

Saras Group
Interim
Financial
Report as of
31st March 2021



SARAS

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

Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

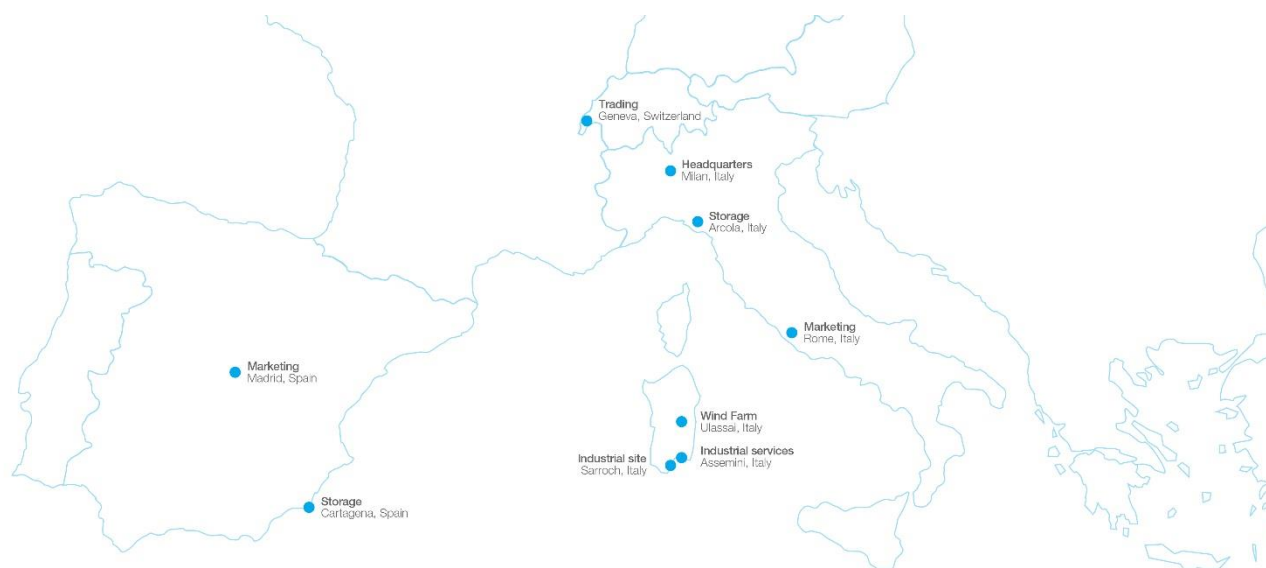
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day) and one of the most advanced plants in terms of complexity (11.7 on the Nelson Index). Located in a strategic position in the middle of the Mediterranean, the refinery is owned and managed by the subsidiary Sarlux Srl and is a reference model in terms of efficiency and environmental sustainability, due to its technological know-how, expertise and human resources acquired over fifty years of activity. To best exploit these resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This context also includes the subsidiary Saras Trading SA, incorporated in Geneva in September 2015, which acquires crude and other raw materials for the Group's refinery, sells its refined products and also performs trading activities, with headquarters in one of the main markets for trading oil commodities.

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

In the early 2000s, the Saras Group also undertook the task of producing and selling electricity by means of an IGCC plant (Integrated Gasification Combined Cycle), which has an installed power of 575 MW and is also managed by the subsidiary Sarlux Srl. The IGCC plant uses the refinery's heavy products as feedstock and the plant generates over 4 billion kWh of electricity each year, which corresponds to approximately 48% of the electricity requirements in Sardinia.

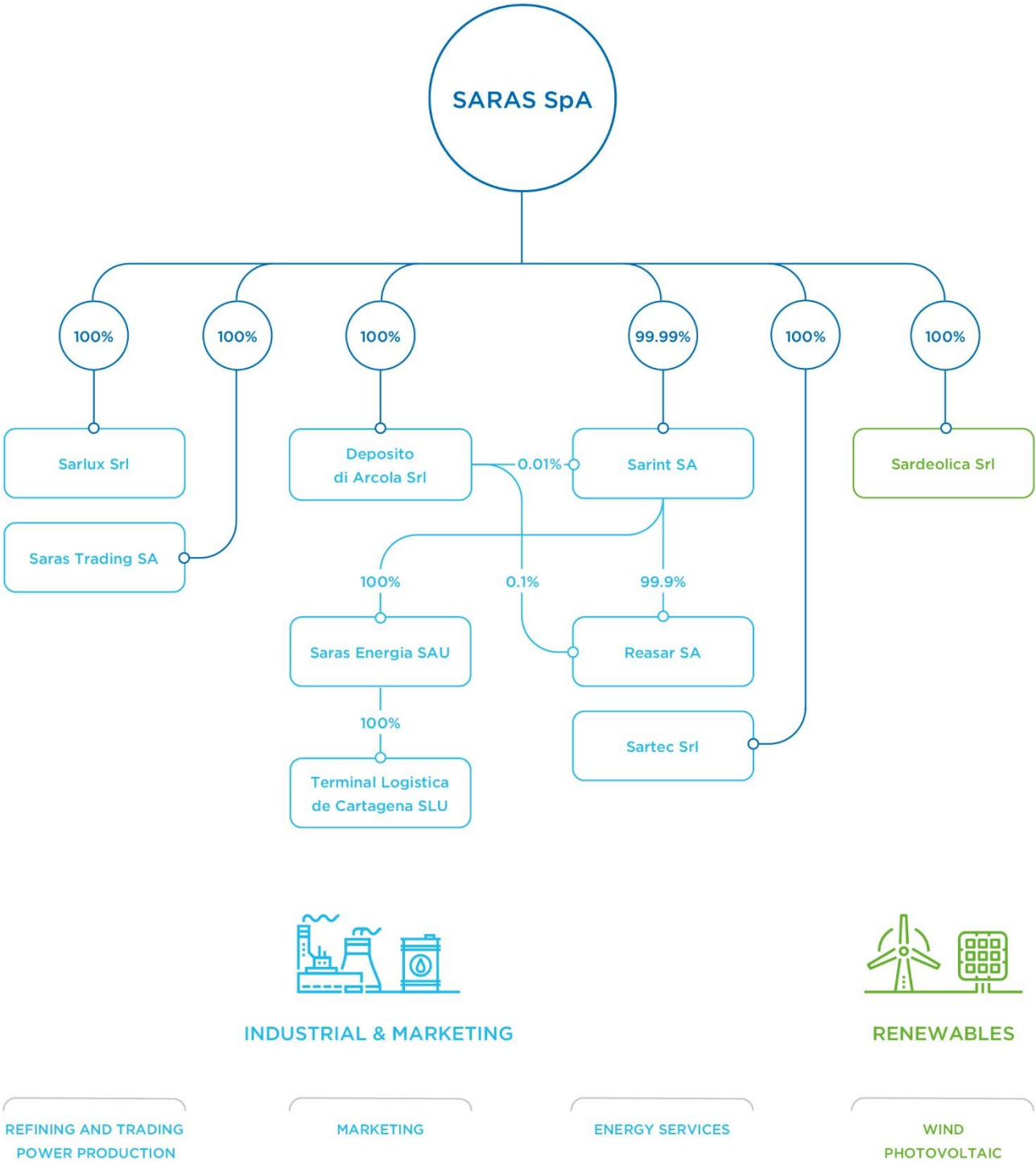
Furthermore, in Sardinia, the Group produces and sells electricity from renewable sources through the Ulassai wind farm (installed capacity of 126MW), which has been in operation since 2005 and is managed by the subsidiary Sardeolica Srl.

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



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 31st March 2021.



Saras Stock Performance

The following data relate to Saras' share prices and the daily volumes, traded during the first three months of 2021.

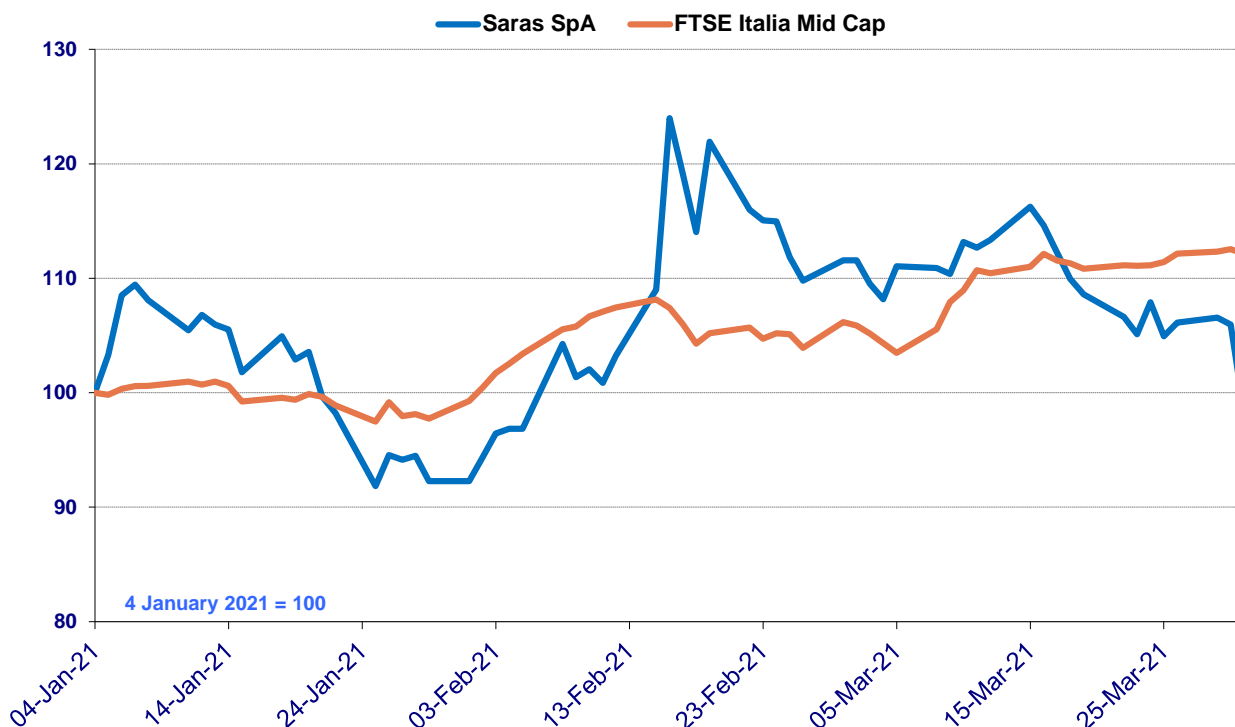
SHARE PRICE (EUR)	Q1/21
Minimum price (25/01/2021)	0.54
Maximum price (16/02/2021)	0.729
Average price	0.6245
Closing price at the end of the first three months of 2021 (31/03/2021)	0.578

DAILY TRADED VOLUMES	Q1/21
Maximum traded volume in EUR million (16/02/2021)	36.6
Maximum traded volume in number of shares (million) (16/02/2021)	50.1
Minimum traded volume in EUR million (02/02/2021)	2.3
Minimum traded volume in number of shares (million) (02/02/2021)	4.1
Average traded volume in EUR million	6.4
Average traded volume in number of shares (million)	10.1

The Market capitalization at the end of the first three months of 2020 was equal to approximately EUR 550 million and the total number of shares were 951 million (outstanding shares were 942 million).

The FTSE Italia Mid Cap in the quarter recorded a percentage increase of 12.5%. Even the FTSEMib index with the rise achieved in the first quarter of 2021 (about 10%), returned to close to the levels reached in February 2020, before the outbreak of the Covid-19 pandemic.

The following graph shows the daily performance of Saras' share price during the three months of 2021, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



REPORT ON OPERATIONS

Covid-19 Impact

The first quarter of 2021 was characterized by a socio-economic scenario still severely impacted by the crisis on consumptions, resulting from the measures enacted to contain the coronavirus (COVID-19) pandemic, but also marked by the launch of the world's largest vaccination campaign.

Despite the persistence of the emergency, Saras continued to operate, even as a key industry for the country - supplying approximately 15% of need for hydrocarbons and an essential share of electricity requirements in Sardinia - and maintained Sarroch Refinery in full activity, adopting the necessary measures for preventing coronavirus cases, according to the protocols set by National Authorities, including the Prime Ministerial Decree and the Ordinance of the President of Regione Sardegna.

