

# SARAS GROUP HALF-YEAR FINANCIAL REPORT AS OF 30<sup>TH</sup> JUNE 2023



FROM SOURCES TO RESOURCES



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, Chief Executive Officer and Director
ANGELO MORATTI	Director
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GIOVANNI EMANUELE MORATTI	Director
FRANCO BALSAMO	Deputy CEO, General Manager and Director
GIOVANNI MANCINI known as GIANFILIPPO	Independent Director
VALENTINA CANALINI	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
FRANCESCA STEFANIA LUCHI	Independent Director
SILVIA PEPINO	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

FABIO PERETTI	Chief Financial Officer
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## INDEPENDENT AUDITING FIRM

EY SpA

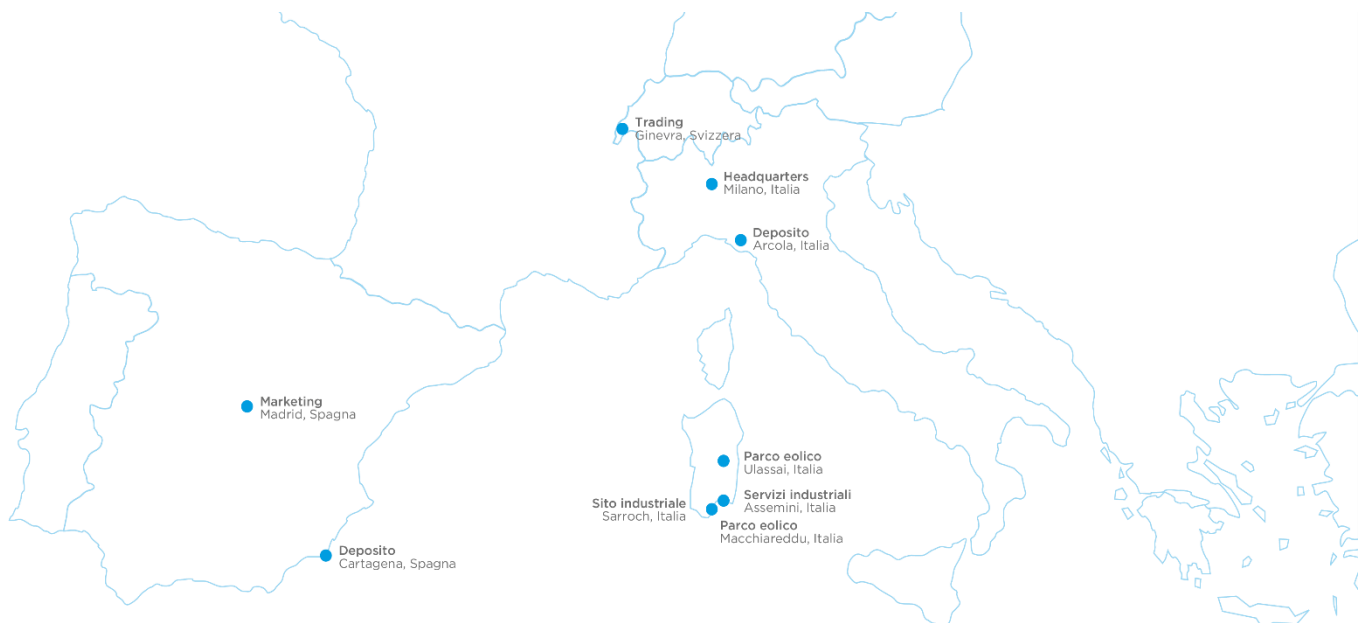
# Group Activities

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 largest in the Mediterranean in terms of production capacity (15 million tons per year, or 300,000 barrels per day) and one of the most advanced in terms of plant complexity (Nelson Index of 11.7). 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 acquired over sixty 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 trading & supply activities. This also includes the subsidiary Saras Trading SA, based in Geneva, one of the world's main hubs for trading in oil commodities, which buys crude oil and other raw materials for the refinery, sells refined products, and carries out trading activities.

The Group sells and distributes oil products directly and through its subsidiaries, such as diesel, gasoline, heating gasoil, liquefied petroleum gas (LPG), virgin naphtha, fuel for aviation and bunkering, mainly on the Italian and Spanish (Saras Energia S.A.) markets, but also in various other European and non-European countries. The Group is also active in the production and sale of electricity, through the IGCC plant (Integrated Gasification Combined Cycle), combined with the refinery and also managed by the subsidiary Sarlux, with an installed capacity of 575 MW. The plant, which since April 2021 has been recognized by ARERA as one of the essential plants for the security of the Italian electricity system, uses heavy refining products and transforms them into approximately 4 billion kWh/year of electricity, contributing to over 45% of the electricity needs of Sardinia in 2022.

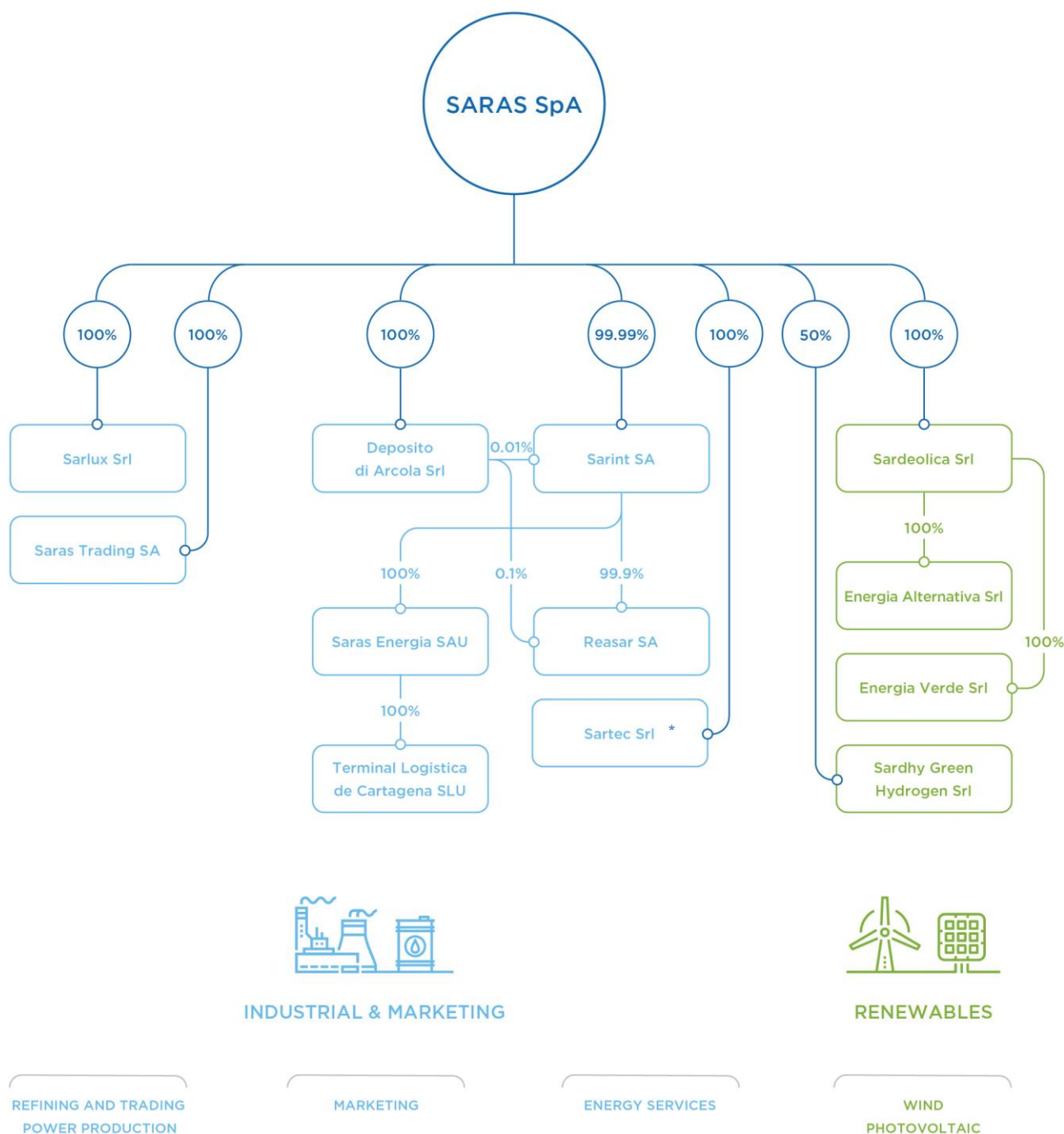
Also in Sardinia, the Group produces and sells electricity from renewable sources, through three wind farms managed by the subsidiaries Sardeolica Srl, Energia Alternativa Srl and Energia Verde Srl located in Sardinia, for a total installed capacity to date of 171 MW.

The company Sardhy Green Hydrogen S.r.l., a subsidiary owned 50% by Saras S.p.A. and 50% by Enel Green Power Italia S.r.l., was incorporated at the end of 2021, with the aim of starting the first authorization procedures and, if the funding requested under the IPCEI European program will be obtained, to carry out the engineering, procurement and construction of the new hydrolyser through the formalization of dedicated contracts.



# Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 30/06/23<sup>1</sup>.



## INDUSTRIAL & MARKETING



## RENEWABLES

REFINING AND TRADING  
POWER PRODUCTION

MARKETING

ENERGY SERVICES

WIND  
PHOTOVOLTAIC

\* From July 1<sup>st</sup> 2023 merger by incorporation of Sartec Srl into Sarlux Srl. For further details, see the chapter “Main events after the end of the six months of 2023”.

<sup>1</sup> The new company Saras Energy Management Srl, 100% controlled by the parent company Saras Spa, was established on 19 July 2023. The company has a fully paid-up share capital of EUR 100,000 and will carry out the sale and purchase of electricity and other related goods and services for the Group.

## Saras Stock Performance

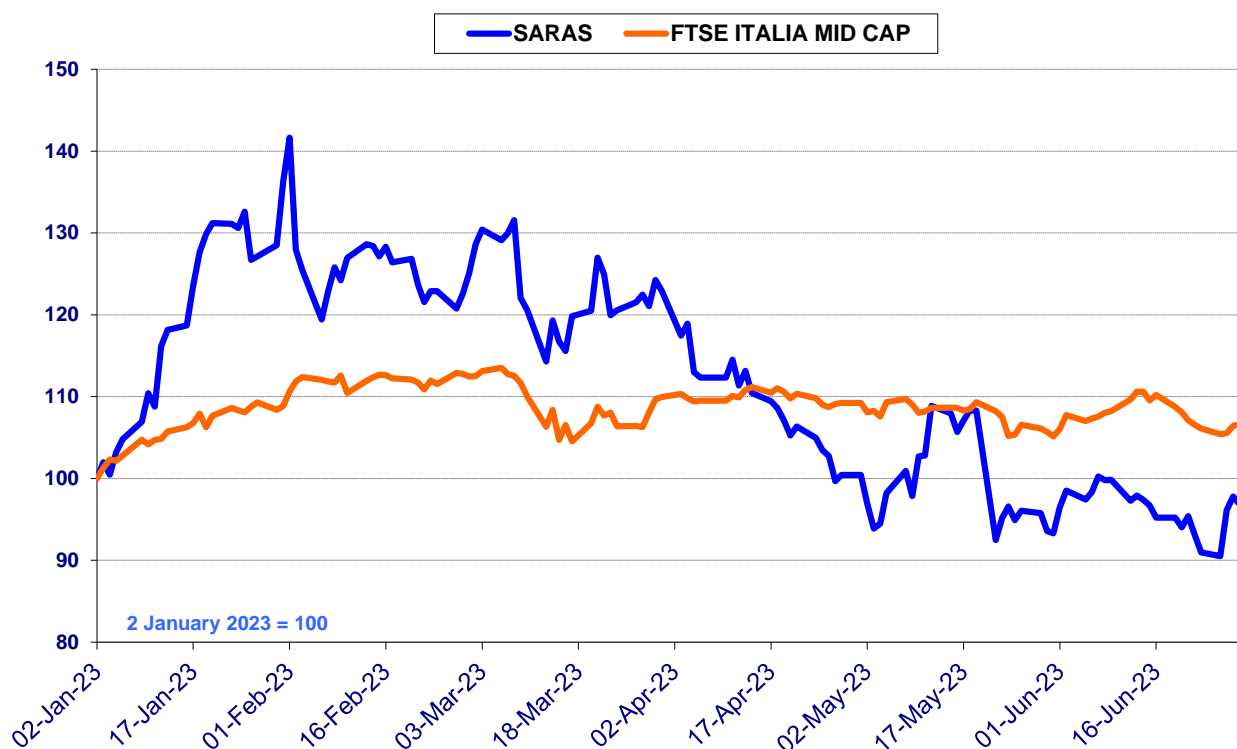
The following data relate to Saras' share prices and the daily volumes, traded during the first six months of 2023.

SHARE PRICE (EUR)	H1'23
Minimum price (26/06/2023)	1.0575
Maximum price (01/02/2023)	1.655
Average price	1.3083
Closing price at the end of the first six months of 2023 (30/06/2023)	1.1355

DAILY TRADED VOLUMES	H1'23
Maximum traded volume in EUR million (02/02/2023)	45.8
Maximum traded volume in number of shares (million) (02/02/2023)	30.6
Minimum traded volume in EUR million (06/06/2023)	3.4
Minimum traded volume in number of shares (million) (06/06/2023)	2.9
Average traded volume in EUR million	11.6
Average traded volume in number of shares (million)	8.8

The Market capitalization at the end of the first six months of 2023 was equal to approximately EUR 1,080 million and the total number of outstanding shares were 951 million. At today's date, the Company does not hold any treasury shares.

The following graph shows the daily performance of Saras' share price during the first six months of 2023, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



# REPORT ON OPERATIONS

## 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 income (non-accounting values processed in this report on operations) have been stated with the measurement of stocks using the FIFO method but excluding unrealized gains and losses on stocks resulting from scenario changes. These are calculated by measuring initial inventories (including derivatives associated with them) at the same unit values as closing inventories (with increasing quantities in the period) and closing inventories at the same unit values as initial inventories (with decreasing quantities 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 income.

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

## Impacts of the Russian-Ukrainian conflict

The results of the first half of 2023 are part of an oil market context still influenced - albeit to a lesser extent than in 2022 - by the consequences of the Russian-Ukrainian conflict. The margins of the main distilled products remained on average higher than the historical values, highlighting the permanent pressure on prices caused by the absence of imports from Russia, the main supplier of middle distillates to Europe until the outbreak of the conflict, in a context characterized by low unused refining capacity, both in Europe and in the USA.

The pool of middle distillates, however, despite being the most affected by the reduction in imports from Russia, with an effect on prices and margins that recorded unprecedented levels in 2022, showed starting from the end of 2022 and in the first half of 2023 a partial normalization, determined in the first place by a progressive increase in supply from Asian countries, and in particular China, India and Turkey, which did not adhere to the sanctions, and secondly, by a slowdown in demand from the industrial sector in the main countries of the OECD area. In particular, the diesel crack spread, which in the first quarter, although down compared to 2022, still maintained extremely high levels on average (+ 30.6 USD/bbl), recorded a significant decline between the end of April and the beginning of May, when it reached values in line with those pre-Covid (approximately +10 USD/bbl). This trend is mainly due to the non-materialization of the "short" of product in Europe after the entry into force of the embargo at the beginning of February on Russian products: the high stocks accumulated by European countries before that date, also favored by the increasing volumes of imports from countries not adhering to the embargo, have maintained a more than adequate supply. At the same time, demand from the industrial sector also slowed down, caused by the restrictive monetary policies of the central banks.

However, starting from May, a drop in Asian exports to Europe contributed to reduce the levels of stocks of middle distillates; the diesel crack was therefore back to about \$ 20 USD/bbl - a level higher than the historical averages.

For more details on the impacts of the Russian-Ukrainian conflict, please refer to the chapters on the Reference Market and Risk Analysis, paragraph "Risk of price changes".

## Key Group financial and operating results

EUR million	H1 2023	H1 2022	Change %	Q2/23	Q2/22	Change %
REVENUES	5,417	7,699	-30%	1,951	4,749	-59%
Reported EBITDA	282.0	688.5	-59%	35.6	532.2	-93%
<b>Comparable EBITDA</b>	<b>312.4</b>	<b>520.6</b>	<b>-40%</b>	<b>27.1</b>	<b>458.6</b>	<b>-94%</b>
Reported EBIT	187.6	595.7	-69%	(12.4)	485.0	n.s.
<b>Comparable EBIT</b>	<b>218.0</b>	<b>427.8</b>	<b>-49%</b>	<b>(20.9)</b>	<b>411.4</b>	<b>n.s.</b>
NET RESULT reported	122.3	292.5	-58%	(16.8)	215.9	n.s.
<b>Comparable NET RESULT</b>	<b>139.7</b>	<b>300.5</b>	<b>-54%</b>	<b>(22.3)</b>	<b>287.1</b>	<b>n.s.</b>

EUR million	H1 2023	H1 2022	FY 2022
NET FINANCIAL POSITION ANTE IFRS 16	73.5	64.9	268.6
NET FINANCIAL POSITION POST IFRS 16	36.1	23.1	227.5
CAPEX	143.2	50.9	105.7

## Comments on the Group's results for the first six months of 2023

In the first half of 2023, Group revenues amounted to EUR 5,417 million, compared to EUR 7,699 million in the first six months of last year. The change is mainly due to the significant depreciation of the main oil products and the decrease in the sales price of electricity (regulated within the Essentiality Regime agreement) compared to the same period of last year. Specifically, in the first half of 2023, the average diesel price was 772 USD/ton (vs 1,045 USD/ton in 2022), while the average gasoline price was 832 USD/ton (vs 1,076 USD/ton in 2022), the single national price for the sale of electricity (PUN) was 136 EUR/MWh (vs an average sale price of 249 EUR/MWh in the first half of 2022). In addition to the trend in the prices of the main products sold, the lower refining runs and lower electricity production, as a result of increased maintenance work and lower industrial performance, also due to external factors, had a negative impact in the first half of 2023. More specifically, in the first half of 2023, maintenance work was carried out on catalytic reforming, both Mild HydroCracking plants, some distillation units, and most importantly the multi-year turnaround of the Integrated Gasification Combined Cycle plant (IGCC).

