Group companies					
from derivative instruments	*(4,693)*				
- of which:					
Realised differentials	*(1,660)*				
FV change	*(3,033)*				
from Other financial assets					
from Interest on bank loans		*(19,035)*			
from Interest on loans from Group companies		*(6,873)*			
from other credits/debts		*10,246*			
Result before taxes					**35,314**
Income tax					(9,160)
Net result					**26,154**

The entire fair value of the derivatives in place as at 31st December 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, it should be noted that the derivative financial instruments in question consist of hedging transactions against which hedge accounting has not been adopted.

Financial liabilities measured at amortised cost generated losses of EUR 16,911 thousand (EUR 19,035 thousand in the previous year), mainly due to interest on loans.

7.4.3 Additional information

7.4.3.1 Accounting for transactions with derivative instruments

As stated earlier, the Parent Company enters into derivative contracts on commodities to hedge the risks arising from changes in the price of crude oil and oil products, on CO_2 emission allowances, on the

EUR/USD exchange rate to hedge against the risks relating to its currency positions and on interest rates, to hedge against interest rate risk on its loans.

As at 31st December 2020, outstanding derivatives contracts included derivatives on all three types of underlying assets, classified as financial instruments held for trading.

These instruments are recorded at fair value: changes in fair value, as well as differentials realised, are recorded for the part linked to the hedging of petroleum products in the income statement under revenues and costs of ordinary operations.

All other financial instruments (interest rate swaps and Forwards on exchange rates) not linked to the hedging of petroleum products are recorded at fair value: changes in fair value, as well as realised differentials, are recorded in the income statement under financial income or financial expenses.

Most outstanding positions on commodities and on foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2020, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of instruments is determined on the basis of the statements that are periodically sent by the counterparties with which these instruments are stipulated.

7.4.3.2 Fair value

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost. As these assets and liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value as at 31st December 2019.

The bond carries a fixed rate and market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 transposed in Europe by means of Regulation (EC) No 1165 of 27th November 2009, all financial instruments booked at fair value are calculated based on valuation methods that use observable market parameters other than the prices of these instruments as their reference, except for forex and commodities futures classified under “Other current assets” or “Short-term financial liabilities”, which are valued based on prices in an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.4.4 Risks arising from financial instruments

Risks deriving from financial instruments to which the Group is exposed are:

a. credit risk: i.e. the risk that the Group will incur a loss in the event that a counterparty to a financial instrument defaults;

b. liquidity risk: i.e. the risk that the Group will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;

c. market risk: i.e. the risk relating to the performance of markets in which the Group operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations.

7.4.4.1 Credit risk

The company’s exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

The information required by sections 36-38 is shown in the tables below:

	Accounting value at 31/12/2020		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Total	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	**1,841,050**	**976,290**	**976,290**	**85,660**	**851,127**	**145,676**	**37,135**	**12,934**	**24,140**	**1,064,039**		
Cash and cash equivalents	558,997	558,997	558,997		558,997					558,997		
Other financial assets held for trading	153,677	153,677	153,677		153,677					153,677		
Trade receivables from third parties	263,616	263,616	263,616	85,660	138,453	145,676	37,135	12,934	24,140	351,365		
Bad debt provision	(6,974)									0	0	(6,974)
Inventories	737,389											
Current tax assets	14,287											
Other assets	120,057											
Non-current assets	**1,529,139**	**502**	**4,397**	**0**	**3,895**	**0**	**0**	**0**	**0**	**3,895**		
Property, plant and equipment	1,310,794											
Intangible assets	47,226											
Right-of-use of leased assets	42,802											
Equity investments at cost												
Other investments	502	502	502									
Deferred tax assets	121,844											
Other financial assets	5,971		3,895		3,895					3,895		
Non-current assets held for sale	**0**	**0**										
Property, plant and equipment	0											
Intangible assets	0											
Total assets	**3,370,188**	**976,792**	**980,687**	**85,660**	**855,022**	**145,676**	**37,135**	**12,934**	**24,140**	**1,067,934**		

	Accounting value at 31/12/2019		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Total	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	**2,117,692**	**841,731**	**841,731**	**85,660**	**621,844**	**145,676**	**37,135**	**12,934**	**24,140**	**834,930**		
Cash and cash equivalents	431,463	431,463	431,463		431,463					431,463		
Other financial assets held for trading	51,928	51,928	51,928		51,928					51,928		
Trade receivables from third parties	358,340	358,340	358,340	85,660	138,453	145,676	37,135	12,934	24,140	351,539		
Bad debt provision	(6,801)									0	0	(6,801)
Inventories	1,040,842											
Current tax assets	84,058											
Other assets	157,862											
Non-current assets	**1,439,254**	**502**	**4,397**	**0**	**3,895**	**0**	**0**	**0**	**0**	**3,895**		
Property, plant and equipment	1,272,572											
Intangible assets	77,970											
Right-of-use of leased assets	49,919											
Equity investments at cost												
Other investments	502	502	502									
Deferred tax assets	31,816											
Other financial assets	6,475		3,895		3,895					3,895		
Non-current assets held for sale	**7,038**	**0**										
Property, plant and equipment	(2,728)											
Intangible assets	9,766											
Total assets	**3,563,984**	**842,232**	**846,127**	**85,660**	**625,739**	**145,676**	**37,135**	**12,934**	**24,140**	**838,824**		

Guarantees on trade receivables are represented by sureties requested from Off-grid customers by Saras SpA and customers of Saras Energia, a credit insurance policy taken out by them covering most of the turnover, as well as letters of credit guaranteeing part of the Parent Company's receivables.

7.4.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. The significant self-financing capacity, together with the low level of debt, suggests that the liquidity risk is moderate.

It shall also be recalled, as stated earlier, that the Group met all its obligations with respect to the payment of loans in place at the end of the year.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the table below:

	Accounting value at 31/12/2020		Liquidity risk		Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of the financial liabilities	Guarantee	2020	2021	2022	2023	2024	beyond 5 years
LIABILITIES										
Current liabilities	**1,676,426**	**1,676,426**	**1,596,869**	**0**	**1,576,869**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	611,441	611,441	612,382	0	592,382					
Bonds loans										
Amount interest bonds										
Bank loans		*19,059*	*20,000*							
C/a advances		*456,144*	*456,144*		*456,144*					
Interest rates (final average rate = 1.060%)										
Financial payables to Group companies		*38,911*	*38,911*		*38,911*					
Derivative instruments		*97,327*	*97,327*		*97,327*					
Trade and other payables	916,594	916,594	916,594		916,594					
Tax liabilities	80,499	80,499								
Other liabilities	67,892	67,892	67,892		67,892					
Non-current liabilities	**909,240**	**652,444**	**653,864**	**0**	**6,361**	**6,741**	**6,360**	**56,095**	**556,095**	**0**
Long-term financial liabilities	652,064	652,064	653,484	0	6,361	6,361	6,360	56,095	556,095	0
Bank loans		*399,236*	*400,000*					*50,000*	*350,000*	
Bonds loans		*199,344*	*200,000*						*200,000*	
Financial payable IFRS 16		*40,329*	*40,329*		*0,7*	*0,6*	*0,5*	*0,4*	*0,3*	
Other		*13,155*	*13,155*							
Medium-long term loan rates (final average rate = 1.060%)					*4,240*	*4,240*	*4,240*	*3,975*	*3,975*	
Amount interest bonds					*2,120*	*2,120*	*2,120*	*2,120*	*2,120*	
Risk funds	244,165									
Provisions for employee benefits	8,901									
Deferred tax liabilities	3,730									
Other liabilities	380	380	380			380				
Total liabilities	**2,585,666**	**2,328,870**	**2,250,732**	**0**	**1,583,229**	**6,741**	**6,360**	**56,095**	**556,095**	**0**

	Accounting value at 31/12/2019		Liquidity risk		Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of the financial liabilities	Guarantee	2019	2020	2021	2022	2023	beyond 5 years
LIABILITIES										
Current liabilities	**2,015,764**	**2,015,763**	**1,939,274**	**0**	**1,870,154**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	204,897	204,897	204,879	0	135,759					
Bonds loans										
Amount interest bonds										
Bank loans		*70,018*	*70,000*			*70,000*				
C/a advances		*7,973*	*7,973*		*7,973*					
Interest rates (final average rate = 1.257%)					880	*440*				
Financial payables to Group companies		*91,032*	*91,032*		*91,032*					
Derivative instruments		*35,875*	*35,875*		*35,875*					
Trade and other payables	1,648,736	1,648,736	1,648,736		1,648,736					
Tax liabilities	76,472	76,472								
Other liabilities	85,659	85,659	85,659		85,659					
Non-current liabilities	**489,381**	**255,249**	**200,545**	**0**	**3,765**	**4,310**	**3,765**	**3,765**	**201,883**	**0**
Long-term financial liabilities	254,704	254,704	200,000	0	3,765	3,765	3,765	3,765	201,883	0
Bank loans										
Bonds loans		*198,994*	*200,000*						*200,000*	
Financial payable IFRS 16		*48,667*			*0,7*	*0,7*	*0,6*	*0,5*	*0,4*	
Other		*7,043*								
Medium-long term loan rates (final average rate = 1.257%)										
Amount interest bonds					*3,765*	*3,765*	*3,765*	*3,765*	*1,882*	
Risk funds	194,278									
Provisions for employee benefits	9,858									
Deferred tax liabilities	4,437									
Other liabilities	26,104	545	545			545				
Total liabilities	**2,505,145**	**2,271,012**	**2,139,819**	**0**	**1,873,919**	**4,310**	**3,765**	**3,765**	**201,883**	**0**

7.4.4.3 Market risk

As stated previously, the market risks to which the Group is exposed via its financial instruments relate to:

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges" as well as the fair value of derivatives held at the reporting date;
- the Euribor interest rate, to which the interest rates paid by the Group on its loans are indexed, as well as the fair value of derivative instruments held at the reporting date;
- prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by section 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Group is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management's forecasts. The results of the analysis are shown in the tables below.

Euro/US dollar exchange rate

With reference to the EUR/USD exchange rate, at the reporting date, the Saras Group had a significant level of financial instruments denominated in the latter currency recorded mainly under trade receivables and payables (principally relating to the Parent Company).

The Group carried out a simulation of the impact on net profit and equity, assuming a change of +/- 10% in the EUR/USD exchange rate at the end of the year, which was used to translate currency positions in the preparation of the statement of financial position.

2020					
EURO/US dollar exchange rate				Reference parameter change	
Balance sheet item	Amount in currency	EUR/USD Exchange rate	Amount in (thousands of €)	-10%	+10%
Currency net position	(450,206)	1.227	(288,132)		
Effect on result before tax				(32,015)	26,194
Effect on net result (and equity)				(21,962)	17,969

2019					
EURO/US dollar exchange rate				Reference parameter change	
Balance sheet item	Amount in currency	EUR/USD Exchange rate	Amount in (thousands of €)	-10%	+10%
Currency net position	1,610,905	1.123	(527,339)		
Effect on result before tax				(58,593)	47,940
Effect on net result (and equity)				(40,195)	32,887

To mitigate the effects of sensitivity to the EUR/USD exchange rate, the Parent Company also enters into forward exchange rate contracts, which are recognised at their fair value at the reporting date. As fair value is inevitably affected by the underlying exchange rate, the Group carried out a simulation of the impact on the Group's profit (loss) for the year and equity, assuming a change of +/-10% in the benchmark parameters.

The details and results of the simulation are shown in the tables below:

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-10%	+10%
Exchange rates	1,637	26,732	(24,805)
	1,637	**26,732**	**(24,805)**
Effect on result before tax		**26,732**	**(24,805)**
Effect on net result (and equity)		**19,381**	**(17,984)**

2019		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2019	-10%	+10%
Exchange rates	(3,283)	45,159	(36,931)
	(3,283)	**45,159**	**(36,931)**
Effect on result before tax		**45,159**	**(36,931)**
Effect on net result (and equity)		**32,740**	**(26,775)**

Interest rate

The Group has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.

A simulation of the impact of this variable on Group net profit and consequently on equity was carried out, assuming a change of +/- 50 basis points in rates and only taking into account the portion of variable-rate funding.

The analysis measures the impact in terms of greater or lower interest expense that would have accrued on floating-rate loans in 2020.

The details and results of the simulation are shown in the table below:

2020				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2019	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.06%	(16,365)		
Effect on result before tax			7,719	(7,719)
Effect on net profit (and equity)			5,597	(5,597)

2019				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2019	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.26%	(18,248)		
Effect on result before tax			7,259	(7,259)
Effect on net profit (and equity)			5,262	(5,262)

In addition, the fair value of the Interest Rate Swaps (IRS) and interest rate options outstanding at the reporting date relating to the Parent Company is affected by the fluctuations in the Euribor rate: a simulation of the impact of this variable on the profit for the year and equity was carried out, assuming a change of +/- 25 basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The details and results of the simulation are shown in the tables below:

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-25 bps	+25 bps
Fair value of Interest rate swaps	(586)	586	(586)
	(586)	586	(586)
Effect on result before tax		586	(586)
Effect on net result (and equity)		425	(425)

2019		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2019	-25 bps	+25 bps
Fair value of Interest rate swaps	(100)	100	(100)
	(100)	100	(100)
Effect on result before tax		100	(100)
Effect on net result (and equity)		73	(73)

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives as at 31st December 2020 consisted of futures, swaps and options on oil products and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.

The Group therefore carried out a simulation of the impact of this variable on net profit and consequentially, on equity, assuming a change of +/- 20%.

The details and results of the simulation (comparative) are shown in the tables below:

2020		Reference parameter change	
Derivatives on:	Fair Value al 31/12/2020	-20%	+20%
Crude and oil products	(8,488)	29,934	(3,722)
	(8,488)	29,934	(3,722)
Effect on result before tax		29,934	(3,722)
Effect on net result (and equity)		21,702	(2,699)

2019		Reference parameter change	
Derivatives on:	Fair Value al 31/12/2019	-20%	+20%
Crude and oil products	(8,306)	24,663	(23,295)
	(8,306)	24,663	(23,295)
Effect on result before tax		24,663	(23,295)
Effect on net result (and equity)		17,881	(16,889)

The above analysis of the Group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the concentration risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.5 Average number of employees

The average numbers of staff working at companies included in the perimeter of consolidation, divided by category, are shown below:

Average number of employees	2020	2019
Top management	60	56
White collars	1,262	1,277
Blue collars	394	453
Total	**1,716**	**1,785**

The Group's employees went from 1,745 at the end of 2019 to 1,687 as at 31st December 2020.

7.6 Fees and remuneration of key management personnel

In 2020, key management personnel received remuneration totalling EUR 2,088 thousand. For further details, please see section 7.5.1 of the Notes to the Financial Statements of Saras SpA.

For information on indemnities in the event of the early termination of employment of directors and succession plans for executive directors (pursuant to Article 114, paragraph 5 of Legislative Decree No 58 of 24th February 1998), please see the annual report on corporate governance and ownership structure pursuant to Article 123-*bis* of Legislative Decree No 58 of 24th February 1998.

7.7 Commitments

At 31st December 2020 and 2019 there were no irrevocable commitments in existence for the purchase of materials or the provision of services over a period of several years.

As part of its normal activities, the Parent Company Saras issued sureties totalling EUR 260,564 thousand as at 31st December 2020, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.8 Disclosure of external auditor's fees

Pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation, the table below provides details of the fees relating to 2020 paid to the independent auditors for the provision of audit and other non-audit services and the services provided by the network companies.

Types of services	Provider	Recipient	Consideration of competence of the 2020 financial year
Audit	EY SpA	Saras SpA	528
	EY SpA	Subsidiaries Italy	158
	Network EY	Subsidiaries abroad	121
Net income			**807**
Certification services	EY SpA	Saras SpA "Non financial reporting"	35
	Network EY	Subsidiaries abroad "AUP Saras Energia"	13
Net income			**48**
Other services	EY SpA	Saras SpA	0
Other services	EY SpA	Subsidiaries Italy	37
Total			**37**
TOTAL			**892**

7.9 Other

For information on atypical and/or unusual transactions, please refer to the relevant section of the Report on Operations.

7.10 Subsequent events

Following ARERA Resolution n. 598/2020 dated December 29th, 2020, IGCC plant has been included in the list of "essential" plants for 2021. Given that, negotiations with ARERA and Terna are ongoing to define the production asset of the plant to fulfil such regime and the subsequent cost restoration scheme. Sarlux has submitted to ARERA its request about such issues on March 5th, 2021.

On April 13th, 2021 ARERA – in its Resolution n. 152/2021/R/eel – defined the technical and economic parameters to restore costs to Sarlux in the "essentiality" regime starting from April 21st, 2021; the preliminary evaluation of the economic effect of such Resolution, performed by Group's technical offices, brings to an amount of cost restoration higher than the one prudentially enclosed in the 2021-20124 Plan as well as than the one considered in the stress test included in the Impairment test performed for the CGU Refining, Power and Marketing.

On January 28th, 2021 Saras submitted a binding offer to GWM Renewable Energy SpA for the acquisition of the totality of the shares for the companies Energia Verde Srl and Energia Alternativa Srl, which ownes and operates two wind farms in Cagliari area for a total capacity of 45 MW.

On February 25th, 2021 the "Ministero dell'Ambiente e della Tutela del Territorio e del Mare" announced to Sarlux the beginning of the procedure to examine the AIA authorisation.

On March 3rd, 2021 the Central Custom Agency (Rome) announced to Saras that AEO inspections concluded positively.

8. Publication of the Consolidated Financial Statements

In its meeting on 30th March 2021, Saras' Board of Directors authorised the publication of the Consolidated Financial Statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the Notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Massimo Moratti

REPORT ON OPERATIONS OF SARAS SPA

TABLE OF CONTENTS REPORT ON OPERATIONS OF SARAS SPA

Report on Operations of Saras SpA — 148

Risk Analysis — 150

Proposals of the Board of Directors — 153

REPORT ON OPERATIONS OF SARAS SPA

Saras SpA is the Parent Company and operates in the Italian and international oil markets buying and selling refined oil products. This has already been analysed in detail in the Report on Operations of the Saras Group, which can be consulted for further information, as well as for a detailed analysis of the market, regulatory framework, principal events in the year, significant events after the end of the year and the business outlook.

In 2020, Saras SpA posted revenues of EUR 4,723 million, down by EUR 3,795 million on the previous year as a consequence of the trend in oil prices. As already commented upon in the Report on Operations of the Group's Consolidated Financial Statements (Covid-19 Impact), the 2020 financial year was characterised by an economic and social scenario that was seriously affected by the crisis in consumption caused by the measures to contain the Covid-19 pandemic.

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 be restored to profitability in the coming financial years, depending on the expected recovery in demand.

KEY PROFIT AND LOSS FIGURES

EUR MILLION	2020	2018	CHANGE
Revenue	**4,723**	8,518	(3,795)
EBITDA	**(61)**	120	(181)
EBIT	**(66)**	114	(180)
NET RESULT	**(65)**	78	(143)

EBITDA was EUR -61 million, down compared to the previous year, due to lower refining margins and quantities sold during 2020, as already commented upon in the Report on Operations of the Group's Consolidated Financial Statements in the "refining" segment.

The net loss for the year, totalling EUR 65 million, was affected as described above under operating results.

The Net Financial Position of Saras SpA at 31st December 2020 was negative by EUR 120 million.

The following information is provided pursuant to Article 2428 of the Italian Civil Code:

- intangible assets do not include research and development costs;
- transactions with subsidiaries, associates and companies controlled by the latter are shown in the Notes under 7.2 "Related party transactions";
- during the year, there were no transactions for the purchase and sale of treasury shares;
- during the year, the "Plan for the free allocation of Company shares to Saras Group management" for the period 2019/2021 (the "2019/2021 Stock Grant Plan" or the "Plan") continued.

For information about the use of financial instruments by the company, see the following section of this report, "Risk analysis".

The only secondary place of business of the Company is the General and Administrative Headquarters, located in Milan, Galleria Passarella, 2.

Information about remuneration and shareholdings of directors and auditors, general managers and key managers is shown in the Notes under paragraph 7.5.

Finally, for the analysis of the main litigation pending please refer to the Notes in section 7.1 "Main Legal Actions pending", while reference is made to the relevant section of the Consolidated Financial Statements of the Saras Group for:

- Corporate Governance;
- Structure of the Group;
- Atypical and/or unusual transactions;
- Performance indicators and non-financial indicators;
- Information about staff;
- Information about the environment.

RISK ANALYSIS

The main principles of the risk policy are based on the prevention of the main risks inherent in the objectives and are related to the strategic, operational and financial areas. Risk management in the company's individual policies and processes is based on the principle that operational and financial risk is managed by the process owner. The main risks are reported and discussed by top management in order to create a basis on which to hedge, secure and measure residual risk. In addition to the guidelines for risk management, there are also specific guidelines for financial risks, such as interest rate and credit risk.