In the first quarter of 2021, concerning the economic impact, the Refining industry, in line with market expectations, kept suffering from a significant drop in margins. In particular, looking at the supply side, the quarter was characterized by an increase in raw material prices, supported by optimism on the possible recovery of oil consumption now that vaccination campaigns have begun and given a context of confirmed OPEC+ output cuts.

Regarding oil products, refining margins remained highly below the historical pre-pandemic levels, especially for diesel and jet fuel, that are among the products most affected by the pandemic, while a first improvement was recorded for gasoline crack. In such a context, the benchmark refining margin (EMC) settled at an average value of -1.4 \$/bl, substantially in line with "Guidance" expectations (for further details, please refer to section "Oil Market and Refining Margins").

About the Group's activities, Saras has implemented various operational and financial measures, started in March 2020, and already described in the 2020 Report, to contain the impact of the crisis. In particular, Saras is carrying on its costs and investments efficiency plan, started in October 2020, while maintaining the refinery operating, according to the economics of the main refined products and ensuring the production of the electricity essential for the Sardinian grid. In addition, starting from October 2020, the Company has made use of the redundancy fund, partially adopted for all employees of the group and of a voluntary incentive termination plan for the employment relationship. Therefore, in the first quarter of 2021, despite the context characterized by low margins, the "Industrial & Marketing" segment (*) achieved an average premium, compared to the EMC margin, equal to 4.8 \$/bl (of which 0.2 \$/bl related to the Marketing activities), substantially in line with "Guidance" expectations, that projected an annual premium of approx. 3.8 - 4.3 \$/bl (of which 0.3 \$/bbl related to Marketing activities).

Price dynamics of crudes and finished products, increased in the quarter, led to an improvement in working capital, that, combined with a control of investments, involved an improvement in the Group's Net Financial Position, equal to a net debt of EUR 437 million before IFRS 16 (negative for EUR 475 million post IFRS16), as at March 31st 2021, compared to a negative Net Financial Position of EUR 505 million before IFRS16 (negative for EUR 545 million post IFRS16) as at December 31st 2020.

Given the persistence of COVID-19 emergency, the Group revised the potential impacts on the main economic figures. Details are disclosed in the notes to the financial statements (the "Notes").

In the quarter, no new credit lines were subscribed and adjustments to specific financial parameters are being discussed with the lending banks to properly reflect current market conditions.

(*) Please refer to the chapter "Key financial and operational Group Results" for the definition of "Industrial & Marketing" segment.

GAAP and Non-GAAP measure

Alternative performance indicators

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

The results thus calculated, which are referred to as "comparable", are not indicators defined by the International Financial

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

Key financial and operational Group Results

EUR Million	Q1/21	Q1/20	Change %
REVENUES	1,629	1,885	-14%
Reported EBITDA	27.1	(92.0)	129%
Comparable EBITDA	(11.2)	56.7	-120%
Reported EBIT	(20.0)	(141.7)	86%
Comparable EBIT	(58.3)	7.0	n.s.
NET RESULT reported	(23.8)	(113.1)	79%
Comparable NET RESULT	(47.0)	(0.4)	n.s.

EUR Million	Q1/21	Q1/20	Year 2020
NET FINANCIAL POSITION ANTE IFRS 16	(436.9)	(223.2)	(504.6)
NET FINANCIAL POSITION POST IFRS 16	(474.7)	(270.8)	(544.9)
CAPEX	21.7	97.3	256.0

Comments to first three months of 2021 Group Results

For the sake of consistency, the information related to each company of the Group is attributed to the business segment identified as described here below.

By way of resolution 598/2020/R/eel of December 29th, 2020, ARERA (Autorità di Regolazione per Energia Reti e Ambiente) has agreed that Terna registers the combined cycle power plant of Sarlux Srl, named IGCC (Integrated Gasification Combined Cycle), in the list of essential plants for the safety of the electricity system for the current year. On April 13th, 2021, ARERA approved the application for admission to the cost reintegration scheme, thus registering Sarlux in the list of essential plants. The list is drawn up annually and the regime becomes effective from the expiry of the CIP6/92 agreement (i.e., April 20th, 2021).

The transition from the CIP6/92 convention to the essentiality regime will lead to a significant change in the functioning of Sarlux plant, since the technical and economic parameters to be considered for its functioning will be those under the essentiality discipline and since the very high level of integration between the power plant and the refinery will be taken into account. Therefore, starting from January 1st, 2021, the activities of the IGCC plant, related to the electricity generation and previously represented in the "Power" segment, are integrated in a single segment, from now on called "Industrial & Marketing", that combines refining and electricity generation activities.

The new segment also includes the activities that, up to 2020, were reported as "Marketing", i.e., those related to the Spanish service stations and the depots used as intermediate logistics. The sale of the Spanish service stations, started in 2019 and finalized in 2020, that were representing the relevant activity of "Marketing", resulted in the disappearance of the segment, since the residual assets (the depots of Arcola (IT) and Cartagena (ES)) are now at the service of the refinery logistics.

Finally, the activities of the so far called "Other Activities" segment are merged into the "Industrial & Marketing" one. The former segment was related to the activities carried out by Sartec and Reasar, that are actually dedicated to the integrated refining activities.

"Wind" segment has been renamed "Renewables", in view of potential developments in the field of photovoltaics and green hydrogen.

Group revenues for the first three months of 2021 totaled EUR 1,629 million, compared to EUR 1,885 million in the first three months of 2020. The variation is mainly due to the effects of the appreciation of the Euro, with the €/€ exchange rate of the first quarter of 2021 equal to 1.21 (compared to the average of 1.10 in first three months of 2020); to the lower sales of electricity under the CIP6 regime, with the overall production of the first quarter 2021 being equal to 615 GWh (compared to production in the first quarter 2020 equal to 1,185 GWh); and to lower volumes of oil products sold.

Instead regarding the prices of the main oil products, they recorded a general increase compared to the same period of the previous year: in the first three months of 2021 diesel prices were on average equal to 488 \$/ton (compared to the average of 461 \$/ton in the first three months of 2020), while those of gasoline were on average of 562 \$/mt (compared to the average of 467 \$/mt in the first three months of 2020).

The Group's reported EBITDA in the first three months of 2021 was EUR 27.1 million, increasing compared to EUR -92.0 million in the first three months of 2020. The variation is due to the different impact of the dynamics of commodity prices on oil inventories: in the first quarter of 2021 the change in inventories (net of the related hedging derivatives) benefited from an appreciation of € 38.2 million (compared to a depreciation of EUR 155.2 million in the same period of 2020). This advantage more than compensate the impact of a scenario significantly worst between the two periods: the average EMC margin in the first quarter of 2021 was -1.4 \$/bl (compared to an average of +1.3 \$/bl in the first quarter of 2020).

In the first quarter of 2021, despite the significant impact of the electricity production plant unplanned shutdown, and the consequent effect on production levels, the Group recorded overall better performances than those in the previous year, both considering margins (mainly due to commercial and production planning performances) and cost containment.

The reported Group Net Result in the first three months of 2021 was EUR -23.8 million, compared to EUR -113.1 million in the first three months of 2020, basically due to the reasons shown at EBITDA level and, in addition, due to the lower prepaid taxes, i.e., a decrease of EUR 34.4 million between the two periods. Prepaid taxes in the first quarter 2021 amounted to EUR 11.6 million (compared to EUR 46.0 million in the same period of 2020).

The comparable Group EBITDA in the first three months of 2021 was EUR -11.2 million, decreasing compared to EUR 56.7 million achieved in the first three months of 2020. This result, compared to reported EBITDA, does not include the positive effect of the scenario on the change in inventories, it includes the impact of derivatives on exchange rates (reclassified in the core business results) and it excludes non-recurring items arising from CO₂ duties of the previous year. The deviation from the first quarter 2020 is almost entirely attributable to the segment "Industrial & Marketing".

The comparable Group Net Result in the first three months of 2021 was EUR -47.0 million, compared to EUR -0.4 million in the first three months of 2020.

Investments in the first three months of 2021 were EUR 21.7 million, significantly lower than investments in the first three months of 2020, equal to EUR 97.3 million. The variation depends on both: the initiatives adopted to contain the capital expenditures and the differences between planned shutdown activities in the two periods.

Calculation of the Group comparable EBITDA

EUR Million	Q1/21	Q1/20	Change %
Reported EBITDA	27.1	(92.0)	129%
Gain / (Losses) on Inventories and on inventories hedging derivatives	(38.2)	155.2	-125%
Derivatives FOREX	(7.1)	(7.6)	7%
Non-recurring items	7.0	1.1	n.s.
Comparable EBITDA	(11.2)	56.7	-120%

Calculation of the Group comparable Net Result

EUR Million	Q1/21	Q1/20	Change %
Reported NET RESULT	(23.8)	(113.1)	79%
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	(27.6)	111.9	-125%
Non-recurring items net of taxes	4.3	0.8	n.s.
Comparable NET RESULT	(47.0)	(0.4)	n.s.

Net Financial Position

The Net Financial Position as at March 31st, 2021, before the effects of applying IFRS 16, was negative for EUR 436.9 million, compared to the negative position of EUR 504.6 million as at December 31st, 2020. Cash generation over the quarter was recorded due to the positive result of operations, impacted by the positive price dynamics on inventories, and due to the decrease in working capital. These variations more than compensated the capital expenditures and financial charges of the period.

The Net Financial Position before the effects of IFRS 16 was negative for EUR 436.9 million and negative for EUR 474.7 million when considering the effect of applying IFRS 16.

In the quarter, no new credit lines were subscribed and adjustments to specific financial parameters are being discussed with the lending banks to properly reflect current market conditions

For further details, please refer to the Notes.

<i>EUR Million</i>	31-Mar-21	31-Dec-20
Medium/long-term bank loans	(399.0)	(399.2)
Bonds	(200.3)	(199.3)
Other medium/long-term financial liabilities	(12.9)	(13.2)
Other medium/long-term financial assets	6.0	6.0
Medium-long-term net financial position	(606.2)	(605.7)
Short term loans	(19.3)	(19.1)
Banks overdrafts	(294.6)	(456.1)
Other short term financial liabilities	(19.1)	(38.9)
Fair value on derivatives and realized net differentials	(2.4)	(6.2)
Other financial assets	55.3	62.4
Cash and Cash Equivalents	449.4	559.0
Short-term net financial position	169.3	101.1
Total net financial position ante lease liabilities ex IFRS 16	(436.9)	(504.6)
Financial lease liabilities ex IFRS 16	(37.8)	(40.3)
Total net financial position post lease liabilities ex IFRS 16	(474.7)	(544.9)

Oil Market and Refining Margins

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

Average values ⁽¹⁾	Q1/20	Q1/21
Quotations e cruder differentials (\$/bl)		
Brent Dated (FOB Med)	50.2	61.0
Urals (CIF Med)	48.4	59.7
"Heavy-light" differential	-1.9	-0.5
Crack spreads products (\$/bl)		
Crack spread ULSD	11.2	4.3
Crack spread Gasoline	5.3	6.2
Reference margin (\$/bl)		
EMC Benchmark	+1.3	-1.4

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

In the first quarter of 2021, refining sector was negatively affected by tough market conditions. On the demand side, there was a slight recover in consumptions, supported by the optimism led by the launch of vaccination campaigns in various industrialized countries and by the cold temperatures recorded in Europe, in the US and in North Asia. On the supply side instead, the OPEC+ and Russia countries kept the same levels of production quotas set in 2020, postponing any easing decisions to April. Moreover, Saudi Arabia has implemented a further voluntary reduction of 1 mb/d, in addition to the agreed quotas. Brent prices therefore increased in the quarter, determining refining margins still very depressed, compared to the historical pre-Covid levels. Only at the beginning of April, OPEC+ and Russia decided to bring 2.1 million barrels per day back to the market by the end of July, including the extra 1 mb/d cut made by Saudi Arabia, that is a quarter of the supply volumes taken so far.