The Group's reported EBITDA amounted to EUR 282.0 million in the first six months of 2023, down from EUR 688.5 million in the first six months of 2022. The negative change is to be primarily attributed to the worsening of core business between the two periods, mainly due to the decrease in the cracks of the main products, which was partly offset by lower crude procurement costs and the decrease in the cost of electricity required to operate the industrial plants, net of the amount reimbursed under the Essentiality Regime agreement. Overall performance was substantially in line with the same period of the previous year, despite the negative impact of a more costly maintenance plan and the fewer optimizations available in terms of procurement of crude oil. Moreover, the price trend of commodities on oil inventories (net of the related hedging derivatives) decreased by EUR 24.0 million in the first half of 2023 compared to an increase of EUR 123.4 million in the same period of 2022. Lastly, there are no non-recurring items pertaining to the period compared with a negative item of EUR 3.8 million in 2022. Finally, it should be noted that the reported EBITDA for the first half of 2023 reflects the effects of the TER Support Decree, i.e. a reduction in energy costs by EUR 31.7 million (vs EUR 39.9 million in 2022) and a decrease in sales revenues for electricity generated from renewable sources (wind power) by EUR 4.9 million (vs EUR 12.4 million in 2022) due to a limitation of sales tariffs.

The Group's reported Net Income in the first six months of 2023 was EUR 122.3 million, compared to EUR 292.5 million achieved in the first six months of 2022. In addition to what is shown at the EBITDA level, this deviation is mainly attributable to lower financial expenses and lower taxes for the first half of 2023 compared to 2022, which was impacted by the effect of Decree Law no. 21 of 21 March 2022, as amended, known as the windfall tax.

The Group's comparable EBITDA for the first six months of 2023 amounted to EUR 312.4 million, down from EUR 520.6 million recorded in the first six months of 2022. With respect to reported EBITDA, this result does not include the above-mentioned negative effect of the scenario on inventory changes between the beginning and the end of the period, includes the impact of exchange rate derivatives (reclassified under core business) and excludes non-recurring items. The lower result compared to the first six months of



2022 is made up of a negative deviation in both the Industrial & Marketing and Renewables segments, as will be described in more detail in the "Segment Review" section.

The **Group's comparable Net Income for the first six months of 2023 was EUR 139.7 million**, down from EUR 300.5 million in the same period of last year as a result of the same reasons described for reported Net Income. It should be noted that the comparable reclassification of 2022 did not include the impact of the windfall tax.

**Investments in the first six months of 2023 stood at EUR 143.2 million** higher than in the first half of 2022 (EUR 50.9 million); this increase is attributable to the Industrial & Marketing segment and the Renewables segment as will be better described in the "Segment Review" section.

## Comments on the Group's second quarter of 2023 results

**In the second quarter of 2023, Group revenues amounted to EUR 1,951 million**, down from EUR 4,749 million reported in the same period last year. The significant decrease is mainly due to lower prices of the main oil products and the sale price of electricity (regulated within the Essentiality Regime agreement). Specifically, in the second quarter of 2023, the average diesel price was 710 USD/ton (vs 1,184 USD/ton in the second quarter of 2022), the average gasoline price was 825 USD/ton (vs 1,218 USD/ton in the second quarter of 2022), the single national price for the sale of electricity (PUN) was 115 EUR/MWh (vs 249 EUR/MWh in the second quarter of 2022).

In addition to the price effect, the revenues of the second quarter of 2023 were affected by lower volumes produced and sold: specifically, refining runs amounted to 19.5 million barrels (vs 25.9 million barrels in the second quarter of 2022) and non-renewable electricity production amounted to 519 GWh (vs 1,034 GWh in the second quarter of 2022). These significant reductions are due to the aforementioned more costly maintenance plan (which also included a general shutdown of the IGCC plant), and to lower industrial performance, due both to the longer than expected duration of some maintenance work and to external factors.

**The Group's reported EBITDA for the second quarter of 2023 was EUR 35.6 million**, down sharply from EUR 532.2 million in the second quarter of 2022. This negative change is mainly due to a worse scenario characterized by a sharp decrease in diesel and gasoline cracks, partially offset by a decrease in energy costs due to the reduction in the single national price. Overall performance was lower than last year, mainly due to the impact of the aforementioned production factors, but also due to a normalization of sales margins, which although high by historical standards, are gradually returning to normal levels from the exceptionally high levels of last year. The price trend of commodities on oil inventories (net of the related hedging derivatives) benefited from an increase of EUR 7.8 million compared to an increase of EUR 35.7 million in the same period of 2022. In the second quarter of 2023, there are no non-recurring items pertaining to the period compared with a negative item of EUR 2.6 million in 2022. Lastly, it should be noted that the reported EBITDA of 2023 reflects the effects of the TER Support Decree and the 2023 Budget Law, i.e. a reduction in energy costs by EUR 6.9 million (vs EUR 24.0 million in 2022) and a decrease in sales revenues for electricity generated from renewable sources (wind power) by EUR 1.6 million (vs EUR 6.4 million in 2022) due to the limitation of sales tariffs.

**The Group's reported Net Result for the second quarter of 2023 was negative by EUR 16.8 million**, compared to a positive value of EUR 215.9 million achieved in the second quarter of 2022. In addition to what is shown at the EBITDA level, this deviation is mainly attributable to lower taxes for the second quarter of 2023 compared to 2022, which was impacted by the effect of Decree Law no. 21 of 21 March 2022, as amended, known as the windfall tax.

**The Group's comparable EBITDA in the second quarter of 2023 amounted to EUR 27.1 million**, down from EUR 458.6 million in the second quarter of 2022. With respect to reported EBITDA, this result does not include the above-mentioned positive effect of the scenario on inventory changes between the beginning and the end of the period, includes the impact of exchange rate derivatives (reclassified under core business) and excludes non-recurring items. The lower result compared to the second quarter of 2022 is due to a negative deviation in both the Industrial & Marketing segment and the Renewables segment, as will be described in more detail in the "Segment Review" section.

**The Group's comparable Net Result was negative by EUR 22.3 million**, a decrease compared to the positive value of EUR 287.1 million achieved in the second quarter of 2022, due to the same reasons described for the Reported Net Result, net of the positive effect of the scenario on inventory changes between the beginning and the end of the period. As already mentioned in the comments for the half-year, it should be noted that the comparable reclassification of 2022 did not include the impact of the windfall tax.

**Investments in Q2/23 2023 stood at EUR 102.0 million** higher than in the second quarter of 2022 (EUR 26.8 million); this increase is attributable to both the Industrial & Marketing segment and the Renewables segment as will be better described in the "Segment Review" section.

## Calculation of the Group comparable EBITDA

EUR million	H1 2023	H1 2022	Q2/23	Q2/22
<b>Reported EBITDA</b>	<b>282.0</b>	<b>688.5</b>	<b>35.6</b>	<b>532.2</b>
Gain / (Losses) on Inventories and on inventories hedging derivatives	24.0	-123.4	(7.8)	(35.7)
Derivatives FOREX	6.4	-48.2	(0.7)	(40.5)
Non-recurring items	0.0	3.8	0.0	2.6
<b>Comparable EBITDA</b>	<b>312.4</b>	<b>520.6</b>	<b>27.1</b>	<b>458.6</b>

## Calculation of the Group comparable Net Result

EUR million	H1 2023	H1 2022	Q2/23	Q2/22
<b>Reported NET RESULT</b>	<b>122.3</b>	<b>292.5</b>	<b>(16.8)</b>	<b>215.9</b>
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	17.4	(89.0)	(5.5)	(25.7)
Non-recurring items net of taxes	0.0	97.0	-	97.0
<b>Comparable NET RESULT</b>	<b>139.7</b>	<b>300.5</b>	<b>(22.3)</b>	<b>287.1</b>

# Net Financial Position

The Net Financial Position at 30 June 2023, before the effects of applying IFRS 16, was positive by EUR 73.5 million, compared to the positive position of EUR 268.6 million reported at 31 December 2022.

A cash absorption of EUR 191 million was recorded in the first half of 2023. This absorption is due to the payment of taxes totaling EUR 305 million (including EUR 170 million effect of Decree Law no. 21 of 21 March 2022, as amended, the windfall tax), investments of EUR 143 million, the payment of dividends of EUR 181 million, and the payment of financial charges of approximately EUR 10 million.

These disbursements were partly offset by the generation of cash from operations of EUR 277 million and the reduction in working capital, which generated EUR 170 million, due to the decrease in inventories, the reduction in trade receivables, and the dynamics of VAT and excise duty payments, partly offset by the reduction in trade payables.

Lastly, it should be noted that cash and cash equivalents at 30 June 2023 amounted to EUR 497.0 million.

For further details, see the Notes to the Financial Statements.

<i>EUR million</i>	30-Jun-23	31-Dec-22
Medium/long-term bank loans	(344.4)	(401.4)
Bonds	-	-
Other medium/long-term financial liabilities	(4.1)	(4.4)
Other medium/long-term financial assets	3.8	4.1
<b>Medium-long-term net financial position</b>	<b>(344.7)</b>	<b>(401.7)</b>
Short term loans	(122.2)	(118.6)
Medium/long-term bank loans (maturity date within 12 months)	-	-
Banks overdrafts	(13.0)	(12.1)
Other short term financial liabilities	(19.1)	(22.3)
Fair value on derivatives and realized net differentials	(0.9)	6.6
Other financial assets	76.4	109.6
Cash and Cash Equivalents	497.0	707.1
<b>Short-term net financial position</b>	<b>418.2</b>	<b>670.3</b>
<b>Total net financial position ante lease liabilities ex IFRS 16</b>	<b>73.5</b>	<b>268.6</b>
Financial lease liabilities ex IFRS 16	(37.5)	(41.1)
<b>Total net financial position post lease liabilities ex IFRS 16</b>	<b>36.1</b>	<b>227.5</b>

# Reference Market

## Oil market

Provided below 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.

	Q1/23	Q2/23	H1/23	Q1/22	Q2/22	H1/22
<b>Crude oil price and differential (USD/bbl)</b>						
Brent Dated	81.3	78.4	<b>79.8</b>	102.5	113.9	<b>108.2</b>
Diff. Basrah Medium (CIF Med) vs. Brent Dtd	-7.1	-3.7	<b>-5.4</b>	-3.2	-2.7	<b>-2.9</b>
Diff. Azeri Light (CIF Med) vs. Brent Dtd	+6.2	+4.6	<b>+5.4</b>	+4.1	+6.5	<b>+5.3</b>
<b>Crack spreads for refined oil products (USD/bbl)</b>						
ULSD crack spread	30.6	16.8	<b>23.7</b>	19.0	44.8	<b>31.9</b>
Gasoline crack spread	19.2	20.5	<b>19.8</b>	9.4	31.9	<b>20.7</b>
<b>Reference margin (USD/bbl)</b>						
Reference margin (NEW Benchmark)	10.1	4.2	<b>7.1</b>	-0.5	16.9	<b>8.2</b>

Source: "Platts"

### Crude oil prices (Brent Dtd, Basrah Medium, Azeri)

**In the first six months of 2023, Brent Dtd recorded an average price of 79.8 USD/bbl compared to an average price of 108.2 USD/bbl in the same period of 2022.**

In the first few months of the year, growth forecasts in global oil demand - mainly linked to the restart of China after the period of restrictions against the pandemic - were offset by fears of a slowdown in global economic growth, against the tightening of the restrictive policies of Western central banks to combat inflation. In March, macroeconomic concerns intensified following the collapse of some US banks, linked to the tech sector, and the Credit Suisse crisis: the fear of repercussions on the entire banking sector and a recessive impact on the economy has further affected Brent prices, which, in the third week of March, reached 71 USD/bbl. At the end of the quarter, both the intervention of the banking authorities, aimed at avoiding a crisis in the credit system, and macroeconomic data that showed a slowdown in inflation in some European countries and in the USA, restored confidence in the markets. Brent therefore quickly returned to around 80 USD/bbl.

Against these factors, in the first quarter of 2023 Brent Dtd recorded an average price of 81.3 USD/bbl compared to an average price of 102.5 USD/bbl in the same period of 2022, when prices saw an increasing trend, driven by oil demand recovering to pre-Covid levels and, since the end of February, by the shock due to the reduction in Russian imports, following the outbreak of the conflict with Ukraine.

At the beginning of the second quarter, as a result of disappointing data on the recovery of the Chinese economy - especially the manufacturing sector - and on the performance of the main economies of the Eurozone, the prices of Brent Dtd followed a declining trend (from over 85 USD/bbl at the beginning of April to around 75 USD/bbl at the beginning of May), then found a support "floor" at those levels thanks to the production cuts of the OPEC + Russia countries. More specifically, from May '23 until December '24, Saudi Arabia, Iraq, UAE, Kuwait, Algeria, Oman, Kazakhstan and Russia have in fact agreed to cut production by a total of 1.7 Mbb/d. In June, Saudi Arabia unexpectedly decided to introduce a further unilateral cut of 1 Mbb/d to be effective from July '23, which can be extended from month to month, based on market conditions. These interventions were decisive in stemming downward pressures, and stabilizing the prices of Brent Dtd, which therefore recorded an average of 78.4 USD/bbl in the quarter.

With regard to the effects of the embargo against Russia, it should be noted that, during the half-year, the total volumes of exports from the country did not change significantly compared to the period before the conflict. Russian crude oil, in fact, found new destinations, redirecting itself from the European market towards Asia (in particular China, India and Turkey).

In this regard, it should be noted that, given the permanent embargo situation, and the impossibility of supplying Russian crude oils, starting from 2023, Saras has chosen to no longer indicate the Russian crude "Urals" as a reference for the type of crude oil with high sulphur content, and has replaced it with the Iraqi crude "Basrah Medium", which is regularly marketed both in Europe and in Asian countries and therefore represents a valid alternative reference.

**In the first half of 2023, the Basrah Medium CIF Med recorded an average discount compared to the Brent Dated of -5.4 USD / bbl (vs. -2.9 USD / bbl in H1 2022)** with different trends over the two quarters. In particular, in the first quarter of 2023, and in line with a trend already recorded in the second half of 2022, the discount averaged -7.1 USD / bbl (vs. an average discount of -3.2 USD / bbl) bbl in the first quarter of 2022). This was determined by a decline in purchases by traditional Asian buyers, in particular China and India, which, after the outbreak of the Russian-Ukrainian conflict, redirected their choices towards heavily discounted Russian crude oils, thus bringing the prices of the Basrah to a level clearly lower than historical ones. In the second quarter of 2023, the production cuts implemented by OPEC + Russia, which typically affect crude oils with a high sulphur content, caused a compression of the average discount of the Basrah, which recorded an average of -3.7 USD/bbl (-2.7 USD / bbl in the second quarter of last year).

With regard to “sweet” crude oils (low sulphur content), **the premium of Azeri Light CIF Med compared to Brent Dated in the first half of 2023 stood at an average of +5.4 USD/bbl (+5.3 USD/bbl in the first half of 2022)**. In particular, in the first quarter Azeri (as well as other crude oils with a low sulphur content) recorded a robust premium, in line with the previous quarter, thanks to the support deriving from the high margins of petrol and diesel. The average for the first quarter of 2023 was + 6.2 USD/bbl (+ 4.1 USD/bbl in the same period of 2022). In the second quarter, the premium of low sulphur content materials was affected by the decline in middle distillates and, despite the resilient performance of gasoline, recorded an average of + 4.6 USD/bbl (vs. +6.5 USD/bbl in the same period of 2022), more in line with historical averages.

**“Crack spreads” of the main refined products (i.e. the difference between the value of the product and the cost of crude oil; values FOB Med vs Brent Dtd)**

**The gasoline crack in the first six months of 2023 averaged 19.8 USD/bbl compared to an average of 20.7 USD/bbl in the first six months of 2022**, thus showing a significant strength over historical averages.

After the fluctuating trend recorded in the second half of 2022 and the marked seasonal decline recorded in December, the gasoline crack saw a significant recovery in Q1\_2023, recording a quarterly average of + 19.2 USD/bbl (+ 44% compared to the average of the last quarter of 2022, equal to + 13.4 USD/bbl). Among the reasons for this performance, it is necessary to mention mainly a resilient level of consumption, despite the uncertain macroeconomic context, and the tensions due to the upcoming spring maintenance season for European and American refineries. Inventory levels below historical averages and the generalized shortage of high-octane components were also favourable.

In the second quarter of 2023, the gasoline crack was particularly robust, with an average of + 20.5 USD/bbl, and peaks of over 26 USD/bbl in mid-June (compared to a record average of +31.9 USD/bbl in Q2\_2022, which was however characterized by the initial phases of the Russian-Ukrainian conflict). This trend is attributable to the beginning of the so-called driving season in the Atlantic basin which, together with the aforementioned spring maintenance, kept stocks at very low levels. Finally, also in the second quarter of 2023, gasoline crack benefited from the shortage of high-octane components, despite several attempts at balancing through record flows of Indian alkylate to the Atlantic coast of the United States.

**Diesel crack (ULSD) in the first six months of 2023 averaged +23.7 USD/bbl compared to an average of 31.9 USD/bbl in the same period of 2022.**

After the still very high values of January (+40.4 USD/bbl), the ULSD crack decreased between February and March around +25 USD/bbl. This decline in Europe took place in a context of particularly high inventories and lower than expected consumption. In fact, in view of the feared start of the embargo on products of Russian origin (which came into force on 5 February), many European operators began to increase purchases and accumulate stocks, relying on significant flows of middle distillates from Asian countries that had not joined the embargo (India, China and Turkey), which, by allocating the cheaper Russian product for domestic consumption, increased export flows from local refineries to Europe. Therefore, there was no lack of diesel supply in the European market; quite the contrary, it far exceeded consumption, which was instead affected by the slowdown in the industrial sector, as well as by lesser use of diesel instead of gas (due to both lowering gas prices and milder winter temperatures than the seasonal average). Overall, the average of the ULSD crack in the first quarter was +30.6 USD/bbl (+19.0 USD/bbl in Q1\_2022).

