

**GROUP CONSOLIDATED FINANCIAL STATEMENTS
AND SEPARATE FINANCIAL STATEMENTS FOR SARAS S.p.A.
AS AT 31st DECEMBER 2021**



FROM SOURCES TO RESOURCES





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SARAS GROUP PROFILE



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.



REFINING CAPACITY

300,000
barrels per day



OIL AND CRUDE PRODUCTS
SOLD IN ITALY AND SPAIN
THROUGH RETAIL AND
WHOLESALE NETWORKS

3.33
million barrels



IGCC (INTEGRATED
GASIFICATION COMBINED
CYCLE) PLANT INTEGRATED
WITH THE REFINERY

3,500,000,000
kWh/year



ULASSAI WIND FARM

171 MW
installed capacity

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1960^s

Start of operations

1962

Angelo Moratti establishes Saras.

1965

Sarroch refinery begins operations.

1968

Start-up of a new Crude Distillation Unit (Topping) and of the Fluid Catalytic Cracking plant (FCC).

1970^s

Revamping plants

1970

Start-up of the Alkylation Unit (ALKY) and of a wastewater treatment plant.

1980^s

Increase in conversion capacity

1983

Start-up of the Visbreaking Unit (VSB) and of a Vacuum plant (Vacuum).

1984

Start-up of a new Reforming Catalytic unit (CCR).

Late 1980^s

Upgrading of the FCC Unit, with capacity increased up to 94,000 bl/day.

1990^s

Environment, new technologies, and expansion into the wholesale market

1992

Start-up of the first Mild HydroCracking Unit (MHC1).

Mid 1990^s

Saras begins to operate in the wholesale market in Spain (Saras Energia) and Italy (Arcola Petrolifera).

2000^s

IPO, new investments in high technology and the environment

2001

Start-up of the Integrated Gasification Combined Cycle plant (IGCC).

Start-up of a second Mild HydroCracking Unit (MHC2).

Start-up of an Etherification Unit (TAME).

2005

The Ulassai wind farm starts operations, with an installed capacity of 72 MW.

2006

IPO to grow the business and explore new opportunities.

2007

Increase in conversion capacity, leading to significant improvements in the production of automotive diesel.

2008

Achievement of EMAS environmental registration

(Eco Management Audit Scheme).

Start-up of the Tail Gas Treatment and Sulphur recovery Unit (TGTU).

Start-up of the gasoline desulphurisation unit (U800).

2009

Sales of gasoline and diesel with 10 ppm (parts per million) sulphur content begin. Significant reduction of indirect SO₂ emissions.

Saras is the first refinery in Italy to obtain the AIA authorisation (Integrated Environmental Authorisation), which represents part of a journey to improve the technical and structural characteristics of the plant and production site, in order to minimise the environmental impact of the production activities.

Extension of the retail network in the Southern area of Spain, through the integration of 71 new service stations acquired from ERG.

During maintenance of plant MHC1, there was a tragic event in which three workers died.

Completion of an important cycle of maintenance and investments, critical for the future growth of the Company, on the following Units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2 and VSB.

Years 2010/20

Focus on safety, environment, efficiency and improvement on profitability

2010

Start of the "Project Focus", the purpose of which is improving production efficiency, effectiveness of the operations and cutting costs.

Saras becomes a certified member of the OCIMF (Oil Companies International Marine Forum) and it is now allowed to perform "vetting" operations within the SIRE Programme managed by OCIMF.

Bond issue on the Luxembourg Stock Exchange, restricted to institutional investors, with a total nominal amount of EUR 250 million and a maturity of 5 years.

2011

"Project Focus" is successful and is also extended to "Planning" and "Supply & Trading".

The Group relies on its commercial and operational flexibility to overcome the shortage of Libyan crude oils, as a consequence of the civil war devastating that country.

The ten-year shut-down for scheduled maintenance of the entire IGCC plant takes place.

The subsidiary "Sardealica Srl" increases the installed capacity of the Ulassai wind farm from 72 to 96 MW.

2012

The Board of Directors of Saras approves the Group Business Plan for 2013-2017, which is focused on activities aimed at improving effectiveness and efficiency, as well as pursuing new commercial opportunities.

In the Refining segment, MildHydroCracking-2 (MHC2) is revamped.

In a competitive environment, which becomes increasingly harder due to the recession in the Eurozone, the Saras Group continues to aim to be a leading operator in terms of safety and efficiency within its sector.

2013

The industrial strategy of the Group remains focused on striving to achieve operating performance excellence.

A major corporate reorganisation is completed, by transferring the business operations of the Refining segment of Saras SpA to the subsidiary Sarlux Srl.

At the end of April, Rosneft acquires 13.70% of the share capital of Saras SpA from majority shareholders, Gian Marco and Massimo Moratti and, in mid-June, an additional 7.29% from the financial markets via a voluntary and partial tender offer.

2014

The Saras Group pursues asset management initiatives aimed at cost reduction, increased energy efficiency and the coordination of its refining business activities and operational management.