Crude Oil Quotations:

In the first quarter of 2021, Brent Dated prices, after having exceeded the price of 50 \$/bl at the end of December, experienced a significant recovery, with an increment of 10% in January from December, in the single month of February +18% from January, until they reached the maximum price of 69.3 \$/bl in mid-March. Among the main reasons, optimism on possible recovery of oil consumptions with the beginning of the vaccination campaign, and the context of OPEC+ confirmed output cuts. However, starting from the second half of March, rising COVID-19 infections led to new restrictions that, combined with the supply shortage of vaccines in the EU, contributed to a decline in prices, at the end of March equal to 63.7 \$/bl. The quarter average settled at 61 \$/bl (vs an average value of 50.2\$/bl in the first quarter of 2020).

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

The first quarter of 2021 saw a gradual increase in the discount for Ural MED, thanks to the boost in exports by Russia and given a context of weak oil consumptions. The differential, after having recorded an average positive value in the last quarter of 2020, equal to 0.7\$/bl, came back to a negative range, taking an average discount of -0.5 \$/bl in the first quarter of 2021 (vs a discount of -1.9 \$/bl in the same period of 2020).

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

In the first quarter of 2021, margins of the major refining products remained highly below the historical pre-pandemic levels, with a first improvement shown solely by gasoline crack.

Jet fuel remains the product most affected by the pandemic, whose recovery is linked to the restart of air traffic. After recovering positive values in the last quarter of 2020, the jet fuel crack did not see any improvement in the first quarter of 2021 and recorded an average value of 1.6 \$/bl (equal to 7.8 \$/bl in the first quarter of 2020).

Gasoline is the second most impacted product by the crisis, but also the product that recorded the stronger improvement in the first quarter of 2021. Gasoline consumptions recovered in the period January-March, thus allowing for a decrease in inventories that had reached critical levels. Among the factors supporting this trend, there was the shutdown of refineries in Texas in mid-February, caused by hurricane Uri. Gasoline crack experienced a steady growth in the quarter, moving from +4.7 \$/bl in January to +8.4 \$/bl in March, with a quarter average of +6.2 \$/bl.

Diesel is confirmed to be one of the most impacted products by the crisis following the pandemic. Demand for diesel fuel remained low in the first quarter, due to travel and other restrictions in Europe, where automotive accounts for over a quarter of diesel consumptions for road traffic. The crack spread was affected not only by the drop in consumptions, but also by the persistence of jet fuel consumption, in the absence of air traffic. The average for the quarter of the diesel crack was 4.3 \$/bl (vs 11.2 \$/bl in the first quarter of 2020), slightly lower than that of the last quarter of 2020 (4.8 \$/bl) , with a negative trend over the three months that led to a further increase in inventories.

VLSFO crack spread recorded an average value of 4.5 \$/ bl in the first quarter of 2021 (vs 8.2 \$/ bl in the same period of 2020), a slight increase compared to the last quarter of 2020, in which it had registered an average of 3.9 \$/ bl, and despite a negative trend in the second part of the quarter due to the reduction of marine traffic, caused by the continue of the pandemic crisis.

LSFO crack spread experienced a similar trend. The product is also used as “blendstock”, in the same formulation of VLSFO, with an average value in the quarter equal to 2.2 \$/bl (vs 3.9 \$/bl in the first quarter 2020) and equal to 2,1 \$/bl in the last quarter of 2020.

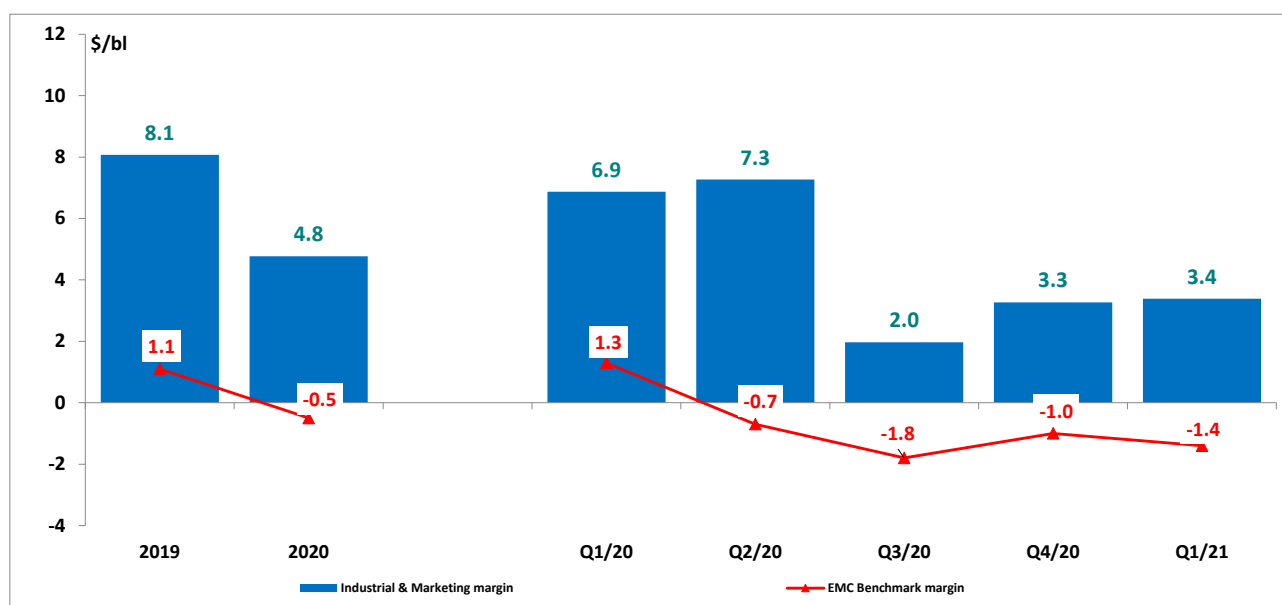
Poor availability of high sulfur crude oils, following OPEC+ and Russia output cuts, maintained HSFO crack to historical high levels, even in the first quarter of 2021 and on average equal to -8.3 \$/bl (-14.7 \$/bl in the first quarter of 2020), even if lower than the average value of -4.7 \$/bl recorded in the last quarter of 2020. The drop in price of Ural determined a decline in the crack during the second part of the quarter.

Refining Margin:

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

The reference margin (called “EMC Benchmark”) came out to an average of -0.5 \$/bl in 2020, while in the first quarter of 2021 it averaged out to -1.4\$/bl.

As shown in the graph below, the Industrial & Marketing segment, that incorporates margins of sectors previously defined as “Refining”, “Power”, “Marketing” and “Other”, can achieve a higher margin than the EMC benchmark, thanks to the high flexibility and complexity characterizing its plants. However, the size of the Saras premium above the EMC Benchmark is variable and mainly depends on the specific market conditions, as well as on the performance of industrial and commercial operations in each quarter.



Segment Review

Industrial & Marketing

The Sarroch plant (South-West of Cagliari) is one of the biggest refinery in the Mediterranean in terms of production capacity and also in terms of the complexity of plants, fully integrated with a IGCC plant (gasification combined cycle). Located in a strategic position in the center of the Mediterranean, it has a production capacity of 15 million tons/year, which corresponds to approximately 17% of the total distillation capacity in Italy and an installed power capacity of 575 MW. The main operating and financial information is provided here below.

It should be noted that for the "Industrial & Marketing" segment, the results of Q1 2020 are the result of the sum of the "Refining", "Power", "Marketing" and "Other Activities" segments as defined in the 2020 Financial Statements.

EUR Million	Q1/21	Q1/20	Change %
Reported EBITDA	22.6	(94.5)	-124%
Comparable EBITDA	(15.7)	54.3	-129%
<i>of which relative to Marketing sales</i>	(0.1)	4.6	-103%
Reported EBIT	(22.9)	(142.5)	84%
Comparable EBIT	(61.2)	6.2	n.s.
CAPEX	16.9	97.0	-83%

Margins and refinery runs

		Q1/21	Q1/20	Change %
CRUDE RUNS	<i>Tons (thousand)</i>	3,185	3,138	1%
	<i>Barrels (million)</i>	23.2	22.9	1%
	<i>Bl/day (thousand)</i>	258	255	1%
COMPLEMENTARY FEEDSTOCK	<i>Tons (thousand)</i>	215	232	-7%
ELECTRICITY PRODUCTION	<i>GWh</i>	615	1,185	-48%
TOTAL SALES	<i>Tons (thousand)</i>	755	718	5%
of which: in Italy	<i>Tons (thousand)</i>	483	437	10%
of which: in Spain	<i>Tons (thousand)</i>	272	281	-3%
POWER TARIFF	<i>Eurocent/KWh</i>	8.9	7.9	12%
EXCHANGE RATE	<i>EUR/USD</i>	1.21	1.10	9%
EMC BENCHMARK MARGIN	<i>\$/bl</i>	(1.4)	1.3	
SARAS IND & MKTG MARGIN	<i>\$/bl</i>	3.4	6.9	

Comments to first three months of 2021 results

Crude refinery runs over the first quarter of 2021 stood at 3.18 million tons (23.2 million barrels, corresponding to 258 thousand barrels per day), broadly in line with the first quarter of 2020. Complementary crude feedstock amounted to 0.21 million tons, slightly lower than the 0.23 million tons of the first quarter of 2020.

In the first three months of 2021, **electricity production** amounted to 615 GWh, down by 48%, compared to the first three months of 2020. The drop is due to the heavy maintenance plan.

The comparable EBITDA amounted to EUR -15.7 million in the first quarter of 2021, with a Saras Industrial & Marketing margin of +3.4 \$/bl, where impacts of Marketing sales accounted for 0.2 \$/bl (as usual, already net of the impact from the maintenance activities carried out over the period). This compares with a *comparable* EBITDA of EUR 54.3 million and a Saras Industrial & Marketing margin of +6.9 \$/bl, where Marketing accounted for 0.4 \$/bl, in the same quarter of the previous year.

Focusing on the specific industrial component, the comparison must take into consideration market conditions as well as Saras' performance, from an operational and commercial point of view.

With regard to market conditions, it should be considered that the first quarter of 2020 was affected by the very early impacts of the COVID-19 lockdown (i.e., only in March), while in the first quarter of 2021, despite some signs of improvements (i.e., increasing gasoline crack spread), the scenario was still strongly influenced by the pandemic, just like what happened in the second quarter of 2020. The EMC margin recorded in the quarter was -1.4 \$/bl (vs 1.3 \$/bl in 2020) and, additionally, further significant variations affecting Saras Group results should be highlighted: in the first quarter of 2021, diesel crack was 4.3 \$/bl (vs 11.2 \$/bl in 2020), the Euro/Dollar exchange rate was 1.21 (vs 1.10 in 2020) and Brent price was 61 \$/bl (vs 50 \$/bl in 2020); instead, gasoline crack spread improved and it was 6.2 \$/bl (vs 5.3 \$/bl in 2020). Overall, the scenario dynamics negatively impacted Saras comparable EBITDA for approximately EUR 85 million, with respect to 2020.

Looking at the operational performance in the first quarter of 2021, production planning (consisting in the optimization of the mix of raw materials brought into processing, in the management of semi-finished products, and in the production of finished products, including those with special formulations) positively contributed for approximately EUR 10 million to the comparable EBITDA, with respect to 2020.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) contributed negatively for approximately EUR 10 million to the comparable EBITDA, with respect to 2020. In the first quarter of 2021, a negative impact was given by the IGCC unplanned shutdown, with significant impacts on production that was 615 GWh (compared to 1,185 GWh produced in the same period of the previous year).

The commercial activities (related to the supply of crudes and complementary raw materials, the sale of finished products, the rental costs of oil tankers, and the management of inventories, including mandatory stocks) contributed positively for approximately EUR 20 million to the comparable EBITDA, with respect to 2020.

Concerning industrial costs (relating to the production and marketing activities of the production site, not including those specifically related to Marketing activities) in the first quarter 2021 a reduction in fixed costs was achieved, thanks to the costs containment initiatives. This reduction allowed to compensate the increase in variable costs, mainly due to the rising prices of electricity and CO₂.

Before analyzing deeper the contribution of Marketing channel, some significant market dynamics should be detailed.