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 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 where 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 are generally settled in a very short time and they are often guaranteed by primary lenders. Sales in the retail and wholesale markets are small on an individual basis and these are usually guaranteed or insured as well, with a very low risk of non-recoverability. Following the economic crisis caused by the Covid-19 emergency, the Group's credit risk profile has not changed.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the use of externally-sourced financing and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit, as well as to fulfil contractual obligations and respect covenants deriving from the financing contracts entered into. Self-financing capacity and as a result the Group's level of debt, which has historically been limited, are determined by the generation of cash from operations and the performance of working capital; in particular, the latter is based on levels of demand and supply of crude oil and oil products as well as the relative prices and their extreme volatility and sensitivity to external phenomena (such as economic, social and political factors). During the 2020 financial year, the oil market shock (in terms of demand, supply and prices) due to the spread of the Covid-19 pandemic and the drastic containment measures enacted at global level inevitably negatively impacted the Group's level of debt, which it will be possible to recover as market conditions improve in the final phase of the 2022-2024 three-year period.

The Group has implemented appropriate actions to mitigate the increase in the level of indebtedness through suitable short and medium/long-term credit lines, including State-guaranteed lines, as well as reviewing certain financial parameters on the existing credit lines.

OTHER RISKS

Price fluctuation risk

The Saras Group results 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, for its production activities, 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. In order to address the risks arising from price changes and more specifically to mitigate the precise price fluctuations on the quantities bought and sold compared to the monthly averages, the Group also enters into hedging contracts on commodities.

The selling price of electricity sold by our subsidiaries Sarlux and Sardeolica is also prone to fluctuations, as are the prices of Energy Efficiency Certificates and CO_2 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 compared to other countries; changes in legislation, politics, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potentially 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 accidents 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 incurring 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 there is no certainty that new legislation will not impose further costs in the future.

Legislative and regulatory risk

The characteristics of the Group's business are influenced by the continuously evolving legislative and regulatory context of the countries in which it operates. With regard to this, Saras is committed to continuously monitoring and maintaining a 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 specific atmospheric pollutants and their relative impact on the limits indicated in the current AIA permit;
- the view of the European Commission and the ARERA (Italian Regulatory Authority for Energy, Networks and Environment) implementing documents in relation to the recognition of the Sarlux subsidiary as an energy-consuming enterprise;
- regulatory dispositions relating

to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the G.S.E.;

- reference regulations relating to the fact that the Sarlux Srl subsidiary sells the electricity generated to the G.S.E. under the conditions specified by the legislation in force (Law No. 9/1991, Law No. 10/1991, CIP Decision 6/92 as amended, 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;

- Regulations and implementing documents issued by Terna and ARERA regarding the “essentiality” requirements of the IGCC plant in Sarlux, as provided for by ARERA Resolution No. 111/06 and 598/20 and the cost reimbursement regime.

Dependencies on third parties

The IGCC plant, owned by the Sarlux Srl subsidiary, depends on oxygen supplied by Air Liquide Italia in addition to raw materials derived from crude oil supplied by Saras. Should these supplies fail, Sarlux would have to locate alternative sources, which it may not be able to find or to source at similar financial terms and 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 the new Regulation (EU) 2016/679 (“GDPR”) on the protection of personal data entered in force. The Saras Group launched 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 cybersecurity

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

Covid-19 Risk

The intensification of the economic and financial crisis unleashed by the Covid-19 crisis has resulted, starting form April 2020, in a drastic and widespread drop in demand for oil products, along with the volatility of commodity prices and in particular oil prices, with a subsequent strong contraction of refinery margins. There also remains a situation of uncertainty about the pandemic’s evolution; due to the increase in the Covid positive cases registered at the beginning of 2021, the start of vaccination activities suggests that a recovery in oil consumption is likely, but to date the timing as well as the entity of this recovery are not clear.

These extended effects resulted in reduced profitability and increased short-term liquidity requirements for the Saras Group and for the refining sector as a whole: should such conditions last in the mid-term, they would be unbearable. The recovery in consumption is expected in the second half of 2021 and at more significant levels between 2022 and 2024 and it could however rebalance the situation of uncertainty and price volatility, with a recovery in profitability and an improvement in debt levels. However, the extent and timing of the recovery remain uncertain.

Provisions for risks and charges

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

PROPOSALS OF THE BOARD OF DIRECTORS

Shareholders,

Your company's Separate Financial Statements as at 31st December 2020 show a net loss of EUR 65,198,226. If you agree with the principles used to prepare the financial statements and the accounting standards and policies implemented therein, we propose that the following resolutions be passed:

The Shareholders' Meeting

- having examined the Company's Separate Financial Statements as at 31st December 2020;
- having seen the statutory auditors' report to the shareholders' meeting pursuant to Article 153 of Legislative Decree 58/1998 (the Consolidated Law on Finance, TUF);
- having viewed the external auditor's report on the separate financial statements as at 31st December 2020.

resolves

to approve the Company's Separate Financial Statements for the year ended 31st December 2020 as a whole and in the individual entries and to cover the loss for the financial year with other reserves.

For the Board of Directors
The Chairman
Massimo Moratti

SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31ST DECEMBER 2020

SARAS SPA – STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

Thousands of EUR	(1)	(2)	31/12/2020	31/12/2019
ASSETS				
Current financial assets	**5.1**		**1,973,874**	**1,716,815**
Cash and cash equivalents	5.1.1	A	517,620	271,637
of which with related parties:			*0*	*17*
Other financial assets	5.1.2	B	611,182	188,073
of which with related parties:			*551,187*	*150,843*
Trade receivables from third parties	5.1.3	C	241,048	326,645
of which with related parties:			*181,300*	*113,199*
Inventories	5.1.4	D	585,398	858,904
Current tax assets	5.1.5	E	7,602	67,109
Other assets	5.1.6	F	11,024	4,447
Non-current assets	**5.2**		**725,299**	**723,397**
Property, plant and equipment	5.2.1	H	9,511	12,746
Intangible assets	5.2.2	J	2,727	1,979
Right-of-use of leased assets	5.2.3	I	5,284	7,266
Equity investments measured at cost	5.2.3.1	L	684,713	697,233
Other investments	5.2.3.2	L	495	495
Deferred tax assets	5.2.4	X	19,191	0
Other financial assets	5.2.5	M	3,378	3,678
Total assets			**2,699,173**	**2,440,212**
LIABILITIES AND EQUITY				
Current liabilities	**5.3**		**1,462,504**	**1,541,162**
Short-term financial liabilities	5.3.1	R	640,469	213,265
of which with related parties:			*417,267*	*67,151*
Trade and other payables	5.3.2	R	731,957	1,234,181
of which with related parties:			*117,311*	*141,332*
Tax liabilities	5.3.3	X	67,011	60,749
Other liabilities	5.3.4	R	23,067	32,967
of which with related parties:			*12,398*	*22,794*
Non-current liabilities	**5.4**		**621,245**	**220,255**
Long-term financial liabilities	5.4.1	R	612,199	214,422
Provisions for risks and charges	5.4.2	P, Z	7,060	1,696
Provisions for employee benefits	5.4.3	Q	1,986	2,356
Deferred tax liabilities	5.4.4		0	1,781
Other liabilities	5.4.5	R	0	0
Total liabilities			**2,083,749**	**1,761,417**
EQUITY	**5.5**	**N, O, W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			615,066	535,736
Net result			(65,198)	77,503
Total equity			**615,424**	**678,795**
Total liabilities and equity			**2,699,173**	**2,440,212**

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

(2) Please refer to the Notes, section 3.1 "Summary of accounting standards and policies adopted"

SARAS SPA – STATEMENT OF INCOME FOR 2020

Thousands of EUR	(1)	(2)	01/01/2020 31/12/2020	of which non-recurring	01/01/2019 31/12/2019	of which non-recurring
Revenues from ordinary operations	6.1.1	S	4,658,299		8,462,671	
of which with related parties:			*534,707*		*911,793*	
Other income	6.1.2	S	65,142		55,493	
of which with related parties:			*40,694*		*34,596*	
Total returns			**4,723,441**	***0***	**8,518,164**	***0***
Purchases of raw materials, consumables and supplies	6.2.1	T	(4,369,592)		(7,709,509)	
of which with related parties:			*(851,248)*		*(1,721,765)*	
Cost of services and sundry costs	6.2.2	T, Z	(376,183)		(655,161)	
of which with related parties:			*(217,155)*		*(334,750)*	
Personnel costs	6.2.3	T, Q	(38,200)	(3,912)	(33,393)	
Depreciation/amortisation and write-downs	6.2.4	H, J	(5,879)		(6,030)	
Total costs			**(4,789,854)**	***(3,912)***	**(8,404,093)**	***0***
Operating result			**(66,413)**	***(3,912)***	**114,071**	***0***
Net income (charges) from equity investments	6.3	L, W	(15,620)		2,682	
of which with related parties:			*(15,620)*		*2,682*	
Financial income	6.4	U, Y	70,597		61,569	
of which with related parties:			*7,760*		*6,731*	
Financial charges	6.4	U, Y	(71,459)		(71,589)	
of which with related parties:			*(77)*		*(354)*	
Result before taxes			**(82,895)**	***(3,912)***	**106,733**	***0***
Income tax	6.5	X	17,697	939	(29,230)	
Net result			**(65,198)**	***(2,973)***	**77,503**	***0***

SARAS SPA – STATEMENT OF COMPREHENSIVE INCOME FOR 2019

Thousands of EUR		01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net result (A)		**(65,198)**	**77,503**
Items that may be reclassified subsequently to profit or loss			
Items that will not be reclassified to profit or loss			
Actuarial effect IAS 19 on employee post-employment benefits	Q, T	(53)	(213)
Other profit/(loss), net of the fiscal effect (B)		**(53)**	**(213)**
Consolidated net result (A + B)		**(65,251)**	**77,290**
Consolidated net result for the period attributable to:			
Shareholders of the parent company		(65,251)	77,290
Third-party minority interests		0	0

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

(2) Please refer to the Notes, section 3.1 “Summary of accounting standards and policies adopted”

SARAS SPA – STATEMENT OF CHANGES IN EQUITY FOR 2020

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) for the year	Total equity
Balance at 31/12/2018	**54,630**	**10,926**	**432,781**	**176,820**	**675,157**
Period 01/01/2019 - 31/12/2019					
Allocation of previous year result			176,820	(176,820)	0
Dividend Distribution			(75,310)		(75,310)
Employee share plan reserve			1,658		1,658
Actuarial effect IAS 19			(213)		(213)
F.T.A. effect IFRS 9					0
Net result				77,503	77,503
Total net result			*(213)*	*77,503*	*77,290*
Balance at 31/12/2019	**54,630**	**10,926**	**535,736**	**77,503**	**678,795**
Period 01/01/2020 - 31/12/2020					
Allocation of previous year result			77,503	(77,503)	0
Dividend Distribution			0		0
Employee share plan reserve			1,880		1,880
Actuarial effect IAS 19			(53)		(53)
F.T.A. effect IFRS 9					0
Net result				(65,198)	(65,198)
Total net result			*(53)*	*(65,198)*	*(65,198)*
Balance at 31/12/2020	**54,630**	**10,926**	**615,066**	**(65,198)**	**615,424**

SARAS SPA – STATEMENT OF CASH FLOW FOR 2020

Thousands of EUR	(1)	(2)	01/01/2020 31/12/2020	01/01/2019 31/12/2019
A - Initial cash and cash equivalents	**5.1.1**	A	**271,637**	**244,023**
B - Cash flow from (for) operating activities				
Net result	5.5		(65,198)	77,503
Unrealised exchange rate differences on bank current accounts			(3,082)	(256)
Amortisation, depreciation and write-downs of assets	6.2.4	H, J	5,879	6,030
Net income (charges) from equity investments	6.3	L	15,620	(2,682)
of which with related parties:			*15,620*	*(2,682)*
Net change in provisions for risks	5.4.2	P, Z	5,364	(1,438)
Net change in provision for employee benefits	5.4.3	Q	(370)	46
Net change in deferred tax liabilities and deferred tax assets	5.2.4	X	(20,972)	14,462
Net interest		U, Y	4,034	7,779
Income tax set aside	6.5	X	50,202	14,768
Change FV financial assets for trading and financial liabilities			38,609	12,241
Other non-monetary components	5.5		1,827	1,445
Profit (loss) of operating activities before monetary and non-monetary differences in working capital			**31,913**	**129,898**
(Increase) Decrease in trade receivables	5.1.3	C	85,597	11,258
of which with related parties:			*(68,101)*	*130,700*
(Increase) Decrease in inventories	5.1.4	D	273,506	(178,846)
(Increase) Decrease in trade and other payables	5.3.2	R	(502,224)	456,271
of which with related parties:			*(24,020)*	*(65,671)*
Change other current assets	5.1.5 - 5.1.6	E, F	52,930	(55,981)
of which with related parties:			*0*	*(12,711)*
Change other current liabilities	5.3.3 - 5.3.4	X, R	15,506	44,797
of which with related parties:			*10,396*	*13,185*
Interest received		U, Y	8,938	8,122
of which with related parties:			*7,760*	*6,731*
Interest paid		U, Y	(12,972)	(15,901)
of which with related parties:			*(77)*	*(354)*
Income taxes paid		E, X	(69,346)	(69,346)
Change other non-current liabilities	5.4.4	R	0	(1,721)
Total (B)			**(116,152)**	**328,551**
C - Cash flow from (for) investment activities				
(Net investments) in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(1,410)	(13,720)
Change investments	5.2.3.1	L	(3,100)	2,682
(Increase) / decrease in other financial assets	5.1.2 - 5.2.5	B, M	(372,644)	(79,791)
Total (C)			**(377,154)**	**(90,829)**
D - Cash flow from (for) financing activities				
Increase / (decrease) m/l-term financial payables	5.4.1	R	397,777	(41,579)
Increase / (decrease) short-term financial payables	5.3.1	R	338,430	(93,475)
of which with related parties:			*350,116*	*257,801*
Distribution of dividends and treasury share purchases	5.5	V	0	(75,310)
Total (D)			**736,207**	**(210,364)**
E - Cash flows for the period (B+C+D)			**242,901**	**27,358**
Unrealised exchange rate differences on bank current accounts			3,082	256
F - Final cash and cash equivalents			**517,620**	**271,637**

(1) Please refer to the Notes, section 5 “Notes to the Statement of Financial Position” and section 6 “Notes to the Statement of Comprehensive Income”

(2) Please refer to the Notes, section 3.1 “Summary of accounting standards and policies adopted”

For the Board of Directors - The Chairman

Massimo Moratti

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31ST DECEMBER 2020

TABLE OF CONTENTS OF THE NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31ST DECEMBER 2020

1 INTRODUCTION

2 BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

3 ACCOUNTING STANDARDS APPLIED

3.1 Summary of accounting standards and basis of measurement
3.2 Use of estimates and discretionary evaluations, also as a consequence of Covid-19
3.3 Most significant accounting policies requiring a greater degree of discretion

4 INFORMATION BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA

4.1 Introduction
4.2 Information by geographical area

5 NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 Current assets
- 5.1.1 Cash and cash equivalents
- 5.1.2 Other financial assets held for trading
- 5.1.3 Trade receivables
- 5.1.4 Inventories
- 5.1.5 Current tax assets
- 5.1.6 Other assets

5.2 Non-current assets
- 5.2.1 Property, plant and equipment
- 5.2.2 Intangible assets
- 5.2.3 Right-of-use of leased assets
- 5.2.4 Equity investments
  - 5.2.4.1 Equity investments measured at cost
  - 5.2.4.2 Other investments
- 5.2.5 Prepaid tax assets
- 5.2.6 Other financial assets

5.3 Current liabilities
- 5.3.1 Short-term financial liabilities
- 5.3.2 Trade and other payables
- 5.3.3 Tax liabilities
- 5.3.4 Other liabilities

5.4 Non-current liabilities
- 5.4.1 Long-term financial liabilities
- 5.4.2 Provisions for risks and charges
- 5.4.3 Provisions for employee benefits
- 5.4.4 Deferred tax liabilities
- 5.4.5 Other liabilities

5.5 Shareholders' equity

6 NOTES TO THE INCOME STATEMENT

6.1 Revenues
- 6.1.1 Revenues from ordinary operations
- 6.1.2 Other income

6.2 Costs
- 6.2.1 Purchases of raw materials, supplies and consumables
- 6.2.2 Costs of services and sundry costs
- 6.2.3 Personnel expense
- 6.2.4 Depreciation/amortisation and write-downs

6.3 Net income (charges) from equity investments

6.4 Financial income and charges

6.5 Income taxes

7 OTHER INFORMATION

7.1 Main legal actions pending

7.2 Related-party transactions

7.3 Information pursuant to IFRS 7 and 13 Financial Instruments: Disclosures
- 7.3.1 Information on the Statement of Financial Position
- 7.3.2 Information on the Income Statement
- 7.3.3 Supplementary information
  - 7.3.3.1 Accounting for derivative transactions
  - 7.3.3.2 Fair value
- 7.3.4 Risks deriving from financial instruments
  - 7.3.4.1 Credit risk
  - 7.3.4.2 Liquidity risk
  - 7.3.4.3 Market risk

7.4 Average staff numbers

7.5 Tables showing the remuneration and shareholdings of directors and auditors, general managers and managers with strategic responsibilities
- 7.5.1 Remuneration of directors and auditors, general managers and managers with strategic responsabilites
- 7.5.2 Equity investments held by directors, statutory auditors, general managers and key managers

7.6 Equity investments held by directors, statutory auditors, general managers and key managers

7.7 Commitments

7.8 Other

7.9 Subsequent events

8 MISCELLANEOUS

9 PUBLICATION OF THE SEPARATE FINANCIAL STATEMENTS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31ST DECEMBER 2020

1. Introduction

Saras SpA (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 SpA (10.005%) and Stella Holding SpA (10.005%), which together represent 40.02% of the share capital of Saras SpA (excluding treasury shares) under the shareholders' agreement signed by these companies on 24th June 2019. The Company is established until 31st December 2056, as stated in its articles of association.

Saras SpA operates in the Italian and international oil market through the sale of refining derivatives; it also holds total interests (direct and indirect) in companies operating:

- in the refining of crude oil in the plant owned by its Sarlux Srl subsidiary;
- in the sale of oil products in the retail and wholesale markets in Spain (Saras Energia S.A.);
- in the generation and sale of electricity via an integrated gasification combined cycle plant (Sarlux Srl) and a wind farm (Parchi Eolici Ulassai Srl and subsidiary Sardeolica Srl);
- in research activities for environmental sectors (Sartec SpA) and reinsurance (Reasar S.A.).

These Financial Statements for the year ended 31st December 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 Shareholders' Equity and these Notes. All amounts shown in these Notes to the Financial Statements are expressed in thousands of euro, unless otherwise stated.

As described in more detail in the section on the "Covid-19 Impact" of the Report on Operations, the Refining sector is among those that have suffered the most from the effects of the crisis caused by the pandemic, in consequence of which the Mediterranean area operators, such as Saras, have faced an unprecedented situation brought about by the combination of the collapse in the demand for petroleum products, beginning in March with the adoption of lockdown measures by most countries and, on the supply side, by the production cuts introduced in early May by OPEC+ countries, in an effort to support crude oil prices. The high level of volatility in the price 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. This situation was further exacerbated in the second half of the year, when, contrary to expectations, consumption did not pick up in the summer months and this led to unexpectedly high stock levels of the main refined products.

This phenomenon, together with the production cuts mentioned above, that have mainly affected the medium-heavy, high-sulphur crude oils principally used by complex refineries such as Saras, have led to a decline in refining margins resulting in a market context and unexpected sector rationales with respect to the various scenarios that industry analysts had assumed for 2020, immediately prior to the crisis, with demand for oil products worldwide in the month of April plummeting by 25% (35% in the OECD countries) compared to the same period of 2019. This is reflected in the prices of Brent crude oil, which, after having reached almost 70$/bl at the end of 2019, collapsed to the historic lows of 13.2$/bl in mid-April.

In 2020 Brent DTD quotations were on average 27% lower than forecasts. On the product front, gasoline [petrol], the product most affected by lockdown measures together with jet fuel, recorded average prices down by approximately 31% with margins approximately 51% lower than had been forecasted. 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 was approximately 56% lower.

In the second half of the year in particular, the high level of inventories accumulated during the lockdowns - even in the absence of demand for jet fuel, a product derived from middle distillates - and the lack of discounting on high-sulphur crude oils, kept the diesel crack price between $1 and $6/bl. In 2020, the reference refining margin (EMC benchmark) consequently averaged -0.5$/bl, with negative values in particular in the second half of the year. The "pre-Covid" expectations of leading market analysts estimated a positive EMC benchmark of +3$/bl for 2020.

In this unpredictable context, Saras continued its operation incurring, however, due to the described context, unpredictable and significant economic

losses and absorption of cash, which, also due to the completion of the investments that were already in progress, have resulted in a worsening of cash flow generation with a negative Net Financial Position at the end of the financial year equal to a net debt of EUR 120 million.

