

SARAS GROUP  
HALF-YEAR FINANCIAL REPORT  
AS OF 30<sup>TH</sup> JUNE 2017



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# Statutory and Control Bodies

## BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	Chief Executive Officer and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	Executive Vice President, General Manager and Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
GIOVANNI MORATTI	Director
GABRIELE PREVIATI	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
GIOVANNI FIORI	Stand-in Auditor
PINUCCIA MAZZA	Stand-in Auditor

## EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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## INDEPENDENT AUDITING FIRM

EY SpA

## Group Activities

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

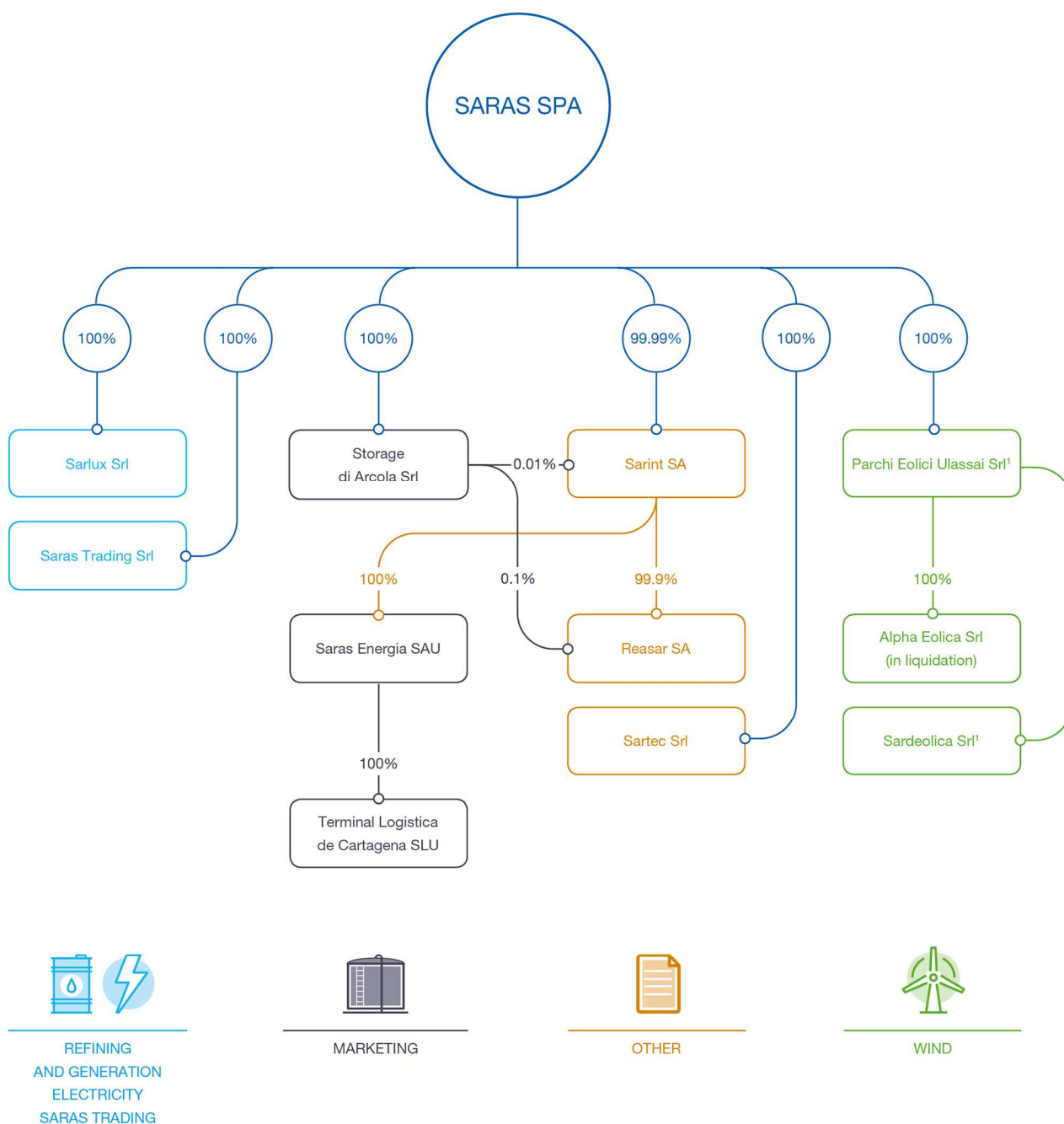
Both directly and through its subsidiaries, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and extra-EU countries. In particular, in 2016 approximately 2.30 million tons of oil products were sold in the Italian wholesale market, and a further 1.79 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 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 35% 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 research services to the petroleum, energy and environment industries, via its subsidiary Sartec Srl.

# Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 30<sup>th</sup> June 2017.



- 1) On 27<sup>th</sup> June 2017 the respective Shareholders' Meeting approved the merger by incorporation project of Parchi Eolici Ulassai Srl into Sardeolica Srl. The above mentioned deal, whose financial and fiscal effects will be effective from 1<sup>st</sup> January 2017, is still in progress at the date of publication of the Half Year results.

# Saras Stock Performance

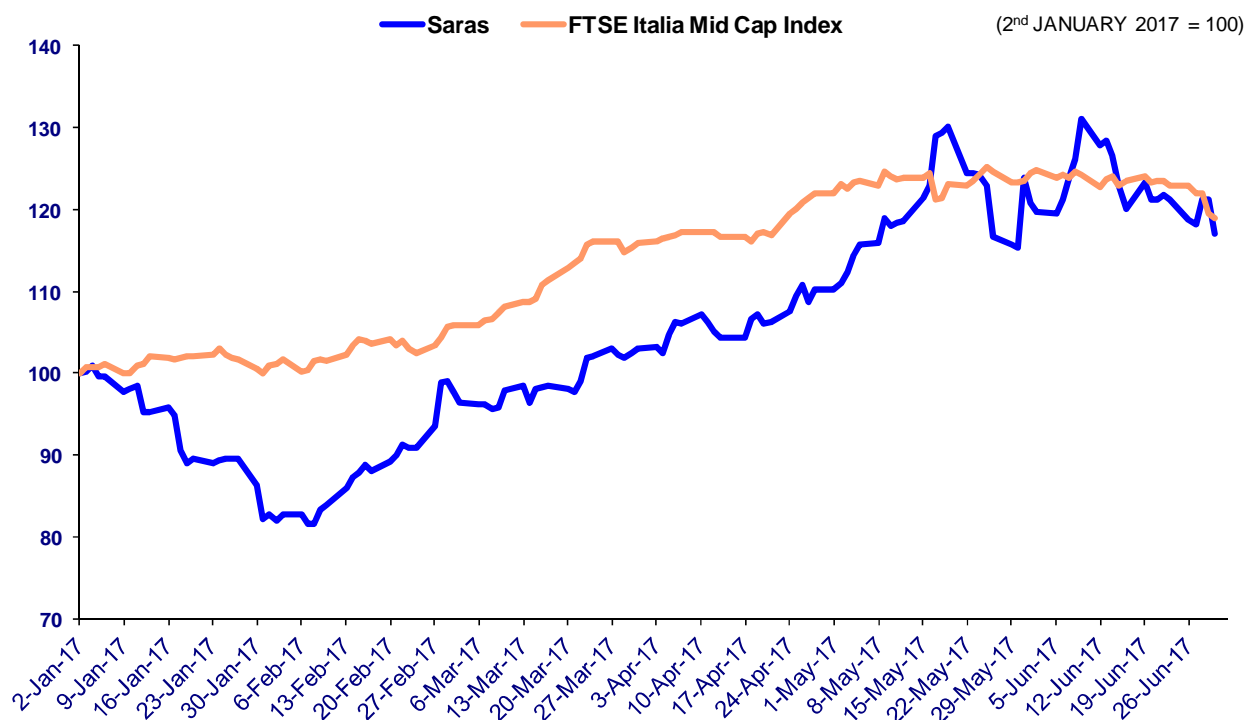
The following data relate to Saras' share prices and the daily volumes, traded during the first six months of 2017.

SHARE PRICE (EUR)	H1/17
Minimum price (07/02/2017)	1.418
Maximum price (09/06/2017)	2.282
Average price	1.827
Closing price at the end of the first six months of 2017 (30/06/2017)	2.038

DAILY TRADED VOLUMES	H1/17
Maximum traded volume in EUR million (18/01/2017)	59.9
Maximum traded volume in number of shares (million) (18/01/2017)	38.0
Minimum traded volume in EUR million (30/03/2017)	2.4
Minimum traded volume in number of shares (million) (12/05/2017)	1.3
Average traded volume in EUR million	8.3
Average traded volume in number of shares (million)	4.6

The Market capitalization at the end of the first six months of 2017 was equal to approximately EUR 1,938 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 2017, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



# REPORT ON OPERATIONS

## Non-GAAP measure Alternative performance indicators

In order to give a representation of the Group's operating performance better reflecting the more recent market dynamic, and in line with the standard practice in the oil industry, the operating results and the Net Result are displayed excluding inventories gain and losses and non-recurring items and reclassifying derivatives. Such figures, called "comparable", are financial measures not defined by the International Accounting Standards (IAS/IFRS) and they are not subject to audit.

Until Q1/17, the "comparable" operating results and the Net Result were reported evaluating oil inventories based on the LIFO methodology (rather than FIFO methodology, which is adopted in the Financial Statements prepared according to IFRS accounting principles), because LIFO methodology tends to sterilize economic effects of the inventories changes and does not include end-of-period revaluations and write-downs. Furthermore, non-recurring items by nature, relevance and frequency were excluded, as well as the fair value of the open positions of derivatives on oil and exchange rates, both from the operating results and from the Net Result.

From H1/17, with the aim to more analytically reflect such effects and align the calculation of "comparable" results to the sector best and more recent practices, the operating results and the Net Result, are displayed valuing inventories with FIFO methodology, excluding unrealised inventories gain and losses, due to changes in the scenario, by valuing beginning-of-period inventories at the same unitary value of the end-of-period ones. Moreover the realised and unrealised differentials on oil and exchange rate derivatives with hedging nature which involve the exchange of physical quantities are reclassified in the operating results, as they are related to the Group industrial performance, even if non accounted under the hedge accounting principles. Non-recurring items by nature, relevance and frequency and derivatives related to physical deals not of the period under review, are excluded by the operating results and the Net Result Comparable.

Non-GAAP financial measures should be read together with information determined by applying the International Accounting Standards (IAS/IFRS) and do not stand in for them.

In order to allow comparison, Q2/16 and H1/16 financial results have been reclassified on the back of the new criteria of calculation of the "comparable" results and compared to the ones previously published.

### Comparable EBITDA

EUR Million	H1 2016	H1 2016 reclassified	Q2/16	Q2/16 reclassified
<b>Reported EBITDA</b>	<b>335.0</b>	<b>335.0</b>	<b>267.3</b>	<b>267.3</b>
Inventories at LIFO - inventories at FIFO	(61.7)		(113.5)	
Realized result of derivatives and net FOREX	(17.5)		(22.1)	
Gain / (Losses) on Inventories		(38.6)		(100.8)
Hedging derivatives and net FOREX		(5.8)		(17.7)
Non-recurring items	2.5	2.5	2.5	2.5
<b>Comparable EBITDA</b>	<b>258.3</b>	<b>293.2</b>	<b>134.2</b>	<b>151.3</b>

### Comparable Net Result

EUR Million	H1 2016	H1 2016 reclassified	Q2/16	Q2/16 reclassified
<b>Reported NET RESULT</b>	<b>129.5</b>	<b>129.5</b>	<b>129.7</b>	<b>129.7</b>
Inventories at LIFO - inventories at FIFO net of taxes	(42.6)		(78.1)	
Fair value of derivatives' open positions net of taxes	1.6		(3.3)	
Gain / (Losses) on Inventories net of taxes		(26.7)		(69.4)
Derivatives related to future deals		0.0		0.0
Non-recurring items	1.7	1.7	1.7	1.7
<b>Comparable NET RESULT</b>	<b>90.2</b>	<b>104.5</b>	<b>50.0</b>	<b>62.1</b>

# Key financial and operational Group Results<sup>1</sup>

## Group consolidated income statement figures

EUR Million	H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
REVENUES	3,929	3,078	28%	2,032	1,773	15%
EBITDA	141.3	335.0	-58%	(19.1)	267.3	-107%
<i>Comparable EBITDA</i>	<i>252.5</i>	<i>293.2</i>	<i>-14%</i>	<i>128.5</i>	<i>151.3</i>	<i>-15%</i>
EBIT	34.3	222.0	-85%	(73.2)	210.5	-135%
<i>Comparable EBIT</i>	<i>145.1</i>	<i>180.1</i>	<i>-19%</i>	<i>73.9</i>	<i>94.5</i>	<i>-22%</i>
NET RESULT	54.5	129.5	-58%	(37.6)	129.7	-129%
<i>Comparable NET RESULT</i>	<i>109.9</i>	<i>104.5</i>	<i>5%</i>	<i>57.4</i>	<i>62.1</i>	<i>-8%</i>

## Other Group figures

EUR Million	H1 2017	H1 2016	Q2/17	Q2/16
NET FINANCIAL POSITION	(28)	147	(28)	147
CAPEX	99.9	56.4	54.1	27.8

## Comments to First Half 2017 Group Results

**Group revenues in H1/17 were EUR 3,929 million.** The difference versus EUR 3,078 million realised in the first half of last year is mainly due to the increase of the average refined products prices versus the same period of last year. More precisely, in H1/17 gasoline quotations averaged 531 \$/ton (versus an average of 442 \$/ton in H1/16), while diesel quotations stood at an average of 464 \$/ton (compared to an average of 360 \$/ton in H1/16). As a result, the Refining segment generated higher revenues by approx. EUR 720 million (also thanks to an increase in the refinery runs), and Marketing segment delivered higher revenues of approx. EUR 125 million. Finally, the revenues of the Power Generation segment were higher by approx. EUR 12 million compared to the first quarter of last year.