According to the data collected by UNEM (Unione Energie per la Mobilità), in the first three months of 2021, total oil consumption in Italy was down by 9.1% compared to the first three months of 2020 (when the impacts of the pandemic affected only March). In particular, consumption of automotive fuel (gasoline and diesel) totaled approximately 6.2 million tons, a decline of 2.4% with respect to 2020 (precisely a decline of 6.4% for gasoline and 1.3% for diesel). In the first three months of 2021, new car registrations increased by 28.7%, mainly due to the positive figures recorded in March. Gasoline vehicles accounted for 33% of total sales (vs 45% in 2020), diesel vehicles for 25% (vs 34% in 2020), hybrid vehicles for 27% (vs 10% in 2020). In this context, Saras Group registered a total sales volume of 0.483 million tons, increasing by 10% with respect to the same period in 2020.

In Spain, the data collected by CORES indicates a decrease of 7% in the consumption of automotive fuel during the first three months of 2021, with a clear drop of 9.7% for gasoline, vs a contraction of 6.5% for diesel. In this context, the Spanish subsidiary Saras Energia registered a total sales volume of 0.272 million tons, decreasing by 3% from the previous year.

Analyzing the portion of comparable EBITDA deriving from Marketing sales, it amounted to EUR -0.1 million, compared to EUR 4.5 million registered in the first three months of 2020. The variance is mainly due to the lower margin on sales of wholesale channel in Italy, directly linked to the effects of a colder season (impacting the density of products), and to price dynamics of raw materials (including those related to the compliance with biodiesel regulation). This component has to be considered jointly with the Industrial, given the strong coordination between the technical and commercial skills on which the Group's business model is based.

Crudes processed and yields of finished products

The mix of crudes that the Sarroch refinery processed in the first three months of 2021 had an average density of 34.2°API, therefore lighter than the average density processed in the first three months of 2020. Analyzing, in greater detail, the classes of crude oils, there was an increase in the percentage of processing of low and very low sulfur crude oils ("light sweet" and "light extra sweet"), compared to a decrease of high sulfur crude oils ("medium sour") and heavy crude oils, both low and high sulfur ("heavy sour/sweet"). This processing mix was due to contingent plant set-up situations (arising from the significant maintenance carried out in the first quarter) and to economic and commercial choices in view of market supply conditions.

	Q1/21	Q1/20	FY 2020
Light extra sweet	45%	27%	26%
Light sweet	8%	12%	15%
Medium sweet/extra sweet	4%	2%	4%
Medium sour	27%	35%	32%
Heavy sour/sweet	15%	24%	24%
Average crude gravity °API	34.2	33.3	33.6

Turning to the analysis of finished product yields, in the first quarter of 2021 the yield of light distillates (29.1%) was higher than in the first quarter of 2020. On the other hand, the yield of middle distillates (47.6%) was lower than in the same period of the previous year, compensated by a higher yield of fuel oil (10.0%). These changes are linked to different plants set up and to different market conditions between the two periods.

		Q1/21	Q1/20	FY 2020
LPG	Tons (thousand)	77	73	210
	yield (%)	2.3%	2.5%	1.7%
NAPHTHA + GASOLINE	Tons (thousand)	990	842	3,139
	yield (%)	29.1%	28.7%	26.0%
MIDDLE DISTILLATES	Tons (thousand)	1,617	1,504	6,082
	yield (%)	47.6%	51.2%	50.4%
FUEL OIL & OTHERS	Tons (thousand)	339	51	847
	yield (%)	10.0%	1.7%	7.0%

Note: Balance to 100% of the production is "Consumption and Losses" (related to refining and power generation activities).

Renewables

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 and in Perdasdefogu (Sardinia). Below are the financial and operational highlights of the segment.

It should be noted that for the "Renewables" segment the results of Q1 2020 coincide with the "Wind" segment as defined in the 2020 Financial Statements.

EUR million	Q1/21	Q1/20	Change %
Reported EBITDA	4.5	2.4	88%
Comparable EBITDA	4.5	2.4	88%
Reported EBIT	2.9	0.8	263%
Comparable EBIT	2.9	0.8	263%
CAPEX	4.8	0.3	n.s.

Other figures

		Q1/21	Q1/20	Change %
ELECTRICITY PRODUCTION	MWh	80,895	74,038	9%
POWER TARIFF	EURcent/KWh	5.4	3.9	38%
INCENTIVE TARIFF	EURcent/KWh	10.9	9.9	10%

Comments to first three months of 2021

In the first three months of 2021 the comparable EBITDA for the segment “Renewables” (equal to the reported EBITDA) stood at EUR 4.5 million, higher than that achieved in the first three months of 2020.

In detail, product volumes were up by 9% compared with the same period of the previous year, thanks to the positive effects of the underway “reblading” activities and to the more favorable wind conditions. The Incentive Tariff was 1.0 eurocents/kWh higher than in the first three months of 2020 and incentivized production represented roughly 7% of volumes in the first three months of 2021 (in line with the first three months of 2020). The electricity tariff was up by 38% compared with that recorded in the first three months of 2020.

Investments by business segment

EUR Million	Q1/21	Q1/20
INDUSTRIAL & MARKETING	16.9	97.0
RENEWABLES	4.8	0.3
Total	21.7	97.3

Investments of Saras Group in the first three months of 2021 amounted to EUR 21.7 million, decreasing from EUR 97.3 million in the first three months of 2020.

Concerning the segment “Industrial & Marketing”, investments in 2021 amounted to EUR 16.9 million, a significant reduction compared to EUR 97.0 million in 2020. The drop resulted from the investment containment initiatives implemented to mitigate the impacts of COVID-19 pandemic and for fewer scheduled shutdowns (please note that in 2020 the first quarter was characterized by the preparation activities for the FCC turn around).

Regarding the segment “Renewables”, investments in 2021 amounted to EUR 4.8 million. The investments concerned *reblading* activities that are currently underway, and whose completion is expected in the second half 2021; these activities, with the installed capacity remaining the same, will allow for greater electricity generation.

Outlook

In its April forecasts, the International Monetary Fund revised and improved its global economic growth forecasts. After an estimated contraction of -3.3% in 2020, global growth is projected at 6% in 2021, moderating to 4.4% in 2022. The contraction for the year 2020 was 1.1% lower than in the October 2020 World Economic Outlook (WEO). The new projections for 2021 and 2022 are respectively 0.8% and 0.2% higher than in the October 2020 WEO and reflect additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of 2021. Nevertheless, despite the upward revision, a high degree of uncertainty remains, mainly due to the developments of the sanitary crisis, the effectiveness of COVID-19 vaccines even with respect to new variants of the virus, the effectiveness of policy actions to limit damages to world economies and financial developments.

Analyzing in detail the dynamics of the oil market and looking at the supply side, prices of crudes resulted to be sustained in the first quarter, but there seems to be recent evidences that may reduce the upward pressures: the resumption of negotiations between countries of the JCPOA (Joint Comprehensive Plan of Action) that makes the resumption of Iranian exports in 2021 concrete and the increase in tight oil drilling activity in the USA, that although still moderate, has been following a clear rising trend, similar to that seen in 2017.

On the consumption side, current forecasts indicate great uncertainty for Diesel, as it is strictly related to the recovery of industrial production, which in turn is a function of the economic growth. Economic recovery, as mentioned, should accelerate globally between the third and the fourth quarter of 2021. As regards the Jet-Aviation, jet consumption is expected to recover about 40% of the volumes lost in 2020. Gasoline, instead, seems the product with the best perspectives: global gasoline inventories are back to pre-covid levels, and about 15% lower than in spring 2020 and Gasoline consumption is expected to recover more than 60% of the 3.3 million barrels lost in 2020, continuing to sustain its crack spread on European, Asian and American market. Nevertheless, given the excess supply of distilled products occurred during the first three months and in the second quarter, the expected recovery in demand may not correspond to a proportional improvement in margins.

In this context, concerning the Industrial & Marketing segment, it is recalled that the management started in 2020 and confirmed for 2021, important activities to contain costs and investments. These initiatives are currently underway, and the early expected benefits have been achieved. Furthermore, with reference to the power generation activity, the definition by the competent authorities of the essentiality regime (and related expected production levels) was recently completed and the scheme for costs reintegration associated with the plant was defined.

Despite the uncertainty of the scenario, but consistently with a potential recovery taking shape in the second half of the year, Saras Group, given the settlement of the essentiality regime, the current state of the initiatives for costs containment and the actual and forecasted operational performance, confirms the target of an average premium above the EMC Benchmark margin of 3.8 - 4.3 \$/bl, including the contribution of the Marketing channel (that accounts for approximately 0.3 \$/bl).

Regarding the Renewables segment, on April 30th, 2021, Saras Group signed an agreement with GWM Renewable Energy SpA for the acquisition of 100% share of two wind farms located in Macchiareddu (CA), Sardinia, thus increasing the installed capacity by additional 45 MW and bringing Saras' total wind installed capacity to 171 MW.

Finally, concerning the forecast for the Net Financial Position, it is expected to consolidate part of the improvement (at the level of working capital) experienced in the first quarter and to achieve a level of debt throughout the rest of 2021 not exceeding that at the end of 2020.

Risk Analysis

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

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

FINANCIAL RISKS

Exchange rate risk

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

Interest rate risk

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

Credit risk

The refining sector represents the Group's reference market, and it is principally made up of multinational companies operating in the oil sector. Transactions are generally settled in a very short time and they are often guaranteed by primary lenders. Sales that take place outside of the network are of individually small amounts and are also often guaranteed or insured, with a very low risk of non-recoverability. The Group's credit risk profile has not changed following the economic crisis caused by the Covid-19 emergency.

Liquidity risk

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

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

No new credit lines were subscribed in the reporting period and reviews to existing financial parameters are being defined with the lending banks to take into account current market conditions.

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

OTHER RISKS

Price fluctuation risk

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

The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated through the use of appropriate risk management policies. In order to address the risks arising from price changes and more specifically to mitigate the precise price fluctuations on the quantities bought and sold compared to the monthly averages, the Group also enters into hedging contracts on commodities.

The selling price of electricity sold by our subsidiaries Sarlux and Sardeolica is also prone to fluctuations, as are the prices of Energy Efficiency Certificates and CO2 emissions.

Risk related to the procurement of crude oil

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

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant 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 accidents to a minimum: in addition, Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from incurring costs in the event of accidents and/or interruption to production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment. The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity and there is no certainty that new legislation will not impose further costs in the future.

Legislative and regulatory risk

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

- regulations relating to the reduction of national emissions of specific atmospheric pollutants and their effect on the limits indicated in the current AIA permit
- the view of the European Commission and the ARERA (Italian Authority for Electricity, Gas and Water) implementing documents in relation to the recognition of the Sarlux subsidiary as an energy intensive enterprise
- regulatory dispositions relating to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the G.S.E.
- reference regulations relating to the fact that the Sarlux Srl subsidiary sells the electricity generated to the G.S.E. under the conditions specified by the legislation in force (Law No. 9/1991, Law No. 10/1991, CIP Decision 6/92 as amended, Law No. 481/1995), which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time limited incentives, linked to the actual production.
- Regulations and implementing documents issued by Terna and ARERA regarding the "essentiality" requirements of the IGCC plant in Sarlux, as provided for by ARERA Resolution No.111/06 and 598/20 and the cost reimbursement regime.

Dependencies on third parties

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

Protection of Personal Data

The Saras Group operates in compliance with the current regulations on data protection regarding its customers, employees, suppliers and all those with whom it comes into contact daily. In particular, on 25th May 2018 the new Regulation (EU) 2016/679 ("GDPR") on the protection of personal data entered in force. The Saras Group launched a project aimed at implementing the new measures required by the GDPR and aligning its procedures and processes with the changes introduced by this Regulation.

Information technology and cybersecurity

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

Covid-19 Risk

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

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

Provisions for risks and charges

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

Other Information

Treasury shares

In the course of 2021, Saras SpA has not bought or sold any treasury shares.

Pursuant to the above, on 31st March 2021, Saras SpA held 9,220,216 treasury shares or 0.97% of the share capital, while there were 941,779,784 Saras SpA shares outstanding.

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 quarter of 2021.

Non-recurring and unusual Transactions

In the first quarter of 2021, no significant transactions were carried out and no open positions originated from any nonrecurring and/or unusual transactions are being carried out.