To contain the impact of the crisis, since the end of March, Saras has implemented several operational and financial measures, adjusting production, both in terms of quantity and quality of distillates, to the changed market scenario and using hedging transactions to ensure a margin on diesel production.

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 company, Saras deemed it appropriate to suspend the dividend proposals on 2019 profits and to authorise the share buy-back plan approved on 2nd March.

Additionally to these measures, which mainly related to the first half of the year, in October 2020 the Company adopted a cost and investment efficiency plan to contain the economic and financial impact of the continuing economic crisis. This plan will enter into full effect in 2021.

Also, in addition to the medium-term loans signed in the first quarter of 2020, the Company obtained new medium/long-term credit lines from a number of leading banks in 2020. In particular, at the end of the year, a loan agreement was signed with a pool of leading Italian financial institutions for EUR 350 million, maturing in 2024, 70% of which is backed by guarantees issued by SACE within the framework of the Italian guarantee programme. The Company was also able to have the lending banks revise for 2020 some financial parameters applicable to the existing credit lines, to take into account the changed market conditions.

The unexpected economic and financial results of 2020, significantly far from imaginable scenarios in the absence of the Covid-caused crisis, were induced by the pandemic emergency. Thus, despite the current uncertainty about the solution's timings, given that the causes are external to the economic system, they should not undermine its fundamentals.

It is believed, therefore, that also for Saras' activities, the business conditions exist for the restoration of profitability in future years and, more specifically, starting from 2022, as a function of a recovery in demand that is more significant and closer to the levels seen prior to the pandemic. In the meantime, the cost containment measures and investments, together with the production plans for 2021, rationalised as a function of the market margins of the various products and, considering the available lines of credit that are sufficient to cover the needs of the next 12 months, permit the company to still continue its operation in an economic and financial equilibrium that will allow it to participate in the anticipated recovery of the market and the consequent restoration of the company's profitability. Therefore, despite the current increase in uncertainty regarding the reasonably foreseeable market scenarios, even for just the short-term, on the basis of the business forecasts developed for 2021, the financial resources that the banking system has made available to the company, the demonstrated willingness to review the financial parameters on the existing payables in accordance with the changed context and considering the plans for cost containment and investments in the medium term, Saras has considered it appropriate to use the going concern assumption for a period of not less than the next twelve months in the preparation of the financial statements for the year 2020.

2. Basis of preparation of the Separate Financial Statements

The Separate Financial Statements of Saras SpA for the year ending 31st December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) 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 of the Council of 19th July 2002 and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree No 38 of 28th 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 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:

- 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 equity.

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

These financial statements were prepared in accordance with the going concern principle, as the Directors determined that there are no financial or operating indicators, among others, signalling criticalities in the Company'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 Company's economic and financial performance is exposed, are described in the dedicated sections of the Report on Operations. A description of how the Company 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. Accounting standards applied

The standards and interpretations which had already been issued at the preparation date of these financial statements and which became effective during the year are listed below. It should be noted that the first application of these new standards did not have any effect on the Company's shareholders' equity.

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process that together significantly contribute to the ability to create an output. Furthermore, it has been clarified that a business can exist without including all the inputs and processes needed to create an output. These amendments had no impact on these financial statements but could have an effect on future financial years if the Company were to carry out business combinations.

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

The amendments to IFRS9 and IAS 39 provide a number of practical expedients that apply to hedge relationships that are directly affected by the reform of the benchmark interest rates. A hedge relationship that is affected by the reform is subject to uncertainties about the timing and extent of cash flows based on the benchmark rate with respect to the hedged instrument. These changes have no impact on these financial statements.

Conceptual Framework for Financial Reporting issued 29th March 2018

The Conceptual Framework does not represent a standard and none of the concepts in it take precedence over the concepts or requirements of a standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers to develop consistent accounting policies for specific circumstances that are not covered by an applicable standard and to assist all parties to understand and interpret the standards.

The revised version of the Conceptual Framework includes some new concepts, provides updated definitions and updated recognition criteria for assets and liabilities and clarifies some important concepts. These changes have no had impact on these financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28th May 2020, the IASB published an amendment to the IFRS 16 standard. The amendment allows a lessee to elect not to apply the IFRS 16 requirements to the accounting effects of contractual modifications regarding rent concessions granted by lessors that are a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient whereby a lessee may elect not to assess whether the rent concession represents a lease modification. A lessee who elects to use this expedient accounts for these concessions as if they were not contractual modifications for the purpose of IFRS 16.

The amendments shall apply to financial statements for which the accounting period starts on or after 1st June 2020. Early adoption is allowed. These changes have no had impact on these 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

In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a new comprehensive standard which covers insurance contracts' recognition and measurement, presentation and disclosure. Once into force, IFRS 17 will replace IFRS 4 Insurance Contracts, published in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life and non-life, direct insurance and re-insurance), regardless of the nature of the entity that issues them, as well as some guarantees and financial instruments with discretionary participation features.

The standard will provide for some limited exceptions. The scope of IFRS 17 is to introduce an accounting model for insurance contracts that is more useful and consistent for insurers. Contrary to the provisions of IFRS 4 which largely maintain the previous accounting policies, IFRS 17 introduces an exhaustive model for all insurance contracts, covering all significant accounting issues. The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation characteristics (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

IFRS 17 will be in force for financial years starting on 1st January 2021 or later and will require the presentation of the comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously. No effects on the Company's financial statements are expected.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by the right to defer settlement;
- that the right of defer must exist at the end of the financial year;
- classification is not affected by the likelihood that the entity will exercise its right to defer;
- only if an embedded derivative in a convertible liability is itself a capital instrument does the liability's maturity have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1st January 2023 and must be applied retrospectively. The Company is currently assessing the impact that the amendments will have on the current situation and whether the renegotiation of existing loan contracts would become necessary; it also keeps updated on the IFRIC discussions on this topic.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB published amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard.

The Board has also added an exception to the valuation standards of IFRS 3 to avoid the risk of potential losses or gains "of the day after" arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.

At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets will not be affected by the update of the references to the Framework for the Preparation and Presentation of Financial Statements.

The amendments will be effective for financial years beginning on 1st January 2022 and are to be applied prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which prohibits an entity from deducting from the cost of property, plant and equipment any amounts received from selling items produced during the period while the entity is preparing the asset for it to be used in the way the entity's management intended. Instead, an entity will recognise such sales proceeds from such products and related costs to produce such products, in the Income Statement.

The amendment will be effective for financial years beginning on or after 1st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the start date of the period preceding the period in which the entity first applies such amendment.

No material effects are expected for the Company with respect to these amendments.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB published amendments to IAS 37 to specify what costs should be considered by an entity when assessing whether a contract is onerous or at a loss.

The amendment provides for the application of an approach called the "directly related cost approach". Costs that relate directly to a contract for the supply of goods or services include both incremental costs as well as costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly rechargeable to the counterparty on the basis of the contract.

The amendments will be effective for financial years beginning on 1st January 2022 or later. The Company will assess the effects of such amendments in the event of contracts for which it has not yet fulfilled all its obligations at the beginning of the first financial year application.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment

allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts accounted for by the parent company, taking into account the date of transition to IFRS by the parent company. This amendment also applies to affiliated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1.

The amendment will be effective for financial years beginning on or after 1st January 2022 and early application is permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. An entity applies such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies the amendment.

The amendment will be effective for financial years beginning on or after 1st January 2022 and early application is permitted. The Company will apply such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies such amendment.

No material effects are expected for the Company with respect to such amendment.

IAS 41 Agriculture – Taxation in fair value measurements
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements in paragraph 22 of IAS 41 relating to the exclusion of cash flows for taxes when the fair value of an asset is assessed for the purpose of IAS 41.

An entity applies this amendment prospectively to the fair value measurement starting from financial years beginning on or after 1st January 2022, early application is permitted.

No material effects are expected for the Company with respect to such amendment.

IASB also approved two amendments to IAS1 and IAS8 in relation with the information on relevant accounting policies and with the definition of an estimate and modification of accounting estimates.

3.1 Summary of accounting standards and basis of measurement

The Financial Statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main valuation criteria used are described below, which are unchanged compared with the previous year, except the comments made in the following paragraph "Notes to the Income Statement" concerning the classification of results from derivative instruments.

A Cash and cash equivalents
Cash and cash equivalents mainly consist of cash on hand, demand deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; overdrafts in bank accounts are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value and changes are reported in the income statement.

B Financial assets
Financial assets are reported at fair value, with any gains reported in the income statement under "Financial income" and "Financial charges". Financial assets consist entirely of derivative contracts, which are discussed in the relevant section below.

C Trade receivables
Trade receivables are measured at fair value on initial recognition. Subsequently, they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows.

At the closing date of each balance sheet, the Company conducts an analysis of any expected losses on trade receivables measured at amortised cost and recognises or adjusts specific provisions for impairment.

The provisions for the above-mentioned expected losses are based on assumptions regarding the risk of default and expected losses. To this end, management uses its professional judgement and historical experience, as well as knowledge of current market conditions and forward estimates at the end of each reporting period.

Expected Credit Loss (ECL), determined using probability of default (PD), loss in case of default (LGD) and exposure to risk in case of default (EAD), is determined as the difference between the cash flows due under the contract and the expected cash flows (including cash inflows) discounted using the original effective interest rate.

The Company essentially applies an analytical approach, on individually significant positions and in the presence of specific information on the significant increase in credit risk. For individual assessments, PD is obtained mainly from external providers such as legal advisors who are entrusted with debt collection cases.

Receivable assignments
Receivable assignments are accounted for in accordance with the method indicated by IAS

39 for the derecognition of financial assets. Consequently, all receivables assigned to the factoring company, when contractual provisions include clauses that involve maintaining significant exposure to the performance of cash flows arising from the receivables assigned, remain recognised in the financial statements.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the Company expects to obtain from their sale as part of its ordinary business activities, also considering sales made after the reporting date, or, for later periods, the expected price curves. The value of crude oil, materials and spare parts is determined by the FIFO method. The value of oil product inventories is calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are recognised at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

G Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised at once (e.g., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Company has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them in full and without delay and (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over that asset.

In cases where the Company has transferred the rights to receive cash flows from an asset or entered into an agreement under which it retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset continues to be recognised in the Company's financial statements to the extent of its residual involvement in the asset. In this case, the Company also recognises an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that continue to be incumbent upon the Company.

When the entity's continuing involvement is a guarantee on the transferred asset, the involvement is measured at the lower of the amount of the asset and the maximum amount of consideration received that the entity may have to repay.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such exchange or change is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in profit or loss.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in preparing the assets for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Maintenance and repair charges are expensed as incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated over their useful life; the residual value of components thus replaced is charged to the income statement.

The carrying amount of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the Company, for the different categories of assets, is the following:

Buildings	18 years
Office furniture and machinery	4 - 8 years
Vehicles	4 years
Other goods	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

Property, plant and equipment and their residual value are revised annually at each reporting date and adjusted accordingly.

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one component differs significantly from that of the others, each component of the asset is depreciated separately in accordance with the component approach.

I Leased goods
Assets held through leasing contracts or contracts granting rights to use third-party assets are recognised as Company assets at their current value or, if lower, at the current value of the minimum lease payments due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. The assets are depreciated on a straight-line basis over the term of the underlying contract and the financial liability is repaid on the basis of the payments provided for in the lease or the right to use.

J Intangible assets
Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

Intangible assets are recorded, where required, with the approval of the Board of Statutory Auditors.

[I] Patent rights, concessions, licences and software (intangible assets with a finite useful life)
Intangible assets with a finite useful life are amortised systematically over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying amount of the assets is checked using the same method applied to "Property, plant and equipment".

[II] Research and development expenses
The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or otherwise relating to other scientific research or technological development are treated as current costs and taken to profit or loss when incurred.

K Impairment of assets
At each reporting date, property, plant and equipment and intangible assets with a finite useful life and equity investments are tested for impairment, originating from both internal and external sources. Where such indicators exist, the recoverable amount of these assets is estimated and any impairment loss duly charged to the income statement. The recoverable amount of an asset is the greater of its fair value minus selling costs and its value in use, where the latter is the present value of the future cash flows that the asset is expected to generate. In determining value in use, future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for impairment no longer exist, the impairment loss is reversed to profit or loss up to the carrying amount that the asset would have had, had it not been impaired and if it had been depreciated.

L Equity investments
Investments in subsidiaries are recorded at purchase cost and reduced for any losses according to the provisions of IAS 36.

The investments included under "Other investments" are measured at fair value, with the impact of any changes in fair value recognised through equity. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value. When the reasons that led to a write-down in previous periods no longer exist, the write-down of the investment is reversed through the income statement.

M Other financial assets
Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following categories:

(i) financial assets measured at amortised cost;

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);

(iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortised cost if held for the purpose of collecting the contractual cash flows (hold-to-collect business model). The application of the amortised cost method results in the recognition in the income statement of interest income determined on the basis of the effective interest rate, exchange rate differences and any write-downs.

The treatment of financial assets linked to derivative instruments is shown under point "Y Derivatives".

N Treasury shares

Treasury shares are recognised at cost and deducted from equity.

O Shareholders' equity

[I] Share capital

Share capital consists of subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise equity-related reserves set aside for a specific purpose; they include retained earnings.

[III] Share-based payments by the Company to employees and management

The Company grants additional benefits to employees and management via the allocation of bonus shares. In accordance with *IFRS 2 (Share-based Payments)*, the cost of stock plans is recognised in profit or loss over the vesting period on a straight-line basis, with a balancing entry in equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and charges

Provisions for risks and charges are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Those risks in respect of which it is only possible to show a future liability are disclosed in the section on commitments and risks and no provision is made.

Q Provisions for employee benefits

The Company provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1st January 2007, the regulations governing post-employment benefits (TFR) were amended to include the option for employees to decide where these are held. Specifically, new post-employment benefits may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- **Amounts set aside to 31st December 2006**

  Post-employment benefits pursuant to Article 2120 of the Italian Civil Code are treated in the same way as "defined benefit plans"; these plans are based on the working life of the employees and on the remuneration they receive over a pre-determined period of service. The liability relating to post-employment benefits is entered on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. The recognition of defined benefit plans requires the estimate of the benefits accrued by the employees in exchange for the service provided using actuarial techniques. These services are then discounted in order to determine the present value of the Company's obligations. The present value of the Company's obligations is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of "accrued benefit methods", considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.

  The cost accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued on the present value of the Company's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

  Following application of IAS 19 revised, actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income.

- **Allocations accrued from 1st January 2007**
  The allocations in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the Company.

  The corresponding liability is determined according to Article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

They are measured, on initial recognition, at fair value and subsequently at amortised cost, using the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally calculated.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the Company. In this case, the assets are not derecognised, the debt for the repurchase is of a financial nature and the difference is recognised in profit and loss as a component of a financial nature.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with a balancing entry in profit or loss at each reporting date.

S Revenue recognition

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums and of directly related taxes.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and expenses are booked on an accruals basis.

V Conversion of items expressed in a currency other than the euro

Foreign currency transactions are translated into euros at the exchange rates ruling on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividends

[A] Dividends received

Dividends received from subsidiaries, joint ventures, affiliates and other holdings are recorded in the income statement when the right of shareholders to receive the payment has been established.

[B] Dividends distributed

The payment of dividends to Company shareholders is recognised as a liability in the statement of financial position of the year in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception both of those relating to equity investments in subsidiaries and when the timing of the reversal of such differences is controlled by the company and it is probable that the differences will not be reversed within a reasonably foreseeable timescale.

In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to equity, in which case the tax effect is taken directly to equity. Current and deferred taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.

Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under equity, in relation to the transaction that generated the underlying deferred tax.

Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".

The Parent Company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to Articles 117-128 of the Consolidated Law on Income Tax (the "Consolidated National Tax"). As a result, a single tax base is created for the Parent

Company and some Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the parent company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivative instruments

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of assets/liabilities), they are recorded at fair value in the income statement; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged.

Derivative financial instruments on commodities, in accordance with IFRS 9, are recognised at fair value with the change in the fair value of the instrument recognised in the income statement and this change is allocated to the items of operating costs to which the hedges refer.

Derivative financial instruments on commodities, realised on the basis of strategies other than the fixing of prices of crude oil and products, are entered at fair value with the recognition of economic effects in financial management items.

Derivative financial instruments on exchange rates and interest rates are recorded at fair value with the change in the fair value of the instrument recognised under financial management items in the income statement.

To determine the fair value of financial instruments listed on active markets, the bid price of the security on the relevant reporting date is used. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Note that most of these stipulated derivatives relate to hedging transactions not subject to "hedge accounting" rules.

Z Segment information

An operating segment is a part of an entity:

- that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
- whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and
- for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area.

3.2 Use of estimates and discretionary evaluations, also as a consequence of Covid-19

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 amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based.

3.3 Significant accounting policies that require a greater degree of discretion

A brief description is provided below of the most significant accounting policies requiring greater discretion by the directors in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[1] Depreciation of fixed assets: depreciation of fixed assets is a significant cost. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The Company periodically reviews technological and sector changes, dismantling charges and the recovery

amount of assets to update their residual useful lives. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Recoverable amount of property, plant and equipment: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the regulatory framework. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

[III] Deferred tax assets: deferred tax assets are accounted for on the basis of expected taxable income in future periods. The measurement of expected income for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[IV] Provisions for risks and impairment losses on current assets: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of current assets is not always straightforward. The directors consider such circumstances on a case-by-case basis and at the same time estimate the amount of financial resources needed to discharge the obligation. Where the directors feel that a liability or the risk of not recovering an asset are only possible, the associated risks are disclosed in the note concerning commitments and risks and no accrual is made. Where the directors feel that a liability or the risk of not recovering an asset are only probable, a special risk provision is recorded.

[V] Recoverable amount of inventories: the estimate of the recoverable amount of inventories entails a valuation process that is highly influenced by the performance of the oil product market, which is exposed to significant changes, including of a short-term nature. Therefore, the net realisable value of crude oil and finished goods at year end is estimated based on the amount that the Company expects to obtain from their sale, by observing the sales taking place after the reporting date. Consequently, this assessment is influenced by market conditions.

[VI] Estimation of the fair value of derivatives: the assessment depends on expectations regarding the trend of the market variables, including commodity prices and exchange rates, the variability and volatility of which depends on factors that are outside the sector.

The trend of market variables, in the medium-long term and in the short term, including the price and supply of crude oil and the worldwide demand of finished products with respect to the processing capacity, are capable of influencing, even significantly, the Company's performance. This represents one of the critical assumptions for the various valuation processes, more specifically for the assessment of assets and of the recoverable value of inventories as well as the volatility of the current values of financial instruments. The underlying valuation processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions that, by their nature, involve the use of a high degree of judgement on the part of Company Management. The same, for this purpose, also considers scenarios expressed by independent sector experts.

4. Information by business segment and geographical area

4.1 Introduction

The Company operates in the Italian and international oil markets as a seller of products derived from the refining process. It is therefore deemed that the Company operates in just one segment.

4.2 Information by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Net revenues from ordinary operations by geographical area:

Revenues from ordinary operations	31/12/2020	31/12/2019	Change
Italy	1,437,603	2,917,500	(1,479,897)
Spain	125,191	256	124,935
Other EEC countries	511,812	1,153,474	(641,662)
Non-EEC	2,355,710	3,854,590	(1,498,880)
USA	227,983	536,851	(308,868)
Total	**4,658,299**	**8,462,671**	**(3,804,372)**

The following table shows a breakdown of trade receivables by geographical area:

Trade receivables	31/12/2020	31/12/2019	Change
Italy	85,951	177,277	(91,326)
Other EEC countries	29,779	17,806	11,973
Non-EEC	127,339	135,296	(7,957)
USA	3,096	1,383	1,713
Bad debt provision	(5,117)	(5,117)	0
Total	**241,048**	**326,645**	**(85,597)**

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are illustrated below.

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:

Cash and cash equivalents	31/12/2020	31/12/2019	Change
Bank and postal deposits	517,595	271,612	245,983
Cash	25	25	0
Total	**517,620**	**271,637**	**245,983**

For further details on the Company's net financial position, reference is made to the relevant section of the Report on Operations and the Statement of cash flows.

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Current financial assets	31/12/2020	31/12/2019	Change
Current Loans vs Group	551,187	150,843	400,344
Current financial derivatives	16,507	14,313	2,194
Deposits to secure derivatives	43,488	22,917	20,571
Total	**611,182**	**188,073**	**423,109**

This item includes the positive fair values of derivatives in place at the reporting date, the guarantee deposits paid to the clearing house and the "Current Group loans". The latter carry interest charged at market rates and are due beyond one year.

5.1.3 Trade receivables

Receivables from customers amounted to EUR 241,048 thousand, with a decrease of EUR 85,597 thousand. 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. The item is shown net of the provision for doubtful receivables of EUR 5,117 thousand.