**Group reported EBITDA in H1/17 was EUR 141.3 million,** compared to EUR 335.0 million achieved in H1/16. The difference is almost entirely due to the Refining segment that operated in a less favourable market conditions and was influenced by the depreciation of oil inventories as a consequence of declining oil and refined products quotations in the last part of the semester, that instead appreciated in the same period of last year. Moreover the result was also negatively affected by a provision made in H1/17 in relation to a dispute related to energy efficiency certificates.

**Group reported Net Result stood at EUR 54.5 million,** below the EUR 129.5 million reported in H1/16. The above described EBITDA reduction has been partly compensated by other items. In detail, in H1/17 depreciation and amortisation charges were lower (EUR 107.0 million versus EUR 113.0 million in H1/16) and net financial charges decreased by 60% (approx. EUR 5.0 million versus EUR 13.3 million in the first semester of previous year), thanks to the renegotiation of some credit lines and the early repayment of bonds, carried out in 2016. Finally, the other financial items (which comprise the realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges), were positive by approx. EUR 55 million in H1/17, while they were negative by approx. EUR 20 million in the same period of last year.

**Group comparable EBITDA amounted to EUR 252.5 million in H1/17,** down compared to the EUR 293.2 million earned in H1/16. Such difference is mainly due to Refining segment that operated in less favourable market conditions. On the opposite Marketing segment improved compared to the same period of last year, thanks to the effect of the efficiency measures and clients portfolio optimisation carried out since the second half of last year. Power Generation segment was impacted by a heavy maintenance cycle concentrated in the first half of the year, as well as by a less

<sup>1</sup> 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.



favourable operating performance in Q1/17. Finally the decline of Wind segment EBITDA is mainly due to lower wind conditions compared to the record high level reached in H1/16. Thanks to the above described lower depreciation and financial charges, the **Group comparable Net Result in H1/17 reached EUR 109.9 million**, up 5% compared to the EUR 104.5 million reported in the same period of last year.

**Finally, CAPEX in H1/17 was EUR 99.9 million**, and mainly directed to the Refining segment (EUR 88.0 million). Part of the investments aim at increasing the reliability and the energy efficiency as illustrated in the business plan 2017 – 2020. Moreover the group is carrying on some selected investments in the field of the so called “Industry 4.0”, in fact the Group is highly committed in the development dynamics of the digital technologies.

## Comments to Second Quarter 2017 Group Results

**Group Revenues in Q2/17 were EUR 2,032 million.** Similarly to the comments already made for the semester, the increase versus EUR 1,773 million in Q2/16 is mainly related to the reference scenario, characterised by higher average quotations for the refined oil products compared to the same period of last year. More precisely, in Q2/17 gasoline quotations averaged at 519 \$/ton (versus 487 \$/ton in Q2/16), and diesel quotations stood at 449 \$/ton (versus 409 \$/ton in Q2/16). Such dynamic led to an increase of revenues by approx. EUR 245 million of the Refining segment and by approx EUR 20 million of the Marketing segment. Power Generation segment revenues were broadly in line with the same quarter of last year.

**Group reported EBITDA in Q2/17 was -19.1 EUR million**, versus EUR 267.3 million in Q2/16. Such a difference is almost entirely due to the Refining segment whose industrial performance was less favourable in Q2/17, despite a lighter maintenance program, and benefitted from a less favourable crude mix compared to the same period of last year. Moreover it is worth noting that in Q2/17 inventories changes into the period, delivered a negative contribution as a consequence of declining oil prices, while they contributed positively on Q2/16 results. Moreover the result was also negatively affected by a provision made in H1/16 in relation to a dispute related to energy efficiency certificates.

**Group reported Net Result stood at EUR -37.6 million**, down versus EUR 129.7 million booked in Q2/16. The difference illustrated at EBITDA level was partially compensated by lower depreciation and amortisation charges (EUR 54.1 million, versus EUR 56.8 million in Q2/16) and lower interest charges (EUR 1.4 million, versus EUR 7.1 million in Q2/16). Other net financial charges (comprising realised and unrealised derivatives differentials, net exchange gain and losses and other net financial items) were positive by approx. EUR 28 million in Q2/17 while they were negative by approx. EUR 18 million in the same quarter of last year.

**Group comparable EBITDA amounted to EUR 128.5 million in Q2/17**, down versus EUR 151.3 million earned in Q2/16, mainly due to the Refining segment whose industrial performance was less favourable in Q2/17, despite a lighter maintenance program, and benefitted from a less favourable crude mix compared to the same period of last year. The profitability improvement of Marketing segment continued also in the second quarter more than offsetting lower contribution of the Power Generation and Wind segments. **Group comparable Net Result was equal to EUR 57.4 million**, slightly below the EUR 62.1 million reported in the same quarter of last year, mainly thanks to the above mentioned lower depreciation and financial charges.

**CAPEX in Q2/17 was overall equal to EUR 54.1 million**, of which EUR 46.6 million dedicated to the Refining segment.

The following tables show the details on the calculations of the *Comparable* EBITDA and the *Adjusted* Net Income in Q2/17 and H1/17.

### Calculation of the Group comparable EBITDA

EUR Million	H1 2017	H1 2016	Q2/17	Q2/16
<b>Reported EBITDA</b>	<b>141.3</b>	<b>335.0</b>	<b>(19.1)</b>	<b>267.3</b>
Gain & (Losses) on Inventories	43.8	(38.6)	101.1	(100.8)
Realised and unrealised derivatives and net FOREX	55.1	(5.7)	30.1	(17.7)
Non-recurring items	12.4	2.5	16.4	2.5
<b>Comparable EBITDA</b>	<b>252.5</b>	<b>293.2</b>	<b>128.5</b>	<b>151.3</b>

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

## Calculation of the Group *comparable* Net Result

EUR Million	H1 2017	H1 2016	Q2/17	Q2/16
<b>Reported NET RESULT</b>	<b>54.5</b>	<b>129.5</b>	<b>(37.6)</b>	<b>129.7</b>
Gain & (Losses) on Inventories net of taxes	31.3	(26.7)	72.6	(69.4)
Derivatives related to future deals	4.3	0.0	2.5	0.0
Non-recurring items net of taxes	19.8	1.7	19.8	1.7
<b>Comparable NET RESULT</b>	<b>109.9</b>	<b>104.5</b>	<b>57.4</b>	<b>62.1</b>

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

## Net Financial Position

The Net Financial Position on 30<sup>th</sup> June 2017 stood at EUR -28 million, versus the positive cash position of EUR 99 million as of 31<sup>st</sup> December 2016. The cash generated from operations was absorbed by the payment of the final instalment for the Iranian crude oil purchased in 2012, by the CAPEX made during the period and the payment of the dividend on May 2017.

EUR Million	30-Jun-17	31-Dec-16
Medium/long-term bank loans	(176)	(183)
Other medium/long-term financial assets	5	6
<b>Long-term net financial position</b>	<b>(171)</b>	<b>(178)</b>
Short term loans	(18)	(16)
Banks overdrafts	(48)	(39)
Other short term financial liabilities	(63)	(77)
Fair value on derivatives and realized net differentials	23	(35)
Other financial assets	43	84
Cash and Cash Equivalents	207	359
<b>Short-term net financial position</b>	<b>143</b>	<b>276</b>
<b>Total net financial position</b>	<b>(28)</b>	<b>99</b>

# 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 <sup>(1)</sup>	Q1/16	Q2/16	H1/16	Q1/17	Q2/17	H1/17
<b>Crude oil price and differential (\$/bl)</b>						
Brent Dated (FOB Med)	33.9	45.6	39.8	53.7	49.6	51.7
Urals (CIF Med)	32.7	44.3	38.6	52.5	48.9	50.7
"Heavy-light" price differential	-1.2	-1.3	-1.3	-1.2	-0.8	-1.0
<b>Crack spreads for refined oil products (\$/bl)</b>						
ULSD crack spread	7.8	9.2	8.5	10.3	10.6	10.4
Gasoline 10ppm crack spread	13.5	12.7	13.1	11.3	12.5	11.9
<b>Reference margin (\$/bl)</b>						
EMC Benchmark	+3.6	+2.6	+3.1	+3.3	+3.8	+3.5

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

## **Crude oil prices:**

Q1/17 started with Brent quotations of approx. 55 \$/bl, pushed by the effect of the announcement of OPEC countries, of a production cut of 1.2 mbl/d since January 2017, to which some non-OPEC countries joined, committing for additional 0.6 mbl/d cuts (half of which by Russia). Such historical decision triggered a sharp upward movement of Brent Dated quotations by approx. 10 \$/bl only in December. In January and February Brent quotations remained confined within a tight band ranging from approx. 53 to 56 \$/bl waiting for confirmation of the actual implementation of the announced productions cuts and the corresponding compensation put in place by the countries non committed to the cuts. The level of compliance to the announced production cuts was high, but the high level reached by oil inventories in US and turned the spotlight on the resurgent US activity (tight oil from shale rocks), triggering a bearish move on crude oil prices. Brent started a declining path in March, also due to the net reduction in the speculative positions of investment funds. The quarter closed at 51.9 \$/bl, with a quarterly average of 53.7 \$/bl.

The sequence of data regarding the US production and inventories growth, coupled with the increase in production volumes in Libya and Nigeria, which are exempt from productive cuts, have gradually weakened oil prices since the second half of April. After a slight increase in quotations in view of the OPEC Summit of 25<sup>th</sup> of May, which agreed to extend overall cuts of about 1.8 mbl/d until the first quarter of 2018, in order to rebalance the market and reduce the level of oil inventories, Brent price jumped back in June to reach around 47 \$/bl (close to the pre-cuts announcement price level), influenced, among other things, by a reversal of the expectations of investment funds that have assumed bearish positions. Overall, Brent closed the second quarter with an average of 49.6 \$/bl, down about 4 \$/bl from the previous quarter.

## **Price differential between "heavy" and "light" crude oil grades ("Urals" vs. "Brent"):**

Q1/17 was characterised by the implementation of the announced production cuts which focused on the less valuable grades and the therefore on the "heavy-sour" ones. At the same time higher volumes of production from US, Libya and Kazakhstan increased the availability of "light-sweet" grades. Such evolution in the supply mix was not reflected in the "Ural" vs. "Brent" differential, that posted a quarterly average of -1.2 \$/bl, keeping the same levels as the same quarter of the previous year. Some crudes coming from Middle East (such as for example Bashra Light and Dalia) were more severely impacted and reduced their discounts to Brent, while higher Libyan production led to lower premia on some light crudes in the Mediterranean area such as Azeri Light and Saharan Blend. Since April, Ural price has been supported by the high volumes processed at Russian refineries and by the effect of the production curtailments thus reducing its differential versus Brent. This differential further narrowed in June, also because of lower exports from the port of Primorsk due to planned maintenance work on a pipeline, which have not been offset by higher loadings at the ports of Ust-Luga or Novorosiysk. The Q2/17 average differential stood at -0.8 \$/bl, narrowing both compared to the previous quarter and to the same period of last year.

## **Crack spreads of the main products** (i.e. the difference between the value of the product and the price of the crude):

In the first weeks of 2017 the gasoline *crack spread* progressively strengthened, settling on values above the seasonal ones, pushed by strong demand from Mexico, US and Asia and by technical issues at some Latin America refineries. Afterwards, the weakening of the West Africa demand, mainly due to the removal of the subsidies to gasoline retail prices in Nigeria which dampened demand, led *crack spread* to a minimum of 8.3 \$/bl on 7<sup>th</sup> March. Later in March it marked a sharp recovery in conjunction with the summer specifications, closing the quarter above 12 \$/bl. The average of the gasoline *crack spread* stood at 11.3 \$/bl in Q1/17.