Bond issue on the Austrian multilateral trading system, with a total nominal amount of EUR 175 million and a maturity of 5 years.

Important five-year turnaround activities are successfully carried out at the Fluid Catalytic Cracking plant (FCC) and its two main ancillary units: Alkylation (Alky) and Etherification (TAME).

Arcola Petrolifera Srl was merged into Saras SpA, with effect for accounting and tax purposes as of 1st January 2014.

On 29th December 2014, Sarlux Srl purchases a business unit of Versalis SpA, including approximately 80% of the production units of the Versalis petrochemical complex in Sarroch, Sardinia to achieve considerable industrial and organisational synergies and further strengthen the international competitive landscape.

2015

2015 marks a structural change for oil markets: more balanced crude prices; greater availability of non-standard types of crude; recovery in consumption of petroleum products; streamlining of the European refining system; reduction of spare capacity at global level; and the correction of some market distortions contribute to the recovery in refining margins, mostly benefiting complex refineries such as that of the Saras Group.

In order to take full advantage of the opportunities offered by

the market, the Saras Group has adopted an innovative business model based on the integrated management of the supply chain (or of the raw materials supply chain). This model is based on the characteristics of flexibility and high conversion of the Sarroch refinery, in addition to the close coordination of planning activities, trading and operational management of plants.

On 15th October, the Capital Markets Day of the Saras Group was held at the Sarroch refinery with presentation of the Business Plan 2016-2019, which is based on the optimal execution of the integrated Supply Chain management model and on a series of improvement initiatives related to reliability, energy efficiency and developments of the site configuration, with moderate investments and short re-entry periods.

On 19th October, Rosneft sold about 8.99% of the share capital of Saras SpA to a qualified group of institutional international investors and reduced its shareholding to 12%.

On 10th December, Saras signed a EUR 265 million five-year bank loan agreement to refinance existing debt.

2016

2016 was another positive year for the European refining industry, due to the continued abundance of crude oil, including non-conventional crudes processed preferably in complex, integrated and high conversion sites such

as the Saras plant and an increase in overall demand for refined products (+1.3 mb/d compared to 2015).

In January, Saras Trading SA became fully operational in Geneva, one of the main global markets for trading oil commodities. This company is a key element in the implementation of the integrated management of the Supply Chain model. It purchases raw materials and sells refined products from the refinery and performs independent crude oil and petroleum product trading activities.

On 22nd April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.17 for each share (corresponding to a dividend yield of 10.8%), for a total of EUR 159.1 million. The return to the payment of a dividend after many years has been made possible by improved refining market conditions and the excellent results in the year 2015.

The year 2016 sees the Saras Group engaged in a major process to reduce average debt costs, seizing the opportunities offered by the low interest rates resulting from the expansionary policies of the European Central Bank.

2017

In 2017, the refining industry continues to benefit from favourable conditions characterised by satisfactory margins on the main refined products. Crude oil was well supplied, despite the implementation of cuts in production by OPEC

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countries and other major producers, although there was some pressure on discounts of heavy crude products, which were most affected by such production cuts. Overall demand for refined products continued to grow and increased by +1.5 mb/d compared to 2016.

On 17th January, Rosneft places all the shares in Saras SpA which it held, corresponding to 12% of the share capital of Saras, with a group of international investors.

On 20th April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.10 for each share (corresponding to a dividend yield of 4.6%), for a total of EUR 93.6 million.

The #digitalSaras program was launched during the year, for the purpose of defining and implementing the most appropriate technological innovations within the framework of Industry 4.0, with a view to further improving operating performance and efficiency.

On 22nd December, the Company completes the private placement of bonds with a nominal value of EUR 200 million, maturing on 28th December 2022 and bearing a fixed annual coupon rate of 1.70%. The operation is a continuation of the financial optimisation process that started in 2016. The proceeds were used to refinance part of the gross debt, even with a positive net financial position, in support of the investment plan.

2018

2018 is a year characterised by strong volatility in the price of crude oil, also influenced by geopolitical tensions.

On 26th February, the Chairman of the Board of Directors, Gian Marco Moratti, passed away. Gian Marco was the son of Angelo Moratti, who founded the Company. He was CEO until 1981, when he became Chairman.

On 12th March, the 2018-2021 Business Plan is presented, which aims to maintain a leading position in the refining sector over the next decade and focuses on operational excellence through investments of EUR 800 million focused on maintaining state-of-the-art facilities, also thanks to the contribution of technological innovation and digitalisation.

After the identification of the available technologies and the start of 10 pilot projects, the industrialisation phase of the digitalisation initiatives was undertaken.

On 27th April, the Shareholders' Meeting resolves to distribute a dividend of EUR 0.12 for each share (corresponding to a dividend yield of 6.2%), for a total of EUR 112 million and appointed the new Board of Directors in office for a three-year period until the date of the shareholders' meeting called to approve the financial statements as at 31st December 2020.

