Saras Group
Half-Year Financial Report as of 30th June 2016

SARAS

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Statutory and Control Bodies

BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman
MASSIMO MORATTI	Chief Executive Officer
ANGELO MORATTI	Vice Chairman
DARIO SCAFFARDI	Executive Vice President and General Manager
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GABRIELE PREVIATI	Director
ANDREY NIKOLAYEVICH SHISHKIN	Director
GILBERTO CALLERA	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY S.p.A.

Group Activities

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Group's refinery in Sarroch, on the South-Western coast of Sardinia, is one of the biggest sites in the Mediterranean area in terms of production capacity (15 million tons per year, corresponding to 300,000 barrels per day), and one of the most advanced in terms of complexity (Nelson Index equal to 10.0). Owned and managed by the subsidiary Sarlux Srl, the refinery enjoys a strategic location at the heart of the Mediterranean Sea and is regarded as a model of efficiency and environmental sustainability, thanks to a wealth of know-how, technology and human resources accumulated in more than 50 years of business. In order to fully exploit such valuable assets, Saras introduced a business model based on the integration of its Supply Chain, with a very tight coordination between refinery operations and commercial activities. Precisely for this purpose, a subsidiary called Saras Trading SA has been incorporated in Geneva in September 2015. Based in one of the most important global hubs for the trading of oil commodities, Saras Trading purchases crude oils and other feedstock for the Group refinery, sells the refined oil products, and it is also active in third party trading.

Both directly and through its subsidiaries, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and extra-EU countries. In particular, in 2015 approximately 2.57 million tons of oil products were sold in the Italian wholesale market, and a further 1.39 million tons of oil products were sold in the Spanish market through the subsidiary Saras Energia SAU, which is active both in the wholesale and in the retail channels.

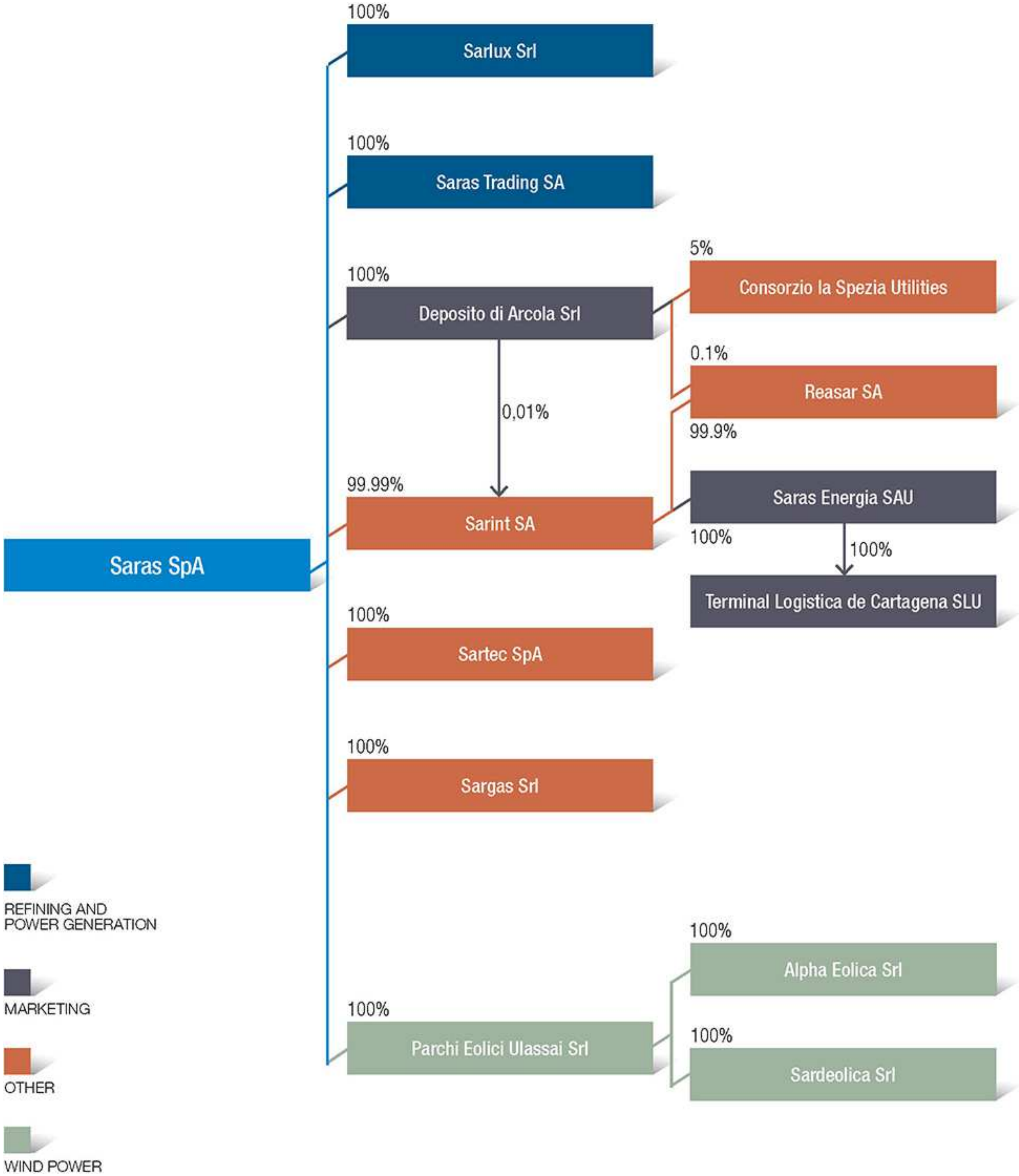
In the early years 2000s, the Saras Group entered also in the power generation business with the construction of an IGCC plant (Integrated Gasification plant with Combined Cycle power generation), which has a total installed capacity of 575MW and it also is owned and managed by the subsidiary Sarlux Srl. The feedstock used by the IGCC plant is obtained from the heavy oil products of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to more than 30% of the electricity requirements in Sardinia.

Moreover, still in Sardinia, the Group produces and sells electricity from renewable sources, through a wind farm situated in Ulassai. The wind farm which started operations in 2005, is owned and managed by the subsidiary Sardeolica Srl and it has an installed capacity equal to 96MW.

Lastly, the Saras Group provides industrial engineering and scientific research services to the petroleum, energy and environment industries, via its subsidiary Sartec SpA, and it operates also in the research and development of gaseous hydrocarbons.

Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment as of 30th June 2016.



Saras Stock Performance

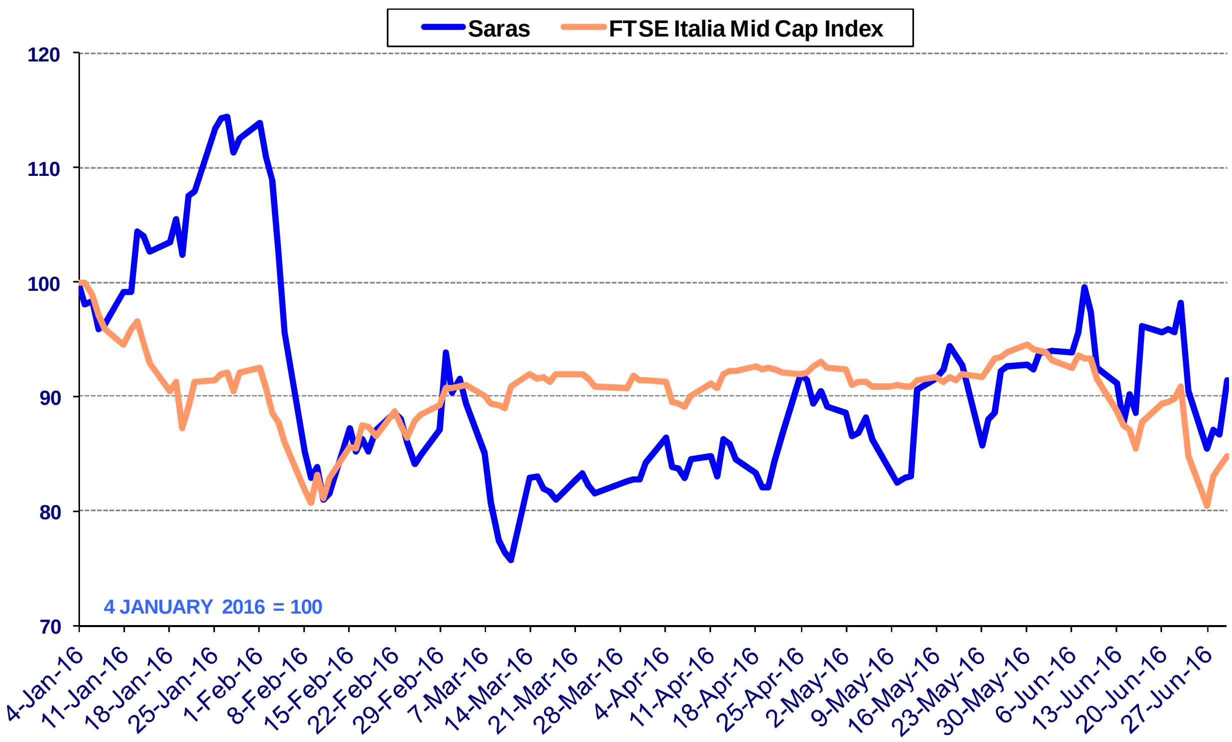
The following data show Saras' share prices and daily volumes, traded during the first six months of 2016.

SHARE PRICE (EUR)	H1/16
Minimum price (11/03/2016)	1.29
Maximum price (27/01/2016)	1.952
Average price	1.548
Closing price at the end of the first six months of 2016 (30/06/2016)	1.559

DAILY TRADED VOLUMES	H1/16
Maximum traded volume in EUR million (13/05/2016)	39.2
Maximum traded volume in number of shares (million) (13/05/2016)	25.4
Minimum traded volume in EUR million (06/01/2016)	3.7
Minimum traded volume in number of shares (million) (06/01/2016)	2.2
Average traded volume in EUR million	13.2
Average traded volume in number of shares (million)	8.6

The Market capitalization at the end of the first six months of 2016 was equal to approximately EUR 1,483 million and the number of shares outstanding was approximately 936 million.

The following graph shows the daily performance of Saras' share price during the first six months of 2016, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Key financial and operational Group Results[1]

In line with the standard practice in the oil industry, the operating results (EBITDA and EBIT) and the Net Result are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, which is adopted in the Financial Statements prepared according to IFRS accounting principles), because LIFO methodology does not include end-of-period revaluations and write-downs, hence providing a more representative view of the Group's operating performance. Furthermore, for the same reason, non-recurring items and the "*fair value*" of the open positions of the derivative instruments are also excluded, both from the operating results and from the Net Result. Operating results and Net Result calculated as above are called respectively "*comparable*" and "*adjusted*" and they are not subject to audit, just like the quarterly results.

Group consolidated income statement figures

EUR Million	Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
REVENUES	1,773	2,728	-35%	1,305	3,078	4,713	-35%
EBITDA	267.3	339.2	-21%	67.8	335.0	474.9	-29%
Comparable EBITDA	**134.2**	**252.2**	**-47%**	**124.2**	**258.3**	**396.4**	**-35%**
EBIT	210.5	260.8	-19%	11.5	222.0	339.4	-35%
Comparable EBIT	**77.3**	**196.6**	**-61%**	**67.9**	**145.3**	**283.8**	**-49%**
NET RESULT	129.7	155.9	-17%	(0.2)	129.5	230.1	-44%
***Adjusted* NET RESULT**	**50.0**	**132.5**	**-62%**	**40.2**	**90.2**	**187.0**	**-52%**

Other Group figures

EUR Million	Q2/16	Q2/15		Q1/16	H1 2016	H1 2015	
NET FINANCIAL POSITION	**147**	**72**		**253**	**147**	**72**	
CAPEX	**27.8**	**21.4**		**28.6**	**56.4**	**44.1**	

Comments to First Half 2016 Group Results

Group revenues in H1/16 were 3,078 million. The difference versus EUR 4,713 million in the first semester of last year is mainly due to the lower oil prices. More precisely, in H1/16 gasoline quotations had an average of 442 $/ton (versus the average of 602 $/ton in H1/15), while diesel quotations stood at an average of 360 $/ton (versus the average of 545 $/ton in H1/15). As a consequence, the Refining segment reduced its revenues by approx. EUR 1,285 million (also taking into account the lower refinery runs and sales of finished products) and, similarly, the Marketing Segment earned lower revenues (down by approx. EUR 310 million), notwithstanding stable volumes sold. Moreover, also the revenues of the Power Generation segment were lower by approx. EUR 38 million versus H1/15, due to the reduction in value of the CIP6/92 power tariff, following the updated outlook for prices of crude oil & gas, used in its calculation procedure.

[1] Pursuant to the provisions of article 154 bis, paragraph 2, of the Consolidated Finance Act, Mr. Franco Balsamo, the Executive Director responsible for the preparation of the company's financial reporting, states that the financial information set out in this Report correspond to the company's documents, books and accounting records.

Group *reported* EBITDA in H1/16 was EUR 335.0 million, versus EUR 474.9 million in H1/15, with the difference almost entirely due to the Refining segment, which conducted an heavy maintenance programme and operated in a market characterised by less favourable crack spreads, than those available in the same period of last year.

Group *reported* Net Result stood at EUR 129.5 million, down from EUR 230.1 million in H1/15, basically for the same reasons discussed at EBITDA level. Moreover, the charges for depreciation and amortisation were equal to EUR 113.1 million in H1/16 (versus EUR 135.5 million in H1/15), the interest charges were approx. EUR 13 million (versus approx. EUR 20 million in H1/15), while the other financial items (which include also the result of the derivative instruments used for hedging purposes, the net Forex results, and the "*fair value*" of the derivative instruments which are still open at the end of the period) summed up to a net financial charge worth approx. EUR 20 million in H1/16, that compares with a net financial income of approx. EUR 5 million in H1/15.