The upward trend in gasoline *crack spread* continued in April exceeding 15 \$/bl, then folded back to average values closer to those of the same period of the previous year and in line with the usual seasonal ones. The strong Asian demand (India, Pakistan and Indonesia) was offset by the increase in production especially in the US which also led to an increase in gasoline storage. The average crack spread was thus 12.5 \$/bl in Q2/17.

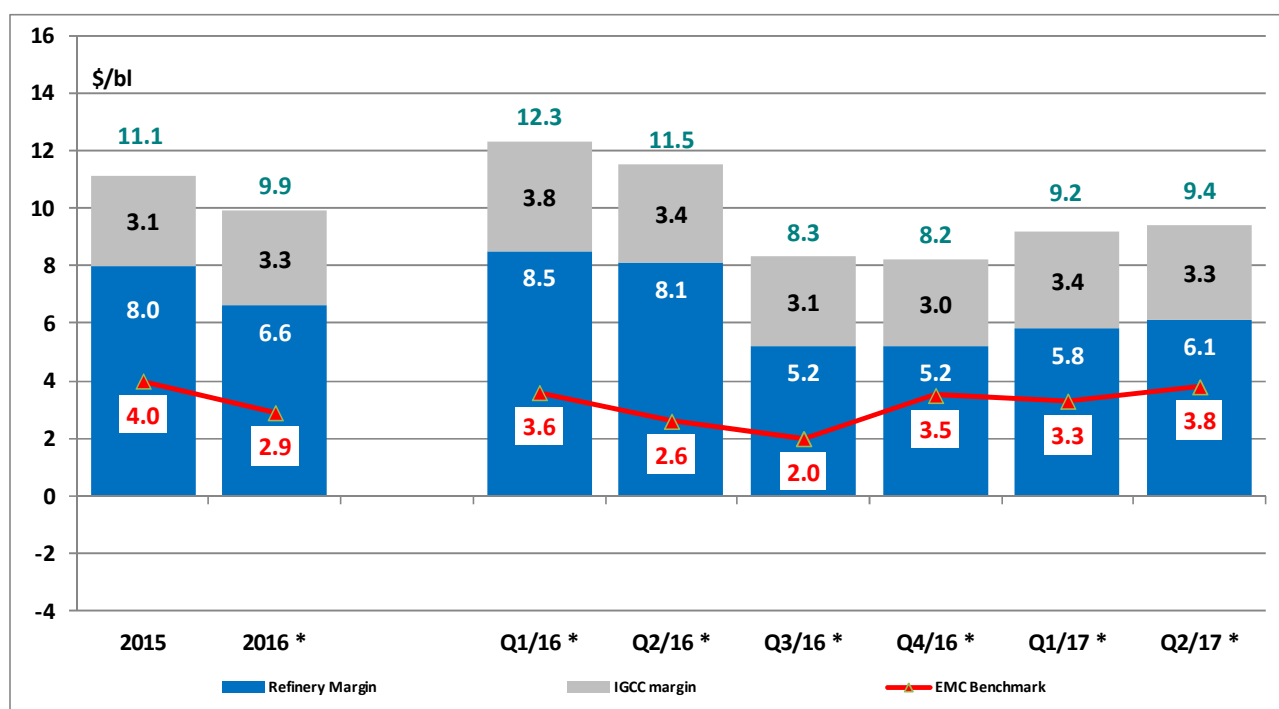
Finally moving to the middle distillates, Q1/17 diesel *crack spread* remained on good levels benefiting from strong gasoil heating demand, driven by cold weather especially in the northern hemisphere combined with the spring maintenance cycle of global refineries. The *crack spread* slightly weakened in March also as effect of the increase of exports from Russia. The average diesel *crack spread* was 10.3 \$/bl in Q1/17. In April, the diesel *crack spread* benefitted from a brief upswing due to the spring maintenance, and then fold slightly in relation to the increase in refinery runs driven by strong light distillates margins. The average for Q2/17 was 10.6 \$/bl, almost in line with the first quarter of the year.

### 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”) reached record-high levels for the entire duration of 2015 (with a yearly average equal to +4.0 \$/bl), and then it settled at an average of 2.9 \$/bl in 2016. The first quarter of 2017 continued on the same tone of Q4/16, reaching an average of 3.3 \$/bl and then further strengthened in Q2/17 averaging 3.8 \$/bl. The first half was supported, among others, by the strength of fuel oil, that has a high relevance in the yields of the EMC model. Such an unusual evolution in fuel oil margins, is driven by lower available volumes, as a consequence of higher duties levied by the Russian government on the exports of the domestic refineries, worsened by lower use of heavy grades in the refineries given their lower discounts to Brent after the implementation of OPEC cuts from January 2017.

Saras Group’s refining, thanks to the flexibility and complexity of its industrial units, manages to achieve a higher refining margin than the EMC Benchmark (please refer to the following graph). However, 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

(\*) Refining margins for 2016 and 2017 refer to Refining comparable EBITDA calculated with the new criteria



## 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	H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
EBITDA	28.2	224.3	-87%	(75.1)	209.9	-136%
<b>Comparable EBITDA</b>	<b>139.7</b>	<b>184.1</b>	<b>-24%</b>	<b>70.1</b>	<b>94.9</b>	<b>-26%</b>
EBIT	(27.1)	165.6	-116%	(103.2)	180.4	-157%
<b>Comparable EBIT</b>	<b>84.4</b>	<b>125.4</b>	<b>-33%</b>	<b>42.1</b>	<b>65.4</b>	<b>-36%</b>
CAPEX	88.0	52.0		46.6	26.3	

## Margins and refinery runs

		H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
<b>REFINERY RUNS</b>	Tons (thousand)	6,917	6,088	14%	3,481	3,209	8%
	Barrels (million)	50.5	44.4	14%	25.4	23.4	8%
	Bl/day (thousand)	279	244	14%	282	257	10%
<b>COMPLEMENTARY FEEDSTOCK</b>	Tons (thousand)	674	922	-27%	297	538	-45%
<b>EXCHANGE RATE</b>	EUR/USD	1.083	1.116	-3%	1.102	1.129	-2%
<b>EMC BENCHMARK MARGIN</b>	\$/bl	3.5	3.1		3.8	2.6	
<b>SARAS REFINERY MARGIN</b>	\$/bl	6.0	8.3		6.1	8.1	

## Comments to First Half 2017 Results

**Refinery crude oil runs in H1/17 stood at 6.92 million tons** (50.5 million barrels, corresponding to 279 thousands barrel per calendar day), up 14% versus the first semester of 2016. The runs of other feedstock complementary to crude oil, on the opposite, declined compared to H1/16, reaching 0.67 million tons (versus 0.92 million tons in the same period of previous year) also in light of a lower profitability in current market scenario. It is worth noting that the maintenance program involved both distillation and conversion units, and was less burdensome than the one carried out in H1/16.

**Comparable EBITDA was EUR 139.7 million in H1/17**, supported by Saras refining margin at +6.0 \$/bl. This compares with a *comparable* EBITDA of EUR 184.1 million and Saras refining margin equal to +8.3 \$/bl in the same period of previous year. As usual, the comparison must take into account the market conditions and the specific performance of the Saras Group, both from the operational and the commercial perspectives.

More in detail, when analysing the market conditions in H1/17, the increase of oil prices along with some other market dynamics, led to a penalisation of approx. EUR 70 million versus H1/16 (including also the increase of the cost of "consumptions & losses"). On the opposite the strengthening of the diesel *crack spread* more than offset the gasoline *crack spread* weakening and, increasing the value of the production by approx. EUR 35 million versus H1/16. The effect of the exchange rate EUR/USD (1.0830 US Dollars for 1 EUR in H1/17, vs. 1.1159 in H1/16), delivered a positive impact of approx. EUR 10 million. Finally, the effect of inventories changes and the results of derivative instruments and the net Forex, led to an EBITDA penalisation of approx. EUR 35 million compared to H1/16.

From an operational standpoint, in H1/17 production planning (which consists in the optimization of the crude mix to be refined, the management of semi-finished products, the production of finished products, including specialty products) led

to an EBITDA lower by approx. EUR 16 million versus H1/16 (mainly as a consequence of a utilization of a mix of crudes less favorable than the one processed in the same period of previous year that enjoyed extremely supportive market conditions). However, the production execution (which takes into account the penalization due to maintenance, both scheduled and un-scheduled, and the higher consumption versus technical targets for some utilities, for instance, fuel oil, steam, electricity, and fuel gas) produced an EBITDA approx. EUR 25 million higher than in H1/16, mainly thanks to a lighter maintenance cycle compared to the same period of last year.

Finally, the commercial performance (which concerns procurement of crude oil and other kinds of feedstock, sale of finished products, chartering and inventory management, including also compulsory stocks) delivered an EBITDA approx. EUR 10 million above the first half of last year pursuing, among others, available opportunities for the sale of specialty products and components.

**Refining CAPEX in H1/17 was EUR 88.0 million**, in line with to the maintenance program and the investments envisaged for the period.

## Comments to Second Quarter 2017 Results

**Refinery crude oil runs in Q2/17 stood at 3.48 million tons** (25.4 million barrels, corresponding to 282 thousands barrel per calendar day), up 8% versus the 3.21 million tons processed in the same quarter of 2016. The runs of other feedstock, complementary to crude oil, instead declined compared to Q2/16, reaching 0.30 million tons (versus 0.54 million in the same quarter of previous year), as already mentioned, due to lower profitability. The difference among the two quarters under comparison is mainly due to a maintenance program carried out in Q2/17 lighter than the one realised in the same period of 2016, and despite a less favourable operating performance.

**Comparable EBITDA was EUR 70.1 million in Q2/17**, supported by Saras refining margin at +6.1 \$/bl. This compares with *comparable* EBITDA of EUR 94.9 million and Saras refining margin equal to +8.1 \$/bl in the same quarter of previous year.

With regard to the market conditions, the increase of oil prices in Q2/17 led to a penalisation of approx. EUR 20 million versus Q2/16 (including also the increase of the cost of "consumptions & losses"). On the opposite the stronger diesel *crack spread* (while gasoline one stayed on the same level of the same quarter of previous year) increased the value of the production by approx. EUR 25 million versus Q2/16. The strengthening of USD vs EUR had positive effect of EUR 5 million (1.102 US Dollars for 1 EUR vs. 1.129 in Q2/16). Finally, the effect of inventories changes and the results of derivative instruments and the net Forex, led to an EBITDA penalisation of approx. EUR 20 million compared to Q2/16.

Moving to the operating performance, in Q2/17 production planning led to an EBITDA lower by approx. EUR 7 million versus Q2/16 (less favorable crude mix) and the production execution produced an EBITDA approx. EUR 5 million lower than in Q2/16, due to a less favorable operating performance and despite the lighter maintenance cycle carried out in the period compared to the same period of previous year.

Finally, the commercial performance delivered an EBITDA broadly in line with the second quarter of last year.

**Refining CAPEX in Q2/17 was EUR 46.6 million.**

## Crude Oil slate and Production

**The crude mix processed by the Sarroch refinery in H1/17** had an average density of 33.0°API, heavier than the mix processed in H1/16 (33.5 °API). When looking in more detail at the various crude grades used in the feedstock, it can be noticed an increase in the percentage of crudes processed with average density and high sulphur content (so called "*medium sour*") and light with low sulphur content ("*light sweet*") while heavy grades both with low and high sulphur content (so called "*heavy sour/sweet*") decreased. Finally, the percentage of crudes light with extremely low sulphur content ("*light extra sweet*") remained quite stable. This changes in the feedstock mix are mainly due to the contingent refinery configuration (deriving from the specific maintenance cycle carried out in H1/17), and also to economic and commercial choices due, among others, to the different supply condition as a consequence of OPEC production cuts and the large availability of light grades on the market.

	H1 2017	H1 2016	Q2/17
Light extra sweet	32%	33%	32%
Light sweet	14%	11%	13%
Medium sweet/extra sweet	0%	0%	0%
Medium sour	39%	34%	43%
Heavy sour/sweet	15%	22%	12%
Average crude gravity	°API	33.0	33.5
			33.2

**Moving to the production slate**, it can be observed that in H1/17 the yield in middle distillates (49.8%) increased compared to the first half of 2016. The yields in LPG (2.0%) and light distillates (27.2%) were moderately lower than in H1/16. Finally, TAR yield was quite low (6.4%) also as effect of the planned maintenance on the VisBreaking (in Q1/17) and the IGCC plants (in H1/17), while fuel oil yield was high (8.2%) in order to take benefit from the strong demand of this product.