On 3rd May, the new Board of Directors appoints Massimo Moratti as Chairman and

Dario Scaffardi as Chief Executive Officer.

On 5th September, Massimo Moratti SApA of Massimo Moratti and MOBRO SpA jointly sold 10% of the capital to a group of institutional investors with the aim of increasing the liquidity of Saras shares on the market.

2019

The year 2019 was dominated by international trade and geopolitical tensions that led to a global economic slowdown. The refining sector has been affected by high volatility, slowing demand for refined products and high sulphur heavy crude prices.

In the first months of 2019, one of the largest turnarounds on plants in the last 5 years was completed successfully and on schedule. The Topping "T2", Vacuum "V2", CCR and MHC1 plants were idle for about 60 days.

On 16th April, the Shareholders' Meeting voted to distribute a dividend of EUR 0.08 for each share (corresponding to a dividend yield of 5.9%), for a total of EUR 75.3 million.

On 24th June, the total non-proportional demerger of MOBRO in favour of Angel Capital Management SpA (ACM) and Stella Holding SpA (Stella) was concluded. As a result of the demerger, Saras SpA is controlled by Massimo Moratti SApA with 20.01%, Angel Capital Management SpA with 10.005% and Stella Holding SpA with 10.005%

of the share capital and an aggregate 40.02%, by virtue of the signing of a supplementary agreement to the Saras Pact, aimed exclusively at implementing the effects of the MOBRO demerger and the consequent takeover by ACM and Stella of MOBRO's stake in Saras SpA. As a result of the second tacit renewal of the shareholders' agreement, the next expiry date will fall on 30th September 2022.

The direct marketing of marine fuels (bunkering) in the Sarroch and Cagliari area began in the second half of August. Refuelling is carried out through a modern ship (barge) equipped with the highest safety standards.

During the year under review, the Ulassai wind farm was expanded through the installation of 9 new turbines, adding 30 MW of capacity and bringing the total installed capacity to 126 MW. The work was completed on 27th September and the new wind turbines came into operation from that date.

On 14th October 2019, the Australian fund Platinum Investment Management Ltd stated that it held 3.055% of the capital.

2020

The year 2020 is characterised by the Covid-19 pandemic and the resulting serious economic and social consequences. Though a positive year was expected for the refining industry because of the new specifications for marine fuels with the entry into

force of the IMO-Marpol VI, the industry suffered an unprecedented shock with the collapse in fuel consumption which brought the price of Brent Dtd to historic lows of \$13.2/bl in mid-April, before the Opec+ countries had reached initial agreements on production cuts, which caused a further deterioration in refining margins.

During the year, one of the most important turnaround programmes in the history of the Sarroch refinery, involving FCC, ALKY and Topping 1 units, was started and completed as planned.

On 2nd March, the Board of Directors proposes a dividend for the 2019 financial year of EUR 0.04 per share, corresponding to a dividend yield of approximately 3.8%, compared to the closing price of 28th February 2020. On 17th April, the Board of Directors resolves to suspend the dividend distribution proposals on 2019 profits approved on 2nd March 2020, as a matter of prudence in the face of the economic and financial crisis brought about by the Covid-19 emergency.

On 12th October, Saras finalises an agreement with the Territorial Trade Unions and the members of the RSU, CIGL, CISL, UIL and UGL, for the start of the partial Ordinary Redundancy Fund (Cassa integrazione Guadagni Ordinaria) to cope with the consequences generated by the on-going emergency, effective from 26th October 2020, for an expected period until 30th

June 2021, in view of the continuing negative impact of the pandemic situation in the global market and, specifically, in the Group's reference market.

On 12th October, the Company announces the adoption of a number of extraordinary measures to address the effects of the continuing negative scenario, starting from a reduced refinery operation, confirming, however, the maintenance of all the installations currently in operation and the continuity of the fundamental electricity production to ensure the equilibrium of the Sardinian network; a drastic reduction of investments and costs for the year 2021; and a labour cost containment procedure with the launch of a partial redundancy fund and a plan for voluntary incentivised resolutions of employment relationship.

On 15th October, the Trafigura Group, which is based in Singapore and trades crude oil and petroleum products internationally through its subsidiary, Urion Holdings (Malta) Limited increases its shareholding to 1.379% which subsequently increases to 3.01% on 21st October.

On 28th December, Saras concludes a EUR 350 million loan agreement with a pool of main banks and financial institutions, 70% of which was backed by the SACE guarantees issued under the Italy Guarantee programme, as part of a financial consolidation plan aimed at limiting the impact of the Covid-19 emergency.

On 29th December 2020, ARERA (the Italian Regulatory Authority for Energy, Networks and the Environment), in view of the end of the CIP 6 incentive period for the Sarlux Srl, IGCC (Integrated Gasification Combined Cycle) plant which is scheduled for 20th April 2021, lists this power plant among the plants essential to the safety of the electricity system for 2021.