Main events after the end of the First Quarter of 2021

On 13th April 2021 ARERA, the Italian Regulatory Authority for Energy, Networks and the Environment, with resolution 152/2021/R/EEL, within the framework of the Essentiality regime, accepted the request advanced by SARLUX Srl for admission to the cost reintegration, for the period from April 21st to December 31st, 2021, for its IGCC (Integrated Gasification Combined Cycle). The economic conditions to which the IGCC plant will be consequently subjected to, for the period in consideration, consist of two main terms. The first term includes the reintegration of the fixed costs strictly necessary for electricity production (accordingly excluding the production of hydrogen and steam); these costs are aligned with the optimization plans expected by SARLUX, with a contribution in reducing the costs of the national electricity system. The QAR component is also reintegrated (depreciation and remuneration of the invested capital, according with Resolution 111/06). The second term provides, for the essential electricity production, the integration of variable costs with respect to the quantity sold on the market at the reference zonal price. The main items of variable costs include the fuel of the IGCC plant, the cost of the oxygen necessary for the transformation of the fuel into synthesis gas completely clean of all traces of sulphur or other pollutants, and the charges associated with CO2 emission quotas according to the Emissions Trading System. There are other minor cost items associated with the operation of the plant, and this component is also optimized to reduce the costs of the national electricity system. With regard to the asset configuration of the IGCC plant, it will be settled taking into account the requests by Terna for the safe operation of the electricity system, and the operational constraints of the SARLUX plant. Finally, SARLUX will assess, according to the oil and electricity scenarios, any opportunity for electricity production exceeding the asset configuration previously identified by Terna, always in consideration of the operating needs of the grid.

On 30th April 2021 Sardeolica Srl signed a Share Purchase Agreement for the acquisition from GWM Renewable Energy SpA of 100% of the shares of its subsidiaries Energia Alternativa Srl and Energia Verde Srl. The two companies own two wind farms in the province of Cagliari with a total of 30 wind turbines and an installed capacity of 45 MW. The contract is subject to the fulfillment of certain conditions precedent and it is expected to be able to carry out the closing of the operation, with the formal transfer to Sardeolica of the shares of Green Energy and Alternative Energy, by the end of this month of May. With this acquisition, the Saras Group strengthens its position in the on-shore wind market in Sardinia, bringing the total installed capacity to 171 MW.

On May 5, 2021, the Central Customs Agency of Rome, AEO Office, communicated to Sarlux that the review process of the AEO requirements was successfully completed.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as at 31st March 2021

Thousands of EUR		31/03/2021	31/12/2020
ASSETS	(1)		
Current financial assets	5.1	1,821,563	1,841,050
Cash and Cash equivalents	5.1.1	449,433	558,997
Other financial assets	5.1.2	106,991	153,677
Trade receivables from third parties	5.1.3	231,388	256,641
Inventories	5.1.4	874,667	737,389
Current tax assets	5.1.5	12,469	14,289
Other assets	5.1.6	146,615	120,057
Non-current assets	5.2	1,515,213	1,529,138
Property, plant and equipment	5.2.1	1,288,490	1,310,794
Intangible assets	5.2.2	46,347	47,225
Right-of-use of leased assets	5.2.3	40,471	42,801
Other investments	5.2.4	502	502
Deferred tax assets	5.2.5	133,433	121,844
Other financial assets	5.2.6	5,970	5,972
Total assets		3,336,776	3,370,188
LIABILITIES AND EQUITY			
Current liabilities	5.4	1,730,543	1,676,426
Short-term financial liabilities	5.4.1	445,501	611,441
Trade and other payables	5.4.2	1,078,692	916,594
Tax liabilities	5.4.3	141,043	80,499
Other liabilities	5.4.4	65,307	67,892
Non-current liabilities	5.5	846,060	909,240
Long-term financial liabilities	5.5.1	591,631	652,064
Provisions for risks and charges	5.5.2	240,762	244,165
Provisions for employee benefits	5.5.3	9,487	8,901
Deferred tax liabilities	5.5.4	3,730	3,730
Other liabilities	5.5.5	450	380
Total liabilities		2,576,603	2,585,666
EQUITY	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		718,390	994,482
Net result		(23,773)	(275,516)
Total parent company equity		760,173	784,522
Third-party minority interests		-	-
Total equity		760,173	784,522
Total liabilities and equity		3,336,776	3,370,188

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

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

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 31st March 2021

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD 1ST JANUARY - 31ST MARCH 2021

Thousands of EUR	(1)	1 JANUARY 31 MARCH 2021	of which non- recurring	1 JANUARY 31 MARCH 2020	of which non- recurring
Revenues from ordinary operations	6.1.1	1,603,605		1,815,896	
Other income	6.1.2	25,814		69,486	
Total returns		1,629,419	0	1,885,382	0
Purchases of raw materials, consumables and supplies	6.2.1	(1,377,568)		(1,954,979)	
Cost of services and sundry costs	6.2.2	(192,612)		15,656	
Personnel costs	6.2.3	(32,129)		(38,062)	
Depreciation/amortisation and write-downs	6.2.4	(47,155)		(49,631)	
Total costs		(1,649,464)	0	(2,027,016)	0
Operating result		(20,045)	0	(141,634)	0
Financial income	6.3	20,115		14,915	
Financial charges	6.3	(35,408)		(32,373)	
Result before taxes		(35,338)	0	(159,092)	0
Income tax	6.4	11,565		46,005	
Net result		(23,773)	0	(113,087)	0
Net result attributable to:					
Shareholders of the parent company		(23,773)		(113,087)	
Third-party minority interests		0		0	
Net earnings per share – base (euro cents)		(2.52)		(12.01)	
Net earnings per share - diluted (euro cents)		(2.52)		(12.01)	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 31ST MARCH 2021

Thousands of EUR	1 JANUARY 31 MARCH 2021	1 JANUARY 31 MARCH 2020
Net result (A)	(23,773)	(113,087)
Items that may be reclassified subsequently to profit or loss		
Effect of translation of the financial statements of foreign operations	(576)	42
Cash Flow Hedging Reserve		(6,602)
Items that will not be reclassified subsequently to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits		(703)
Other profit/(loss), net of the fiscal effect (B)	(576)	(7,263)
Total consolidated net result (A + B)	(24,349)	(120,350)
Total consolidated net result attributable to:		
Shareholders of the parent company	(24,349)	(120,350)
Third-party minority interests	0	0

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

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

Consolidated Statement of Changes in Equity to 31st March 2021

Migliaia di Euro	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Financial year	Total Equity attributable to the Parent Company	Third-party Minority Interests	Total Equity
Balance at 31/12/219	54,630	10,926	967,129	26,154	1,058,839	0	1,058,839
Allocation of previous period result			26,154	(26,154)	0		0
Dividend Distribution			0		0		0
Conversion effect balances in foreign currency			122		122		122
Actuarial effect IAS 19			0		0		0
Reserve for stock option plan			668		668		668
Reserve for Cash Flow Hedging			(6,602)		(6,602)		(6,602)
Net result				(113,087)	(113,087)		(113,087)
<i>Total net result</i>			(6,480)	(113,087)	(119,567)	0	(119,567)
Balance at 31/03/2020	54,630	10,926	987,471	(113,087)	939,940	0	939,940
Allocation of previous year result			0	0	0		0
Dividend Distribution			0		0		0
Conversion effect balances in foreign currency			(588)		(588)		(588)
Actuarial effect IAS 19			(215)		(215)		(215)
Reserve for stock option plan			1,212		1,212		1,212
Reserve for Cash Flow Hedging			6,602		6,602		6,602
Net result				(162,429)	(162,429)		(162,429)
<i>Total net result</i>			6,014	(162,429)	(156,415)	0	(156,415)
Balance at 31/12/2020	54,630	10,926	994,482	(275,516)	784,522	0	784,522
Allocation of previous period result			(275,516)	275,516	0		0
Dividend Distribution			0		0		0
Conversion effect balances in foreign currency			(576)		(576)		(576)
Actuarial effect IAS 19			0		0		0
Reserve for stock option plan			0		0		0
Other changes			0		0		0
Net result				(23,773)	(23,773)		(23,773)
<i>Total net result</i>			0	0	0	0	0
Balance at 31/03/2021	54,630	10,926	718,390	(23,773)	760,173	0	760,173

Consolidated Statement of Cash Flows for the period to 31st March 2021

Thousands of EUR	(1)	1/1/2021- 31/03/2021	1/1/2020- 31/03/2020
A - Initial cash and cash equivalents		558,997	431,463
B - Cash flow from (for) operating activities			
Net result	5.5	(23,773)	(113,087)
Unrealised exchange rate differences on bank current accounts		(2,817)	(6,075)
Amortisation, depreciation and write-downs of assets	6.2.4	47,155	49,631
Net change in risk provisions	5.4.2	(3,403)	(51,486)
Net change in provision for employee benefits	5.4.3	586	674
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	(11,589)	(2,303)
Net interest		(108)	4,695
Income tax set aside	6.4	24	(43,702)
Change in the fair value of derivatives	5.1.2 - 5.3.1	2,365	(45,180)
Other non-monetary components	5.5	(576)	(5,812)
Profit (loss) for the year before changes in working capital		7,864	(212,645)
(Increase)/Decrease in trade receivables	5.1.3	25,253	165,036
Increase)/Decrease in inventories	5.1.4	(137,278)	442,029
Increase/(Decrease) in trade and other payables	5.3.2	162,098	(565,188)
Change other current assets	5.1.5 - 5.1.6	(24,738)	(112,486)
Change other current liabilities	5.3.3 - 5.3.4	57,935	41,008
Interest received		108	184
Interest paid		0	(4,879)
Taxes paid	5.3.2	0	0
Change other non-current liabilities	5.4.5	70	(6,541)
Total (B)		91,312	(253,482)
C - Cash flow from (for) investment activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(21,673)	(97,581)
(Investments) in Right-of-use of leased assets		30	(1,267)
(Increase)/Decrease in other financial assets	5.1.2	98,406	31,014
Increases in the sale of non-current assets held for sale	5.2.1-5.2.2	0	0
Total (C)		76,763	(67,834)
D - Cash flow from (for) financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	(60,433)	49,504
Increase/(decrease) short-term financial payables	5.3.1	(220,023)	169,785
Distribution of dividends and treasury share purchases		0	0
Total (D)		(280,456)	219,289
E - Cash flows for the period (B+C+D)		(112,381)	(102,027)
Unrealised exchange rate differences on bank current accounts		2,817	6,075
F - Final cash and cash equivalents		449,433	335,511

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

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

For the Board of Directors
The Chairman

Massimo Moratti



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1. Introduction

Publication of the condensed consolidated financial statements of Saras Group for the period ended at 31 March 2021 was authorised by the Board of Directors on 11 May 2021.

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

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

These consolidated financial statements for the period ended 31 March 2021 are presented in euro, since this is the currency of the economy in which the Group operates. They consist of a Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and these Notes. All amounts shown in these Notes to the Consolidated Financial Statements are expressed in thousands of euro, unless otherwise stated.

2. General criteria for the preparation of the Consolidated Financial Statements

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

The "IFRS" are all the International Financial Reporting Standards, all the International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretation Committee ("SIC"), approved by the European Commission at the date of approval of these consolidated and separate financial statements by the Board of Directors of the Parent Company and contained in the relative EU Regulations published at that date.

It is specified that the draft financial statements were prepared according to the following criteria, in line with IAS 1, which are considered adequate in terms of providing a complete disclosure of the Group's equity, economic and financial position.

- Statement of Financial Position: the assets and liabilities are divided up into current and non-current, depending on their degree of liquidity.
- Income Statement and Statement of Comprehensive Income: the items of the income statement are presented by nature;
- Statement of Cash Flows: this is presented according to the indirect method, distinguishing between cash flows deriving from operations, investments and financial transactions;
- Consolidated Statement of Changes in Equity.

The accounting standards set out hereto have been applied consistently to all the periods presented.

These Financial Statements have been drawn up on the basis of the business operating as a going concern, because the Directors have verified that there are no financial, operational or other indicators that could potentially signal critical issues in terms of the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relating to the business, as well as the variability of the external and market factors to which the Group is exposed, are described in the dedicated sections of the Report on Operations. A description of how the Group manages the risks connected with these external factors and the financial risks, including liquidity and capital, is given in the paragraph on Supplementary information on financial instruments and the risk management policies of these Notes.