		H1 2017	H1 2016	Q2/17
LPG	Tons (thousand)	149	179	83
	yield (%)	2.0%	2.6%	2.2%
NAPHTHA + GASOLINE	Tons (thousand)	2,067	2,096	1,064
	yield (%)	27.2%	29.9%	28.2%
MIDDLE DISTILLATES	Tons (thousand)	3,780	3,308	1,899
	yield (%)	49.8%	47.2%	50.3%
FUEL OIL & OTHERS	Tons (thousand)	625	427	214
	yield (%)	8.2%	6.1%	5.7%
TAR	Tons (thousand)	482	539	275
	yield (%)	6.4%	7.7%	7.3%

**Note:** Balance to 100% of the production is "Consumption and 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	H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
EBITDA	5.7	0.4	1397%	3.9	3.0	30%
<b>Comparable EBITDA</b>	<b>8.3</b>	<b>(3.7)</b>	<b>322%</b>	<b>5.2</b>	<b>(0.5)</b>	<b>1256%</b>
EBIT	3.1	(2.5)	226%	2.7	1.5	76%
<b>Comparable EBIT</b>	<b>5.3</b>	<b>(6.6)</b>	<b>181%</b>	<b>3.5</b>	<b>(1.9)</b>	<b>283%</b>
CAPEX	0.5	0.4		0.3	0.3	

## Sales

		H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
<b>TOTAL SALES</b>	Tons (thousand)	1,784	1,998	-11%	914	995	-8%
of which: in Italy	Tons (thousand)	1,043	1,154	-10%	547	574	-5%
of which: in Spain	Tons (thousand)	741	844	-12%	368	421	-13%

## Comments to First Half 2017 Results

According to the data collected by UP (Unione Petrolifera), during the first half of 2017 oil products consumption decreased by 1.1% in the Italian market, which represent the main output channel for the wholesale marketing activities of the Saras Group. In Spain instead, data compiled by CORES show a progressive increase in the consumption in the first 5 months of 2017 (+1.3%).

In particular, the demand decline in Italy is the result of declining sales of gasoline (-3.1% equal to -114ktons), while gasoil demand is broadly in line with the same period of last year. The sum of fuels (gasoline + gasoil) equal to approx. 15 million tons, was down 0.6% (-96ktons) versus the same quarter of last year. In H1/17 new car registrations increased by 9%, with diesel vehicles accounting for 56.5% of the total, broadly in line with H1/16. Nonetheless, wholesale margins increased versus H1/16, thanks also to a lower production pressure from refineries, especially inland ones. In this context, Saras Group reduced by 10% the sales volumes continuing the activity of optimization of the portfolio of clients, started in the second half of last year, as well as the costs cutting actions, delivering therefore a material improvement in the gross commercial margin.

Moving to the analysis of the Spanish market in the first 5 months of 2017, gasoil demand increased by 0.9%, and gasoline demand by 1.8%. The Spanish subsidiary Saras Energia reduced volumes sold by 12%, and improved the operating profitability thanks to the policies of sales channels optimization, already implemented in the previous quarters, and thanks to higher wholesale margins.

Thanks to the improvement of wholesale margins and the cost cutting actions described in the above paragraphs, **comparable EBITDA in the Marketing segment was equal to EUR 8.3 million**, well above the EUR -3.7 million of H1/16.

## Comments to Second Quarter 2017 Results

According to the data collected by UP (Unione Petrolifera), during the second quarter of 2017 oil products consumption decreased by 1.8% in the Italian market.

Analyzing in more detail the Italian consumptions, it emerges that gasoline demand declined by 2.3% while gasoil demand increased by 0.7%. The demand of bunker fuel rose by 13%, while fuel oil demand declined materially. With reference to margins, the improvements achieved in the first quarter of the year were confirmed also in the second quarter. Saras Group reduced by 5% the sales volume, and also thanks to such rationalization increased its commercial margin compared to the same period of last year. The Spanish subsidiary Saras Energia reduced volumes sold by 13% while keeping the EBITDA broadly in line with the same period of last year.

The **comparable EBITDA in the Marketing segment was equal to EUR 5.2 million**, above the EUR -0.5 million of Q2/16.



## Power Generation

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

EUR Million	H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
EBITDA	95.8	95.3	0%	47.9	49.2	-3%
<b>Comparable EBITDA</b>	<b>92.9</b>	<b>97.8</b>	<b>-5%</b>	<b>49.0</b>	<b>51.7</b>	<b>-5%</b>
EBIT	49.4	46.3	7%	24.5	24.5	0%
<b>Comparable EBIT</b>	<b>46.5</b>	<b>48.8</b>	<b>-5%</b>	<b>25.6</b>	<b>27.0</b>	<b>-5%</b>
EBITDA ITALIAN GAAP	28.8	61.1	-53%	25.8	44.5	-42%
EBIT ITALIAN GAAP	(0.7)	28.9	-102%	10.8	28.3	-62%
CAPEX	11.2	3.6		7.1	0.9	

## Other figures

		H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
ELECTRICITY PRODUCTION	MWh/1000	1,755	2,105	-17%	1,021	1,241	-18%
POWER TARIFF	Eurocent/KWh	8.7	8.1	6%	8.7	8.1	6%
POWER IGCC MARGIN	\$/bl	3.3	3.6	-9%	3.3	3.4	-3%

## Comments to First Half 2017 Results

The entire cycle of maintenance activities scheduled on the IGCC plant for the year 2017 was carried out during the first half of the year. In detail, in the first quarter the scheduled maintenance activity involving two trains of "Gasifier – combined cycle Turbine" and on a one the two "gas washing line trains" was performed, while in the second quarter the maintenance involved the third "Gasifier – combined cycle Turbine". The electricity production was equal to 1.755 TWh, down 17% versus the first half of last year, as a result of a heavier maintenance cycle compared to the same period of previous year and a lower operating performance.

**Comparable EBITDA was EUR 92.9 million**, compared to EUR 97.8 million achieved in H1/16. The difference is due to higher fixed costs related to the heavy maintenance program performed. Such effect was only partially offset by higher CIP6/92 tariff (+6%) and by the sales of hydrogen and steam (which are not subject to the equalization procedure) that in H1/17 were approx. EUR 7.2 million higher than in H1/16. Finally, it is worth noting that the difference between *comparable* and *reported* EBITDA is mainly due to a reclassification.

**Moving to the Italian GAAP EBITDA, it stood at EUR 28.8 million in H1/17**, down versus EUR 61.1 million achieved in the same period of last year. The difference comes from the combined effect of lower production of electricity (-17%) and the increase of the procurement cost of TAR feedstock weighing approx. EUR 5.0 million. Such factors have been partially offset by higher CIP6/92 tariff (+6%) and higher sales of hydrogen and steam in H1/17 (for approx. EUR 7.2 million, as already mentioned).

**CAPEX in H1/17 were EUR 11.2 million**, coherently with the heavy scheduled maintenance carried out in the semester.

## Comments to Second Quarter 2017 Results

The annual maintenance activities scheduled on the IGCC plant for the year 2017 was completed in the Q2/17. In detail, in the quarter it involved one train "Gasifier – combined cycle Turbine", while in the same period of last year the Power Generation segment worked at full capacity as it was maintenance free. The electricity production was equal to 1.021 TWh, down 18% versus the same quarter of last year that reached a maximum level, but well above Q1/17 level.

**Comparable EBITDA was EUR 49.0 million**, only marginally below EUR 51.7 million achieved in Q2/16. The difference is due to higher fixed costs related to the heavier maintenance program performed in Q2/17, largely offset by higher CIP6/92 tariff (+6%) and by the sales of hydrogen and steam (which are not subject to the equalization procedure) that in Q2/17 were approx. EUR 2.6 million higher than in Q2/16. Finally, it is worth noting that the difference between *comparable* and *reported* EBITDA is mainly due to a reclassification.

**Moving to the Italian GAAP EBITDA, it stood at EUR 25.8 million in Q2/17**, down versus EUR 44.5 million achieved in the same period of last year. The difference comes from the combined effect of lower production and sale of electricity

(-18%) and the increase of the procurement cost of TAR feedstock weighing approx. EUR 2.0 million. Such factors have been partially offset by higher CIP6/92 tariff (+6%) and higher sales of hydrogen and steam (for approx. EUR 2.6 million, as already mentioned).

Finally, **CAPEX in Q2/17 were EUR 7.1 million.**

## Wind

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

EUR million	H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
EBITDA	10.8	14.5	-25%	3.9	4.6	-15%
<b>Comparable EBITDA</b>	<b>10.8</b>	<b>14.5</b>	<b>-25%</b>	<b>3.9</b>	<b>4.6</b>	<b>-15%</b>
EBIT	8.5	12.3	-31%	2.7	3.4	-22%
<b>Comparable EBIT</b>	<b>8.5</b>	<b>12.3</b>	<b>-31%</b>	<b>2.7</b>	<b>3.4</b>	<b>-22%</b>
CAPEX	0.0	0.2		0.0	0.1	

## Other figures

		H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
<b>ELECTRICITY PRODUCTION</b>	MWh	82,720	126,616	-35%	31,452	49,039	-36%
<b>POWER TARIFF</b>	EURcent/KWh	4.8	3.6	32%	4.1	3.5	18%
<b>INCENTIVE TARIFF</b>	EURcent/KWh	10.7	10.0	7%	10.7	8.3	29%

## Comments to First Half 2017 Results

In H1/17 **comparable EBITDA** of the Wind segment (which is equal to the IFRS EBITDA) stood at EUR 10.8 million, down versus EUR 14.5 million achieved in H1/16, mainly due to less favorable wind conditions compared to record levels experienced in the same period of last year. As a consequence electricity production was 35% lower than those of the same period of last year, only partially offset by higher electricity tariff (+1.2 EURcent/kWh vs H1/16), as well as by higher value of the Incentive Tariff (+0.7 EURcent/kWh vs. H1/16).

## Comments to Second Quarter 2017 Results

In Q2/17 **comparable EBITDA** of the Wind segment (which is equal to the IFRS EBITDA) stood at EUR 3.9 million, down versus EUR 4.6 million achieved in Q2/16. Such difference is mainly due lower electricity production (-36%) driven by less favorable wind conditions, only partially offset by higher electricity tariff (+0.6 EURcent/kWh vs Q2/16) and higher value of the Incentive Tariff (+2.4 EURcent/kWh vs. Q2/16).

## Other Activities

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

EUR Million	H1 2017	H1 2016	Change %	Q2/17	Q2/16	Change %
EBITDA	0.8	0.5	55%	0.3	0.6	-51%
<b>Comparable EBITDA</b>	<b>0.8</b>	<b>0.5</b>	<b>55%</b>	<b>0.3</b>	<b>0.6</b>	<b>-51%</b>
EBIT	0.4	0.3	69%	0.1	0.6	-82%
<b>Comparable EBIT</b>	<b>0.4</b>	<b>0.3</b>	<b>69%</b>	<b>0.1</b>	<b>0.6</b>	<b>-82%</b>
CAPEX	0.1	0.2		0.0	0.2	

## Strategy and Outlook

In the first half of 2017 the European refining industry continued to benefit from positive market conditions, with total crude oil supply still abundant and not materially different from the previous year, notwithstanding the implementation of the production cuts since the beginning of January, enforced, by OPEC members and other relevant suppliers (Russia in primis). Indeed, in front of 1.8 million barrels per day (mbl/d) removed from the market (1.2 mbl/d by OPEC and further 0.6 mbl/d by non-OPEC), material increase in supply from other sources is taking place, offsetting the above mentioned production reduction. Global supply continues to remain robust thanks to the recovery of E&P activities in the USA (tight oil from shale rocks) and in the North-Eastern area of the Caspian Sea (the “Kashagan” oil field), in addition to the increase of exports from Libya and Nigeria.

Moving to oil prices, Brent stayed quite stable at 55 \$/bl until March, and then progressively weakened closing the first half at approx. 47 \$/bl, level reached before the announcement of the production curtailments, despite the decision to roll over the cuts until the first quarter of 2018. Experts forecast Brent quotations to remain quite stable until year end. However, it is evident some pressure on the premia of light sweet grades and on the discounts of some heavy sour grades because the increased production of the above mentioned countries concerns primarily light sweet grades, while the OPEC cuts affect mainly heavy sour crude oils.

The scenario look positive also looking at the demand side. In the report published in July, the International Energy Agency (IEA) revised up the global demand forecast to +1.4 mbl/d in 2017, thanks to robust consumption especially in USA, India and China.