2021

The year 2021 is characterised by the economic recovery that followed the Covid-19 pandemic crisis, thanks to the effectiveness of global vaccination campaigns that allowed for a gradual easing of the restrictions adopted to contain infections, and to the stimulus given by various governments to cope with the crisis. The prices of the Brent Dtd rose from 50 to around \$78/bl over the course of the year. The growth in oil demand, particularly significant from the second half of the year, made it possible to reach pre-pandemic levels of over 100 mb/day at the end of the year. Refining margins also recorded a more substantial improvement starting from the second half of the year. However, the international scenario has shown very heterogeneous trends among countries. In particular in Europe and in Italy there was an increase in inflation driven by high prices in energy goods also due to some constraints on the supply side. In particular, in the second half of the year, in addition to the acceleration in Brent prices,

energy costs, particularly for natural gas, electricity and CO₂, soared.

On 16th February 2021, Saras signs a memorandum of understanding with Enel Green Power to develop a "green hydrogen" project in Sardinia, with a solution under study that provides for the use of a 20 MW electrolyser powered by locally produced renewable energy to supply green hydrogen to be used as raw material in the Saras refinery at the industrial site of Sarroch, in the province of Cagliari.

On 30th March, the Board of Directors of Saras SpA approves the Group's Consolidated Financial Statements, the draft Separate Financial Statements of Saras SpA and the Sustainability Report at 31st December 2020. The Group's Business Plan for the 2021-24 period is also approved. The Plan includes a number of important measures for 2021 aimed at significantly reducing costs and investments in order to minimise the economic and financial impact of the scenario marked by the pandemic crisis, and contain the debt to levels no higher than those reported at 31st December 2020. The Plan also provides for the continuation of the sustainability and energy transition strategy with the development of new renewable capacity, up to 500 MW in 2024, also through the development of new partnerships. The energy transition strategy is



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also defined with particular focus on green hydrogen and biofuels.

On 13th April, with Resolution no.152/2021/R/EEL, ARERA, within the framework of the Essentiality Regulation, accepts the application for admission to the reintegration of costs submitted by SARLUX Srl, for the period from 21st April to 31st December 2021, for the IGCC combined cycle power plant, defining the economic conditions of its operation for 2021 and, in particular, the reintegration component of the fixed costs strictly necessary for electricity production, the reintegration of the so-called "QAR component" (depreciation and return on invested capital, as provided for by Resolution no.111/06), and, for essential electricity production, the integration of the variable costs is provided for, with respect to the amount collected from the sale on the market at the zonal reference price. The main items of variable costs include the fuel of the IGCC plant, the cost of the oxygen necessary for the transformation of the aforementioned fuel into synthesis gas completely clean of all traces of sulphur or other pollutants, and the charges associated with CO₂ emission quotas according to the Emissions Trading System. The production set-up of the IGCC power plant will take into account the requirements defined by Terna related to the safe operation of the electricity system, compatibly with the operational constraints of the SARLUX plant.

On 20th May 2021, the Board of Directors confirms the appointment of Massimo Moratti as Chairman and of Dario Scaffardi as Chief Executive Officer and General Manager.

On 4th June 2021 the Group, through the subsidiary Sardeolica Srl, acquires the two companies Energia Verde Srl and Energia Alternativa Srl, active in the production of electricity through the operation of two wind farms located in the municipality of Uta (Cagliari).

On 15th September, Saras signs a Memorandum of Understanding with Air Liquide, world leader in the field of gases, technologies and services for the industry and healthcare sectors, aimed at exploring the opportunities to reduce the carbon footprint of the refinery in Sarroch, evaluating the technical and economic feasibility of solutions for the capture and storage of CO₂ emissions related to the processes of the Sarroch refinery.

On 28th December with Resolution 630/2021, ARERA accepts the request for admission to the cost reintegration scheme for the combined cycle power plant of Sarlux Srl, IGCC for the year 2022, determining its registration among the essential plants for the electricity system for 2022.

On 29th December, the company Sardhy Green Hydrogen Srl, 50% owned by Saras Spa and 50% by Enel Green Power Italia

Srl is established with the aim, as part of the partnership launched by the two companies on 16th February, of starting the authorisation procedures and, if the financing required under the European IPCEI programme is obtained, of carrying out the engineering, procurement and construction of the new hydrolyser through the formalisation of dedicated contracts.

LETTER TO THE SHAREHOLDERS

Two years have passed since the start of the Covid-19 pandemic, and the drop in oil demand that had followed the sharp decline in consumption in 2020 has gradually been absorbed by growth which, especially since the second half of last year, has been particularly strong, as shown by oil prices which, after the increases in late 2020, have risen by a further 50% in 2021. Even the emergence of new variants in the late months of 2021 did not impact the growth in demand, which in the last quarter of 2021 exceeded 100 million barrels/day, a level close to the pre-pandemic numbers. The IEA's mid-February forecast gave a further increase of at least 3 million barrels per day in 2022.