It also comprises the receivables from group companies, mainly the subsidiaries Saras Energia SAU (EUR 2,942 thousand) and Saras Trading SA (EUR 86,282 thousand) for the supply of oil products and the subsidiary Sarlux Srl (EUR 18,801 thousand) for the supply of raw materials and services. For further analysis, see section 7.4, information under IFRS 7 and 13.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred in 2020:

Inventories	31/12/2020	31/12/2019	Change
Raw materials, consumables and supplies	217,897	399,708	(181,811)
Unfinished products and semi-finished products	76,662	69,344	7,318
Finished products and goods	290,839	389,852	(99,013)
Total	**585,398**	**858,904**	**(273,506)**

The decrease in the value of oil inventories (crude oil and finished products) is essentially due to the combined effect of the decrease in quantities held in stock at the end of the financial year and the decreasing price trend.

In accordance with the accounting standards, the Group valued inventories at the lower of purchase or production cost and recoverable market value and from this comparison it recorded a lower value of inventories – essentially products – of EUR 64 million.

No inventories are used as collateral for liabilities.

The item “Finished products and goods held for resale” includes around 1,014 thousand tonnes of oil products (valued at around EUR 332 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree No. 22 of 31st January 2001 (in the previous year, these stocks amounted to 955 thousand tonnes valued at around EUR 425 million).

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	31/12/2020	31/12/2019	Change
IRES credits	74	59,785	(59,711)
IRAP credits	7,359	7,881	(522)
Other amounts due from the tax authorities	169	(557)	726
Total	**7,602**	**67,109**	**(59,507)**

The decrease in IRES receivables is mainly attributable to the assignment of the tax receivables of Saras SpA requested by way of reimbursement with the latest tax return.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/12/2020	31/12/2019	Change
Prepaid expenses	8,844	2,962	5,882
Other short-term loans	2,180	1,485	695
Total	**11,024**	**4,447**	**6,577**

Prepayments mainly relate to the prepayment for charges related to biofuel regulations.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	31/12/2019
Land and buildings	15,345	0	(11,536)	0	0	3,809
Industrial and commercial equipment	150	0	0	0	0	150
Other goods	16,444	592	0	0	0	17,036
Tangible fixed assets under construction	536	1,036	0	0	0	1,572
Total	**32,475**	**1,628**	**(11,536)**	**0**	**0**	**22,567**

Amortisation Fund	31/12/2018	Amortisation	Use	Write-downs	Other changes	31/12/2019
Land and buildings fund	14,120	433	(12,427)	0	(433)	1,693
Industrial and commercial equipment fund	92	17	0	0	0	109
Other goods	6,674	1,460	(78)	0	(37)	8,019
Total	**20,886**	**1,910**	**(12,505)**	**0**	**(470)**	**9,821**

Net Value	31/12/2018	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2019
Land and buildings	1,225	0	891	(433)	0	433	2,116
Industrial and commercial equipment	58	0	0	(17)	0	(0)	41
Other goods	9,770	592	78	(1,460)	0	37	9,017
Tangible fixed assets under construction	536	1,036	0	0	0	0	1,572
Total	**11,589**	**1,628**	**969**	**(1,910)**	**0**	**470**	**12,746**

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Land and buildings	3,809	0	0	0	0	3,809
Industrial and commercial equipment	150	0	0	0	0	150
Other goods	17,036	0	0	0	138	17,174
Tangible fixed assets under construction	1,572	0	0	0	(1,572)	0
Total	**22,567**	**0**	**0**	**0**	**(1,434)**	**21,133**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Land and buildings fund	1,693	264	0	0	0	1,957
Industrial and commercial equipment fund	109	17	0	0	(1)	125
Other goods	8,019	1,521	0	0	0	9,540
Total	**9,821**	**1,802**	**0**	**0**	**(1)**	**11,622**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Land and buildings	2,116	0	0	(264)	0	0	1,852
Industrial and commercial equipment	42	0	0	(17)	0	0	25
Other goods	9,018	0	0	(1,521)	0	137	7,634
Tangible fixed assets under construction	1,572	0	0	0	0	(1,572)	0
Total	**12,748**	**0**	**0**	**(1,802)**	**0**	**(1,435)**	**9,511**

"Land and buildings" includes office buildings and improvements to the Milan offices.

"Other assets" mainly include furniture and electronic equipment.

"Assets under construction and payments on account" reflect the costs incurred for investments not yet deployed as at 31st December 2020.

The most significant annual depreciation rates used are unchanged comparing to the previous year and are shown below:

Industrial buildings (land and buildings)	5.50%
Supplies (equipment)	25%
Electronic office equipment (other assets)	20%
Office furniture and machinery (other assets)	12%
Vehicles (other assets)	25%

There are no property, plant and equipment held for sale.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	31/12/2019
Industrial patent and original work rights	27,509	194	0	0	0	27,703
Intangible assets under construction	72	1,017	0	0	0	1,089
Total	**27,581**	**1,211**	**0**	**0**	**0**	**28,792**

Amortisation Fund	31/12/2018	Amortisation	Use	Write-downs	Other changes	31/12/2019
Industrial patent and original work rights	24,869	1,944	0	0	0	26,813
Total	**24,869**	**1,944**	**0**	**0**	**0**	**26,813**

Net Value	31/12/2018	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2019
Industrial patent and original work rights	2,640	194	0	(1,944)	0	0	890
Intangible assets under construction	72	1,017	0	0	0	0	1,089
Total	**2,712**	**1,211**	**0**	**(1,944)**	**0**	**0**	**1,979**

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	27,703	0	0	0	2,794	30,497
Intangible assets under construction	1,089	2,505	0	0	(2,794)	800
Total	**28,792**	**2,505**	**0**	**0**	**0**	**31,297**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	26,813	1,757	0	0	0	28,570
Other intangible fixed assets	0	0	0	0	0	0
Total	**26,813**	**1,757**	**0**	**0**	**0**	**28,570**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	890	0	0	(1,757)	0	2,794	1,927
Intangible assets under construction	1,089	2,505	0	0	0	(2,794)	800
Total	**1,979**	**2,505**	**0**	**(1,757)**	**0**	**0**	**2,727**

Amortisation of intangible assets totalled EUR 1,757 thousand and was calculated using the annual rates shown below.

The main items are unchanged comparing to the previous year and are set out in detail below.

Industrial patent rights and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	5% - 33%
Other intangible assets	6% - 33%

The content of the main items is shown below.

Industrial patent and original work rights
The balance of this item mainly relates to the costs incurred to acquire software licences.

Fixed assets under construction and payments on account
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

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

Historical Cost	31/12/2018	Increases	Decreases	Write-downs	Other changes	31/12/2019
Leased land and buildings	0	7,887	0	0	0	7,887
Other leased assets	0	1,556	0	0	0	1,556
Total	**0**	**9,443**	**0**	**0**	**0**	**9,443**

Amortisation Fund	31/12/2018	Amortisation	Use	Write-downs	Other changes	31/12/2019
Leased land and buildings provision	0	1,567	0	0	0	1,567
Other leased assets	0	609	0	0	1	610
Total	**0**	**2,176**	**0**	**0**	**1**	**2,177**

Net Value	31/12/2018	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2019
Leased land and buildings	0	7,887	0	(1,567)	0	0	6,320
Other leased assets	0	1,556	0	(609)	0	(1)	946
Total	**0**	**9,443**	**0**	**(2,178)**	**0**	**(1)**	**7,266**

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Leased land and buildings	7,887	0	0	0	0	7,887
Other leased assets	1,556	338	0	0	0	1,894
Total	**9,443**	**338**	**0**	**0**	**0**	**9,781**

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Leased land and buildings provision	1,567	1,682	0	0	0	3,249
Other leased assets	610	638	0	0	0	1,248
Total	**2,177**	**2,320**	**0**	**0**	**0**	**4,497**

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Leased land and buildings	6,320	0	0	(1,682)	0	0	4,638
Other leased assets	946	338	0	(638)	0	0	646
Total	**7,267**	**338**	**0**	**(2,320)**	**0**	**0**	**5,284**

The balance at 31st December 2020, of EUR 5,284 thousand, relates to the application of the standard IFRS 16 - Leases. The registration essentially refers to the following types of contracts:

1) Leases of buildings to be used as management and commercial premises;

2) Company car fleets: these are long-term lease contracts on company cars used by employees in various administrative and commercial sites.

5.2.4 Equity investments

5.2.4.1 Equity investments measured at cost

The table below shows the list of equity investments as at 31st December 2020, indicating the main information relating to subsidiaries at the same date:

List of fixed financial assets							
Name	Registered office	Currency	Share Capital	Amount owned	Holdings	Assets net	Carrying value in Saras SpA
Deposito di Arcola Srl	Arcola (SP)	EUR	1,000,000	100%	Subsidiary	1,521,002	0
Sardeolica Srl	Uta (CA)	EUR	56,696	100%	Subsidiary	105,387,894	33,613,000
Sarint SA	Luxembourg	EUR	50,705,314	99.9% (*)	Subsidiary	7,374,786	0
Sartec Srl	Assemini (CA)	EUR	3,600,000	100%	Subsidiary	11,781,720	11,781,720
Saras Trading SA	Geneva (Switzerland)	USD	981,547	100%	Subsidiary	5,429,229	923,446
Sarlux Srl	Sarroch (CA)	EUR	100,000,000	100%	Subsidiary	680,450,002	638,395,086
Total							**684,713,253**

(*) The subsidiary Deposito di Arcola Srl owns the remaining 0.1% share of Sarint SA

A comparison with the figures for the previous year is shown below

	Registered office	% ownership	31/12/2020	31/12/2019
Deposito di Arcola Srl	Arcola (SP)	100%	0	0
Sardeolica Srl	Uta (CA)	100%	33,613	33,613
Sarint SA	Luxembourg	99.9%	0	6,919
Sartec Srl	Assemini (CA)	100%	11,782	17,383
Saras Trading SA	Geneva (Switzerland)	100%	923	923
Sarlux Srl	Sarroch (CA)	100%	638,395	638,395
Total			**684,713**	**697,233**

Changes in the carrying amount are as follows:

	31/12/2019	Payments	Revaluations	Other changes	Impairment	31/12/2020
Deposito di Arcola Srl	0	0	0	0	0	0
Sardeolica Srl	33,613	0	0	0	0	33,613
Sarint SA	6,919	0	0	0	6,919	0
Sartec Srl	17,383	0	0	0	5,601	11,782
Saras Trading SA	923	0	0	0	0	923
Sarlux Srl	638,395	0	0	0	0	638,395
Total	**697,233**	**0**	**0**	**0**	**12,520**	**684,713**

The impairment loss recorded in the financial year refers to the adjustment of the value of some subsidiaries to align the book value to their net equity. Should the net equity of the subsidiary be negative, Saras booked a provision to reflect the effects of the future capitalization to be done.

None of the direct and indirect subsidiaries of Saras SpA is listed on the regulated market.

5.2.4.2 Other investments

This item includes the 4.01% stake in Sarda Factoring SpA of EUR 495 thousand.

5.2.5 Prepaid tax assets

Prepaid tax assets (EUR 19,191 thousand as at 31st December 2020 and EUR 1,781 thousand as deferred taxes as at 31st December 2019) are shown below net of deferred taxes and break down as follows:

Figures in thousands of EUR				
Deferred tax assets	**Total 31/12/2019**	**Accruals**	**Reversal**	**Total 31/12/2020**
Expenses deductible in future years	914	1,041	548	1,408
Provisions for risks and charges (taxed)	0	0	0	0
Tax assets tax loss transferred to National Consolidated	0	18,699	0	18,699
Provision for bad debts	1,032	0	0	1,032
Other residual items	247	756	247	756
Total deferred taxes	**2,193**	**20,496**	**795**	**21,894**
Deferred tax liabilities	**Total 31/12/2019**	**Accruals**	**Reversal**	**Total 31/12/2020**
Tax assets tax loss transferred to National Consolidated	1,077	0	1,077	0
Other residual items	2,898	2,703	2,898	2,703
Total deferred taxes	**3,974**	**2,703**	**3,974**	**2,703**
Total net	**(1,782)**	**17,793**	**(3,179)**	**19,191**

The most significant current change is due to the different tax value of the inventories compared to the statutory value expressed in the financial statements.

All deferred tax assets\liabilities are non-current.

5.2.6 Other financial assets

At 31st December 2020, this item amounts to EUR 3,378 thou-sand (EUR 3,678 thousand in the previous year) and mainly relates to medium-/long-term receivables.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	31/12/2020	31/12/2019	Change
Short term bank loans	19,059	70,017	(50,958)
Financial payables from Group companies	83,454	67,151	16,303
Bank current accounts	448,165	7,969	440,196
Financial derivatives	55,116	26,554	28,562
Other short-term financial liabilities	34,675	41,574	(6,899)
Total	**640,469**	**213,265**	**427,204**

The item "Current bank loans" includes the short-term portion of bank loans, which are valued at amortised cost. The terms and conditions of the loans and bonds are described in the subsequent note "5.5.1 - 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. The Parent Company, Saras, also has a revolving credit facility of up to EUR 305 million in place: the amount used as of 31st December 2020 was EUR 80 million.

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

The item "Derivative financial instruments" includes the negative fair value of derivative financial instruments held at year-end.

The item "Loans from Group companies" include the balances of loans from Group Companies and the negative balance of the centralized Group treasury.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/12/2020	31/12/2019	Change
Customers advances account	1,265	63,211	(61,946)
Payables to current suppliers	614,288	1,029,639	(415,351)
Trade payables to group companies	116,404	141,331	(24,927)
Total	**731,957**	**1,234,181**	**(502,224)**

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

The balance of "Trade payables" essentially includes payables for crude oil supplies; the decrease compared to the previous financial year is mainly due to the combined effect of lower purchases of crude oil and petroleum products made at the end of the financial year and the decrease of oil prices, compared to the previous financial year.

"Trade payables to Group companies" essentially include payables to Sarlux Srl and Saras Trading SA amounting to EUR 9,853 thousand and EUR 100,454 thousand, respectively.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Tax liabilities	31/12/2020	31/12/2019	Change
Payables for VAT	8,853	831	8,022
IRAP payables	58,158	59,918	(1,760)
Total	**67,011**	**60,749**	**6,262**

"Other tax payables" mainly include payables for excise duties on products released for consumption totalling EUR 56,334 thousand).

5.3.4 Other liabilities

The breakdown of other liabilities is shown below:

Other current liabilities	31/12/2020	31/12/2019	Change
Payables employee benefit and social security	3,135	3,184	(49)
Payables due to employees	6,040	3,684	2,356
Payables to subsidiaries for transfer of taxes	11,853	22,794	(10,941)
Other current payables	1,714	3,085	(1,371)
Accrued liabilities	325	220	105
Total	**23,067**	**32,967**	**(9,900)**

"Payables due to employees" include the December remuneration yet to be paid, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item "Payables to subsidiaries for tax transfers" includes the payable to subsidiaries for taxes transferred pursuant to the aforementioned tax consolidation agreements. The balance is essentially due to the taxes transferred by the subsidiary Sarlux Srl.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/12/2020	31/12/2019	Change
Non-current bonds	199,344	198,994	350
Non-current bank loans	399,236	0	399,236
Other long-term financial liabilities	13,619	15,428	(1,809)
Total	**612,199**	**214,422**	**397,777**

It comprises the medium/long-term portions of the bank loans taken out by the Company and renegotiated in the previous year. These are summarised as follows (values in millions of euros):

Values expressed in millions of EUR	Commencement / Debt renegotiation	Original amount	Rate base	Balance at 31/12/2018	Balance at 31/12/2019	Maturities 1 year	1 > 5 years
Saras SpA							
Bond	December 2017	200	1.7%	199,0	199,3		199,3
Unicredit	February 2020	50	6M Euribor	49,4	49,2		49,2
Sace loan	December 2020	350	0.95%	-	350,0		350,0
Total liabilities to banks for loans				**248,4**	**605,6**	**-**	**605,6**

The "Long-term financial liabilities" include a bond with a total nominal value of EUR 200 million, maturing on 28th December 2022 and a fixed coupon of 1.70% on an annual basis represented by a private placement of bonds with the Austrian multilateral trading system, Third Market, which belongs to Wiener Börse AG.

During the month of December 2020 - SARAS signed a EUR 350 million loan contract with 70% of the amount assisted by SACE guarantees issued under the Italy Guarantee programme and intended to strengthen the capital structure of the Company. The loan was organised and underwritten by a pool of leading Italian financial institutions, composed of Banco BPM, Intesa Sanpaolo and UniCredit as Mandated Lead Arrangers and Lender Banks. Intesa Sanpaolo will cover the role of Custodian Bank, Agent Bank and SACE Agent.

The transaction is part of a financial consolidation plan put in place by Saras to address the effects of the Covid-19 emergency and, in line with the provisions of the "Liquidity Decree" of 9th April 2020 and the SACE legislation, will be mainly aimed at supporting the Company's working capital.

The loan was provided in a lump sum and will mature on 30th September 2024, with a grace period of 9 months and provides for a repayment in constant quarterly instalments starting from the end of December 2021, at a rate, inclusive of the cost of the SACE guarantee, in line with the average cost of the Group's debt.

The company was able to have the lending banks revise the financial parameters applicable to the existing credit lines, to take into account the changed market conditions. Financial parameters are measured on six-month basis.

5.4.2 Provisions for risks and charges

Provisions for risks and charges may be analysed as follows:

Provisions for risks and charges	31/12/2018	Provisions	Use	Other changes	31/12/2019
Other funds for risks and charges	1,696	5,332	0	32	7,060
Total	**1,696**	**5,332**	**0**	**32**	**7,060**

"Other risk provisions" mainly refer to provisions accrued in respect of tax and legal contingent liabilities. The provision of the financial year refers mainly to a collective agreement to incentivise the anticipated termination of the employment relationship, and to a provisional accrual to reflect the probable need to capitalized one subsidiary during 2021.

5.4.3 Provisions for employee benefits

The balance breaks down as follows:

Provisions for employee benefits	31/12/2020	31/12/2019	Change
Post-employment benefits	1,986	2,356	(370)
Total	**1,986**	**2,356**	**(370)**

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 31st December 2006 was determined using actuarial methods, in compliance with IAS19. The impact of actuarial evaluation are shown in the Comprehensive Income.

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

31/12/2018	**2,310**
Provision part for defined contributions	1,484
Interest	17
actuarial (income)/charges	(54)
Utilisations/ Contributions to supplementary funds or INPS Treasury	(1,401)
31/12/2019	**2,356**
Provision part for defined contributions	1,533
Interest	8
actuarial (income)/charges	(403)
Utilisations/ Contributions to supplementary funds or INPS Treasury	(1,508)
31/12/2020	**1,986**

5.4.4 Deferred tax liabilities

Deferred tax liabilities at 31st December 2020 are shown as a decrease in the item "Prepaid tax assets", to which reference is made.

5.5 Shareholders' equity

Shareholders' equity is comprised of by the following:

Total equity	31/12/2020	31/12/2019	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	615,066	535,736	79,330
Net profit (loss) for the year	(65,198)	77,503	(142,701)
Total	**615,424**	**678,795**	**(63,371)**

Share capital

As at 31st December 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 caption totals EUR 615,066 thousand, up by a net EUR 79,330 thousand compared with the previous year-end balance.
The net increase was the combined result of:

- an increase due to the allocation of the previous year's profit, of EUR 77,503 thousand;
- increase of EUR 1,880 thousand in the reserve for the bonus issue to all employees under the Company's stock grant plans;
- decrease of EUR 53 thousand, due to the effect of IAS 19 discounting.

Net result
The loss for the financial year amounts to EUR 65,198 thousand.

Restrictions on the distribution of equity reserves
The table below breaks down equity reserves as at 31st December 2020 into the available portion, the non-distributable portion and the distributable portion:

Equity captions	Amount	Possibility of use	Amount available	Summary of uses performed in the three previous years:	
				for loss coverage	for other reasons
Share Capital	**54,629,667**				
Capital reserves:					
Share premium reserve	338,672,775	A - B - C	338,672,775		
Profit reserves:					
Revaluation reserve	0		0	64,037,748	
Legal reserve	10,925,934	B			
Profit (loss) carried forward	162,636,112	A - B - C	162,636,112		
Other reserves:					
Extraordinary reserve	208,881,487			169,789,234	
Treasury shares in portfolio	(25,035,523)				
Transition effect IFRS on undistributed profits	(71,280,549)				
	112,565,415	A - B - C	112,565,415 (*)		
Employee ownership reserve	3,047,633				
Non-distributable reserve pursuant to Art. 7, paragraph 6 of Legislative Decree 38/05	0		0	19,658,569	
Merger surplus	0		0	85,068,436	
Other reserves	(1,855,731)	A - B - C	(1,855,731)	102,722,648	
TOTAL	**680,621,805**		**612,018,571**		
Non-distributable amount			0		
Residual distributable share			612,018,571		

Legend: A – for capital increase / B – for covering losses / C – for distribution to shareholders / (*): of which subject to deferred taxation

On 22nd May 2019, the Ordinary Shareholders' Meeting of Saras SpA, called for the approval of the Financial Statements as at 31st December 2019, resolved to allocate the entire 2019 net profit to the extraordinary reserve.