Group *comparable* EBITDA amounted to EUR 258.3 million in H1/16, down from EUR 396.4 million earned in H1/15. As per the comments already made for the *reported* results, that difference can be primarily attributed to the Refining segment. Furthermore, the above mentioned reduction in EBITDA was then reflected down to the bottom line, with the **Group *adjusted* Net Result standing at EUR 90.2 million in H1/16**, versus EUR 187.0 million in the first half of last year.

Finally, **CAPEX in H1/16 was equal to EUR 56.4 million**, in line with the scheduled programme, and mainly directed to the Refining segment (EUR 52.0 million).

Comments to Second Quarter 2016 Group Results

Group Revenues in Q2/16 were EUR 1,773 million. Similarly to the comments already made for the semester, the difference versus EUR 2,728 million in Q2/15 is mainly related to the reference scenario, characterised by lower quotations for the refined oil products, which led to revenues' reductions worth approx. EUR 790 million in the Refining segment, and approx. EUR 150 million in the Marketing segment. More precisely, in Q2/16 gasoline quotations averaged at 487 $/ton (versus 661 $/ton in Q2/15), and diesel quotations stood at 409 $/ton (versus 574 $/ton in Q2/15).

Group *reported* EBITDA in Q2/16 was 267.3 EUR million, versus EUR 339.2 million in Q2/15. Such difference derives mainly from the Refining segment which operated in a market characterised by lower margins than in the same quarter of last year, and it had to carry out some maintenance activities with their subsequent penalisations (while Q2/15 was completely maintenance-free).

Group *reported* Net Result stood at EUR 129.7 million, down from EUR 155.9 million in Q2/15. The difference illustrated at EBITDA level was partially compensated by lower charges for depreciation and amortisation (EUR 56.8 million, versus EUR 78.5 million in Q2/15), lower interest charges (EUR 7.2 million, versus EUR 11.5 million in Q2/15), and other net financial charges worth EUR 17.5 million (versus net financial charges worth EUR 30.4 million in Q2/15).

Group *comparable* EBITDA amounted to EUR 134.2 million in Q2/16, down versus EUR 252.2 million earned in Q2/15, mainly because of the lower results in the Refining segment. Moreover, the **Group *adjusted* Net Result was equal to EUR 50.0 million**, versus EUR 132.5 million in the same quarter of last year.

CAPEX in Q2/16 was overall equal to EUR 27.8 million, of which EUR 26.3 million dedicated to the Refining segment.

In the following tables can be found the detailed calculations of the *Comparable* EBITDA and the *Adjusted* Net Income, starting from the *reported* results, for the second quarter and the first half of 2016.

Calculation of the Group *comparable* EBITDA

EUR Million	Q2/16	Q2/15	H1 2016	H1 2015
***Reported* EBITDA**	**267.3**	**339.2**	**335.0**	**474.9**
Inventories at LIFO - inventories at FIFO	(113.5)	(61.8)	(61.7)	(75.1)
Non-recurring items	2.5	0.0	2.5	0.0
Realized result of derivatives and net FOREX	(22.1)	(25.3)	(17.5)	(3.4)
***Comparable* EBITDA**	**134.2**	**252.2**	**258.3**	**396.4**

Calculation of the Group *adjusted* Net Result

EUR Million	Q2/16	Q2/15	H1 2016	H1 2015
***Reported* NET RESULT**	**129.7**	**155.9**	**129.5**	**230.1**
(Inventories at LIFO - Inventories at FIFO) net of taxes	(78.1)	(44.2)	(42.6)	(53.9)
Non-recurring items net of taxes	1.7	17.2	1.7	17.2
Fair value of derivatives' open positions net of taxes	(3.3)	3.5	1.6	(6.4)
***Adjusted* NET RESULT**	**50.0**	**132.5**	**90.2**	**187.0**

Net Financial Position

The Net Financial Position on 30th June 2016 was positive and it stood at EUR 147 million, slightly below the positive position for EUR 162 million as of 31st December 2015. Indeed, the robust cash flow generated from operations has almost entirely compensated the increase in working capital employed in the oil inventories, the CAPEX made during the first semester, the payment of dividends distributed in May 2016, and the first instalment of the Iranian crude oil purchased in the first months of 2012.

EUR Million	30-Jun-16	31-Dec-15
Medium/long-term bank loans	(378)	(412)
Bonds	(174)	(174)
Long-term net financial position	**(552)**	**(586)**
Short term loans	(76)	(68)
Debts due to banks	(24)	(21)
Other short term financial liabilities	(46)	(69)
Fair value on derivatives and realized net differentials	(2)	23
Other financial assets	54	21
Cash and Cash Equivalents	787	857
Other Loans	5	5
Short-term net financial position	**699**	**748**
Total net financial position	**147**	**162**

Oil Market and Refining Margins

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

Average Values[1]	Q1/16	Q2/16		H1/15
Crude Oil prices and differential ($/bl)				
Brent Dated (FOB Med)	33.9	45.6		39.8
Urals (CIF Med)	32.7	44.3		38.6
"Heavy-Light" price differential	-1.2	-1.3		-1.3
***Crack spreads* for refined oil products ($/bl)**				
ULSD *crack spread*	7.8	9.2		8.5
Gasoline 10ppm *crack spread*	13.5	12.7		13.1
Reference Margin ($/bl)				
EMC Benchmark	+3.6	+2.6		+3.1

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

Crude oil prices:
Q1/16 started with crude oil quotations on a descending path, mainly due to persistent oversupply in the market, along with signals of further deterioration in global economic conditions, and strong turbulences shaking the financial markets. Brent Dated fell to the lowest quotation in more than 10 years, reaching 26 $/bl on the 20th of January. Later, between February and March, prices posted a remarkable recovery, due to data showing diminishing production of “*tight oil*” in the USA, and rumours of a possible agreement between crude oil producing countries to freeze output, in order to rebalance the market. As such, the period closed at 38.7 $/bl, with a quarterly average equal to 33.9 $/bl.
The rising trend of crude quotations continued also in April, notwithstanding the failure to reach a production agreement at the OPEC negotiations, held in Doha on the 17th of April. Indeed, unexpected production outages in Nigeria, Ghana, Kuwait and Canada resulted in the temporary removal from the market of 1.5 million barrels per day (mb/d) of crude oil. As such, Dated Brent could reach its highest quotation of the quarter at 50.7 $/bl, on the 8th of June. In the following weeks, however, the price rebound lost its steam, both because of the continuing increases in Iranian production (which stood at 3.7 mb/d in June, back to pre-embargo levels in just a few months from being readmitted to the market), and also because of growing uncertainties about the future of the European Union (following the outcome of the referendum held in the United Kingdom on the 23rd of June). Overall, Brent Dated averaged at 45.6 $/bl in Q2/16, up almost 11 $/bl versus the previous quarter.

Price differential between “heavy” and “light” crude oil grades (“Urals” vs. “Brent”):
During Q1/16 the “heavy-light” crude oil price differential posted a quarterly average equal to -1.2 $/bl. In general, notwithstanding the sabotage of the crude oil pipelines in the northern territories of Iraq in mid-February, there was large availability of heavy sour grades, both of Russian and Saudi origins. Indeed, spring maintenance of Russian refineries made important volumes of Urals available for export, towards North Europe and the Mediterranean Basin.
Moreover, beginning with March, the market found renewed availability of the Iranian heavy crude oil barrels, following the lifting of the sanctions. The “heavy-light” differential widened accordingly, and it reached -2.4 $/bl in mid-May, as a consequence of the strong competition between Iran, Saudi Arabia and Iraq, which are fighting a commercial battle to increase their market shares in Europe. In the second part of the quarter, however, Russian refineries resumed operations, hence reducing the quantity of Urals crude oil available for export. The differential shrank and its average in the second quarter settled to -1.3 $/bl, broadly unchanged versus the previous quarter.

***Crack spreads* of the main products** (i.e. the difference between the value of the product and the price of the crude):
During Q1/16, the gasoline *crack spread* progressively strengthened, reaching interesting values especially towards the end of the quarter, in coincidence with the switch to summer grade specifications. Demand was robust in the Persian Gulf region and also in West African countries, and in particular in Nigeria. Moreover, inventory levels decreased across the main logistic hubs, and the average of the gasoline *crack spread* settled at 13.5 $/bl in Q1/16.
In Q2/16 however, the gasoline *crack spread* gradually softened, due to climbing crude oil prices along with massive increases in refinery output on a global scale. Indeed, foreseeing robust consumption, thanks also to affordable prices at the retail stations, all the refineries in the United States of America, Europe and Asia, pushed operations up to maximum capacity, increasing their yields in light distillates. For that reason, notwithstanding the growth in consumption, gasoline stocks went back up in the logistic hubs across the globe. Gasoline *crack spread* came under pressure and, overall, it averaged at 12.7 $/bl in Q2/16.

Moving to the analysis of the middle distillates, in Q1/16 consumption of automotive diesel remained relatively low, and the diesel *crack spread* couldn’t even receive support from heating gasoil’s consumption, because winter temperatures turned out warmer than seasonal averages. Given the circumstances, and with all the refineries running at full capacity in

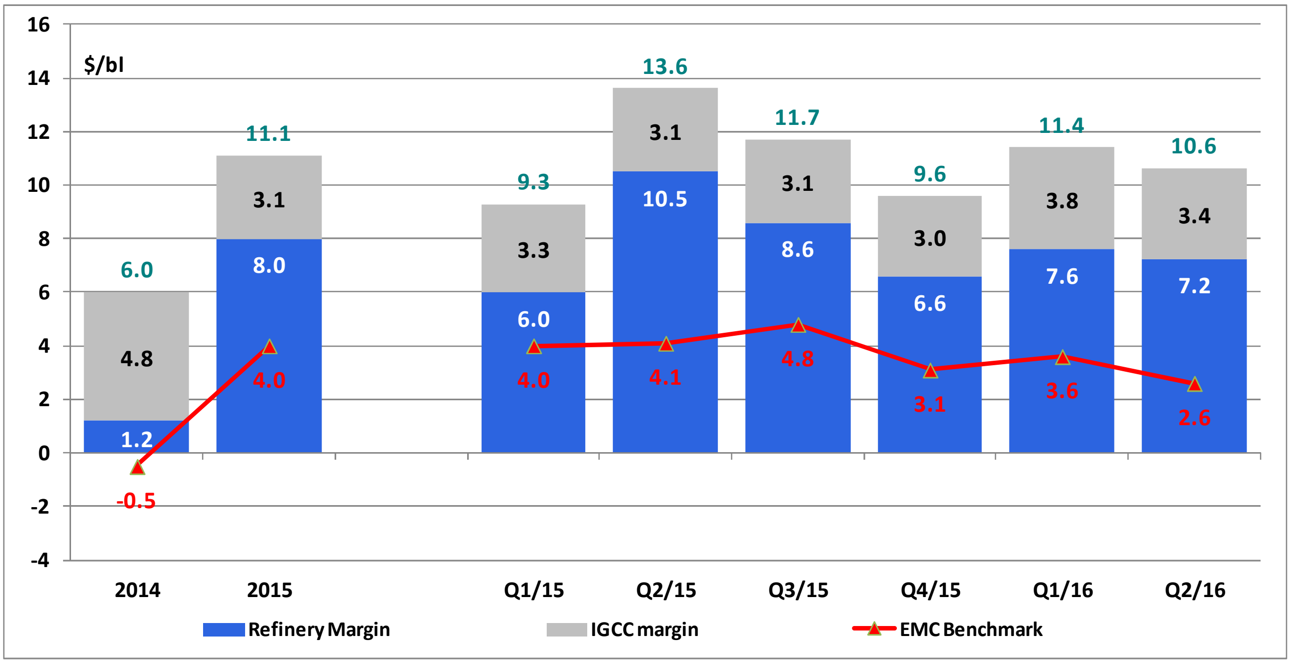
order to produce gasoline, the inventories of gasoil reached extremely high levels. The average of the diesel *crack spread* was therefore equal to 7.8 $/bl in Q1/16.
However, middle distillate fortunes improved in Q2/16, and the diesel *crack spread* posted the average of 9.2 $/bl, up by almost 1.5 $/bl versus the previous quarter. Such trend is due to the progressive decrease of the gasoil inventories, mainly thanks to a rebound in consumption in various Asian countries, where a drought reduced hydroelectric production, and forced them to generate electricity with emergency systems, powered by gasoil engines.

Refining Margin:

Moving to the profitability analysis of the refining industry, Saras traditionally uses a reference refining margin calculated by EMC (Energy Market Consultants) for a mid-complexity coastal refinery, located in the Mediterranean Basin, which processes a feedstock made of 50% Brent and 50% Urals crude oils.

The above mentioned margin (called "EMC Benchmark") began a progressive recovery in the second half of 2014, reaching record-high levels for the entire duration of 2015 (+4.0 $/bl as a yearly average), thanks to a market conditions characterized by crude oil oversupply and a progressive increase in consumption of refined oil products (and gasoline in particular). However, the supportive scenario convinced all refineries to run at full capacity and, as a consequence, oil products' supply exceeded consumption. Inventories of finished products began to stock-up in the first half of 2016, and the EMC Benchmark softened accordingly. Its quarterly average stood at +3.6 $/bl in the first quarter of 2016, and later, at +2.6 $/bl in the second quarter of 2016.

Finally, as shown in detail in the graph here below, the Saras Group's refinery, thanks to the flexibility and complexity of its industrial units, manages to achieve a higher refining margin than the EMC Benchmark. Moreover, the premium of the Saras margin above the EMC Benchmark does vary from quarter to quarter, according to the specific market conditions and the performance of Saras industrial and commercial operations in each individual quarter.