3. Basis of preparation and changes to Group accounting policies

3.1 Basis of preparation

The condensed consolidated financial statements of the Saras Group for the period ended 31 March 2021, presented pursuant to Article 154-ter of the Consolidated Law on Finance (TUF), as subsequently amended, have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Union, which include all the international accounting standards (IASs) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC). The condensed consolidated financial statements for the period ended 31 March 2021 have been prepared pursuant to IAS 34 - Interim Financial Reporting.

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

The main standards adopted by the Saras Group for the preparation of the condensed consolidated financial statements as at 31 March 2021 are consistent with those applied in the consolidated financial statements as at 31 December 2020 and the corresponding interim reporting period, except for the new accounting standards, interpretations and amendments described below, which, as of the date of preparation of these condensed consolidated financial statements, had already been enacted and had become effective in this financial year.

Standards issued and in force

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a completely new standard related to insurance contracts that covers recognition and measurement and presentation and disclosures. When IFRS 17 comes into effect, it will replace IFRS 4 Insurance Contracts, issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life insurance, non-life, direct insurance and re-insurance) regardless of the type of entity that issues them, and also to certain guarantees and financial instruments with characteristics of a discretionary equity investment.

To this end, limited exceptions shall apply. The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In conflict with the provisions of IFRS 4, which are extensively based on the maintenance of previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The heart of IFRS 17 is the general model, which is supplemented by:

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

IFRS 17 will be in force for financial years starting on or after 1 January 2021, and will require the presentation of comparison balances. Early application is permitted, in which case, however, the entity must have also adopted IFRS 9 and IFRS 15 as at the date of first application of IFRS 17 or earlier.

The standard has no significant impact on the Group's consolidated financial statements.

Accounting standards issued but not yet in force

IAS 8.30 calls for a disclosure for the standards issued but not yet in force; this is required in order to assure the supply of known or reasonably estimated information to allow the user to assess the possible impact of the application of these standards on an entity's financial statements. The standards and interpretations that had been issued but were not yet effective at the date of preparation of the Group's consolidated financial statements are described below. The Group intends to adopt these standards and interpretations, if applicable, once they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

- what is meant by right of subordination of the due date
- that the right of subordination must exist at year end
- that classification is not impacted by the probability that the entity may or may not exercise its right of subordination

- that it is only if a derivative embedded in a convertible liability is itself an instrument that the due date of the liability does not impact its classification.

The amendments will take effect for years starting on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on the current situation and if renegotiation of current loan contracts is necessary; it is closely monitoring discussions by the IFRS IC in this respect.

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The Board has also added an exception to the valuation standards of IFRS 3 to avoid the risk of potential “next day” profit or loss deriving from liabilities or potential liabilities that would come under the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.

At the same time, the Board has decided to clarify that the guidance given in IFRS 3 for potential assets will not be impacted by the update to the references made to the Framework for the Preparation and Presentation of Financial Statements.

The amendments will take effect for years starting on or after 1 January 2022 and shall apply prospectively.

Property, plant and equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which prohibits the entity from deducting revenues from the cost of an element of property, plant and equipment as may be received from the sales of products during the period in which said asset is taken to the place or made available for use in the manner planned by the management. Instead, an entity books the revenues from the sale of such products and the costs for producing such products as profit and loss.

The amendment will take effect for years starting on or after 1 January 2022 and must be applied retrospectively to the items of Property, plant and equipment made available for use as at the start date or thereafter of the period prior to that during which the entity applies this amendment for the first time.

No material impacts are expected for the Group in connection with these amendments.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB published amendments to IAS 37 to specify which costs should be considered by an entity in assessing if a contract is onerous or a loss.

The amendment envisages the application of a “directly related cost approach”. Costs that refer directly to a contract for the supply of goods or services include both incremental costs and costs directly attributed to the contractual activities. General and administrative expenses are not directly correlated with a contract and are excluded unless specifically able to be reversed to the counterparty on the basis of a contract.

The amendments will be effects for years starting on or after 1 January 2022. The Group will assess the impacts of these amendments if contracts exist for which not all obligations have been met at the time of first time application.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of the 2018-2020 annual improvement process to the IFRSs, the IASB has published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary choosing to apply paragraph D16(a) of IFRS 1 to account for the cumulative translation differences on the basis of the amounts booked by the parent company, considering the date of transition by the parent company to the IFRSs. This amendment also applies to associates or joint ventures choosing to apply paragraph D16(a) of IFRS 1.

The amendment will take effect for years starting on or after 1 January 2022; early application is permitted.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of the 2018-2020 annual improvement process to the IFRSs, the IASB has published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes in determining if the conditions of a new or amended financial liability are substantively different from the conditions of the original financial liability. These fees include only those paid or received by and between the debtor and lender, including fees paid or received from the debtor or lender on behalf of others. An entity applies this amendment to the financial liabilities amended or exchanged after the date of the first year during which the entity applies the amendment for the first time.

The amendment will take effect for years starting on or after 1 January 2022; early application is permitted. The Group will apply this amendment to financial liabilities amended or exchanged on or after the date of the first year during which the entity applies the amendment for the first time.

No material impacts are expected for the Group in connection with this amendment.

IAS 41 Agriculture – Taxation in fair value measurements

As part of the 2018-2020 annual improvement process to the IFRSs, the IASB has published an amendment to IAS 41 Agriculture. The amendment removes the requirements in paragraph 22 of IAS 41 referring to the exclusion of cash flows for tax when an asset is measured at fair value under the scope of IAS 41.

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

No material impacts are expected for the Group in connection with this amendment.

The IASB has also approved two amendments to IAS 1 and IAS 8 with reference to the information on relevant accounting policies and the definition of the estimate and variation of accounting estimates.

3.3 Consolidation area

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

The consolidated financial statements have been prepared as at 31 March, and are generally those specifically prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to align them with the accounting standards of the Parent Company.

Consolidated subsidiaries are listed below.

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

There are no changes with respect to 31 December 2020.

3.4 Use of estimates and discretion in judgement also in light of COVID-19

The preparation of financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions affects the amounts reported in the financial statements, i.e. the statement of financial position, income statement, statement of comprehensive income and statement of cash flows, as well as the accompanying disclosures. The actual amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based. The main estimates relate to the amortisation and depreciation of non-current assets, the recoverable amount of non-current assets, the recoverable amount of inventories, deferred tax, provisions for risks, the provision for impairment of current assets, the measurement of the recoverable value of receivables and the estimate of the fair value of derivatives.

The performance of market variables in both the medium/long-term and the short-term, including price and crude oil supply and the world demand for finished products with respect to the processing capacity, which can have a significant impact on the Group's performance, is one of the critical assumptions for the valuation processes, including, in particular, for the

measurement of fixed assets and the recoverable amount of inventories, as well as the volatility of current values of financial instruments.

The underlying valuation processes, which can be complex, entail the use of estimates that depend on exogenous industry variables, which are highly variable and based on assumptions that, by nature, entail a significant degree of judgement by the company's management team, which, to this end, also take into account the scenarios expressed by independent industry experts.

In addition, the COVID-19 health emergency has had an unprecedented impact on the world markets and in particular the oil segment, accordingly significantly affecting the economic and financial performance of Saras. The uncertainty tied to the timing and possibility of market recovery and a return by all operators to normal activities, as well as possible new waves of the emergency situation in Italy and worldwide in respect of a pandemic that has never before been seen, make it extremely complex, particularly for the oil market, to prepare forecasts for Group performance in the near future, on which the Group's impairment assessments are based.

In light of that described in the Chapter on the Impact of COVID-19 of the Report on Operations, the company has carried out all checks necessary to assume operation as a going concern and value the assets; reference is made to Chapter 5.2 Non-current assets below for more information.

It has also updated the Chapter on Risk Analysis of the Report on Operations.

Estimates and valuations are reviewed periodically and the effects of each of them are recognised in profit or loss. A summary of the most significant estimates is provided in the Group's consolidated financial statements as at 31 December 2020, to which reference should be made.

4. Information by business segment and geographical area

4.1 Introduction

To provide a consistent presentation of the Group's business performance, information about the individual companies is traced to the business segments identified on previous years' financial statements, also including the valuation of inter-segment services that have ceased following extraordinary corporate operations, at the same conditions envisaged in the previous contracts.

By resolution 598/2020/R/eel of 29 December 2020, ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) indicated that TERNÀ shall enter the combined cycle electric power plant of Sarlux Srl, IGCC (Integrated Gasification Combined Cycle), as one of the essential plants for the security of the electricity system for 2021.

On 13 April 2021, ARERA resolved to uphold the request for admission to the system of cost reinstatement, thereby entering Sarlux on the list drawn up annually, of essential plants, starting from the expiry date of the related agreement CIP6/92 (20 April 2021).

The switch away from the CIP6/92 agreement and towards the essential system will lead to a significant change in how the Sarlux plant operates, as the technical-economic parameters to be considered for its operation will be those laid down for the essential system and will take into account the extremely high level of integration of the electric power plant with the refinery. Therefore, starting 1 January 2021, the IGCC plant activities previously represented in the Power segment are consequently represented in a single segment called "Industrial & Marketing", which includes the integrated business of electricity generation and refinement. This segment also includes "Marketing" activities - a segment that up until the previous year comprised the Spanish distribution network and the depots used as intermediate logistics; the sale of the network, which was started in 2019 and completed in 2020, and which represented the significant activity of the "Marketing" segment, led to the cessation of the segment, insofar as the plants remaining after said disposal (the depots of Arcola, La Spezia and Cartagena, Spain), are now used for the refinery logistics. The Marketing segment therefore no longer has any significant autonomy and has accordingly been aggregated. Finally, the "Industrial & Marketing" segment now includes the activities of the "Other Businesses" segment, which effectively coincided with the business pursued by Sartec and Reasar, in turn effectively dedicated to the integrated refinement business.

The "Wind" segment will be named the "Renewable" segment in view of potential developments in photovoltaic and green hydrogen.

4.2 Segment reporting

In light of that described in the paragraph above, the segment reporting has undergone a major overhaul starting with the first quarter of 2021, in the sense of heading towards a substantial aggregation of the segments previously identified, inspired by the specified changes made to the Group business model.

Thus said, the format previously used to provide the segment reporting in these notes, no longer looks to be appropriate and the segment reporting provided in the Report on Operations is far clearer and more explanatory.

5. Notes to the Statement of Financial Position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	31/03/2021	31/12/2020	Change
Bank and postal deposits	449,369	558,933	(109,564)
Cash	64	64	0
Total	449,433	558,997	(109,564)

Bank deposits mainly relate to Saras SpA for EUR 326,547 thousand and to Saras Trading S.A. for EUR 112,558 thousand. These deposits are not restricted in any way.

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

5.1.2 Other financial assets

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

Current financial asset	31/03/2021	31/12/2020	Change
Current financial derivatives	51,718	91,110	(39,392)
Deposits to secure derivatives	54,031	61,325	(7,294)
Other assets	1,242	1,242	0
Total	106,991	153,677	(46,686)

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

The item "Derivative guarantee deposits" includes the balance at 31 March 2021 of deposits to guarantee open positions in derivative instruments required by the counterparties with which the Group has entered into such transactions.

5.1.3 Trade receivables

Trade receivables amount to EUR 231,388 thousand, up on the equivalent amount as at 31 December 2020, by EUR 25,253 thousand. The item is presented net of the provision for doubtful debt, which amounts to EUR 6,974 thousand (unchanged on 31 December 2020). The reduction in receivables is essentially due to the reduction in quantities sold. For more comments on sales performance, refer to the Report on Operations.

5.1.4 Inventories

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

Inventories	31/03/2021	31/12/2020	Change
Raw materials, consumables and supplies	227,914	218,803	9,111
Unfinished products and semi-finished products	68,648	77,244	(8,596)
Finished products and goods	468,775	329,373	139,402
Spare parts and raw materials, supplies	109,330	111,969	(2,639)
Total	874,667	737,389	137,278

The increase in the value of oil inventories is due to both the growing price trend and the larger quantities held as stock as compared with 31 December 2020.