Moving to the profitability of the main refined products, it can be noticed that in the first half of 2017, gasoline reached satisfactory levels (average *crack spread* at approx. 12 \$/b, down vs. 13 \$/bl of the same period of previous year) thanks to strong Asian demand that was met by higher runs, mainly of US refineries. With regards to the middle distillates, the diesel crack spread stood above 10 \$/bl (recovering versus the average of 8.5 achieved in the same period of 2016). Finally it is worth noting the unusual strength of fuel oil *crack spread* mainly due to higher duties levied by the Russian government on the exports of the domestic refineries, but also to the lightening of the global crude slate as a consequence of OPEC production cuts since January 2017, that focused on the heaviest grades. These conditions reduced the supply and pushed the *crack spread* of fuel oil at highest levels of the last 4 years.

Such market conditions are positive for the refining industry as a whole and particularly for simple refineries, such as the ones modelled to estimate the reference margin EMC Benchmark given their high fuel oil yields, reducing the chances to generate a premium versus the reference margin for complex refiners. Such extreme strength of fuel oil led, in the first half, to an increase of the reference margin of approx 1\$/bl compared to business plan 2017 – 2020 assumptions. Even assuming the continuation of such scenario in the remaining part of the year, the Saras Group aim to achieve a higher premium above the EMC benchmark compared to the one reached in the first half of the year.

From an operational standpoint, the Refinery segment will face a lighter maintenance cycle in 2017 vs. previous year and concentrated in the first quarter of the year, hence delivering higher runs, lower fixed costs, and lower EBITDA reductions due to plants unavailability. In details, the scheduled maintenance activities in H1/17 were carried out according to plans. For the remaining part only minor activities are planned, in detail some maintenance will be carried out on the Vacuum “V1” and the VisBreaking “VSB” in the third quarter and, in the fourth quarter, the scheduled activities will take place on the Alkylation “ALKY”, the “TAME”, and the Catalytic Reforming “CCR”. Overall, yearly crude runs are expected at 14.3÷14.5 million tons (corresponding to 104÷106 million barrels), plus further 1.4 million tons of complementary feedstock (corresponding to approx. 10 million barrels).

With reference to the Power Generation segment, the whole annual maintenance program was completed in H1/17. Therefore, total production of electricity in 2017 is expected between 3.90÷4.10 TWh.

In relation to the Marketing segment, the margins are foreseen on a recovery path in 2017, thanks to an environment of rising refined products consumption, and thanks also to the efforts undertaken to optimize costs and working capital requirements.

Finally, in the Wind segment, the subsidiary Sardeolica continues the necessary steps to clear 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), for an additional capacity of 30 MW. Moreover, it is still in progress the procedure to obtain the construction permits (“Autorizzazione Unica”) regarding a project of approx. 15 MW in the municipality of Onani (NU).



## Investments by business Segment

EUR Million	H1 2017	H1 2016	Q2/17	Q2/16
REFINING	88.0	52.0	46.6	26.3
POWER GENERATION	11.2	3.6	7.1	0.9
MARKETING	0.5	0.4	0.3	0.3
WIND	0.0	0.2	0.0	0.1
OTHER	0.3	0.2	0.2	0.2
Total	99.9	56.4	54.1	27.8

# 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

### **Exchange rate risk**

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

### **Interest rate risk**

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

### **Credit risk**

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

### **Liquidity risk**

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

## Other risks

### **Price fluctuation risk**

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

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

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

### **Risk related to the procurement of crude oil**

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

## **Risks of interruption of production**

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

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

## **Environmental risk**

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

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

## **Regulatory risk**

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

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

## **Dependencies on third parties**

The IGCC plant, owned by the Sarlux Srl subsidiary, depends on 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 30<sup>th</sup> 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 31<sup>st</sup> March 2012.

# Main events after the end of the First Half of 2017

No main event after the end of the First Half of 2017.

## 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 2017.

### Own shares

During the first half of 2017 no transactions took place, involving the sale or purchase of Saras SpA own shares. Therefore, as of 30<sup>th</sup> June 2017, Saras SpA held in treasury 14,989,854 own shares, corresponding to 1.576% of the company's issued share capital.

### Non-recurring and unusual Transactions

During the first half of 2017 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 20<sup>th</sup> of April 2017, the company paid, on the 24<sup>th</sup> of May 2017, a dividend equal to EUR 0.10 per each of the 936,010,146 ordinary shares in circulation, for a total payment of EUR 93,601,014.60.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Statement of consolidated Financial Position as of: 30<sup>th</sup> June 2017

Thousands of euros		30/06/2017	31/12/2016
<b>ASSETS</b>	(1)		
<b>Current assets</b>	5.1	<b>1,432,144</b>	<b>1,689,200</b>
Cash and cash equivalents	5.1.1	206,837	359,175
Other financial assets	5.1.2	114,149	120,662
Trade receivables	5.1.3	241,259	423,621
Inventories	5.1.4	695,187	621,894
Current tax assets	5.1.5	34,556	36,402
Other assets	5.1.6	140,156	127,446
<b>Non-current assets</b>	5.2	<b>1,171,612</b>	<b>1,205,184</b>
Property, plant and equipment	5.2.1	972,266	964,263
Intangible fixed assets	5.2.2	177,595	194,894
Other investments	5.2.3.1	502	502
Deferred tax assets	5.2.4	16,137	39,775
Other financial assets	5.2.5	5,112	5,750
<b>Total assets</b>		<b>2,603,756</b>	<b>2,894,384</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>	5.3	<b>1,258,521</b>	<b>1,423,241</b>
Short-term financial liabilities	5.3.1	177,640	203,377
Trade and other payables	5.3.2	824,850	1,044,879
Current tax liabilities	5.3.3	168,986	102,812
Other current liabilities	5.3.4	87,045	72,173
<b>Non-current liabilities</b>	5.4	<b>460,347</b>	<b>548,416</b>
Long-term financial liabilities	5.4.1	176,232	183,438
Funds for risks and charges	5.4.2	87,651	102,455
Provisions for employee benefits	5.4.3	11,230	10,541
Deferred tax liabilities	5.4.4	4,724	4,719
Other non-current liabilities	5.4.5	180,510	247,263
<b>Total liabilities</b>		<b>1,718,868</b>	<b>1,971,657</b>
<b>SHAREHOLDERS' EQUITY</b>	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		764,853	660,841
Profit/(loss) for the period		54,479	196,330
<b>Total equity attributable to the parent company</b>		<b>884,888</b>	<b>922,727</b>
Minority interests		0	0
<b>Total equity</b>		<b>884,888</b>	<b>922,727</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,603,756</b>	<b>2,894,384</b>

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

# Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1<sup>st</sup> January - 30<sup>th</sup> June 2017

Thousands of euros	(1)	1st January 30th June 2017	of which non- recurring	1st January 30th June 2016	of which non- recurring
Revenues from ordinary operations	6.1.1	3,882,515		3,019,732	
Other income	6.1.2	46,618		58,349	
<b>Total returns</b>		<b>3,929,133</b>	<b>0</b>	<b>3,078,081</b>	<b>0</b>
Purchases of raw materials, replacement parts and consumables	6.2.1	(3,405,609)		(2,398,762)	
Cost of services and sundry costs	6.2.2	(307,613)	(15,192)	(269,298)	(2,483)
Personnel costs	6.2.3	(74,559)		(74,931)	
Depreciation, amortisation and write-downs	6.2.4	(107,027)		(113,140)	
<b>Total costs</b>		<b>(3,894,808)</b>	<b>(15,192)</b>	<b>(2,856,131)</b>	<b>(2,483)</b>
<b>Operating result</b>		<b>34,325</b>	<b>(15,192)</b>	<b>221,950</b>	<b>(2,483)</b>
Net income (charges) from equity investments					
Financial income	6.3	133,452		53,183	
Financial charges	6.3	(83,506)	(11,592)	(85,948)	
<b>Profit/(loss) before taxes</b>		<b>84,271</b>	<b>(26,784)</b>	<b>189,185</b>	<b>(2,483)</b>
Income tax	6.4	(29,792)	7,021	(59,675)	756
<b>Net profit/(loss) for the period</b>		<b>54,479</b>	<b>(19,763)</b>	<b>129,510</b>	<b>(1,727)</b>
<b>Net profit/(loss) for the period attributable to:</b>					
Shareholders of the parent company		54,479		129,510	
Minority interests		0		0	
<b>Earnings per share - base (euro cents)</b>		<b>5.82</b>		<b>13.87</b>	
<b>Earnings per share - diluted (euro cents)</b>		<b>5.82</b>		<b>13.87</b>	

## Statement of Comprehensive Income for the periods: 1st January - 30th June 2017

Thousands of euros	1st January 30th June 2017	1st January 30th June 2016
<b>Net result for the period (A)</b>	<b>54,479</b>	<b>129,510</b>
Components of total profit that may subsequently be reclassified in the profit (loss) for the period		
Conversion effect balances in foreign currency	296	(83)
Components of total profit that will subsequently not be reclassified in the profit (loss) for the year		
Actuarial effect IAS 19 on employee end-of-service payments	0	0
<b>Other profit/(loss), net of the fiscal effect (B)</b>	<b>296</b>	<b>(83)</b>
<b>Consolidated Comprehensive Result for the period (A + B)</b>	<b>54,775</b>	<b>129,427</b>
<b>Net consolidated comprehensive result for the period attributable to:</b>		
Shareholders of the parent company	54,775	129,427
Minority interests	0	0

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



# Statement of Changes in Consolidated Shareholders' Equity: From 31<sup>st</sup> December 2015 to 30<sup>th</sup> June 2017

Thousands of euros	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Period	Total equity attributable to the parent company	Third-party minority interests	Total net equity
<b>Balance as at 31/12/2015</b>	<b>54.630</b>	<b>10.926</b>	<b>595.688</b>	<b>223.660</b>	<b>884.904</b>	<b>0</b>	<b>884.904</b>
Allocation of profit previous year			223.660	(223.660)	0		0
Distribution of dividends			(159.122)		(159.122)		(159.122)
Conversion effect balances in foreign currency			(83)		(83)		(83)
Net profit/(loss) for the period				129.510	129.510		129.510
<i>Comprehensive net profit (loss) for the period</i>			(83)	129.510	129.427	0	129.427
<b>Balance as at 30/06/2016</b>	<b>54.630</b>	<b>10.926</b>	<b>660.143</b>	<b>129.510</b>	<b>855.209</b>	<b>0</b>	<b>855.209</b>
Conversion effect balances in foreign currency			116		116		116
Reserve for stock option plan			812		812		812
Actuarial effect IAS 19			(230)		(230)		(230)
Net profit/(loss) for the period				66.820	66.820		66.820
<i>Comprehensive net profit (loss) for the period</i>			698	66.820	67.518	0	67.518
<b>Balance as at 31/12/2016</b>	<b>54.630</b>	<b>10.926</b>	<b>660.841</b>	<b>196.330</b>	<b>922.727</b>	<b>0</b>	<b>922.727</b>
Allocation of profit previous year			196.330	(196.330)	0		0
Distribution of dividends			(93.601)		(93.601)		(93.601)
Conversion effect balances in foreign currency			296		296		296
Reserve for stock option plan			987		987		987
Net profit/(loss) for the period				54.479	54.479		54.479
<i>Comprehensive net profit (loss) for the period</i>			1.283	54.479	55.762	0	55.762
<b>Balance as at 30/06/2017</b>	<b>54.630</b>	<b>10.926</b>	<b>764.853</b>	<b>54.479</b>	<b>884.888</b>	<b>0</b>	<b>884.888</b>

# Consolidated Cash Flow Statement as of: 30<sup>th</sup> June 2017

Migliaia di Euro

1/1/2017-  
30/06/2017

1/1/2016- 30/06/2016

<b>A - Initial cash and cash equivalents</b>	<b>359,175</b>	<b>856,843</b>
<b>B - Cash flow from (for) activities in the period</b>		
Net profit / (Loss) for the period	54,479	129,510
Unrealised exchange rate differences on bank current accounts	(641)	(545)
Depreciation and write-downs of fixed assets	107,027	113,140
Net change provision for risks	(14,804)	(25,705)
Net change in provision for employee benefits	689	(599)
Net change in deferred tax liabilities and deferred tax assets	23,643	43,497
Net interest	5,042	11,022
Income tax set aside	6,149	(39,797)
Change FV derivatives	(22,979)	1,760
Other non-monetary components	1,283	(83)
<b>Profit (loss) of operating activities before changes in working capital</b>	<b>159,888</b>	<b>232,200</b>
(Increase)/Decrease in trade receivables	182,362	(5,845)
<i>of which with related parties:</i>	<i>0</i>	<i>0</i>
(Increase)/Decrease in inventories	(73,293)	(120,517)
Increase/(Decrease) in trade and other payables	(220,029)	57,677
<i>of which with related parties:</i>	<i>113</i>	<i>113</i>
Change other current assets	(10,864)	(12,054)
Change other current liabilities	74,897	112,728
Interest received	18	477
Interest paid	(5,060)	(11,499)
Taxes paid	0	(17,194)
Change other non-current liabilities	(66,753)	(34,618)
<b>Total (B)</b>	<b>41,166</b>	<b>201,355</b>
<b>C - Cash flow from (for) investment activities</b>		
(Investments) in tangible and intangible fixed assets	(97,731)	(56,234)
<i>- of which paid capitalised interest payable</i>	<i>0</i>	<i>0</i>
(Increase)/Decrease in other financial assets	78,303	35,247
<b>Total (C)</b>	<b>(19,428)</b>	<b>(20,987)</b>
<b>D - Cash flow from (for) financing activities</b>		
Increase/(Decrease) m/l-term financial payables	0	0
Increase/(Decrease) short-term financial payables	(81,116)	(91,296)
(Decrease) short-term financial payables for reimbursements for the period	0	0
Distribution of dividends and treasury share purchases	(93,601)	(159,122)
<b>Total (D)</b>	<b>(174,717)</b>	<b>(250,418)</b>
<b>E - Cash flow for the period (B+C+D)</b>	<b>(152,979)</b>	<b>(70,050)</b>
Unrealised exchange rate differences on bank current accounts	641	545
<b>F - Final cash and cash equivalents</b>	<b>206,837</b>	<b>787,338</b>

For the Board of Directors  
The Chairman  
Gian Marco Moratti



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

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## 1. Introduction

Publication of the abbreviated consolidated financial statements of Saras Group for the period closed as at 30 June 2017 was authorised by the Board of Directors on 28 July 2017.

