SARAS GROUP
HALF-YEAR FINANCIAL REPORT
AS OF 30TH JUNE 2022

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 and Director
ANGELO MORATTI	Director
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GIOVANNI EMANUELE MORATTI	Director
DARIO SCAFFARDI	Chief Executive Officer, General Manager and Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director
FRANCESCA STEFANIA LUCHI	Independent Director
GIANFILIPPO MANCINI	Independent Director
PATRIZIA RADICE	Director

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

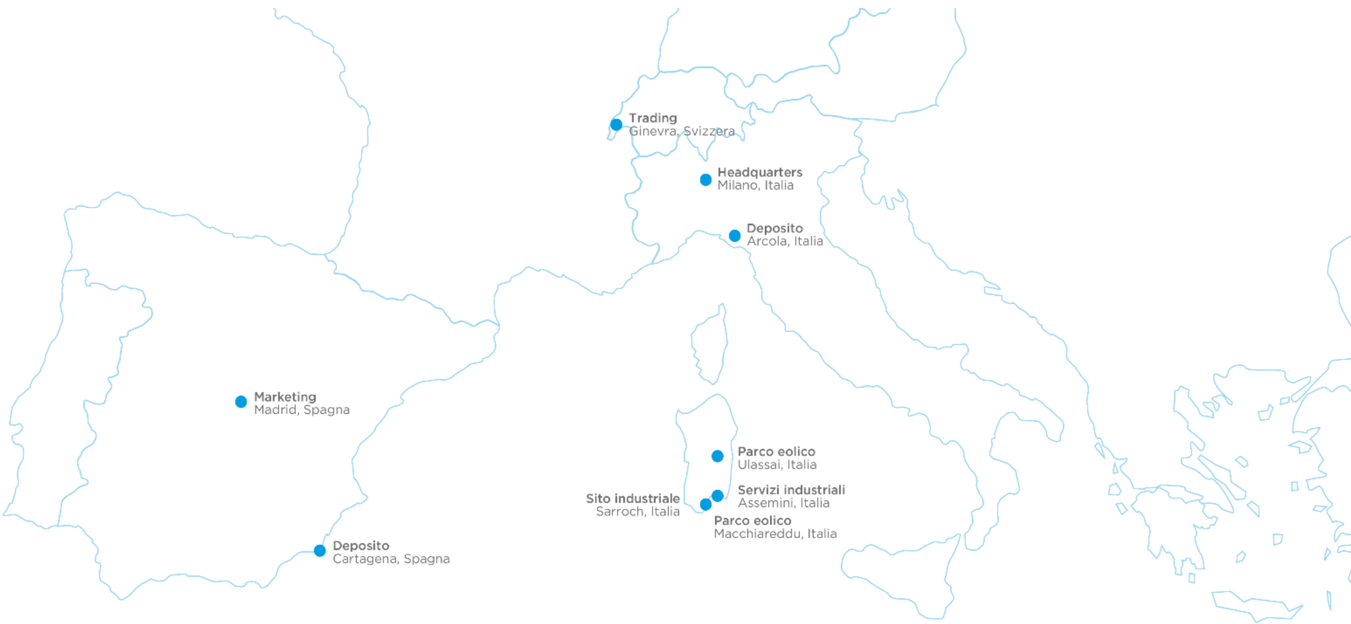
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the largest in the Mediterranean in terms of production capacity (15 million tonnes per year, or 300,000 barrels per day) and 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 fifty years of activity. To best exploit these resources, Saras has introduced a business model based on the integration of its supply chain through close coordination between refinery operations and commercial activities. This 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, diesel fuel for heating, liquefied petroleum gas (LPG), virgin naphtha, fuel for aviation and bunkering, mainly on the Italian and Spanish markets, but also in various other European and non-European countries.

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 575MW. The plant, which since April 2021 has been recognized by ARERA as one of the essential plants for the safety of the Italian electricity system, uses heavy refining products and transforms them into approximately 3.5 billion kWh/year of electricity, contributing to about 40% of the electricity needs of Sardinia.

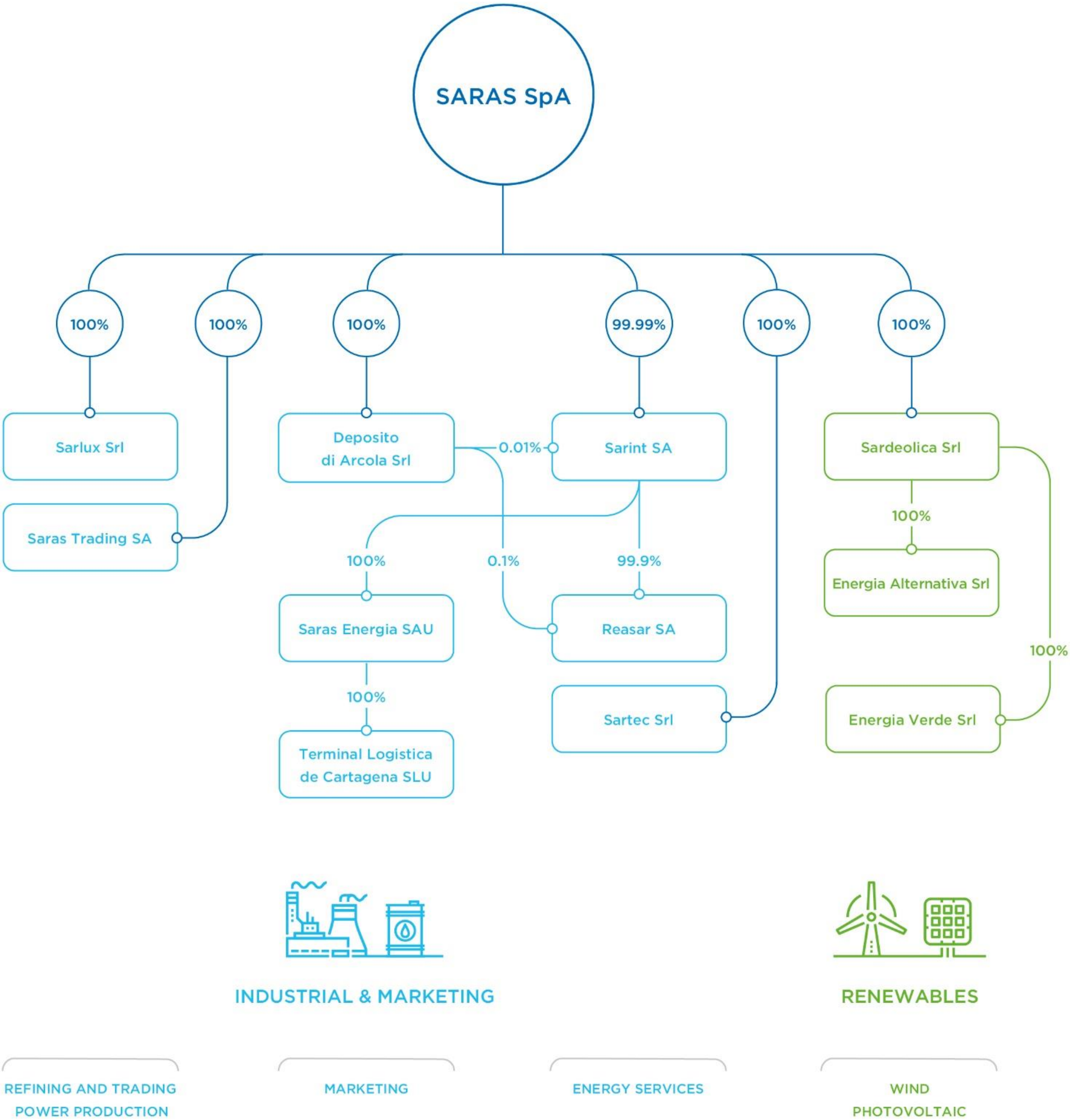
Also in Sardinia, the Group produces and sells electricity from renewable sources, through three wind farms managed by the subsidiaries Sardeolica Srl, Energia Alternativa Srl and Energia Verde Srl located in Sardinia, for a total installed capacity to date of 171 MW. The Saras Group's activity in the renewable sources sector is expected to expand significantly in the medium term, with an installed capacity target of 500MW by 2025.

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



Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 30th June 2022.
It should be noted that from January 1st, 2021, the segment called "Industrial & Marketing" includes all activities relating to the refining and power generation as well as activities relating to "Marketing". The "Renewables" segment includes the activities previously included in the "Wind" segment which was renamed in view of potential developments in the photovoltaic and green hydrogen sectors.



Saras Stock Performance

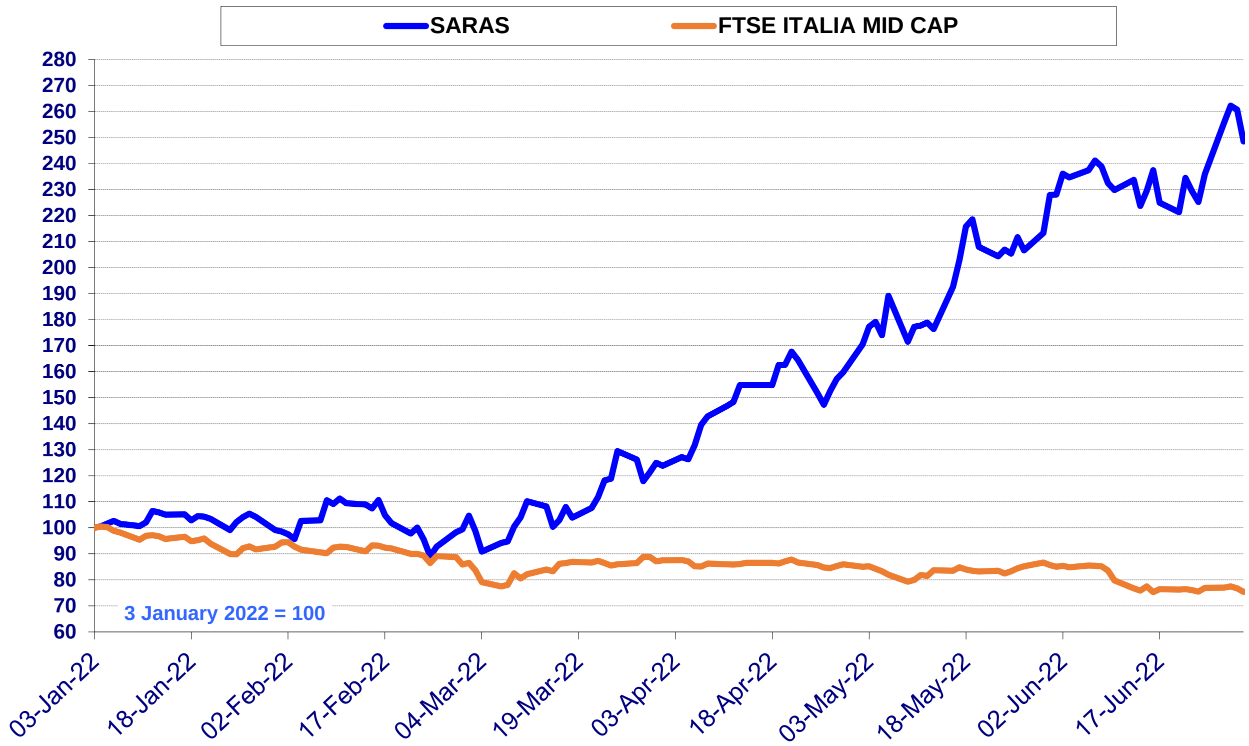
The following data relate to Saras' share prices and the daily volumes, traded during the first six months of 2022.

SHARE PRICE (EUR)	IH 2022
Minimum price (24/02/2022)	0.4966
Maximum price (28/06/2022)	1.464
Average price	0.836
Closing price at the end of the first six months of 2022 (30/06/2022)	1.387

DAILY TRADED VOLUMES	IH 2022
Maximum traded volume in EUR million (17/05/2022)	32.1
Maximum traded volume in number of shares (million) (04/02/2022)	39.4
Minimum traded volume in EUR million (11/01/2022)	1.8
Minimum traded volume in number of shares (million) (11/01/2022)	3.1
Average traded volume in EUR million	11.5
Average traded volume in number of shares (million)	14.0

The Market capitalization at the end of the first six months of 2022 was equal to approximately EUR 1,319 million and the total number of shares were 951 million.

The following graph shows the daily performance of Saras' share price[1]. during the first six months of 2022, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange. Performance of the stock in the first half of 2022 was 151.8%.



[1] June 2022 revision of the FTSE Italia series indices, with effect from 20th June, brings the Saras stock within the FTSE Italia Mid Cap index (the stock joined the FTSE Italia Small Cap from 21st March to 19th June 2022).

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 profit, non-accounting values processed in this report on operations, have been stated with the measurement of stocks using the FIFO method, but excluding unrealised gains and losses on stocks resulting from scenario changes calculated by measuring opening stocks (including the related derivatives) at the same unit values as closing stocks (when quantities increase in the period), and closing stocks at the same unit values as opening stocks (when quantities decrease in the period). Items that are non-recurring in terms of their nature, materiality and frequency have been excluded from both the operating profit and the comparable net profit.

The results thus calculated, which are referred to as "comparable", are not indicators defined by the International Financial Reporting Standards (IAS/IFRS) and are unaudited. Non-GAAP financial measures should be read together with information determined by applying the International Accounting Standards (IAS/IFRS) and do not stand in for them.

Impact of the Russia-Ukraine war

The outbreak of the Russian-Ukrainian conflict has changed the global energy scenario, triggering extreme volatility and a sharp increase in energy commodity prices (oil and derivatives, gas and electricity) particularly in Europe, which is more exposed to supplies of the Russian market. This scenario has characterised the entire second quarter of 2022 with effects that are expected to continue into the second half of the year, as it is now difficult to foresee an end of the conflict and a return to new geopolitical balances in the short term.

With regard to the oil market, following the Russian invasion of Ukraine on 24 February, major Western players have progressively distanced themselves from the exports of Russia, the world's largest exporter, first voluntarily, then in compliance with the introduction of sanctions by the US, UK and Europe. This has led, within a context of sustained demand, and close to pre-Covid levels already in early 2002, to a sharp reduction in the global availability of crude and, especially in Europe, of middle distillates.

As also reported by the most recent publications of the IEA (International Energy Agency) Europe's structural shortage of middle distillates was in fact, before the war, offset by imports of Russian product (up to 800-900 kbl/day, approx. 35% of European diesel imports, and equal to 10-12% of the old continent's total needs). At the same time, the availability of sour Urals crude oil, which accounted for about 20 per cent of the crude processed in the refineries of the European OECD countries and were largely used in the production of middle distillates, declined. The constraints of many refineries in the processing of other crude qualities in diesel production, starting with limitations in hydrotreating, have forced several plants to reduce processing. This supply shock has come on top of a pre-existing low unused refining capacity in Europe and the US, which has significantly dropped over the last decade and exacerbated in the last two years by the impacts of the pandemic on the industry. Therefore, stocks of middle distillates in Europe, which were already at their lowest levels since 2017 at the end of 2021, saw a drastic and sudden increase in prices in the face of the lack of supplies from Russia. Since the end of March, gasoline prices also recorded unprecedented increases, driven by the rapid rise in demand for the fuel with the start of the summer season, as well as by the operational constraints of refineries, which were incentivised to maximise diesel production with an impact on gasoline supply.

In addition, the general rise in commodity prices, not only of oil but also of energy and gas, contributed to the increase in fuel prices.