In compliance with the provisions of the accounting standards, the Group has measured inventories at the lesser of purchase or production cost and the recoverable amount on the market: this comparison has revealed the need to book inventories at a lower value for approximately EUR 4 million.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	31/03/2021	31/12/2020	Change
VAT credit	16	38	(22)
IRES credits	1,074	1,074	0
IRAP credits	7,625	7,625	0
Other amounts due from the tax authorities	3,754	5,552	(1,798)
Total	12,469	14,289	(1,820)

IRAP receivables refer to the advances paid during previous years by the subsidiary Sarlux and the surplus results with respect to the relevant tax.

Other receivables include tax for which a rebate has been requested, or which have been paid on a provisional basis.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/03/2021	31/12/2020	Change
Accrued income	129	36	93
Prepaid expenses	19,521	9,918	9,603
Other short-term loans	126,965	110,103	16,862
Total	146,615	120,057	26,558

Deferred expenses mainly relate to insurance premiums and expenses for the biofuel regulations for the Parent Company.

"Other receivables" mainly comprise:

- the credit of EUR 92,385 thousand due to the subsidiary Sarlux S.r.l. by the Equalisation Fund for the Electricity Segment for the recognition, pursuant to Title II, paragraph 7 bis, Cip regulation no. 6/92, of expenses resulting from Directive 2003/87/EC (Emission Trading), in application of the resolution of the Authority for Electricity and Gas 11 June 2008, ARG/elt 77/08, referring to the year 2020 (EUR 73,449 thousand) and the first quarter of 2021 (EUR 18,936 thousand);
- white certificates of EUR 29,512 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 30,978 thousand in 2020); for additional information, reference should be made to point 7.1.

5.2 Non-current assets

The first quarter of 2021 was characterised by a social and economic scenario that was still very much impacted by the consumer crisis generated by the measures taken to limit the spread of the COVID-19 pandemic, but it was also marked by the launch of the world's most important vaccination campaign.

Also consistently with the recommendations given by the main regulatory authorities that have expressed an opinion on the matter (ESMA, CONSOB, IOSCO), the Saras Group has continued to monitor the indicators that can identify any risks to the business operating as a going concern, as well as any effects determined or foreseeable as a result of the crisis on the financial statements items and the Group's financial structure.

On the basis of this monitoring, and also in consideration of the multi-year plans that have been updated and were approved by the Board of Directors on 31 March 2021, the Group has decided that as at 31 March 2021, there was no need to update the impairment testing carried out for the financial statements as at 31 December 2020.

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/03/2021
Land and buildings	179,129	4	(28)	0	0	179,105
Plant and machinery	3,726,697	2,864	(9,000)	0	37,833	3,758,394
Industrial and commercial equipment	37,658	0	0	0	0	37,658
Other goods	669,318	29	0	0	1,400	670,747
Tangible fixed assets under construction	246,465	18,551	0	0	(39,505)	225,511
Total	4,859,267	21,448	(9,028)	0	(272)	4,871,415

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/03/2021
Land and buildings fund	105,191	1,024	0	0	(26)	106,189
Plant and machinery fund	2,917,884	35,794	(9,000)	0	(947)	2,943,731
Industrial and commercial equipment fund	32,413	669	0	0	0	33,082
Other goods	492,985	6,023	0	0	915	499,923
Total	3,548,473	43,510	(9,000)	0	(58)	3,582,925

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	31/03/2021
Land and buildings	73,938	4	(28)	(1,024)	0	26	72,916
Plant and machinery	808,813	2,864	0	(35,794)	0	38,780	814,663
Industrial and commercial equipment	5,245	0	0	(669)	0	0	4,576
Other goods	176,333	29	0	(6,023)	0	485	170,824
Tangible fixed assets under construction	246,465	18,551	0	0	0	(39,505)	225,511
Total	1,310,794	21,448	(28)	(43,510)	0	(214)	1,288,490

“Land and buildings” chiefly include industrial buildings, offices and warehouses with a carrying amount of EUR 33,540 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,388 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux S.r.l. and the subsidiary Deposito di Arcola S.r.l. with a carrying amount of EUR 36,988 thousand.

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

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

Increases for the year amounted to EUR 21,448 thousand and mainly refer to technological interventions on refinery plants and the extension of the wind farm, as mentioned previously.

The main annual depreciation rates used, which are the same as in 2020, are as follows:

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

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

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/03/2021
Industrial patent and original work rights	59,479	5	0	0	270	59,754
Concessions, licences, trademarks and similar rights	24,543	0	0	0	24,543	24,543
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible fixed assets	530,414	192	0	0	0	530,606
Intangible assets under construction	929	85	0	0	0	1,014
Total	636,384	282	0	0	270	636,936

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/03/2021
Industrial patent and original work rights	51,876	1,125	0	0	(210)	52,791
Concessions, licences, trademarks and similar rights	13,041	0	0	0	213	13,254
Goodwill and intangible assets with indefinite life	82	0	0	0	0	82
Other intangible fixed assets	524,160	220	0	0	82	524,462
Total	589,159	1,345	0	0	85	590,589

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes
Industrial patent and original work rights	7,603	5	0	(1,125)	0	480
Concessions, licences, trademarks and similar rights	11,502	0	0	0	0	(213)
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0
Other intangible fixed assets	6,254	192	0	(220)	0	(82)
Intangible assets under construction	929	85	0	0	0	0
Total	47,225	282	0	(1,345)	0	185

The decrease compared with 31 December 2020 mainly reflects amortisation in the period of EUR 1,345 thousand, calculated using the same annual rates as in 2020, which are reported below.

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

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

Concessions, licences, trademarks and similar rights

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

Goodwill

This item mainly relates to the goodwill recognised for the subsidiary Sardeolica S.r.l. (EUR 20,937 thousand), which was paid to acquire the subsidiary Parco Eolico di Ulassai Srl (thereafter merged by incorporation into Sardeolica). It was justified given the projection of future cash flows expected by the subsidiary Sardeolica S.r.l. until its concessions expire.

Other intangible fixed assets

These amount to EUR 6,144 thousand, virtually unchanged on 31 December 2020.

Intangible assets under construction and advance payments

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

5.2.3 Right-of-use of leased assets

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

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

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

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/03/2021
Leased land and buildings	41,070	0	0	0	0	41,070
Leased plant and equipment	11,952	0	0	0	0	11,952
Other leased assets	8,239	0	0	0	0	8,239
Total	61,261	0	0	0	0	61,261

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/03/2021
Leased land and buildings	10,113	1,288	0	0	29	11,430
Leased plant and equipment	3,167	363	0	0	1	3,531
Other leased assets	5,180	649	0	0	0	5,829
Total	18,460	2,300	0	0	30	20,790

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	31/03/2021
Leased land and buildings	30,957	0	0	(1,288)	0	(29)	29,640
Leased plant and equipment	8,785	0	0	(363)	0	(1)	8,421
Other leased assets	3,059	0	0	(649)	0	0	2,410
Total	42,801	0	0	(2,300)	0	(30)	40,471

The balance at 31 March 2021, for EUR 40,471 thousand, relates to the application of standard IFRS 16 - Leases. Booking essentially refers to the following types of contracts:

- 1) Concessions, building rights and similar: these are mainly concessions of areas on which part of the production site of Sarroch and the oil depots of Arcola and Cartagena are located, as well as the area on which the Ulassai wind farm was built and operates;
- 2) Plants: these are mainly contracts stipulated by the subsidiary Sarlux with suppliers for the construction and operation of some plants within the production site of Sarroch;
- 3) Company car fleets: these are long-term lease contracts on company cars used both within the industrial site of Sarroch and by employees in various managerial and commercial sites.
- 4) Property leases for offices and sales premises.

5.2.4 Other investments

Other investments break down as follows:

Other investments	31/03/2021	31/12/2020	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Total	502	502	0

5.2.5 Prepaid tax assets

The Saras Group's net position of deferred tax assets and liabilities as at 31 March 2021 amounts to EUR 129,703 thousand (comprising prepaid tax for 133,433 entered under non-current assets and deferred tax entered under non-current liabilities for EUR 3,730 thousand).

On the basis of the provisions of the 2021-2024 Business Plan, the Directors believe the prepaid tax recorded against previous tax losses, to be recoverable.

5.2.6 Other financial assets

At 31 March 2021, this item amounts to EUR 5,970 thousand (EUR 5,972 thousand the previous year) and relates to medium-/long-term receivables.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	31/03/2021	31/12/2020	Change
Current bank loans	58,602	19,059	39,543
Bank current accounts	313,670	456,144	(142,474)
Financial derivatives	54,083	97,327	(43,244)
Other short-term financial liabilities	19,146	38,911	(19,765)
Total	445,501	611,441	(165,940)

'Current bank loans and borrowings' include the short-term portion of bank loans and borrowings raised by the Group, which are measured at amortised cost. The terms and conditions of the loans and bonds are described in note "5.5.1 - Long-term financial liabilities".

"Bank current accounts" includes the balance of credit facilities as well as "hot money" transactions used by the Group in the normal pursuit of its business. The Parent Company Saras also has a revolving credit facility in place for a maximum amount of EUR 305 million, of which zero was used as at 31 March 2021.

"Financial derivatives" comprise the negative fair value of the financial derivatives in place at 31 March 2021: the decrease on 31 December 2020 is primarily due to the rise in the prices of crude and oil products.

The following table shows assets and liabilities measured at fair value as at 31 March 2021, broken down by type of underlying:

Strumenti finanziari derivati	31/03/2021 Assets	31/03/2021 Liabilities	31/12/2020 Assets	31/12/2020 Liabilities	Variazione
Interest rate swaps	11,539	2,641	12,648	586	2,055
Fair value derivatives on commodities	40,179	51,442	78,462	95,104	(43,662)
Fair value forward purchases and sales on exchange rates	0	0	0	1,637	(1,637)
Negative Fair value, derivative instruments	0	0	0	0	0
Total	51,718	54,083	91,110	97,327	(43,244)

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

For further details, see the statement of cash flows.

5.3.2 Trade and other payables

Trade payables amount to EUR 1,078,692 thousand, with an increase amounting to 160,098 thousand euro, up on the balance as at 31 December 2020. The increase is mainly due to the rise in prices recorded during the period.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Tax liabilities	31/03/2021	31/12/2020	Change
Payables for VAT	30,797	15,739	15,058
IRES payables (and income tax foreign firms)	365	365	0
Other tax payables	109,881	64,395	45,486
Total	141,043	80,499	60,544

"Other tax payables" mainly include payables for excise duties on products released for consumption by the Parent, Saras S.p.A., (EUR 105,090 thousand) and the subsidiary Saras Energia S.A.U. (EUR 2,103 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	31/03/2021	31/12/2020	Change
Payables employee benefit and social security	8,351	10,395	(2,044)
Payables due to employees	27,573	26,928	645
Payables to others	19,197	21,162	(1,965)
Accrued liabilities	2,312	1,135	1,177
Deferred income	7,874	8,272	(398)
Total	65,307	67,892	(2,585)

Other current liabilities are substantively in line with those of end F 2020. In particular, the item "Payables to employees" includes salaries for March not yet paid and the accrued portion of additional monthly payments, as well as any bonuses for the achievement of corporate goals.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below.

Long-term financial liabilities	31/03/2021	31/12/2020	Change
Non-current bonds	200,260	199,344	916
Non-current bank loans	340,618	399,236	(58,618)
Other long-term financial liabilities	50,753	53,484	(2,731)
Total	591,631	652,064	(60,433)

It comprises the medium-/long-term portions of the bank loans taken out by the Parent. These are summarised as follows (values in EUR millions):

Values expressed in millions of EUR	Commencement / Debt renegotiation	Original amount	Base rate	Balance at 31/12/2020	Balance at 31/03/2021	Maturities	
						1 year	beyond 1 year to 5 years
Saras SpA							
Bond	December 2017	200	1.7%	199.3	200.3		200.3
Unicredit	February 2020	50	6M Euribor	49.2	49.0		49.0
Sace Financing	December 2020	350	0.95%	350.0	350.0	58.6	291.4
Total liabilities to banks for loans				598.5	599.3	-	540.7

“Long-term financial liabilities” includes la bond for a total nominal value of EUR 200 million, maturing on 28 December 2022 with a fixed coupon of 1.70%, represented by a private placement of debt securities on Third Market, the Austrian multilateral trading facility owned by Wiener Börse AG.