In the second half of 2021, refining margins in the Mediterranean area also recovered substantially: gasoline margins, which had already returned to pre-Covid levels in the first half of the year, recorded multi-year highs in the summer period thanks to seasonality and extraordinary demand from the Atlantic due to the blockage of refineries and oil platforms affected by several hurricanes in the Gulf of Mexico. The demand for diesel fuel instead recorded a recovery only in the second half of the year, even if the margins remained in a range of about 11-13 USD/bl, still lower than the pre-pandemic multi-year averages of 14-15 USD/bl, partly due to the absence of at least 40% of jet fuel demand, which, before the pandemic, provided greater support to the middle distillate crack.

Furthermore, in this phase of acceleration, the growth in global oil demand has proved to be more sustained than the supply was able to guarantee, in particular due to the policy of the

OPEC countries + Russia which remained conservative and willing to increase production quotas to a moderate extent, resulting in a basically "short" market with an average of just over 2 million barrels per day in the fourth quarter of 2021. Also part of this context is the reduction in global refining capacity which, during 2021, fell for the first time in 30 years, by almost 1.6 mb/d of capacity permanently closed, following the impacts of the crisis, or converted to biorefineries over the year, compared to 0.85 mb/d of new capacity coming on stream.

Countering this constant improvement in the oil scenario in the second half of the year was the unexpected, as well as violent, surge in costs related to electricity and CO₂, although the current indications of forward markets seem to indicate a temporary phenomenon, expected to rebalance in the second half of 2022.

In this scenario of increasing operating complexity, our Group has achieved significantly improved economic and financial results in 2021, also thanks to the efficiency and rationalisation of industrial costs and the containment of investments adopted since the end of 2020 to respond to the emergency due to the pandemic crisis while laying the foundations for a more efficient and lean industrial structure, always in full compliance with health, safety and the environment.

With regard to this, I would like to thank all our employees who, during this difficult year, have shown extraordinary professionalism, a sense of responsibility and great dedication to the Company,

adhering to the redundancy fund plan, which, although in a reduced form, was extended into the second half of the year.

In particular, in terms of operating costs, in 2021 the Company internalised, through the subsidiary Sartec, its engineering activities and continued the plan to contain the cost of labour started in 2020.

The refinery's operations and processing have also been modulated over the months according to the cost-effectiveness of processing the main refined products, in particular, by maximising production, given its higher profitability compared to diesel, especially in the first part of the year and, at the same time, although representing a secondary component of the yield, we have increased the production of VLSFO, the fuel oil with a very low sulphur content, which showed a growing marginality during the year thanks to the resumption of maritime traffic.

At the same time, in 2021 we have continued our plan to expand the renewables segment with the acquisition of a further 45MWh of installed wind capacity in the south of Sardinia, which immediately became operational at the beginning of the second half and the completion of the re-blading of the existing wind farm with an increase of about 10% in production potential.

These initiatives have contributed to the targeted containment of the debt level below the numbers recorded at the end of 2020.

The sustained growth in oil demand in recent months has also enabled us to draw up a short and

medium-term plan based on very positive market fundamentals, with an important return on Group profitability in 2023, also thanks to the essential role played by our thermoelectric plant in Sarroch in Sardinia.

These prospects have been upset by the Ukrainian crisis, primarily due to the explosion in gas prices to which those of electricity are linked, with a strong negative impact on all energy-intensive industrial sectors such as ours. Secondly, there has been severe turbulence in both crude and commodity oil markets because, although the sector is not currently subject to sanctions, there is a widespread reluctance on the part of many Western countries to resort to use Russian exports.

For the time being, we have chosen, at great sacrifice, to no longer turn to this market. Saras, for technical-economic reasons, has generally used a limited amount of Russian crude; however, the simultaneous disappearance from the market of this quality of raw, combined with the de facto embargo on Iran and the recent blockade of exports from northern Iraq and, last but not least, the probable blockade and general slowdown in exports from the Black Sea, are creating a very strong shortage of crude oil but also of finished products.

At the same time, however, this situation is greatly increasing the demand for oil products, with positive effects on the refining sector, effects that we believe will remain even after the crisis is resolved, hopefully as soon as possible.

It is evident that, in its seriousness, the emergency we are experiencing highlights once

again - after the inflationary pressures of the energy markets that began in the second half of last year - the importance and central role that traditional sources and fuels play in guarantee the sustainability of an orderly, rational and economically sustainable path of energy transition towards renewable sources, a sector in which we are strongly committed.

In this area, our expansion plan is proceeding with a target of 500MW of renewable capacity installed in 2025, with the recent completion of the authorisation process for a new 80MW photovoltaic park in southern Sardinia.

In addition to renewables, other projects launched in 2020 and currently in progress aim to reduce the refinery's carbon footprint. For some of these, such as those in the field of green hydrogen and carbon capture, important partnerships were launched in 2021. We also continue to closely monitor opportunities and market developments for an immediate expansion of our biorefining capacity.