As described in the chapters dedicated to the management trend in the period under review, these phenomena have had a highly positive impact on the financial and economic situation of the Saras Group, while generating highly critical elements, such as, first of all, an important appreciation of low sulphur content crudes and electricity and, last but not least, a significant difficulty in operational and financial planning in the face of extreme volatility on the markets of the main reference commodities. In order to describe the extent of the "impact of the conflict" on the Group's business in the first half of 2022, it is possible to compare the assumptions made in the period by the main sector analyst companies in a condition of pre-conflict normality, with the relative average values actually recorded in the half-year period.

With respect to **the price of the benchmark oil, Brent Dtd, the pre-conflict assumptions saw a price between 85-90 $/bbl in the first half of the year, gradually declining between the first and second quarters**, with a further rebalancing in the second half of the year to values close to 70 $/bbl; the main assumptions of sector analysts therefore showed a forecast with an annual average 80 $/bbl. Furthermore, the expected end of OPEC+ Russia cuts, allowed to assume the gradual return of greater availability of sour crude oils, and to assume for 2022 a heavy light differential, i.e. a Ural-Brent Dtd discount of -1.2 $/bbl on average.

As described above, with the outbreak of hostilities between Russia and Ukraine, the scenario has drastically changed with Brent prices reaching peaks of over 138 $/bbl in the first week of March. Later in the semester, lower-than-expected production increases by Opec+ member countries have increased concerns of a "short" market and have been only partly offset by the release of emergency stocks by IEA member countries and by expectations of a curb on demand due to the resurgence of the Covid pandemic in China as well as rising inflation in the US and Europe. These factors have brought **the average Brent Dtd price for the six-month period to 108.2 $/bbl.**

Looking at the **margins of the main refined products**, **i.e. gasoline and diesel,** the average pre-conflict projections of the main sector analysts pointed out an improvement in cracks compared to the average values of the last quarter of 2021, thanks to high demand with a recovery in gasoline and diesel consumption, and in particular diesel due to the gradual recovery of air traffic, and to the expected reduction in Brent prices. Therefore, an average gasoline crack in the first half of the year of 12.2 $/bbl (11.1 $/bbl in the whole of 2022), and an average diesel crack of 13.3 $/bbl (12.8 $/bbl in the 12 months of 2022) were considered.

The change of scenario following the Russian-Ukrainian conflict has led the **gasoline crack, for the reasons explained above to an average value in the first half of 2022 of 20.7 $/bbl**, reaching an average of 31.9 $/bbl in the second quarter, due to lower supply in favour of diesel production and high individual mobility in both Europe and the US with the arrival of the summer season.

Diesel has recorded an average margin of 31.9 $/bbl in the first half of the year, and an average of 44.8 $/bbl in the second quarter.

With regard to **energy costs, and in particular electricity costs, the prevailing pre-conflict assumptions have assumed a very high PUN, in contrast to the increases recorded in the second half of 2021 with a PUN averaging 242 EUR/MWh in the last quarter, although gradually decreasing over the course of the year. For CO2, the scenario assumed an average EUA permit price of 89 EUR/tons in the first half of the year and 80 EUR/tons in 2022. After a first half of 2022 still under pressure, a partial rebalancing of the gas price was expected thanks to the end of the winter season, as well as a possible opening of the NordStream2 pipeline - to date no longer to be expected - and an increase in imports from other countries already connected by pipelines and domestic production.** By the same token, the assumptions adopted on the quotations of CO2 emission permits reflected a gradual rebalancing of prices starting in the second half of the year, due to less upward pressure from gas prices.

In fact, the strongly upward trend that impacted the market of natural gas and the related increase in electricity starting from the second half of 2021 continued in 2022 culminating in the days subsequent to 24 February 2022, day in which the conflict in Ukraine began, when the spot price of natural gas on the TTF (the European reference market for natural gas) reached 208 EUR/MWh and the PUN (Single National Price of electricity) reached a record daily average of 588 EUR/MWh. In fact, the alarm has increased for a possible extension of the sanctions adopted against Russia to the energy sector, with the risk of a partial or total interruption of Russian gas supplies. In this context, **in the first six months of the year, the PUN averaged 248.6 EUR/MWh,** up further from the already very high values recorded in the last quarter of 2021 (241.6 EUR/MWh). In the same period in 2021, the PUN stood at an average of 67.0 EUR/MWh.

EUA quotations for European carbon dioxide permits averaged 83.9 EUR/ton in the first half of 2022 (in the first half of 2021, the CO2 price averaged 43.9 EUR/MWh).

As regards the Renewables segment, the valorization of the segment's production has taken into account the provisions of Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes a "compensation" mechanism for non-incentivized renewable sources, under which producers must repay, up until the end of 2022, 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. For Sardeolica, the compensation is based on a historical average price of about 61 EUR/MWh, to be applied to the non-incentivized production sections which became operational prior to 2010 (around 85% of the installed capacity).

Key financial and operational Group Results

EUR Million	H1 2022	H1 2021	Change %	Q2/22	Q2/21	Change %
REVENUES	7,699	3,756	105%	4,749	2,127	123%
Reported EBITDA	688.5	108.7	533%	532.2	81.6	552%
Comparable EBITDA	**520.6**	**8.3**	**n.s.**	**458.6**	**19.5**	**n.s.**
Reported EBIT	595.7	13.6	n.s.	485.0	33.6	n.s.
Comparable EBIT	**427.8**	**(86.8)**	**n.a.**	**411.4**	**(28.5)**	**n.a.**
NET RESULT reported	292.5	0.5	n.s.	215.9	24.3	n.s.
Comparable NET RESULT	**300.5**	**(70.8)**	**n.a.**	**287.1**	**(23.8)**	**n.a.**

EUR Million	H1 2022	H1 2021	FY 2021
NET FINANCIAL POSITION ANTE IFRS 16	**64.9**	**(432.6)**	**(453.1)**
NET FINANCIAL POSITION POST IFRS 16	**23.1**	**(479.0)**	**(494.5)**
CAPEX	**50.9**	**40.2**	**84.0**

It should be noted that the investments represented for the second quarter and the first half of 2021 do not include the investment relating to the acquisition of Energia Verde and Energia Alternativa (relating to the Macchiareddu parks) finalized in June 2021 and classified in the 2021 Financial Statements between investments in equity investments.

Comments on the Group's results for the first six months of 2022

In the first half of 2022, Group revenues amounted to EUR 7,699 million, compared to EUR 3,756 million in the first six months of last year.

The change is mainly due to the significant appreciation of the main oil products and the increase in the sales price of electricity (regulated within the Essentiality Regime) compared to the same period of last year. Specifically, the average price of diesel in the first half of 2022 was 1,045 $/ton (vs 520 $/ton in 2021), while that of gasoline was 1,076 $/ton (vs 607 $/ton in 2021), the single national price for the sale of electricity (PUN) was 249 EUR/MWh (vs. an average selling price of 82 EUR/MWh in the first half of 2021 related both to the performance of the CIP6 tariff, until its expiry, and to the subsequent performance of the PUN regulated within the essentiality contract). In addition to the trend in the prices of the main products sold, the EUR/$ exchange rate trend, which in the first six months of 2022 was 1.09 (vs 1.21 in 2021) also had a positive effect, as did the higher electricity production (affected in the first half of 2021 both by increased maintenance and by different production set-ups required in the Essentiality Regime). Lower processing and sales related, on the one hand, to increased maintenance and, on the other hand, to limitations in the movement of material into and out of the production site, due to the prolonged period of closure of the port as a result of adverse weather conditions in March and April, partially offset this scenario.

The Group's reported EBITDA amounted to EUR 688.5 million in the first six months of 2022, up from EUR 108.7 million in the first six months of 2021.

The positive change is to be primarily attributed to the improvement in ordinary operations between the two periods, mainly due to the increase in the crack prices of the main products and the strengthening of the dollar, which were partly offset by higher crude procurement costs and the extraordinary increase in the electricity required to operate the industrial plants, net of the amount reimbursed under the Essentiality Regime.

From the point of view of commercial performance, to be noted is a more complex market environment in terms of raw material procurement and higher costs resulting from the backwardation structure of the curves of crude oils and the main oil products, which generate a higher cost of hedging inventory masses intended for processing or sale; these phenomena were offset by the favourable sales conditions of finished products.

As far as production aspects are concerned, the half-year was characterised by a more onerous maintenance plan compared to the same period last year (mainly in the first quarter) and the inefficiencies caused by the port closures resulting from the bad weather of March and April.

In addition, as regards the price dynamics of commodities on oil inventories (net of the related hedging derivatives) in the first half of 2022, these benefited from an appreciation of EUR 123.4 million compared to an appreciation of EUR 101.0 million in the same period of 2021.

Lastly, for non-recurring items, there was a negative impact of EUR 3.8 million in 2022, related to the adjustment of some receivable, compared to the negative value EUR 4.9 million in 2021, to be mainly attributed to the cost of CO2 emissions pertaining to 2020.

It should be noted that the reported EBITDA for the first half of 2022 reflects the effect of the TER Support Decree, respectively a reduction in energy costs by approx. EUR 40.1 million and a limitation of sales tariffs for electricity generated from renewable sources (wind power) by approx. EUR 14.8 million.

The Group's reported Net Profit was EUR 292.5 million, compared to EUR 0.5 million achieved in the first six months of 2021. In addition to what is shown at the EBITDA level, this variance is mainly attributable to higher financial expenses and higher taxes for the first half of 2022, which were impacted by the higher tax charges deriving from the provisions included in the Decree-Law No. 21 of 21 March 2022, as amended, so-called taxation on extra profits, in addition to the current taxes recorded in the period.
With regard to the windfall tax on extra profit, the Company made an allocation that has been prudently estimated in its maximum amount and for which the Company reserves the right to make further assessments that could reduce the amount.

The Group's comparable EBITDA amounted to EUR 520.6 million in the first six months of 2022, an increase over EUR 8.3 million recorded in the first six months of 2021. With respect to *reported* EBITDA, this result does not include the above-mentioned positive effect of the scenario on changes in inventories between the start and end of the period, includes the impact of currency derivatives (reclassified under core business) and excludes non-recurring items. The higher result compared to the first six months of 2021 is made up of a positive variance in both the "Industrial & Marketing" and "Renewables" segments, which will be described in more detail in the "Segment Review" section.

The Group's comparable net profit for the first six months of 2022 was EUR 300.5 million, compared to EUR 70.8 million in the same period last year as a result of the same phenomena described for Reported Net Profit, and without including the effect of the windfall tax on extra profit.

Investments in the first six months of 2022 stood at EUR 50.9 million higher than in the first half of 2021 (EUR 40.2 million); this increase is attributable to the Industrial & Marketing segment and to the increased maintenance activities in 2022. It should be noted that the investments represented for the second quarter and the first half of 2021 do not include the investment relating to the acquisition of Energia Verde and Energia Alternativa (relating to the Macchiareddu parks) finalized in June 2021 and classified in the 2021 Financial Statements between investments in equity investments.

Comments on the Group's second quarter 2022 results

In the second quarter of 2022, Group revenues amounted to EUR 4,749 million, compared to EUR 2,127 million in the second quarter of last year. The significant change is attributable to the same market dynamics highlighted in the commentary on the half-year results characterised by a significant appreciation of the main oil products, an increase in the price of electricity, regulated within the Essentiality Regime, and a strengthening of the dollar against the euro. In addition to these market trends, revenues were also positively impacted by higher production of electricity, mainly for more powerful assets required by the relevant authorities, as well as higher processing and sales, mainly due to changed market conditions.

The Group reported EBITDA for the second quarter of 2022 was EUR 532.2 million, up from EUR 81.6 million in the second quarter of 2021.

The positive change is to be primarily attributed to the improvement in ordinary operations between the two periods, mainly due to the improvement in the crack prices of the main products and the strengthening of the dollar, which were partly offset by higher crude procurement costs and the extraordinary increase in the electricity required to operate the industrial plants, net of the amount reimbursed under the Essentiality Regime.

Commercial performance during the quarter was positive with the benefits generated by product sales which more than offset the negative effects generated by backwardation and raw material procurement complexities.

Production performance was lower than in 2021, but it should be noted that the high margins in the second quarter of the year amplified the economic value of all production activities, making it much more challenging to achieve the performance levels recorded in the previous year.

The price dynamics of commodities on oil inventories (net of the related hedging derivatives) in the second quarter of 2022, benefited from an appreciation of EUR 35.7 million compared to an appreciation of EUR 62.8 million in the same period of 2021. Lastly, for non-recurring items, there was a negative impact of EUR 2.6 million in 2022, due primarily to the adjustment of some receivables, compared to EUR 2.1 million in 2021 as a result from the release of some restructuring funds.

Lastly, it should be noted that the reported EBITDA for the second quarter of 2022 reflects the effect of the TER Support Decree, respectively a reduction in energy costs by approx. EUR 24.1 million and a limitation of sales tariffs for electricity generated from renewable sources (wind power) by approx. EUR 7.6 million.

The Group's reported Net Profit was EUR 215.9 million, up from EUR 24.3 million in the second quarter of 2021, mainly due to the same dynamics shown at the EBITDA level and the increase in financial expenses and taxes, both related to the same phenomena described in the comments on the half-year results. The Net Profit includes the provision relating to taxation for the contribution on windfall tax on extra profit, that has been prudently estimated in its maximum amount and for which the Company reserves the right to make further assessments that could reduce the amount.

The Group's comparable EBITDA amounted to EUR 458.6 million in the second quarter of 2022, up compared to EUR 19.5 million in the second quarter of 2021. With respect to *reported* EBITDA, this result does not include the above-mentioned positive effect of the scenario on changes in inventories between the start and end of the period, includes the impact of currency derivatives (reclassified under core business) and excludes non-recurring items. The higher result compared to the second quarter of 2021 is made up of a positive variance in both the "Industrial & Marketing" and "Renewables" segments, which will be described in more detail in the "Segment Review" section.

The Group's comparable net profit for the second quarter of 2022 was EUR 287.1 million, compared to a loss of EUR 23.8 million in the same period of the previous year, due to the same phenomena described for the Reported Net Profit, net of the effect of the so-called taxation on extra-profits.

Investments in the second quarter of 2022 amounted to EUR 26.8 million compared to EUR 18.5 million in the same period of 2021. The increase is primarily attributable to the Industrial & Marketing segment and is due to the increased maintenance activities carried out in 2022. It should be noted that the investments represented for the second quarter and the first half of 2021 do not include the investment relating to the acquisition of Energia Verde and Energia Alternativa (relating to the Macchiareddu parks) finalized in June 2021 and classified in the 2021 Financial Statements between investments in equity investments.

Calculation of the Group comparable EBITDA

EUR Million	H1 2022	H1 2021	Q2/22	Q2/21
Reported EBITDA	**688.5**	**108.7**	532.2	**81.6**
Gain / (Losses) on Inventories and on inventories hedging derivatives	(123.4)	**(101.0)**	(35.7)	(62.8)
Derivatives FOREX	(48.2)	**(4.3)**	(40.5)	2.8
Non-recurring items	3.8	**4.9**	2.6	(2.1)
Comparable EBITDA	**520.6**	**8.3**	**458.6**	**19.5**

Calculation of the Group comparable Net Result

EUR Million	H1 2022	H1 2021	Q2/22	Q2/21
Reported NET RESULT	**292.5**	**0.5**	**215.9**	**24.3**
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	(89.0)	(72.8)	(25.7)	(45.3)
Non-recurring items net of taxes	97.0	1.6	97.0	(2.8)
Comparable NET RESULT	**300.5**	**(70.8)**	**287.1**	**(23.8)**

Net Financial Position

The Net Financial Position at 30 June 2022, before the effects of applying IFRS 16, was positive by EUR 64.9 million, compared to a negative reported net financial position of EUR 453.2 million at 31 December 2021.