In the second quarter, the diesel crack dropped in April, reaching values in line with those prior to the conflict (roughly 10 USD/bbl), penalized by the aforementioned increase in import volumes and by a partial slowdown in industrial demand in Europe which was hit by inflationary pressures. A slowdown in Asian exports, due both to the restart of Chinese economy and resulting reduction in export and to temporary events such as the provisional closing of an important Indian port, was registered no earlier than June. This allowed the European market to dispose of excess stocks and brought the ULSD crack back to around 20 USD/bbl. Overall, the quarterly average of the ULSD crack was + 16.8 USD/bbl in Q2, significantly lower than +44.8 USD/bbl in the second quarter of 2022.

**The VLSFO crack in the first six months of 2023 recorded an average discount of -1.3 USD/bbl (compared to an average premium of + 5.6 USD/bbl in the first half of 2022).**

Specifically, in the first quarter, the average of the VLSFO stood at -0.2 USD/bbl (compared to an average of +3.8 USD/bbl in the first quarter of 2022), recording an appreciation compared to the average of -3.7 USD/bbl in Q4 2022. The reasons for this recovery include lower imports from the Middle East compared to previous months, following some operational difficulties encountered in

the new Al-Zour refinery in Kuwait. Furthermore, given the strong margins of gasoline, during the first quarter many refineries preferred to allocate the Light Sweet residue to the cracking cycle (FCC) for the production of light distillates, rather than using it in VLSFO formulations. This trend was also confirmed in the second quarter and contributed to reducing the supply of VLSFO on the market. Thus, despite a marked decline in April, the average of VLSFO crack stood at -2.4 USD/bbl in Q2\_2023 (vs. an average premium of +7.4 USD/bbl in Q2\_2022).

**The crack of high sulphur fuel oil (HSFO) recorded an average of -19.4 USD/bbl in the first six months of 2023, compared to average -24.6 USD/bbl in the first half of 2022.**

In particular, analysing the quarterly trend, even in the depressed context for ATZ crudes, the HSFO crack recorded an average of -25.3 USD/bbl in Q1\_2023 (vs. -21 USD/bbl in Q1\_2022) due to the growing trend number of ships equipped with scrubbers which allow the use of HSFO, to the detriment of the more expensive VLSFO, in the "East of Suez" naval trades. In the second quarter, the average HSFO crack stood at -13.5 USD/bbl (vs. -28.1 USD/bbl in Q2\_2022), continuing the trend of recovery which had started in the previous quarters, mainly thanks to the OPEC+ production cuts, and had specifically addressed high sulphur crude oils. Additional support came from the increased demand for high-sulphur fuel oil for electricity generation in the Middle East and in certain parts of Asia.

## Marketing

In Italy, according to the data analyzed by the Unione Energie per la Mobilità (UNEM) from the source "Ministry of the Environment and Energy Security - DGI", in the first six months of 2023 the sales of petroleum products were in line with the same period of 2022 (-0.1%), although still 5.0% lower than pre-covid levels (first half of 2019). The consumption of automotive fuels (gasoline + diesel) amounted to 15.4 million tons, with an increase of +1.1% compared to the first six months of 2022. In particular, compared to the first half of 2022, gasoline showed an increase of +7.4%, with a similar growth of gasoline sold on the network (+7.5%); automotive diesel showed a drop of 0.9%, not so much due to sales on the network (+1.6%) as for those on the wholesale channel (-5.2%) where mainly commercial vehicles are refueled. Finally, jet fuel (jet aviation) continues its recovery towards pre-pandemic levels with an increase of 21% compared to the same period in 2022.

In Spain, the data compiled by CORES available up to the month of May, show that in the first five months of 2023, the consumption of motorway fuels in Spain generally decreased by -1.5% compared to the same period of 2022, with growth significant increase in the demand for gasoline (+5.7%) and a reduction in demand for automotive diesel (-3.3%).

## Electricity and CO2

**In the first six months of 2023, the PUN recorded an average price of 136.3 EUR/MWh compared to an average of 248.6 EUR/MWh in the first half of 2022.**

In the first quarter, the price averaged 157 EUR/MWh (248 EUR/MWh in Q1\_2022), in line with the trend experienced by natural gas, a sharp decrease compared to the average recorded in the last quarter of 2022 (244 EUR/MWh). In the second quarter, the average was 115 EUR/MWh, compared to 249 EUR/MWh in the second quarter of 2022.

Overall, the decline in natural gas prices can be attributed to the high imports of liquefied natural gas (LNG) to replace the reduced flows via pipeline from Russia, and to lower consumption compared to the historical seasonal averages, in the face of the particularly mild winter and of the greater attention to energy savings by both private individuals and European industrial users (which led to an actual reduction in demand, estimated at around 20%).

**The EUA quotations of European permits for carbon dioxide emissions recorded an average price of 87 EUR/ton in the first six months of 2023, compared to an average of approximately 84 EUR/ton in the first half of 2022**, with substantially stable values in the first and second quarter, in line with the decarbonization and ecological transition policies that the EU is gradually implementing.

## Refining margin and Saras Industrial & Marketing margin

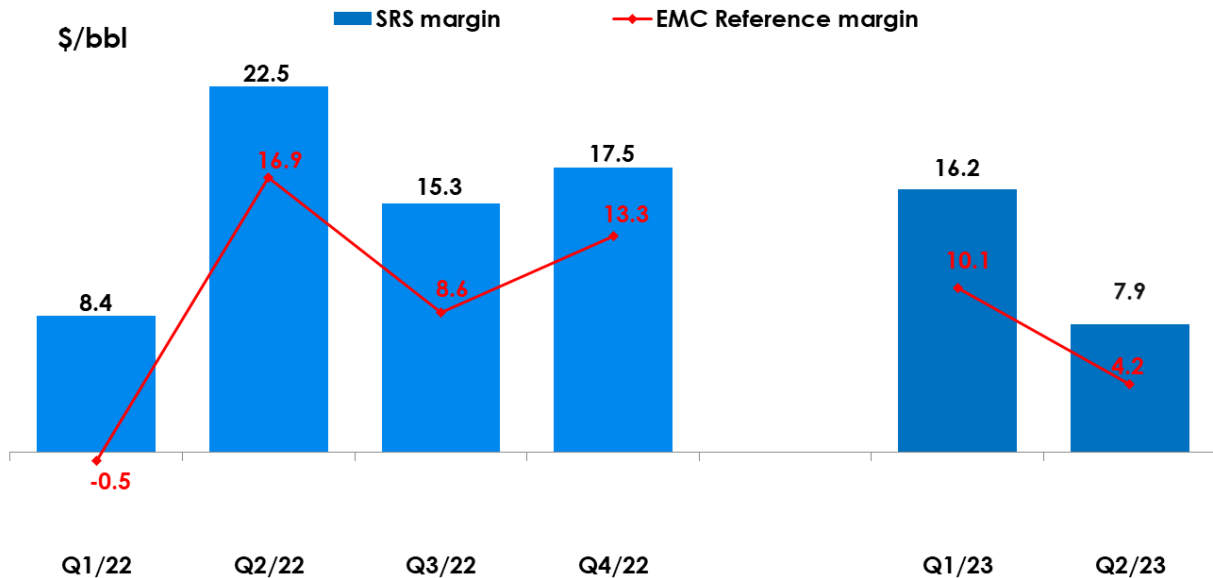
With regard to the profitability analysis of the Industrial & Marketing segment, Saras uses the "EMC Reference Margin" as a benchmark, against which the industrial site of Sarroch typically achieves a higher margin thanks to the high flexibility and complexity of its plants, as well as its industrial and commercial performance.

**In the first half of 2023, the EMC Reference Margin, in light of the market context described in the previous paragraph, averaged 7.1 USD/bbl** (vs. an average of 8.2 USD/bbl in H1/22). **Saras' margin was 12.6 USD/bbl** (16.5 USD/bbl in the same period of the previous year), **recording a premium of +5.5 USD/bbl** (8.3 USD/bbl in H1 2022).

In particular, as illustrated in the previous quarterly report, **the EMC Reference Margin in Q1'23 stood at an average of 10.1 USD/bbl** (vs a negative average of -0.5 USD/bbl in Q1/22). **The Saras margin was 16.2 USD/bbl** (8.4 USD/bbl in the same period of the previous year), **showing a premium of +6.1 USD/bbl** (+8.9 USD/bbl in Q1 of 2022).

In the second quarter, **the EMC Reference Margin stood at an average of 4.2 USD/bbl**, substantially down on the record average of 16.9 USD/bbl in Q2/22, recorded following the outbreak of the Russian-Ukrainian conflict, but also down compared to Q1'23. Much of this trend can be attributed to the decline in diesel crack which, as illustrated in the previous paragraph, lost around 14 USD/bbl in the average of Q2'23 compared to the average of Q1'23.

**The Saras margin in the second quarter of 2023 was equal to 7.9 USD/bbl** (vs. 22.5 USD/bbl in the same period of the previous year), highlighting an impact of the scheduled maintenance (including the multi-year shutdown of TurnAround of the IGCC plant), lower operating performance resulting from external events, and higher runs in April – the month characterized by lower margins. **The premium materialized by Saras compared to the EMC Reference Margin in Q2'23 was +3.7 USD/bbl** (+5.6 USD/bbl in Q2 2022), lower than expected due to the events mentioned above and also due to the effects caused by the appreciation of HSFO (whose crack went from -25.3 USD/bbl in Q1'23 to -13.5 USD/bbl in Q2'23). In fact, it should be remembered that HSFO is present in the yields of the EMC Reference Margin with a percentage equal to 7%, while Saras does not produce HSFO (except for temporary situations, such as during slowdowns or stops for maintenance). An appreciation of +10 USD/bbl in HSFO translates into an improvement of approximately +0.7 USD/bbl in the EMC Reference Margin.



# Segment Review

## Industrial & Marketing

The Sarroch production site, located on the coast south-west of Cagliari, consists of one of the largest refineries in the Mediterranean in terms of production capacity and plant complexity, perfectly integrated with an IGCC (combined cycle gasification) plant. The site is strategically located in the center of the Mediterranean and has a processing capacity of 15 million tons/year, corresponding to about 17% of the total distillation capacity in Italy, and an installed power generation capacity of 575 MW. It should be noted that, with regard to electricity generation activities, following resolution 740/2022 of 29 December 2022, ARERA accepted the request for admission to the cost reintegration regime for the power station, entered by Terna in the list of essential plants for the electricity system for 2023.

EUR million	H1 2023	H1 2022	Change %	Q2/23	Q2/22	Change %
Reported EBITDA	273.0	667.2	-59%	32.6	526.3	-94%
<b>Comparable EBITDA</b>	<b>303.4</b>	<b>499.3</b>	<b>-39%</b>	<b>24.1</b>	<b>452.7</b>	<b>-95%</b>
<i>of which relative to Marketing sales</i>	26.9	28.9	-7%	12.4	23.2	-47%
Reported EBIT	183.0	578.7	-68%	(13.1)	481.3	n.s.
<b>Comparable EBIT</b>	<b>213.4</b>	<b>410.8</b>	<b>-48%</b>	<b>(21.6)</b>	<b>407.7</b>	<b>n.s.</b>
<b>CAPEX</b>	<b>119.0</b>	<b>45.1</b>	<b>164%</b>	<b>79.3</b>	<b>26.1</b>	<b>204%</b>

## Processing, electricity production and margins

		H1 2023	H1 2022	Change %	Q2/23	Q2/22	Change %
<b>CRUDE RUNS</b>	<i>Tons (thousand)</i>	6086	6,354	-4%	2670	3,550	-25%
	<i>Barrels (million)</i>	44.4	46.4	-4%	19.5	25.9	-25%
	<i>Bl/day (thousand)</i>	247	258	-4%	217	288	-25%
<b>COMPLEMENTARY FEEDSTOCK</b>	<i>Tons (thousand)</i>	358	612	-42%	279	289	-4%
<b>ELECTRICITY PRODUCTION</b>	<i>GWh</i>	1608	1,874	-14%	519	1,034	-50%
<b>TOTAL SALES</b>	<i>Tons (thousand)</i>	1605	1,770	-9%	840	934	-10%
of which: in Italy	<i>Tons (thousand)</i>	1060	1,153	-8%	556	595	-7%
of which: in Spain	<i>Tons (thousand)</i>	545	616	-12%	284	339	-16%
<b>EXCHANGE RATE</b>	<i>EUR/USD</i>	1.08	1.09	-1%	1.09	1.06	2%
<b>EMC Reference Margin</b>	<i>\$/bbl</i>	7.1	8.2		4.2	16.9	
<b>SARAS IND &amp; MKTG MARGIN</b>	<i>\$/bbl</i>	12.6	16.5		7.9	22.5	

## Comments on the results of the first six months of 2023

**Crude oil runs in the first six months of 2023** were **6.09 million tons** (44.4 million barrels, corresponding to 247 thousand barrels/day) lower than 4% compared to in the first six months of 2022. Refining runs were penalized by production trends in the second quarter as detailed in the dedicated section.

**Electricity production** amounted to 1,608 GWh, down 14% compared to the first half of 2022, mainly due to the same reasons that penalized the refining runs.



**Comparable EBITDA stood at EUR 303.4 million** in the first half of 2023, with a Saras Industrial & Marketing margin of +12.6 USD/bbl, within which the contribution of the Marketing channel was 0.9 USD/bbl (as usual, already net of the impact of the maintenance activity carried out in the period). This against a comparable EBITDA of EUR 499.3 million and a Saras Industrial & Marketing margin of +16.5 USD/bbl (within which the contribution of the Marketing channel was 0.9 USD/bbl) in the same period of the previous year.

As far as **market conditions** are concerned, the impact on margin generation was negative by approximately EUR 235 million; this negative result is mainly attributable to the decrease of the cracks of major oil products, only partially offset by the reduction in the price of Brent crude.

**Operating performance** in the first half of 2023, if compared with the same period of 2022, was slightly higher by approximately EUR 5 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the Essentiality Regime agreement, which in the first half of 2023 amounted to EUR 54 million (EUR 22 million higher than in the same period of the previous year, mainly due to the increase in the rate of return on capital recognized by the authorities). In particular:

- **Trading & supply activities** (which include the procurement of crude oil and complementary raw materials, the sale of finished products, the costs of hiring oil tankers, and the management of inventories, including compulsory stocks) provided a higher contribution amounting to EUR 36 million compared to the same period of the previous year. On the one hand, this result is due to higher premiums and discounts realized (mainly in the first quarter), both on the sale of finished goods and on the purchase of raw materials, and on the other hand, to the lower cost of derivatives on the hedging of inventories, which during 2022 had suffered from the negative effects induced by the strong backwardation market structure;
- **Production planning** (consisting of the optimization of the mix of crudes brought in for processing, management of semi-finished products and production of finished products, including those with special formulations) made a lower contribution of approximately EUR 13 million compared to the same period of the previous year. This difference is due to the changed market conditions that resulted in lower availability of crude oils as a consequence of the Russian-Ukrainian conflict;
- The **performance of production activities** (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some utilities such as fuel oil, steam, electricity and fuel gas) made a lower contribution of approximately EUR 40 million compared to the same period of the prior year. This difference is due to the impact of maintenance work in the second quarter.

**Variable costs of an industrial nature**, net of components related to the Essentiality Regime agreement, were EUR 54 million lower in the first half of 2023 than in the same period of 2022. Electricity contributed with a cost reduction of EUR 43 million almost entirely due to the reduction in the unit price of energy. Carbon dioxide emissions contributed with a cost reduction of EUR 16 million mainly due to the increase in allocated free allowances. The remaining incremental cost is due to price trends that resulted in higher catalyst and demurrage costs, only partly offset by the lower cost of nitrogen.

The trend in **fixed costs** in the first half of 2023 recorded an increase of approximately EUR 18 million compared to 2022. This deviation is mainly due to a different maintenance plan and higher personnel costs (increases in National Collective Labor Agreements and new contractual agreements). Within the final costs, approximately EUR 41 million is the amount subject to reimbursements relating to the Essentiality Regime agreement in 2023, compared to EUR 35 million in the previous year due to the inflationary factors and the increased scheduled maintenance activities.

**The contribution of the Marketing channel to the comparable EBITDA amounted to EUR 26.9 million**, versus EUR 28.9 million in 2022. In this regard, it should be noted that sales volumes decreased in both markets: in Italy, they were offset by a significant increase in margin, unlike Spain, which recorded a decrease in margin. Note that this contribution should be considered together with the Industrial one because their technical and commercial expertise, on which the Group's business model is based, is closely coordinated.

## Comments on the second quarter of 2023 results

**Crude oil runs in the second quarter of 2023 were 2.67 million tons** (19.5 million barrels, corresponding to 217 thousand barrels/day) 25% lower than in the second quarter of 2022.

**Electricity production** amounted to 519 GWh, down 50% from the second quarter of 2022.

Lower refining runs and lower electricity production are mainly due to a heavier maintenance plan that involved the general shutdown of electricity production plants in the second quarter of 2023, as well as the shutdown of a distillation unit and a Mild HydroCracker. In addition to the impact of scheduled maintenance, productions were further penalized by lower industrial performance (also related to external factors), and the fact that some maintenance operations took longer than initially expected.

**Comparable EBITDA in Q2/23 stood at EUR 24.1 million**, with a Saras Industrial & Marketing margin of +7.9 USD/bbl, within which the contribution of the Marketing channel was +0.9 USD/bbl (as usual, already net of the impact of the maintenance activity carried

out in the period). This compares with a comparable EBITDA of EUR 452.7 million and a Saras Industrial & Marketing margin of +22.5 USD/bbl (within which the contribution of the Marketing channel was 1.1 USD/bbl) in the same quarter of the previous year.