In line with the Purpose to "be an innovative, sustainable Group and a benchmark among energy suppliers", Saras is embarking on a journey towards a mixed business model, based on sustainable refining and production of energy from renewable sources, to ensure energy in modern life.



Massimo Moratti
THE CHAIRMAN

A handwritten signature in dark ink, appearing to read 'Massimo Moratti', written in a cursive style.



SARAS GROUP'S REPORT ON OPERATIONS



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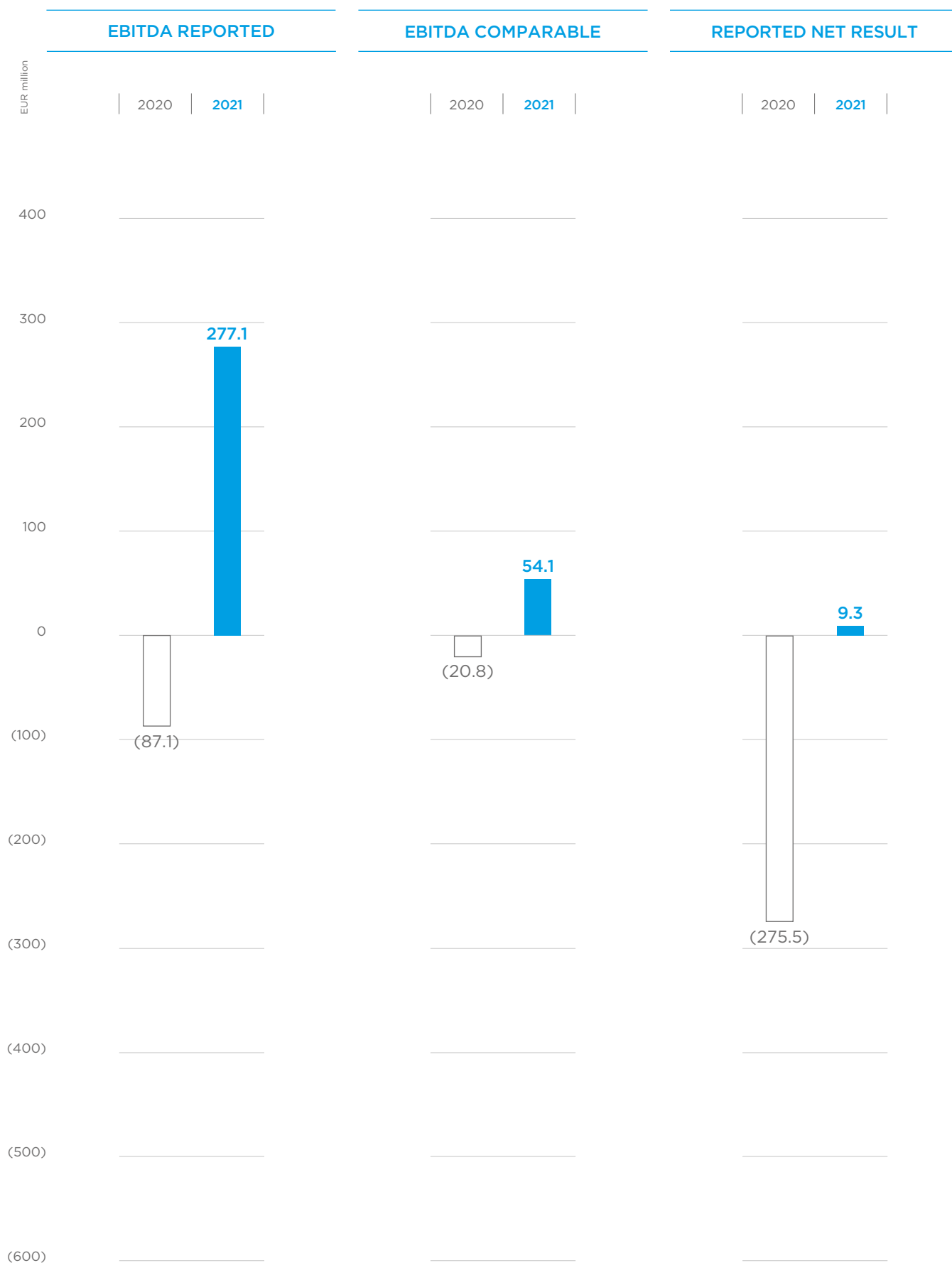
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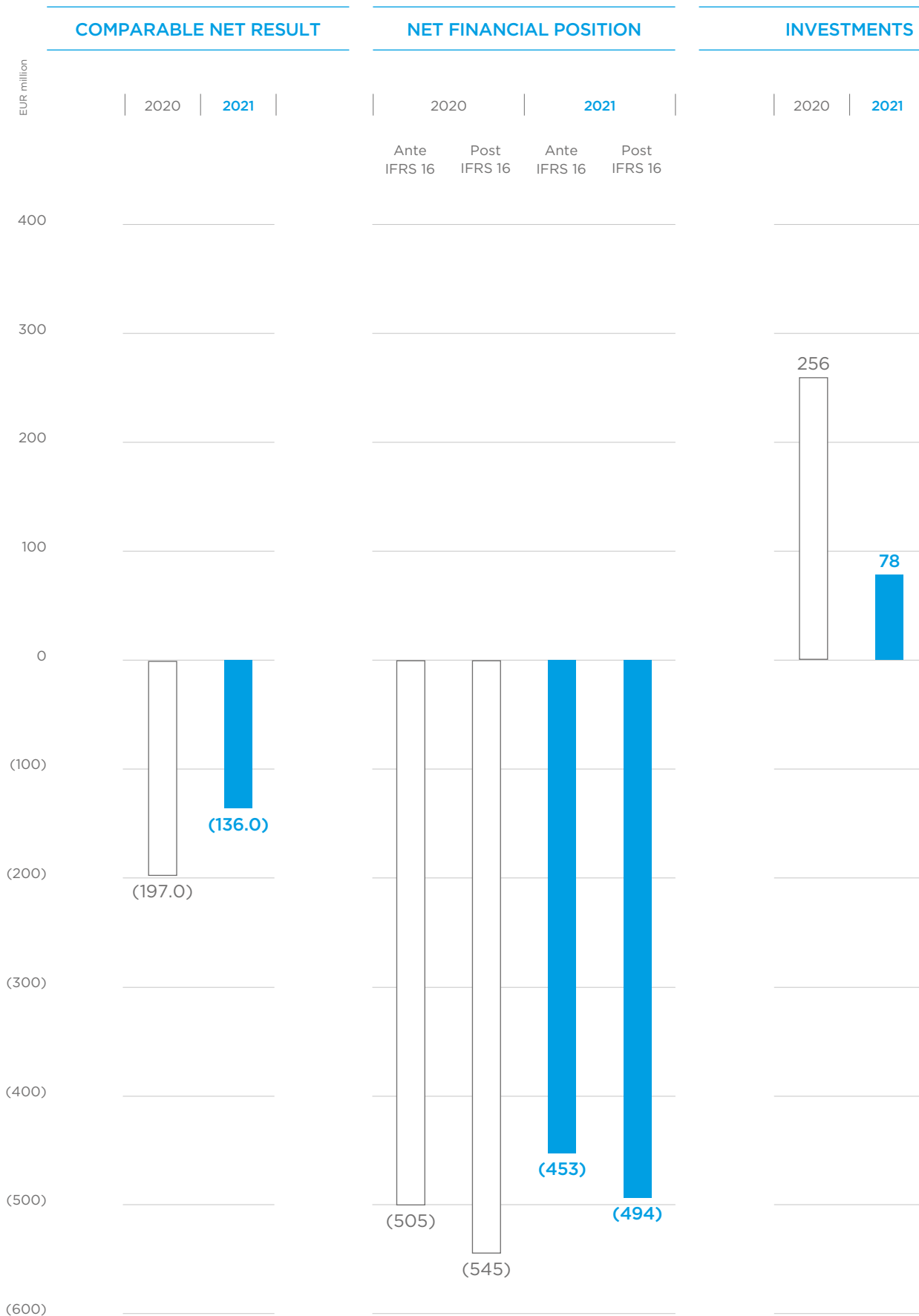
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MAIN CONSOLIDATED FINANCIAL FIGURES