With regard to the financial year ended 31st December 2020, the Board of Directors proposed to the Shareholders' Meeting called on 12th May 2021 to cover the loss for the financial year by using the other reserves.

The average number of shares outstanding was 941,779,784 in 2020, an increase compared to the average number of shares outstanding in 2019 due to the allotment in May 2019 of shares at the end of the 2016/2018 Stock Grant Plan.

As at 31st December 2020, Saras SpA held 9,220,216 treasury shares as a result of the bonus allocation of shares to the management of Group companies.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

Revenue from sales and services (EUR 4,658,299 thousand compared with EUR 8,462,671 thousand in the previous year) rose by EUR 3,804,372 thousand. The decrease in "Revenues from sales and services" is essentially due to the trend in the price of oil products during the year and to the slight decrease in volumes sold.

Revenues from ordinary operations are broken down by geographical area in paragraph 4 above.

6.1.2 Other income

The following table shows a breakdown of "Other income":

Other operating revenues	31/12/2020	31/12/2019	Change
Compensation for storage of mandatory stocks	11,471	10,129	1,342
Sale various materials	26	5	21
Ship tanks hire	7,002	8,018	(1,016)
Recovery for claims and compensation	436	777	(341)
Other revenues	46,207	36,564	9,643
Total	**65,142**	**55,493**	**9,649**

The item "Other revenues" essentially comprises charges to the subsidiary Sarlux Srl for services provided under service agreements.

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, supplies and consumables	31/12/2020	31/12/2019	Change
Purchase of raw materials	3,175,597	5,901,403	(2,725,806)
Purchase semi-finished products	63,654	342,960	(279,306)
Purchase supplies and consumables	630	545	85
Purchase finished products	855,713	1,653,596	(797,883)
Change in inventories	273,998	(188,995)	462,993
Total	**4,369,592**	**7,709,509**	**(3,339,917)**

The negative change in costs for the purchase of raw, ancillary and consumable materials totalled EUR 3,339,917 thousand compared to the previous financial year; this change is essentially attributable to the trend in the prices of petroleum products and the quantities purchased during the year.

6.2.2 Cost of services and sundry costs

Services and sundry costs	31/12/2020	31/12/2019	Change
Costs for services	441,185	590,810	(149,625)
Derivatives on crude oil and petroleum products	(77,992)	57,730	(135,722)
Costs for use of third-party goods	5,209	3,242	1,967
Other operating costs	7,781	3,379	4,402
Total	**376,183**	**655,161**	**(278,978)**

Service costs mainly comprise the processing costs paid to the subsidiary Sarlux Srl. The change compared to the previous financial year is due to both the decrease in the quantities processed and the decrease in the processing margin.

"Other operating costs" mainly comprise membership fees, non-income taxes and contingencies.

6.2.3 Personnel expense

The breakdown of "Personnel costs" is as follows:

Personnel costs	31/12/2020	31/12/2019	Change
Salaries and wages	25,909	22,958	2,951
Social security contributions	5,923	6,315	(392)
Post-employment benefits	1,533	1,484	49
Other costs	2,793	566	2,227
Remuneration to the Board of Directors	2,042	2,070	(28)
Total	**38,200**	**33,393**	**4,807**

Labour costs increased by EUR 4,807 thousand compared to the previous year, mainly due to the effect of the company's collective agreement to incentivise the anticipated termination of the employment relationship implemented by the Group and that is going to end in 2021.

Saras, to address the economic consequences of the Coronavirus pandemic, put in place certain measures to contain costs, including the use of social safety nets for the Group's staff. The company has in fact reached an agreement with the unions for the start of partial lay-offs for all Group employees, a measure that started on 26th October and, according to estimates, will last until 30th June 2021.

It should be noted that the item also includes the valuation of the amount for the financial year relating to the stock grant plans.

The new Plan for the free assignment of shares of the Company to the management of the Saras Group (the "2019/2022 Stock Grant Plan" or the "Plan") was launched in June 2019 by assigning the maximum number of shares for the recipients of the Plan. The cost for the year, relating to the plan, amounted to EUR 1,536 thousand.

6.2.4 Depreciation/amortisation and write-downs

"Amortisation, depreciation and write-downs of fixed assets" are shown below:

Depreciation/amortisation and write-downs	31/12/2020	31/12/2019	Change
Amortisation of intangible assets	1,757	1,944	(187)
Depreciation of tangible assets	1,802	1,910	(108)
Total	**3,559**	**3,854**	**(295)**

"Amortisation, depreciation and write-downs" break down as follows:

Amortisation of leased items	31/12/2020	31/12/2019	Change
Amortisation of leased tangible fixed assets	2,320	2,176	144
Total	**2,320**	**2,176**	**144**

This item represents the effect of IFRS 16.

6.3 Net income (charges) from equity investments

Net income (charges) from equity investments	31/12/2020	31/12/2019	Change
Income from equity investments	0	2,682	(2,682)
Value adjustments to assets	(15,620)	0	(15,620)
Total	**(15,620)**	**2,682**	**(18,302)**

Value adjustments refer to the write-down of equity

investments in Sarint and Sartec in order to adjust their value to the value of their shareholders' equity, reduced due to losses for the year. As above mentioned (see paragraph 5.4.2), it is likely that Saras will have to capitalized Sarint SA to restore its equity.

6.4 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/12/2020	31/12/2019	Change
Bank interest income	1,221	1,391	(170)
Unrealised differences on derivatives	0	173	(173)
Realised differences on derivatives	8,684	43	8,641
Interest from subsidiaries	7,717	6,731	986
Profit on exchange rates	52,975	53,231	(256)
Total	**70,597**	**61,569**	**9,028**

Financial charges	31/12/2020	31/12/2019	Change
Unrealised differences on derivatives	(2,123)	(3,206)	1,083
Realised differences on derivatives	(249)	(3,535)	3,286
Interest expenses on loans	(5,621)	(5,271)	(350)
Interest expenses on bonds	(3,750)	(3,663)	(87)
Interest from subsidiaries	(54)	(602)	548
Other (interest on mortgages, etc.)	(3,481)	(6,286)	2,805
Interest on rights of use on leases	(66)	(79)	13
Exchange rate losses	(56,115)	(48,947)	(7,168)
Total	**(71,459)**	**(71,589)**	**130**

The summary table below provides an analysis of the main changes during the year:

Financial income e Financial charges	31/12/2020	31/12/2019	Change
Net interest	(3,968)	(7,700)	3,732
Result of derivative instruments, of which:	6,312	(6,525)	12,837
Realised	*8,435*	*(3,492)*	*11,927*
Fair value of open positions	*(2,123)*	*(3,033)*	*910*
Net exchange rate differences	(3,140)	4,284	(7,424)
Other	(66)	(79)	13
Total	**(862)**	**(10,020)**	**9,158**

The entire fair value of the derivatives in place as at 31st December 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.

6.5 Income taxes

Income taxes are shown below:

Income tax	31/12/2020	31/12/2019	Change
Current taxes	3,276	15,714	(12,438)
Net deferred tax liabilities (assets)	(20,973)	13,516	(34,489)
Total	**(17,697)**	**29,230**	**(46,927)**

Current taxes comprise IRES (EUR 2,753 thousand) and IRAP (EUR 522 thousand) for the year.

Prepaid/deferred taxes amounted to EUR 20,973 thousand and refer to changes during the year in temporary differences between the values recorded in the financial statements and those recognised for tax purposes; as better described in paragraph "5.4.4 Deferred tax liabilities".

Differences between the theoretical and effective tax rates for the two periods compared are shown below (figures in EUR million):

IRES	2020	2019
PRE-TAX RESULT [A]	**(79.3)**	**106.7**
IRES THEORETICAL TAX [A*24%] [B]	(19.0)	25.6
THEORETICAL TAX RATE [B/A*100] %	**24.0%**	**24.0%**
EFFECTIVE INCOME TAX [C]	**(15.5)**	**24.9**
EFFECTIVE TAX RATE [C/A*100] %	**19.5%**	**23.4%**

	2020		2019	
	TAX	TAX RATE	TAX	TAX RATE
Imposte teoriche	**(19,0)**	**24,0%**	**25,6**	**24,0%**
Valuations investments and receivables from holdings	(3.0)	3.79%	0.0	0.00%
Dividends from subsidiaries	0.0	0.00%	(0.6)	-0.57%
Effect of Law 201/2011 (ACE)	(1.5)	1.87%	(1.2)	-1.16%
Other permanent differences	8.1	-10.17%	1.2	1.09%
Effective tax	**(15.5)**	**19.5%**	**24.9**	**23.4%**

IRAP	2020	2019
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	**(66.4)**	**114.0**
IRAP THEORETICAL TAX [A*2,93%]	**(1.95)**	**3.34**
THEORETICAL TAX RATE [B/A*100] %	**2.9%**	**2.9%**
EFFECTIVE INCOME TAX [C]	**(2.24)**	**4.30**
EFFECTIVE TAX RATE [C/A*100] %	**3.4%**	**3.8%**

	2020		2019	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	**(1.9)**	**2.9%**	**3.3**	**2.9%**
Personnel costs	(0.1)	0.1%	0.1	0.1%
Effect of different regional rates on production value	(0.1)	0.2%	0.4	0.3%
Other permanent differences	(0.1)	0.2%	0.5	0.4%
Effective tax	**(2.2)**	**3.4%**	**4.3**	**3.8%**

7. Other information

7.1 Main legal actions pending

The company was subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts.

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

7.2 Related-party transactions

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. For information on guarantees given to and received from related parties, see section "7.6 Commitments" below.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below and information is provided on the largest transactions.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2020			Absolute value (Euro/000) and % on balance sheet 31/12/2019	
Related party transactions involving Saras Group's majority shareholders					
Current financial assets	551,187	611,182	90.18%	150,843	80.20%
Trade receivables	181,300	241,048	75.21%	113,199	34.66%
Short-term financial liabilities	417,267	640,469	65.15%	67,151	31.49%
Other current liabilities	117,311	731,957	16.03%	141,332	11.45%
Other non-current liabilities	12,398	23,067	53.75%	22,794	69.14%
Revenues from ordinary operations	534,707	4,658,299	11.48%	911,793	10.77%
Other operating revenues	40,694	65,142	62.47%	34,596	62.34%
Purchases of raw materials, replacement parts, consumables	851,248	4,369,592	19.48%	1,721,765	22.33%
Cost of services and sundry costs	217,155	376,183	57.73%	334,750	51.09%
Net income (charges) from equity investments	(15,620)	(15,620)	100.00%	2,682	100.00%
Financial income	7,760	70,597	10.99%	6,731	10.93%
Financial charges	77	71,459	0.11%	354	0.49%
Other related parties					
Liquid assets	0	517,620	0.00%	17	0.01%

With regard to the above-mentioned transactions, in the interests of the Company, the agreements governing sales of raw materials and products reflect market conditions; where a market price is not directly available, the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses passed on in relation to seconded personnel are charged at cost, without the application of any margin and interest on loans is charged at market rates.

Related parties include both the directors and auditors, whose remuneration is stated in 7.5.1 "Remuneration paid to directors and auditors, officers and key management personnel".

The effects of transactions or positions with related parties on the statement of financial position and the income statement are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet 31/12/2020			Absolute value (Euro/000) and % on balance sheet 31/12/2019		
	Related parts	Total	Incidence %	Related parts	Total	Incidence %
Liquid assets	0	517,620	0.00%	17	271,637	0.01%
Current financial assets	551,187	611,182	90.18%	150,843	188,073	80.20%
Trade receivables	181,300	241,048	75.21%	113,199	326,645	34.66%
Other assets	(0)	11,024	0.00%	0	4,447	0.00%
Short-term financial liabilities	417,267	640,469	65.15%	67,151	213,265	31.49%
Trade and other payables	117,311	731,957	16.03%	141,332	1,234,181	11.45%
Other current liabilities	12,398	23,067	53.75%	22,794	32,967	69.14%
Revenues from ordinary operations	534,707	4,658,299	11.48%	911,793	8,462,671	10.77%
Other operating revenues	40,694	65,142	62.47%	34,596	55,493	62.34%
Purchases of raw materials, replacement parts, consumables	851,248	4,369,592	19.48%	1,721,765	7,709,509	22.33%
Cost of services and sundry costs	217,155	376,183	57.73%	334,750	655,161	51.09%
Net income (charges) from equity investments	(15,620)	(15,620)	100.00%	2,682	2,682	100%
Financial income	7,760	70,597	10.99%	6,731	61,569	10.93%
Financial charges	77	71,459	0.11%	354	71,589	0.49%

The main cash flows with related parties are shown in the table below:

	31/12/2020	31/12/2019
Net income (charges) from equity investments	(15,620)	2,682
Dividends from invest. in subsidiaries	0	0
Decrease in trade receivables	(68,101)	130,700
Increase (Decrease) in trade and other payables	24,020	(65,671)
Change other current assets	0	290
Change other current liabilities	10,396	184
Change other non-current liabilities	0	0
Interest received	7,760	6,731
Interest paid	(77)	(354)
Cash flow from (for) activities in the year	**(41,622)**	**74,561**
Dividends from invest. in subsidiaries	0	0
Cash flows from (used in) investing activities	**0**	**0**
Increase (Decrease) in financial liabilities	375,826	(118,025)
Cash flow from (for) financial activities	**375,826**	**(118,025)**
Total cash flows from/to related parties	**334,204**	**(43,464)**

The effects of cash flows with related parties are shown in the table below:

	Absolute value (Euro/000) and % on balance sheet 31/12/2020			Absolute value (Euro/000) and % on balance sheet 31/12/2019		
	Related parts	Total	Incidence %	Related parts	Total	Incidence %
Cash flow from (for) activities in the year	(41.622)	(119.252)	n.d	74.561	328.551	n.d
Cash flow from (for) investment activities	0	(407.712)	0,00%	0	(466.655)	0,00%
Cash flow from (for) financial activities	375.826	769.865	48,82%	(118.025)	165.462	-71,33%

7.3 Information pursuant to IFRS 7 and 13 – Financial instruments: Disclosures

To the extent that it is applicable to Saras SpA, the disclosure on financial instruments to be provided in financial statements and interim reports is mainly set out in IFRS 7 and 13.

IFRS 7 – Financial Instruments: Disclosures, requires entities to provide supplementary disclosures in financial statements that make it possible to evaluate:

a) the value of financial instruments with respect to the financial position and results of operations;

b) the nature and extent of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date and the way in which this is managed.

IFRS 13 – Fair Value Measurement, which is applicable from 1st January 2013, requires supplementary disclosures on fair value, some of which is also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Sub-paragraphs a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this end, IFRS 13 defines a precise three-tier fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the various levels of reliability of fair value, depending on whether it is based on:

a) unadjusted quotations taken from an active market – as defined by IFRS 9 – for the assets and liabilities being measured (level 1);

b) measurement techniques based on factors other than the quoted prices referred to above, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);

c) measurement techniques that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the Company as at 31st December 2020:

Type of Operation	31/12/2020 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2020 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest Rate Swaps					(586)		(586)	
Fair value derivatives on commodities	16,507	16,507			(52,893)	(52,893)		
Fair value forward purchases and sales on exchange rates					(1,637)		(1,637)	
Total	**16,507**	**16,507**	**0**	**0**	**(55,116)**	**(52,893)**	**(2,223)**	**0**

The Company's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.

Pursuant to sub-paragraph c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the year.

Measurement techniques

As shown in the table in the section above, financial instruments measured at fair value largely consist of derivatives entered into to hedge the currency and interest rate risks and the fluctuating price of oil and crude products.

Specifically, the fair value measurement of these instruments is carried out:

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;

- for commodity-based derivatives, based on the account statements of open positions that are periodically received from the clearing broker through which these instruments are agreed.

For all types of derivatives described above, the fair value measurements received from the counterparties in open positions are verified by comparing them to the fair value measurement carried out within the Company for the same positions. These internal measurements are carried out using reference parameters observable on markets (spot and forward interest rates, exchange rates and crude oil and oil product prices available in active regulated markets).

The valuation does not consider the counterparty risk as the effect is not significant considering the existing security deposits.

Saras SpA has no financial assets or liabilities that are measured at fair value level 3 pursuant to IFRS 13.

With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying amount is close to their fair value.

The criteria contained in the standard supplement those set out for the recognition, measurement and disclosure in the financial statements of the financial assets and liabilities listed in IAS 32 (Financial Instruments: Disclosure and Presentation) and in IAS 39 (Financial Instruments: Recognition and Measurement).

The standard applies to all entities and all types of financial instruments, except for shareholdings in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

7.3.1 Information on the Statement of Financial Position

With reference to the Statement of Financial Position, Sections 8 - 19 of the standard in question state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided by the Company, as well as detailed information where the Company has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or derecognised them from the accounts. Following is the financial position and operating results of Saras SpA as at 31st December 2020 and 31st December 2019, with a breakdown of the financial instruments:

31/12/2020	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2020
ASSETS					
Current financial assets	**820,840**	**551,187**	**0**	**601,846**	**1,973,874**
Cash and cash equivalents	517,620				517,620
Other financial assets	59,994	551,187			611,182
Derivative instruments (FV, realised and guarantee deposits)	*59,994*				
Loans to third parties		*0*			
Payables to group companies		*551,187*			
Trade receivables from third parties	241,048				241,048
Receivables from clients	*130,973*				
Trade receivables from group company	*110,075*				
Inventories				585,398	585,398
Current tax assets				7,602	7,602
Other assets	2,177			8,847	11,024
Sundry receivables	*2,177*			*8,847*	
Non-current assets	**3,378**	**0**	**0**	**721,921**	**725,299**
Property, plant and equipment				9,511	9,511
Intangible assets				2,727	2,727
Right-of-use of leased assets				5,284	5,284
Equity investments at cost				684,713	684,713
Other investments				495	495
Deferred tax assets				*19,191*	19,191
Other financial assets	3,378				3,378
Loans to subsidiaries					
Sundry receivables	*3,378*				
Total assets	**824,218**	**551,187**	**0**	**1,323,767**	**2,699,173**
LIABILITIES					
Current liabilities	**55,116**	**1,317,309**	**0**	**90,078**	**1,462,504**
Short-term financial liabilities	55,116	585,352			640,469
Bonds loans					
Bank loans		*448,165*			
C/a advances					
Financial receivables from group companies		*102,513*			
Derivative instruments	*55,116*				
Other financial payables		*34,675*			
Trade and other payables		731,957			731,957
Tax liabilities				67,011	67,011
Other liabilities				23,067	23,067
Other payables				*23,067*	
Non-current liabilities	**0**	**612,199**	**0**	**9,046**	**621,245**
Long-term financial liabilities		612,199			612,199
Bank loans		*399,236*			
Bonds loans		*199,344*			
Financial payable IFRS 16		*7,471*			
Other		*6,148*			
Risk funds				7,060	3,960
Provisions for employee benefits				1,986	1,986
Other liabilities				0	0
Total liabilities	**55,116**	**1,929,508**	**0**	**99,124**	**2,083,749**

Financial instruments recorded at fair value in the income statement comprise derivatives held by the company, as described in paragraph 5.4.1 above. The derivatives contracts on commodities, interest rates and exchange rates were entered into to mitigate the risks inherent in the business in which it operates, arising from changes in the price of crude and oil products (futures, options and swaps), to hedge interest rate risk on loans taken out and to hedge exchange rate risk relating to its currency positions.

All trade receivables and most other current and non-current receivables are classed as “Loans” since they consist of non-derivative financial assets with fixed or determinable payments that are not quoted on any active market. The carrying amount is close to fair value.

Other financial liabilities valued at amortised cost include all the Company’s financial liabilities and trade payables arising from the Company’s contractual obligations to deliver cash or other financial assets to another entity.