In the first half of 2022, operating management generated cash for EUR 655 million, of which EUR 123 million attributable to price changes in inventories and relative hedging derivatives. The change in working capital absorbed EUR 34.0 million. This absorption is mainly attributable to increases in the value of inventories (due to both the effect of the above-mentioned price trend and the increase in stored quantities) and of trade receivables; these increases were almost entirely offset by the increase in trade payables and the positive impact of CO_2 payment dynamics. Investments have absorbed EUR 51 million and the payment of interest and financial charges and taxes have absorbed EUR 52 million, including the payment of the advance on the so-called taxation of extra-profits.

It should also be noted that on 13th May 2022, a loan of EUR 312.5 million was signed with Intesa San Paolo, BPM and Unicredit, maturing in March 2028 and backed by a guarantee issued by SACE for 70% of the loan. Such loan redefined the maturity profile of the debt, allowing the repayment in advance of the medium/long-term credit line of EUR 50 million of Unicredit, expiring in August 2023, and the bond loan of EUR 200 million maturing in December 2022. It should be noted that these debt positions as at 31st December 2021 were shown respectively under "Current bank loans" and "Short-term portion of MLT loans" (for more details, refer to the Report on Operations of the financial statements at 31 December 2021).

The Net Financial Position before the application of IFRS 16 was positive with EUR 64.9 million and positive with EUR 23.1 million considering the effect of the application of IFRS 16.

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

EUR Million	**30-Jun-22**	**31-Dec-21**
Medium/long-term bank loans	(461,7)	(5,6)
Bonds	-	-
Other medium/long-term financial liabilities	(4,8)	(5,3)
Other medium/long-term financial assets	4,1	4,1
Medium-long-term net financial position	**(462,4)**	**(6,7)**
	-	
Short term loans	(118,7)	(385,2)
Medium/long-term bank loans (maturity date within 12 months)	-	(199,7)
Banks overdrafts	(118,5)	(163,2)
Other short term financial liabilities	(37,0)	(113,8)
Fair value on derivatives and realized net differentials	53,7	(9,1)
Other financial assets	139,2	57,6
Cash and Cash Equivalents	608,5	367,0
Short-term net financial position	**527,2**	**(446,5)**
Total net financial position ante lease liabilities ex IFRS 16	**64,9**	**(453,2)**
Financial lease liabilities ex IFRS 16	(41,7)	(41,3)
Total net financial position post lease liabilities ex IFRS 16	**23,1**	**(494,5)**

Oil 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.

	Q1/22	Q2/22	H1/22	Q1/21	Q2/21	H1/21
Crude oil price and differential ($/bbl)						
Brent Dated (FOB Med)	102.5	113.9	108.2	61.1	69.0	65.0
Urals (CIF Med)	91.9	79.9	85.9	60.6	67.8	64.2
"Heavy-light" price differential	-10.6	-34.0	-22.3	-0.5	-1.2	-0.9
Crack spreads for refined oil products ($/bbl)						
ULSD crack spread	19.0	44.8	31.9	4.3	4.8	4.6
Gasoline crack spread	9.4	31.9	20.7	6.2	8.9	7.6
Reference margin ($/bbl)						
Reference margin (NEW Benchmark)	-0.5	16.9	8.2	-2.2	-2.8	-2.5

Source: "Platts" for prices and *crack spreads*.

Crude Oil Prices

In the first half of 2022, Brent DTD recorded an average price of 108.2 $/bbl compared to an average price of 65.0 $/bbl in the first half of 2021. The comparison must take into account a scenario that has deeply changed over the two periods. In particular, the first half of 2021 was still influenced by the pandemic crisis and low oil consumption, while the beginning of 2022 saw oil demand at pre-Covid levels already at the beginning of the year and, from the end of February, the impact of the Russian-Ukrainian conflict. Therefore, in the first half of 2022, the Brent price rose from an average of 87.2 $/bbl in January to an average of 123.7 $/bbl in June.

In particular, following the outbreak of the conflict between Russia and Ukraine, the oil scenario has drastically changed, primarily in terms of supply, due to the gradual and compact withdrawal of Western countries from the Russian market. Even before the introduction of sanctions, in fact, the high supply risk that immediately affected imports from the country caused a collapse in demand and quotations for Ural crude oil in favour of alternative sour crude oils, and an immediate rise in Brent crude prices, which peaked over 138 $/bbl in the first week of March.

These tensions were added to those prevailing before the conflict in the face of an oil market characterized by a "short" supply. Moreover, in spite of the situation, the producing countries of the OPEC+ alliance have increased production significantly less than expected in previous commitments: apart from Russia's reduced exports caused by sanctions, countries such as Angola and Nigeria have reported operational difficulties in meeting their targets. In addition, lower exports from Libya and Kazakhstan, burdened by political tensions, have neutralized the production increases from Saudi Arabia.

In light of this situation, the 31 member countries of the International Energy Agency (IEA) decided between the beginning of March and the beginning of April to release over 180 million barrels of emergency stocks, to be made available in just two months, representing the biggest emergency measure adopted in the history of the Agency. These announcements, together with a reduction in market volatility and concerns about a resurgence of the Covid pandemic in China as well as rising inflation in the US and Europe, helped to rebalance Brent crude prices between March and April to lower values around 100 $/bbl. In the first weeks of May, the rapid progress on the EU's sixth round of sanctions on Russian exports increased price tensions, with Brent Dtd quickly above 110 $/bbl, up to over 130 $/bbl in mid-June, after the EU officially adopted the sixth package of sanctions on Russian oil. In the second half of June, prices fell although they remained on average above 120 $/bbl.

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

The "heavy-light" differential (i.e. between "Urals" and "Brent" crude oils) in the first half of 2022 recorded a high average discount of 22.3 $/bbl compared to the average discount of 0.9 $/bbl in the same period of the previous year (in Q4 2021, the discount averaged 1.0 $/bbl). The market dynamics described above, which led to the collapse in demand for Russian crude oils by most American and European operators, resulted in the sharp widening of the Ural MED discount. At the same time, the first half of the year saw an appreciation of crude *sweet* (e.g. Azeri): in a context of high demand and high energy costs, these are preferred to crudes with higher sulphur content, which require more costly desulphurisation processes, due to the higher consumption of electricity, hydrogen and CO2. The average premium for Azeri sweet crude in the first half of the year thus stood at +5.3 $/bbl (compared to an average premium of +1.4 $/bbl in the same period in 2021).

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

The gasoline crack in the first six months of 2022 averaged 20.7 $/bbl compared to an average of 7.6 $/bbl in the first six months of 2021. In the first quarter, margins averaged slightly lower (9.4 $/bbl) than in the last quarter of 2021, when gasoline, compared to other refined products, was already recovering from the effects of the pandemic crisis thanks to the recovery in circulation and, in particular, individual mobility. The outbreak of the war had less of an impact on gasoline exports than on diesel exports, since Europe is essentially a gasoline-exporting continent, with only small volumes imported from Russia. However, the effects of the conflict were reflected in higher crude oil prices and, above all, in lower refining capacity, while consumption in the second quarter proved particularly sustained with the start of the summer season and resilient to price increases. In addition, the gasoline pool was also affected by the reduced blending possibilities of naphtha, of which Russia has historically been one of the largest naphtha exporters in Europe, as well as by the shortage of necessary high-octane components.

The diesel crack in the first half of 2022 has recorded an average of 31.9 $/bbl compared to an average of 4.6 $/bbl in the first half of 2021. The comparison between the two periods must take into account a scenario that changed significantly one year later, and in particular was still heavily penalised by the effects of the pandemic crisis and the slow recovery in diesel consumption at the beginning of 2021, as well as the effects of the war in Ukraine from the end of February 2022. In the first two months of the first quarter of 2022, diesel margins were substantially in line with the levels at the end of 2019 (+11.5 $/bbl) thanks to recovering demand at pre-Covid levels, up until the last week of February, when the conflict generated extreme volatility and a sharp rise in prices. Europe's structural shortage of middle distillates was in fact, before the war, offset by imports of Russian product (up to 800-900 kbl/day, approx. 35% of European diesel imports, equal to 10-12% of the old continent's total needs[2]). At the same time, the availability of sour Urals crude oil, which accounted for about 20 per cent of the crude processed in the refineries of the European OECD countries and were largely used in the production of middle distillates, declined. The constraints of many refineries in the processing of other crude qualities in diesel production, starting with limitations in hydrotreating, have forced several plants to reduce processing.

This supply shock has come on top of a pre-existing low unused refining capacity in Europe and the US, which has significantly dropped over the last decade and exacerbated in the last two years by the impacts of the pandemic on the industry (global refining capacity is estimated to have decreased by about 3 mb/day in the last three years). Therefore, stocks of middle distillates in Europe, which were already at their lowest levels since 2017 at the end of 2021, saw a drastic and sudden increase in prices in the face of the lack of supplies from Russia.

The jet fuel crack in the first six months of 2022 averaged +29.7 $/bbl compared to an average of 1.8 $/bbl in the first six months of 2021. In the pre-conflict period, air traffic continued the recovery trend recorded in particular in the last quarter of 2021. Moreover, following the outbreak of the Russian-Ukrainian conflict, jet fuel has received additional support from the previously described tensions that involved middle distillates. Finally, although the cancellations of Russian flights reduced some European air traffic, the closure of Russian and Ukrainian air space increased the duration of numerous intercontinental flights between Europe and Asia, resulting in greater consumption of jet fuel. In the second quarter, the crack saw a further increase to an average of 44.1 $/bbl, thanks to the increased air traffic in Europe (Eurocontrol figures show a level now back within 85% of the 2019 activity level).

The VLSFO crack in the first six months recorded an average of +5.6 $/bbl compared to an average of 2.9 $/bbl in the first six months of 2021 (1.6 $/bbl in the last quarter of 2021). The VLSFO margins had followed a rather constant trend in the pre-conflict period, compared to the recovering values recorded in the last quarter of 2021, following the increase in maritime traffic and consumption of fuel oil used for electricity generation instead of gas. After the outbreak of the Russian-Ukrainian conflict, VLSFO prices rose, which was also reflected in freight costs, due to the support derived from the value of middle distillates (on which the pricing of certain blending components such as e.g. GAV depends). The average VLSFO crack in the second quarter was 7.4 $/bbl, almost double the average of 3.8 $/bbl in the first quarter, with daily peaks over 14 $/bbl in the first part of April.

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[2] Source IEA, International Energy Agency, Oil Market Report, March 2022

The LSFO crack, used as a “blendstock” in the formulation of VLSFO, recorded an average value in the first half of -8.8 $/bbl compared to +0.2 in the first half of 2021 and (-0.5 $/bbl in the last quarter of 2021).

On the other hand, the **HSFO crack** collapsed to -32 $/bbl in the first week of the conflict, as Western operators drastically cut supplies of Russian-origin fuel oil: the average crack in the first half of the year stood at -24.6 $/bbl, compared to an average of -10.0 $/bbl in the first half of 2021 (-13.6 $/bbl in the fourth quarter of 2021).

Marketing

In Italy, according to data collected by Unione Energie per la Mobilità (UNEM), in the first six months of 2022, oil consumption was up 1.4% compared to the same period in 2021, but still 3.6% lower than in the first six months of 2019. The consumption of transport fuels (gasoline and diesel) showed a recovery of 10% compared to 2021, but still remains 1.2% lower than in 2019.

In the second quarter, oil consumption was up sharply by 7.1% compared to 2021, but still lower than in 2019 (-2.5%), with an upward trend in demand compared to the first quarter of this year.

As for an analysis of the Spanish market, the data compiled by CORES so far available up to the month of May show that during the month of May alone, motorway fuel consumption grew by 6.4% compared to May 2021. In particular, demand for gasoline increased by 10.6% and demand for diesel by 5.4%.

Compared to the pre-pandemic situation, consumption of motorway fuels in May is still 3.7% lower; gasoline consumption is higher (+4.9%) but diesel consumption is lower (-5.6%).

In the first five months of 2022, motorway fuel consumption in general increased by 10.4% compared to 2021, with a significant growth in demand particularly for gasoline (+21.3%) as well as for automotive diesel (+8.1%).

Electricity and CO2

The strongly upward trend that impacted the price of natural gas and the related increase in electricity starting from the second half of 2021 continued in 2022 and culminated in the days subsequent to 24 February 2022, day in which the conflict in Ukraine began, when the spot price of natural gas on the TTF (the European reference market for natural gas) reached 208 EUR/MWh and the PUN (Single National Price of electricity) reached a record daily average of 588 EUR/MWh. In fact, the alarm has increased for a possible extension of the sanctions adopted against Russia to the energy sector, with the risk of a partial or total interruption of Russian gas supplies. In this context, **in the first six months of the year, the PUN averaged 248.6 EUR/MWh,** up further from the already very high values recorded in the last quarter of 2021 (241.6 EUR/MWh). In the same period in 2021, the PUN stood at an average of 67.0 EUR/MWh.

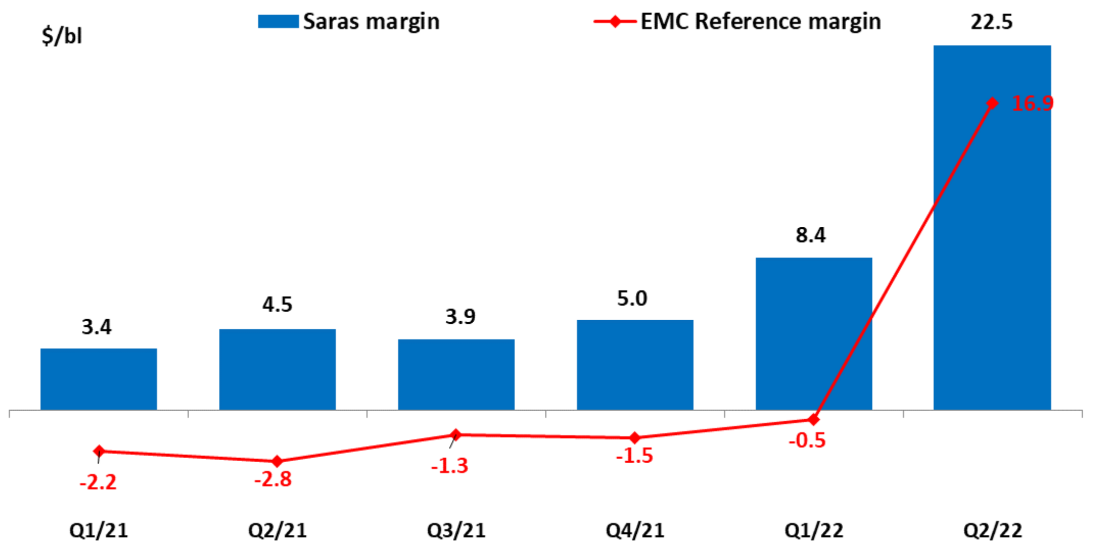
EUA quotations for European carbon dioxide permits averaged 83.9 EUR/ton in the first half of 2022. In the first half of 2021, the price of CO2 averaged 43.9 EUR/MWh.

Refining margins and Saras Industrial & Marketing margin

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

In the second quarter of 2022, the EMC Reference Margin, in light of the market context described in the previous paragraph, stood at an average of 16.9 $/bbl, compared to a negative average of -2.8 $/bbl in the same period of 2021. **The Saras margin was equal to 22.5 $/bbl** (4.5 $/bbl in the same period of the previous year), **showing a premium of +5.6 $/bbl (7.2 $/bbl in the second quarter of 2021).**

In the first half of 2022, the EMC Reference Margin, in light of the market context described in the previous paragraph, stood at an average of 8.2 $/bbl. The Saras margin was 16.5 $/bbl, with a premium of +8.3 $/bbl. During the same period of the previous year, the EMC Reference Margin was -2.5 $/bbl, compared to a Saras margin of 3.9 $/bbl, highlighting a Saras premium of +6.4 $/bbl.