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

Segment Review

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

Refining

Sarroch refinery is positioned on the South-Western coast of Sardinia, and it is one of the largest and most complex refineries in the Mediterranean area. It enjoys a strategic location in the centre of the Mediterranean Sea, and it has a production capacity of 15 million tons per year, which corresponds to approximately 15% of Italy's total refining capacity. Below are the financial and operational highlights of this segment:

EUR Million	Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
EBITDA	209.9	280.3	-25%	14.4	224.3	348.6	-36%
***Comparable* EBITDA**	**77.7**	**196.2**	**-60%**	**71.5**	**149.2**	**279.4**	**-47%**
EBIT	180.4	233.9	-23%	(14.8)	165.6	272.0	-39%
***Comparable* EBIT**	**48.2**	**167.7**	**-71%**	**42.3**	**90.5**	**220.8**	**-59%**
CAPEX	**26.3**	**18.9**		**25.6**	**52.0**	**38.0**	

Margins and refinery runs

		Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
REFINERY RUNS	Tons (thousand)	3,209	3,712	-14%	2,880	6,088	7,418	-18%
	Barrels (million)	23.4	27.1	-14%	21.0	44.4	54.1	-18%
	Bl/day (thousand)	257	298	-14%	231	244	299	-18%
COMPLEMETARY FEEDSTOCK	Tons (thousand)	538	256	110%	384	922	493	87%
EXCHANGE RATE	EUR/USD	1.129	1.105	2%	1.102	1.116	1.116	0%
EMC BENCHMARK MARGIN	$/bl	2.6	4.1		3.6	3.1	4.0	
SARAS REFINERY MARGIN	$/bl	7.2	10.5		7.6	7.4	8.3	

Comments to First Half 2016 Results

Refinery crude oil runs in H1/16 stood at 6.09 million tons (44.4 million barrels, corresponding to 244 thousand barrels per calendar day), down 18% versus the first semester of last year. On the contrary, the runs of other feedstock complementary to crude oil were equal to 0.92 million tons, increased by 87% versus H1/15. Such differences are mainly due to the scheduled maintenance programme performed in H1/16, which involved distillation units and also conversion units, and it was heavier than the programme carried out in H1/15, because it included also a part of the activities started towards the end of last year.

***Comparable* EBITDA was EUR 149.2 million in H1/16**, supported by Saras refinery margin at +7.4 $/bl. This compares with *comparable* EBITDA at EUR 279.4 million and Saras refinery margin equal to +8.3 $/bl in the same period of 2015. As usual, the comparison between the two semesters must take into account the different market conditions and also the specific performance of the Saras Group, both from the operational and from the commercial perspective.

More specifically, when analysing the market conditions, the lower crude oil prices in H1/16 brought an advantage worth approx. EUR 80 million versus H1/15 (including also the reduction in the cost of the “consumption & losses”). On the contrary, the weaker *crack spreads* of the main refined products (diesel in particular) reduced the value of the refinery production by approx. EUR 170 million versus H1/15. Finally, the effect of the exchange rate Euro/US dollar was neutral, because the averages were perfectly equal in the two semesters under comparison (1.1159 US Dollars for 1 Euro in H1/16, vs. 1.1158 in H1/15).

From an operational point of view, in H1/16 the production planning (which consists in the optimization of the crude mix to be refined, the management of semi-finished products, and the production of finished products, including specialty products) achieved an increase in EBITDA worth approx. EUR 14 million versus H1/15. However, the production execution (which takes into account the penalisation due to maintenance, both scheduled and un-scheduled, and the higher consumption versus technical targets for some utilities like, for instance, fuel oil, steam, electricity, and fuel gas) produced an EBITDA worth approx. EUR 40 million less than in the first half of last year.

Finally, the commercial performance (which concerns procurement of crude oil and other kinds of complementary feedstock, sale of finished products, chartering and inventory management, including also compulsory stocks) delivered a lower EBITDA by approx. EUR 6 million, versus H1/15.

Refining CAPEX in H1/16 was EUR 52.0 million, due to the important maintenance programme carried out during the semester.

Comments to Second Quarter 2016 Results

Refinery crude oil runs in Q2/16 stood at 3.21 million tons (23.4 million barrels, corresponding to 257 thousand barrels per calendar day), down 14% versus the 3.71 million tons of crude oil processed in the same quarter of last year. Such decline in crude runs was partially offset by the runs of complementary feedstock, which increased by 110% versus Q2/15, reaching 0.54 million tons. Overall, the difference between the two periods under comparison is mainly due to the fact that Q2/16 maintenance activities involved also the distillation units, while Q2/15 was completely maintenance-free.

***Comparable* EBITDA was EUR 77.7 million** and Saras refinery margin was +7.2 $/bl in Q2/16, whereas in Q2/15 the *comparable* EBITDA stood at EUR 196.2 million and Saras refinery margin posted an average of +10.5 $/bl.

With regards to the market conditions, comments for the quarter are similar to those already made for the semester. Indeed, the lower quotations for crude oil in Q2/16 brought an advantage worth approx. EUR 30 million versus Q2/15 (including also the reduction in the cost of the “consumption & losses”).However, the weaker *crack spreads* of both diesel and gasoline, reduced the value of the refinery output by approx. EUR 105 million versus Q2/15. The weaker US Dollar against the Euro also delivered a negative effect on the EBITDA worth approx. EUR 3 million (the average was 1.129 US Dollars for 1 Euro in Q2/16, versus 1.105 in Q2/15). And finally, the effect of inventory changes, the realized results of derivative instruments and the net Forex, delivered at EBITDA level approx. EUR 35 million less than in the same quarter of last year.

From an operational point of view, in Q2/16 the production planning generated an EBITDA lower by approx. EUR 5 million versus Q2/15. On the contrary the production execution, notwithstanding the higher costs due to the maintenance activities performed in the period, delivered an EBITDA worth approx. EUR 8 million more than in Q2/15, thanks primarily to the lower consumption of utilities (which came closer to the technical limits than in Q2/15).

Finally, the commercial performance in Q2/16 produced a lower EBITDA (by approx. EUR 5 million) versus Q2/15.

Refining CAPEX in Q2/16 was EUR 26.3 million.

Crude Oil slate and Production

The crude mix processed by the Sarroch refinery in H1/16 had an average density of 33.5°API, apparently similar to the mix processed in H1/15 (33.4°API). However, when looking in more details at the various crude grades used in the feedstock, it can be noted a remarkable increase in the percentage of the crude oils with average density and high sulphur content (the so called *“medium sour”* grades), with a corresponding decrease in the percentage of heavy crude oils (both “*heavy sour*” and “*heavy sweet*”). Moreover, the increased quantities of feedstock complementary to crude oil (922 ktons in H1/16, versus 493 ktons in H1/15) led to a decrease in the runs of light crude oils with low sulphur content (mainly “*light extra sweet*” grades, but also “*light sweet*” ones). These changes in the feedstock mix are mainly due to the contingent configuration of the refinery (deriving from the important maintenance cycle carried out in Q1/16), and also to economic and commercial choices.

		Q2/16	H1 2016	H1 2015
Light extra sweet		31%	33%	40%
Light sweet		15%	11%	14%
Medium sweet/extra sweet		0%	0%	2%
Medium sour		33%	34%	13%
Heavy sour/sweet		20%	22%	32%
Average crude gravity	°API	33.6	33.5	33.4

Moving on to the finished product slate, it can be observed that in H1/16 the yields in LPG (2.6%) and light distillates (29.9%) reached very high levels (even greater than in the first half of last year), because the refinery tried to exploit in full the good commercial opportunities existing for those products. Conversely, the yield in middle distillates decreased (47.2%), because maintenance activities were carried out in Q1/16 on the MildHydroCracking Unit MHC2, and the timing was purposely chosen taking into consideration the less favourable market conditions for middle distillates. Lastly, the yield of heavy distillates remained broadly in line with the averages of last year.

		Q2/16	H1 2016	H1 2015
LPG	Tons (thousand)	85	179	167
	yield (%)	2.3%	2.6%	2.1%
NAPHTHA + GASOLINE	Tons (thousand)	1,060	2,096	2,037
	yield (%)	28.3%	29.9%	25.8%
MIDDLE DISTILLATES	Tons (thousand)	1,849	3,308	4,190
	yield (%)	49.3%	47.2%	53.0%
FUEL OIL & OTHERS	Tons (thousand)	207	427	422
	yield (%)	5.5%	6.1%	5.3%
TAR	Tons (thousand)	315	539	588
	yield (%)	8.4%	7.7%	7.4%

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

Marketing

The Saras Group is active in the Marketing segment in Italy and Spain, directly and through its subsidiaries, primarily in the wholesale channel. Below are the financial and operational highlights of the segment.

EUR Million	Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
EBITDA	3.0	(0.3)	1131%	(2.6)	0.4	4.8	-92%
***Comparable* EBITDA**	**(0.5)**	**(3.2)**	**86%**	**(3.3)**	**(3.7)**	**(4.5)**	**17%**
EBIT	1.5	(6.7)	123%	(4.0)	(2.5)	(3.4)	27%
***Comparable* EBIT**	**(1.9)**	**(4.7)**	**59%**	**(4.7)**	**(6.6)**	**(7.8)**	**15%**
CAPEX	**0.3**	**0.3**		**0.1**	**0.4**	**0.5**	

Sales

		Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
TOTAL SALES	Tons (thousand)	995	981	1%	1,003	1,998	1,971	1%
of which: in Italy	Tons (thousand)	574	640	-10%	581	1,154	1,260	-8%
of which: in Spain	Tons (thousand)	421	342	23%	422	844	711	19%

Comments to First Half 2016 Results

According to data collected by UP (Unione Petrolifera), during H1/16 oil products' consumption increased by 1.1% in the Italian market, which represents the main output channel for the wholesale marketing activities of the Saras Group. In Spain instead, data compiled by CORES show that demand for oil products decreased (-1.1%) versus the same semester of last year.

In particular, the increased consumption of oil products in the Italian market derives from growing demand of fuel oil used as bunker in the maritime sector (+11%, equal to +108ktons). As for road fuels instead, the good performance of gasoil (+0.5%, equal to +62Ktons) has almost entirely offset the reduction in gasoline demand (-1.9%, equal to -73ktons), also thanks to a remarkable increase (+19%) in new car registrations (with diesel vehicles accounting for 55.5% of the total). Nonetheless, wholesale margins declined versus H1/15, mainly because of the strong competitive pressure from inland refineries, which all run at maximum capacity in order to exploit the favourable trend of the refining margins. In such a context, the Saras Group reduced by 8% its sale volumes, in order to optimize its distribution channels and to contrast the decline of its commercial margin.

Moving to the analysis of the Spanish market, the drop in consumption of gasoil (-4.1%, equal to -530ktons), was only partially compensated by the increase in demand for kerosene (+12.7%, equal to +261ktons). Gasoline consumption, instead, remained substantially flat (-0.1%, equal to -3ktons). The Spanish subsidiary Saras Energia increased its sales by 19%, and continued its policies of sale channels' optimisation, managing in that way to limit the decline of the commercial margin.

According to the trends in sales and margins discussed in the previous paragraphs, **the *comparable* EBITDA of the Marketing segment stood at EUR -3.7 million in H1/16**, improved from EUR -4.5 million in H1/15.

Comments to Second Quarter 2016 Results

According to data collected by UP, during the second quarter of 2016 oil products' consumption in the Italian market remained basically unchanged (+0.1%) and, similarly, the data compiled by CORES for the Spanish market show a modest increase in consumption (+0.6%) versus the same period of 2015.

However, when analysing more deeply the Italian market, it can be noticed that consumption of road fuels declined (gasoline by -3.2%, and total gasoils by -0.9%), while there was an increase in demand for fuel oil used as bunker in the maritime sector (+5.8%), as well as for products used as petrochemical feedstock (+14%). Moreover, with regards to margins, some improvement signals materialized during the quarter, notwithstanding the market continues to be oversupplied. The Saras Group reduced sale volumes by 10% and, also thanks to this rationalisation, it could achieve an improved commercial margin versus Q2/15.

Moving to the analysis of Spanish market, it should be highlighted that the increase in demand for oil products derives mainly from stronger demand for kerosene for aviation purposes (+15%, equal to +175ktons), which more than offset the reduction in consumption of gasoil (-1.5%, equal to -97ktons) and of gasoline (-0.8%, equal to -8ktons). In this scenario, the Spanish subsidiary Saras Energia was able to increase its sale volumes by 23%, and to protect its commercial margin which remained at similar levels as in the second quarter of last year.

The *comparable* EBITDA of the Marketing segment stood at EUR -0.5 million, improved versus EUR -3.2 million in Q2/15.

Power Generation

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

EUR Milion	Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
EBITDA	49.2	55.8	-12%	46.2	95.3	109.7	-13%
***Comparable* EBITDA**	**51.7**	**55.8**	**-7%**	**46.2**	**97.8**	**109.7**	**-11%**
EBIT	24.5	31.3	-22%	21.8	46.3	61.5	-25%
***Comparable* EBIT**	**27.0**	**31.3**	**-14%**	**21.8**	**48.8**	**61.5**	**-21%**
EBITDA ITALIAN GAAP	**44.5**	**52.9**	**-16%**	**16.6**	**61.1**	**88.8**	**-31%**
EBIT ITALIAN GAAP	**28.3**	**36.8**	**-23%**	**0.7**	**28.9**	**57.4**	**-50%**
CAPEX	**0.9**	**1.9**		**2.8**	**3.6**	**5.1**	

Other figures

		Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
ELECTRICITY PRODUCTION	MWh/1000	1,241	1,241	0%	863	2,105	2,258	-7%
POWER TARIFF	**Eurocent/KWh**	**8.2**	**9.6**	**-15%**	**8.2**	**8.2**	**9.6**	**-15%**
POWER IGCC MARGIN	$/bl	3.4	3.1	10%	3.8	3.6	3.2	14%

Comments to First Half 2016 Results

The entire cycle of maintenance activities scheduled on the IGCC plant for the year 2016 was carried out during Q1/16, and it involved two trains of "Gasifier – combined cycle Turbine" and one of the "H_2S Absorbers". The production of electricity in H1/16 was equal to 2.105 TWh, down by 7% vs. H1/15 when the maintenance had involved only one of the three trains of "Gasifier – combined cycle Turbine" and one of the "H_2S Absorbers".

***Comparable* EBITDA was EUR 97.8 million**, down versus EUR 109.7 million in H1/15. Such difference is partly due to the lower value of the CIP6/92 tariff (-15%), as a consequence of the updated outlook for the prices of crude oil and gas used in its calculation procedure. Moreover, the sales of hydrogen and steam (which are not subject to the equalisation procedure) in H1/15 were higher by approx. EUR 8.6 million versus the sales made in H1/16.
It should be further noticed that the difference between the *comparable* and the *reported* EBITDA can be attributed to provisions for liabilities worth approx EUR 2.5 million, which were recorded in Q2/16.