Saras SpA (hereinafter the Parent Company) is a company limited by shares listed on the Milan stock exchange. Its registered office is in Sarroch (CA), Italy, S.S. 195 "Sulcitana" Km. 19. It is jointly controlled by Gian Marco Moratti S.A.P.A. and Massimo Moratti S.A.P.A., which own 25.01% each and 50.02% jointly of the share capital of Saras SpA. (excluding treasury shares), under the shareholders' agreement signed by the two companies 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 three months ended 30 June 2017 were prepared in accordance with IAS 34 - Interim Financial Reporting.

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 31 December 2016.

### 2.2 Accounting standards issued but not yet in force

Standards and interpretations are illustrated which, at the Group's reporting date, had been issued but were not yet in force are illustrated below.

#### IFRS 9 Financial instruments

In July 2015, the IASB issued the final version of IFRS 9 Financial Instruments replacing IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 is divided in three parts:

1. classification and measurement of the financial instruments on the basis of the model of business entity and the characteristics of cash flows generated by the same financial instruments;
2. impairment of financial instruments on the basis of a new and unique impairment model based on the acknowledgement of losses expected by an entity. This model is not applied to equity instruments and anticipates operative simplification for commercial credits;
3. hedge accounting based on a more flexible approach than that indicated in IAS 39.

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

The Group will adopt the new standard as of the date of its entry into force. During 2016 the Group carried out a preliminary analysis of the impact of all three aspects covered by IFRS 9. This preliminary analysis, which continued during 2017, is based on information actually available and could be subject to amendment following more detailed analyses and further information becoming available to the Group in future.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduced a new five-step model that will apply to revenue from contracts with customers. IFRS 15 prescribes that an entity will recognise revenue that reflects the consideration to which the entity expects to be entitled in exchange for goods or services to customers.

The new standard will supersede all current IFRS requirements on revenue recognition. This standard is effective for annual periods beginning on or after 1 January 2018, with full retrospective or amended application. Early application is permitted.

The Group expects it will apply the new standard starting on the obligatory effective date, using the full retrospective application method.

The standard establishes a new model of recognition of revenues, which will be applied to all contracts stipulated with clients with the exception of those that fall under the scope of other IAS/IFRS standards such as leasing contracts, insurance contracts and financial instruments. The fundamental passages for the accounting of revenues according to the new model are:

- the identification of the contract with the customer;
- the identification of the contract's performance obligations;
- the determination of the price;
- the allocation of the price to the contract's performance obligations;
- the criteria for entry of revenues when the entity satisfies each performance obligation.

Sale contracts to the Group's existing customers require the exchange of goods (oil or electricity and possible services) with the clear identification of the contractual obligations and the relative considerations, determined in a fixed or uniquely determined measure. The detailed impact deriving from the future application of the principle are still in the process of being analysed. The most significant changes introduced, in a first analysis, do not however appear to have meaningful impact for the Group.

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

The amendments concern the conflict between the IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or assigned to an associate or by a joint venture. The amendments clarify that the profit or loss resulting from the sale or assignment of activities that constitute a business as defined by IFRS 3, between an investor and an associate or joint venture, must be fully recognised.

Any profit or loss resulting from the sale or assignment of an activity that does not constitute a business, is only recognised up to the limits of the stake held by third-party investors in the associate or joint venture. IASB has indefinitely postponed the date of application of these amendments, but an entity should apply them retrospectively if they decide to apply them in advance.

#### IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB Information Initiative and require an entity to supply additional information that allow the users of financial statements to evaluate the variations in liabilities linked to financing activities, including both variations linked to cash flows and non-monetary variations. At the time of the initial application of this amendment the entity need not present comparative information relating to previous financial periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of these amendments will require the Group to supply additional information.

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

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

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

IASB has issued amendments to IFRS 2 Share-based payment which deal with three main issues: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of a liability-settled share-based payment; accounting in the eventuality of an amendment in the terms and conditions of a share-based payment transaction modifies its classification from a cash-settled to an equity-settled transaction. At the time of adoption, entities must apply the amendments without restating previous financial periods, but the retrospective application is allowed if chosen for all three amendments and if other criteria apply. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is evaluating the effect of these amendment on its consolidated financial statements.

## IFRS 16 Leases

L'IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 defines the standards for the recognition, measurement, presentation and disclosure of leases, requiring lessees to recognise all leasing agreements in the financial statements on the basis of a single lessee accounting mode similar to that used for accounting for financial leasing in accordance with IAS 17. The standard recognises two exemptions for the recognition of lessees - leasing contracts relating to "low value" underlying assets (for example personal computers) and short-term leasing contracts (for example the lease term is 12 months or less). On the starting date of a leasing contract, the lessee will recognise a liability with regard to the payments due for leasing (the lease liability) and an activity that represents the right of use of the underlying asset for the duration of the contract (the right-of-use asset). Lessees will need to account separately for the interest costs on the lease liability and the writing down of the right-of-use asset.

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

L'IFRS 16 requires from lessees more detailed information compared to those required from IAS 17.

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

The introduction of the new IFRS is not expected to have significant impact as the Group does not have meaningful active leasing operations or leasing expenses: this notwithstanding, the analysis is still in progress and it will be completed within 2017.

## 2.3 Consolidation scope

Subsidiaries that are included in the Group's basis of consolidation are indicated in the table below:

<b>Consolidated on a line-by-line basis</b>	<b>% owned</b>
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie Srl	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	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%



## Other equity investments recognised at cost

Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

The liquidation of the subsidiary Sargas Srl, wholly owned by Saras SpA, was completed in the first half of the year. On 27 June 2017, the shareholders of the subsidiaries Parchi Eolici Ulassai Srl (parent company) and Sardeolica Srl (subsidiary) decided to perform a reverse merger between the two companies, which will be completed in the third quarter of the year and as a result of which Parchi Eolici Ulassai Srl will be merged with the subsidiary Sardeolica Srl.

### 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 is provided in the Group's consolidated balance sheet at 31 December 2016, 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 the 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 deposit 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.U., 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 Sardeolica 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.r.l..

The management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the financial statements for the year ended 31 December 2016.

### 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:

Income statement I Half 2017	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	3,960,525	245,780	872,801	3,964	9,657	5,092,727
to be deducted: intersectoral revenues	(1,174,106)	(26,577)	(1,006)	0	(8,523)	(1,210,212)
<b>Revenues from third parties</b>	<b>2,786,419</b>	<b>219,203</b>	<b>871,795</b>	<b>3,964</b>	<b>1,134</b>	<b>3,882,515</b>
Other operating revenues	79,340	6,659	3,774	9,818	298	99,889
to be deducted: intersectoral revenues	(51,551)	(150)	(1,190)	(119)	(261)	(53,271)
<b>Other income from third parties</b>	<b>27,789</b>	<b>6,509</b>	<b>2,584</b>	<b>9,699</b>	<b>37</b>	<b>46,618</b>
Depreciation and write-downs	(55,356)	(46,405)	(2,689)	(2,275)	(301)	(107,026)
<b>Gross operating result</b>	<b>(27,132)</b>	<b>49,367</b>	<b>3,054</b>	<b>8,522</b>	<b>515</b>	<b>34,326</b>
Financial income (a)	136,041	68	179	30	8	136,326
Financial charges (a)	(81,666)	(3,121)	(1,525)	(49)	(20)	(86,381)
Income tax	(13,092)	(13,085)	(1,198)	(2,275)	(142)	(29,792)
<b>Profit (loss) for the period</b>	<b>14,151</b>	<b>33,229</b>	<b>510</b>	<b>6,228</b>	<b>361</b>	<b>54,479</b>
Total directly attributable activities (b)	992,396	1,278,722	204,251	102,827	25,560	2,603,756
Total directly attributable liabilities (b)	1,187,002	207,730	283,365	24,644	16,127	1,718,868
Investment in tangible fixed assets	87,519	11,032	274	-	234	99,059
Investimenti in intangible fixed assets	441	131	203	1	25	801

Income statement I Half 2016	REFINING	POWER	MARKETING	WIND	OTHER	TOTAL
Revenues from ordinary operations	2,847,599	225,472	746,518	4,593	10,300	3,834,482
to be deducted: intersectoral revenues	(789,611)	(20,111)	(935)	0	(4,093)	(814,750)
<b>Revenues from third parties</b>	<b>2,057,988</b>	<b>205,361</b>	<b>745,583</b>	<b>4,593</b>	<b>6,207</b>	<b>3,019,732</b>
Other operating revenues	78,686	8,809	3,367	12,689	161	103,712
to be deducted: intersectoral revenues	(44,855)	(100)	(296)	0	(112)	(45,363)
<b>Other income from third parties</b>	<b>33,831</b>	<b>8,709</b>	<b>3,071</b>	<b>12,689</b>	<b>49</b>	<b>58,349</b>
Depreciation and write-downs	(58,722)	(49,050)	(2,847)	(2,272)	(249)	(113,140)
<b>Gross operating result</b>	<b>165,600</b>	<b>46,296</b>	<b>(2,470)</b>	<b>12,265</b>	<b>259</b>	<b>221,950</b>
Financial income (a)	53,339	414	220	46	14	54,033
Financial charges (a)	(84,712)	(174)	(1,608)	(292)	(12)	(86,798)
Income tax	(40,212)	(15,694)	132	(3,779)	(122)	(59,675)
<b>Profit (loss) for the period</b>	<b>94,015</b>	<b>30,842</b>	<b>(3,726)</b>	<b>8,240</b>	<b>139</b>	<b>129,510</b>
Total directly attributable activities (b)	1,480,554	1,286,589	381,322	94,632	22,992	3,266,089
Total directly attributable liabilities (b)	1,797,070	303,245	277,163	18,200	15,200	2,410,878
Investment in tangible fixed assets	51,799	3,640	421	42	192	56,094
Investimenti in intangible fixed assets	178		15	121	6	320

(a) Calculated without taking into account intersegment eliminations.

(b) Total assets and liabilities are calculated after intersegment 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 (31 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 31 December 2016.

In reviewing their indicators of impairment, the Group takes into account, among other factors, the relationship between its market capitalisation and its book value. At 30 June 2017, the Group's market capitalization was higher than the carrying amount of its net assets, thus indicating the absence of a potential loss in value of reported tangible and intangible assets. With reference to goodwill, the updates performer to the CGU analysis did not show any impairment indicators. Consequently, the directors have not carried out an impairment test at 30 June 2017 for the assets mentioned above.

## 5. Notes to the statement of financial position

### 5.1 Current assets

#### 5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	30/06/2017	31/12/2016	Change
Bank and postal deposits	204,977	357,542	(152,565)
Cash	1,860	1,633	227
<b>Total</b>	<b>206,837</b>	<b>359,175</b>	<b>(152,338)</b>

Bank deposits are mainly attributable to Saras SpA (EUR 151,002 thousand), Sarlux Srl (EUR 1,151 thousand), Sardeolica Srl (EUR 23,007 thousand) and Saras Trading S.A. (EUR 2,845 thousand). For further details on the company's net cash position, reference is made to the relevant section of the Report on Operations or the cash flow statement.