As far as **market conditions** are concerned, the impact on margin generation was negative by approximately EUR 353 million. This negative result is mainly attributable to the decrease in the cracks of major oil products (diesel and gasoline) that in 2022 were impacted by the effects of the Russian-Ukrainian conflict. These negative results were only partially offset by the reduction in the price of Brent crude.

**Operating performance** in the second quarter of 2023, if compared with the same period of 2022, was lower by approximately EUR 78 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the Essentiality Regime agreement, which in the second quarter of 2023 amounted to EUR 27 million (EUR 11 million higher than in the same period of the previous year, mainly due to the increase in the rate of return on capital recognized by the authorities). In particular:

- **Trading & supply activities** (which include the procurement of crude oil and complementary raw materials, the sale of finished products, the costs of hiring oil tankers, and the management of inventories, including compulsory stocks) made a lower contribution by EUR 24 million compared to the same period of the previous year. This negative result is mainly due to the extraordinary results achieved in 2022 as a result of the Russian-Ukrainian conflict.
- **Production planning** (consisting of the optimization of the mix of crudes brought in for processing, management of semi-finished products and production of finished products, including those with special formulations) made a lower contribution of approximately EUR 15 million compared to the same period of the previous year. This difference is due to the changed market conditions that resulted in lower availability of crude oils as a consequence of the Russian-Ukrainian conflict and OPEC+ cuts.
- **The performance of production activities** (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some utilities such as fuel oil, steam, electricity and fuel gas) made a lower contribution of approximately EUR 50 million compared to the same period of 2022. This difference is mainly due to the production factors described above.

**Variable costs of an industrial nature**, net of components related to the Essentiality Regime agreement, were EUR 36 million lower in the second quarter of 2023 than in the same period of 2022. Electricity contributed with a cost reduction of EUR 21 million mainly due to the effect of the reduction in the unit price of energy. Carbon dioxide emissions contributed with a reduction of EUR 12 million mainly due to the increase in allocated free allowances.

The trend in **fixed costs** in the second quarter of 2023 recorded an increase of approximately EUR 23 million compared to the same period of the previous year. This deviation is mainly attributable to higher maintenance costs, and to a lesser extent to higher personnel costs. Within the final costs, approximately EUR 20 million are subject to reimbursements relating to the Essentiality Regime agreement in 2023, an increase compared to the final costs of approximately EUR 17.0 million in the previous year due to the inflationary factors and the increased scheduled maintenance activities.

**The contribution of the Marketing channel to the comparable EBITDA amounted to EUR 12.4 million**, versus EUR 23.2 million in 2022. This deviation is due to lower sales volumes in both Italy and Spain: in Italy, this reduction was offset by an increase in premiums earned, while in Spain, premiums also decreased due to the competitive environment. Note that this contribution should be considered together with the Industrial one because their technical and commercial expertise, on which the Group's business model is based, is closely coordinated.

## Oil slate and refined products yield

The mix of crude oils that the Sarroch refinery processed in the first half of 2023 has an average density of 33.1°API, which is basically in line with that of 2022; the reduction of Medium sour type crude oil replaced by the Heavy sour type occurred due to the consequences of the Russian-Ukrainian conflict. In the second quarter, there was a reduction in the overall API degree resulting from a reduction in runs of Medium sour type crude oils in favor of Light sweet/extra sweet type crude oils, mainly due to the shutdown cluster that began in April during which the general shutdown of the gasification plant was carried out.

	H1 2023	H1 2022	Q2/23
Light extra sweet	46%	45%	52%
Light sweet	13%	10%	13%
Medium sweet/extra sweet	0%	2%	0%
Medium sour	1%	14%	0%
Heavy sour/sweet	40%	29%	36%
Average crude gravity	°API	33.1	33.4
		34.3	

Turning the analysis to the yields of finished products, it can be seen that in the first half of 2023, consistently with the production asset during the shutdowns of some plants, the percentage yields in gasoline and middle distillates decreased in favor of greater production of semi-finished products, fuel oil and naphtha.

		H1 2023	H1 2022	Q2/23
LPG	Tons (thousand)	150	146	75
	yield (%)	2.3%	2.1%	2.6%
NAPHTHA	Tons (thousand)	307	289	109
	yield (%)	4.8%	1.6%	3.7%
GASOLINE	Tons (thousand)	1,480	1,589	779
	yield (%)	23.0%	25.4%	26.4%
MIDDLE DISTILLATES	Tons (thousand)	2,996	3,595	1,414
	yield (%)	46.5%	51.6%	48.0%
VERY LOW SULPHUR FUEL OIL	Tons (thousand)	466	276	257
	yield (%)	7.2%	4.0%	8.7%
OTHERS	Tons (thousand)	664	644	128
	yield (%)	10.3%	9.3%	4.3%

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

## Renewables

The Saras Group is active in the production and sale of electricity from renewable sources. The Company operates several plants with a total installed wind power capacity of 171 MW. As far as development activities are concerned, it should be noted that in the second quarter of 2023, contracting/tender activities were completed for the construction of the new photovoltaic plant of approx. 80 MW located in the municipality of Macchiareddu, which is now in the execution phase. Construction activities will be completed in the second quarter of 2024 with commissioning scheduled for June 2024.

EUR million	H1 2023	H1 2022	Change %	Q2/23	Q2/22	Change %
Reported EBITDA	9.0	21.3	-58%	3.0	5.9	-49%
<b>Comparable EBITDA</b>	<b>9.0</b>	<b>21.3</b>	<b>-58%</b>	<b>3.0</b>	<b>5.9</b>	<b>-49%</b>
Reported EBIT	4.6	17.0	-73%	0.7	3.7	-81%
<b>Comparable EBIT</b>	<b>4.6</b>	<b>17.0</b>	<b>-73%</b>	<b>0.7</b>	<b>3.7</b>	<b>-81%</b>
<b>CAPEX</b>	<b>24.1</b>	<b>5.8</b>	<b>314%</b>	<b>22.8</b>	<b>0.7</b>	<b>n.s.</b>

## Other information

		H1 2023	H1 2022	Change %	Q2/23	Q2/22	Change %
<b>ELECTRICITY PRODUCTION</b>	MWh	135,063	163,163	-17%	53,758	68,430	-21%
<b>POWER TARIFF</b>	EURcent/kWh	9.3	14.5	-36%	8.7	10.5	-17%
<b>INCENTIVE TARIFF</b>	EURcent/kWh	0.0	4.3	n.a	0.0	4.3	n.a

## Comments on the results of the first six months of 2023

In the first six months of 2023, the Renewables segment's comparable EBITDA amounted to EUR 9.0 million, lower than the EUR 21.3 million achieved in the first six months of 2022. Approximately EUR 5.0 million of the decrease in EBITDA between the two periods is due to lower production (mainly due to lower wind speeds) and approximately EUR 7.0 million is due to the decrease in sales price.

In terms of the impacts relating to application of the TER Support Decree, the production affected by the application of the sale price limit of 61 EUR/MWh is 53% of the total and the application of this limit reduced the EBITDA by about EUR 4.9 million in the first half of 2023 (vs a reduction of EUR 12.4 million in the same period in 2022).

## Comments on the second quarter of 2023 results

In the second quarter of 2023, the Renewables segment's comparable EBITDA amounted to EUR 3.0 million, lower than the EUR 5.9 million achieved in the same period of 2022. Approximately EUR 1.7 million of the decrease in EBITDA between the two periods is due to lower production (mainly due to lower wind speeds) and approximately EUR 1.5 million is due to the decrease in sales price.

In terms of the impacts relating to application of the TER Support Decree, the production affected by the application of the sale price limit of 61 EUR/MWh is 53% of the total and the application of this limit reduced the EBITDA by about EUR 1.6 million in the second quarter (vs a reduction of EUR 6.4 million in the same period in 2022).

## Investments by business segment

<i>EUR million</i>	H1 2023	H1 2022	Q2/23	Q2/22
<b>INDUSTRIAL &amp; MARKETING</b>	119.0	45.1	79.3	26.1
<b>RENEWABLES</b>	24.1	5.8	22.8	0.7
<b>Total</b>	143.2	50.9	102.0	26.8

Investments made by the Saras Group in the first half of 2023 amounted to EUR 143.2 million, up compared to EUR 50.9 million in 2022.

For the **Industrial & Marketing segment**, investments in the first half of 2023 amounted to EUR 119.0 million, higher than the EUR 45.1 million in the first half of 2022, mainly due to increased maintenance work on a significant portion of the plants.

Investments in the **Renewables segment** in the first half of 2023 amounted to EUR 24.1 million. These investments concerned the start of construction of the new photovoltaic plant located in the municipality of Macchiareddu.

# Outlook

The International Energy Agency (IEA) in the Oil Market Report released in mid-July 2023 revised its April estimates upward, with **global oil demand forecast** to grow +2.2 Mbb/d this year (+2.0 Mbb/d in the April report), with an average of 102.1 Mbb/d, a new record high above historical levels. Despite the industrial slowdown in the OECD area, oil demand according to the IEA will be driven by China, whose growth represents more than 70% of this increase, thanks in particular to the expected recovery in the consumption of petrochemical products. According to the IEA, growth will continue in 2024, albeit at a lower rate, with expectations of +1.1 Mbb/d.

These trends reflect expectations of an improved macroeconomic context, to which consumption of middle distillates - especially in the industrial sector - is linked in particular. Demand for middle distillates is also expected to benefit from the seasonal factor, as heating diesel consumption is added in the fall and winter. The contribution of jet fuel demand for air transport is also considered important. Thanks to the upswing in intercontinental flights, especially in Asia, jet fuel will give a further boost to the entire pool of middle distillates. In the private sector, gasoline is expected to follow the usual seasonal trend, with the decline expected after the end of the American driving season and the transition to winter characteristics. However, crack values above historical seasonal averages are also expected due to the continued shortages of high-octane components and the expected significant delay in the restart of the FCC cracking unit of an important American refinery.

**On the supply side**, the announcement at the beginning of April by the main OPEC+Russia member countries of production cuts by around 1.7 Mbb/d starting in May 2023 and throughout the rest of 2024 has impacted the expectations of the main sector analysts, who already indicated a potential deficit in the oil market starting from the second half of the year. As already noted in the chapter on the Reference market, in June, Saudi Arabia decided to introduce an additional unilateral cut of 1 Mbb/d starting from July 2023, which can be extended from month to month, based on market conditions. These interventions are part of a tight crude oil market in which global supply is largely dependent on non-OPEC+ countries (mainly the United States and Brazil). The latest IEA estimates following the announcement of OPEC+ cuts anticipate that oil supply will increase by 1.6 Mbb/d averaging 101.5 Mbb/d in 2023, thus confirming a situation of supply below demand, and prices trending upward in the second half of the year. It should also be noted that production cuts typically affect high-sulfur ("sour") crude oils, resulting in a compression of discounts for this type of crude oil, which is reflected in a reduction in the margin of the more complex and high conversion capacity refineries (including that of the Saras Group).

**Looking at the market trend in July**, Brent dtd prices rose from approximately 75 USD/bbl to 80 USD/bbl at the end of July, precisely because of the OPEC+ cuts and the prospects for insufficient supply to saturate summer demand, which is somewhat stronger than expected for both gasoline and aviation fuel. The upcoming decisions of the central banks on monetary policies and interest rates will be decisive in the evolution of this trend.

With regard to refined product cracks, at the time of writing, gasoline and diesel averaged approx. 23.9 and 22.4 USD/bbl in July, respectively. Diesel was characterized by a significant recovery compared to the decline in the second quarter, reflecting a gradual reduction in the high inventory levels accumulated in previous months, partly as a result of lower export flows from Asia. Some temporary refinery shutdowns in Northern Europe provided additional support. On the other hand, the strength of gasoline, accentuated by seasonality, reflects a reduced global refining capacity and the aforementioned shortage of high-octane components, against a demand that remains particularly resilient even in OECD countries.

Electricity and CO2 prices in July averaged approx. 116 EUR/MWh, and 86 EUR/ton, respectively, which is basically in line with the average values of the second quarter.

The scenario just outlined is derived from the assumptions of various independent industry analysts<sup>1</sup> and from the trend in the forward curves of oil, gas and electricity commodities. While volatility remains high, market conditions are expected to be positive in the second half of the year, well above historical averages.

From an operational point of view, having concluded the maintenance activities of the first half of the year, in the second half of the year, no significant maintenance works are planned, except for some minor activities (a slowdown of the gasification and maintenance of one of the desulfurization units). Therefore, cumulative refinery runs at the end of the year are expected to be between **approximately 93 and 97 Mbbbl**, in line with last year's performance.

**Based on the results achieved in the first half of 2023, and in line with the scenario assumptions described above, the Company confirms the guidance on the 2023 average annual premium over the EMC Reference Margin between 5 ÷ 6 USD/bbl.**

The forecasts relating to the fixed costs of the Industrial & Marketing segment also remain substantially in line with previous indications and are estimated to be approximately EUR 400 million, including also the interventions envisaged by the costly

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<sup>1</sup> Oil Market: Platts, WMC, FGE and Nomisma estimates (Jul'23); Electricity & Gas Market: estimates by Ref4E, Nomisma and Elemens (Jul'23); Note: for Q3'23 forward curves @07/07 for Brent and Cracks.

maintenance plan for the year. Investments in the segment are expected to be around EUR 180 million, with the aim of continuing the process of increasing the efficiency and maintaining the competitiveness of the plants.

As regards the **Renewables segment**, the installed capacity in 2023 is confirmed unchanged at 171 MW. With regard to the measurement of 2023 production, it should be noted that the application of the measures introduced by Decree Law no. 4 of 27 January 2022, known as "TER Support" (price cap of 61 EUR/MWh) and by the 2023 Budget Law in implementation of Regulation (EU) 2022/1854 (price cap of 180 EUR/MWh) ended on 30 June. Therefore, in the second half of 2023, 100% of production will be measured at market value.

Production levels, which were lower than expected in the first half of the year due to unfavorable windy conditions, are forecast to improve in the second half of the year, with cumulative production expected to reach for the entire year approx. 270 GWh, according to the usual seasonality.

As regards renewable development activities, Sardeolica is currently engaged in the construction of the 80 MW Helianteo photovoltaic plant, which is proceeding as planned and is expected to be operational by the end of the first half of 2024. The authorization process for the development of over 100 MW of new greenfield wind capacity in Sardinia is also at an advanced stage. The Renewables segment's investments will amount to approximately EUR 50 million in 2023 and will be mainly aimed at the construction of the Helianteo photovoltaic park.

With regard to the expected trend of the **Group's Net Financial Position**, the forecasts of cash flow generation and working capital trends (by virtue of the scenario and performance assumptions made by the Company) allow us to project a positive year-end Group Net Financial Position.

As for the **other projects launched by the Group as part of the energy transition strategy**, Saras continues its collaboration with Enel Green Power, aimed at supplying green hydrogen to the Saras refinery through the use of an electrolyzer of about 20 MW powered by renewable energy. After the recognition of SardHy Green Hydrogen among the four Italian companies admitted to the European IPCEI Hy2Use program (the European Union initiative that supports the best projects related to the hydrogen value chain), discussions with MIMIT (Ministry of Enterprises and Made in Italy) are underway and the application for financial relief was submitted, based on the provisions of the Ministerial decree for the activation of the intervention of the IPCEI fund for these projects of common European interest in the field of hydrogen. In addition, preliminary activities were launched for the negotiation and definition of contracts for the supply of materials and for works tenders.

Finally, with regard to the Carbon Capture and Storage project, the collaboration with Air Liquide is proceeding, aimed at better defining the aspects relating to the entire development chain including logistics and transport, together with an estimate of costs and timing. In addition, activities launched in 2022 to access the European Green New Deal and Horizon funds dedicated to CCS and CCU (Carbon Capture and Utilization) projects are under way.

## Medium and long-term strategic guidelines

On 10 May 2023, the Board of Directors of Saras approved a revision of the Group's main medium- and long-term strategic objectives and guidelines according to which **the Group evolves from a pure refiner to a sustainable energy player**. The Group's strategy focuses on accelerating the energy transition to ensure sustainable and profitable growth for all stakeholders.

In a decade of profound transformation, the strategy of Saras aims to support and accelerate the convergence between the conventional and renewable energy business, encouraging and developing the integration of new energy sources into the refining business. Capitalizing on excellence in the core business, financial strength and significant progress achieved in renewable development, the strategy of Saras sets the following goals:

- **Continuing to improve the efficiency of the refining operations to maintain the Sarroch refinery as a best-in-class asset in the sector**, through a progressive optimization of operational and commercial leverage and investments: in an ongoing process aimed at increasing the flexibility and resilience of the business to market volatility, this will allow for a progressive strengthening and stability of the Group's financial structure.
- **Reaching 1 GW of installed renewable capacity in 2028**. The new target takes into account a pipeline of greenfield projects in Sardinia amounting to approximately 600 MW in different stages of progress (approximately 350 MW of wind projects already submitted to the competent authorities for the EIA - "Environmental Impact Assessment" request; and an additional 244 MW of wind projects for which Terna granted the "Soluzione Tecnica Minima Garantita" (STMG) (Minimum Guaranteed Technical Solution), to which joint development agreements or other forms of collaboration with new partners may be added, both in Sardinia and in the rest of the national territory). The new capacity will be added to the current installed wind capacity of 171 MW and the 80 MW Helianteo photovoltaic park, which is under construction and envisages the use of project financing. This growth program is expected to increase the Group's renewable energy production from

approximately 300 GWh/year today to approximately 2 TWh/year by 2028, avoiding CO2 emissions of approximately 1.3 - 1.6 million tons/year.