31/12/2019	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2019
ASSETS					
Current financial assets	**636,996**	**150,842**	**0**	**928,976**	**1,716,815**
Cash and cash equivalents	271,637				**271,637**
Other financial assets	37,230	150,842			**188,073**
Derivative instruments (FV, realised and guarantee deposits)	*37,230*				
Loans to third parties		*0*			
Payables to group companies		*150,843*			
Trade receivables from third parties	326,645				**326,645**
Receivables from clients	*213,290*				
Trade receivables from group company	*113,355*				
Inventories				858,904	**858,904**
Current tax assets				67,109	**67,109**
Other assets	1,484			2,963	**4,447**
Sundry receivables	*1,484*			*2,963*	
Non-current assets	**3,678**	**0**	**0**	**22,486**	**723,397**
Property, plant and equipment				12,746	12,746
Intangible assets				1,979	1,979
Right-of-use of leased assets				7,266	7,266
Equity investments at cost				697,233	697,233
Other investments				495	495
Deferred tax assets					0
Other financial assets	3,678				3,678
Loans to subsidiaries					
Sundry receivables	*3,678*				
Total assets	**640,674**	**150,842**	**0**	**951,462**	**2,440,212**
LIABILITIES					
Current liabilities	**26,554**	**1,420,892**	**0**	**93,716**	**1,541,162**
Short-term financial liabilities	26,554	186,711			213,265
Bonds loans					
Bank loans		*7,969*			
C/a advances					
Financial receivables from group companies		*137,169*			
Derivative instruments	*26,554*				
Other financial payables		*41,574*			
Trade and other payables		1,234,181			1,234,181
Tax liabilities				60,749	60,749
Other liabilities				32,967	32,967
Other payables				*32,967*	
Non-current liabilities	**0**	**214,422**	**0**	**5,833**	**220,255**
Long-term financial liabilities		214,422			214,422
Bank loans					
Bonds loans		*198,994*			
Financial payable IFRS 16		*8,386*			
Other		*7,042*			
Risk funds				1,696	1,696
Provisions for employee benefits				2,356	2,356
Other liabilities				1,781	1,781
Total liabilities	**26,554**	**1,635,314**	**0**	**99,550**	**1,761,417**

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a ‘without recourse’ basis. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.3.2 Information on the Statement of Comprehensive Income

Paragraph 20 of the standard in question requires companies to state the net gains or losses generated by financial assets and liabilities, broken down according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overloading the accounting statements with information, the Company has opted for the second alternative, as advised in the Appendix to the accounting standard itself. The following tables therefore show details of income statement items for the current and the previous year:

31/12/2020	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2020
Revenues from ordinary operations				4,658,299	4,658,299
Other income				65,142	65,142
Total returns				**4,723,441**	**4,723,441**
Purchases of raw materials, consumables and supplies				(4,369,592)	(4,369,592)
Cost of services and sundry costs	(77,992)			(298,190)	(376,183)
Personnel costs				(38,200)	(38,200)
Depreciation/amortisation and write-downs				(5,879)	(5,879)
Total costs	**(77,992)**			**(4,711,861)**	**(4,789,854)**
Operating result					**(66,413)**
Net income (charges) from equity investments				(15,620)	(15,620)
Other financial income (charges)	3,172	(4,034)			(862)
from titles held for the purpose of trading					
- of which:					
Realised differentials					
FV change					
from interest on current accounts		*1,221*			
from loans made to Group companies		*7,664*			
from derivative instruments	*6,312*				
- of which:					
Realised differentials	*8,435*				
FV change	*(2,123)*				
from Other financial assets	*(3,140)*				
from Interest on bank loans		*(9,847)*			
from Interest on loans from Group companies		*(3,072)*			
from other credits/debts					
Result before taxes					**(82,895)**
Income tax					17,697
Net result					**(65,198)**

The entire fair value of the derivatives in place as at 31st December 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.

Financial liabilities measured at amortised cost generated losses of EUR 9,847 thousand (EUR 12,069 thousand in the previous year), mainly due to interest on loans.

7.3.3 Additional information

7.3.3.1 Accounting for hedging transactions

As described above, the Company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude oil and oil products and on interest rates to hedge the interest rate risks relating to the loans obtained.

At 31st December 2020, the derivative contracts in existence were essentially represented by:

- futures, options and swaps on oil products, classified as financial instruments held for trading;
- Interest Rate Swaps;
- Forwards on the EUR/USD exchange rate.

All other financial instruments (interest rate swaps and Forwards on exchange rates) not linked to the hedging of petroleum products are recorded at fair value: changes in fair value, as well as realised differentials, are recorded in the income statement under financial income or financial expenses.

31/12/2019	Net profits and losses, active and passive interests, fees and expenses generated from:				
	FVTPL	Amortised cost	FVOCI (debt securities)	Others	Balance at 31/12/2019
Revenues from ordinary operations				8,462,671	8,462,671
Other income				55,493	55,493
Total returns				**8,518,164**	**8,518,164**
Purchases of raw materials, consumables and supplies				(7,709,509)	(7,709,509)
Cost of services and sundry costs	(57,730)			(597,431)	(655,161)
Personnel costs				(33,393)	(33,393)
Depreciation/amortisation and write-downs				(6,030)	(6,030)
Total costs				**(8,346,362)**	**(8,404,093)**
Operating result					**114,071**
Net income (charges) from equity investments				2,682	2,682
Other financial income (charges)	(2,241)	(7,779)			(10,020)
from titles held for the purpose of trading					
- of which:					
Realised differentials					
FV change					
from interest on current accounts		*1,391*			
from loans made to Group companies		*6,377*			
from derivative instruments	*(6,525)*				
- of which:					
Realised differentials	*(3,492)*				
FV change	*(3,033)*				
from Other financial assets	*4,284*				
from Interest on bank loans		*(12,069)*			
from Interest on loans from Group companies		*(3,478)*			
from other credits/debts					
Result before taxes					**106,733**
Income tax					(29,230)
Net result					**77,503**

Most outstanding positions on commodities and on foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2020, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of instruments is determined on the basis of the statements that are periodically sent by the counterparties with which these instruments are stipulated.

7.3.3.2 Fair value

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost. As these assets and liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value as at 31st December 2020.

The bond carries a fixed rate and market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 transposed in Europe by means of Regulation (EC) No 1165 of 27th November 2009, all financial instruments booked at fair value are calculated based on valuation methods that use observable market parameters other than the prices of these instruments as their reference, except for forex and commodities futures classified under "Other current assets" or "Short-term financial liabilities", which are valued based on prices in an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.3.4 Risks arising from financial instruments

Risks deriving from financial instruments to which the Company is exposed are:

a. Credit risk: i.e. the risk that the Company will incur a loss in the event that a counterparty to a financial instrument defaults;

b. Liquidity risk: i.e. the risk that the Company will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;

c. Market risk: i.e. the risk relating to the performance of markets in which the Company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations

7.3.4.1 Credit risk

The company's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

The information required by sections 36-38 is shown in the tables below:

	Accounting value at 31/12/2020		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Totale	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	**1,973,874**	**1,374,967**	**1,374,967**		**1,323,288**	**14,399**	**10,021**	**3,286**	**23,973**	**1,374,967**	**0**	**(5,117)**
Cash and cash equivalents	517,620	517,620	517,620		517,620					517,620		
Other financial assets held for trading	611,182	611,182	611,182		611,182					611,182		
Trade receivables from third parties	246,165	246,165	246,165	48,548	194,486	14,399	10,021	3,286	23,973	246,165		
Bad debt provision	(5,117)											(5,117)
Inventories	585,398											
Current tax assets	7,602											
Other assets	11,024											
Non-current assets	**725,299**	**3,873**	**3,873**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	9,511											
Intangible assets	2,727											
Right-of-use of leased assets	5,284											
Equity investments at cost	684,713											
Other investments	495	495	495									
Deferred tax assets	19,191											
Other financial assets	3,378	3,378	3,378									
Total assets	**2,699,173**	**1,378,840**	**1,378,840**		**1,323,288**	**14,399**	**10,021**	**3,286**	**23,973**	**1,374,967**		

	Accounting value at 31/12/2019		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7						Value impairment loss	
	Totale	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	**1,716,816**	**791,473**	**791,473**		**591,835**	**140,556**	**36,378**	**386**	**22,317**	**791,473**	**0**	**(5,117)**
Cash and cash equivalents	271,638	271,638	271,638		271,638					271,638		
Other financial assets held for trading	188,073	188,073	188,073		188,073					188,073		
Trade receivables from third parties	331,762	331,762	331,762	50,409	132,125	140,556	36,378	386	22,317	331,762		
Bad debt provision	(5,117)											(5,117)
Inventories	858,904											
Current tax assets	67,109											
Other assets	4,447											
Non-current assets	**723,397**	**4,173**	**4,173**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	12,746											
Intangible assets	1,979											
Right-of-use of leased assets	7,266											
Equity investments at cost	697,233											
Other investments	495	495	495									
Deferred tax assets	0											
Other financial assets	3,678	3,678	3,678									
Total assets	**2,440,212**	**795,646**	**795,646**		**591,835**	**140,556**	**36,378**	**386**	**22,317**	**791,473**		

Guarantees on receivables are represented by letters of credit obtained by the Company in relation to deliveries to certain customers, guaranties obtained from customers and credit insurance.

7.3.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. The significant self-financing capacity, together with the low level of debt, suggests that the liquidity risk is moderate.

The company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the tables below:

	Accounting value at 31/12/2020		Liquidity risk		Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of the financial liabilities	Guarantee	2020	2021	2022	2023	2024	beyond 5 years
LIABILITIES										
Current liabilities	**1,462,504**	**1,462,504**	**1,395,493**	**0**	**929,318**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	640,469	640,469								
Bank loans		*19,059*	*19,059*							
C/a advances		*448,165*	*448,165*							
Financial receivables from group companies		*83,454*	*83,454*		*83,454*					
Interest rates (final average rate = 1.060%)					*1,049*					
Derivative instruments		*55,116*	*55,116*		*55,116*					
Other financial payables		*34,675*	*34,675*		*34,675*					
Trade and other payables	731,957	731,957	731,957		731,957					
Tax liabilities	67,011	67,011								
Other liabilities	23,067	23,067	23,067		23,067					
Non-current liabilities	**621,245**	**612,199**	**613,619**	**0**	**6,361**	**6,361**	**6,360**	**56,095**	**556,095**	**0**
Long-term financial liabilities	612,199	612,199	613,619							
Bank loans		*399,236*	*400,000*					*50,000*	*350,000*	
Bonds loans		*199,344*	*200,000*						*200,000*	
Financial payable IFRS 16		*7,471*	*7,471*		*0,69*	*0,59*	*0,5*	*0,38*	*0,28*	
Other		*6,148*	*6,148*							
Amount interest medium-long term loan rates (rate = 1.060%)					*4,240*	*4,240*	*4,240*	*3,975*	*3,975*	
Amount interest bonds					*2,120*	*2,120*	*2,120*	*2,120*	*2,120*	
Risk funds	7,060									
Provisions for employee benefits	1,986									
Other liabilities	0									
Total liabilities	**2,083,749**	**2,074,702**	**2,009,112**	**0**	**935,679**	**6,361**	**6,360**	**56,095**	**556,095**	**0**

	Accounting value at 31/12/2019		Liquidity risk		Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of the financial liabilities	Guarantee	2019	2020	2021	2022	2023	beyond 5 years
LIABILITIES										
Current liabilities	**1,541,162**	**1,541,162**	**1,472,444**	**70,000**	**1,403,271**	**70,440**	**0**	**0**	**0**	**0**
Short-term financial liabilities	213,265	213,265								
Bank loans		*70,018*	*70,018*	*70,000*		*70,000*				
C/a advances		*7,969*								
Financial receivables from group companies		*67,151*	*67,151*		*67,151*					
Interest rates (final average rate = 1.257%)					*844*	*440*				
Derivative instruments		*26,554*	*26,554*		*26,554*					
Other financial payables		*41,574*	*41,574*		*41,574*					
Trade and other payables	1,234,181	1,234,181	1,234,181		1,234,181					
Tax liabilities	60,749	60,749								
Other liabilities	32,967	32,967	32,967		32,967					
Non-current liabilities	**220,255**	**214,422**	**200,000**	**0**	**3,765**	**3,765**	**3,765**	**3,765**	**201,882**	**0**
Long-term financial liabilities	214,422	214,422	200,000							
Bank loans						*0*				
Bonds loans		*198,994*	*200,000*						*200,000*	
Financial payable IFRS 16		*8,386*			*0,08*	*0,07*	*0,1*	*0,08*	*0,06*	
Other		*7,042*								
Amount interest medium-long term loan rates (rate = 1.257%)										
Amount interest bonds					*3,765*	*3,765*	*3,765*	*3,765*	*1,882*	
Risk funds	1,696									
Provisions for employee benefits	2,356									
Other liabilities	1,781									
Total liabilities	**1,761,417**	**1,755,584**	**1,672,444**	**70,000**	**1,407,035**	**74,205**	**3,765**	**3,765**	**201,882**	**0**

The fair value of derivatives recognised in the financial statements mainly relates to current positions.

The hedging derivative instruments included in current financial liabilities include interest rate swaps on the Company's loans: the nominal future interest flows thereon are already included in "Interest on medium/long term loans" in the "Non-current liabilities" section of the table.

7.3.4.3 Market risk

As stated previously, the market risks to which the Company is exposed via its financial instruments relate to:

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges" as well as the fair value of derivatives held at the reporting date;
- the Euribor interest rate, to which the interest rates paid by the Company on its loans are indexed, as well as the fair value of derivative instruments held at the reporting date;
- prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by section 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Company is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management's forecasts. The results of the analysis are shown in the tables below.

Euro/US dollar exchange rate

With reference to the EUR/USD exchange rate, at the reporting date, the Company had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables.

The simulation of the impact on net profit and equity, was carried out assuming a change of +/- 10% in the Euro/US dollar exchange rate at the end of the year, which was used to translate currency positions in the preparation of the statement of financial position.

2020					
EURO/US dollar exchange rate				Reference parameter change	
Balance sheet item	Amount in currency	EUR/USD Exchange rate	Amount in (thousands of €)	-10%	+10%
Currency net position	802,746	1,227	729,421		
Effect on result before tax				81,047	(66,311)
Effect on net result (and equity)				55,598	(45,489)

2019					
EURO/US dollar exchange rate				Reference parameter change	
Balance sheet item	Amount in currency	EUR/USD Exchange rate	Amount in (thousands of €)	-10%	+10%
Currency net position	1,301,960	1,123	1,165,974		
Effect on result before tax				129,553	(105,998)
Effect on net result (and equity)				88,873	(72,714)

To hedge the effects of sensitivity to the EUR/USD exchange rate, the Company also enters into forward exchange rate contracts, which are recorded in the financial statements at their fair value on the reporting date: As the fair value is inevitably affected by the underlying exchange rate, a simulation was carried out of the impact on net profit and consequentially equity, assuming a change of +/-10% in the benchmark parameters based on this year's exchange rate trends; the results obtained from such a variation are reported at a 99.55% confidence level.

The details and results of the simulation are shown in the tables below:

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-10%	+10%
Exchange rates	1,637	26,732	(24,805)
	1,637	**26,732**	**(24,805)**
Effect on result before tax		**26,732**	**(24,805)**
Effect on net result (and equity)		**19,381**	**(17,984)**

2019		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2019	-10%	+10%
Exchange rates	(3,283)	45,159	(36,931)
	(3,283)	**45,159**	**(36,931)**
Effect on result before tax		**45,159**	**(36,931)**
Effect on net result (and equity)		**32,740**	**(26,775)**

Interest rate

The Company has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.

A simulation of the impact of this variable on net profit and equity was carried out, assuming a change of +/- 25 bps in rates and only taking into account the portion of variable-rate funding.

The following table shows the simulation as at 31st December 2020:

2020				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2019	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.06%	(3,968)		
Effect on result before tax			1,872	(1,872)
Effect on net profit (and equity)			1,357	(1,357)

2019				
VARIABLE INTEREST RATES			Reference parameter change	
	Average annual rate of interest 2019	Passive interest annual	-50 bps	+50 bps
Short and medium-long term financial liabilities	1.28%	(7,700)		
Effect on result before tax			3,020	(3,020)
Effect on net profit (and equity)			2,189	(2,189)

In addition, the fair value of the Interest Rate Swaps (IRS) and interest rate options outstanding at the reporting date relating to the Company is affected by the fluctuations in the Euribor rate: a simulation of the impact of this variable on the profit for the year and equity was carried out, assuming a change of +/- 25 basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The details and results of the simulation are shown in the tables below:

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-25 bps	+25 bps
Fair value of Interest rate swaps	(586)	586	(586)
	(586)	586	(586)
Effect on result before tax		586	(586)
Effect on net result (and equity)		425	(425)

2019		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2019	-25 bps	+25 bps
Fair value of Interest rate swaps	(100)	100	(100)
	(100)	100	(100)
Effect on result before tax		100	(100)
Effect on net result (and equity)		73	(73)

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives as at 31st December 2020 consisted of futures, swaps and options on oil products and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.

A simulation of the impact of this variable on net profit and consequentially, on equity, was therefore carried out assuming a change of +/- 20%.

The details and results of the simulation (comparative) are shown in the tables below:

2020		Reference parameter change	
Derivatives on:	Fair Value al 31/12/2020	-20%	+20%
Crude and oil products	(8,488)	29,934	(3,722)
	(8,488)	29,934	(3,722)
Effect on result before tax		29,934	(3,722)
Effect on net result (and equity)		21,702	(2,699)

2019		Reference parameter change	
Derivatives on:	Fair Value al 31/12/2019	-20%	+20%
Crude and oil products	(8,858)	19,978	(19,848)
	(8,858)	19,978	(19,848)
Effect on result before tax		19,978	(19,848)
Effect on net result (and equity)		14,484	(14,390)

The above analysis of the Company's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the

concentration risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.4 Average number of employees

The average number of employees broken down by category is as follows:

Average number of employees	2020	2019
Top management	33	36
White collars	239	232
Total	**272**	**268**

Employees went from 268 at the end of 2019 to 272 as at 31st December 2020.

7.5 Tables showing the remuneration and shareholdings of directors and auditors, general managers and senior managers with strategic responsibilities

The following tables provide information on remuneration and shareholdings of directors and statutory auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer.

7.5.1 Remuneration of directors and auditors, general managers and managers with strategic responsabilites

(A)	(B)	(C)		(D)	(1)	(2)	(3)	(4)
Name and surname	Position	Period of office		Expiry of office	Fees for the position in the company	Non-monetary benfits	Bonus and other incentives	Other remunerations
The Board of Directors							(*)	(*)
Massimo Moratti	Chairman	01/01/20	31/12/20	approved 2020 financial statements	1,545,000			
Dario Scaffardi	CEO and General Manager	01/01/20	31/12/20	approved 2020 financial statements	45,000		651,000	973,605
Angelo Moratti	Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			200,000
Giovanni Emanuele Moratti	Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			80,201
Gabriele Moratti	Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			90,321
Angelo Mario Moratti	Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			204,774
Laura Fidanza	Independent Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			
Adriana Cerretelli	Independent Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			
Gilberto Callera	Independent Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			
Harvie-Watt Isabelle	Independent Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			
Francesca Luchi	Independent Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			
Leonardo Senni	Independent Director	01/01/20	31/12/20	approved 2020 financial statements	45,000			
Board of Statutory Auditors								(**)
Giancarla Branda	Chairman	01/01/20	31/12/20	approved 2020 financial statements	64,480			-
Simonelli Paola	Statutory Auditor	01/01/20	31/12/20	approved 2020 financial statements	40,000			29,000
Giovanni Luigi Camera	Statutory Auditor	01/01/20	22/05/20		48,360			
Fabrizio Colombo	Statutory Auditor	22/05/20	31/12/20	approved 2020 financial statements	24,438			68,000
Pinuccia Mazza	Deputy Auditor	01/01/20	31/12/20	approved 2020 financial statements				
Andrea Perrone	Deputy Auditor	01/01/20	31/12/20	approved 2020 financial statements				
Compliance Committee								(***)
Giovanni Luigi Camera	Chairman	01/01/20	22/05/20		6,760			
Simonelli Paola	Member	01/01/20	31/12/20	approved 2020 financial statements	20,000			15,000
Dirigenti della società	Chairmans and Members	01/01/20	31/12/20	approved 2020 financial statements	-			566,595
Risk and control committee								
Gilberto Callera	Chairman	01/01/20	31/12/20	approved 2020 financial statements	40,000			
Adriana Cerretelli	Member	01/01/20	31/12/20	approved 2020 financial statements	35,000			
Harvie-Watt Isabelle	Member	01/01/20	31/12/20	approved 2020 financial statements	35,000			
Fidanza Laura	Member	01/01/20	31/12/20	approved 2020 financial statements	35,000			
Leonardo Senni	Member	01/01/20	31/12/20	approved 2020 financial statements	35,000			
Remuneration Committee								
Gilberto Callera	Chairman	01/01/20	31/12/20	approved 2020 financial statements	40,000			
Fidanza Laura	Member	01/01/20	31/12/20	approved 2020 financial statements	35,000			
Francesca Luchi	Member	01/01/20	31/12/20	approved 2020 financial statements	35,000			
Senior personnel with strategic responsibility							**300,000**	**518,336**

(*) employment responsibilities (**) auditing remunerations from other Group's companies (***) including the remuneration from other group companies

7.5.2 Equity investments held by directors, statutory auditors, general managers and managers with strategic responsibilities

Name and surname	Position	Company	Number of shares owned at the end of the previous financial year	Number shares purchased	Number shares sold	Number of shares owned at the end of the current financial year
Massimo Moratti	Chairman	Saras SpA	-	-	-	-
Dario Scaffardi	CEO and General Manager	Saras SpA	1,662,520	-	-	1,662,520
Angelo Moratti	Director	Saras SpA	-	-	-	-
Angelomario Moratti	Director	Saras SpA	-	-	-	-
Gabriele Moratti	Director	Saras SpA	-	-	-	-
Giovanni Emanuele Moratti	Director	Saras SpA	-	-	-	-
Gilberto Callera	Independent Director	Saras SpA	-	-	-	-
Adriana Cerretelli	Independent Director	Saras SpA	-	-	-	-
Laura Fidanza	Independent Director	Saras SpA	-	-	-	-
Isabelle Harvie-Watt	Independent Director	Saras SpA	-	-	-	-
Francesca Luchi	Independent Director	Saras SpA	-	-	-	-
Leonardo Senni	Independent Director	Saras SpA	-	-	-	-
Giancarla Branda	Chair of the Board of statutory auditors	Saras SpA	-	-	-	-
Giovanni Luigi Camera	Standing auditor (2)	Saras SpA	-	-	-	-
Fabrizio Colombo (4)	Standing auditor (3)	Saras SpA	3,000	-	-	3,000
Paola Simonelli	Standing auditor	Saras SpA	-	-	-	-
Pinuccia Mazza	Deputy auditor	Saras SpA	-	-	-	-
Andrea Perrone	Deputy auditor	Saras SpA	-	-	-	-
Senior personnel with strategicresponsibility (1)		Saras SpA	694,425		683,616	10,809

(1) Shares allocated in execution of the 2016-2018 Stock Grant Plan. (2) In office until the date of the Shareholders' Meeting that approved the Financial Statements as at 31st December 2019, held on 22nd May 2020.
(3) Appointed by the Shareholders' Meeting that approved the Financial Statements as at 31st December 2019, held on 22nd May 2020. (4) Shares purchased on the market.