#### 5.1.2 Other financial assets

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

Current financial assets	30/06/2017	31/12/2016	Change
Bonds	482	482	0
Current financial derivatives	71.262	37.041	34.221
Deposits to secure derivatives	37.864	83.125	(45.261)
Other assets	4.541	14	4.527
<b>Total</b>	<b>114.149</b>	<b>120.662</b>	<b>(6.513)</b>

The item 'Financial derivative instruments' comprises both the positive fair value of existing instruments on the period-end date and the positive differentials realised and not yet received.

The item 'Derivative guarantee deposits' includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee open positions at 30 June 2017.

#### 5.1.3 Trade receivables

This item totalled EUR 241,259 thousand, a decrease of EUR 423,621 thousand compared with their amount at 31 December 2016.

#### 5.1.4 Inventories

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

Inventories	30/06/2017	31/12/2016	Change
Raw materials, supplies and consumables	163,621	165,755	(2,134)
Unfinished products and semi-finished products	64,092	59,961	4,131
Finished products and goods	375,861	303,308	72,553
Spare parts and raw materials, supplies	91,613	92,870	(1,257)
<b>Total</b>	<b>695,187</b>	<b>621,894</b>	<b>73,293</b>

The increase in the value of oil inventories is basically due to the increased amount of stock.

The recording of inventories at net realisable value led to a write-down of inventories of around EUR 8.7 million.

The carrying amount of inventories does not differ from their market value.

No inventories are used as collateral for liabilities.

#### 5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	30/06/2017	31/12/2016	Change
VAT credits	45	1,428	(1,383)
IRES credits	10,959	12,045	(1,086)
IRAP credits	11,816	11,818	(2)
Other tax credits	11,736	11,111	625
<b>Total</b>	<b>34,556</b>	<b>36,402</b>	<b>(1,846)</b>

IRES and IRAP credits are attributable to tax surplus generated in prior years; the change is due to the taxes accrued in the reference period, while the other tax credits include, in addition to tax refunds requested (EUR 4,729 thousand) or paid on a provisional basis (EUR 4,411 thousand), the recognition of the tax credit for the promotion of 2014/2015 investments pursuant to Art. 18 DL 91/14 (EUR 2,487 thousand), less any tax payments for the period.

### 5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/06/2017	31/12/2016	Change
Accrued income	2,677	216	2,461
Pre-paid expenses	19,414	8,253	11,161
Other short-term receivables	118,065	118,976	(911)
<b>Total</b>	<b>140,156</b>	<b>127,445</b>	<b>12,711</b>

Deferred charges mainly relate to insurance premiums.

'Other receivables' mainly comprise:

- the credit of EUR 6,602 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 2017;
- Recovery of the amount paid by Sarlux Srl to GSE of EUR 28,744 thousand, as described in section 7.1;
- White certificates for EUR 45,404 thousand for energy savings made by the Sarroch refinery (EUR 38,747 thousand in 2016; for further details please refer to point 7.1;
- 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 Equalisation 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 enterprise" for 2013 and 2014 and thinks that it has the necessary requirements to obtain it for 2015, 2016 and 2017 as well.

## 5.2 Non-current assets

### 5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	30/06/2017	
Land and buildings	223,817	41	(4)	0	1,425	225,279	
Plant and machinery	3,097,838	10,519	(3,903)	0	56,817	3,161,271	
Ind. and comm. equipment	29,216	75	0	0	245	29,536	
Other goods	538,938	1,268	(33)	0	15,728	555,901	
Tangible fixed assets under construction	135,564	87,155	0	0	(78,960)	143,759	
<b>Total</b>	<b>4,025,373</b>	<b>99,058</b>	<b>(3,940)</b>	<b>0</b>	<b>(4,745)</b>	<b>4,115,746</b>	
<b>Depreciation Fund</b>	<b>31/12/2016</b>	<b>Provisions</b>	<b>Use</b>	<b>Write-downs</b>	<b>Other changes</b>	<b>30/06/2017</b>	
Land and buildings fund	117,192	3,087	6	0	(84)	120,201	
Plant and machinery fund	2,476,327	77,413	(3,588)	0	(3,723)	2,546,429	
Ind. and comm. equipment fund	24,922	623	0	0	(1)	25,544	
Other goods	442,669	8,637	0	0	0	451,306	
<b>Total</b>	<b>3,061,110</b>	<b>89,760</b>	<b>(3,582)</b>	<b>0</b>	<b>(3,808)</b>	<b>3,143,480</b>	
<b>Net Value</b>	<b>31/12/2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Provisions</b>	<b>Write-downs</b>	<b>Other changes</b>	<b>30/06/2017</b>
Land and buildings	106,625	41	3	(3,087)	0	1,496	105,078
Plant and machinery	621,511	10,519	(7,491)	(77,413)	0	67,716	614,842
Ind. and comm. Equipment	4,294	75	0	(623)	0	246	3,992
Other goods	96,269	1,268	(34)	(8,637)	0	15,729	104,595
Tangible fixed assets under construction	135,564	87,155	(925)	0	0	(78,035)	143,759
<b>Total</b>	<b>964,263</b>	<b>99,058</b>	<b>(8,447)</b>	<b>(89,760)</b>	<b>0</b>	<b>7,152</b>	<b>972,266</b>

The item 'Land and buildings' chiefly includes industrial buildings, offices and warehouses with a carrying amount of EUR 61,698 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 3,154 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 overall increase by EUR 99,058 thousand year-on-year, mainly reflects 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 formally started 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, sea water desalination, blow-down, flares and landing stage) are located, issued by the Port Authority of Cagliari and expired on 31 December 2015. The Port Authority has issued a provisional renewal for a period of ten years, pending the definitive act.

## 5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2016	Increases	Decreases	Write-downs	Other changes	30/06/2017
Industrial patent and original work rights	43,789	669	0	0	1	44,459
Concessions, licences, trademarks and similar rights	48,829	0	0	0	1,308	50,137
Goodwill and intangible assets with indefinite life	21,909	0	0	0	(389)	21,520
Other intangible assets	527,856	131	(674)	0	2,692	530,005
Intangible assets under construction	2,334	1	(298)	0	(1)	2,036
Total	644,717	801	(972)	0	3,611	648,157

Depreciation Fund	31/12/2016	Provisions	Use	Write-downs	Other changes	30/06/2017
Industrial patent and original work rights	40,361	475	0	0	0	40,836
Concessions, licences, trademarks and similar rights	21,278	515	0	0	1,715	23,508
Goodwill and intangible assets with indefinite life	0	0	0	0	(389)	(389)
Other intangible assets	388,184	15,756	(109)	0	2,776	406,607
Total	449,823	16,746	(109)	0	4,102	470,562

Net Value	31/12/2016	Increases	Decreases	Provisions	Write-downs	Other changes	30/06/2017
Industrial patent and original work rights	3,428	669	0	(475)	0	1	3,623
Concessions, licences, trademarks and similar rights	27,551	0	0	(515)	0	(407)	26,629
Goodwill and intangible assets with indefinite life	21,909	0	0	0	0	0	21,909
Other intangible assets	139,672	131	(783)	(15,756)	0	134	123,398
Intangible assets under construction	2,334	1	(298)	0	0	(1)	2,036
Total	194,894	801	(1,081)	(16,746)	0	(299)	177,595

Amortisation of intangible assets totalled EUR 16,746 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 S.A.U.) 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 item mainly includes the value, equal to EUR 105 million, 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 31 December 2016, an independent appraiser confirmed its carrying amount; the analysis performed did not show any significant changes in the period with reference to the main assumptions included in the appraisal.

### 5.2.3 Other equity interests

Other equity interests break down as follows:

Other investments	30/06/2017	31/12/2016	Change
Consorzio La Spezia Utilities	7	7	-
Sarda Factoring	495	495	-
Total	502	502	-

### 5.2.4 Deferred tax assets

The balance as at 30 June 2017, totalling EUR 16,137 thousand, comprises mainly net deferred tax assets of the subsidiary Sarlux Srl of EUR 10,758 thousand, of which in detail:

- deferred tax assets of EUR 53,383 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 14;
- deferred tax liabilities of EUR 28,815 thousand relating to the excess and accelerated depreciation;
- deferred tax assets of EUR 14,912 thousand due to provisions to fund charges;
- deferred tax liabilities for EUR 29,295 thousand relating to the GSE contract value.

The main movements, from December 2016, mainly refers to the utilization of tax asset related to previous years process and to the reversal of tax assets from temporary differences.

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

### 5.2.5 Other financial assets

As at 30 June 2017, the balance was EUR 5,112 thousand (EUR 5,750 thousand in the previous year) and was mainly represented by the long-term share of a financial receivable due 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.

Short-term financial liabilities	30/06/2017	31/12/2016	Change
Current bank loans	18,266	15,525	2,741
Bank current accounts	48,116	38,644	9,472
Financial derivatives	48,173	71,783	(23,610)
Other short-term financial liabilities	63,085	77,425	(14,340)
<b>Total</b>	<b>177,640</b>	<b>203,377</b>	<b>(25,737)</b>

The item 'Current bank loans' includes short-term bank loans assumed by the Group, which are measured by the amortised cost criterion. The terms and conditions of the loans and bonds are explained in note '5.4.1 - Long-term financial liabilities' below.



The item 'Bank current accounts' includes the balance of credit lines that the Group has access to in the normal course of business.

The item 'Derivative instruments' includes the negative fair value of the derivatives held at 30 June 2017.

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.

For further details, see the cash flow statement.

### 5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	30/06/2017	31/12/2016	Change
Customers advances account	2,109	1,102	1,007
Payables to current suppliers	822,741	1,043,777	(221,036)
<b>Total</b>	<b>824,850</b>	<b>1,044,879</b>	<b>(220,029)</b>

The balance of 'Payables to suppliers' included in the previous period the debt relating to the supply of crude oil purchased from Iran in 2012, whose repayment began in the previous year, was completed during the half year.

### 5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	30/06/2017	31/12/2016	Change
Payables for VAT	29,882	25,653	4,229
IRES payables (and income tax foreign firms)	2,063	207	1,856
IRAP payables	13,480	9,876	3,604
Other tax payables	123,561	67,076	56,485
<b>Total</b>	<b>168,986</b>	<b>102,812</b>	<b>66,174</b>

The change in 'VAT payables' is due to the withholding tax paid by Italian companies by law in December 2016, but not recurring in the year.

The change in IRES payables is due to taxable income for the period that remains after using tax losses, while the change in IRAP payables is due to the taxable income of Italian companies for the period.

The item 'Other tax payables' mainly includes payables for excise duties on products released for consumption by the parent company Saras SpA (EUR 115,629 thousand) and the subsidiary Saras Energia S.A.U. (EUR 4,951 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

### 5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	30/06/2017	31/12/2016	Change
Payables employee benefit and social security institutions	8,280	10,733	(2,453)
Payables due to employees	26,031	20,148	5,883
Payables due to others	32,945	25,108	7,837
Accrued liabilities	2,295	1,213	1,082
Deferred liabilities	17,493	14,971	2,522
<b>Total</b>	<b>87,044</b>	<b>72,173</b>	<b>14,871</b>

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 'Other payables' mainly refers to liabilities for port taxes 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 waiting 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:

Long-term financial liabilities	30/06/2017	31/12/2016	Change
Non-current bank loans	176,232	183,438	(7,206)
<b>Total</b>	<b>176,232</b>	<b>183,438</b>	<b>(7,206)</b>

The item includes medium/long-term portions of bank loans taken out by the Parent Company and renegotiated in the previous year, summarised below:

Values expressed in millions of euro	Commencement / renegotiation of the payable	Original amount of the payable	Base rate	Residual at 31/12/2016	Residual at 30/06/2017	Maturities			Mortgage Guarantees
						1 year	beyond 1 year to 5	beyond 5 years	
Saras SpA									
Pool financing	October 2016	150 Euribor 6 m		148.7	126.5	15.0	111.5		
Pool financing	October 2016	50 Euribor 6 m		49.7	49.7		49.7		
Total liabilities to banks for loans				198.4	176.2	15.0	161.2		

The loan of EUR 150 million and EUR 50 million, taken out by Saras SpA, 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, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months) at 31 December each year.

- in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets;

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

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

#### 5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

Funds for risks and charges	31/12/2016	Provisions	Use	Other changes	30/06/2017
Plant dismantling fund	19,052	0	(14)	0	19,038
Charges for CO <sub>2</sub> quotas fund	37,877	7,646	(29,010)	0	16,513
Other funds for risks and charges	45,526	15,192	(8,618)	0	52,100
<b>Total</b>	<b>102,455</b>	<b>22,838</b>	<b>(37,642)</b>	<b>0</b>	<b>87,651</b>

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 item 'Provision for CO<sub>2</sub> allowances', amounting to EUR 16,513 thousand, arises from the existence of quantitative limits on the CO<sub>2</sub> emissions of the plants established pursuant to Legislative Decree No. 216 of 4 April 2006; exceeding these limits creates the obligation to purchase allowances in the market for any excess CO<sub>2</sub> emitted. The provisions in question represent allowances required and not yet purchased.