- **Positioning the company to take advantage of new technologies.** As the current regulatory context and future opportunities evolve, renewable energy generation will become increasingly relevant to achieve greater efficiency and decarbonization of hard-to-abate industrial operations. In the long term, renewable energy will also be necessary in the production of new fuels (e-fuels) as well as functional in the development of a number of initiatives currently being studied by Saras in the field of "New Energies" (green hydrogen, CCS and biofuels).

## Risk Analysis

The Saras Group 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 monitors the level of exposure to risk and the results of risk mitigation actions. 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 carried out 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 changes 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 changes in results and in cash flows deriving from interest. Inflationary pressures, resulting from an increase in the prices of raw materials and commodities, led to an increase in both short- and medium-term interest rates. The ECB has repeatedly revised upwards the marginal refinancing rate and the deposit rate, with the consequence for Saras of an increase in financial expenses and in the cost of derivative transactions, albeit in a context of positive cash generation expected in 2023, net of cash outflows from dividend distribution and disbursements related to taxes for the period and extra-profits.

#### Credit risk

The refining sector represents the Group's reference market and is mainly made up of multinational companies operating in the oil field. Transactions carried out are generally settled in a very short time and are often guaranteed by leading credit institutions. Extra-network sales are for individual contained amounts and are also often guaranteed or insured, with a very low risk of non-recoverability; furthermore, the Group resorts to the assignment of receivables without recourse with leading factoring companies. It should be remembered that the group is not directly or indirectly exposed to Russian counterparties.

#### Liquidity risk

The Group finances its activities both through the cash flows generated by its operations and through the use of external sources of financing. It is therefore exposed to liquidity risk, consisting of the ability to find adequate lines of credit so as to meet the related contractual obligations, including compliance with covenants.

Self-financing capacity, and consequently the level of debt, is 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 factors (such as economic, social and political factors).

Starting in 2020, the spread of Covid-19 significantly negatively impacted the oil market, affecting the Group's level of financial debt with a net financial position that was negative until 31 December 2021, while during 2022 and the first half of 2023, the Group regained its cash generation capacity, recording a positive net financial position.

It should also be pointed out that the financial parameters on existing loans subject to review are complied with.

Finally, it should be noted that the level of debt could also undergo positive and negative changes due to the trend in working capital and core business, both affected by the high volatility of the prices of oil and energy commodities.



## **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 of the CO<sub>2</sub> emission quotas.

In particular, the outbreak of the Russian-Ukrainian conflict radically changed the global energy scenario, triggering from the end of February 2022 an immediate rise in energy commodity prices (oil and derivatives, gas, and electricity) and high volatility, with major impacts on the reported results of Oil & Gas and Refining companies. This phenomenon has more directly involved Europe, which is more dependent on Russia in terms of energy. In particular, the Western sanctions imposed on oil imports from Russia led to an increase in the prices and margins of refined products, which in 2022 translated into a significant improvement in the Group's economic and financial results.

This phenomenon, as described in the chapter relating to the Reference market, progressively decreased in 2023 in the case of middle distillates: refining margins, while remaining above the historical averages, recorded a reduction, mainly due to a partial slowdown in industrial consumption and a simultaneous increase in imports of refined products, especially from Asia (India, China, the Middle East and Turkey). In this regard, it should be noted that in 2023, the Group's expected income results and cash flows are exposed to the risks of a global economic slowdown or, in the most severe case, a possible recession, with the consequent reduction in expectations of growth in demand for hydrocarbons. The restrictive monetary policies adopted by the central banks to counter the high levels of inflation could in fact act as a brake on economic growth, particularly in Europe and the USA, with negative consequences on oil demand. The international geopolitical tensions caused by the Russian invasion of Ukraine as well as by the imposition of several different sanctions against Russia also increase the systemic risks, including that of the continuation of the war, of its extension to other countries, as well as the impacts of economic sanctions on the global economy, the supply chain and consumer, business and investor confidence resulting in delays or halts in spending and investment decisions. The occurrence of such events could trigger a slowdown in growth or, in the worst case, a global recession. These conditions could lead to a reduction in the demand for energy raw materials and a consequent reduction in prices, with negative repercussions on the economic results, cash flow and the implementation of the Group's business plans.

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

A significant portion of the crude oil refined by Saras originates from countries exposed to high political, social and macroeconomic uncertainties; 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.

In particular, as described in the chapter "Outlook", the forecasts by leading industry analysts see a risk of a deficit crude market in 2023 starting in the second half of the year that could lead to increased supply difficulties which would add to the limitation of crude oil imports from countries subject to restrictions and embargoes, with consequent impacts on their purchase price.

### **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 program of insurance cover in place to offset such risks. However, under certain circumstances, this program may not be sufficient to prevent the Group from incurring costs in the event of accidents and/or interruption to production.

### **Environmental risks**

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 exchange activities and promptly evaluating any legal amendments, acting on

minimizing the economic impact deriving from them. In this context, the most significant aspects of the main regulatory developments relate to:

- regulations relating to the reduction of national emissions of specific atmospheric pollutants and their relative impact on the limits indicated in the current AIA permit;
- the view of the European Commission and the ARERA (Italian Regulatory Authority for Energy, Networks and Environment) implementing documents in relation to the recognition of the Sarlux subsidiary as an energy-consuming enterprise;
- regulatory provisions relating to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the G.S.E.;
- regulations and implementing documents issued by Terna and ARERA regarding the "essentiality" requirements of the IGCC plant in Sarlux, and the cost reimbursement regime;
- measures taken to contain electricity costs, such as for example the TER Support Decree and the 2023 Budget Law which impact, on the one hand, system charges and variable energy components for "energy-intensive" enterprises (Sarlux) and, on the other hand, the sale prices of electricity from renewable sources (Sardecolica, Green Energy and Alternative Energy);
- Regulatory provisions on "Emission trading" allowances.

#### **Dependencies on third parties**

The IGCC plant, owned by the subsidiary Sarlux S.r.l., depends on oxygen supplied by Air Liquide Italia in addition to oil crudes 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.

#### **Climate change risk**

The Group's activities are intrinsically exposed to risks and opportunities related to climate change. These risks and opportunities, which are included in the Corporate Risk Management model, can be both physical and regulatory, i.e., arising from the policies being implemented to accompany the energy transition and limit climate change.

With respect to physical risks, the Group could be exposed to significant accidents at its facilities due to adverse weather events (e.g., torrential rains, lightning strikes, sea level rise, drought). Possible mitigation measures could be insurance coverage and a proper HSE system.

With regard to regulatory risk, the Group could face further tightening of European and national legislation on decarbonization and ecological transition. The Group constantly monitors regulatory developments and assesses mitigating measures and actions from time to time.

Finally, the Group manages the reputational risk related to the assessment of its sustainable business strategy by its Stakeholders through engagement activities with the Stakeholders, materiality analyses for the identification of priority issues and impacts, performance monitoring through ESG indicators and, finally, appropriate transparent and comprehensive reporting in the area of Sustainability.

Saras has launched a process of decarbonization and energy transition that provides for the development of electricity production capacity from renewable sources (wind and photovoltaic) with a target of 1 GW of installed capacity by 2028. This plan is supported by other projects in various stages of development, including those in the Green Hydrogen area, in partnership with Enel Green Power and in the Carbon Capture & Storage area, in collaboration with Air Liquide. Finally, in addition to these projects, the expansion of the biofuel production capacity is assessed.

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 25 May 2018 the new Regulation (EU) 679/2016 ("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 specialized in the subject and adopting the international standard IEC 62443.

In 2023, the Group continues to increase the level of protection against cyberattacks through a service (Uptime security monitoring service) and the activation of awareness courses for the company's population.

#### **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, the Saras Group made appropriate allocations to provisions for risks and charges included in statement of financial position liabilities (see Notes to the Financial Statements).

#### **Involvement in legal proceedings**

Saras is a party in civil and administrative proceedings and in legal actions related to the normal course of its business. In addition to the provision for risks for disputes set aside in the financial statements, it is possible that in the future Saras may incur other liabilities, even significant ones due to: (i) uncertainty with respect to the final outcome of pending litigations for which a loss is currently

assessed as not probable or the estimate of the related liability as not reliable; (ii) the occurrence of further developments or the emergence of new evidence and information that may provide sufficient elements for a reliable estimate of the amount of the obligation; (iii) inaccuracy in the estimate of the provisions due to the complex process of determination that involves subjective judgments by management. Violations of the Code of Ethics, laws and regulations, including anti-corruption rules, by Saras, its business partners, agents or other persons acting in its name or on its behalf, may expose Saras and its employees to the risk of criminal and civil penalties that could damage the Company's reputation and shareholder value. For more details on the proceedings in progress, please refer to paragraph 7.1 of the Notes to the Consolidated Financial Statements.

## Other Information

### Treasury shares

In the first six months of 2023, Saras S.p.A. has not bought or sold any own shares.

### Research and development

Saras did not undertake any significant research and development activities. Therefore, no significant costs have been capitalized or recorded in the income statement in the first six months of 2023.

### Non-recurring and unusual transactions

In the first six months of 2023 there were no significant transactions and there are no positions resulting from atypical and/or unusual transactions.

## Main events after the end of the first six months of 2023

**On 1 July 2023**, Sartec S.r.l. was merged into Sarlux S.r.l. with administrative and accounting effect as from 1 January 2023.

**On 19 July 2023**, the new company Saras Energy Management S.r.l was established as a wholly owned subsidiary of the Parent Company Saras S.p.A. The company has a fully paid-up share capital of EUR 100,000 and will carry out the purchase and sale of electricity and other related goods and services for the Group.

**On 19 July 2023**, Saras S.p.A. received a notice of investigation from the Antitrust Authority regarding the pricing policy adopted in the last three years on the "bio" component of automotive diesel.

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30<sup>TH</sup> JUNE 2023

## Consolidated Statement of Financial Position as at 30<sup>th</sup> June 2023

Thousands of EUR		30/06/2023	31/12/2022
<b>ASSETS</b>	(1)		
<b>Current assets</b>	5.1	<b>2,349,348</b>	<b>3,010,759</b>
Cash and cash equivalents	5.1.1	496,970	707,115
Other financial assets	5.1.2	106,543	187,555
Trade receivables	5.1.3	469,500	728,881
Inventories	5.1.4	1,220,019	1,287,312
Current tax assets	5.1.5	30,623	74,929
Other assets	5.1.6	25,693	24,967
<b>Non-current assets</b>	5.2	<b>1,340,107</b>	<b>1,253,568</b>
Property, plant and equipment	5.2.1	1,196,543	1,147,135
Intangible assets	5.2.2	43,136	40,802
Right-of-use of leased assets	5.2.3	41,098	45,384
Other equity investments	5.2.4	745	745
Deferred tax assets	5.2.5	16,119	15,398
Other financial assets	5.2.6	3,812	4,104
Other assets	5.2.7	38,654	0
<b>Non-current assets held for sale</b>	5.2.8	<b>333</b>	<b>333</b>
<b>Total assets</b>		<b>3,689,788</b>	<b>4,264,660</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>	5.3	<b>1,861,459</b>	<b>2,327,702</b>
Short-term financial liabilities	5.3.1	185,302	224,376
Trade and other payables	5.3.2	1,192,103	1,444,441
Current tax liabilities	5.3.3	205,192	356,952
Other liabilities	5.3.4	278,862	301,933
<b>Non-current liabilities</b>	5.4	<b>671,265</b>	<b>724,584</b>
Long-term financial liabilities	5.4.1	385,970	446,909
Provisions for risks and charges	5.4.2	247,578	267,800
Provisions for employee benefits	5.4.3	6,723	6,002
Deferred tax liabilities	5.4.4	3,585	3,730
Other liabilities	5.4.5	27,409	143
<b>Total liabilities</b>		<b>2,532,724</b>	<b>3,052,286</b>
<b>SHAREHOLDERS' EQUITY</b>	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		969,185	729,902
Net result		122,323	416,916
<b>Total parent company shareholders' equity</b>		<b>1,157,064</b>	<b>1,212,374</b>
Third-party minority interests		-	-
<b>Total shareholders' equity</b>		<b>1,157,064</b>	<b>1,212,374</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,689,788</b>	<b>4,264,660</b>

(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 measurement bases"

## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 30<sup>th</sup> June 2023

Thousands of EUR	(1)	1st January 30th June 2023	1st January 30th June 2022
Revenues from ordinary operations	6.1.1	5,387,981	7,670,723
Other income	6.1.2	28,947	28,056
<b>Total revenues</b>		<b>5,416,928</b>	<b>7,698,779</b>
Purchases of raw materials and consumables	6.2.1	(4,542,941)	(6,096,703)
Cost of services and sundry costs	6.2.2	(512,099)	(839,404)
Personnel costs	6.2.3	(79,921)	(74,120)
Depreciation/amortization and write-downs	6.2.4	(94,387)	(92,839)
<b>Total costs</b>		<b>(5,229,348)</b>	<b>(7,103,066)</b>
<b>Operating result</b>		<b>187,580</b>	<b>595,713</b>
Financial income	6.3	112,346	109,752
Financial charges	6.3	(126,930)	(152,587)
<b>Result before taxes</b>		<b>172,996</b>	<b>552,878</b>
Income taxes	6.4	(50,673)	(260,424)
<b>Net result</b>		<b>122,323</b>	<b>292,454</b>
<b>Net result attributable to:</b>			
Shareholders of the parent company		122,323	292,454
Third-party minority interests		0	0
<b>Net earnings per share – base (EUR cents)</b>		<b>12.86</b>	<b>30.75</b>
<b>Net earnings per share – diluted (EUR cents)</b>		<b>12.86</b>	<b>30.75</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 30th JUNE 2023

Thousands of EUR	1st January 30th June 2023	1st January 30th June 2022
<b>Net result (A)</b>	<b>122,323</b>	<b>292,454</b>
<b>Items of comprehensive income that may subsequently be restated to profit or loss for the period</b>		
Effect of translation of the financial statements of foreign operations	681	871
Cash Flow Hedging reserve	2,376	
<b>Items that will not be restated to profit or loss for the period</b>		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
<b>Other profit/(loss), net of the fiscal effect (B)</b>	<b>3,057</b>	<b>871</b>
<b>Total consolidated net result (A + B)</b>	<b>125,380</b>	<b>293,325</b>
<b>Total consolidated net result attributable to:</b>		
Shareholders of the parent company	125,380	293,325
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 measurement bases"

## Consolidated Statement of Changes in Equity to 30<sup>th</sup> June 2023

Thousands of EUR	Share Capital	Legal reserve	Other reserves	Profit (Loss) for the period	Total shareholders' equity attributable to the parent company	Third-party minority interests	Total shareholders' equity
<b>Balance at 31/12/2020</b>	<b>54,630</b>	<b>10,926</b>	<b>994,482</b>	<b>(275,516)</b>	<b>784,522</b>	<b>0</b>	<b>784,522</b>
Allocation of previous year result			(275,516)	275,516	0		0
Conversion effect of financial statements in foreign currency			(751)		(751)		(751)
Actuarial effect IAS 19			613		613		613
Net result				9,334	9,334		9,334
<i>Total net result</i>			<i>(138)</i>	<i>9,334</i>	<i>9,196</i>		<i>9,196</i>
<b>Balance at 31/12/2021</b>	<b>54,630</b>	<b>10,926</b>	<b>718,828</b>	<b>9,334</b>	<b>793,718</b>	<b>0</b>	<b>793,718</b>
Allocation of previous year result			9,334	(9,334)	0		0
Dividends distribution			0		0		0
Conversion effect of financial statements in foreign currency			565		565		565
Actuarial effect IAS 19			1,038		1,038		1,038
Share plan reserve			0		0		0
Other changes					0		0
Cash Flow Hedging reserve			137		137		137
Net result				416,916	416,916		416,916
<i>Total net result</i>			<i>1,740</i>	<i>416,916</i>	<i>418,656</i>		<i>418,656</i>
<b>Balance at 31/12/2022</b>	<b>54,630</b>	<b>10,926</b>	<b>729,902</b>	<b>416,916</b>	<b>1,212,374</b>	<b>0</b>	<b>1,212,374</b>
Allocation of previous year result			416,916	(416,916)	0		0
Dividends distribution			(180,690)		(180,690)		(180,690)
Conversion effect of financial statements in foreign currency			681		681		681
Cash Flow Hedging reserve			2,376		2,376		2,376
Net result				122,323	122,323		122,323
<i>Total net result</i>			<i>3,057</i>	<i>122,323</i>	<i>125,380</i>		<i>125,380</i>
<b>Balance at 30/06/2023</b>	<b>54,630</b>	<b>10,926</b>	<b>969,185</b>	<b>122,323</b>	<b>1,157,064</b>	<b>0</b>	<b>1,157,064</b>

# Consolidated Statement of Cash Flows for the period to 30<sup>th</sup> June 2023

Thousands of EUR	(1)	1/1/2023- 30/06/2023	1/1/2022- 31/12/2022
<b>A - Initial cash and cash equivalents</b>		<b>707,115</b>	<b>366,680</b>
<b>B - Cash flow from (for) operating activities</b>			
Net result	5.5	122,323	416,916
Unrealized exchange rate differences on bank current accounts		(13,999)	37,238
Depreciation/amortization and write-downs of fixed assets	6.2.4	94,387	204,715
Net change in provisions for risks	5.4.2	(20,222)	108,082
Net change in provision for employee benefits	5.4.3	721	(881)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	(866)	81,153
Net interest		16,850	29,832
Income tax set aside	6.4	51,539	391,101
Change in the fair value of derivatives	5.1.2 - 5.3.1	935	(6,633)
Other non-monetary components	5.5	3,057	1,740
<b>Profit for the period before changes in working capital</b>		<b>254,725</b>	<b>1,263,264</b>
(Increase)/Decrease in trade receivables	5.1.3	259,381	(182,370)
<i>of which with related parties:</i>			
(Increase)/Decrease in inventories	5.1.4	67,293	(118,140)
Increase/(Decrease) in trade and other payables	5.3.2	(252,338)	(136,123)
<i>of which with related parties:</i>			
Change in other current assets	5.1.5 - 5.1.6	43,580	(12,623)
Change in other current liabilities	5.3.3 - 5.3.4	86,693	208,329
Interest received		1,481	1,286
Interest paid		(18,331)	(31,118)
Taxes paid	5.3.2	(313,063)	(114,804)
Change in other non-current liabilities	5.4.5	(11,388)	(48)
<b>Total (B)</b>		<b>118,033</b>	<b>877,652</b>
<b>C - Cash flow from (for) investment activities</b>			
(Investments) in property, plant and equipment and intangible assets	5.2.1-5.2.2	(141,587)	(113,583)
(Investments) in Right-of-use of leased assets		(256)	(10,963)
- of which paid and capitalized Interest expenses		0	0
(Increase)/Decrease in other financial assets and other equity investments	5.1.2	111,411	5,498
Change in non-current assets held for sale	5.2.1-5.2.2	0	(333)
<b>Total (C)</b>		<b>(30,432)</b>	<b>(119,381)</b>
<b>D - Cash flow from (for) financing activities</b>			
Increase/(decrease) m/l-term financial payables	5.4.1	(60,939)	395,064
Increase/(decrease) in short-term financial payables	5.3.1	(70,116)	(775,662)
(Decrease) in short-term financial payables due to reimbursements in the period		0	0
Dividend distribution and Buyback		(180,690)	0
<b>Total (D)</b>		<b>(311,745)</b>	<b>(380,598)</b>
<b>E - Cash flows for the period ( (B+C+D)</b>		<b>(224,144)</b>	<b>377,673</b>
Unrealized exchange rate differences on bank current accounts		14,000	(37,237)
<b>F - Final cash and cash equivalents</b>		<b>496,970</b>	<b>707,115</b>

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

For the Board of Directors  
The Chairman  
Massimo Moratti





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2023

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## 1. Foreword

The publication of the condensed consolidated financial statements of the Saras Group for the period ended 30 June 2023 was authorized by the Board of Directors on 31 July 2023.