Moving to the Italian GAAP EBITDA, it stood at EUR 61.1 million in H1/16, down versus EUR 88.8 million in the first semester of last year. Such difference is due to the combined effects of the lower production and sale of electricity (-7%), together with the lower value of the CIP6/92 tariff (-15%), and the lower sales of hydrogen and steam (down by approx. EUR 8.6 million, as already mentioned in the previous paragraph). On the other hand, the decline in the procurement cost of the TAR feedstock (-30%) had a positive impact on H1/16 EBITDA, when compared with the EBITDA of the same period of last year.

CAPEX in H1/16 was EUR 3.6 million, coherently with the scheduled maintenance activities carried out in the period.

Comments to Second Quarter 2016 Results

In Q2/16, as well as in the same quarter of 2015, the Power Generation Segment operated at full capacity, without any maintenance activity which could have limited its output. Therefore, the production of electricity reached maximum levels, and it was equal to 1.241 TWh, perfectly in line with the production in Q2/15.

***Comparable* EBITDA was EUR 51.7 million**, down versus EUR 55.8 million in Q2/15. As it was already discussed for the semester, that difference is mainly due to the lower value of the CIP6/92 tariff (down by 15%). Moreover, also the sales of hydrogen and steam (not subject to the equalisation procedure) were lower by approx. EUR 3.1 million versus the sales made in the same period of last year. As for the difference between the *comparable* and the *reported* EBITDA, it still holds true the same explanation provided in the comments for the semester.

Moving to the analysis of the Italian GAAP EBITDA in Q2/16, it was equal to EUR 44.5 million, down vs. EUR 52.9 million in the same quarter of last year, as a consequence of the joint effects of the lower value of the CIP6/92 tariff, together with the lower sales of hydrogen and steam (as previously disclosed). These factors, indeed, were only partially compensated by the decline (-35%) in the procurement cost of the TAR feedstock.

Finally CAPEX in Q2/16 was EUR 0.9 million.

Wind

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

EUR million	Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
EBITDA	4.6	3.1	47%	9.9	14.5	11.7	24%
***Comparable* EBITDA**	**4.6**	**3.1**	**47%**	**9.9**	**14.5**	**11.7**	**24%**
EBIT	3.4	2.2	59%	8.9	12.3	9.4	30%
***Comparable* EBIT**	**3.4**	**2.2**	**59%**	**8.9**	**12.3**	**9.4**	**30%**
CAPEX	**0.1**	**0.0**		**0.0**	**0.2**	**0.0**	

Other figures

		Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
ELECTRICITY PRODUCTION	MWh	49,039	33,748	45%	77,577	126,616	102,767	23%
POWER TARIFF	EURcent/KWh	3.5	4.3	-19%	3.7	3.6	4.7	-22%
INCENTIVE (prev. GREEN CERTIFICATES)	EURcent/KWh	8.3	10.5	-21%	11.1	10.0	10.2	-2%

Comments to First Half 2016 Results

In H1/16 the *comparable* EBITDA of the Wind segment (equal to the IFRS EBITDA) stood at EUR 14.5 million, up from EUR 11.7 million achieved in H1/15, mainly due to more favourable wind conditions, almost at record levels, which caused a production of electricity higher by 23% versus the same period of last year. On the other hand, the Power Tariff diminished (-1.1 EURcent/kWh vs. H1/15), and also the value of the Incentive Tariff decreased (-0.2 Eurocent/kWh vs. the value of the Green Certificates, which were the incentive mechanism valid until the end of 2015).

To this regards, as it was already explained in the previous Interim Report, it should be mentioned that the Ministerial Decree issued on 6th July 2012, introduced a new mechanism of economic incentives applicable for the electricity produced by all the renewable sources, with the exception only of the production of photovoltaic energy. In particular, the Decree established that, for all the plants which started operations after 01.01.2013, the old incentive mechanism based on the Green Certificates must be replaced by a new incentive mechanism based on the system of the “lowest-bid auctions”. On the contrary, for all the plants which started operations before 31.12.2012 (as it is the case of Sardeolica Srl), the Decree established that the mechanism based on the Green Certificates should remain valid until 31.12.2015. Beyond such date, those plants with the period of incentive expiring after 2015, shall receive an Incentive Tariff in replacement of the Green Certificates. The value of such Incentive Tariff, however, is based upon the same formula used to calculate the price at which the Green Certificates were purchased by the National Grid Manager (GSE).

Comments to Second Quarter 2016 Results

In Q2/16 the *comparable* EBITDA of the Wind segment (equal to the IFRS EBITDA) stood at EUR 4.6 million, up from EUR 3.1 million achieved in Q2/15. Such difference was mainly due to a higher power production (+45%, thanks to more favourable wind conditions), which more than offset the drop of the Power Tariff (-0.8 Eurocent/kWh vs. Q2/15) and of the Incentive Tariff (-2.2 Eurocent/kWh vs. the value of the Green Certificates in Q2/15).

Other Activities

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

EUR Million	Q2/16	Q2/15	Change %	Q1/16	H1 2016	H1 2015	Change %
EBITDA	0.6	0.3	97%	(0.1)	0.5	0.1	467%
***Comparable* EBITDA**	**0.6**	**0.3**	**97%**	**(0.1)**	**0.5**	**0.1**	**467%**
EBIT	0.6	0.2	180%	(0.3)	0.3	(0.1)	300%
***Comparable* EBIT**	**0.6**	**0.2**	**180%**	**(0.3)**	**0.3**	**(0.1)**	**300%**
CAPEX	**0.2**	**0.2**		**0.0**	**0.2**	**0.4**	

Strategy and Outlook

The first part of the year 2016 witnessed similar market conditions as those of the previous year, especially with regards to crude oil supply. Indeed, notwithstanding the slowdown of the production activities in the United States of America and the unexpected disruptions in various important producing countries, crude oil supply continued to grow at a global level, mainly driven by OPEC countries. As a matter of fact, OPEC production in June stood at 33.2 million barrels per day (mb/d), which was the highest level in the past 8 years. As for the second half of the year, the market is expected to remain oversupplied, and non-conventional crude oil grades should remain abundant.

Looking at consumption of refined products, in its most recent report dated July 2016, the International Energy Agency (IEA) updated its estimates for global demand growth which, after hitting the 5-year high in 2015 (+1.8 mb/d versus 2014) it's now expected to grow further by +1.4 mbl/d in 2016, supported by robust consumption both in Europe and in India, and despite the softening trends recently observed in China.

Looking at the main categories of refined oil products, it can be noted that gasoline consumption, after setting record levels for the entire year 2015 and the first quarter of 2016, began to cool down in the last months, mainly because of the slowing demand in China, Brazil and Japan. For the remaining part of the year, the international experts believe that gasoline could continue to represent approx. one third of the global demand growth (versus more than 50% in 2015), because the low cost of crude oil continues to exert downward pressure on the retail prices of the road fuels and, in turn, affordable prices stimulate consumption.

The outlook for middle distillates, instead, continues to remain uncertain due to the high inventories accumulated during the previous quarters, which continue to depress the profitability of these products. Moreover, the considerable recovery in gasoil demand recorded in the second quarter of 2016 seems to be related, primarily, to transitory and seasonal factors, such as the drought in various Asian regions, which led to an increase of gasoil consumption for power generation purposes, and the strikes of the French refineries, which caused temporary shortages in the local supply.

Under such circumstances, the market scenario forecasted for the second half of 2016 could be characterised by crack spreads under pressure for the main refined products but, at the same time, crude supply exceeding consumption, thus leading to interesting discounts for the non-conventional crude grades. The "EMC Benchmark" reference margin could therefore decrease versus the levels at which it was standing during the first semester, because its calculation formula refers only to standard crudes like Brent and Urals, while it does not take into account the price discounts available for the non-conventional crude oils.

On the other hand, the above scenario could prove more favourable for the Saras Group that, as already demonstrated during the first semester, can rely on a versatile and flexible refinery and it can capture market opportunities in a dynamic manner, purchasing multiple kinds of feedstock, choosing from time to time the ones which have the best economics (e.g. non-conventional crude oils, other feedstock complementary to crude oil, etc.). Indeed, thanks to a business model based on the Supply Chain integration, the Group believes that, also in the second half of 2016, its refining margin could achieve an average premium of approx. 4 $/bl above the EMC Benchmark margin.

Finally, with regards to the operations of the Sarroch refinery, the scheduled maintenance activities in H1/16 were carried out smoothly and according to plans. For the remaining part of the year, Q3/16 will be completely maintenance-free, while in Q4/16 there will be a turnaround in the "Northern Plants", and the change of catalyst in the MildHydroCracking Unit "MHC1". Overall, refinery crude runs for the full year 2016 are expected to reach approx. 13.5 ÷ 13.7 million tons (98 ÷ 100 million barrels), with further runs for more than 1.2 million tons of other feedstock complementary to crude oil. If we were to estimate the opportunity cost of the unavailability of the various refinery units which will undergo maintenance activities, such estimate would be equal to approx. 70 ÷ 75 million USD for the full year 2016, taking into consideration also the current market conditions.

Moving to the IGCC plant in the Power Generation segment, the entire scheduled maintenance for the year 2016 has been completed during Q1/16. Total production of electricity for 2016 is expected as usual between 4.3 ÷ 4.5 TWh.

With regards to the Marketing segment, margins continue to remain under pressure, notwithstanding a gradual recovery in European oil products' consumption trends. The Group will prudentially continue to pursue its consolidation strategy, aimed at optimizing the mix of sales channels, in order to achieve break-even level for the full year *comparable* EBITDA of the Marketing segment.

In the Wind segment, the subsidiary Sardaeolica presented in April 2016 its request for the Environmental Impact Assessment procedure ("V.I.A. – Valutazione di Impatto Ambientale") with regards to the upgrading project of its wind farm in Ulassai (located on lands belonging to the municipalities of Ulassai and Perdasdefogu). The upgrade aims at increasing the installed capacity by further 30 MW. Moreover, the Group is presently moving forward with the procedures required to obtain the construction permits ("Autorizzazione Unica") regarding a project in the municipality of Onanì (NU), with installed capacity of approx. 15 MW. From the operational stand-point, the good wind conditions recorded in the first semester, lead us to forecast a high power production for the full year, as well as solid financial results for this segment.

Investments by business Segment

EUR Million	Q2/16	H1 2016	H1 2015
REFINING	26.3	52.0	38.0
POWER GENERATION	0.9	3.6	5.1
MARKETING	0.3	0.4	0.5
WIND	0.1	0.2	0.0
OTHER	0.2	0.2	0.4
Total	**27.8**	**56.4**	**44.1**

Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible reduction or elimination of the principal risks associated with the Group's objectives, with reference to the strategic, operational and financial areas.

The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and also to assess the acceptable residual risk.

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

Financial risks

Price fluctuation risk

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

Exchange rate risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Other risks

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

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

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

Regulatory risk
The Sarlux Srl subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP resolution no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production. The risk is therefore linked to possible unfavourable modifications to the legislation, which could have significant negative effects.

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

Protection of Personal Data
Pursuant to the provisions of Legislative Decree 196 of the 30th June 2003 “Norms related to the protection of sensitive personal data”, the Group adopted all minimum safety measures required in the Annex B of such Decree (Article 34); in particular, the Safety Document (DPS), as required by the item 19 of the above mentioned Annex B, has been updated on the 31st March 2012.

Main events after the end of the First Half of 2016

On the 11th of July 2016 the State Council pronounced its final rejection to the appeal presented by Saras, against the previous rejection received from the Sardinian Administrative Court (TAR), with regards to the project (called "Progetto Eleonora") to drill an exploration well for the research of methane gas, in the countryside nearby the city of Arborea (Oristano).

Other Information

Research and Development

Saras did not undertake meaningful "Research and Development" activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first half of 2016.

Own shares

During the first half of 2016 no transactions took place involving the sale and/or purchase of Saras SpA own shares. However, on the 5th of April 2016, according to the outcome of the "Stock Grant Plan 2013 – 2015", number 4,255,920 ordinary shares of Saras SpA were assigned to the management of the Saras Group. Therefore, on the 30th of June 2016, the own shares held in treasury by the company were equal to number 14,989,854 (corresponding to 1,576% of the company's issued share capital), while the ordinary shares in circulation were equal to number 936,010,146.

Non-recurring and unusual Transactions

During the first half of 2016 there were no activities originated from non-recurring and/or unusual transactions, and there are no open positions originating from such transactions.