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

#### 5.4.3 Provisions for employee benefits

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

<b>31/12/2016</b>	<b>10,541</b>
Provision part for defined contributions	1,471
Uses	(782)
<b>30/06/2017</b>	<b>11,230</b>

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 31 December 2006 was determined according to actuarial methods.

#### 5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,724 thousand, relate to the foreign subsidiaries.

#### 5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

Other non-current liabilities	30/06/2017	31/12/2016	Change
Deferred income straight-line reporting Sarlux / Gse	179,197	245,946	(66,749)
Other payables	1,313	1,317	(4)
<b>Total</b>	<b>180,510</b>	<b>247,263</b>	<b>(66,753)</b>

The change compared with 31 December 2016 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:

Shareholders' equity	30/06/2017	31/12/2016	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	764,853	660,841	104,012
Net profit (loss) for the period	54,479	196,330	(141,851)
<b>Total</b>	<b>884,888</b>	<b>922,727</b>	<b>(37,839)</b>

##### Share capital

At 30 June 2017, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no 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 764,853 thousand, a net decrease of EUR 104,012 thousand compared with the previous period. The net decrease was the combined result of:

- the allocation of income for the prior fiscal year (profit of EUR 196,330 thousand)
- dividend distribution, EUR 93,601 thousand;
- effect of translation of foreign currency financial statements of foreign subsidiaries for EUR 296 thousand;
- an increase of EUR 987 thousand relating to the establishment of a reserve for the bonus allocation of shares to management under the companies' stock grant plans;

Pursuant to IAS 1, sections 1 and 97, it is worthy of note that no changes in shareholders' equity were made with owners of the company's shares.

##### Net profit

The consolidated net income for the period amounted to EUR 54,479 thousand.

##### Dividends

On 20 April 2017, the Annual General Meeting of Shareholders of Saras SpA, convened to approve the financial statements closed as at 31 December 2016, resolved to pay a dividend of EUR 0.10 for each of the 936,010,146 ordinary shares in issue, for a total of EUR 93,601 thousand, taking them from profit for the financial year 2016.

These dividends were fully paid in May 2017.

## 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:

Revenues from ordinary operations	30/06/2017	30/06/2016	Change
Revenue from sales and services	3,653,502	2,802,930	850,572
Sale of electricity	222,575	210,207	12,368
Other remuneration	6,201	5,936	265
Change to work in progress made-to-order	238	659	(421)
<b>Total</b>	<b>3,882,516</b>	<b>3,019,732</b>	<b>862,784</b>

The sales and service revenues increased to EUR 850,572 thousand, mainly because of the price of petroleum products.

Revenues from the sale of electricity basically comprise those relating to the gasification plant of the subsidiary Sarlux Srl. These revenues 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 Srl and Reasar SA in their respective business segments.

#### 6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	30/06/2017	30/06/2016	Change
Compensation for storage of mandatory stocks	1,921	2,846	(925)
Sale various materials	200	202	(2)
Grants	9,703	12,682	(2,979)
Chartering of tankers	52	1,406	(1,354)
Recovery for claims and compensation	127	273	(146)
CO2 charges reimbursement	6,509	8,182	(1,673)
Other revenue	28,105	32,758	(4,653)
<b>Total</b>	<b>46,617</b>	<b>58,349</b>	<b>(11,732)</b>

The item 'Contributions' mainly includes the incentive-based tariff part reimbursed to the subsidiary Sardeolica Srl for generating electricity from renewable sources. This item was classified under 'Sale of electricity' in the previous period. This incentive replaced the reimbursement of green certificates that the subsidiary benefited from in previous years.

The item 'Reimbursement of CO2 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 item 'Other income' mainly includes income relating to energy efficiency certificates (white certificates for EUR 6,698 thousand) accrued during the period, as well as services provided by Sarlux Srl on the Sarroch site to leading operators in the oil sector for EUR 5,984 thousand.

### 6.2 Costs

The following table shows a breakdown of the main costs.

### 6.2.1 Purchases of raw materials, replacement parts and consumables

<b>Purchases of raw materials, replacement parts and consumables</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Purchase of raw materials	2,182,124	1,774,580	407,544
Purchase semi-finished products	107,465	136,494	(29,029)
Purchase supplies and consumables	35,503	35,396	107
Increase tangible fixed assets	(3,348)	(545)	(2,803)
Purchase finished products	1,156,940	573,698	583,242
Change in inventories	(73,075)	(120,861)	47,786
<b>Total</b>	<b>3,405,609</b>	<b>2,398,762</b>	<b>1,006,847</b>

Costs for the purchase of raw materials, replacement parts and consumables rose by EUR 1,006,847 thousand compared to 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

<b>Cost of services and sundry costs</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Costs for services	288,583	252,668	35,915
Capitalisations	(12,450)	(12,146)	(304)
Costs for use of third-party goods	6,703	5,271	1,432
Provision for risks	15,855	11,643	4,212
Other operating charges	8,922	11,862	(2,940)
<b>Total</b>	<b>307,613</b>	<b>269,298</b>	<b>38,315</b>

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The increase, totalling EUR 38,315 thousand compared to the first half of the previous year, is mainly due to a particularly challenging maintenance cycle carried out on the gasification combined cycle plant of the subsidiary Sarlux Srl.

The item 'Rent, leasing and similar costs' includes the costs incurred by the Parent Company and the subsidiary Sarlux Srl (for the lease of its offices in Milan, the state concession at the Sarroch site and the leasing of equipment) and by the subsidiary Saras Energia S.A.U., for leases of the network of distributors.

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

### 6.2.3 Personnel costs

'Personnel costs' break down as follows:

<b>Personnel costs</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Salaries and wages	54,738	53,302	1,436
Increases in assets for internal work	(2,912)	(2,179)	(733)
Social security charges	16,158	16,449	(291)
Employee end-of-service payments	3,225	3,415	(190)
Other costs	1,961	2,095	(134)
Remuneration to the Board of Directors	1,389	1,849	(460)
<b>Total</b>	<b>74,559</b>	<b>74,931</b>	<b>(372)</b>

Personnel costs, in consideration of the substantial stability of the Group's average workforce, is in line with respect to the first half of the previous year.

#### 6.2.4 Depreciation and write-downs

Depreciation and amortisation figures are shown below.

<b>Purchases of raw materials, replacement parts and consumables</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Depreciation of intangible fixed assets	17,139	17,125	14
Depreciation of tangible fixed assets	89,888	96,015	(6,127)
<b>Total</b>	<b>107,027</b>	<b>113,140</b>	<b>(6,113)</b>

#### 6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

<b>Financial income</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Bank interest income	18	476	(458)
Unrealised differentials on fin. derivatives	43,408	12,930	30,478
Realised differentials on fin. Derivatives	35,498	14,574	20,924
Other income	(258)	172	(430)
Profit on exchange rates	54,786	25,031	29,755
<b>Total</b>	<b>133,452</b>	<b>53,183</b>	<b>80,269</b>

<b>Financial charges</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Unrealised differentials on fin. derivatives	(29,131)	(15,062)	(14,069)
Realised differentials on fin. Derivatives	3,835	(29,496)	33,331
Interest expenses on loans and other financial charges	(5,061)	(13,780)	8,719
Other	(11,591)		(11,591)
Exchange rate losses	(41,558)	(27,610)	(13,948)
<b>Total</b>	<b>(83,506)</b>	<b>(85,948)</b>	<b>2,442</b>

The table below shows net income/charges by type:

<b>Financial income e Financial charges</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Net interest	(5,043)	(13,304)	8,261
Result of derivative instruments, of which:	<b>53,610</b>	(17,054)	70,664
Realised	39,333	(14,922)	54,255
Unrealised	14,277	(2,132)	16,409
Net exchange rate differences	13,228	(2,579)	15,807
Others	(11,849)	172	(12,021)
<b>Total</b>	<b>49,946</b>	<b>(32,765)</b>	<b>82,711</b>

The fair value of derivative instruments held at 30 June 2017 reflected a net gain of EUR 14,277 thousand (compared to a net loss of EUR 2,132 thousand in the same period last year).

The item 'Other financial charges' includes the provision of EUR 11,591 thousand, implemented in this half-year relating to interests requested by the counterparty on past supplies and which are currently under negotiation.

Please note that the derivative financial instruments in question relate to hedging transactions for which 'hedge accounting' has not been adopted.

#### 6.4 Income tax

Income tax can be shown as follows:

<b>Income tax</b>	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>Change</b>
Current taxes	16.030	14.782	1.248
Net deferred (prepaid) taxes	13.762	44.893	(31.131)
<b>Total</b>	<b>29.792</b>	<b>59.675</b>	<b>(29.883)</b>



Current taxes comprise IRAP and IRES calculated on the taxable income of the consolidated companies net of the full use of IRES tax losses still available.

The difference between deferred tax assets and liabilities for the period arises from utilization of IRES tax asset (EUR 10,422 thousand) and the release of tax assets on temporary differences (EUR 3,340 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.

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

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

Furthermore, as regards the subsidiary Sarlux Srl, it is pointed out that there are ongoing disputes about the non-recognition of the qualification of the IGCC Plant as a cogeneration plant and the consequent alleged requirement to purchase 'green certificates'; companies generating electricity that is not from renewable sources or cogeneration (pursuant to Legislative Decree 79/99 and AEEG [Authority for Electricity and Gas] Resolution No. 42/02) are in fact subject to the requirement to purchase green certificates for a certain percentage of electricity introduced into the grid.

Specifically:

- i) Production in 2009. 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 also with reference to the 2009 production. 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';
- ii) Production in 2011 and following years. 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 production), the only reference regulation was that for High Yield Cogeneration (CAR) as set out in the Ministerial Decree of 4 April 2011, and therefore rejected the Company's request. 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 production in years 2011, 2012, 2013 and 2014 in accordance with GSE's calculation totalling EUR 76.0 million and immediately submitted a claim for a refund to the AEEG, obtaining EUR 11.7 million for the production relative to 2011, EUR 15.1 million for 2012, and EUR 7.5 million for 2014. The appeal to the Regional Administrative Court relative to the 2012 production, which sought confirmation regarding the applicability of resolution 42/02, was rejected in February 2015; Sarlux Srl appealed to the Italian Council of State in September 2015 and argues that the grounds for that appeal and petitions to the Regional Administrative Court that sought to obtain confirmation that cogeneration parameters had been observed in the event that High-Yield Cogeneration regulations are valid and applicable for all years in question. Consequently, the company did not post any expenses or any revenue with reference to the production from 2011 onward.

Furthermore, in the last few years the subsidiary company Sarlux has made investments in the production site at Sarroch that, on the basis of current regulations, have generated energy savings for which the same subsidiary company has received, or is waiting to receive, energy efficiency certificates (white certificates).

In the course of the last financial year the G.S.E. has initiated an investigation of all operators in this sector who benefit from these certificates, aimed at verifying the existence of the requisites necessary pursuant to the regulations for the recognition of the same.

In the course of the first half of 2017, the G.S.E. has issued measures affecting the subsidiary company Sarlux, contesting certificates issued in the past for some projects and certificates not yet issued.

Against these measures, Sarlux with the support of an external legal consultant, is taking preliminary actions and as a precautionary measure, it has made a provision estimating the risk associated with such disputes.

## 7.2 Transactions with related parties

The operations carried out by the Saras Group with related parties relate mainly to the exchange of goods, the provision of services and financial interactions. During the period the Group has not carried out new kind of transaction with related parties.



**Declaration in respect of the Half-Year Financial Report, pursuant to the article 81-ter of Consob Regulation n. 11971 of 14<sup>th</sup> 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 24<sup>th</sup> 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 1<sup>st</sup> January 2017 to 30<sup>th</sup> June 2017.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as at 30<sup>th</sup> June 2017:

- 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 19<sup>th</sup> 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 24<sup>th</sup> February 1998.

*Milan, 28<sup>th</sup> July 2017*

Signature: delegated authority

Signature: director responsible for drawing  
up the accounting statements

Executive Vice President

(Ing. Dario Scaffardi)

(Dott. Franco Balsamo)

## 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 as of 30 June 2017, the consolidated income statement, the statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flows statement for the period then ended and the related explanatory notes of Saras S.p.A. and its subsidiaries (the "Saras Group"). 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 2017 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, 28 July 2017

EY S.p.A.

Signed by: Alberto Romeo, Partner





Saras SpA - Sede legale: Sarroch (CA)  
SS. 195 Sulcitana, Km 19  
Numero Iscrizione Registro Imprese,  
Codice Fiscale e Partita IVA 00136440922