MAIN CONSOLIDATED FINANCIAL AND OPERATING FIGURES

EUR MILLION		2021	2020
REVENUE		8,636	5,342
EBITDA		277.1	(87.1)
Comparable EBITDA¹		54.1	(20.8)
EBIT		78.5	(341.1)
Comparable EBIT¹		(144.5)	(238.9)
NET PROFIT		9.3	(275.5)
COMPARABLE NET RESULT¹		(136.0)	(197.0)
Shares outstanding, '000,000 (average no.)		951	940
Comparable NET RESULT¹ per share (EUR)		(0.14)	(0.21)
NET FINANCIAL POSITION BEFORE IFRS 16 EFFECT		(453)	(505)
NET FINANCIAL POSITION AFTER IFRS 16 EFFECT		(494)	(545)
CAPEX		78	256
REFINERY RUNS			
	Thousand tonnes	12,978	11,369
	Million barrels	94.7	83.0
	Thousand barrels/day	260	229
EXCHANGE RATE (ANNUAL AVERAGE)	EUR/USD	1.18	1.14
EMC BENCHMARK MARGIN	USD/bl	(0.2)	(0.5)
SARAS IND & MKTG MARGIN	USD/bl	4.5	4.7
IGCC ELECTRICITY PRODUCTION	MWh/1,000	3,524	4,071
TOTAL MARKETING SALES	Thousand tonnes	3,336	2,956
of which in Italy	Thousand tonnes	2,156	1,909
of which in Spain	Thousand tonnes	1,180	1,048
RENEWABLE ELECTRICITY PRODUCTION	MWh	258,453	225,530
POWER TARIFF	EURcent/KWh	12.2	3.7
INCENTIVE TARIFF	EURcent/KWh	10.9	9.9

1. 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 are stated with the measurement of inventories of crude oils and oil products 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.