Dividends

Following the authorisation received by the Ordinary Shareholders Meeting of Saras SpA held on the 22nd of April 2016, the company paid, on the 25th of May 2016, a dividend equal to EUR 0.17 per each of the 936,010,146 ordinary shares in circulation, for a total payment of EUR 159,121,724.82.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of: 30th June 2016 and 31st December 2015

EUR thousand	30/06/2016	31/12/2015
ASSETS		
Current assets	**1,977,984**	**1,929,396**
Cash and cash equivalents	787,338	856,843
Other financial assets	69,210	89,533
Trade receivables	266,481	260,636
Inventories	685,320	564,803
Current tax assets	25,110	32,194
Other assets	144,525	125,387
Non-current assets	**1,288,105**	**1,388,180**
Property, plant and equipment	993,811	1,033,546
Intangible assets	210,245	227,416
Other equity interests	502	502
Deferred tax assets	78,402	121,714
Other financial assets	5,145	5,002
Total assets	**3,266,089**	**3,317,576**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**1,517,214**	**1,444,696**
Short-term financial liabilities	162,201	203,097
Trade and other payables	1,101,117	1,043,440
Current tax liabilities	172,480	123,412
Other current liabilities	81,416	74,747
Non-current liabilities	**893,666**	**987,976**
Long-term financial liabilities	552,275	585,848
Provisions for risks and charges	64,721	90,426
Provisions for employee benefits	10,846	11,445
Deferred tax liabilities	4,902	4,717
Other non-current liabilities	260,922	295,540
Total liabilities	**2,410,880**	**2,432,672**
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	660,143	595,688
Profit/(loss) for the period	129,510	223,660
Total equity attributable to owners of the Parent company	**855,209**	**884,904**
Minority interests	0	0
Total equity	**855,209**	**884,904**
Total liabilities and shareholders' equity	**3,266,089**	**3,317,576**

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st January – 30th June 2016 and 2015

Consolidated Income Statement for the periods: 1st January - 30th June 2016 and 2015

EUR thousand	1st January 30th June 2016	of which non recurring	1st January 30th June 2015	of which non recurring
Revenues from ordinary operations	3,019,732		4,653,069	
Other income	58,349		59,898	
Total revenues	**3,078,081**	***0***	**4,712,967**	***0***
Purchases of raw materials, spare parts and consumables	(2,398,762)		(3,884,711)	
Cost of services and sundry costs	(269,298)	(2,483)	(275,315)	
Personnel costs	(74,931)		(78,020)	
Depreciation, amortisation and write-downs	(113,140)		(135,546)	(22,914)
Write-offs and reversals of write-offs for Sarlux\GSE contract				
Total costs	**(2,856,131)**	***(2,483)***	**(4,373,592)**	***(22,914)***
Operating results	**221,950**	***(2,483)***	**339,375**	***(22,914)***
Net income/(charges) from equity interests				
Financial income	53,183		213,231	
Financial charges	(85,948)		(228,291)	
Profit/(loss) before taxes	**189,185**	***(2,483)***	**324,315**	***(22,914)***
Income tax for the period	(59,675)	756	(94,232)	
Net profit/(loss) for the period	**129,510**	***(1,727)***	**230,083**	***(22,914)***
Net profit/(loss) for the period attributable to:				
Owners of the Parent Company	129,510		230,083	
Minority interests	0		0	
Earnings per share - basic (EUR cent)	**13.87**		**24.86**	
Earnings per share - diluted (EUR cent)	**13.87**		**24.86**	

Statement of Comprehensive Income for the periods: 1st January - 30th June 2016 and 2015

EUR thousand	1st January 30th June 2016	1st January 30th June 2015
Net result for the year (A)	**129,510**	**230,083**
Items included in comprehensive income which will be reclassified subsequently to profit or loss (when specific conditions are met)		
Effect of translation of F/S in foreign currency	(83)	7
Items included in comprehensive income which will not be reclassified subsequently to profit or loss (when specific conditions are met)		
IAS 19 actuarial effect on end-of-service payments	0	0
Income / (loss), net of fiscal effect (B)	**(83)**	**7**
Consolidated Comprehensive Result for the period (A + B)	**129,427**	**230,090**
Net consolidated Comprehensive Result for the year attributable to:		
Owners of the Parent Company	129,427	230,090
Minority interests	0	0

Statement of Changes in Consolidated Shareholders' Equity: From 31st December 2014 to 30th June 2016

EUR thousand	Share Capital	Legal Reserve	Other reserve	Profit/ (Loss)	Total equity attributable to owners of the Parent Company	Minority interests	Total equity
Balance as of 31/12/2014	**54,630**	**10,926**	**856,034**	**(261,847)**	**659,743**	**0**	**659,743**
Appropriation of previous year's profit			(261,847)	261,847	0		0
Reserve for share plan			765		765		765
Effect of translation of F/S in foreign currency			7		7		7
Net profit/(loss) for the period				230,083	230,083		230,083
Total comprehensive profit/(loss) for the period			*7*	*230,083*	*230,090*		*230,090*
Balance as of 30/06/2015	**54,630**	**10,926**	**594,959**	**230,083**	**890,598**	**0**	**890,598**
Reserve for share plan			765		765		765
Effect of translation of F/S in foreign currency			7		7		7
IAS 19 actuarial effect			(43)		(43)		(43)
Net profit/(loss) for the period				(6,423)	(6,423)		(6,423)
Total comprehensive profit/(loss) for the period					*0*		*0*
Balance as of 31/12/015	**54,630**	**10,926**	**595,688**	**223,660**	**884,904**	**0**	**884,904**
Appropriation of previous year's profit			223,660	(223,660)	0		0
Dividends			(159,122)		(159,122)		(159,122)
Effect of translation of F/S in foreign currency			(83)		(83)		(83)
Net profit/(loss) for the period				129,510	129,510		129,510
Total comprehensive profit/(loss) for the period			*(83)*	*129,510*	*129,427*		*129,427*
Balance as of 30/06/2016	**54,630**	**10,926**	**660,143**	**129,510**	**855,209**	**0**	**855,209**

Consolidated Cash Flows Statement as of:
30th June 2016 and 30th June 2015

EUR thousand	1/1/2016-30/06/2016	1/1/2015 - 30/06/2015
A - Cash and cash equivalents at the beginning of the period	**856,843**	**633,544**
B - Cash generated from/(used in) operating activities		
Net Profit / (Loss) for the period	129,510	230,083
Unrealised exchange losses/(gains) on bank accounts	(545)	(1,937)
Amortisation, depreciation and write-downs of fixed assets	113,140	135,546
Net change in provisions for risks and charges	(25,705)	(7,240)
Net change in employee benefits	(599)	(161)
Net change in deferred tax liabilities and deferred tax assets	43,497	74,751
Net interest income (expense)	11,022	7,878
Accrued income tax	(39,797)	19,481
Change in fair value of derivatives	1,760	22,775
Other non cash items	(83)	772
Profit (Loss) before changes in working capital	**232,200**	**481,948**
Increase)/Decrease in trade receivables	(5,845)	(168,546)
(Increase)/Decrease in inventory	(120,517)	1,415
Increase/(Decrease) in trade and other payables	57,677	(290,958)
Change in other current assets	(12,054)	43,570
Change in other current liabilities	112,728	58,326
Interest received	477	336
Interest paid	(11,499)	(8,214)
Tax paid	(17,194)	(6)
Change in other non-current liabilities	(34,618)	(21,188)
Total (B)	**201,355**	**96,683**
C - Cash flow from/(used in) investing activities		
(Investments) in tangible and intangible assets	(56,234)	(57,440)
Change in financial assets	35,247	0
Total (C)	**(20,987)**	**(57,779)**
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	0	0
Increase/(Decrease) in short term borrowings	(91,296)	111,322
Dividends and buy-backs of own shares	(159,122)	0
Total (D)	**(250,418)**	**111,322**
E - Cashflow for the period (B+C+D)	**(70,050)**	**150,226**
F - Net Cash from disposal of Akhela/Artemide	**0**	**0**
Unrealised exchange losses/(gains) on bank accounts	545	1,937
F - Cash and cash equivalents at the end of the period	**787,338**	**785,707**

For the Board of Directors
The Chairman
Gian Marco Moratti

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH JUNE 2016

1. Introduction

Publication of the abbreviated consolidated financial statements of Saras Group for the period closed as at 30 June 2016 was authorised by the Board of Directors on 1 August 2016.

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, 195 "Sulcitana" Km. 19. The Company is jointly controlled by Gian Marco Moratti S.A.P.A. and Massimo Moratti S.A.P.A., representing, respectively, 25.01% and, in aggregate, 50.02% of the Share Capital of Saras SpA, pursuant to the shareholders' agreement executed by them on 1 October 2013. The company is established until 31 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. The 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 Parchi Eolici Ulassai Srl (via the subsidiary Sardeolica Srl).

2. Basis of preparation and change of the Group accounting policies

2.1 Basis of preparation

The abbreviated consolidated financial statements for the period ended 30th June 2016 were prepared pursuant to "IAS 34 - Interim Financial Statements". The abbreviated consolidated financial statements do not provide all the information requested in the preparation of the annual consolidated balance sheet. For that reason, it is necessary to read these abbreviated consolidated financial statements together with the consolidated financial statement for the year ended 31st December 2015.

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in preparing the consolidated financial statements at 31st December 2015. The Group was not an early adopter of any new standard, interpretation or amendment issued but not yet in force. The application of the new standards, amendments and interpretations in force since 1st January 2016 has not had any significant impact on these abbreviated consolidated financial statements.

2.3 Consolidation scope

Subsidiaries that are consolidated on a line-by-line basis and non-consolidated subsidiaries that are included in the Group's basis of consolidation are listed below.

Consolidated on a line-by-line basis	% owned
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.U.	100%
Terminal Logistica de Cartagena S.L.U.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai Srl and subsidiaries:	100%
Sardeolica Srl	100%
Alpha Eolica Srl	100%
Saras Trading S.A.	100%

Equity investments recognised at cost	
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

Compared to 31st December 2015, there are no changes in the scope of consolidation.

2.4 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective assessments and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The application of these estimates and assumptions affects both the recognition of certain assets and liabilities and the assessment of contingent assets and liabilities. The main estimates are used in determining the value in use of the cash flow-generating activities and the estimation of provisions for risks and charges and provisions. The estimates and judgments are reviewed periodically and the effects of each of them are recorded in the income statement. A summary of the most significant estimates, which at 30th June 2016 were unchanged compared to the previous year, is provided in the Group's consolidated balance sheet at 31st December 2015, to which reference should be made.

3. Information by business segment and geographical area

3.1 Preliminary remarks

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.

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

The finished products are sold to major international operators.

2. Marketing activities concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:
- in Italy by Saras S.p.A. (Wholesale Division), to wholesale customers (wholesalers, buying consortia, municipal utilities and retailers of oil products) and oil companies through a logistics network organised on own base (Sarroch), on a third party's base pursuant to a transit contract (Livorno, Civitavecchia , Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) and by Deposito di Arcola Srl for the logistics management of the Arcola depot (SP);
- in Spain, by Saras Energia S.A. for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of storage facilities located throughout the country, the most important of which, the Cartagena storage facility, is owned by the company itself.

3. Generation of power by the combined-cycle plant relates to the sale of electricity generated at the Sarroch plant owned by Sarlux S.r.l. The sale is exclusively carried out with the client G.S.E. (Gestore dei Servizi Energetici S.p.A.), and benefits from the CIP 6/92 concession system.

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

5. Other activities include reinsurance activities undertaken for the Group by Reasar S.A. and research for environmental sectors undertaken by Sartec S.p.A.

The management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the financial statements for the year ended 31st December 2015.

3.2 Segment information

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

	Refining	Marketing	Power Generation	Wind Power	Other	Total
30th June 2015						
Revenues from ordinary operations	4,569,970	1,059,290	267,690	4,802	11,567	5,913,319
less: intersegment revenues	(1,225,880)	(1,566)	(28,157)	0	(4,647)	(1,260,250)
Revenues from third parties	**3,344,090**	**1,057,724**	**239,533**	**4,802**	**6,920**	**4,653,069**
Other revenues	70,476	1,452	12,851	11,163	96	96,038
less: intersegment revenues	(35,923)	0	(139)	0	(78)	(36,140)
Other revenues from third parties	**34,553**	**1,452**	**12,712**	**11,163**	**18**	**59,898**
Amortisation and depreciation	**(76,610)**	**(8,210)**	**(48,236)**	**(2,265)**	**(225)**	**(135,546)**
Operating profit (a)	**272,017**	**(3,441)**	**61,478**	**9,449**	**(128)**	**339,375**
Financial income (a)	217,570	2,230	5,923	633	150	226,506
Financial charges (a)	(237,529)	(2,910)	(372)	(698)	(57)	(241,566)
Income taxes	(73,855)	(3)	(17,915)	(2,468)	9	(94,232)
Net result for the period (a)	**178,203**	**(4,124)**	**49,114**	**6,916**	**(26)**	**230,083**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,537,451**	**516,817**	**657,802**	**91,348**	**21,370**	**3,824,788**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**2,131,301**	**338,686**	**403,382**	**46,266**	**14,555**	**2,934,190**
Investments in tangible assets	37,298	441	5,128	7	406	**43,280**
Investments in intangible assets	728	77	0	0	17	**822**

	Refining	Marketing	Power Generation	Wind Power	Other	Total
30th June 2016						
Revenues from ordinary operations	2,847,599	746,518	225,472	4,593	10,300	3,834,482
less: intersegment revenues	(789,611)	(935)	(20,111)	0	(4,093)	(814,750)
Revenues from third parties	**2,057,988**	**745,583**	**205,361**	**4,593**	**6,207**	**3,019,732**
Other revenues	78,686	3,367	8,809	12,689	161	103,712
less: intersegment revenues	(44,855)	(296)	(100)	0	(112)	(45,363)
Other revenues from third parties	**33,831**	**3,071**	**8,709**	**12,689**	**49**	**58,349**
Amortisation and depreciation	**(58,722)**	**(2,847)**	**(49,050)**	**(2,272)**	**(249)**	**(113,140)**
Operating profit (a)	**165,600**	**(2,470)**	**46,296**	**12,265**	**259**	**221,950**
Financial income (a)	53,339	220	414	46	14	54,033
Financial charges (a)	(84,712)	(1,608)	(174)	(292)	(12)	(86,798)
Income taxes	(40,212)	132	(15,694)	(3,779)	(122)	(59,675)
Net result for the period (a)	**94,015**	**(3,726)**	**30,842**	**8,240**	**139**	**129,510**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,480,554**	**381,322**	**1,286,589**	**94,632**	**22,992**	**3,266,089**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,797,070**	**277,163**	**303,245**	**18,200**	**15,200**	**2,410,878**
Investments in tangible assets	51,799	421	3,640	42	192	**56,094**
Investments in intangible assets	178	15		121	6	**320**

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

4. Test of impairment of value of goodwill and intangible assets with indefinite useful life (Impairment test)

The Group carries out impairment tests each year (31st December) and when circumstances indicate the possibility of a reduction of the recoverable value of goodwill. The impairment test on goodwill and intangible assets with indefinite useful life is based on the calculation of value in use. The variables used to determine the recoverable value of the various cash-generating units (CGU) have been presented in the consolidated financial statements at 31st December 2015.