In December 2020, SARAS stipulated a loan contract for EUR 350 million, backed 70% by the amount of guarantees given by SACE under the scope of the Italy Guarantee programme and intended to strengthen the Company's equity structure.

The loan was organised and subscribed by a pool of leading Italian financial institutes, including Intesa SanPaolo as Custodian Bank, Agent Bank and SACE Agent.

The transaction comes under the scope of a financial consolidation plan implemented by Saras to cope with the impact of the COVID-19 emergency and, in line with the provisions of the “Liquidity Decree” of 09 April 2020 and SACE regulations, and mainly aims to support the Company's working capital.

The loan was disbursed as a lump sum and falls due on 30 September 2024 with 9 months of pre-amortisation and repayment in constant quarterly instalments starting end December 2021, at a rat, including the cost of the SACE guarantee, in line with the average cost of Group debt.

In FY 2020, the Parent Company obtained a revision by the lending banks of the financial covenants on the existing credit facilities, to take into account the changed market conditions; these covenants will be checked once every six months.

5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows.

Provisions for risks and charges	31/12/2020	Provisions	Use	Other Changes	31/03/2021
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO ₂ quotas fund	179,038	65,382	(68,755)	0	175,665
Other funds for risks and charges	46,089	0	(30)	0	46,059
Total	244,165	65,382	(68,785)	0	240,762

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

The provision for CO₂ allowances (EUR 175,665 thousand) was accrued pursuant to Legislative decree no. 216 of 4 April 2006, which introduced limits on CO₂ emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO₂ must be purchased on the appropriate market. Period use was due to the purchase of allowances to absolve the 2020 obligation in the amount of EUR 68,755 thousand. The provision refers to the allowances necessary to fulfil this obligation and not yet purchased.

The item “Other provisions for risks” mainly refers to provisions recorded for probable liabilities of a legal and fiscal nature, mainly due to a dispute with the GSE for the recognition of white certificates (TEE). The provisions of a tax nature mainly refer to the provision made regarding certain Invitations to Hearings, notified by the Regional Tax Directorate during 2020 and aimed at verifying the correct tax treatment assigned to the ACE facility applicable for the 2016-2017 period. The item also

includes the provision, made at the end of the previous financial year, for charges related to a corporate plan to incentivise the termination of the employment relationship that will be implemented during 2021.

5.4.3 Provisions for employee benefits

The following table shows the changes in "Post-employment benefits":

Provisions for employee benefits	31/03/2021	31/12/2020	Change
Post-employment benefits	9,487	8,901	586
Total	9,487	8,901	586

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

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,730 thousand, relate to the foreign subsidiaries.

5.4.5 Other non-current liabilities

Other non-current liabilities come to EUR 450 thousand and are up by EUR 70 thousand on last year.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	31/03/2021	31/12/2020	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	718,390	994,482	(276,092)
Net profit (loss) for the period	(23,773)	(275,516)	251,743
Total	760,173	784,522	(24,349)

Share capital

At 31 March 2021, 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, which is unchanged from the previous year-end balance, is equal to one-fifth of the share capital.

Other reserves

This item totals EUR 718,390 thousand, representing a net decrease of EUR 276,092 thousand on the previous year. This net decrease was the combined result of:

- the allocation of the prior year profit (EUR 275,516 thousand);
 - the negative effect of the translation of foreign currency financial statements of foreign subsidiaries (EUR 576 thousand);
- In accordance with IAS 1, para. 1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

Net result

The period loss amounts to EUR 23,773 thousand.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenue from core business

“Revenue from core business” breaks down as follows:

Revenues from ordinary operations	31/03/2021	31/03/2020	Change
Revenues from sales and services	1,536,327	1,703,484	(167,157)
Sale of electricity	65,677	109,201	(43,524)
Other remunerations	2,006	2,965	(959)
Change in contract work in progress	(405)	246	(651)
Total	1,603,605	1,815,896	(212,291)

Revenue from sales and services is down by EUR 167,157 thousand due to the reduction in sales volumes, partly offset by an increase in average prices of sale. This decline is caused by the spread of the Coronavirus epidemic and the reduction in sales and consumption of oil products. For more details, refer to the Report on Operations.

Revenue from the sale of electricity mainly comprises EUR 54,753 thousand relating to the gasification plant, EUR 6,621 thousand relating to the subsidiary Sarlux Srl's internal utility network sales, and EUR 4,303 thousand relating to the subsidiary Sardeolica's wind farm.

The reduction on last year is mainly due to the lesser quantities of electricity produced by the gasification plant owned by the subsidiary Sarlux.

Please note that, pending the settlement of the dispute with ARERA 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 in accordance with Law Decree 69/2013 (the “Doing Decree”), which is less beneficial for the subsidiary.

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

6.1.2 Other income

The following table shows a breakdown of other income:

Other operating revenues	31/03/2021	31/03/2020	Change
Compensation for storage of mandatory stocks	823	2,403	(1,580)
Sale various materials	17	125	(108)
Grants	469	463	6
Chartering	990	862	128
Recovery for claims and compensation	126	416	(290)
CO2 charges reimbursement	18,936	19,626	(690)
Other revenues	4,453	45,591	(41,138)
Total	25,814	69,486	(43,672)

The item “Repayment of CO2 expenses” refers to the revenues recognised by the subsidiary Sarlux S.r.l. following the obtaining, pursuant to Title II, point 7-bis of CIP measure no. 6/92, of the repayment of the expenses incurred as part of the application of Directive 2003/87/EC (Emission Trading) as per AEEG's resolution no. 77/08. The increase compared to the previous year is mainly due to the change in the price of allowances.

The reduction in “Other revenues” mainly comprises the previous period release of the provision made in previous years for CO₂ allowances in relation to the purchase of the business unit (north plant) from Versalis Spa following their definitive assignment for the period 2015-2020, for EUR 35.9 million.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw and ancillary materials and consumables

Purchases of raw materials, replacement parts, consumables	31/03/2021	31/03/2020	Change
Purchase of raw materials	792,234	326,034	466,200
Purchase semi-finished products	59,667	62,300	(2,633)
Purchase supplies and consumables	14,795	31,702	(16,907)
Increase in property, plant and equipment	(2,800)	(741)	(2,059)
Purchase finished products	651,168	1,094,532	(443,364)
Change in inventories	(137,496)	441,152	(578,648)
Total	1,377,568	1,954,979	(577,411)

Costs for the purchases of raw and ancillary materials and consumables increase by EUR 466,200 thousand on the same period of last year due to both the increase in prices and the increase in quantities purchased; by contrast, the costs for the purchase of finished products have reduced by EUR 443,364 thousand, mainly due to the lesser quantities purchased, without doubt impacted by the spread of the Coronavirus pandemic as mentioned previously. For more details, refer to the Report on Operations.

In compliance with the provisions of the accounting standards, the Group has valued inventories at the lesser of purchase or production cost and recoverable amount on the market: this comparison has revealed the need to enter inventories at a lesser value for EUR 4 million.

6.2.2 Services and sundry costs

Services and sundry costs	31/03/2021	31/03/2020	Change
Costs for services	118,922	157,922	(39,000)
Capitalisations	(4,622)	(37,339)	32,717
Derivatives on crude oil products and CO2	4,496	(147,286)	151,782
Costs for use of third-party goods	1,025	581	444
Provisions for risks	65,382	0	65,382
Other operating costs	7,409	10,466	(3,057)
Total	192,612	(15,656)	208,268

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

“Capitalisation” mainly refers to the turn-around maintenance costs capitalised during the period;

“Provisions for risks and charges” mainly include the amount set aside for expenses connected with the application of Directive 2003/87/EC (Emission Trading). In addition to period allowances, this item also includes the price adjustment on previous years’ allowances not yet purchased. Last year, the reduction in prices meant that this adjustment fell below the cost of the period allowances and, therefore, the provision made was zero.

“Other operating costs” chiefly comprise indirect taxes (municipal tax on property and air emission taxes) and membership fees.

6.2.3 Cost of labour

The breakdown of “Cost of labour” is as follows:

Personnel costs	31/03/2021	31/03/2020	Change
Salaries and wages	24,124	29,216	(5,092)
Increases in fixed assets for internal work	(1,792)	(3,004)	1,212
Social security contributions	6,965	8,233	(1,268)
Post-employment benefits	1,456	1,671	(215)
Other costs	865	1,477	(612)
Remuneration to the Board of Directors	511	469	42
Total	32,129	38,062	(5,933)

Considering the reduction in the average staff on the Group workforce and the use of the temporary lay-off fund (CIG) that began in the latter part of 2020 and continued into the first quarter of 2021, the cost of labour has reduced in comparison with the same period of last year.

6.2.4 Amortisation, depreciation and impairment

Amortisation and depreciation figures are shown below.

Depreciation/amortisation and write-downs	31/03/2021	31/03/2020	Change
Amortisation of intangible assets	1,345	8,887	(7,542)
Depreciation of tangible assets	43,510	38,431	5,079
Depreciation of tangible leased assets	2,300	2,313	(13)
Total	47,155	49,631	(2,476)

“Amortisation of intangible fixed assets” is down EUR 7,542 thousand on the same period of last year, mainly due to completion of the amortisation of the contract for the sale of electricity of the subsidiary Sarlux.

“Depreciation of tangible fixed assets” increases due to the commissioning of the investments made by the group during the previous year.

“Amortisation of leased assets” includes period amortisation calculated in accordance with the provisions of IFRS 16.

6.3 Financial income and expense

A breakdown of financial income and expense is shown below.

Financial income	31/03/2021	31/03/2020	Change
Bank interest income	108	184	(76)
Unrealised differences on derivatives	2,884	0	2,884
Realised differences on derivatives	64	3,414	(3,350)
Other income	0	1	(1)
Profit on exchange rates	17,059	11,316	5,743
Total	20,115	14,915	5,200

Financial charges	31/03/2021	31/03/2020	Change
Unrealised differences on derivatives	(418)	(1,751)	1,333
Realised differences on derivatives	(1,859)	1,835	(3,694)
Interest expenses on loans and other financial charges	(5,398)	(4,879)	(519)
Interest on rights of use on leases	(163)	(161)	(2)
Exchange rate losses	(27,570)	(27,417)	(153)
Total	(35,408)	(32,373)	(3,035)

The table below shows net income/expense by type:

Financial income and Financial charges	31/03/2021	31/03/2020	Change
Net interest	(5,453)	(4,856)	(597)
Result of derivative instruments, of which:	671	3,498	(2,827)
<i>Realised</i>	(1,795)	5,249	(7,044)
<i>Fair value of open positions</i>	2,466	(1,751)	4,217
Net exchange rate differences	(10,511)	(16,101)	5,590
Other	0	1	(1)
Total	(15,293)	(17,458)	(662)

The fair value of derivatives in place at 31 March 2021 refers in full to exchange rate and interest rate hedges, as well as speculative transactions.

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

6.4 Income tax

Income tax refers entirely to prepaid tax as a result of the tax losses accrued during the period by the Italian companies.

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 Saras SpA and some Group companies were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts. With respect to 31 December 2020, no significant updates apply to current disputes, nor have any new actions been taken.

The Group Companies are involved in legal disputes filed by different plaintiffs for various reasons. The outcome of some of these disputes is hard to predict. Although the decisions made by the ordinary and administrative courts with regard to the alleged infringements have been contradictory, the Group believes that the probability of any liability arising is remote. If, however, a liability is deemed probable, appropriate accruals have been made to the provision for risks. Also in this context, with respect to 31 December 2020, no significant updates apply to current disputes, nor have any new actions been taken.

The subsidiary Sarlux Srl is involved in pending litigation concerning energy issues:

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

refer to the 2020 consolidated financial statements for further details.

Also in this context, with respect to 31 December 2020, no significant updates apply to current disputes, nor have any new actions been taken.

7.2 Commitments

At 31 March 2021, there are no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company Saras issued sureties totalling EUR 259,864 thousand as at 31 March 2021, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.3 Related party transactions

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