Saras S.p.A. (hereinafter also the "Parent Company") is a joint-stock company listed on the Milan Stock Exchange, with registered office in Sarroch (CA) (Italy), SS 195 "Sulcitana" Km. 19. It is jointly controlled by Massimo Moratti S.A.P.A. (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., under the shareholders' agreement signed by these companies on 30 March 2022 (for further details please refer to what has already been published at [www.saras.it](http://www.saras.it)). The Company duration is until 31 December 2056, as per the Articles of Association.

It should be noted that on 5 July 2023 Urion Holdings (Malta) Limited, parent company of the Trafigura Group, with which the Saras Group maintains commercial relations, communicated the increase in its stake in the share capital of Saras S.p.A. from 5.23% to 13.52%. It should be noted that all transactions entered with Trafigura are of commercial nature and at market value.

Saras S.p.A. operates in the domestic and international oil markets by purchasing crude oil and selling finished products. Saras Group activities include crude oil refining and the production and sale of electricity produced from both the integrated combined cycle gasification plant of the subsidiary Sarlux S.r.l., and the wind farms of the subsidiaries Sardeolica S.r.l., Energia Verde S.r.l. and Energia Alternativa S.r.l.

These consolidated interim financial statements at 30 June 2023 are presented in Euro, the currency valid in the economy in which the Group operates. They comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity and the Notes. All values in the notes to the consolidated financial statements are stated in thousands of Euro, unless indicated otherwise.

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

The condensed consolidated financial statements of the Saras Group for the period ended 30 June were prepared on the basis of International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure indicated in Art. 6, Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and in accordance with the provisions issued in implementation of Art. 9, Italian Legislative Decree no. 38 of 28 February 2005.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the consolidated financial statements were approved by the Board of Directors of the Parent Company and set out in the relevant EU regulations published as of that date.

The financial statements have been prepared using the following criteria, in line with IAS 1, deemed suitable to provide a more complete picture of the financial position, operating results and cash flows of the Group:

- Statement of Financial Position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Income Statement and Statement of Comprehensive Income: income statement items are presented according to their nature;
- Cash Flow Statement: presented using the indirect method, which distinguishes between cash flows from operations, investing and financing activities;
- Consolidated Statement of Changes in Shareholders' Equity.

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

## 3. Drafting principles and changes in the Group's accounting standards

### 3.1 Drafting principles

The condensed consolidated financial statements of the Saras Group at 30 June 2023, prepared in accordance with Art. 154-ter of the Consolidated Law on Finance, as amended, were drafted in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, which include all international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), previously called the Standing Interpretations Committee (SIC). The condensed consolidated financial statements at 30 June 2023 were drafted in accordance with the provisions of IAS 34 – Interim financial reporting.

### 3.2 New accounting standards, interpretations and amendments adopted by the Group

The accounting standards adopted by the Saras Group to draft the condensed consolidated financial statements at 30 June 2023 are consistent with those used to prepare the consolidated financial statements at 31 December 2022 and the corresponding interim

reporting period, with the exception of the new accounting standards, interpretations and amendments outlined below which, at the reporting date, had already been issued and entered into force during the current year. The Group did not arrange early adoption of any new standards, interpretations or amendments issued but not yet in force.

#### **Standards issued and in force**

##### **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**

The amendments introduce a definition of accounting estimates, replacing the concept of change in accounting estimates. Under the new definition, accounting estimates are monetary amounts subject to measurement uncertainty. Entities develop accounting estimates if accounting standards require financial statement items to be measured in such a way as to result in measurement uncertainty. The Board clarifies that a change in accounting estimates that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or measurement approach used to develop an accounting estimate qualify as changes in accounting estimates if they do not result from the correction of prior financial year errors. A change in an accounting estimate may only affect the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current financial year is recognized as income or expense in the current financial year. The effect, if any, on future periods is recognized as income or expense in those future periods. The standard has no significant impact on the group's consolidated financial statements

##### **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies**

These changes are intended to assist the person in charge of preparing the financial statements in deciding which accounting policies to present in the financial statements. In particular, an entity is required to disclose material accounting policies, rather than significant accounting policies, and several paragraphs are introduced to clarify the process for establishing material policies, which may be material by their very nature, although the amounts involved may be immaterial. An accounting policy is material if the users of the financial statements need it to understand other information included in the financial statements. In addition, IFRS Practice Statement 2 was amended by adding guidelines and examples to demonstrate and explain the application of the four-step materiality process to disclosures about accounting policies to support the amendments to IAS 1. The standard has no significant impact on the group's consolidated financial statements.

##### **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

IAS 12 requires the recognition of deferred taxes whenever temporary differences arise, i.e., taxes that are due or recoverable in the future. In particular, it has been established that companies, in specific circumstances, may be exempted from including deferred tax when they recognize assets or liabilities for the first time. This provision previously gave rise to some uncertainty as to whether the exemption was applicable to transactions such as leases and decommissioning obligations, transactions for which companies recognize both an asset and a liability. By amending IAS 12, IFRS clarifies that the exemption does not apply to this case and that companies are required to recognize the deferred tax on such transactions. The objective of the amendments is to reduce diversity in the reporting of deferred taxes on leases and decommissioning obligations. The standard has no significant impact on the group's consolidated financial statements.

#### **Principles issued but not yet in force**

At the date of preparation of these financial statements, the following new Standards/Interpretations have been issued by the IASB, but are not yet applicable.

- Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current (mandatory application starting from 01/01/2024)
- Amendments to IFRS 16 Leases: Lease liabilities in a sale and leaseback (Mandatory application from 01/01/2024)

Any impacts on the Group's financial statements deriving from the new Standards/Interpretations are still being assessed.

### **3.3 Consolidation scope**

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

The financial statements subject to consolidation have been prepared at 30 June and are those specifically prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to align them with the accounting standards of the Parent Company.

Consolidated subsidiaries are listed in the table below:

<b>Consolidated on a line-by-line basis</b>	<b>% owned</b>
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e tecnologie Srl	100%
Sarint SA and subsidiaries	100%
Saras Energia SAU	100%
Terminal Logistica de Cartegena SLU	100%
Reasar SA	100%
Sardeolica Srl	100%
Energia Verde Srl	100%
Energia Alternativa Srl	100%
Saras Trading SA	100%
<b>Other investments: mesured at cost as not significant</b>	
Sardhy Green Hydrogen Srl	50.00%
Sarda Factoring	4.01%
Consorzio La Spezia Utilities	5%

There is no change from 31 December 2022.

### 3.4 Use of discretionary estimates and valuations

The preparation of the condensed financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on discretionary valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, i.e., the statement of financial position, income statement, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual results of the accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based. The main estimates relate to the depreciation and amortization of fixed assets, the recoverable amount of fixed assets, the recoverable amount of inventories, the deferred taxes, the provisions for risks and provisions for impairment of current assets, the revenues from the sale of electricity according to the Essentiality Regime agreement and the cost recovery allowed by the Authority, the assessment of the recoverable amount of receivables and the estimate of the fair value of derivative instruments.

The trend of market variables, in the medium-long term and in the short term, including the price and supply of crude oil and the worldwide demand of finished products with respect to the processing capacity, are capable of influencing, even significantly, the Group's performance. This represents one of the critical assumptions for the valuation processes, more specifically for the assessment of fixed assets and of the recoverable amount of inventories as well as the volatility of the current values of financial instruments.

The underlying valuation processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions that, by their nature, involve the use of a high degree of judgment on the part of company Management. The same, for this purpose, also considers scenarios expressed by independent sector experts.

Estimates and valuations are reviewed periodically and the effects of each are recognized in the income statement. A summary of the most significant estimates is presented in the Group's consolidated financial statements at 31 December 2022, to which reference should be made, and with respect to which there is no change.

## 4. Information by business segment and geographical area

### 4.1 Foreword

In order to present the performance of the Group's activities in a consistent manner, the information of the individual companies is allocated to the following business segments:

- Industrial & Marketing;
- Renewables.

### 4.2 Segment information

A breakdown by segment follows below. For further quantitative details and comments, please refer to the appropriate sections of the Report on Operations:

<b>Income Statement at 30th June 2023</b>	<b>INDUSTRIAL &amp; MARKETING</b>	<b>RENEWABLES</b>	<b>TOTAL</b>
Revenues from ordinary operations	5,375,374	12,607	5,387,981
Other income	27,521	1,426	28,947
Depreciation/amortization and write-downs	(90,019)	(4,368)	(94,387)
<b>Operating result</b>	<b>182,977</b>	<b>4,605</b>	<b>187,582</b>
Financial income (a)	147,532	1,203	148,735
Financial charges (a)	(162,680)	(639)	(163,319)
Income taxes	(49,197)	(1,476)	(50,673)
<b>Net result</b>	<b>118,630</b>	<b>3,693</b>	<b>122,323</b>
<b>Total directly attributable assets balance at 30th June 2023 (b)</b>	<b>3,515,471</b>	<b>174,317</b>	<b>3,689,788</b>
<b>Total directly attributable liabilities balance at 30th June 2023 (b)</b>	<b>2,488,972</b>	<b>43,752</b>	<b>2,532,724</b>
<b>Investments in tangible assets at 30th June 2023</b>	<b>117,620</b>	<b>24,133</b>	<b>141,753</b>
<b>Investments in intangible assets at 30th June 2023</b>	<b>1,405</b>	<b>0</b>	<b>1,405</b>

<b>Conto Economico al 30 giugno 2022</b>	<b>INDUSTRIAL &amp; MARKETING</b>	<b>RENEWABLES</b>	<b>TOTAL</b>
Revenues from third parties	7,646,725	23,998	7,670,723
Other income	26,330	1,726	28,056
Depreciation/amortization and write-downs	(88,511)	(4,328)	(92,839)
<b>Operating result</b>	<b>578,698</b>	<b>17,015</b>	<b>595,713</b>
Financial income (a)	115,027	0	115,027
Financial charges (a)	(157,434)	(428)	(157,862)
Income taxes	(246,217)	(14,207)	(260,424)
<b>Net result</b>	<b>290,074</b>	<b>2,380</b>	<b>292,454</b>
<b>Total directly attributable assets balance at 31st December 2022 (b)</b>	<b>4,096,161</b>	<b>168,499</b>	<b>4,264,660</b>
<b>Total directly attributable liabilities balance at 31st December 2022 (b)</b>	<b>3,010,112</b>	<b>42,174</b>	<b>3,052,286</b>
<b>Investments in tangible assets at 31 dicembre 2022</b>	<b>84,078</b>	<b>18,677</b>	<b>102,755</b>
<b>Investments in intangible assets at 31 dicembre 2022</b>	<b>2,686</b>	<b>234</b>	<b>2,920</b>

(a) Determined without considering intercompany eliminations.

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

## 5. Notes to the Statement of Financial Position

### 5.1 Current assets

#### 5.1.1 Cash and cash equivalents

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

<b>Cash and cash equivalents</b>	<b>30/06/2023</b>	<b>31/12/2022</b>	<b>Change</b>
Bank and postal deposits	496,945	707,077	(210,132)
Cash	25	38	(13)
<b>Total</b>	<b>496,970</b>	<b>707,115</b>	<b>(210,145)</b>

Bank deposits are mainly attributable to Saras S.p.A. for EUR 428,909 thousand, Saras Trading S.A. for EUR 40,174 thousand and Saras Energia for EUR 11,233 thousand. There are no constraints or restrictions on such bank deposits.

It should be noted that the item "Bank and postal deposits" includes an amount not immediately available of EUR 1,504 thousand set up by the subsidiary Energia Alternativa S.r.l. in favor of the financing bank to guarantee the debt arising from the loan for the construction of the wind farm.

For further details on the net financial position, please refer to the Report on Operations in the relevant chapter; the change in cash and cash equivalents is summarized in the statement of cash flows.

### 5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Other financial assets	30/06/2023	31/12/2022	Change
Current financial derivatives	37,758	77,988	(40,230)
Derivative guarantee deposits	68,785	108,034	(39,249)
Other assets	0	1,533	(1,533)
<b>Total</b>	<b>106,543</b>	<b>187,555</b>	<b>(81,012)</b>

The item financial derivative instruments comprises the positive fair value of existing instruments as at the period-end date and the positive differentials realized and not yet received.

For further details, see 5.3.1.

The item derivative guarantee deposits includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee open positions at the end of the period.

The change of EUR 39,249 thousand is due to the decrease in oil prices.

### 5.1.3 Trade receivables

Trade receivables total EUR 469,500 thousand, down by EUR 259,381 thousand compared with the previous financial year. The trend of receivables follows the decrease in market prices at the end of the period and the trend of sales. Please note that all customers are subject to a credit assessment (KYC), and in particular customers in the wholesale market are all insured by leading insurance companies. For comments on sales performance, please refer to the Report on Operations.

This item is shown net of the bad debt provision, which amounted to EUR 23,006 thousand, essentially unchanged from 31 December 2022.

### 5.1.4 Inventories

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

Inventories	30/06/2023	31/12/2022	Change
Raw materials and consumables	418,936	339,550	79,386
Unfinished products and semi-finished products	115,466	113,237	2,229
Finished products and goods	588,888	736,189	(147,301)
Spare parts and raw materials, consumables	96,729	98,336	(1,607)
<b>Total</b>	<b>1,220,019</b>	<b>1,287,312</b>	<b>(67,293)</b>

The net decrease in the value of oil inventories is attributable to the decrease in market prices compared to 31 December 2022 and the reduction of the quantities held in stock.

In accordance with the accounting standards, the Group valued inventories at the lower of purchase or production cost and recoverable market value: this comparison showed the need to recognize inventories at a lower value for approximately EUR 3 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	30/06/2023	31/12/2022	Change
VAT credit	2,029	2,121	(92)
IRES credits	2,727	1,355	1,372
IRAP credits	14,655	190	14,465
Other amounts due from the tax authorities	11,212	71,263	(60,051)
<b>Total</b>	<b>30,623</b>	<b>74,929</b>	<b>(44,306)</b>

Other amounts due from the tax authorities include taxes for which reimbursement has been requested or provisionally paid; the decrease for the year mainly refers to the use of tax credit offsets in favor of energy-intensive companies (mainly in favor of the subsidiary Sarlux S.r.l., accrued during the last quarter of 2022) in accordance with the provisions of the so-called "TER Support Decree".

IRAP credits increase as a result of the advances paid in the period.

## 5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/06/2023	31/12/2022	Change
Accrued income	84	356	(272)
Prepaid expenses	13,809	10,980	2,829
Other short-term receivables	11,800	13,631	(1,831)
<b>Total</b>	<b>25,693</b>	<b>24,967</b>	<b>726</b>

Prepaid expenses mainly relate to prepayments of insurance premiums and charges for the biofuel regulations for the Parent Company.

Other short-term receivables at 30 June 2023 mainly refer to Energy Efficiency Certificates (TEE) claimed by the subsidiary Sarlux S.r.l. and shown net of the bad debt provision.

## 5.2 Non-current assets

### 5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2022	Increases	Decreases	Write-downs	Other changes	30/06/2023	
Land and buildings	193,229	0	(54)	0	0	193,175	
Plant and machinery	4,015,979	24,475	(3)	0	8,339	4,048,790	
Industrial and commercial equipment	40,388	0	0	0	0	40,388	
Other asset	712,755	83	(742)	0	9,170	721,266	
Property, plant and equipment under construction	114,156	117,196	(33)	0	(23,126)	208,193	
<b>Total</b>	<b>5,076,507</b>	<b>141,754</b>	<b>(832)</b>	<b>0</b>	<b>(5,617)</b>	<b>5,211,812</b>	
Accumulated depreciation	31/12/2022	Depreciation	Use	Write-downs	Other changes	30/06/2023	
Land and buildings provision	110,688	1,770	(49)	0	(4)	112,405	
Plant and machinery provision	3,239,149	71,419	1	0	(2)	3,310,567	
Industrial and commercial equipment provision	35,541	775	0	0	1	36,317	
Other assets	543,994	12,728	(644)	0	(98)	555,980	
<b>Total</b>	<b>3,929,372</b>	<b>86,692</b>	<b>(692)</b>	<b>0</b>	<b>(103)</b>	<b>4,015,269</b>	
Net Value	31/12/2022	Increases	Decreases	Depreciation	Write-downs	Other changes	30/06/2023
Land and buildings	82,541	0	(5)	(1,770)	0	4	80,770
Plant and machinery	776,830	24,475	(4)	(71,419)	0	8,341	738,223
Industrial and commercial equipment	4,847	0	0	(775)	0	(1)	4,071
Other assets	168,761	82	(98)	(12,728)	0	9,269	165,286
Property, plant and equipment under construction	114,156	117,196	(33)	0	0	(23,126)	208,193
<b>Total</b>	<b>1,147,135</b>	<b>141,753</b>	<b>(140)</b>	<b>(86,692)</b>	<b>0</b>	<b>(5,513)</b>	<b>1,196,543</b>

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 27,596 thousand, office buildings in Milan and Rome belonging to the Parent Company with a net value of EUR 1,784 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux S.r.l. and the subsidiary Deposito di Arcola S.r.l. with a net value of EUR 51,390 thousand.