7.6 Commitments

At 31st December 2019 and 2020 there were no irrevocable commitments in existence for the purchase of materials or the provision of services over a period of several years.

As part of its normal activities, the Parent Company Saras issued sureties totalling EUR 308,027 thousand as at 31st December 2020, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.7 Other

No atypical and/or unusual transactions were carried out during the year.

7.8 Subsequent events

There are no particular events to report.

8. Miscellaneous

Pursuant to Article 2428 of the Italian Civil Code, the company's other offices are:

General and Administrative Headquarters - Milan

Pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation, the table below provides details of the fees relating to 2020 paid to the independent auditors for the provision of audit and other non-audit services and the services provided by the network companies.

Types of services	Provider	Recipient	Consideration of competence of the 2020 financial year
Audit	EY SpA	Saras SpA	528
Certification services	EY SpA	Saras SpA	35
Other services	EY SpA	Saras SpA	84
Total			**563**

9. Publication of the Financial Statements

In its meeting on 30th March 2021, Saras' Board of Directors authorised the publication of the Consolidated Financial Statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the Notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Massimo Moratti

REPORTS ON THE 2020 FINANCIAL STATEMENTS

STATEMENT OF SARAS GROUP'S MANAGER IN CHARGE OF FINANCIAL REPORTING

Saras SpA

Declaration in respect of the consolidated accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Massimo Moratti, Chairman of the Board of Directors, Dario Scaffardi, CEO, and Franco Balsamo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness in respect of the type of company and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated accounts for the period 1 January 2020 to 31 December 2020.

In this respect, it should be noted:

a. The adequacy of the administrative and accounting procedures for the preparation of the Consolidated Annual Report as of 31 December 2020 was verified through the evaluation of the internal control system on financial report;

b. No relevant aspects were detected during the evaluation of the internal control system on the financial report.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2020:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July

Saras SpA

2006, and give a true and fair view of the assets, and financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies.

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.
This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 30 March 2021

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
(Massimo Moratti)	(Franco Balsamo)
(Dario Scaffardi)	

EY S.p.A.
Via Meravigli, 12
20123 Milano

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Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saras Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Saras S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significant for our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and so we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Building a better working world

Key Audit Matter	Audit Response
Valuation of fixed assets, inventories and derivative instruments	
The economic and financial performance of the Group is significantly influenced by the volatility of market factors, including the cost and the availability of crude oil and the world demand for finished products compared to the processing capacity, which determine the margins achievable from refining, the main activity of the Group. The unexpected trend of market factors values resulted in unexpected losses in 2020 and consequent deterioration of the financial position. The trend in the foreseeable future represents one of the critical assumptions for the evaluation of fixed assets and of the recoverable amount of inventories as well as for the estimation of fair values of derivative instruments. Management assesses, at least annually, the existence of impairment indicators for fixed assets, and, in case, performs an impairment test; in addition, they verify the recoverable amount at the end of the year of inventory and the fair value of derivative instruments. These estimates involve complex evaluation processes, even more in the current context of uncertainty deriving from the spread of the Covid-19 pandemic, and they are based on assumptions which, by their nature, involve the use of high degree of judgment by Management with particular reference to the highly volatile sector factors and, starting from 2021 and for the sole purpose of the impairment test, with reference to the industrial rationale of operating all plants at the Sarroch site modified as a consequence of the assignment of the essentiality requirement to the IGCC plant, following the end of the applicability of the CIP6/92 tarif. Considering the complexity of the assumptions used by Management in its valuation, and in particular the possible impacts on future cash flows from changes in market conditions, we considered that this area represents a key audit matter.	The audit procedures performed in response to this key audit matter, included, among others, the identification of cash generating units, discussion on the economic and sector scenarios considered by Management in preparing such plans, and supporting the reasonableness of their assumptions, the verification of consistency with the external sources used in developing them, the continuance of their use, the understanding of the procedure and controls put in place by the Group regarding the identification of any impairment indicators, the analysis of the model for assessing the recoverability of fixed assets, prepared by the independent expert appointed by the Directors, as well as the processes for assessing the recoverable value of inventories and the current value of derivative instruments in place at year end. In performing our procedures, we have also leveraged on the support of our experts in evaluation techniques. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to this key audit matter.

The disclosure related to this issue is included in notes 3.6 "Most significant accounting policies requiring a greater degree of discretion" of the explanatory note to consolidated financial statements and with reference of impairment test in notes 5.2 "Non-current assets".

3

EY
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Key Audit Matter	Audit Response
Complexity of the regulatory environment, litigations concerning the energy sector and estimate of risk provision	
The energy sector is regulated by highly complex regulations and authorization procedures, which already led to involvement of the subsidiary Sarlux S.r.l. in administrative claims, whose outcome could influence in the future year, for significant amounts, the valuation of liabilities to be accrued to "Provisions for risks and charges"Management, supported by their lawyers, have provided update information in the group consolidated financial statement about their expectation of the outcome of these administrative procedures and litigations, on the basis of the most recent developments. We considered that this area represents a key audit matter due to the complexity in evaluating the relevant regulatory environment, as well as the significance and the uncertainties involved in the valuation of the outstanding administrative procedures and litigations. The disclosures related to this matter are included in note 7.1 "Main legal actions pending" to the consolidated financial statements.	Our audit procedures in response to this key audit matter included, among others, the understanding, through discussions with Management of the assessment of the applicable regulations and recent developments in pending litigations, also supported by the information received from lawyers who assist the Group, the examination of the main supporting documents used by the Group, as well as how such determination are included in the consolidated financial statements. Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements in relation to this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Saras S.p.A. or to cease operations, or have no realistic alternative but to do so.

4

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Saras S.p.A., in the general meeting held on 28 April 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Saras S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Saras as at 31 December 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Saras Group as at 31 December 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Saras Group as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

STATEMENT OF SARAS'S MANAGER IN CHARGE OF FINANCIAL REPORTING

Saras SpA

Declaration in respect the annual accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Massimo Moratti, Chairman of the Board of Directors, Dario Scaffardi, CEO, and Franco Balsamo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness in respect of the type of company and
- the effective application of the administrative and accounting procedures for the preparation of the annual accounts for the period 1 January 2020 to 31 December 2020.

In this respect, it should be noted:

a. The adequacy of the administrative and accounting procedures for the preparation of the Annual Report as of 31 December 2020 was verified through the evaluation of the internal control system on financial report.

b. No relevant aspects were detected during the evaluation of the internal control system on the financial report.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2020:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July

Saras SpA

2006, and give a true and fair view of financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies

2.2 the Directors' Report includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.
This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 30 March 2021

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
(Massimo Moratti)	(Franco Balsamo)

(Dario Scaffardi)

BOARD OF STATUTORY AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA

SARAS S.p.A.

Registered office in S.S. Sulcitana 195 km. 19° -

Sarroch (CA) Share Capital EUR 54,629,666.67

fully paid-up.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

pursuant to Article 2429 of the Italian Civil Code and Article 153 of

Legislative Decree No. 58/1998 Dear Shareholders,

The Board of Statutory Auditors of Saras S.p.A. (hereinafter, "**Saras**" or the "**Company**"), including in its capacity as the "Internal Control and Audit Committee" reports on the supervisory activity carried out in the financial year ended 31 December 2020, pursuant to Articles 2429 et seq. of the Italian Civil Code and in compliance with the provisions of Legislative Decree No. 58/1998 (Consolidated Finance Act, TUF); it refers to the recommendations expressed by the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts and taking into account the indications provided by Consob in a communication dated 6 April 2001 - DEM/1025564, amended and supplemented by a communication dated 4 April 2003 - DEM/3021582 and subsequently by a communication dated 7 April 2006 - DEM/6031329; having regard to the provisions of the ESMA document of 28 October 2020 "*European common enforcement priorities for 2020 annual financial reports*" on European common enforcement priorities in light of the consequences of the health emergency related to Covid-19, Consob's Warning Notice No. 1/21 of 16 February 2021, and following the indications contained in the Corporate Governance Code (July 2018 edition) of the Borsa Italiana S.p.A. Committee for Corporate Governance of listed companies. In this regard, considering that the new Corporate Governance Code (January 2020) will enter into force as of 1 January 2021, it is hereby stated that the Company resolved to adhere to the same on 30 March 2021, initiating all the necessary adjustment actions.

In this Report, the Board also reports on the supervisory activity carried out on compliance by the Company, with the provisions set forth in Legislative Decree No. 254/2016, concerning the communication of non-financial information and information on

1

diversity.

The Board of Statutory Auditors acquired information that is instrumental to the performance of its supervisory function, additional to the ordinary control activities carried out in the course of the sixteen meetings held during the year, including by participating in the meetings of the Board of Directors and the meetings of the internal board Committees, through various meetings with Company's management as well as the information acquired from the relevant corporate structures.

With regard to the supervisory duties assigned to it, the Board of Statutory Auditors ensures that, although the restrictions put in place in respect of the health emergency linked to COVID-19 precluded any on-site meetings for most of the year, it carried out its activities effectively and adequately, with more intensive dialogues with the Company's managers and corporate structures, and a continuous exchange of information with the audit firm appointed to carry out the statutory audit and the other supervisory bodies of the Company and its subsidiaries.

Appointment and Independence of the Board of Statutory Auditors

This Board was appointed by the Shareholders' Meeting of 27 April 2018, in the persons of Giancarla Branda (Chair), Paola Simonelli (Standing Auditor), Giovanni Luigi Camera (Standing Auditor). On 22 May 2020, Fabrizio Colombo (Alternate Auditor) joined the Board following the resignation of Giovanni Luigi Camera, effective as of the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2019. The current term of office of the Board of Auditors expires with the approval of the financial statements submitted to you.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set out in Article 148 of Legislative Decree No. 58 of 1998.

Upon its appointment and annually thereafter, therefore including FY 2020, the Board of Statutory Auditors verified that the independence requirement was fulfilled by each member, that the body was functioning correctly and effectively and that it was appropriately constituted insofar as the requirements of professionalism, competence, availability of time and resources in relation to the complexity of the assignment, within the broader process of the self-assessment it performs in compliance with the indications contained in the Rule contained in the "*Rules of conduct for the Board of Statutory Auditors of listed companies*"

published by the CNDCEC in April 2018 and the provisions regarding independent directors in the Corporate Governance Code.

The results of the aforementioned self-assessment process, conducted during the meeting of the Board of Statutory Auditors on 23 February 2021, were communicated to the Board of Directors in the meeting of 30 March 2021, pursuant to Article 144-novies, paragraph 1-ter of the Issuers' Regulations, adopted by Consob with Resolution No. 11971 of 1999, Article 8.C.1. of the Corporate Governance Code and the aforementioned Rule Q.1.1.

The members of the Board of Statutory Auditors also complied with the accumulation of offices rule pursuant to Article 144-terdecies of the Issuers' Regulation.

In view of the expiry of its term of office and in adherence to the recommendations expressed in rule Q.1.6., entitled "*Remuneration*", in the document containing the principles of conduct of the Board of Statutory Auditors of listed companies, formulated by the National Council of Chartered Accountants and Accounting Experts on 28 February 2018, the Board of Statutory Auditors also sent the Board of Directors an end-of-term report, in which it summarised its activities during the three-year period.

Supervisory and control activities of the Board of Auditors

More specifically, as part of the performance of the functions assigned to it by law, in its capacity as the control body and also as the Internal Control and Audit Committee in public interest entities, pursuant to Article 19 of Legislative Decree No. 39/2010, the Board's activities are detailed below.

With specific reference to **supervising compliance with the law and the articles of association**, the Board has:

- attended the Shareholders' Meetings and the meetings of the Board of Directors, supervising compliance with the law, the main and secondary regulations and the articles of association, as well as the principles of proper administration;
- obtained from the Directors, at the frequency established by Article 150 of Legislative Decree No. 58/1998 and according the procedures established by the Articles of Association in Article 22, information on general operating performance, the business outlook, as well as the activities pursued and regarding the economic, financial and equity

transactions of major importance resolved and implemented by the Company and its subsidiaries during the financial year, ensuring in particular that the resolutions adopted and the actions undertaken comply with the law and the corporate Articles of Association and are not manifestly imprudent, risky, in potential conflict of interests, in contrast with the resolutions of the Shareholders' Meeting or such as to compromise the integrity of company assets;

- to the extent pertaining to the duties incumbent upon it, the Board acquired knowledge of and supervised the adequacy of the organisational structure, in terms of structure, procedures, competences and responsibilities, the size of the Company and the nature and pursuit of the corporate purpose, by collecting information from the heads of the relevant corporate functions and through meetings with the Independent Auditors, as part of the mutual exchange of data and information;

- monitored compliance with the principles of correct administration, by diligently participating in the meetings of the Board of Directors and of the Internal Board Committees set up in compliance with the Corporate Governance Code and, on the basis of the information acquired, focused attention on the fact that management decisions were inspired by the principle of correct administration and reasonableness and that the Directors were aware of the risks and effects of the operations carried out;

- assessed and monitored the adequacy of the internal control system and the administrative-accounting system, as well as the latter's reliability insofar as correctly representing the management facts, by means of:

  - ✓ examined the report of the Manager on the Company's internal control system;
  - ✓ examined the reports prepared by the Internal Audit department and the information on the results of the monitoring activity concerning the implementation of the corrective actions identified from time to time;
  - ✓ acquired information from the managers of the respective departments;

- ✓ examined company documents;
- ✓ analysed the results of the work carried out by the Audit Firm;
- ✓ exchanged information with the supervisory bodies of the subsidiaries pursuant to Article 151, paragraphs 1 and 2 of Legislative Decree No. 58/1958;

- held sixteen meetings during the financial year, each lasting an average of three hours, and attended all the meetings of the Board of Directors and of the internal board committees (Control, Risks and Sustainability Committee, Related Parties Committee and Remuneration and Appointments Committee);
- monitored the adequacy of the reciprocal flow of information between the Company and its subsidiaries pursuant to Article 114(2) of Legislative Decree No. 58/1998;
- monitored compliance with "Market abuse" and "Internal Dealing" requirements, verifying the adequacy of the rules and procedures adopted by the Company for the handling of inside information and their compliance with the applicable regulatory provisions, while also concentrating on the procedure for the dissemination of press releases and information to the public;
- held meetings with representatives of the Company appointed to perform the statutory audit, as required by Article 150, paragraph 3 of Legislative Decree No. 58/1998, from which no data, information, facts or critical issues emerged that require mention in this report;
- exchanged information with the supervisory bodies of the Saras subsidiaries pursuant to Article 151, paragraphs 1 and 2 of Legislative Decree No. 58/1998;
- monitored the procedures for the actual implementation of the Corporate Governance Code of listed companies prepared by the Corporate Governance Committee, which the Company adheres to, as mentioned above, including in the new version, pursuant to Article 149, paragraph 1, letter c-bis, of Legislative Decree No. 58/1998. In view of this reformulation of the Code, the Company is assessing the need to implement any changes to its corporate practices consistent with the guidelines that inspired the revision of the old Code, as these are set out in the

Annual Report on Corporate Governance and Information on ownership structures, to which reference is made;

- confirmed the adoption of the self-assessment procedure on the composition and functioning of the Board and the Committees established therein, carried out in accordance with the recommendations of criterion 1.C.1., letter g) of the Corporate Governance Code, and found that in the assessment - carried out by processing the results of a self-assessment questionnaire completed by all members of the Board of Directors - similar criteria to those applied in the previous year were used;
- verified, more specifically, the correct application of the criteria and assessment procedures adopted by the Board of Directors, pursuant to the application criterion 1.C.1. letter g) of the Corporate Governance Code, to assess the independence of its members, in accordance with the application criterion 3.C.5. at the end of Article 3 of the same Code;
- verified that, during the 2020 financial year, the Company did not purchase or sell any treasury shares on the Italian Electronic Stock Market;
- verified the compliance of the organisational measures for the containment of the risk related to the onset of the epidemiological emergency from Covid-19 prepared by the management of the Company and of the Group companies with the regulatory requirements and the protocols prepared by the national and regional authorities from time to time.

The Board also acknowledges that it has issued favourable opinions:

- ✓ on the assessment of compliance with the independence requirements applicable to independent directors, as per the Corporate Governance Code and Legislative Decree No. 58/1998;
- ✓ on the approval of the annual activity plan prepared by the Internal Audit department's manager, pursuant to Article 7, paragraph 7.C.1.c) of the Corporate Governance Code;

- ✓ on the assessment of the correct use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements, carried out by the Control and Risk Committee, pursuant to Article 7, paragraph 7.C.2. a) of the Corporate Governance Code, in agreement with the Manager.

With regard to the **supervision of the adequacy of the administrative-accounting system and the statutory audit**, pursuant to Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors is called upon to supervise the financial reporting process, the effectiveness of the internal control and risk management systems, the statutory audit and the independence of the auditing firm, especially with regard to the provision of non-audit services. To this end, it has:

- ensured that rules and procedures are in place regarding the process to be followed for the preparation and disclosure of financial information; on the process of certification of the reliability of the financial information and on the ability of the preparation process of the financial statements to produce financial information that complies with accounting standards. In particular, it specifies that the Corporate Governance Report sets out the criteria for defining the Internal Control and Risk Management System in relation to the financial reporting process at a consolidated level and that the administrative and accounting procedures are checked through the monitoring of the controls, performed by the Financial Reporting Manager with the support of the Internal Audit function. With regard to the said monitoring by the internal control system of the financial information subject to certification, in the report attached to the financial statements submitted for your approval, the Financial Reporting Manager acknowledged that during the second half of 2020, controls to monitor the process of preparing and accounting for certain data were further strengthened and that a reorganisation took place to streamline structures and processes. This was necessary due to the crisis that affected the sector and the uncertainty caused by the health emergency. The Board of Statutory Auditors received adequate information on the scope of the activities carried out by the Company and on the updating of the mapping of processes from the heads of the respective functions and also through the analysis of the results of the work carried out by the Audit Firm. There were no matters that

prevented the issue of the certification by the Financial Reporting Manager and the Chief Executive Officer regarding the adequacy of the administrative and accounting procedures for preparing the Company's separate and consolidated financial statements for the year 2020;

- monitored the effectiveness of the internal control systems and the adequacy of the risk management policy in relation to the strategic, operational and financial areas. In this regard, it should be noted that, during the year, the Board of Statutory Auditors paid particular attention to the actions taken by the Company to manage and mitigate the liquidity and profitability risks associated with the prolonged economic and financial crisis caused by the health emergency and the uncertainty regarding the timing of recovery;
- monitored the statutory audit of the annual and consolidated accounts and the independence of the Audit Firm, especially as regards the provision of non-audit services;
- received from the Audit Firm confirmation of independence pursuant to Article 17 of Legislative Decree No. 39/2010 and pursuant to paragraph 17 of the International Auditing Standard (ISA Italy) 260.

For this activity, the Board of Statutory Auditors coordinated with the Control, Risks and Sustainability Committee, to avoid overlapping and to take advantage of the different skill sets.

In respect of the **monitoring of the adequacy of the internal control system and organisational structure,** the Board of Statutory Auditors assessed and monitored the adequacy of the internal control system and the effectiveness of the internal control and risk management systems, focusing its attention on the most relevant activities, including by diligently participating in the Control, Risks and Sustainability Committee.