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 centre 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 630/2021 of 28 December 2021, ARERA accepted the request for admission to the cost reintegration regime for the Sarlux plant, entered by TERNA in the list of essential plants for the electricity system for 2022.

EUR Million	H1 2022	H1 2021	Change %	Q2/22	Q2/21	Change %
Reported EBITDA	667.2	97.6	584%	526.3	75.0	602%
Comparable EBITDA	**499.3**	**(2.1)**	**n.s.**	**452.7**	**13.6**	**n.s.**
of which relative to Marketing sales	28.9	9.3	211%	23.2	9.4	146%
Reported EBIT	578.7	6.0	n.s.	481.3	28.9	n.s.
Comparable EBIT	**410.8**	**(93.7)**	**n.s.**	**407.7**	**(32.5)**	**n.s.**
CAPEX	**45.1**	**32.5**	**39%**	**26.1**	**15.6**	**67%**

Processing, electricity production and margins

		H1 2022	H1 2021	Change %	Q2/22	Q2/21	Change %
CRUDE RUNS	*Tons (thousand)*	6,354	6,551	*-3%*	3,550	3,367	5%
	Barrels (million)	46.4	47.8	*-3%*	25.9	24.6	5%
	Bl/day (thousand)	258	266	*-3%*	288	273	5%
COMPLEMETARY FEEDSTOCK	*Tons (thousand)*	612	402	*52%*	289	187	55%
ELECTRICITY PRODUCTION	*GWh*	1874	1,476	*27%*	1034	862	20%
TOTAL SALES	*Tons (thousand)*	1770	1,562	*13%*	934	807	16%
of which: in Italy	*Tons (thousand)*	1153	1,006	*15%*	595	523	14%
of which: in Spain	*Tons (thousand)*	616	556	*11%*	339	284	19%
EXCHANGE RATE	*EUR/USD*	1.09	1.21	*-9%*	1.06	1.21	-12%
NEW BENCHMARK MARGIN	*$/bl*	8.2	(2.5)		16.9	(2.8)	
SARAS IND & MKTG MARGIN	*$/bl*	16.5	3.9		22.5	4.5	

Comments on the results for the first six months of 2022

Crude oil processing in the first half of 2022 was 6.35 million tons (46.4 million barrels, corresponding to 258 thousand barrels/day) lower than 3% compared to in the first six months of 2021. The decreased processing was due to the reduced processing of the first quarter, which had been affected by increased maintenance work and the impact of the port closures due to bad weather.

Electricity production amounted to 1,874 GWh, up by 27% compared to the first half of 2021, mainly due to the significant maintenance work that had penalised 2021 and the different production set-ups required by the Essentiality Regime between the two periods.

***Comparable EBITDA* stood at EUR 499.3 million** in the first half of 2022, with a Saras Industrial & Marketing margin of +16.5 $/bbl, within which the contribution of the Marketing channel was 0.9 $/bbl (as usual, already net of the impact of the maintenance activity carried out in the period). This against a *comparable* EBITDA of EUR -2.1 million and a Saras Industrial & Marketing margin of +3.9 $/bbl (within which the contribution of the Marketing channel was 0.4 $/bbl) in the same period of the previous year.

As far as **market conditions** are concerned, the impact on margin generation was positive by approximately EUR 629 million. This positive result are mainly attributable to the strengthening of the cracks of the main oil products and the strengthening of the US dollar; positive factors that were partially offset by the increase in the price of Brent crude and increases in crude oil premiums, especially for light grades.

Operating performance in the first six month of 2022, if compared with the same period of 2021, was lower by approximately EUR 50 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the essentiality regime, with a positive difference between the two years of EUR 17 million. In particular:

- **Commercial 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) have made a contribution in line with the same period last year. This result was composed of a positive performance in product management (which benefited from a favourable market environment) that was offset by the negative effects caused by the strong backwardation market structure that continued to penalise inventory risk hedges and the purchase of certain types of crude oil.
- **Production planning** (consisting of the optimisation of the mix of raw materials 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 23 million compared to the same period of the previous year. This difference is mainly due to the unavailability and different qualities of some light crude oils and to the difficulty of offsetting these changes in a context characterised by high complexity in terms of raw material procurement.
- **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 45 million compared to the same period of the prior year. This difference can be attributed firstly to a more onerous maintenance plan and secondly to a market environment with a significantly higher marginality that amplifies the economic valuation of production losses.

Variable costs of an industrial nature, net of components relating to the Essentiality Regime, were EUR 79 million higher in the first half of 2022 compared to the same period in 2021. Electricity contributed a cost increase of EUR 29 million. This increase is attributable to the increase in the unit price of energy, which amounted to EUR 81 million and was partly offset by the benefits of the tax credit due to the "Support Decree" and lower consumption. Carbon dioxide emissions contributed with a cost increase of EUR 36 million with one-third due to the scenario development, one-third to the reduction of free emissions allocated for 2022 and one-third to higher emissions. The remaining incremental cost share is attributable to higher demurrage (due to the impact of bad weather in the first quarter), higher catalyst costs (due to higher unit prices and higher utilisation to achieve higher margins for the period), and utilities (nitrogen), due to higher unit costs partly related to the price of electricity.

The trend in **fixed costs** in the first half of 2022 recorded an increase of approximately EUR 17 million compared to the same period of the previous year. This deviation is mainly due to higher maintenance costs (due to both the different maintenance plan envisaged between the two years, and the increase in functional activities to achieve the higher margin level) and to the impact of the redundancy fund on personnel costs in 2021. It should also be noted that, within the final costs, approximately EUR 35 million is the amount subject to reimbursements relating to the Essentiality Regime in 2022, this amount was EUR 13 million in the previous year with the start of the new regime as of 21 April.

The contribution of the marketing channel to the comparable EBITDA amounted to EUR 28.9 million, versus EUR 9.3 million in 2021. This change is mainly due to higher margins on sales in Italy and Spain. In this regard, it should be noted that in both markets, thanks also to a favourable market environment, both sales volumes and unit margins realised increased. 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 2022 results

Crude oil processing in the second quarter of 2022 was 3.55 million tons (25.9 million barrels, corresponding to 288 thousand barrels/day) higher than in the second quarter of 2021. In the second half of 2022, the extraordinarily high margins supported the maximisation of workmanship in line with mandatory maintenance work. Processing of complementary charges to crude oil was 0.29 million tons, up from 0.19 million tons in the second quarter of 2021.

Electricity production amounted to 1,034 GWh, up by 20% compared to the second quarter of 2021, mainly due to the different maintenance plan in place and the different production set-ups required by the Essentiality Regime.

Comparable EBITDA stood at EUR 452.7 million in the second quarter of 2022, with a Saras Industrial & Marketing margin of +22.5 $/bbl, within which the contribution of the Marketing channel was 1.1 $/bbl (as usual, already net of the impact of the maintenance activity carried out in the period). This is against a *comparable* EBITDA of EUR 13.6 million and a Saras Industrial & Marketing margin of +4.5 $/bbl (within which the contribution of the Marketing channel was 0.6 $/bbl) in the same quarter of the previous year.

As far as **market conditions** are concerned, the impact on margin generation was positive by approximately EUR 492 million. This positive result are mainly attributable to the strengthening of the cracks of the main oil products and the strengthening of the US dollar; positive factors that were partially offset by the increase in the price of Brent crude and increases in crude oil premiums, especially for light grades.

Operating performance in the second quarter of 2022, if compared with the same period of 2021, was lower by approximately EUR 7 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the Essentiality Regime, with a positive difference between the two years of EUR 1 million. In particular:

- **Commercial 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) contributed to a greater extent for approximately EUR 29 million compared to the same period of the previous year. As shown above, this result is composed of a positive performance in the sale of products that was partially offset by the negative effects caused by the strong backwardation market structure that continued to penalise inventory risk hedges and the purchase of certain types of crude oil.
- **Production planning** (consisting of the optimisation of the mix of raw materials 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 6 million compared to the same period of the previous year. This difference is mainly attributable to the continued unavailability and to the different qualities of some light crude oils and to the difficulty of offsetting these changes in a context characterised by high complexity in terms of raw material procurement.
- **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 31 million compared to the same period of the prior year. This difference can be attributed primarily to the impacts of a market environment with a significantly higher marginality that amplifies the economic valuation of production losses.

Variable costs of an industrial nature, net of components relating to the Essentiality Regime, were EUR 47 million higher in the second quarter of 2022 compared to the same period in 2021. Electricity contributed a cost increase of EUR 17 million. This increase is attributable to the increase in the unit price of energy, which amounted to EUR 34 million and the increase in consumption by EUR 7 million; increases partly offset by the benefits of the tax credit due to the "Support Decree". Carbon dioxide emissions contributed with a cost increase of EUR 22 million due for EUR 6 million to the scenario development, for EUR 7 million to the reduction of free emissions allocated for 2022 and for EUR 9 million to higher emissions. The remaining incremental cost share is attributable to the higher demurrage, higher cost of catalysts and utilities.

The trend in **fixed costs** in the second quarter of 2022 recorded an increase of approximately EUR 13 million compared to the same period of the previous year. This deviation is mainly due to higher maintenance costs and to the impact of the redundancy fund on personnel costs in 2021. It should also be noted that, within the final costs, approximately EUR 17 million is the amount subject to reimbursements relating to the Essentiality Regime in 2022, this amount was EUR 13 million in the previous year with the start of the new regime as of 21 April.

Crudes processed and yields of finished products

The mix of crudes that the Sarroch refinery processed in the first six months of 2022 had an average density of 33.4°API, heavier than the average density processed in the first six months of 2021. A more detailed analysis of the grades of crude oils used shows an increase in the percentage of light crude oils with low and very low sulphur content (*"light sweet" and "light extra sweet"*), an increase in the percentage of heavy crude oils with both low and high sulphur content ('*heavy sour/sweet*'), and a decrease in medium crude oils with both low and high sulphur content. These trends can be attributed to the changed market conditions with high margins of the main oil products including ultra-low sulphur fuel oil, and to the higher production of electricity due to the different production set-up required.

		H1 2022	H1 2021	Q2/22
Light extra sweet		45%	42%	47%
Light sweet		10%	7%	11%
Medium sweet/extra sweet		2%	6%	4%
Medium sour		14%	30%	7%
Heavy sour/sweet		29%	16%	31%
Average crude gravity	°API	33.4	34.0	33.6

As regards the yields of finished products, to be noted is that in the first half of 2022, consistent with market trends, the yield of middle distillates was maximised (51.6%), which was higher than in the first half of 2021.

		H1 2022	H1 2021	Q2/22
LPG	Tons (thousand)	146	154	66
	yield (%)	2.1%	2.2%	1.7%
NAPHTHA + GASOLINE	Tons (thousand)	1,879	2,066	977
	yield (%)	27.0%	29.7%	25.4%
MIDDLE DISTILLATES	Tons (thousand)	3,595	3,326	2,035
	yield (%)	51.6%	47.8%	53.0%
VERY LOW SULFUR FUEL OIL	Tons (thousand)	276	333	213
	yield (%)	4.0%	4.8%	5.6%
OTHERS	Tons (thousand)	644	651	337
	yield (%)	9.3%	9.4%	8.8%

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

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Renewables

The Saras Group is active in the production and sale of electricity from renewable sources. In 2021, the acquisition of two wind farms with an installed capacity of 45 MW was completed, bringing the total installed wind capacity to 171 MW. The Group's development objectives envisage an increase in installed capacity up to 500 MW; in this regard, on 30 March 2022, the Autonomous Region of Sardinia approved the Single Authorisation in favour of Sardeolica S.r.l. for the construction and operation of a 79 MW photovoltaic plant in the industrial area of Macchiareddu.

EUR million	H1 2022	H1 2021	Change %	Q2/22	Q2/21	Change %
Reported EBITDA	21.3	11.1	92%	5.9	6.6	**-11%**
Comparable EBITDA	**21.3**	**10.4**	**105%**	**5.9**	**5.9**	**1%**
Reported EBIT	17.0	7.6	124%	3.7	4.7	-21%
Comparable EBIT	**17.0**	**6.9**	**148%**	**3.7**	**4.0**	**-7%**
CAPEX	**5.8**	**7.7**	**-24%**	**0.7**	**2.9**	**-75%**

It should be noted that the investments represented for the second quarter and the first half of 2021 do not include the investment relating to the acquisition of Energia Verde and Energia Alternativa (relating to the Macchiareddu parks) finalized in June 2021 and classified in the 2021 Financial Statements between investments in equity investments.

Other figures

		H1 2022	H1 2021	Change %	Q2/22	Q2/21	Change %
ELECTRICITY PRODUCTION	MWh	163,163	128,174	27%	68,430	47,279	45%
POWER TARIFF	EURcent/KWh	14.5	5.8	149%	10.5	6.5	62%
INCENTIVE TARIFF	EURcent/KWh	4.3	10.9	-61%	4.3	10.9	-61%

Comments on the results of the first six months of 2022

In the first six months of 2022, the Renewables segment's comparable EBITDA amounted to EUR 21.3 million, higher than in the first half of 2021 (EUR 10.4 million). The increase in EBITDA between the two periods is attributable for EUR 5.0 million to the contribution of the new plants and for the remaining part to the contribution of the existing wind farms.

In relation to the already existing wind farms the higher production accounted for EUR 0,7 million. This change is due to the benefits related to the reblading activities, completed in 2021, which were almost entirely compensated by less favourable wind conditions. The remaining portion of the difference is attributable to the increases in the average electricity tariff between the two periods.

The percentage of incentivised production in the two periods was respectively 16% in 2022 and 8% in 2021, with the difference due to the incentivised production relating to the Energia Alternativa srl plant.

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 63% of the total and the application of this limit reduced the economic result by about EUR 14.8 million.

Comments on the second quarter 2022 results

In the second quarter of 2022, the Renewables segment's *comparable* EBITDA amounted to EUR 5.9 million, in line with the second quarter of 2021. The comparison between the two periods must also take into account that the EBITDA of the second quarter of 2021 included a benefit of approximately EUR 4 million deriving from the purchase of the two Macchiareddu parks.

The production in the second quarter 2022 was 45% higher than the one recorded in the second quarter 2021; the increase is half related to the higher production of the new plants and half to the higher production of the existing plants which benefited from the reblading activities.

In the quarter, the higher margin generated as a result of higher production and higher average sales tariffs was partially offset by the effects of the "TER Support Decree".

Investments by business segment

EUR Million	H1 2022	H1 2021	Q2/22	Q2/21
INDUSTRIAL & MARKETING	45.1	**32.5**	26.1	**15.6**
RENEWABLES	5.8	**7.7**	0.7	**2.9**
Total	**50.9**	**40.2**	**26.8**	**18.5**

Investments made by the Saras Group in the first six months of 2022 amounted to EUR 50.9 million, up slightly compared to EUR 40.2 million in 2021.

For the **Industrial & Marketing segment** investments in the first half of 2022 amounted to EUR 45.1 million, higher than the EUR 32.5 million in the first half of 2021, mainly due to the higher share of capitalised maintenance work.

Investments in the **Renewables segment** in the first half of 2022 amounted to EUR 5.8 million. These investments concerned the start of development activities for the new photovoltaic plant. It should be noted that the investments represented for the second quarter and the first half of 2021 do not include the investment relating to the acquisition of the companies Energia Verde and Energia Alternativa (relating to the Macchiareddu parks) finalized in June 2021 and classified in the 2021 Financial Statements between investments in equity investments.