In reviewing their indicators of impairment, the Group takes into account, among other factors, the relationship between its market capitalization and its book value. As at 30th June 2016, the Group's market capitalisation was higher than its net asset value, thus indicating the absence of a potential impairment of the tangible and intangible assets recorded in the financial statements: accordingly, the directors have not carried out an impairment test.

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:

	30/06/2016	31/12/2015	Change
Bank and postal deposits	785,693	855,362	(69,669)
Cash	1,645	1,481	164
Total	**787,338**	**856,843**	**(69,505)**

Bank deposits are mainly attributable to Saras SpA (EUR 673,560 thousand), Sarlux Srl (EUR 91,923 thousand), Sardeolica Srl (EUR 2,029 thousand) and Saras Energia SAU (EUR 7,796 thousand). For further details on the company's net cash position, reference is made to the relevant section of the Report on Operations and the cash flow statement.

5.1.2 Other financial assets

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

	30/06/2016	31/12/2015	Change
Derivative instruments	15,067	68,387	(53,320)
Other financial assets	54,143	21,146	32,997
Total	**69,210**	**89,533**	**(20,323)**

'Derivative instruments' comprises the positive fair value of derivatives outstanding at the end of the period under review. 'Other financial assets' consists mainly of the derivative guarantee deposits.

5.1.3 Trade receivables

The trade receivables amount to EUR 266,481 thousand and are substantially in line with the comparable amount on 31st December 2015.

5.1.4 Inventories

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

	30/06/2016	31/12/2015	Change
Raw materials derived from crude oil	223,061	146,427	76,634
Semi-finished products and work in progress	45,694	59,226	(13,532)
Finished products and goods held for resale	328,585	268,359	60,226
Advance payments	1,042	1,259	(217)
Spare parts and consumables	86,938	89,532	(2,594)
Total	**685,320**	**564,803**	**120,517**

The increase, compared with 31st December 2015, is a result of both increased amounts of crude oil and oil products held at period-end, and the dynamics in the prices.

The recording of inventories at net realisable value led to a write-down of the crude oil inventories of around EUR 0.4 million. The carrying amount of inventories does not differ from their market value.

No inventories are used as collateral for liabilities.

On 30th June 2016, the Sarroch refinery held third party oil products in the amount of EUR 20.5 million.

5.1.5 Current tax assets

Current tax assets break down as follows.

	30/06/2016	31/12/2015	Change
VAT	1,586	1,514	72
IRES (corporate income tax, including income tax of foreign companies)	8,910	17,467	(8,557)
IRAP (regional income tax)	3,287	633	2,654
Other tax receivables	11,327	12,580	(1,253)
Total	**25,110**	**32,194**	**(7,084)**

Receivables for IRES and IRAP are attributable to tax payments for amounts due for fiscal year 2016, while the Other Credits include, in addition to tax refunds requested or paid on a provisional basis (EUR 5,886 thousand), the recognition of the tax credit related to the acceleration of 2014/2015 investments under Art.18 DL 91/14 (EUR 4,752 thousand), less tax credit amounts used to offset other tax payments during the period.

5.1.6 Other assets

The balance breaks down as follows:

	30/06/2016	31/12/2015	Change
Accrued income	826	464	362
Prepaid expenses	15,741	6,361	9,380
Other receivables	127,958	118,562	9,396
Total	**144,525**	**125,387**	**19,138**

Deferred charges mainly relate to insurance premiums.

'Other receivables' mainly comprise:

- credit of EUR 8,182 thousand owed to the Sarlux Srl subsidiary by the Equalisation Fund for the Electricity Sector for the recognition, under Title II, point 7 bis, of CIP regulation no. 6/92, of fees arising under Directive 2003/87/EC (Emission Trading), in application of the resolution of the Electricity and Gas Authority dated June 11, 2008, ARG/elt 77/08, referring to the first six months of 2016;
- recovery of the amount paid by Sarlux Srl to GSE of EUR 41,806 thousand, as described in section 7.1;
- white certificates (Energy Efficiency Certificates - TEE) for EUR 34,809 thousand, corresponding to energy savings in the Sarroch refinery (EUR 19,851 thousand in 2015). The sale of the certificates is executed on an appropriate regulated market or via bilateral agreements between market operators. The certificates are valued at the average market price for the period January - June 2016 (EUR 126.98 per certificate for the period compared to EUR 104.74 for 2015). It is noted that, with regard to the award of such certificates, the Sarlux Srl subsidiary, like most of the companies affected by this incentive, is undergoing documentary inspections by the GSE in order to ascertain compliance with applicable legislation. The GSE, pending the completion of the aforementioned verification activities, has temporarily suspended assignments;
- receivable in the amount of EUR 17,960 thousand, due to the subsidiary Sarlux Srl following recognition of the status as an "energy-consuming enterprise" by the Electricity Sector Equalization Fund. The rebate is provided pursuant Decree Law no. 83 of 22 June 2012, which identifies companies with significant power consumption entitled to rebates on the payment of general system costs. The Company has already been classified as an "energy-consuming business" for 2013 and thinks that it has the necessary requirements to obtain it for 2014 (already requested) and 2015 as well. Please note that there is an ongoing review by a member of the European Commission of Brussels to determine whether the rebate represents "State aid": the company, together with other industry operators, believes there is no basis for drawing such a conclusion.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

COST	31/12/2014	Additions	(Disposals)	Other changes	31/12/2015
Land & buildings	216,361	352	(307)	4,658	221,064
Plant & machinery	2,910,493	15,171	(1,018)	92,104	3,016,750
Industrial & commercial equipment	28,360	123	(108)	356	28,731
Other assets	501,565	569	(462)	21,587	523,259
Assets under construction and payments on account	133,973	68,801		(97,076)	105,698
Total	**3,790,752**	**85,016**	**(1,895)**	**21,629**	**3,895,502**

ACCUMULATED DEPRECIATION	31/12/2014	Depreciation	(Disposals)	Other changes	31/12/2015
Land & buildings	101,612	8,268	(307)	56	109,629
Plant & machinery	2,141,972	159,938	(903)	6,318	2,307,325
Industrial & commercial equipment	21,216	1,986	(55)		23,147
Other assets	404,824	17,471	(440)		421,855
Total	**2,669,624**	**187,663**	**(1,705)**	**6,374**	**2,861,956**

NET BOOK VALUE	31/12/2014	Additions	(Disposals)	(Depreciation)	Other changes	31/12/2015
Land & buildings	114,749	352	0	(8,268)	4,602	111,435
Plant & machinery	768,521	15,171	(115)	(159,938)	85,786	709,425
Industrial & commercial equipment	7,144	123	(53)	(1,986)	356	5,584
Other assets	96,741	569	(22)	(17,471)	21,587	101,404
Assets under construction and payments on account	133,973	68,801	0	0	(97,076)	105,698
Total	**1,121,128**	**85,016**	**(190)**	**(187,663)**	**15,255**	**1,033,546**

COST	31/12/2015	Additions	(Disposals)	Other changes	30/6/2016
Land & buildings	221,064	48		(4)	221,108
Plant & machinery	3,016,750	9,990	(1,431)	27,016	3,052,325
Industrial & commercial equipment	28,731	17		402	29,150
Other assets	523,259	401	(11)	7,228	530,877
Assets under construction and payments on account	105,698	45,638		(34,407)	116,929
Total	**3,895,502**	**56,094**	**(1,442)**	**235**	**3,950,389**

ACCUMULATED DEPRECIATION	31/12/2015	Depreciation	(Disposals)	Other changes	30/6/2016
Land & buildings	109,629	3,063		2	112,694
Plant & machinery	2,307,325	83,346	(1,334)		2,389,337
Industrial & commercial equipment	23,147	872		(1)	24,018
Other assets	421,855	8,733	(11)	(48)	430,529
Total	**2,861,956**	**96,014**	**(1,345)**	**(47)**	**2,956,578**

NET BOOK VALUE	31/12/2015	Additions	(Disposals)	(Depreciation)	Other changes	30/6/2016
Land & buildings	111,435	48	0	(3,063)	(6)	108,414
Plant & machinery	709,425	9,990	(97)	(83,346)	27,016	662,988
Industrial & commercial equipment	5,584	17	0	(872)	403	5,132
Other assets	101,404	401	0	(8,733)	7,276	100,348
Assets under construction and payments on account	105,698	45,638	0	0	(34,407)	116,929
Total	**1,033,546**	**56,094**	**(97)**	**(96,014)**	**282**	**993,811**

The item ‘Land and buildings’ chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 65,229 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,958 thousand and land largely relating to the Sarroch and Arcola sites belonging to the Sarlux Srl subsidiary and the Deposito di Arcola Srl subsidiary, respectively, with a carrying amount of EUR 40,226 thousand.

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

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

‘Other assets’ mainly includes tanks and pipelines used to carry the products and crude oil of Group companies (Sarlux Srl Saras Energia SA and Deposito Arcola Srl).

The item ‘Work in progress and advances’ reflects costs incurred mainly for investment in tanks, and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes.

The item increased by EUR 56,094 thousand year-on-year, mainly reflecting technological work on refinery plants.

The main depreciation rates used are as follows:

	I.G.C.C. plant	Other Assets (annual rates)
Industrial buildings (land and buildings)	until 2020	5.50%
Generic plant (plant and machinery)	until 2020	8.38%
Highly corrosive plant (plant and machinery)	until 2020	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric plant (plant and machinery)	until 2020	
Wind farm (plant and machinery)		10.00%
Equipment (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%

During the previous year, Sarlux Srl has been formally started to activities aimed to the acquisition of an additional ten-year renewal of concessions 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) are located, issued by the Port Authority of Cagliari and expired on 31st December 2015. The Port Authority resolved to renew the concessions on 18th May 2016 and is awaiting the final opinion of the Ministry of Economic Development.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

COST	**31/12/2014**	**Additions**	**Disposals**	**Write-downs/ Reversals of impaiment losses**	**Other changes**	**31/12/2015**
Industrial & other patent rights	42,174	395			38	42,607
Concessions, licences, trademarks & similar rights	57,645			(4,914)	(3,902)	48,829
Goodwill	21,909					21,909
Other intangible assets	527,997				(2,700)	525,297
Assets in progress & payments on account	22,838	744		(18,396)	(2,094)	3,092
Total	**672,563**	**1,139**	**0**	**(23,310)**	**(8,658)**	**641,734**

ACCUMULATED AMORTISATION	**31/12/2014**	**Amortisation**	**Disposals**	**Write-downs/ Reversals of impaiment losses**	**Other changes**	**31/12/2015**
Industrial & other patent rights	38,713	714				39,427
Concessions, licences, trademarks & similar rights	21,046	2,108			(3,721)	19,433
Goodwill	0					0
Other intangible assets	326,670	31,599			(2,811)	355,458
Total	**386,429**	**34,421**	**0**	**0**	**(6,532)**	**414,318**

NET BOOK VALUE	**31/12/2014**	**Additions**	**Disposals**	**Write-downs/ Reversals of impaiment losses**	**Other changes**	**(Amortisation)**	**31/12/2015**
Industrial & other patent rights	3,461	395			38	(714)	3,180
Concessions, licences, trademarks & similar rights	36,599			(4,914)	(181)	(2,108)	29,396
Goodwill	21,909				0	0	21,909
Other intangible assets	201,327				111	(31,599)	169,839
Assets in progress & payments on account	22,838	744		(18,396)	(2,094)	0	3,092
Total	**286,134**	**1,139**	**0**	**(23,310)**	**(2,126)**	**(34,421)**	**227,416**

COST	31/12/2015	Additions	Disposals	Write-downs/ Reversals of impaiment losses	Other changes	30/06/2016
Industrial & other patent rights	42,607	6			(33)	42,580
Concessions, licences, trademarks & similar rights	48,829					48,829
Goodwill	21,909					21,909
Other intangible assets	525,297	314			790	526,401
Assets in progress & payments on account	3,092		(50)		(1,162)	1,880
Total	**641,734**	**320**	**(50)**	**0**	**(405)**	**641,599**

ACCUMULATED AMORTISATION	31/12/2015	Amortisation	Disposals	Write-downs/ Reversals of impaiment losses	Other changes	30/06/2016
Industrial & other patent rights	39,427	280				39,707
Concessions, licences, trademarks & similar rights	19,433	922				20,355
Goodwill	0					0
Other intangible assets	355,458	15,869	(35)			371,292
Total	**414,318**	**17,071**	**(35)**	**0**	**0**	**431,354**

NET BOOK VALUE	31/12/2015	Additions	Disposals	Write-downs/ Reversals of impaiment losses	Other changes	(Amortisation)	30/06/2016
Industrial & other patent rights	3,180	6			(33)	(280)	2,873
Concessions, licences, trademarks & similar rights	29,396			0	0	(922)	28,474
Goodwill	21,909				0	0	21,909
Other intangible assets	169,839	314	35		790	(15,869)	155,109
Assets in progress & payments on account	3,092		(50)	0	(1,162)	0	1,880
Total	**227,416**	**320**	**(15)**	**0**	**(405)**	**(17,071)**	**210,245**

Amortisation of intangible assets totalled EUR 8,562 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%

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

This item mainly refers to the concessions relating to Estaciones de Servicio Caprabo S.A. (merged with Saras Energia SA) for the operation of the service stations in Spain, and to Sardeolica Srl for the operation of the Ulassai wind farm, which will be fully amortised by 2026 and 2035, respectively.

Goodwill

The item mainly relates to goodwill recorded for the subsidiary Parchi Eolici Ulassai Srl (EUR 21,408 thousand), which was paid to acquire this company. The goodwill was justified given the projection of future cash flows by Sardeolica Srl until 2035 when its concessions expire.

Other intangible assets

The mainly includes the value of the long-term contract for the supply of electricity under the CIP6 regime signed with Sarlux Srl and Gestore dei Servizi Elettrici SpA (GSE). This contract, which expires in 2020, was measured according to the criteria of IAS 36 and, on 31st December 2015, an independent appraiser confirmed its carrying amount.