As part of this activity, the Board acknowledges that it has:

- received the periodic reports on the activities carried out, prepared by the Control, Risks and Sustainability Committee and the reports of the Internal Audit function;

- received the reports prepared at the conclusion of the Internal Audit function's verification and monitoring activities, detailing the relevant outcomes and recommended actions, and was provided with proof of the subsequent checks on the actual implementation of the aforementioned actions;

- received periodic updates on the evolution of the risk management process, the outcome of the Internal Audit monitoring and assessment activities and the results achieved;

- read and obtained information on the procedural and organisational activities put in place, in implementation of the legislation relating to the "*Rules of the administrative responsibility of entities*" referred to in Legislative Decree No. 231/2001, as amended; it has received from the Supervisory Body the minutes of the relative meetings held during the 2020 financial year, acquired the periodic Reports presented to the Board of Directors and received from the same Body assurance regarding the absence of facts or situations to be reported herein.

Upon completion of the activities carried out during the year, the Board of Auditors agreed with the positive assessment expressed by the Control, Risks and Sustainability Committee in relation to the adequacy of the internal control and risk management system.

The Board of Statutory Auditors also acknowledges that in the second half of 2020, it received information on a criminal investigation initiated by the Cagliari Public Prosecutor's Office. As far as the Statutory Auditors are aware, this investigation does not involve the Company and its purpose is to gather information on purchases of crude oil of Kurdish origin from the Petraco Oil trading company, which took place between 2014 and 2016. Subsequent to this information, the Board of Statutory Auditors instructed the Internal Audit function to conduct a special audit concerning the compliance of the purchase transactions referred to in the Public Prosecutor's records with the existing procedures, as well as checking the adequacy and effectiveness of such procedures for the purpose of preventing the offences alleged by the Court.

The results of said Audit were presented during two specially convened meetings, held together with the Control, Risks and Sustainability Committee and the Supervisory Body.

The Internal Audit function's analysis showed that the internal control system is adequate and that the transactions *sub judice* were largely in line with the formalised procedures in force at the time. It also revealed that the anomalies that were found - of a formal nature and essentially due to a misalignment between company procedures and industry practice - were resolved as these procedures were subsequently updated. The Audit report also showed that, with regard to the process involved in the investigation, the internal control system has been further strengthened over the years, also and above all as a result of the reorganisation of the Group, with the establishment of a new subsidiary company dedicated to international trading and the evolution of the reference market. The improvement actions that involved the system resulted in the reinforcing of internal controls, with the increased segregation of roles, the introduction of new control functions, such as Commodity Risk and the Back Office reporting to the CFO, and a new procedure, called "Know your Counterpart", which features more exacting rules for the preliminary assessment of counterparties in commercial transactions.

Regarding **the supervision of compliance with the principles of proper administration**, the Board acknowledges that:

- it has received analytical information regarding the most significant economic, financial and equity transactions carried out, including through subsidiaries. Of these transactions, examined and approved by the Board of Directors, the following are mentioned:
  - ✓ conclusion of a major scheduled maintenance cycle involving specific units at the Sarroch refinery industrial site;
  - ✓ suspension of the distribution of the dividend in order to safeguard the Company's financial solidity and stability, taking into account the health emergency;

- ✓ launch of the partial Cassa Integrazione Guadagni Ordinaria [CIGO – Ordinary Temporary Unemployment Compensation] distributed among all the Group's employees, starting from 26 October 2020;
- ✓ the signing, on 28 December 2020, of a EUR 350 million loan agreement, 70 per cent of which is backed by guarantees issued by SACE under the Garanzia Italia programme, providing financial consolidation to mitigate the effects linked to the pandemic emergency.

In terms of ordinary management, despite the health emergency and its significant impact on the company's sector, Saras maintained the refinery plants fully operational during the year, including by adopting the appropriate measures to prevent and contain the risk of Covid-19 infection.

However, the significant drop in profitability and cash generation attributable to the particularly adverse scenario led the directors to resort to implementing various operational and financial measures that are described in the financial statements, to which reference should be made for details. These measures are aimed at mitigating the economic and financial impacts generated by the crisis.

In these circumstances, following the supervisory and control activities carried out during the year, the Board can certify that:

- no omissions, irregularities and/or reprehensible or in any case significant facts emerged, such as to require reporting to the supervisory bodies or mention in this report;
- the Board did not receive any complaints, pursuant to Article 2408 of the Italian Civil Code, or notices from third parties;
- no transactions with third parties, Group companies or other related parties were identified that would be considered atypical and/or unusual in terms of content, nature, size or timing;
- all the operations and choices adopted were inspired by principles of sound administration and reasonableness.

Regarding the **supervision of the implementation of corporate governance rules**, the Board of Auditors acknowledges that:

- it has verified the evolution of governance, including in the light of the considerations set forth in the corporate governance report on the recommendations contained in the letter of the Chair of the Corporate Governance Committee of 22 December 2020 and, in that scope, to have positively evaluated the attention given by the Company to sustainability issues and the remuneration policy. With specific reference to the remuneration policy, in its meeting of 30 March 2021, the Board of Directors approved a new report (the Report on Remuneration Policy and remuneration paid) to be submitted to the vote of this Shareholders' Meeting, before the ordinary three-year expiry date, so as to update the current Policy so that it reflects the changes that in the meantime were introduced to the Issuers' Regulation. To this end, the Directors illustrated the principles adopted for determining the remuneration of members of the management bodies and key management personnel. The Report contains the table relating to the remuneration paid to the members of the management and control bodies and to the other key management personnel, as well as the schedule containing the information on the shareholdings they hold in the company.

Regarding **the supervisory activities related to the Separate Financial Statements, the Consolidated Financial Statements and the Consolidated Non-Financial Statement**, the Board acknowledges that it has:

- received - on 30 March 2021 - the draft consolidated financial statements of the Group and the separate financial statements as at 31 December 2020, drawn up in accordance with international accounting standards, as well as the management report, within the deadline set in Article 2429 of the Italian Civil Code, and has ascertained, including through the information obtained from the Audit Firm, compliance with the laws governing its preparation;
- received detailed information on the impairment tests carried out pursuant to IAS 36 in 2020 confirming the values of assets recorded in the financial statements of the Company and those of the subsidiaries. In this respect - reiterating the

considerations already expressed - it should be noted that the Group's business and Saras' market capitalisation have been heavily impacted by the spread of the Covid-19 epidemic and the related restrictions imposed globally to combat it. In view of the above, the Company - consistent with the provisions of IAS 36 mentioned above and in consideration of the recommendations expressed on this point by the competent national and international Authorities - carried out the necessary checks to identify any risks to business continuity and to quantify and define the effects of the pandemic emergency on the Group's asset valuations and financial structure. The assessments underlying the impairment test, conducted periodically (at the end of the second and third quarters) and especially at 31 December 2020, were analysed by the Board during the various meetings and informal discussions with the Company's management. These assessments were supported by a technical opinion issued by a leading consulting firm whose indications were duly considered. The impairment test conducted on 31 December 2020, prepared on the basis of prospective plans, indicated that the company's assets needed to be written down by EUR 35 million;

- received, again on 30 March 2021, the Sustainability Report containing the Consolidated Non-Financial Statement and diversity information, within the terms set out in Article 5 of Legislative Decree No. 254/16;
- been able to certify, in relation to the aforementioned Sustainability Report, the adequacy of the organisational structures in relation to the social/environmental strategic objectives that the Company has set itself, as well as the consistency of the statement prepared according to the provisions contained in Legislative Decree No. 254/2016. Going into further detail, in the context of the ordinary activities carried out in implementation of the regulations in force, the Board of Statutory Auditors monitored the Company's compliance with the provisions on the disclosure of non-financial information and information on diversity, noting that in 2020 the Company prepared the consolidated non-financial statement in the broader "*Sustainability Report*" form, placing it in a separate document rather than in a section of the management report. The above statement, prepared in accordance with the reporting principles identified in the "Global Reporting Initiative Sustainability Reporting Standards" (GRI Standard for short), presents the strategies adopted to ensure the economic growth of the Company and the development of its business in a sustainable manner. This statement covers environmental, social, occupational health and safety and personnel management issues, respect for human rights, and the fight against active and passive corruption, information security and privacy which are important given the activities and characteristics of the

Company, to an adequate extent in order to enable an understanding of the activity carried out by the Saras Group, its performance, its results and the related impact, in a manner consistent with the provisions contained in Article 3 of Legislative Decree No. 254/2016. On the aforementioned declaration, approved by the Board of Directors in the meeting of 30 March 2021 and made available to the Statutory Auditors on the same date, the Board carried out a brief audit on the systems and processes in order to ascertain compliance with the law and correct administration. In actual terms, the audit covered the risk assessment matrix, the reporting methods for the information provided by the Group companies and the extent to which they correspond with the true facts, as well as the report's compliance with the provisions of the decree. In particular, it should be noted that, as part of the ordinary control procedure for the aforementioned statement, in relation to 2020, the Board also considered the indications provided by ESMA in the document entitled "*European common enforcement priorities for 2020 annual financial reports*" of 28 October 2020 regarding:

- ✓ the impact of the COVID-19 pandemic infection on non-financial issues;
- ✓ social and personnel issues;
- ✓ the business model and value creation;
- ✓ the risks related to climate change;
- ✓ the interconnections between financial and non-financial information.

Specifically on the subject of the impact of the pandemic infection on non-financial issues, the Board of Auditors verified the adoption of mitigation actions aimed at containing its effects. With regard to social and personnel issues, the auditors duly considered the issues relating to occupational health and safety and remote working, verifying the adequacy of the measures taken. A similar check was conducted in relation to the adequacy of the policies adopted by the Company towards its employees and associates and therefore, with reference to the business model and value creation, to the actions taken by the Company to contain the effects of the crisis generated by the epidemic in order to preserve the ability to create value over time. The Board of Statutory Auditors also verified the adequacy of the actions taken to mitigate the risks associated with climate change, commensurately with the exceptional and totally unforeseen situation. Finally, with regard to the interconnections between financial and non-financial information, the Board of Statutory Auditors paid particular attention to the impact generated by the pandemic crisis on the Company's financial situation and related performance.

Upon completion of the activity carried out and in the light of the conclusions reached by the Audit Firm in the specific report, the Board can certify the adequacy of the organisational structures according to the strategic objectives in the social/environmental area that the Company has set itself, as well as the consistency of the statement produced with the provisions contained in Legislative Decree No. 254/2016;

- the Board assessed the work plan prepared by EY S.p.A. and found it to be appropriate for the characteristics and size of the Group. It then supervised the effectiveness of the statutory audit process and noted that it was carried out in accordance with the audit plan and in accordance with International Standards on Auditing;
- on 20 April 2021, the Board received from the Audit Firm the reports pursuant to Articles 14 and 19, paragraph 3 of Legislative Decree No. 39/2010 for the separate financial statements and for the consolidated financial statements ended 31 December 2020, respectively. These reports show that the Company's separate financial statements and consolidated financial statements provide a true and fair view of the statement of financial position, income statement and cash flows for the year ended 31 December 2020, in accordance with International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of

Article 9 of Legislative Decree No. 38/2005; and that the management report and the information in the report on corporate governance and ownership structure indicated in paragraph 4 of Article 123-bis of Legislative Decree No. 58/1998 are consistent with the separate and consolidated financial statements. The audit report also includes an indication of the key aspects of the audit, in relation to which, however, no separate opinion is expressed, since they were addressed in the context of the audit and in the formation of the opinion on the financial statements as a whole. Going into further detail, the Audit Firm highlights some changes in the approach to the execution of the audit procedures required by the professional standards of reference, rendered necessary by the spread of the COVID-19 epidemic and the related measures, including those restricting circulation, issued by the Italian Government to protect the health of citizens. These changes resulted (i) in a reorganisation of personnel, based on an extensive use of smart working and (ii) in a different method of interacting with company representatives and of collecting the audit evidence, mainly through digital documentation acquired remotely. The Audit Firm also defined the Key Audit Matters which required specific investigation and analysis. In particular, reference is made to:

- ✓ the recoverability of tangible and intangible assets (impairment testing) and, in particular: the redefinition of the CGUs; the determination of the flows related to the modified operating scheme of the IGCC plant; the definition of the oil market scenarios; the recalculation of the investment plans; the updated performance of the wind farms following the reblading and the recognition of the essentiality requirement for the IGCC plant;
- ✓ financial management with a focus on the sustainability of prospective debt, pursuant to the lower level of cash generation in 2020;
- ✓ assessment of the oil warehouse and materials warehouse;

- ✓ regulatory complexities and resulting litigation.

- on 20 April 2021, the Board received from the Audit Firm EY S.p.A. the report required by Article 11 of Regulation (EU) 537/2014, which indicates that there are no significant deficiencies in the internal control system in respect of the financial reporting process that would require top management's attention. The Board of Statutory Auditors shall inform the Company's Board of Directors of the results of the statutory audit and to this end shall submit the additional report, accompanied by any observations, pursuant to Article 19 of Legislative Decree No. 39/2010. The Board of Statutory Auditors informed the Board of Directors regarding the results of the previous year's statutory audit, as required by law.

- on 20 April 2021, the Board received from the appointed Audit Firm EY S.p.A. the limited audit report on the compliance of the non-financial information provided with regard to the rules contained in Legislative Decree No. 254 of 30 December 2016. The report indicates that there is no evidence to suggest that, insofar as all its material aspects, the Consolidated Non-Financial Statement has not been drafted in accordance with the requirements of Articles 3 and 4 of the aforementioned Decree and the GRI Standards.

Regarding its **monitoring of relations with subsidiaries**, the Board has:

- acquired knowledge of and monitored, pursuant to Article 149(1)(d) of Legislative Decree No.
  n. 58/1998, for the main subsidiaries subject to control, the adequacy of the instructions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of the said Legislative Decree No. 58/1998, through:
  - ✓ the acquisition of information from the managers of the relevant corporate departments;
  - ✓ meetings and exchanges of information with the Chairpersons of the Boards of Statutory Auditors and with the Sole Auditor where provided;

- ✓ meetings with the Company that is also in charge of the statutory audit of the subsidiaries.

In terms of **monitoring transactions with related parties**, the Board has:

- ensured that the procedures adopted by the Company comply with the principles indicated in the Regulation containing provisions on transactions with related parties pursuant to Consob Resolution No.17221 of 12 March 2010, as recently updated by the provision of December 2020, and did not detect the existence of atypical or unusual transactions with Group companies, third parties or other related parties, while verifying that transactions with related parties were conducted at arm's length at conditions similar to those usually applied to unrelated parties for transactions of a corresponding nature, size and risk. To this end, the Board calls your attention to the fact that in the Notes to the separate and consolidated financial statements – under section 7.2. of Chapter 7 entitled "Other information" – the Directors analytically highlight and illustrate the existence of relationships involving the exchange of goods and services and relations of a financial nature with subsidiaries and other related parties, indicating the nature of those that are significant, explaining the economic effects of the individual transactions, specifying that these relationships took place at arm's length under the terms and conditions that would have applied to transactions of the same nature between unrelated parties and representing that they corresponded with the interests of the Company. In this regard, the Board specified that standing surety for subsidiary Companies does not constitute an atypical or unusual transaction, as this is part of a parent Company's normal course of business. This case is specifically explained in the notes to the consolidated financial statements in section 7.7. of Chapter 7 and in the notes to the separate financial statements in section 7.6. of Chapter 7;
- monitored compliance with the procedure on transactions with related parties, adopted by the Company and published on its website, obtaining adequate information in this regard from the relevant departments and also through participation in the meetings of the Related Parties Committee, whose specific functions have been assigned to the Control, Risks and Sustainability Committee. During 2020, the above-mentioned Committee met once to analyse and issue its opinion on a specific transaction falling within the category

of transactions with related parties of lesser importance.

Conclusions

Based on the supervisory activity carried out during the 2020 financial year as this was described in the previous sections, the Board of Statutory Auditors reiterates the considerations it has already expressed, and is able to certify that the choices made by the Directors appear to comply with the law and the Articles of Association and the principles of correct administration and they are consistent and compatible with the size of the company and its corporate assets; furthermore, based also on the information obtained from the Audit Firm, no reprehensible omissions and/or facts and/or irregularities or in any case significant facts were found that would require reporting to the supervisory bodies or mentioning in this report.

On the basis of the aforementioned supervisory activity, and from the analysis of the draft financial statements presented, and considering that in its 20 April 2021 report the Audit Firm has issued its reports without comments, the Board does not find any impediment to approval of the financial statements for the year ended 31 December 2020 and the proposed resolutions drawn up by the Board of Directors.

Finally, considering that the three-year mandate of the Board of Statutory Auditors and the Board of Directors expires with the approval of the financial statements submitted to this Shareholder's Meeting, we invite the Shareholders to take the necessary measures. The Statutory Auditors take this opportunity to thank the Company and its Shareholders for the confidence placed in them to date.

20/04/2021

The Board of Statutory Auditors

Giancarla Branda – Chair Fabrizio

Colombo – Standing Auditor

Paola Simonelli – Standing Auditor

19

LIST OF OFFICES HELD BY THE BOARD OF STATUTORY AUDITORS IN COMPANIES REFERRED TO IN BOOK V OF THE ITALIAN CIVIL CODE ON 30TH MARCH 2021

Avv. Giancarla Branda

COMPANY NAME	POSITION HELD
Saras SpA	Chairman Board of Statutory Auditors
Fineco Bank SpA	Consigliere di Amministrazione
ACI Progei SpA	Statutory Auditor
ACI Consult SpA (in liquidazione)	Statutory Auditor
RSE SpA	Statutory Auditor
Consorzio Studi e Ricerche Fiscali	Chairman Board of Statutory Auditor and Permanent Auditor
Banca Network Investimenti in liquidazione coatta Amministrativa	Member of the Monitoring Committee

Dott. Fabrizio Colombo

COMPANY NAME	POSITION HELD
Geox SpA	Statutory Auditor
Saras SpA	Statutory Auditor
Mittel SpA	Chairman Board of Statutory Auditors
Publitalia '80 SpA	Statutory Auditor
Acciaieria Arvedi SpA	Statutory Auditor
Finarvedi SpA	Statutory Auditor
Sistemi Informativi Srl	Statutory Auditor
Value Transformation Services SpA	Statutory Auditor
Sarlux Srl	Chairman Board of Statutory Auditors
Credit Agricole Vita SpA (1)	Statutory Auditor

(1) office terminated on April 21st, 2020.

Dott.ssa Paola Simonelli

COMPANY NAME	POSITION HELD
Finolombarda SpA	Director (without powers)
Webuild SpA	Statutory Auditor

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Saras S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matter	Audit Response
Valuation of fixed assets, inventories and derivative instruments	
The economic and financial performance of the Saras is significantly influenced by the volatility of markets factors, including the cost and the availability of crude oil and the world demand for finished products compared to the processing capacity, which determine the margins achievable from refining, the main activity of the Entity and Group. The unexpected trend of market factors values resulted in unexpected losses in 2020 and consequent deterioration of the financial position. The trend in the foreseeable future represents one of the critical assumptions for the evaluation of fixed assets and of the recoverable amount of inventories as well as for the estimation of fair values of derivative instruments. Management assesses, at least annually, the existence of impairment indicators for fixed assets, and, in case, performs an impairment test in order to valuate the recoverable amount of the financial instruments; in addition, they verify the recoverable amount at the end of the year of inventory and the fair value of derivative instruments. These estimates involve complex evaluation processes, even more in the current context of uncertainty deriving from the spread of the Covid-19 pandemic, and they are based on assumptions which, by their nature, involve the use of high degree of judgment by Management with particular reference to the highly volatile sector factors and, starting from 2021 and for the sole purpose of the impairment test, with reference to the industrial rationale of operating all plants at the Sarroch site modified as a consequence of the assignment of the essentiality requirement to the IGCC plant, following the end of the applicability of the CIP6/92 tarif. Considering the complexity of the assumptions used by Management in its valuation, and in particular the possible impacts on future cash flows from changes in market conditions, we considered that this area represents a key audit matter.	The audit procedures performed in response to this key audit matter, included, among others, the identification of cash generating units, discussion on the economic and sector scenarios considered by Management in preparing such plans, and supporting the reasonableness of their assumptions, the verification of consistency with the external sources used in developing them, the continuance of their use, the understanding of the procedure and controls put in place by the Group regarding the identification of any impairment indicators, the analysis of the model for assessing the recoverability of fixed assets, prepared by the independent expert appointed by the Directors, as well as the processes for assessing the recoverable value of inventories and the current value of derivative instruments in place at year end. In performing our procedures, we have also leveraged on the support of our experts in evaluation techniques. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the statutory financial statements in relation to this key audit matter.

The disclosure related to this issue is included in notes 3.3 "Most significant accounting policies requiring a greater degree of discretion" of the explanatory note to statutory financial statements.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

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- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Saras S.p.A., in the general meeting held on 28 April 2015, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Saras S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Saras S.p.A. as at 31 December 2020, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Saras S.p.A. as at 31 December 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Saras S.p.A. as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 20, 2021

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

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

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