Outlook

The International Monetary Fund in its latest update of the World Economic Outlook slightly revised its estimates on global economic growth, due to the dynamics that the Russian invasion of Ukraine triggered on the energy commodity markets. In fact, current inflation levels could further slowdown the global economic activity, compared to what the Fund has already predicted in April, with the risk that a recession could hit eurozone countries in particular in the next year, which are more dependent on gas and oil imports. from Russia and USA. The re-emergence of Covid in China also weighs on the estimates, which has strengthened the policy of closures and restrictions in the country. The IMF now expects global growth of 3.2% in 2022 and 2.9% in 2023 (before expected at 3.6% in both 2022 and 2023). In the eurozone a growth slowdown is expected which moved from 2.8% to 2.6% in 2022 and from 2.3% to 1.2% in 2023, while in the USA a deceleration is expected from 3.7% to 2.3% in 2022 and from 2.3% to 1% in 2023.

Even the International Energy Agency (IEA) in the last July report slightly reduced the estimates on global oil demand, which is however expected to grow by 1.7 mb/d to just over 100 mb/d at the end of the year, reaching an annual average of 99.2 mb/d in 2022 (still slightly lower than in 2019, when it averaged 100.4 mb/d) and of 2.1 mb/d in 2023, when it is expected to reach an average annual rate of 101.3 mb/d, driven by strong growth in emerging countries. However, the Agency highlights how the current deceleration of economic activity adds uncertainty to these forecasts, while high supply-side risks remain. In this regard, the Agency highlights in the report that "the outlook on the oil markets have rarely been more uncertain".

At the moment, in fact, the growth in oil demand, which has remained weaker than expected in advanced economies, and the resilience of the Russian supply, have eased the risk of imbalances, as shown by the futures on Brent and WTI which between the beginning of June to mid-July fell by over 20 $/bl, reaching below 100 $/bl in mid-July, before returning to values close to 105 $/bl. However, the persistent tensions on the physical crude oil markets and the high refining margins highlight the persistence of an underlying imbalance between supply and demand. In particular, in OECD countries, high fuel prices have begun to dent oil consumption, but this seems to be rebalanced right now by a stronger-than-expected rebound in demand in emerging and developing economies, led by China, which starts to restart after the closures due to covid.

Also on the supply side, in the second half of the year the IEA expects an increase in production to 101.3 mb/d at the end of 2022, thanks to the announced restart of exports from Libya and Kazakhstan and the return of the countries of the Opec + group which in the month of August will have completely cancelled the production cuts. However, the instability of flows from Libya and Kazakhstan and the reduction in the spare capacity of major producing countries such as Nigeria, Malaysia and Angola continue to be a risk with respect to these prospects.

According to the IEA, even an increase in the global productivity of refineries in the second half of the year will allow for an increase in inventories, which will however remain at levels below the historical averages for 2017-21.

The analysis of the price curves in the last month and a half has partly reflected the current volatility following some of the phenomena just described: traction fuels, in particular gasoline, have in fact registered since the second half of June a decline in prices, which remain very high compared to historical averages. In the face of an observed increase in stocks, product prices have in fact decreased more than proportionally with respect to those of Brent dtd, which remained above 110 $/bl, leading to a partial squeeze of margins.

At the same time, the high instability on the gas and electricity markets continues, aggravated by recent fears of a reduction in supplies from Russia in the coming months.

This scenario makes it difficult to make even short-term forecasts. The reading of the prevailing scenario assumptions[3] of the main sector analyst companies, together with that of the trend of the forward curves of oil, gas and electricity commodities, lead to consider for the second half a scenario that is still highly volatile with:

- Brent Dtd prices still very unstable: the risks mentioned relating to the supply of crude oil could lead to an increase in prices. In particular, the fear that, following the introduction of European sanctions on Russian oil exports

[3] Sources: for the Oil Market: estimates of IHS (Jun'22); and FGE, Nomisma, Energy Aspects, Platts e WMC (Jul'2022). For the Electricity & Gas market: estimates by AFRY Pöyry, Ref4E and Nomisma (Jul'2022). Note: For the third quarter of 2022, the Forward @ 08/07 curves and SCM indications (raw premiums / discounts) were adopted as a precaution. For the fourth quarter of 2022, reconciliation values have been adopted between the current market situation and the subsequent relaxation envisaged by the Sources listed above for 2023.

starting from the end of the year, Russia could reduce production, leads some sector analysts to suppose in the second half of the year strong growth quotations; on the other hand, the prices could also discount a strong devaluation if fears of a recessive risk are confirmed;

- premiums on crude oils with low sulfur content, such as Azeri, still very high at historically never reached levels, with a significant impact on the Saras margin;
- gasoline cracks exposed to a potential risk of price reduction in the face of excess production and a slowdown in consumption, rapidly rebalancing towards historical averages;
- gasoil cracks still high due to the entry into force of sanctions on imports from Russia starting from the end of 2022, but potentially exposed to further volatility due to the risk of a slowdown in consumption;
- the high volatility of the PUN, which as early as July saw a further increase in prices, linked to trade tensions with Russia, makes it necessary to consider the risk of an appreciation of gas and with it of electricity;
- CO_2 forecast still around the current 85 €/ton in the second half of 2022.

In light of these uncertainties and the performance achieved in the first half, the Company expects to be able to achieve in 2022 an average annual premium compared to the EMC Reference margin of between 6 and 7 $/bl.

As regards the **Renewables segment**, starting from the month of February, the valorisation of the segment's production takes into account the provisions of Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes a "compensation" mechanism for non-incentivised renewable sources, under which producers must repay, up until the end of 2022, 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. For Sardeolica, the compensation is based on a historical average price of about 61 €/MWh, to be applied to the non-incentivised production sections which became operational prior to 2010 (around 63% of the installed capacity).

Again, with regard to Renewables, the Group continues, through the subsidiary Sardeolica, with the authorisation activities for the development of new greenfield plants, and it expects to obtain during 2023 new authorisations for the development of additional wind and photovoltaic capacity, with the objective of reaching a total installed renewable capacity of 500 MW by 2025.

The new Helianto 80 MW photovoltaic park recently authorised is also in the planning phase and is expected to be operational by the end of 2023.

As far as the **Group's investments** are concerned, an amount of EUR 150 million is confirmed for 2022. In the Industrial & Marketing segment in particular, investments of EUR 123 million are planned, which are necessary, after the reduction in expenditure in 2021, to maintain the level of efficiency and competitiveness of the refinery's plants. In the Renewables segment, investments of EUR 27 million are planned, mainly for the execution of the 80 MW photovoltaic park in the Macchiareddu area.

With regard to the expected performance of the Group’s **Net Financial Position**, an improvement is expected with respect to the final financial position at the end of the first half, thanks to the generation of cash from the core business in the second half of the year. This forecast remains subject to the variability of the evolution of the scenario as described above.

Lastly, with regard to the other projects launched by the Group as part of its energy transition strategy, green hydrogen and "Carbon Capture and Storage" (CCS) projects are expected to progress during 2022.

In fact, the project for which Saras launched a partnership in February 2021 with Enel Green Power and comprising to supply green hydrogen to the Saras refinery through the use of an approximately 20 MW electrolyser, powered exclusively by renewable energy. The project has recently passed a new second phase within the procedure for obtaining the loan requested as part of the IPCEI (Important Projects of Common European Interest) program continue.

With regard to the Carbon Capture and Storage project, after the conclusion in 2021 of the first phase aimed at evaluating different plant solutions for the capture of CO_2, a second phase was launched with Air Liquide, to achieve a better definition of the aspects relating to the entire development chain including logistics and transport aspects, together with an estimate of costs and timing.

In the biofuel sector, Saras continues to monitor the possibility of expanding the current production capacity of Hydrogenated Vegetable Oil in co-processing from around 100kt/year to 250 kt/year with reduced investment, depending on the cost-effectiveness of crude vegetable oils.

Risk Analysis

The Saras Group bases its risk management pol icy 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 variations in results and in cash flows deriving from interest.

Credit risk

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

From 2020 onwards, the spread of Covid-19 has had a significant negative impact on the oil market. affecting the level of financial debt of the Group. In order to mitigate the liquidity risk were obtained, in two stages, two new important loans:

(i) the EUR 350 million loan disbursed in December 2020 expiring in September 2024, guaranteed at 70% of the value by the government

(ii) a loan of EUR 312.5 million, disbursed in May 2022, and backed for 70% of the amount by a guarantee issued by SACE thanks to the provisions of the "DL Sostegni bis", with the aim of reshaping the debt Group maturity profile.

In the second quarter of 2022, thanks to the withdrawal of the pandemic emergency and the impacts generated on the reference scenario by the Russian-Ukrainian conflict as described in the relevant chapter, the Group regained its historical capacity to generate cash from its core business, recording a net financial position positive at the end of the first half.

During the current year, a further improvement in the final financial position is expected as at 30 June 2022, thanks to the cash generation from the core business expected in the second half of the year. This forecast remains subject to the impact of the evolution of the scenario - which remains highly volatile - on core business and working capital.

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

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 CO2 emission quotas. The Russia-Ukraine crisis is leading to a shortage of crude oil on the market and thus to a liquidity crunch on the market itself, with an impact on the volatility of oil product prices.

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, the Russia-Ukraine crisis is causing increased difficulties of supplying crude oil which are added to the limitation of imports of crude oil from countries subject to restrictions and embargoes.

Risks of interruption of production

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

Environmental risk

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

Legislative and regulatory risk

The characteristics of the Group's business are influenced by the continuously evolving legislative and regulatory context of the countries in which it operates. With regard to this, Saras is committed to continuously monitoring and maintaining a constructive dialogue with national and local institutions aimed at researching joint activities and promptly evaluating the applicable normative amendments, acting on 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 related 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, as provided for by ARERA Resolution no. 111/06, 598/20 and 152/2021 and the cost reimbursement regime;
- measures taken to contain electricity costs, such as for example "TER supports" which impact on the one hand the system charges and the variable energy components for the "energy-intensive" companies (Sarlux) and on the other the sales prices of electricity from renewable sources (Sardeolica).
- measures adopted by the Italian Government against the energy sector as "solidarity contributions" of a fiscal nature on the so-called "extra profits" of the sector

Dependencies on third parties

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

Climate Change Risk

The energy transition, i.e. the transition from an energy mix based on fossil fuels to one with net zero carbon emissions, represents a strategic risk for the core business of oil & gas companies. The decarbonisation initiatives implemented by the governments of many industrialised countries, in particular in the OECD area, the impetus provided by civil society and the international community, the changing consumer preferences and the growing awareness of climate change and the importance of protecting ecosystem are all factors that could, in the medium to long term, displace demand for hydrocarbons from other energy carriers. The Covid-19 pandemic of 2020 and the serious economic and social crisis that ensued have helped to accelerate this process, as governments have launched major fiscal stimulus measures with the aim of rebuilding economies on a more sustainable and lowcarbon basis, allocating most of the financial resources to the renewable energy, smart mobility and electrification sectors. States can pursue the goal of decarbonization through regulations aimed at limiting the consumption of hydrocarbons, such as the taxation of carbon dioxide (CO2) emissions. These regulations can suppress oil demand and increase the operating costs of oil & gas companies.

In 2021, the cost of purchasing "emission allowances" under the European CO2 taxation system "ETS" – Emission Trading Scheme – more than doubled compared to the corresponding period a year ago, not only for the recovery of industrial activity but also and above all for the agreement on the European law on climate which establishes the EU commitment to achieve climate neutrality by 2050 with a more ambitious intermediate emission target than the previous one (-55% of emissions of greenhouse gases by 2030 vs. 1990 baseline). In the medium to long term, these trends could lead to a structural decline in demand for hydrocarbons and an increase in operating costs and cost of capital for oil and gas companies with significant negative effects on growth prospects, operating results, cash flow and shareholder returns. Saras is implementing a long-term strategy aimed at transforming the business model in a sustainable way, in line with the energy transition path of the states and the economy.

On the other hand, the current crisis in Ukraine is focusing attention on security of supply, to which the oil refining system is making a positive contribution.

Saras has developed a road map based on some business cases: (i) the development of the production capacity of electricity from renewable sources such as wind and photovoltaic to reach 400 MW of installed power (ii) increase in production of biofuel (iii) development of green hydrogen production from renewable sources (iv) construction of a CO2 Carbon Capture & Storage plant in order to reduce the Group's CO2 emissions into the atmosphere.

Finally, it should be noted that at the end of June 2022 the EU Council of Ministers for the Environment approved the package of green measures 'Fit for 55' for the climate whose priority objective is to allow the European Union to reduce emissions greenhouse gas emissions of at least 55% by 2030 compared to 1990 levels and to achieve climate neutrality in 2050. Among the measures, a 100% emission reduction target by 2035 was introduced for new cars and new vans, with an impact on sales of gasoline and diesel cars which must therefore be completed by 2035. The legislative process of these measures expects the approval of the European Parliament expected in the second half of the year**.**

Protection of Personal Data

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

Information technology and cybersecurity

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

Provisions for risks and charges

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

Covid-19 Risk

The intensification of the economic and financial crisis unleashed by the Covid-19 emergency has resulted, starting from April 2020, in a drastic and widespread drop in demand for oil products, along with the volatility of commodity prices and in particular oil prices, with a subsequent strong contraction of refinery margins. These extended effects have resulted in reduced profitability and increased short term liquidity requirements for the Saras Group and for the refining sector as a whole: should such conditions last in the mid-term, they would be unbearable. The high vaccination rates at national, European, and global level have led to an increase in consumer confidence and a recovery in oil consumption. However, a level of uncertainty remains, as demonstrated in the first half of 2022 by the resurgence of the pandemic in China, which however slowed the recovery with consequences that could impact the recovery in profitability expected in 2022.

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 litigation for which its liability is currently assessed as not probable or the related estimate 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 judgements by management. Violations of the Code of Ethics, laws and regulations, including anticorruption 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 Explanatory Notes to the Consolidated Financial Statements.

Other Information

Treasury shares

In the course of 2022, Saras SpA has not bought or sold any treasury shares.

Research and Development

Saras did not undertake meaningful "Research and Development" activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first six months of 2022.

Non-recurring and unusual Transactions

In the first six months 2022, no significant transactions were carried out and no open positions originated from any nonrecurring and/or unusual transactions are being carried out.

Main events after the end of the First Half of 2022

There are no significant events that took place after the close of the first half of 2021.