5.2.3 Equity investments

The table below shows the list of investments held as at 30 June 2016, indicating the main information relating to subsidiaries:

Company name	HQ	Currency	Share Capital	% owned by Group as of 06-16	% owned by Group as of 12-15	% of share capital	Shareholder	% of voting rights	Category
Deposito di Arcola S.r.l.	Arcola (SP)	EUR	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sarint S.A.and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.U. and subsidiary:	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Terminal Logistica de Cartagena S.L.U.	Cartagena (Spain)	EUR	3,000	100.00%	0.00%	100.00%	Saras Energia S.A.	100.00%	Subsidiary, disposed
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	100,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l.and subsidiaries:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	468,046	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect subsidiary
Sargas S.r.l.	Uta (CA)	EUR	10,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Trading S.A.	Geneva (Switzerland)	CHF	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Consorzio La Spezia Utilities	La Spezia	EUR	122,143	5.00%	5.00%	5.00%	Deposito di Arcola S.r.l.	5.00%	Other equity interests
Sarda Factoring	Cagliari	EUR	9,027,079	4.01%	5.95%	5.95%	Saras S.p.A.	5.95%	Other equity interests

In order to guarantee the loan taken from Sardeolica Srl and paid off in advance on 30th June 2016, all of the shares thereof were originally pledged to the financing banks. The guarantee will be extinguished later this year.

5.2.3.1 Other equity interests

Other equity interests break down as follows.

	30/06/2016	31/12/2015
Consorzio La Spezia Utilities	7	7
Sarda Factoring	495	495
Total	**502**	**502**

5.2.4 Deferred tax assets

The balance, at 30th June, equals EUR 78,402 thousand, and substantially consists of:

- net deferred tax assets of the parent company Saras S.p.A., for EUR 52,268 thousand, including EUR 35,304 thousand in tax assets on tax losses to be used for the purposes of IRES National Consolidation;
- net deferred tax assets of the subsidiary Sarlux Srl totalling EUR 13,016 thousand, mainly consisting of:
  a) deferred tax assets of EUR 74,031 thousand for the straight-line reporting of revenues from sales of electric energy to the GSE – IAS 17 and IFRIC 14;
  b) deferred tax assets for EUR 5,235 thousand relating to tax loss carry forwards yet to be offset under the National Consolidation IRES;
  c) deferred tax liabilities for EUR 28,872 thousand relating to the excess and accelerated depreciation;
  d) deferred tax liabilities for EUR 38,190 thousand relating to the GSE contract value.
- net deferred tax assets of the subsidiary Saras Energia SAU of EUR 16,100 thousand, which mainly comprised tax assets on tax losses.

These taxes are considered recoverable on the basis of the prospects of future profitability of the Group.

5.2.5 Other financial assets

The balance as at 30th June 2016 equals EUR 5,145 thousand (EUR 5,002 thousand in the prior fiscal year) and is mainly represented by the long-term portion of a financial receivable owed to the parent company Saras SpA by third parties.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

	30/06/2016	31/12/2015	Change
Bank loans (portion expiring within 12 months)	75,620	68,439	7,181
Bank accounts	23,531	20,647	2,884
Derivative instruments	16,827	45,294	(28,467)
Other short term financial liabilities	46,223	68,717	(22,494)
Total short-term financial liabilities	**162,201**	**203,097**	**(40,896)**
Total long-term financial liabilities	**552,275**	**585,848**	**(33,573)**
Total financial liabilities	**714,476**	**788,945**	**(74,469)**

The terms and conditions of the loans and bonds are explained in note "5.4.1 - Long-term financial liabilities" below.

The item "Bank loans (portion due within 12 months)" includes the current portion of the following loans:

- On 6th March 2015, the company signed a five-year loan agreement for EUR 150 million with a syndicate of leading national and international banks. The loan is not backed by collateral. It carries an interest rate equal to Euribor plus a fixed annual spread and is repayable in seven instalments, of which the first, equal to 5% of principal, is due on 6th March 2016 and the last on 6th March 2019;
- On 16th July 2015, Saras SpA signed a loan agreement for an amount of EUR 50 million, maturing in three years, with a syndicate of national and international credit institutions. This loan is not backed by collateral. It carries an interest rate equal to Euribor plus a spread and is repayable upon maturity in a bullet payment on 15th July 2018;
- On 10th December 2015, Saras SpA signed a loan agreement in the amount of EUR 265 million falling due in June 2020, with a syndicate of leading national and international banks. The loan is not secured by collateral; the interest rate is Euribor plus a fixed annual spread. The loan is repayable in eight instalments, the first of which, equal to 10% of principal, in December 2016 and the last in June 2020.

The item Derivative financial instruments is represented by the negative fair value of derivatives outstanding at the end of the period.

The item "Other current liabilities" essentially includes receipts related to receivables sold with non-recourse factoring transactions without notification, received by customers and not relegated to the factors.

The bank loans and the bonds are measured with the amortised cost method.

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	30/06/2016	31/12/2015	Change
Advances from customers: portion due within the period	13,950	28,684	(14,734)
Trade payables: portion due within the period	1,087,167	1,014,756	72,411
Total	**1,101,117**	**1,043,440**	**57,677**

The item 'Customer advances' refers to payments on account received from the Parent Company's customers for the supply of oil products.

The item "Payables to suppliers" rose both because of higher crude purchases in June compared to the previous period and because of the previously mentioned price dynamics; the item also includes the residual debt relating to the supply of crude purchased in 2012 from Iran, for which the payment in instalments started in May.

5.3.3 Current tax liabilities

This item breaks down as shown below.

	30/6/2016	31/12/2015	Change
VAT	45,596	36,120	9,476
IRES (corporation tax) and income tax of foreign companies	0	0	0
IRAP (regional income tax)	1,049	8,456	(7,407)
Other tax payables	125,835	78,836	46,999
Total	**172,480**	**123,412**	**49,068**

The change in VAT payables is due to the tax advance payment made, by law, in December 2015 but not recurring during the year.

The item "Other tax payables" mainly includes payables for excise duties on products released for consumption by the parent company Saras SpA (EUR 115,846 thousand) and the subsidiary Saras Energia S.A.U. (EUR 4,680 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below.

	30/6/2016	31/12/2015	Change
Social security payables: portions due within one period	10,912	11,516	(604)
Due to personnel	25,276	23,277	1,999
Payables to Ministry for grants	15,679	15,679	0
Other payables	24,570	22,771	1,799
Other accrued liabilities	817	649	168
Other deferred income	4,162	855	3,307
Total	**81,416**	**74,747**	**6,669**

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

The item "Payables to Ministry for grants" relates to the advance (EUR 15,679 thousand) received by the subsidiary Sardeolica Srl for the construction of the Ulassai wind farm by the Ministry of Economic Development for which the company has not yet obtained its final concession decree.

The item "Other payables" mainly refers to liabilities for port taxes (EUR 19,514 thousand) previously determined by the Customs Authority in respect of the Parent Company, for the period 2005-2007. The Company lost the appeal it filed with the Provincial Tax Commission and is now awaiting for a hearing to be scheduled before the Regional Tax Commission.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below.

	30/06/2016	31/12/2015	Change
Bond	174,146	174,007	139
Bank loans	378,129	411,841	(33,712)
Total long-term financial liabilities	**552,275**	**585,848**	**(33,573)**

On 17th July 2014, the parent company Saras SpA made a "private placement" of bonds for a total nominal value of EUR 175 million. The bonds, maturing on 17th July 2019, have a fixed coupon of 5% per year. The bonds were listed for trading on the Austrian multilateral trading system, Third Market of the Wiener Borse AG.

Details of the terms and conditions of bank loans are shown in the table below:

Figures in Euro million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/15	Net book value at 30/06/2016	Maturity			Collateral
						1 year	from 1 to 5 years	after 5 years	
Saras S.p.A.									
Loan in pool	6-Mar-15	150.0	Euribor 6M	148.4	141.1	22.6	118.5		
Loan in pool	10-Jul-15	50.0	Euribor 6M	49.7	49.7		49.7		
Loan in pool	10-Dec-15	265.0	Euribor 6M	262.7	262.9	53.0	209.9		
				460.8	**453.7**	**75.6**	**378.1**		
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	19.4	-		-		
				19.4	**-**	**-**	**-**		
Total payables to banks for loans				**480.2**	**453.7**	**75.6**	**378.1**	**-**	**-**

The loans obtained by Saras S.p.A. (EUR 150 million signed on 6th March 2015; EUR 50 million signed on 15th July 2015; EUR 265 million signed on 10th December 2015) and the bond of EUR 175 million issued on 17th July 2014 are subject to the following covenants:

- In financial terms, the company will have to meet the following ratios: Net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5, with both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months as measured at 31st December each year;
- In corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.

If the company fails to comply with these covenants, the syndicate of lending banks has the right to demand early repayment of the loan.

The loan granted by the subsidiary Sardeolica Srl, signed on 6th December 2005 and maturing in December 2016, was paid in advance on 30th June 2016 with the payment of the principal amount equal to EUR 19,612 thousand.

As of the last date of the contractually scheduled verification, financial and corporate covenants were met.

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows.

	31/12/2015	Additions	Decrease for use and reversals	Other changes	30/06/2016
Provision for dismantling of plants	18,979	0	0	0	18,979
Provision for CO2 allowances	45,241	9,521	(36,826)	0	17,936
Other provisions	26,206	2,532	(932)	0	27,806
Total	**90,426**	**12,053**	**(37,758)**	**0**	**64,721**

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

The Provision for CO_2 allowances, amounting to EUR 17,936 thousand, arises from the existence of quantitative limits on the CO_2 emissions of the plants established pursuant to Legislative Decree No. 216 of 4 April 2006; overcoming these limits creates the obligation to purchase allowances in the market for any excess CO_2. emitted. The provisions in question represent allowances required and not yet purchased.

As part of the "Allocation Plan" of emission allowances for the 2013-2020 period, the Sarroch production site was the subject of an allocation of 2,764,116 tons of CO_2 for 2016; within this allocation, the part technically attributable to the refining plants, calculated by applying a methodology consistent with the provisions of the new allocation plan, amounted to 2,156,017 tons of CO_2, while that relating only to the cogeneration plant was equivalent to 608,099 tons of CO_2. This results in the following situation:

- for the refinery plants, the actual emissions as at 30th June totalled 1,322,852 tons of CO2; the shortfall for the period, net of purchases and sales of quotas carried out, has been the subject of provision (200,014 quotas for a value of EUR 1,143 thousand);

- for the cogeneration plant, the actual emissions as at 30th June totalled 1,752,655 tons of CO_2; the shortfall for the period, net of purchases and sales of quotas carried out, has been the subject of provision (1,466,715 shares for a value of EUR 8,380 thousand).

During the year, EUR 36,826 thousand was used from the provisions to buy (and deliver) allowances relating to the previous year.

The item "Other risk provisions" mainly relates to provisions made to cover probable legal and tax liabilities, as well as charges related to the acquisition of the Versalis business unit that will be incurred by the subsidiary Sarlux S.r.l. and reimbursed by the seller (EUR 12,392 thousands).

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	30/06/2016	31/12/2015	Change
Employee end-of-service payments	10,846	11,351	(505)
Other supplementary pension funds	0	94	(94)
Total	**10,846**	**11,445**	**(599)**

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

On 30th June 2010, following the cancellation by the Parent Company of the agreement establishing Saras Corporate Pension Fund (CPAS), the fund was dissolved and put into liquidation, with the possibility for workers to transfer the credits accrued up to that date to another supplementary pension scheme or of redeeming the funds completely. The trade unions disputed the dissolution of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. During 2015, two rulings were announced concerning the settlement of the disputes in question, both favourable to the Company; the counterparties filed an appeal against those sentences in Appellate Court and in the Court of Cassation, respectively. The Parent Company, based also on the opinion of counsel handling the matter, is confident that the correctness of its actions will be upheld in court. Following the cancellation, the Saras CPAS fund is the company's supplementary employee pension fund, and is structured as a defined contribution fund.

The following table shows the changes in "Employee end-of service payments":

Balance at 31.12.2014	**11,917**
Accruals for defined contribution plan (TFR)	5,866
Interest	274
Actuarial (gains) / losses	43
Deductions	(837)
Payments to supplementary pension schemes (or to as INPS treasury funds)	(5,912)
Balance at 31.12.2015	**11,351**
Accruals for defined contribution plan (TFR)	3,415
Deductions	(3,920)
Balance at 30.06.2016	**10,846**

The table below shows the changes in the CPAS fund, which is a defined contribution plan.

Balance at 31.12.2014	**94**
Accrual for the year	
Amount used during the year	
Balance at 31.12.2015	**94**
Accruals for defined contribution plan (TFR)	
Amount used during the period	(94)
Balance at 30.06.2016	**0**

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,902 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows.

	30/6/2016	31/12/2015	Change
Deferred income	259,606	293,967	(34,361)
Other	1,316	1,573	(257)
Total	**260,922**	**295,540**	**(34,618)**

The change compared with 31st December 2015 is mainly due to the decrease in 'Deferred income' posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of energy between Sarlux S.r.l. and G.S.E. (Gestore dei Servizi Energetici SpA) which was accounted for according to IFRIC 4. Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to "IAS 17 – Leases" and "IFRIC 4 - Determining Whether an Arrangement Contains a Lease", has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. These revenues have therefore been accounted for on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of gas, which is a determining factor for the electricity tariff.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	30/06/2016	31/12/2015	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	660,143	595,688	64,455
Profit/(Loss) for the period	129,510	223,660	(94,150)
Total Shareholders Equity	**855,209**	**884,904**	**(29,695)**

Share capital
On 30th June 2016, the share capital of EUR 54 630 thousand, fully subscribed and paid up, was represented by 951,000,000 ordinary shares without par value.

Legal reserve
The legal reserve was unchanged from the previous year and stood at one-fifth of the share capital.

Other reserves
This item totalled EUR 660,143 thousand, a net decrease of EUR 64,455 thousand compared with the previous period. The net decrease was the combined result of:

- allocation of the income from the prior fiscal year:
  - Reserve, EUR 64,538 thousand;
  - Dividend distribution, EUR 159,122 thousand;
- effect of translation of foreign currency financial statements of foreign subsidiaries for EUR 83 thousand

Net Result
The consolidated net income for the period amounted to EUR 129,510 thousand.