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



"Industrial and commercial equipment" includes equipment relative to the chemical laboratory and the control room connected with refinement and various assets supplied as necessary to the production process.

The item "Other assets" mainly includes tanks and oil pipes for the movement of products and crude products of the group companies (Sarlux S.r.l., Saras Energia S.A. and Deposito di Arcola S.r.l.).

The item "Assets under construction and payments on account" reflect costs incurred mainly for investments in tanks and work to adapt and upgrade existing facilities, particularly for environmental, safety and reliability purposes.

Increases for the period amounted to EUR 141,753 thousand and mainly refer to technological interventions on refinery plants.

The main depreciation rates used, unchanged comparing to 2022, 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 plants of the Sarroch refinery are located (wastewater treatment, desalination of sea water, blow-down, flare and landing stage), issued by the Port Authority of Cagliari, is valid until 31 December 2027.

The Company, based on the requirements of accounting standard IAS 36 and the recommendations of the main regulatory authorities, constantly monitored the presence of market indicators that could reveal any risks on the recoverability of the main balance sheet items (market capitalization, final results in the half-year and significant changes in the scenario). For the purposes of preparing the condensed interim consolidated financial statements as at 30 June 2023, the company has carried out a sensitivity analysis on the impairment test carried out as at 31 December 2022 with reference to the Industrial&Marketing CGU incorporating the most recent scenarios of the oil and energy markets for the years 2023 and 2024, as well as by simulating the change in the WACC discount rate determined by the performance of the financial markets in the first half of 2023. The sensitivity analysis carried out did not reveal any "impairment indicators" as at 06.30.2023.

## 5.2.2 Intangible assets

The following tables show the changes in intangible assets:

Historical Cost	31/12/2022	Increases	Decreases	Write-downs	Other changes	30/06/2023	
Industrial patent and original work rights	63,522	0	(4)	0	4,096	67,614	
Concessions, licenses, trademarks and similar rights	24,542	0	0	0	0	24,542	
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	20,937	
Other intangible assets	528,038	0	(88)	0	0	527,950	
Intangible assets under construction	1,965	1,405	0	0	1	3,371	
<b>Total</b>	<b>639,004</b>	<b>1,405</b>	<b>(92)</b>	<b>0</b>	<b>4,097</b>	<b>644,414</b>	
Accumulated amortization	31/12/2022	Depreciation	Use	Write-downs	Other changes	30/06/2023	
Industrial patent and original work rights	57,536	2,227	0	0	(4)	59,759	
Concessions, licenses trademarks and similar rights	13,740	20	0	0	408	14,168	
Other intangible assets	526,926	906	0	0	(481)	527,351	
<b>Total</b>	<b>598,202</b>	<b>3,153</b>	<b>0</b>	<b>0</b>	<b>(159)</b>	<b>601,278</b>	
Net Value	31/12/2022	Increases	Decreases	Depreciation	Write-downs	Other changes	30/06/2023
Industrial patent and original work rights	5,986	0	(4)	(2,227)	0	4,100	7,855
Concessions, licenses, trademarks and similar rights	10,802	0	0	(20)	0	(408)	10,374
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	1,112	0	(88)	(906)	0	481	599
Intangible assets under construction	1,965	1,405	0	0	0	1	3,371
<b>Total</b>	<b>40,802</b>	<b>1,405</b>	<b>(92)</b>	<b>(3,153)</b>	<b>0</b>	<b>4,174</b>	<b>43,136</b>

Amortization of intangible assets totaled EUR 3,153 thousand and was calculated using the annual rates shown below.

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

There are no intangible assets with a finite useful life held for disposal. The content of the main items is shown below.

#### Concessions, licenses, trademarks and similar rights

The balance of this item mainly relates to the surface rights acquired by the subsidiary Sardeolica on the land on which the Ulassai wind farm is located, the amortization of which will end in 2035.

#### Goodwill and intangible assets with indefinite life

This item relates mainly to the goodwill recognized for the subsidiary Sardeolica S.r.l. (EUR 20,937 thousand), paid for the purchase of the subsidiary Parco Eolico di Ulassai S.r.l. (merged by incorporation into Sardeolica): this goodwill is justified by the projection of future cash flows expected by the subsidiary Sardeolica S.r.l. over a time horizon extended until the term of the concessions obtained thereby. The recoverability of the value of goodwill was subjected to an impairment test as at 31 December 2022 without identifying any critical issues, during the first half of 2023 no internal or external indicators emerged which would suggest the emergence of a permanent loss in value (capitalization and final results of the subsidiary in the half year 2023).

#### Other intangible assets

These amount to EUR 599 thousand, almost unchanged compared to 31 December 2022

#### Intangible assets under construction and payments on account

The item includes investments underway to purchase software licenses.

### 5.2.3 Right-of-use of leased assets

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

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

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

Historical Cost	31/12/2022	Increases	Decreases	Write-downs	Other changes	30/06/2023	
Leased land and buildings	49,492	0	0	0	200	49,692	
Leased plant and equipment	11,887	0	0	0	0	11,887	
Other leased assets	21,475	0	0	0	0	21,475	
<b>Total</b>	<b>82,854</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>83,054</b>	
Accumulated depreciation	31/12/2022	Depreciation	Use	Write-downs	Other changes	30/06/2023	
Leased land and buildings provision	20,120	2,954	0	0	(56)	23,018	
Leased plant and machinery provision	6,074	727	0	0	(1)	6,800	
Other assets	11,276	861	0	0	1	12,138	
<b>Total</b>	<b>37,470</b>	<b>4,542</b>	<b>0</b>	<b>0</b>	<b>(56)</b>	<b>41,956</b>	
Net Value	31/12/2022	Increases	Decreases	Depreciation	Write-downs	Other changes	30/06/2023
Leased land and buildings	29,372	0	0	(2,954)	0	256	26,674
Leased plant and equipment	5,813	0	0	(727)	0	1	5,087
Other leased assets	10,199	0	0	(861)	0	(1)	9,337
<b>Total</b>	<b>45,384</b>	<b>0</b>	<b>0</b>	<b>(4,542)</b>	<b>0</b>	<b>256</b>	<b>41,098</b>

The balance at 30 June 2023, of EUR 41,098 thousand, relates to the application of the standard IFRS 16 - Leases. The registration essentially refers to the following types of contracts:

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

The decrease compared to the end of the previous year, amounting to EUR 4,286 thousand, refers mainly to the depreciation charge recorded in the period.

## 5.2.4 Other equity investments

Other equity investments break down as follows:

Other equity investments	30/06/2023	31/12/2022	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Sardhy Green Hydrogen	243	243	0
<b>Total</b>	<b>745</b>	<b>745</b>	<b>0</b>

There are no changes compared to the previous year.

## 5.2.5 Deferred tax assets

The net deferred tax assets and liabilities of the Saras Group at 30 June 2023 amounted to EUR 12,534 thousand (consisting of deferred tax assets of EUR 16,119 thousand recognized under non-current assets and deferred tax liabilities of EUR 3,585 thousand recognized under non-current liabilities).

## 5.2.6 Other financial assets

At 30 June 2023, this item amounts to EUR 3,812 thousand (EUR 4,104 thousand in the previous year) and relates to medium/long-term receivables.

## 5.2.7 Other assets

The item "Other assets" includes the receivables from the tax authorities of EUR 38,654 thousand recorded following the conclusion, on 23 March 2023, of the tax assessment settlement with the Cagliari Revenue Agency.

Due to the particular nature of the tax procedure, this settlement provides for the right to a refund of the amount paid in the event of an acquittal sentence in criminal proceedings, and therefore, pending the conclusion of the proceedings, the Group has recognized under the item "other non-current assets" the credit for the entire amount (in terms of tax, penalties and interest). The corresponding payable to the Revenue Agency, divided into short-term and long-term portions, has been recognized in "tax payables" and "other non-current liabilities", respectively. For more details, see paragraph 7.1.

## 5.3 Current liabilities

### 5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	30/06/2023	31/12/2022	Change
Current bank loans	118,118	118,569	(451)
Bank current accounts	17,088	12,134	4,954
Financial derivatives	31,042	71,355	(40,313)
Other short-term financial liabilities	19,054	22,318	(3,264)
<b>Total</b>	<b>185,302</b>	<b>224,376</b>	<b>(39,074)</b>

The item "Current bank loans" includes the short-term portion of bank loans granted to the Group. These loans are measured using the amortized cost method. The terms and conditions of the loans are described in the table in paragraph 5.4.1 "Long-term financial liabilities".

It should be noted that the financial parameters on existing loans subject to review at 30 June 2023 are complied with.

"Bank current accounts" comprises the balance of the utilized credit lines as well as the "hot money" transactions used by the Group in the normal course of business.

The item "Financial derivatives" includes the negative fair value of derivative financial instruments held at 30 June 2023. The decrease compared to 31 December 2022 is essentially due to the trend in the prices of crude oil and oil products.

The following table presents the assets and liabilities measured at fair value at 30 June 2023, broken down by type of underlying asset:

Financial derivatives	30/06/2023 Assets	30/06/2023 Liabilities	31/12/2022 Assets	31/12/2022 Liabilities
Interest rate swaps	2,382	2,508	7,274	586
Fair value derivatives on commodities	27,725	17,199	70,714	58,498
Fair value forward purchases and sales on exchange rates	0	2,692	0	770
Fair value forward purchases and sales on CO2 allowances	7,651	8,643	0	11,501
<b>Total</b>	<b>37,758</b>	<b>31,042</b>	<b>77,988</b>	<b>71,355</b>

"Other short-term financial liabilities" essentially include receipts related to receivables factored without recourse and without notification, received from customers and that have yet to be forwarded to factors.

For further details, see the cash flow statement.

### 5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Trade and other payables	30/06/2023	31/12/2022	Change
Advances from customers	3,226	21,039	(17,813)
Current payables to suppliers	1,188,877	1,423,402	(234,525)
<b>Total</b>	<b>1,192,103</b>	<b>1,444,441</b>	<b>(252,338)</b>

"Advances from customers" relate to payments on account received from customers for the supply of oil products.

The balance of "Trade payables" essentially includes payables for crude oil supplies. The decrease compared to the previous financial year is mainly due to the decrease in crude oil and oil product prices at the end of the period.

### 5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	30/06/2023	31/12/2022	Change
Payables for VAT	43,425	20,743	22,682
IRES payables (and income tax of foreign firms)	19,828	239,802	(219,974)
IRAP payables	61	23,744	(23,683)
Other tax payables	141,878	72,663	69,215
<b>Total</b>	<b>205,192</b>	<b>356,952</b>	<b>(151,760)</b>

"IRES payables" includes the payable for current taxes.

The decrease in the period is due to the payment made in June of the balance of 2022 taxes including the payable for the "Extraordinary contribution on extra profits" of companies operating in the energy sector, as already described in the financial statements at 31 December 2022. With regard to the "Extraordinary contribution on extra profits", the Group reserves the right to take any legal action for its own protection.

The item "Other tax payables" includes payables for excise duties on products released for consumption by the Parent Company Saras S.p.A. (EUR 120,713 thousand) and by the subsidiary Saras Energia SAU (EUR 4,805 thousand) and the short-term portion of the payable to the Revenue Agency regarding the settlement agreement already described in sections 5.2.7 and 7.1 amounting to EUR 9,113 thousand.

### 5.3.4 Other liabilities

The breakdown of other liabilities is shown below:

Other liabilities	30/06/2023	31/12/2022	Change
Payables employee benefit and social security	9,838	20,724	(10,886)
Payables due to employees	34,428	49,307	(14,879)
Payables to others	228,400	226,202	2,198
Accrued liabilities	1,908	618	1,290
Deferred income	4,288	5,082	(794)
<b>Total</b>	<b>278,862</b>	<b>301,933</b>	<b>(23,071)</b>

The item "Payables due to personnel" includes salaries not yet paid for June, the portion of additional monthly payments accrued, performance bonuses for the achievement of business targets and a provision related to the agreement for the consensual termination in favor of some top managers.

The item "Payables to others" mainly includes the amount to be returned to ARERA (Italian Regulatory Authority for Energy, Networks and Environment) in settlement of the Essentiality Regime agreement for 2022 related to the trend in electricity market prices.

## 5.4 Non-current liabilities

### 5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	30/06/2023	31/12/2022	Change
Non-current bank loans	344,363	401,415	(57,052)
Other long-term financial liabilities	41,607	45,494	(3,887)
<b>Total</b>	<b>385,970</b>	<b>446,909</b>	<b>(60,939)</b>

The terms and conditions of the loans are shown in the table below (amounts in EUR million):

Values expressed in millions of EUR	Loan acquisition / renegotiation	Original amount	Base rate	Contractual Maturity	Balance at 31/12/2022	Balance at 30/06/2023	Maturities	
							1 year	1 to 5 years
<b>Saras SpA</b>								
Sace loan	December 2020	350	0.95%	Sep-24	203.6	145.9	116.7	29.2
Sace loan	May 2022	312.5	1.70%	Mar-28	312.2	313.6	-	313.6
<b>Energia Alternativa Srl</b>								
	January 2017	16	2.5% + 6M Euribor	Jun-26	4.2	3.3	1.8	1.5
<b>Total liabilities to banks for loans</b>					<b>520.0</b>	<b>462.8</b>	<b>118.5</b>	<b>344.3</b>

During the month of December 2020, SARAS signed a EUR 350 million loan contract with 70% of the amount backed by SACE guarantees issued under the Italy Guarantee program and intended to strengthen the capital structure of the Company.

In May 2022, Saras signed a new EUR 312.5 million loan, 70% of which was backed by a guarantee issued by SACE under the "Support-bis Decree Law", with the aim of reshaping the Group's debt maturity profile.

The loan was disbursed in a lump sum and the repayment plan provides for a 36-month grace period and repayment in 12 constant quarterly installments starting on 30 June 2025 and ending on 31 March 2028, the loan's maturity date.

It should be noted that the financial parameters on existing loans subject to verification appear to have been respected as of 30 June 2023.

The item "Other long-term financial liabilities" mainly includes the financial debt relating to contracts recognized in compliance with the provisions of IFRS 16.

### 5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

Provisions for risks and charges	31/12/2022	Provisions	Use	Other changes	30/06/2023
Provision for decommissioning plants	29,715	16	0		29,731
Provision for remediation costs	11,290	0	0		11,290
Provision for CO2 allowances	220,631	141,271	(161,520)		200,382
Other provisions for risks and charges	6,164	1,932	(1,921)		6,175
<b>Total</b>	<b>267,800</b>	<b>143,219</b>	<b>(163,441)</b>	<b>0</b>	<b>247,578</b>

The provision for decommissioning plants relates to the future costs of decommissioning plants and machinery, which are accounted for wherever there is a legal and implicit obligation to be met in this regard.

The provision for remediation costs refers to land reclamation activities on the industrial site that the subsidiary Sarlux will have to bear in subsequent years.

The provision for CO2 allowances (EUR 200,382 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. The provision relates to the portion of allowances, necessary to meet the obligation for the current year, not yet purchased at 30 June 2023 consistent with the accounting standard historically adopted by the group.

"Other provisions for risk and charges" mainly refer to provisions accrued in respect of contingent legal and tax liabilities.

### 5.4.3 Provisions for employee benefits

Changes in the provision of "Post-employment benefits" were as follows:

Provisions for employee benefits	30/06/2023	31/12/2022	Change
Post-employment benefits	6,723	6,002	721
<b>Total</b>	<b>6,723</b>	<b>6,002</b>	<b>721</b>

Post-employment benefits are governed by Article 2120 of the Italian Civil Code and reflect the estimated amount that the company will be required to pay employees when they leave their employment. The liability accrued at 31 December 2006 was determined using actuarial methods, in compliance with IAS 19. The impacts of actuarial evaluation are shown in the Comprehensive Income.

### 5.4.4 Deferred tax liabilities

Deferred tax liabilities, totaling EUR 3,585 thousand, relate to the foreign subsidiaries.

### 5.4.5 Other liabilities

Other liabilities amount to EUR 27,409 thousand and almost entirely include the long-term portion of the payable to the Revenue Agency in relation to the settlement agreement already described in sections 5.2.7 and 7.1.

## 5.5 Shareholders' equity

Shareholders' equity is comprised of the following:

Total shareholders' equity	30/06/2023	31/12/2022	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	969,185	729,902	239,283
Net profit (loss) for the period	122,323	416,916	(294,593)
<b>Total</b>	<b>1,157,064</b>	<b>1,212,374</b>	<b>(55,310)</b>

#### Share capital

At 30 June 2023, the fully subscribed and paid-up share capital of EUR 54,630 thousand was represented by 951,000,000 ordinary shares with no par value.

#### Legal reserve

The legal reserve, which is unchanged from the previous year, is equal to one-fifth of the share capital.