It should be noted that the Regulatory Authority for Energy, Networks and the Environment (ARERA) with resolution no. 362/2022/R/eel of 27 July 2022 approved the request for an advance payment of the cost reinstatement fee for the year 2021 with reference to the essential IGCC plant of the subsidiary Sarlux.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH JUNE 2022

Consolidated Statement of Financial Position as at 30th June 2022

Thousands of EUR		30/06/2022	31/12/2021
ASSETS	(1)		
Current financial assets	5.1	**3,691,978**	**2,284,904**
Cash and cash equivalents	5.1.1	608,488	366,680
Other financial assets	5.1.2	349,190	115,268
Trade receivables	5.1.3	691,291	546,511
Inventories	5.1.4	1,869,636	1,169,172
Current tax assets	5.1.5	58,153	32,954
Other assets	5.1.6	115,220	54,319
Non-current asset	5.2	**1,282,620**	**1,414,691**
Property, plant and equipment	5.2.1	1,187,965	1,227,395
Intangible assets	5.2.2	43,446	41,510
Right-of-use of leased assets	5.2.3	44,795	44,585
Other investments	5.2.4	745	507
Deferred tax assets	5.2.5	1,567	96,555
Other financial assets	5.2.6	4,102	4,139
Total assets		**4,974,598**	**3,699,595**
LIABILITIES AND EQUITY			
Current liabilities	5.4	**3,012,073**	**2,683,506**
Short-term Financial liabilities	5.4.1	430,435	928,683
Trade and other payables	5.4.2	2,232,482	1,580,564
Current tax liabilities	5.4.3	289,270	110,397
Other liabilities	5.4.4	59,886	63,862
Non-current liabilities	5.5	**875,482**	**222,371**
Long-term financial liabilities	5.5.1	508,206	51,845
Provisions for risks and charges	5.5.2	355,287	159,718
Provisions for employee benefits	5.5.3	7,706	6,883
Deferred tax liabilities	5.5.4	3,748	3,734
Other liabilities	5.5.5	535	191
Total liabilities		**3,887,555**	**2,905,877**
EQUITY	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		729,033	718,828
Net result		292,454	9,334
Total equity attributable to the parent company		**1,087,043**	**793,718**
Third-party minority interests		-	-
Total equity		**1,087,043**	**793,718**
Total liabilities and equity		**4,974,598**	**3,699,595**

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

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

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 30th June 2022

Consolidated Statement of Income for the period 1st January - 30th June 2022

Thousands of EUR	(1)	1 January 30 June 2022	*of which non-recurring*	1 January 30 June 2021	*of which non-recurring*
Revenues from ordinary operations	6.1.1	7,670,723		3,699,300	
Other income	6.1.2	28,056		56,801	
Total revenues		**7,698,779**	***0***	**3,756,101**	**0**
Purchases of raw materials, consumables and supplies	6.2.1	(6,096,703)		(3,144,928)	
Services and other costs	6.2.2	(839,404)		(434,636)	
Personnel costs	6.2.3	(74,120)		(67,867)	
Depreciation/amortisation and write-downs	6.2.4	(92,839)		(95,121)	
Total costs		**(7,103,066)**	***0***	**(3,742,552)**	***0***
Operating result		**595,713**	***0***	**13,549**	***0***
Financial income	6.3	109,752		40,958	
Financial charges	6.3	(152,587)		(54,931)	
Result before taxes		**552,878**	***0***	**(424)**	***0***
Income taxes	6.4	(260,424)		1,001	
Net result		**292,454**	***0***	**577**	***0***
Net result attributable to:					
Shareholders of the parent company		292,454		577	
Third-party minority interests		0		0	
Net earnings per share – base (euro cents)		**30.75**		**(3.92)**	
Net earnings per share – diluted (euro cents)		**30.75**		**(3.92)**	

Consolidated Statement of Comprehensive Income for the period 1st January - 30th June 2022

Migliaia di Euro	1 January 30 June 2022	1 January 30 June 2021
Net result (A)	**292,454**	**577**
Items of comprehensive income that may subsequently be restated to profit or loss for the period		
Effect of translation of the financial statements of foreign operations	871	(466)
Items that will not be restated to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits	0	(215)
Other profit/(loss), net of the tax effect (B)	**871**	**(681)**
Total consolidated net result (A + B)	**293,325**	**(104)**
Total consolidated net result attributable to:		
Shareholders of the parent company	293,325	(104)
Third-party minority interests	0	0

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

Consolidated Statement of Changes in Equity to 30th June 2022

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) for the period	Total equity attributable to the Parent Company	Third-party Minority Interests	Total equity
Balance at 31/12/2020	**54,630**	**10,926**	**994,482**	**(275,516)**	**784,522**	**0**	**784,522**
Allocation of previous year result			(275,516)	275,516	0		0
Translation effect of financial statements in foreign currency			(434)		(434)		(434)
Reserve for stock option plan			3,314		3,314		3,314
Net result				577	577		577
Total net result			*0*	*0*	*0*	*0*	*0*
Balance at 30/06/2021	**54,630**	**10,926**	**721,846**	**577**	**787,979**	**0**	**787,979**
Allocation of previous period result			0	0	0		0
Translation effect of financial statements in foreign currency			(317)		(317)		(317)
Actuarial effect IAS 19			613		613		613
Reserve for stock option plan			(3,314)		(3,314)		(3,314)
Net result				8,757	8,757		8,757
Total net result			*(751)*	*8,757*	*8,757*	*0*	*8,757*
Balance at 31/12/2021	**54,630**	**10,926**	**718,828**	**9,334**	**793,718**	**0**	**793,718**
Allocation of previous year result			9,334	(9,334)	0		0
Translation effect of financial statements in foreign currency			871		871		871
Net result				292,454	292,454		292,454
Total net result			*0*	*292,454*	*292,454*	*0*	*292,454*
Balance at 30/06/2022	**54,630**	**10,926**	**729,033**	**292,454**	**1,087,043**	**0**	**1,087,043**

Consolidated Statement of Cash Flows for the period to 30th June 2022

Thousands of EUR	(1)	1/1/2021-30/06/2022	1/1/2021-31/12/2021
A - Opening cash and cash equivalents		**366,680**	**558,997**
B - Cash flow from (for) operating activities			
Net result	5.5	292,454	9,334
Unrealised exchange rate differences on bank current accounts		(20,309)	(14,178)
Amortisation, depreciation and write-downs of assets	6.2.4	92,839	198,525
Net change in risk provisions	5.4.2	195,569	(84,447)
Net change in provision for employee benefits	5.4.3	823	(2,018)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	95,002	25,293
Net interest		13,679	19,708
Income tax set aside	6.4	165,422	(2,419)
Change in the fair value of derivatives	5.1.2 - 5.3.1	(46,457)	9,117
Other non-monetary components	5.5	871	(138)
Profit for the year before changes in working capital		**789,893**	**158,777**
(Increase)/Decrease in trade receivables	5.1.3	(144,780)	(289,870)
(Increase)/Decrease in inventories	5.1.4	(700,464)	(431,783)
Increase/(Decrease) in trade and other payables	5.3.2	651,918	663,970
Change other current assets	5.1.5 - 5.1.6	(86,100)	47,073
Change other current liabilities	5.3.3 - 5.3.4	9,475	28,287
Interest received		4	47
Interest paid		(13,683)	(19,755)
Change other non-current liabilities	5.4.5	344	(189)
Total (B)		**506,607**	**156,557**
C - Cash flow from (for) investment activities			
(Investments) in PPE and intangible assets	5.2.1-5.2.2	(50,329)	(100,050)
(Investments) in Right-of-use of leased assets		(5,226)	(11,146)
(Increase)/Decrease in other financial assets and other investments	5.1.2	(31,413)	97,889
Total (C)		**(86,968)**	**(13,307)**
D - Cash flow from (for) financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	456,361	(600,219)
Increase/(decrease) short-term financial payables	5.3.1	(654,501)	250,473
Total (D)		**(198,140)**	**(349,746)**
E - Cash flows for the period (B+C+D)		**221,499**	**(206,496)**
Unrealised exchange rate differences on bank current accounts		20,310	14,178
F - Closing cash and cash equivalents		**608,488**	**366,680**

(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 HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2022

1. Foreword

The publication of the half-year condensed consolidated financial statements of the Saras Group for the period ended 30 June 2022 was authorised by the Board of Directors on 29 July 2022.

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), SS195 "Sulcitana" Km. 19. The Company is jointly controlled by Massimo Moratti SAPA (20.01%), Angel Capital Management S.p.A (10.005%) and Stella Holding S.p.A. (10.005%), which in total represent 40.02% of the Share Capital of Saras S.p.A. (without considering treasury shares in the portfolio), based on the shareholders' agreement signed by these parties on 24 September 2019, subsequently amended on 30 March 2022 (for further details, please refer to what has already been posted on www.saras.it). The Company duration is until 31 December 2056, as per the Articles of Association.

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 Srl, and the wind farms of the subsidiaries Sardeolica Srl, Energia Verde Srl and Energia Alternativa Srl.

These half-year condensed consolidated interim financial statements at 30 June 2022 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.
These half-year condensed consolidated interim financial statements at 30 June 2022 must be read together with the consolidated financnail statements at 31 December 2021.

2. Basis of presentation of the Consolidated Financial Statements

The condensed consolidated interim financial statements of the Group at 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 draft consolidated and separate 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;
- Statement of Changes in Consolidated 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 half-year condensed consolidated financial statements of the Saras Group at 30 June 2022, 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 half-year condensed consolidated financial statements at 30 June 2021 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 half-year condensed consolidated financial statements at 30 June 2022 are consistent with those used to prepare the consolidated financial statements at 31 December 2021 and the corresponding interim reporting period for 2021, 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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which prohibits an entity from deducting from the cost of property, plant and equipment any amounts received from selling items produced during the period while the entity is preparing the asset for it to be used in the way the entity's management intended. Instead, an entity will recognise such sales proceeds from such products and related costs to produce such products, in the Income Statement. The amendment is effective for financial years beginning on or after 1 st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the start date of the period preceding the period in which the entity first applies such amendment.
No material effects arose for the Group with respect to these amendments.

It should also be noted that on 30 June 2021 an Amendment to IFRS 16 - Leases: Covid-19-Related Rent Concessions beyond 30 June 2021- was issued, which should have been effective from 1 April 2021 but it is still awaiting endorsement. With that amendment, the IASB further amended IFRS 16 to extend the time limit on one of the criteria that a lessor must meet to be able to apply the practical expedient to the leases received (exempting the lessees from the requirement to determine whether a lease concession is a leasing amendment), namely that any reduction in lease payments could only affect payments originally due on or before 30 June 2021.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB published amendments to IAS 37 to specify what costs should be considered by an entity when assessing whether a contract is onerous or at a loss.
The amendment provides for the application of an approach called the "directly related cost approach". Costs that relate directly to a contract for the supply of goods or services include both incremental costs as well as costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly rechargeable to the counterparty on the basis of the contract.
The amendments are effective for financial years beginning on 1 January 2022 or later. No material effects arose for the Group with respect to these amendments.

Annual Improvements 2018-2020
As part of the improvement cycle, the IASB has issued an amendment to IFRS 1 First-time Adoption, which allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1, to account for cumulative translation differences on the basis of the amounts recognised by the parent company, considering the parent company's date of transition to IFRSs. This amendment also applies to associated companies or joint ventures. The IASB then proposed an amendment to IFRS 9, clarifying the fees that an entity must include in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender,

including fees paid or received by the debtor or the lender on behalf of others. An entity applies such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies the amendment.
The amendments are effective since 1 January 2022 with no material effects for the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts accounted for by the parent company, taking into account the date of transition to IFRS by the parent company. This amendment also applies to affiliated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1.
The amendment is effective for financial years beginning on or after 1 January 2022, with no significant effect for the Group..

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. An entity applies such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies the amendment.
The amendment is effective for financial years beginning on or after 1 January 2022, with no material effects for the Group.

IAS 41 Agriculture – Taxation in fair value measurements
As part of the 2018-2020 annual improvement process of IFRS standards, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements in paragraph 22 of IAS 41 relating to the exclusion of cash flows for taxes when the fair value of an asset is assessed for the purpose of IAS 41.
The amendment is applicable prospectively to the fair value measurement starting from financial years beginning on or after 1 January 2022, with no effect for the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB published amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard.
The Board has also added an exception to the valuation standards of IFRS 3 to avoid the risk of potential losses or gains "of the day after" arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.
At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets will not be affected by the update of the references to the Framework for the Preparation and Presentation of Financial Statements.
The amendments is effective for financial years beginning on 1 January 2022 and are to be applied prospectively, without significant effects for the Group.

Standards issued but not yet in force

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

IFRS 17 – Insurance contracts

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

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

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

IFRS 17 will apply to reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously.

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

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 period 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 period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. These amendments will apply from 1 January 2023, subject to endorsement.

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

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

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

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

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 intangible. 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. These amendments apply, subject to endorsement, from 1 January 2023.

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

Issued on 7 May 2021, pending endorsement. 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 recognise 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 recognise 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 recognise 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 amendments are effective for financial years beginning on 1 January 2023 and early adoption is permitted.

3.3 Consolidation Scope

The half-year condensed consolidated financial statements at 30 June 2022 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 generally those specifically prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to align them with the accounting standards of the Parent Company.

Consolidated subsidiaries are listed in the table below:

Consolidated on a line-by-line basis	**% owned**
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e tecnologie Srl	100%
Sarint SA 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%
Other investments: mesured at cost as not significant	
Sardhy Green Hydrogen Srl	50.00%
Sarda Factoring	4.01%
Consorzio La Spezia Utilities	5%

There is no change from 31 December 2021.

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 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 on a stand-alone basis 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 evolution of market variables, in the medium to long term and in the short term, including the price and supply of crude oil and the
worldwide demand for finished products compared to the processing capacity that can also significantly affect the Group's performance, is one of the critical assumptions for the evaluation processes including in particular for the measurement
of fixed assets and the recoverable amount of inventories as well as the volatility of the current fair values of financial instruments. The underlying measurement processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions that, by their nature, involve the use of a high degree of judgement
on the part of Company Management which, for this purpose, also considers scenarios formulated by independent experts of the sector.

Estimates and judgements are reviewed periodically and the effects of each are recognised in the income statement. A summary of the most significant estimates is presented in the Group's consolidated financial statements at 31 December 2021, to which reference should be made.

4. Information by business segment and geographical area

4.1 Introduction

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 business segments, which from 2021 are as follows:

- Industrial & Marketing;
- Renewable.

4.2 Segment information

In light of what has been described in the previous paragraph, starting from the first quarter of 2021, information by business segment has undergone a profound review, in the direction of a substantial aggregation of the segments previously identified, based on the aforementioned changes in the Group's business model.
Given the above, the format previously used to provide segment information in these notes is no longer appropriate and the information provided in the Report on Operations by segment, to which reference should be made, is considered much clearer and more explanatory.

5 Notes to the Statement of Financial Position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	30/06/2022	31/12/2021	Change
Bank and postal deposits	608,429	366,629	241,800
Cash	59	51	8
Total	**608,488**	**366,680**	**241,808**

Bank deposits are mainly attributable to Saras SpA for EUR 489,986 thousand, Saras Trading S.A. for EUR 86,962 thousand and Saras Energia for EUR 9,127 thousand. These deposits are not subject to constraints or restrictions.
It should be noted that the item "Bank and postal deposits" includes an amount not immediately available of EUR 1,356 thousand set up by the subsidiary Energia Alternativa S.r.l. in favour 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 summarised in the statement of cash flows.

5.1.2 Other financial assets

The other financial assets held for trading comprise the following:

Current financial assets	30/06/2022	31/12/2021	Change
Current financial derivatives	209,975	57,652	152,323
Deposits to secure derivatives	137,686	56,087	81,599
Other assets	1,529	1,529	0
Total	**349,190**	**115,268**	**233,922**

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

The item Derivative guarantee deposits includes the balance at 30 June 2022 of deposits to guarantee open positions in derivative instruments required by the counterparties with which the Group enters into these transactions.

5.1.3 Trade receivables

Trade receivables amounted to EUR 691,291 thousand, an increase of EUR 144,780 thousand compared to the same figure at 31 December 2021. This item is shown net of the allowance for doubtful receivables, which amounted to EUR 23,749 thousand , wiht an increase amounting to 5,556 thousand due to the updated evaluation of the net realizable value of some trade receivables (EUR 18,193 thousand at 31 December 2021). The increase in receivables is mainly due to the increase in the prices of petroleum products. For further comments on sales performance, please refer to the Report on Operations.