Dividends
On 22nd April 2016, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31st December 2015, resolved to pay a dividend of EUR 0.17 for each of the 936,010,146 ordinary shares in issue, for a total of EUR 159,122 thousand, taking them from the profit for fiscal year 2015.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item ‘Revenues from ordinary operations’ breaks down as follows:

	30/06/2016	30/06/2015	Change
Sales and services revenues	2,802,930	4,402,430	(1,599,500)
Sale of electricity	210,207	243,843	(33,636)
Other revenues	5,936	5,670	266
Change in contract work in progress	659	1,126	(467)
Total	**3,019,732**	**4,653,069**	**(1,633,337)**

The sales and service revenues decreased to EUR 1,599,500 thousand, mainly because of the price of oil products and lower sales volumes.

Revenues from the sale of electricity include EUR 205,206 thousand relating to the gasification plant of subsidiary Sarlux S.r.l. and EUR 4,593 thousand relating to the wind farm owned by subsidiary Sardeolica S.r.l.

Revenues from the sale of electricity by Sarlux Sr. reflect the reporting of figures on a straight-line basis, calculated according to the remaining duration of the contract that expires in 2020, principally taking into account the tariff amount and forward curves of both the price of gas and projections of the EUR/USD exchange rate until the contract expires. The projections are reviewed when there are significant changes.

It is worthy of note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component for the purposes of these financial statements, revenues from the sale of electricity were determined conservatively in accordance with Law Decree 69/2013 (‘Doing Decree’).

Other payments are mainly attributable to revenues posted by the subsidiaries Sartec SpA and Reasar SA. in their respective business segments.

6.1.2 Other income

The following table shows a breakdown of other income:

	30/06/2016	30/06/2015	Change
Revenues for storage of mandatory stocks	2,846	2,361	485
Sales of sundry materials	202	179	23
Grants	12,682	10,472	2,210
Chartering of tankers	1,406	312	1,094
Recoveries from claims and damages	273	746	(473)
Reimbursment of emission trading charges	8,182	11,481	(3,299)
Other income	32,758	34,347	(1,589)
Total	**58,349**	**59,898**	**(1,549)**

The item "Contributions" mainly reflected the revenues from green certificates obtained by the subsidiary Sardeolica Srl: as of 2016, the electricity produced by the wind farm in question is no longer recognised by assigning green certificates but with an increase in energy sales tariffs, classified as "Contributions" in this report.

The item ‘Reimbursement of emissions trading charges’ comprises income posted by the subsidiary Sarlux S.r.l., deriving from the reimbursement – pursuant to section II, point 7-bis of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08. The decrease compared to the same period last year is due to the change in the price of the quotas (from EUR 5.58/quota in the first half of 2016 to EUR 7.12/quota in the first half of 2015).

The item "Other revenues" mainly includes revenues relating to energy efficiency certificates (white certificates for EUR 14,957 thousand compared to EUR 10,801 thousand in the same period last year) accrued during the period.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	30/06/2016	30/06/2015	Change
Purchases of raw materials	1,774,580	3,170,193	(1,395,613)
Purchases of semifinished materials	136,494	155,332	(18,838)
Purchases of spare parts and consumables	34,851	41,291	(6,440)
Purchases of finished products	573,698	537,115	36,583
Change in inventories	(120,861)	(19,220)	(101,641)
Total	**2,398,762**	**3,884,711**	**(1,485,949)**

Costs for the purchase of raw materials, replacement parts and consumables fell EUR 1.485.949 thousand from the same period during the previous year, mainly due to the above-mentioned trend in crude oil and petroleum product prices.

6.2.2 Cost of services and sundry costs

	30/06/2016	30/06/2015	Change
Service costs	240,522	242,696	(2,174)
Rent, leasing and similar costs	5,271	6,725	(1,454)
Provisions for risks and charges	11,643	13,694	(2,051)
Other operating charges	11,862	12,200	(338)
Total	**269,298**	**275,315**	**(6,017)**

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

The item "Lease expenses" includes the costs incurred by the parent company and the subsidiary Sarlux, relating to the rental of the Milan office, the state concessions at the Sarroch site and the rental of equipment, and those of the subsidiary Saras Energia SAU for rentals of the network of distributors.

Provisions mainly consist of the funds set aside for the CO_2 quotas for the period under review not yet purchased as of 30th June 2016.

The item ‘Other operating charges’ chiefly comprises indirect taxes (combined municipal tax on property – IMU and, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

“Personnel costs” break down as follows.

	30/06/2016	30/06/2015	Change
Wages and salaries	51,637	54,740	(3,103)
Social security	15,935	16,550	(615)
Employee end-of-service payments	3,415	3,036	379
Other costs	2,095	1,914	181
Directors’ remuneration	1,849	1,780	69
Total	**74,931**	**78,020**	**(3,089)**

The "Plan for the free assignment of shares of the Company to the management of the Saras Group" (the "2013/2015 Stock Grant Plan" or the "Plan") has come to a conclusion.

On 29th February 2016 the Board of Directors verified the achievement of the performance targets in accordance with Article 5 of the Plan and, in the next meeting on 14th March, it resolved to grant 4,255,920 shares to the beneficiaries of the Plan.

6.2.4 Depreciation, amortisation and impairments

Depreciation and amortisation figures are shown below.

	30/06/2016	30/06/2015	Change
Amortisation and write-downs of intangible assets	17,125	40,123	(22,998)
Depreciation and write-downs of tangible assets	96,015	95,423	592
Total	**113,140**	**135,546**	**(22,406)**

The item "Amortisation and write-downs of intangible assets" in the previous period reflected the write-down of the costs incurred by the parent company for exploration to ascertain the presence of natural gas fields in Sardinia, recognised as intangible assets.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	30/06/2016	30/06/2015	Change
Financial income:			
- from financial assets recorded under current assets	0	0	0
Other income:			
- Interest on bank and post office accounts	476	336	140
- Fair value of derivatives held at the reporting date	12,930	19,099	(6,169)
- Positive differences on derivatives	14,574	131,975	(117,401)
- Other income	172	180	(8)
Exchange gains	25,031	61,641	(36,610)
Total Financial Income	**53,183**	**213,231**	**(160,048)**
Financial charges :			
- Fair value of derivatives held at the reporting date	(15,062)	(10,531)	(4,531)
- Negative differences on derivatives	(29,496)	(88,287)	58,791
- Other (interest on loans, late payment interest, etc.)	(13,780)	(20,736)	6,956
Exchange losses	(27,610)	(108,737)	81,127
Total Financial Charges	**(85,948)**	**(228,291)**	**142,343**
Total	**(32,765)**	**(15,060)**	**(17,705)**

The table below shows net income/charges by type:

	30/06/2016	30/06/2015	Change
Net interest income / (expense)	(13,304)	(20,400)	7,096
Net result from derivative financial instruments	(17,054)	52,256	(69,310)
- Realised gains (losses)	*(14,922)*	*43,688*	*(58,610)*
- Fair value of the open positions	*(2,132)*	*8,568*	*(10,700)*
Net exchange gains/(losses)	(2,579)	(47,096)	44,517
Other	172	180	(8)
Total	**(32,765)**	**(15,060)**	**(17,705)**

The fair value of derivative instruments as of 30th June 2016 resulted in a loss equal to EUR 2,132 thousand (compared to a gain of EUR 8,568 thousand in the same period last year).

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 tax can be shown as follows.

	30/06/2016	30/06/2015	Change
Current taxes	14,782	18,917	(4,135)
Deferred tax (income)/expense, net	44,893	75,315	(30,422)
Total	**59,675**	**94,232**	**(34,557)**

Current taxes comprise IRES for the period, net of the use of losses carried forward, as part of the national consolidation, amounting to EUR 9,244 thousand and IRAP calculated on the taxable income of the consolidated companies, amounting to EUR 5,537 thousand. The lower taxable amounts for the period justify the change compared to the same period last year.

The difference between deferred tax assets and liabilities for the period essentially arises from the realisation of the tax asset due to the use of tax losses in the Consolidated National IRES (EUR 36,977 thousand) and the release of other deferred taxes on temporary differences between the book basis and the tax basis of assets and liabilities (EUR 6,815 thousand).

7. Other information

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

7.1 Main legal actions pending

The Parent Company Saras SpA, Sarlux Srl, and Sareolica Srl were audited and assessed by the tax authorities; this led, in some cases, to disputes pending before tax courts. Group companies are also involved in legal actions brought in various ways by different plaintiffs. Even in the presence of varying decisions on the part of the courts in relation to pending litigation, it was considered that any liabilities arising there-from can be generally deemed remote; where instead the liability is probable, specific provisions were made.

Moreover, as regards the Sarlux Srl subsidiary, there are ongoing disputes about the non-recognition of the qualification of the IGCC plant as cogeneration and the subsequent alleged obligation to purchase "green certificates"; companies producing electricity from non-renewable sources or cogeneration (pursuant to Legislative Decree no. 79/99 and the Authority for Electricity and Gas - AEEG - no. 42/02) are in fact subject to the obligation to purchase green certificates for a certain percentage of electricity fed into the grid until the year 2014. Specifically:

i) Generation 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 granted, in its final decision, Sarlux's appeal for years 2002-2005, voiding the outcome of the inspection and the challenged acts that had obliged the company to buy green certificates. On 23rd July 2015, the Italian Electricity and Gas Authority resolved, on one hand, that the GSE, in compliance with the cited ruling, would repay Sarlux for the net costs it had incurred to buy the green certificates, about EUR 12.1 million, and, on the other hand, submitted a question to the Italian Council of State to obtain clarifications with regards to other net costs incurred by Sarlux, amounting to about EUR 5.6 million, which, based on a literal interpretation of the ruling, should also be returned to Sarlux. The State Council, in its judgment of 16th June 2016, rejected all the claims of the Authority, establishing conclusively that Sarlux S.r.l was entitled to a claw back all sums subject of the original judgment;

ii) 2009 Generation. The Council of State, in the decision mentioned in the paragraph above, did not pronounce on one of the points appealed (hydrogen produced by the plant qualifying as "useful heat"), an interpretation that, if granted, would have allowed the subsidiary to be deemed a cogeneration plant with reference to 2009 Generation also. Sarlux, believing founded the pleas submitted in the appeal to the State Council, initiated new proceedings before the TAR in order to obtain a favourable decision in relation to its claim that the cogeneration resulting from the production of hydrogen is "useful heat";

iii) 2011 and subsequent generation. As regards production in 2011, 2012, 2013, and 2014 the Company submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered the resolution still in effect. 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 generation of years 2011, 2012, 2013, and 2014 in accordance with GSE's calculation of EUR 75.8 million and immediately submitted a claim for a refund to the AEEG, obtaining EUR 11.7 million for the generation relative to 2011, EUR 15.1 million for 2012, and EUR 14.6 million for 2013. 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 deems that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not post any expenses or any revenue with reference to the generation from 2011 onward.

7.2 Transactions with related parties

The effect on Saras Group's Balance Sheet and Income Statement, deriving from transactions or positions with related parties, is not significant.

7.3 Disclosure of financial instruments (IFRS 7 and IFRS 13)

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 reported in the financial statements;
(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 level at 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) prices taken from an active market – as defined by IAS 39 – for the assets and liabilities being valued (level 1);
(b) valuation techniques that use inputs other listed prices, as in the point above, as a reference, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);
(c) valuation techniques that use inputs that are not based on observable market data as a reference (level 3).

Accordingly, the following table breaks down the assets and liabilities measured at fair value by the Group at 30th June 2015 according to the relevant fair value hierarchy:

Assets	commodities		Exchange rates		Interest rates	
	Level 1	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
FUTURES	7,340			1,749		
SWAPS	9,151				0	
OPTIONS	40					
Total	**16,530**	**0**	**0**	**1,749**	**0**	**0**

Liabilities	commodities		Exchange rates		Interest rates	
	Level 1	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
FUTURES	(6,047)			(433)		
SWAPS	(8,355)				(1,992)	
OPTIONS						
Total	**(14,402)**	**0**	**0**	**(433)**	**(1,992)**	**0**

Measurement techniques

As can be seen from the table in the section above, financial instruments measured at fair value by the Saras Group largely consisted of derivatives entered into by the Parent Company (but also by subsidiary Sardeolica Srl) to hedge exchange and interest rate risks and the risks of fluctuating crude oil and oil product prices.
Specifically, the measurement at fair value 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 account statements on open positions that are periodically received from the clearing broker through which these instruments are stipulated.

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.

It is worth remembering that the fair value of non-current assets held for sale was determined based on the sale price negotiated with the counterparty, net of expenses related to the transaction.

The Saras Group has no financial assets or liabilities that are measured at fair value level 3 pursuant to IFRS 13.

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.
There were no transfers between the fair value hierarchy compared to the previous year.

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.

Saras SpA

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

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

- the appropriateness in respect of the type of company, and
- the efficient application of the administrative and accounting procedures for the preparation of the interim consolidated half year financial statements, for the period 1st January 2016 to 30th June 2016.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as at 30th June 2016:
   a) was prepared in accordance with the applicable international accounting standards recognised in the European Union, pursuant to European Parliament and Council Regulation (EC) n. 1606/2002 of 19th July 2002;
   b) accurately represents the figures in the company's accounting records;
   c) gives a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies.

2. the interim "report on operations" includes a reliable analysis of the main events which took place during the first semester of the financial year and their impact on company results together with a description of the main risks and uncertainties for the remaining semester of the financial year.
The Half-Year Financial Report also contains a reliable analysis of the transactions with related parties.

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

Milan, 1st August 2016

Signature: delegated authority

Signature: director responsible for drawing up the accounting statements

Executive Vice President

(Ing. Dario Scaffardi)

(Dott. Franco Balsamo)

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

To the Shareholders of
Saras S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of consolidated financial position, the consolidated income statement, the statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flows statement and the related explanatory notes of Saras S.p.A. and its subsidiaries (the "Saras Group") as of 30 June 2016. The Directors of Saras S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Saras Group as of 30 June 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 1st 2016

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

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