#### Other reserves

This item totals EUR 969,185 thousand, up by a net EUR 239,283 thousand compared with the previous year-end balance. The net increase was the combined result of:

- allocation of the result of the previous year (profit of EUR 416,916 thousand);
- a decrease due to the allocation of dividends, approved by the shareholders' meeting on 28 April 2023, in the amount of EUR 180,690 thousand;
- positive effect of the translation of foreign currency financial statements by foreign subsidiaries for EUR 691 thousand;
- increase of EUR 2,376 thousand, net of tax effect, as a result of the recognition in the cash flow hedge reserve as required by IFRS 9.

In accordance with IAS 1, paras. 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

Profit for the period amounted to EUR 122,323 thousand.

## 6. Notes to the Income Statement

### 6.1 Revenues

#### 6.1.1 Revenues from core business

The "Revenues from core business" break down as follows:

Revenues from ordinary operations	30/06/2023	30/06/2022	Change
Revenues from sales and services	4,983,325	7,094,578	(2,111,253)
Sale of electricity	402,421	573,614	(171,193)
Other remunerations	2,235	2,531	(296)
<b>Total</b>	<b>5,387,981</b>	<b>7,670,723</b>	<b>(2,282,742)</b>

The decrease in the item "Revenues from sales and services" is largely due to the trend in the prices of oil products recorded during the year, also supported by a decrease in sales. For a more in-depth analysis, please refer to the Report on Operations.

Revenues from the sale of electricity mainly included those related to the gasification plant (EUR 359,763 thousand), those related to the sale of energy within the Internal User Networks - RIU (EUR 30,051 thousand) and those related to the wind farms of the subsidiaries Sardeolica, Energia Verde ed Energia Alternativa (EUR 12,607). For more details, please refer to the contents of the Report on Operations.

The revenues of the subsidiary Sardeolica take into account the Decree Law no. 4 of 27 January 2022, the so called "TER Support Decree", and the 2023 Budget Law, which establish, inter alia, a "compensation" mechanism for non-incentivized renewable sources under which producers must repay the difference between the prices that will occur on the market and "an equitable remuneration", referred to the historical average of the market area prices, from the start-up of the plant until 31 December 2020.

Other remuneration essentially includes the revenues earned by the subsidiaries Sartec S.r.l. and Reasar S.A. in their respective business segments.

#### 6.1.2 Other income

The following table shows a breakdown of "Other income":

Other income	30/06/2023	30/06/2022	Change
Compensation for storage of mandatory stocks	4,380	749	3,631
Sale of various materials	124	83	41
Grants	1,385	927	458
Chartering	2,374	893	1,481
Recovery for claims and compensation	301	9	292
Other revenues	20,383	25,395	(5,012)
<b>Total</b>	<b>28,947</b>	<b>28,056</b>	<b>891</b>

### 6.2 Costs

The following table shows a breakdown of the main costs:

#### 6.2.1 Purchases of raw materials and consumables

Purchases of raw materials and consumables	30/06/2023	30/06/2022	Change
Purchase of raw materials	3,239,604	4,141,119	(901,515)
Purchase of semi-finished products	42,078	75,991	(33,913)
Purchase of consumables	67,699	34,843	32,856
Increase in property, plant and equipment	(17,917)	(4,752)	(13,165)
Purchase of finished products	1,144,954	2,543,129	(1,398,175)
Change in inventories	66,523	(693,627)	760,150
<b>Total</b>	<b>4,542,941</b>	<b>6,096,703</b>	<b>(1,553,762)</b>

The item mainly consists of the purchase costs of raw materials and finished products. For more details, please refer to the contents of the Report on Operations.

In accordance with the accounting standards, the Group valued inventories at the lower of purchase or production cost and recoverable market value: this comparison showed the need to recognize inventories at a lower value for EUR 3 million.

### 6.2.2 Costs of services and sundry costs

Cost of services and sundry costs	30/06/2023	30/06/2022	Change
Costs for services	463,977	519,994	(56,017)
Capitalizations	(58,580)	(20,711)	(37,869)
Derivatives on crude oil and petroleum products and CO2	(58,551)	116,493	(175,044)
Costs for use of third-party assets	4,436	2,603	1,833
Provisions for risks	142,787	196,689	(53,902)
Bad debt provision trade receivables	63	5,503	(5,440)
Other operating costs	17,967	18,833	(866)
<b>Total</b>	<b>512,099</b>	<b>839,404</b>	<b>(327,305)</b>

Costs for services mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The decrease in the item is mainly attributable to the strong decrease in the prices of utilities which have occurred during the period. These costs are shown net of the tax credit granted to the Group's energy-intensive companies on the purchase of electricity of EUR 31.7 million. For more details, please refer to the Report on Operations.

The "Capitalization" item mainly refers to turn-around maintenance costs capitalized during the period.

The item "Provisions for risks" mainly includes the provision for charges related to the implementation of Directive 2003/87/EC (Emissions Trading). For more details, please refer to paragraph 5.4.2. Provisions for risks and charges.

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

### 6.2.3 Personnel expense

The breakdown of "Personnel expense" is as follows:

Personnel costs	30/06/2023	30/06/2022	Change
Salaries and wages	56,611	52,499	4,112
Increases in fixed assets for internal work	(2,104)	(2,324)	220
Social security contributions	15,949	14,892	1,057
Post-employment benefits	4,317	3,655	662
Other long-term costs and incentives	4,115	4,373	(258)
Remuneration to the Board of Directors	1,033	1,025	8
<b>Total</b>	<b>79,921</b>	<b>74,120</b>	<b>5,801</b>

### 6.2.4 Depreciation/amortization and write-downs

"Amortization/depreciation" are shown below:

Depreciation/amortization and write-downs	30/06/2023	30/06/2022	Change
Amortization of intangible assets	3,153	2,855	298
Depreciation of property, plant and equipment	86,692	84,968	1,724
<b>Total</b>	<b>89,845</b>	<b>87,823</b>	<b>2,022</b>

Depreciation of leased items	30/06/2023	30/06/2022	Change
Depreciation of leased property, plant and equipment	4,542	5,016	(474)
<b>Total</b>	<b>4,542</b>	<b>5,016</b>	<b>(474)</b>

The item "Depreciation of leased items" includes the depreciation for the period calculated in accordance with IFRS 16.



### 6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	30/06/2023	30/06/2022	Change
Bank interest income	1,481	4	1,477
Unrealized differences on derivatives	0	6,667	(6,667)
Realized differences on derivatives	2,654	5,118	(2,464)
Profit on exchange rates	108,211	97,963	10,248
<b>Total</b>	<b>112,346</b>	<b>109,752</b>	<b>2,594</b>

Financial charges	30/06/2023	30/06/2022	Change
Unrealized differences on derivatives	(2,652)	801	(3,453)
Realized differences on derivatives	(2,997)	(1,104)	(1,893)
Interest expenses on loans and other financial charges	(18,331)	(13,343)	(4,988)
Interest on rights of use on leases	(206)	(340)	134
Exchange rate losses	(102,744)	(138,601)	35,857
<b>Total</b>	<b>(126,930)</b>	<b>(152,587)</b>	<b>25,657</b>

The table below shows net income/charges by type:

Net Financial income and charges	30/06/2023	30/06/2022	Change
Net interest	(17,056)	(13,679)	(3,377)
Result of derivative instruments, of which:	(2,995)	11,482	(14,477)
<i>Realized</i>	(343)	4,014	(4,357)
<i>Fair value of open positions</i>	(2,652)	7,468	(10,120)
Net exchange rate differences	5,467	(40,638)	46,105
<b>Total</b>	<b>(14,584)</b>	<b>(42,835)</b>	<b>28,251</b>

The increase in net interest was affected by the sharp rise in interest rates applied to current credit lines. Note that the item other financial charges includes interest on factors.

The entire fair value of the derivatives in place at 30 June 2023 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

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

### 6.4 Income taxes

Income taxes are summarized below:

Income taxes	30/06/2023	30/06/2022	Change
Current taxes	53,189	264,021	(210,832)
Net deferred tax liabilities (assets)	(2,516)	(3,597)	1,081
<b>Total</b>	<b>50,673</b>	<b>260,424</b>	<b>(209,751)</b>

Current taxes consist of IRAP and IRES calculated on the taxable income of the consolidated companies. Please note that at 30 June 2022, the item included the provision of the "contribution on extra profits".

## 7. Other information

For information on subsequent events after the end of the reporting period, please refer to the relevant section of the Report on Operations.

### 7.1 Main legal actions pending

The Group companies are involved in legal disputes filed by different plaintiffs for various reasons. The outcome of some of these disputes is hard to predict. Although the decisions made by the ordinary and administrative courts were contradictory with regard to the alleged violations, the Company assumes that probability of any liability is normally remote or possible; where instead the liability was deemed probable, appropriate accruals were made to the provision for risks.

With reference to criminal case no. 9603/2021 pending at the Cagliari Public Prosecutor's Office, which began in 2021 against Saras S.p.A. and some of the Group's executives, following judgment no. 1162 of 29 November 2022, a nonsuit was declared against the Company because there is no substance to the fact. The judgment against the Company became final. Following the appeal filed by the Public Prosecutor's Office with reference to the judgment issued against the Group's managers, the trial was assigned to the First Division of the Cagliari Court of Appeal (G.R. 174/2023) and the hearing was scheduled for 5 March 2024.

Related to the aforementioned legal matter, on 8 August 2022, the Tax Police served Saras S.p.A. with a Report of Findings in which it challenged the non-deductibility of the purchase cost and refining cost of crude oil of Kurdish origin for the years 2015, 2016 and 2017.

Moreover, in this context, on 9 December 2022, the Revenue Agency - Regional Directorate of Sardinia issued two invitations to cross-examination (for IRES and IRAP) challenging the non-deductibility of the alleged criminal costs pertaining to 2016.

The tax dispute is based on the non-deductibility of criminal costs (Article 14, paragraph 4 bis of Law no. 537/1993). The regulation envisages the recovery for taxation of the cost of the goods and services used directly to commit the challenged offense, with a right to reimbursement of any taxes paid in the event of the passing - in the criminal proceedings - of a final judgment of acquittal or nonsuit for reasons other than the period of limitation. The aforementioned right to reimbursement applies not only in relation to provisional payments, but also to those made as a result of the adoption of one of the deflationary tools provided by tax regulations (acquiescence, settlement, conciliation, etc.).

During the cross-examination, the Company and the Revenue Agency agreed to a tax assessment settlement limited to the cost of refining crude oil of Kurdish origin for the 2016 tax year, and the parties also agreed that the same settlement criteria will be applied in case of issuance of tax assessments related to 2015.

On 23 March 2023, the Company concluded a tax assessment settlement which amounts for the year 2016 to approx. EUR 38 million (in terms of tax, penalties and interest), and according to the same agreed criteria, a possible tax assessment settlement will amount for 2015 to approx. EUR 40 million (in terms of tax, penalties and interest). This settlement in the terms stated above, because of the special nature of the tax proceedings in question, provides, according to the relevant provision, as expressly interpreted by the Revenue Agency, the right to a refund of the amount paid in the event of an acquittal in a criminal trial.

Moreover, as a result of the settlement, the Company significantly reduces the overall dispute and also avoids the risk of provisional collection while the case is pending.

Moreover, by opting for an installment over 4 years of the amounts resulting from the settlement and being a provisional measure, the Company can better plan for the limited cash outflow (with a maximum quarterly installment of about EUR 4.7 million, prudentially including the amounts due for 2015 and 2016, plus legal interest) pending the conclusion of the proceedings and the reimbursement of what has already been paid.

At 30 June 2023, the Company paid the first installment for a total of EUR 2.2 million.

Based on a careful evaluation of the judgment issued in the criminal proceedings, it is considered likely that the latter will end with the final acquittal of the investigated managers.

As a result, it is believed that the circumstance that the tax risk described so far – in the amount of approximately EUR 75-80 million – may turn into a final disbursement is to be considered remote, based on the opinion of independent tax and criminal experts.

As regards the subsidiary Sarlux S.r.l., there are ongoing disputes with GSE about the non-recognition of the categorization of the IGCC plant as cogeneration and the subsequent alleged obligation to purchase "green certificates"; the companies producing electricity from non-renewable or cogeneration sources (pursuant to Legislative Decree no. 79/99 and ARERA Resolution no. 42/02) are, in fact, subject to the obligation to purchase green certificates for a certain percentage of electricity fed into the grid. Consequently, the Company did not recognize any expenses or revenue with reference to these regulations.

It should be noted that on 11 November 2022, the Council of State deemed the appeal brought by the GSE inadmissible, confirming the annulment ordered by the Rome Regional Administrative Court regarding the calculation of the CEC (application of the K coefficient referred to in AEEG Resolution no. 89 of 2010). On 13 March 2023, the Company notified the GSE of the Council of State's ruling and quantified the amount related to the enforcement of the ruling. It is confirmed that there will be no potential liabilities to be included in the financial statements.

Furthermore, other assets (as described in note 5.1.6 – Other assets) include receivables for white certificates (TEE) related to benefits assigned for energy savings obtained through specific projects preliminarily authorized by GSE. In 2016, the latter commenced its inspections on all projects, although they had been already preliminarily authorized. Upon completion of the inspections, in 2017 GSE recalculated the portion of TEE pertaining to the Company to the extent of the projects inspected. The Group initiated an administrative dispute challenging the outcome of the above inspections. Its assessment of the risk arising from the possible outcome of the dispute was reflected in the financial statements. In 2018 and 2020, the GSE partially accepted the claims put forward by the subsidiary for some projects, thus arriving at the final settlement. The effects of these developments have been properly reflected in the respective financial statements.

Furthermore, with regard to the subsidiary Sarlux, a criminal case against the Company and some managers must be noted. In April 2022, an investigation was initiated against Sarlux S.r.l. and some of the Company's managers, by the Cagliari Public Prosecutor's Office, as part of an investigation into blow-down discharges, with exceedances of the limits of the gases sent to the flare, as set forth by the AIA agreement, which allegedly generated black smoke and odor emissions, as ascertained in the records covering the period from 2019 to the present. In particular, the investigation refers to the alleged offence 452-bis of the Criminal Code (Environmental Pollution). The investigations are still in the preliminary stage.

On 25 July 2022, following the meeting with the Company, the Corpo Forestale (Forest Rangers) made an additional data request, which was notified to Sarlux on 1 August 2022; this request was met by Sarlux with the new response note sent to the Corpo Forestale on 6 September. On 20 September 2022, the technical consultants of the Public Prosecutor's Office carried out another inspection at the refinery, as a result of which additional documents were requested from the Company, which were provided in October. At the end of June 2023, the Company was notified of an extension of the deadlines, pending the filing of the technical report prepared by the experts appointed by the Public Prosecutor's Office.

In June 2022, the Corpo Forestale e di Vigilanza Ambientale ("C.F.V.A.") notified some managers of Sarlux S.r.l. of the application of a decree ordering the inspection of places and goods, issued by the Public Prosecutor's Office of the Court of Cagliari, for the offence referred to in Article 452 bis of the Italian Criminal Code, allegedly committed in Sarroch until December 2019, as a result of possible emissions and spillage of waste. At the end of the inspection, the C.F.V.A. ordered the criminal seizure of a limited tank area for the presence of traces of hydrocarbons on the soil, and of one of the rainwater collection tanks for the presence of oily products. The site surrounding the seized areas was closed and access was restricted for the sole purpose of environmental monitoring. In March, a new inspection decree was served by the Public Prosecutor's Office of the Court of Cagliari given the need expressed by the Board of Court Appointed Experts to carry out further investigations. The inspection activities were carried out through a request for document acquisition and on-site verification of the various parts of the plant and were completed at the end of March 2023.

During the month of June 2023, the Company received notification from the Judge of the extension of the deadlines to submit the technical appraisal with reference to the expert assessments being prepared by the experts.

## **7.2 Commitments**

At 30 June 2023, there were no irrevocable commitments in existence for the purchase of materials or the provision of services over a period of several years.

As part of its normal activities, the Parent Company Saras has issued sureties totaling EUR 154,710 thousand at 30 June 2023, mainly in favor of subsidiaries and entities, such as Customs Agencies and the Ministry of Defense.

## **7.3 Related-party transactions**

The transactions carried out by the Saras Group with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. There were no new types of transactions with related parties during the period. The impact of these transactions or positions on the statement of financial position, income statement and cash flow statement is not significant and is substantially in line with previous periods.

## **7.4 Subsequent events**

For information on subsequent events after the end of the reporting period, please refer to the relevant section of the Report on Operations.



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

The undersigned, Massimo Moratti, Chairman and Chief Executive Officer, and Fabio Peretti, the Executive responsible for the preparation of Saras S.p.A. financial reporting, hereby attest, pursuant also to the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24<sup>th</sup> February 1998:

- the appropriateness in respect of the type of company, and
- the efficient application of the administrative and accounting procedures for the preparation of the interim consolidated half year financial statements, for the period 1<sup>st</sup> January 2023 to 30<sup>th</sup> June 2023.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as of 30<sup>th</sup> June 2023:

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

2. the interim "report on operations" includes a reliable analysis of the main events which took place during the first semester of the financial year and their impact on company results together with a description of the main risks and uncertainties for the remaining semester of the financial year.

The Half-Year Financial Report also contains a reliable analysis of the transactions with related parties.

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

*Milan, 31<sup>st</sup> July 2023*

*Chairman and Chief Executive Officer*

*Director responsible for drawing  
up the accounting statements*

*(Dott. Massimo Moratti)*

*(Dott. Fabio Peretti)*



# Saras S.p.A.

Interim condensed consolidated financial  
statements as of 30 June 2023

Review report on the interim condensed  
consolidated financial statements

(Translation from the original Italian text)

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

To the Shareholders of  
Saras S.p.A.

### Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related explanatory notes of Saras S.p.A. and its subsidiaries (the "Saras Group") as of 30 June 2023. The Directors of Saras S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Saras Group as of 30 June 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 31 July 2023

EY S.p.A.  
Signed by: Marco Malaguti, Auditor

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