5.1.4 Inventories

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

Inventories	30/06/2022	31/12/2021	Change
Raw materials, consumables and supplies	627,319	262,819	364,500
Unfinished products and semi-finished products	160,464	124,561	35,903
Finished products and goods	987,853	675,178	312,675
Spare parts and raw materials, supplies	94,000	106,614	(12,614)
Total	**1,869,636**	**1,169,172**	**700,464**

The increase in the value of oil inventories is mainly attributable to both the rising price dynamic and the increase in stock quantities (+24%) compared to 31 December 2021.
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 recognise inventories at a lower value for approximately EUR 4 million.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current direct and indirect tax assets break down as follows:

Current tax assets	30/06/2022	31/12/2021	Change
VAT credit	2,186	2,131	55
IRES credits	1,171	24,603	(23,432)
IRAP credits	8,435	0	8,435
Other amounts due from the tax authorities	46,361	6,220	40,141
Total	**58,153**	**32,954**	**25,199**

Sundry Receivables include taxes for which reimbursement has been requested or provisionally paid; the increase in the period refers to the recognition of the tax credit in favour of energy companies in accordance with the provisions of the TER support decree.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/06/2022	31/12/2021	Change
Accrued income	148	109	39
Prepaid expenses	18,165	5,801	12,364
Other short-term loans	96,907	48,409	48,498
Total	**115,220**	**54,319**	**60,901**

Prepayments mainly relate to prepaid insurance premiums and charges for the biofuel regulations by the Parent Company.
“Other receivables” mainly comprises:

- Advances paid to suppliers for EUR 66,990 thousand related to the purchase of raw materials;
- the receivable of EUR 23,684 thousand due to the subsidiary Sarlux S.r.l. from the Equalisation Fund for the Electricity Sector for the payment, pursuant to Title II, paragraph 7- bis , Cip Regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emissions Trading), in application of Authority for Electricity and Gas Resolution ARG/elt 77/08 of 11 September 2008, referred to the first months of 2021 that still benefited from the CIP 6/92 scheme;
- white certificates of EUR 5,678 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 5,682 thousand in 2021); for additional information, reference should be made to section 7.1.

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	31/12/2021	Increases	Decreases	Write-downs	Other changes	30/06/2022
Land and buildings	179,831	8	(494)	0	292	179,637
Plant and machinery	3,918,932	23,541	(58)	0	23,135	3,965,550
Industrial and commercial equipment	38,483	0	(9)	0	0	38,474
Other assets	681,218	57	(334)	0	14,494	695,435
Property, plant and equipment under construction	173,008	25,510	0	0	(41,430)	157,088
Total	**4,991,472**	**49,116**	**(895)**	**0**	**(3,509)**	**5,036,184**

Amortisation Fund	31/12/2021	Depreciation	Use	Write-downs	Other changes	30/06/2022
Land and buildings provision	107,850	1,708	(224)	0	98	109,432
Plant and machinery fund	3,101,580	70,358	(281)	0	(3)	3,171,654
Industrial and commercial equipment provision	34,812	735	(9)	0	(20)	35,518
Other assets	519,835	12,167	(330)	0	(57)	531,615
Total	**3,764,077**	**84,968**	**(844)**	**0**	**18**	**3,848,219**

Net Value	31/12/2021	Increases	Decreases	Depreciation	Write-downs	Other changes	30/06/2022
Land and buildings	71,981	8	(270)	(1,708)	0	194	70,205
Plant and machinery	817,352	23,541	223	(70,358)	0	23,138	793,896
Industrial and commercial equipment	3,671	0	0	(735)	0	20	2,956
Other asset	161,383	57	(4)	(12,167)	0	14,551	163,820
Property, plant and equipment under construction	173,008	25,510	0	0	0	(41,430)	157,088
Total	**1,227,396**	**49,116**	**(51)**	**(84,968)**	**0**	**(3,527)**	**1,187,965**

The item “Land and buildings” chiefly include industrial buildings, offices and warehouses with a net value of EUR 31,297 thousand, office buildings in Milan and Rome belonging to the Parent Company with a net value of EUR 2,108 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 36,800 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 49,116 thousand and mainly refer to technological interventions on refinery plants.

The main depreciation rates used, unchanged comparing to 2021, 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 (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.

In accordance with the accounting standard IAS 36 and the recommendations of the main regulatory authorities, the Company have constantly monitored the presence of market indicators that could bring out potential losses in value on the main balance sheet items. Also, the Company has updated the estimates for the 2022, subject to approval as part of Impairment Test done by Decembre 31, 2021, with the most recent scenarios provided by the oil and the electricity markets and verified the absence of impairment indicators.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2021	Increases	Decreases	Write-downs	Other changes	30/06/2022
Industrial patent and original work rights	55,086	10	(31)	0	3,271	58,336
Concessions, licences, trademarks and similar rights	24,542	0	0	0	0	24,542
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible assets	531,235	639	0	0	0	531,874
Intangible assets under construction	1,265	1,147	0	0	0	2,412
Total	**633,147**	**1,796**	**(31)**	**0**	**3,271**	**638,183**

Amortisation Fund	31/12/2021	Amortisation	Use	Write-downs	Other changes	30/06/2022
Industrial patent and original work rights	52,018	1,936	(21)	0	0	53,933
Concessions, licences, trademarks and similar rights	13,701	20	0	0	407	14,128
Other intangible assets	525,836	899	0	0	(141)	526,594
Total	**591,637**	**2,855**	**(21)**	**0**	**266**	**594,737**

Net Value	31/12/2021	Increases	Decreases	Amortisation	Write-downs	Altri movimenti	30/06/2022
Industrial patent and original work rights	3,068	10	(52)	(1,936)	0	3,313	4,403
Concessions, licences, trademarks and similar rights	10,841	0	0	(20)	0	(407)	10,414
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	5,399	639	0	(899)	0	141	5,280
Intangible assets under construction	1,265	1,147	0	0	0	0	2,412
Total	**41,510**	**1,796**	**(52)**	**(2,855)**	**0**	**3,047**	**43,446**

The decrease compared to 31 December 2021 was mainly due to amortisation for the period, which amounted to EUR 2,855 thousand and was determined using the annual rates, unchanged with respect to 2021 as reported below.

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

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

Concessions, licences, 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 amortisation of which will end in 2035.

Goodwill and intangible assets with indefinite life

This item relates mainly to the goodwill recognised for the subsidiary Sardeolica Srl (EUR 20,937 thousand), paid for the purchase of the subsidiary Parco Eolico di Ulassai Srl (merged by incorporation into Sardeolica): this goodwill is justified by the projection of future cash flows expected by the subsidiary Sardeolica Srl over a time horizon extended until the term of the concessions obtained thereby.

Other intangible assets

These amount to EUR 5,280 thousand, almost unchanged compared to 31 December 2021

Intangible assets under construction and advance payments

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

5.2.3 Right-of-use of leased assets

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

- functional areas that are essential to the pursuit of its core business (state-owned areas adjacent to the sites of Sarroch and Arcola, areas on which the Ulassai wind farm stands, etc.), of which it was unable or did not consider it appropriate to purchase ownership;
- properties used for 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	31/12/2021	Increases	Decreases	Write-downs	Other changes	30/06/2022
Leased land and buildings	41,070	3,874	0	0	0	44,944
Leased plant and equipment	11,952	0	0	0	0	11,952
Other leased assets	19,500	1,076	0	0	0	20,576
Total	**72,522**	**4,950**	**0**	**0**	**0**	**77,472**

Amortisation Fund	31/12/2021	Amortisation	Use	Write-downs	Other changes	30/06/2022
Leased land and buildings provision	15,118	2,702	0	0	(276)	17,544
Leased plant and machinery provision	4,621	726	0	0	0	5,347
Other goods	8,198	1,588	0	0	0	9,786
Total	**27,937**	**5,016**	**0**	**0**	**(276)**	**32,677**

Net Value	31/12/2021	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2022
Leased land and buildings	25,952	3,874	0	(2,702)	0	276	27,400
Leased plant and equipment	7,331	0	0	(726)	0	0	6,605
Other leased assets	11,302	1,076	0	(1,588)	0	0	10,790
Total	**44,585**	**4,950**	**0**	**(5,016)**	**0**	**276**	**44,795**

The balance at 30 June 2022, of EUR 44,795 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 increase compared to the end of the previous year, amounting to EUR 4,950 thousand, essentially refers to contract renewals that took place during the period.

5.2.4 Other investments

Other equity investments break down as follows:

Other investments	30/06/2022	31/12/2021	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Sardhy Green Hydrogen	243	5	238
Total	745	507	238

The increase for the period relates to a capital contribution made to Sardhy Green Hydrogen.

5.2.5 Prepaid tax assets

The net deferred tax assets and liabilities of the Saras Group at 30 June 2022 amounted to EUR 2,181 thousand (consisting of deferred tax assets of EUR 1,567 recognised under non-current assets and deferred tax liabilities of EUR 3,748 thousand).

The decrease is essentially due to the use of defered tax assets on previous tax losses against the increase in taxable income generated in the period.

5.2.6 Other financial assets

At 30 June 2022, this item amounts to EUR 4,102 thousand (EUR 4,139 thousand in the previous year) and relates to medium/long-term receivables.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short -Term Financial liabilities	30/06/2022	31/12/2021	Change
Current bond loan	0	199,684	(199,684)
Current bank financing	118,733	385,252	(266,519)
Bank c/a	118,499	163,134	(44,635)
Financial derivatives	156,253	66,769	89,484
Other short-term financial liabilities	36,950	113,844	(76,894)
Total	**430,435**	**928,683**	**(498,248)**

The bond loan was repaid in advance in the second quarter.

The item "Current bank loans" includes the short-term portion of bank loans granted to the Group, which are valued at amortised cost. The terms and conditions of the loans and bonds are shown in the table below (amounts in EUR million):

Values expressed in millions of EUR	Loan acquisition / renegotiation	Original Amount	Base rate	Contratual Maturity	Residual at 31/12/2021	Residual at 30/06/2022	Maturities	
							1 year	over 1 to 5 years
Saras SpA								
Bond	December 2017	200	1.7%	Dec-22	199.7	-		
Unicredit	February 2020	50	6M Euribor	Aug-23	50.0	-		
Sace loan	December 2020	350	0.95%	Sep-24	320.8	264.4	118.7	145.7
Sace loan	May 2022	312.5	1.70%	Mar-28		311.7	-	311.7
Energia Alternativa Srl	January 2017	16	2.5% + 6M Euribor	Jun-26	4.3	4.3		4.3
Total liabilities to banks for loans					**574.8**	**580.4**	**118.7**	**461.7**

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 programme and intended to strengthen the capital structure of the Company. The loan was organised and underwritten by a pool of leading
Italian financial institutions, including Banco BPM, Intesa Sanpaolo and UniCredit as Mandated Lead Arrangers and Lending Banks. Intesa Sanpaolo covers the role of Custodian Bank, Agent Bank and SACE Agent.

The transaction is part of a financial consolidation plan implemented by Saras to deal with
the impact of the Covid-19 emergency, and, in line with the provisions of the "Liquidity Decree" of 9 April 2020 and the SACE regulations, is mainly aimed at supporting the Company's working capital.

It should be noted as at the date of Decembre 31, 2021, after the receipt by Saras Spa on 24 December 2021 of the notification of the termination of the investigations relating to the purchase of raw materials of Kurdistan origin (as better described in the specific section of this report on operations) and the possible involvement of the company as a liable party pursuant to Legislative Decree no. 231/2001, that contractually determines the lender's right to request repayment of the credit lines used or granted before that date (SACE loan, Unicredit loan and RCF loan)the Parent Company had classified under short-term loans the SACE loan and the loan taken out with Unicredit for EUR 50 million, although contractually of medium-term duration, in application of the accounting standard IAS 1.74 which provides for this classification when a clause of a long-term loan agreement is violated, at the closing date or before the end of the financial year with the effect that the liability becomes a payable on request, as the unconditional right to defer its settlement for at least twelve months from that date ceases, even if the lender has agreed, after the closing date of the financial year, not to request payment as a result of the violation.

In order to mitigate this risk, it was necessary at the beginning of 2022 to request a waiver, actually granted on 31 March 2022, which also represents evidence of the bank's willingness to continue to provide financial support to the Group, also regarding the remaining short-term credit lines, as well as to the financing of the principal instalments and of the bond maturing in 2022 (repaid after that in advance in the second quarter). Therefore in the present accounts the original payment dates have been reset to medium and long-term.

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 organised and underwritten by a pool of leading Italian financial institutions, composed of Banco BPM, Intesa Sanpaolo, IMI Corporate & Investment Banking Division and UniCredit as Mandated Lead Arrangers and Lender Banks. Intesa Sanpaolo - IMI Corporate & Investment Banking Division - will cover the role of Custodian Bank, Agent Bank and SACE Agent.
The loan has been disbursed in a lump sum and the repayment plan provides for a 36-month grace period and repayment in 12 constant quarterly instalments starting on 30 June 2025 and ending on 31 March 2028, the loan's maturity date.
The proceeds has been used to prepay the EUR 200 million bond maturing on 28 December 2022 and the EUR 50 million medium- to long-term loan maturing on 14 August 2023. The remaining EUR 62.5 million will be used to support the company's working capital, in line with SACE regulations.

It should also be noted that the financial parameters on existing loans subject to review at 30 June 2022 are complied with.

The item "Bank current accounts" includes the balance of the credit lines, as well as the "hot money" transactions that the Group uses in the normal course of business. The Parent Company Saras also has a Revolving Credit Facility for a maximum amount of EUR 305 million; the amount drawn-down at 30 June 2022 was null.

The item "Derivative financial instruments" includes the negative fair value of derivative financial instruments in place at 30 June 2022: the increase compared to 31 December 2021 is mainly due to the trend in crude oil and petroleum product prices.

The following table presents the assets and liabilities measured at fair value at 30 June 2022, broken down by type of underlying asset:

Financial derivative instruments	30/06/2022 Assets	30/06/2022 Liabilities	31/12/2021 Assets	31/12/2021 Liabilities
Interest rate swaps	16,355	586	0	65,185
Fair value derivatives on commodities	193,620	155,667	57,652	509
Fair value forward purchases and sales on exchange rates	0	0	0	970
Negative Fair value, derivative instruments	0	0	0	105
Total	**209,975**	**156,253**	**57,652**	**66,769**

“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

Trade payables amounted to EUR 2,232,482 thousand, an increase of EUR 651,918 thousand compared to the same figure at 31 December 2021. The increase is due to both higher prices and larger quantities purchased during the period.

5.3.3 Tax liabilities

This item, that holds current liabilities for direct and undirect tax, breaks down as shown below:

Current tax liabilities	30/06/2022	31/12/2021	Change
Payables for VAT	69,938	20,638	49,300
IRES payables (and income tax foreign firms)	51,204	8,809	42,395
IRAP payables	3,065	2,505	560
Other tax payables	165,063	78,445	86,618
Total	**289,270**	**110,397**	**178,873**

IRES payables increased due to the recognition of taxes for the period.

“Other tax payables” mainly include:

- payables for excise duties on products released for consumption by the Parent Company Saras SpA (EUR 77,599 thousand) and the subsidiary Saras Energia S.A.U. (EUR 6,840 thousand). The increase is mainly due to the effect of excise duty advances paid only in December, as required by Italian law;
- Tax payable relating to the Extraordinary Contribution on extra-profits of companies operating in the energy sector resulting mainly from the application of art. 37 D.L. n. 21 of 21 March 2022, as subsequently amended, the amount of which was prudently determined due to certain interpretative uncertainties about the scope and constitutional legitimacy of the debt. In this regard, the Group reserves the right to make further assessments that could reduce the amount of the Extraordinary Contribution

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	30/06/2022	31/12/2021	Change
Payables employee benefit and social security	8,989	12,306	(3,317)
Payables to employees	28,075	27,960	115
Other payables	15,585	16,037	(452)
Accrued liabilities	1,346	887	459
Deferred income	5,891	6,672	(781)
Total	**59,886**	**63,862**	**(3,976)**

Other current liabilities decrease by EUR 3,976 thousand compared to those at year-end 2021; in particular, the item "Payables due to employees" includes salaries and wages for the month of June, not yet paid, and the accrued portion of additional monthly payments as well as any bonuses related to the achievement of company objectives.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	30/06/2022	31/12/2021	Change
Non-current bank loans	461,682	5,244	456,438
Other long-term financial liabilities	46,524	46,601	(77)
Total	**508,206**	**51,845**	**456,361**

The item includes the medium/long-term portions of bank loans taken out by the company of the Group.

As previously mentioned, the maturities of medium- and long-term loans, which in the previous year's financial statements had been reclassified under "Short-term financial liabilities", have been now reset to their original maturities. Please refer to what has already been described in paragraph 5.3.1.

The item “Other long-term financial liabilities” mainly includes the financial debt relating to contracts recognised 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	31/12/2021	Provisions	Use	Other changes	30/06/2022
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO2 quotas fund	133,307	195,505	0	0	328,812
Other prov. for risks and charges	7,373	1,184	(1,120)		7,437
Total	**159,718**	**196,689**	**(1,120)**	**0**	**355,287**

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

The provision for CO_2 allowances (EUR 328,812 thousand) originates from the existence of quantitative limits to the CO_2 emissions of plants defined by Legislative Decree no. 216 of 4 April 2006; exceeding these limits entails the obligation to purchase, in the appropriate market, allowances covering the excess amount of CO_2. The provision relates to allowances, necessary to fulfil the obligation for the current period, which have not yet been purchased.

“Other risk provisions” mainly refer to provisions accrued in respect of probable 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	30/06/2022	31/12/2021	Change
Post-employment benefits	7,706	6,883	823
Total	**7,706**	**6,883**	**823**

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.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,748 thousand, relate to the foreign subsidiaries.

5.4.5 Other non-current liabilities

Other non-current liabilities amounted to EUR 535 thousand and increased by EUR 344 thousand compared to the previous year.

5.5 Shareholders' equity

Shareholders' equity is comprised of the following:

Total equity	**30/06/2022**	**31/12/2021**	**Change**
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	729,033	718,828	10,205
Net profit/(loss) for the period	292,454	9,334	283,120
Total	**1,087,043**	**793,718**	**293,325**

Share capital
At 30 June 2022, the fully subscribed and paid-up share capital of EUR 54,630 thousand was represented by 951,000,000 ordinary shares with no par value.

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

Other reserves
This item totalled EUR 729,033
thousand, up by a net EUR 10,205 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 9,334 thousand);
- positive effect of the translation of foreign currency financial statements by foreign subsidiaries for EUR 871 thousand;

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 292,454 thousand.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The "Revenues from ordinary operations" break down as follows:

Revenues from ordinary operations	**30/06/2022**	**30/06/2021**	**Change**
Revenues from sales and services	7,094,578	3,499,530	3,595,048
Sale of electricity	573,614	196,697	376,917
Other remunerations	2,531	3,883	(1,352)
Change in contract work in progress	0	(810)	810
Total	**7,670,723**	**3,699,300**	**3,971,423**

Revenues from sales and services increased by EUR 3,595,048 thousand due to the strong increase in average sales prices, partially offset by a slight decrease in sales volumes. For more details, please refer to the contents of the Report on Operations.

It should be noted that revenues from ordinary operations include the effect of the "term agreement" with some companies of the Trafigura Group, shareholder for 3.01% of Saras S.p.A. This agreement, valid for the year 2022, aims to optimize commercial activities and access to non-traditional markets for the Saras Group.

Revenues from the sale of electricity mainly comprise those relating to the plant of the subsidiary Sarlux Srl, as well as those relating to the wind farm of the subsidiary Sardeolica (which also includes sales from the newly acquired wind farms). For more details, please refer to the contents of the Report on Operations.

It must be noted that the revenues from the sale of electricity due to the company SARLUX S.r.l. have been entered following the Resolution no. 630/2021/R/EEL, issued by ARERA(Autorità di Regolazione per Energia Reti e Ambiente – Regulatory Authority for Energy, Networks and Environment), within the framework of the Essentiality regime, that grantes admission for SARLUX S.r.l.'s application for the reinstatement of costs for the 2022 period for its IGCC (Integrated Gasification Combined Cycle) power plant.

The revenues of the parent company Sardeolica take into account the Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes, inter alia, a "compensation" mechanism for non-incentivised renewable sources, under which producers must repay, for the period from 1 February up until the end of 2022, 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 Srl and Reasar S.A. in their respective business segments.

6.1.2 Other income

The following table shows a breakdown of “Other income”:

Other operating revenues	30/06/2022	30/06/2021	Change
Compensation for storage of mandatory stocks	749	1,623	(874)
Sale of various materials	83	131	(48)
Grants	927	905	22
Chartering	893	1,527	(634)
Recovery for claims and compensation	9	161	(152)
CO2 charges reimbursement	0	31,576	(31,576)
Other revenues	25,395	20,878	4,517
Total	**28,056**	**56,801**	**(28,745)**

The decrease refers primarily to the item “Repayment of CO2 charges” and comprises the revenues recognised by the subsidiary Sarlux S.r.l. following the recognition, pursuant to Title II, point 7-*bis* of CIP Measure no. 6/92, of the repayment of the charges incurred as part of the application of Directive 2003/87/EC (Emissions Trading) as per AEEG's Resolution no. 77/08, no longer included in the period due to the termination of the CIP 6/92 sales contract by the month of April, 2021.

6.2 Costs

The following table shows a breakdown of the main costs

6.2.1 Purchases of raw materials, supplies and consumables

Purchases of raw materials, consumables and supplies	30/06/2022	30/06/2021	Change
Purchase of raw materials	4,141,119	1,760,367	2,380,752
Purchase of semi-finished products	75,991	103,795	(27,804)
Purchase of supplies and consumables	34,843	25,530	9,313
Increase in property, plant and equipment	(4,752)	(3,172)	(1,580)
Purchase of finished products	2,543,129	1,444,413	1,098,716
Change in inventories	(693,627)	(186,005)	(507,622)
Total	**6,096,703**	**3,144,928**	**2,951,775**

The costs for the purchase of raw materials increased by EUR 2,380,752 thousand compared to the same period of the previous year, due to the increase in prices; costs for the purchase of finished products increased by EUR 1,098,716 thousand mainly due to the increase in prices and to the greater quantities purchased. For more details, please refer to the contents of the Report on Operations.

In accordance with the provisions of the accounting standards, the Group has measured inventories at the lower of purchase or production cost and recoverable market value: this comparison showed the need to recognise inventories at a lower value of EUR 4 million.

6.2.2 Costs of services and sundry costs

Cost of services and sundry costs	30/06/2022	30/06/2021	Change
Costs for services	519,994	268,116	251,878
Capitalisations	(20,711)	(8,373)	(12,338)
Derivatives on crude oil products and CO2	116,493	72,763	43,730
Costs for use of third-party goods	2,603	2,121	482
Provisions for risks	196,689	86,677	110,012
Bad debt	5,503	0	5,503
Other operating costs	18,833	13,332	5,501
Total	**839,404**	**434,636**	**404,768**

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The increase in this item is essentially related to the sharp rise in utility prices: for more details, see the Report on Operations.

The “Capitalisation” item mainly refers to turn-around maintenance costs capitalised during the period.

The item “Provisions for risks and charges” mainly includes the provision for charges related to the application of Directive 2003/87/EC (Emissions Trading). The increase compared to the same period of previous year is essentially due to both the increase in the value of CO_2 allowances due to the relative prices, and to the increase in the number of allowances to be purchased due to the cut in the number of allowances allocated free of charge during the financial year.

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

6.2.3 Personnel costs

The breakdown of “Personnel costs” is as follows:

Personnel costs	30/06/2022	30/06/2021	Change
Salaries and wages	52,499	46,928	5,571
Increases in fixed assets for internal work	(2,324)	(4,455)	2,131
Social security contributions	14,892	12,885	2,007
Post-employment benefits	3,655	3,497	158
Other long-term costs and incentives	4,373	7,990	(3,617)
Remuneration to the Board of Directors	1,025	1,022	3
Total	**74,120**	**67,867**	**6,253**

Labour costs increased compared to the same period of the previous year, mainly due to the lack of use of the redundancy fund.

6.2.4 Depreciation/amortisation and write-downs

“Amortisation/depreciation” are shown below:

Depreciation/amortisation and write-downs	30/06/2022	30/06/2021	Change
Amortisation of intangible assets	2,855	2,709	146
Depreciation of tangible assets	84,968	87,769	(2,801)
Total	**87,823**	**90,478**	**(2,655)**

Depreciation of leased items	30/06/2022	30/06/2021	Change
Depreciation of leased tangible assets	5,016	4,643	373
Total	**5,016**	**4,643**	**373**

The item "Amortisation of leased items" includes the amortisation 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	30/06/2022	30/06/2021	Change
Bank interest income	4	108	(104)
Unrealised differences on derivatives	6,667	968	5,699
Realised differences on derivatives	5,118	1,460	3,658
Profit on exchange rates	97,963	38,422	59,541
Total	**109,752**	**40,958**	**68,794**

Financial charges	30/06/2022	30/06/2021	Change
Unrealised differences on derivatives	801	131	670
Realised differences on derivatives	(1,104)	(692)	(412)
Interest expenses on loans and other financial charges	(13,343)	(9,407)	(3,936)
Interest on rights of use on leases	(340)	(327)	(13)
Exchange rate losses	(138,601)	(44,636)	(93,965)
Total	**(152,587)**	**(54,931)**	**(97,656)**

The table below shows net income/charges by type:

Financial income e Financial charges	30/06/2022	30/06/2021	Change
Net interest	(13,679)	(9,626)	(4,053)
Result of derivative instruments, of which:	11,482	1,867	9,615
Realised	*4,014*	*768*	*3,246*
Fair value of open positions	*7,468*	*1,099*	*6,369*
Net exchange rate differences	(40,638)	(6,214)	(34,424)
Total	**(42,835)**	**(13,973)**	**(28,862)**

The entire fair value of the derivatives in place at 30 June 2022 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

Net interest expenses of Euro 13,679 thousand increased by Euro 4,053 thousand compared to the previous period due to the recognition in the period of the early termination commissions of the Euro 50 million loan and of the bond loan of Euro 200 million.
The net exchange differences show a loss of Euro 40,638 thousand and an increase of Euro 34,424 thousand compared to the previous year due to the strengthening of the dollar against the euro.
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 summarised below:

Income taxes	30/06/2022	30/06/2021	Change
Current taxes	264,021	(643)	264,664
Net deferred tax liabilities (assets)	(3,597)	(358)	(3,239)
Total	**260,424**	**(1,001)**	**261,425**

Current taxes consist of IRAP and IRES calculated on the taxable income of the consolidated companies; the increase is mainly due to the results of the period and to the effect of the application of art. 37 D.L. n. 21 of 21 March 2022, as subsequently amended (as described in paragraph 5.3.3).

7. Other information

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

7.1 Main legal actions pending

The companies of the Group are involved in various legal disputes initiated by different actors, some of which present difficulties in predicting the relative outcomes. Even in the presence of unambiguous decisions by the ordinary and administrative justice in relation to the alleged violations, it was considered that any liabilities could be configured as generally remote or possible; where, on the other hand, the liability was deemed probable, a specific provision was made to the provision for risks.

Saras S.p.A. is subjected to investigations in the context of criminal proceedings no. 9603/2021 R.G.N.R. mod. 21 D.D.A.T., pending at the Cagliari District Prosecutor's Office - District Anti-Mafia and Terrorism Directorate.
Against Saras the accusation - pursuant to art. 25-octies of Legislative Decree 231/2001 - concerns the administrative offense dependent on the crime of "use of money, goods or benefits of illicit origin" (pursuant to Article 648 ter of the Criminal Code) contested against some of its managers.
On 28 March 2022, the Company and the executives involved in the investigations relating to the purchase of crude oil of Kurdish origin were notified of the preliminary hearing before the Cagliari GUP for 16 June 2022.
Saras S.p.A. - ever since he became aware of the existence of the criminal proceedings - issued five press releases, with which he made his position known to the market, rejecting all accusations (see: press releases dated 8.10.2020, 9.10.2020, 24.1 .2021, 26.2.2022, 28.3.2022 available on the Company's website).
At the hearing on June 16, 2022, a lack of notification was detected against the offended person (Embassy of Iraq), which must be carried out again. During the hearing, the indeterminacy of the reference to the crime of forgery contained in item A) of the charge was also revealed, which the P.M. decided to clarify simply by eliminating from the charge the reference to the crime of forgery pursuant to art. 479 C.P. At the same time it was also clarified that the reference to the table (containing an indication of the operations carried out) and referred to in the charge, but not physically attached to the request for indictment, is in any case the same as already notified with the notice of conclusion of the investigations pursuant to 415 bis C.P.P.
Then excluding the use of alternative rites, the trial was postponed to the following 6 October, with the provision also of a subsequent hearing (20 October 2022).
In light of the above considerations and from an initial analysis, various elements emerge that can refute both the application of the tax regulations on the so-called crime costs and the factual reconstruction of the crime hypotheses. It is therefore believed that as of today the risk relating to any tax liability connected to the potential dispute borne by the Company by the Public Prosecutor cannot be estimated.

As regards the subsidiary Sarlux Srl, it should be noted that there are ongoing disputes with the GSE regarding the non-recognition of the IGCC plant's qualification as cogeneration and the consequent alleged obligation to purchase "green certificates"; companies producing electricity not coming from renewable or cogenerative sources (pursuant to Legislative Decree 79/99 and Arera Resolution No. 42/02) are in fact subject to the obligation to purchase green certificates for a a certain percentage of the electricity fed into the grid. Consequently, the company has not proceeded with the registration of any charge or any revenue with reference to the legislation in question.
There is a criminal case against the company and some managers.
In April 2022, an investigation was initiated directed at Sarlux S.r.l. and some managers of the company, by the Public Prosecutor of Cagliari, as part of an investigation into blow-down discharges that would have generated consequent phenomena of black and odorous smokes, ascertained in documents in the period from 2019 to today. In particular, the investigation refers to the disputed crime 452-bis of the criminal code (Environmental pollution).
The investigations are still in the preliminary phase and the deadlines for the filing of the expert assessments, ordered by the Court, expire on 9 August 2022.

The parent company Saras SpA and its subsidiaries, Sarlux Srl and Sardeolica Srl have been subject to tax audits and assessments by the tax authorities which have resulted, for some of them, in litigation pending before the tax courts.

7.2 Commitments

At 30 June 2022 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 totalling EUR 264,316 thousand at 30 June 2022, mainly in favour of subsidiaries and entities, such as Customs Agencies and the Ministry of Defence.

7.3 Related-party transactions

The transactions carried out by the 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 balance sheet, income statement and cash flow statement is not significant and is substantially in line with previous periods.

SARAS

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

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

- the appropriateness in respect of the type of company, and
- the efficient application of the administrative and accounting procedures for the preparation of the interim consolidated half year financial statements, for the period 1st January 2022 to 30th June 2022.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as of 30th June 2022:
   a) was prepared in accordance with the applicable international accounting standards recognised in the European Union, pursuant to European Parliament and Council Regulation (EC) n. 1606/2002 of 19th July 2002;
   b) accurately represents the figures in the company's accounting records;
   c) gives a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies.

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

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

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

Milan, 29th July 2022

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
Chief Executive Officer	
(Ing. Dario Scaffardi)	(Dott. Franco Balsamo)

Saras S.p.A.

Interim condensed consolidated financial statements as of 30 June 2022

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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

To the Shareholders of
Saras S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the 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 2022. 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 2022 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, 29 July 2022

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

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