CORPORATE AND CONTROL BODIES

BOARD OF DIRECTORS

MASSIMO MORATTI	Chair and Director
DARIO SCAFFARDI	Chief Executive Officer, General Manager and Director
ANGELO MORATTI	Director
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GIOVANNI EMANUELE MORATTI	Director
GILBERTO CALLERA	Independent Director
ADRIANA CERRETELLI	Independent Director
MONICA DE VIRGILIIS	Independent Director
LAURA FIDANZA	Independent Director
ISABELLE HARVIE-WATT	Independent Director
FRANCESCA LUCHI	Independent Director

BOARD OF STATUTORY AUDITORS

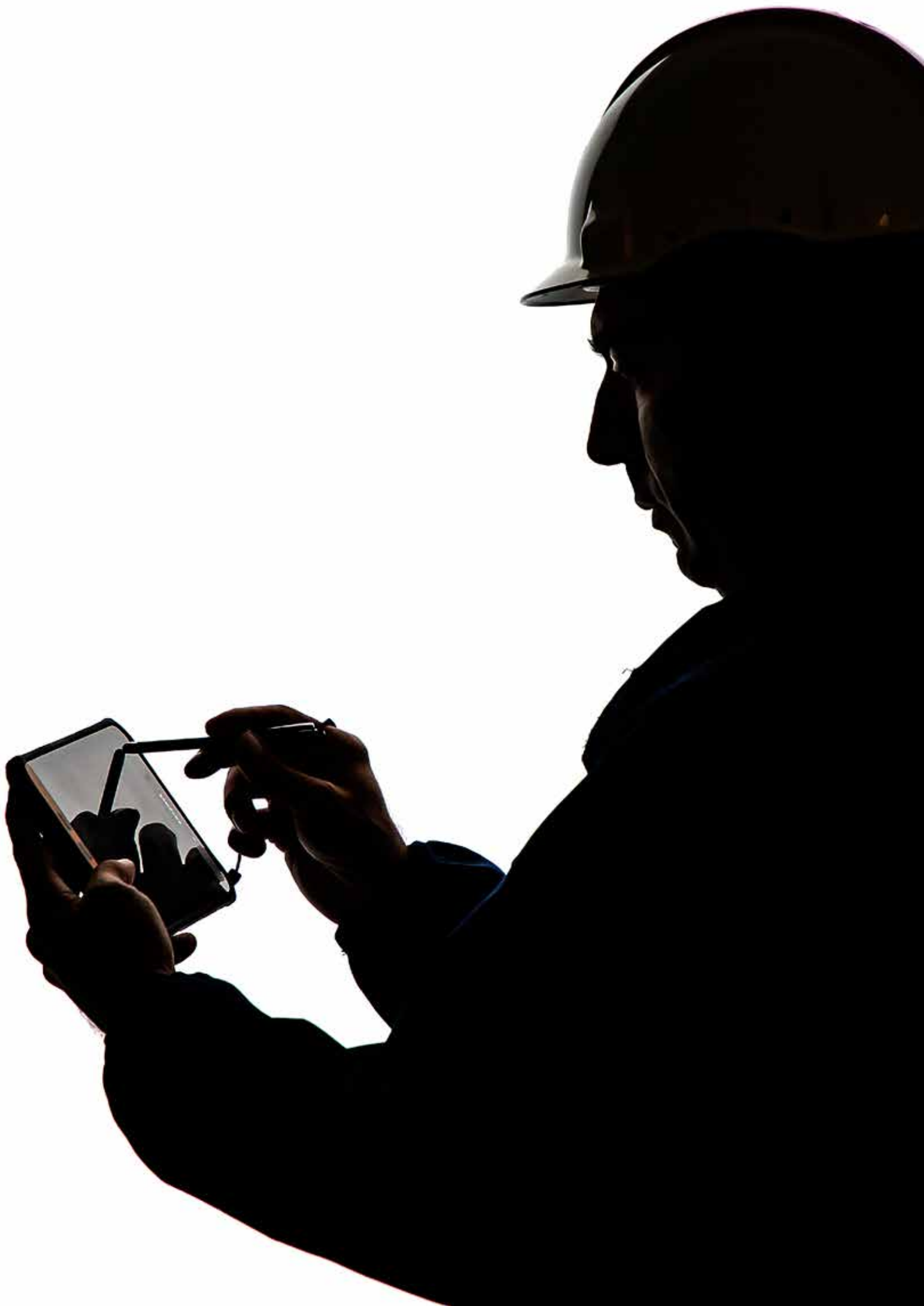
GIANCARLA BRANDA	Chair
FABRIZIO COLOMBO	Auditor
PAOLA SIMONELLI	Auditor
PINUCCIA MAZZA	Alternate Auditor
ANDREA PERRONE	Alternate Auditor

MANAGER IN CHARGE OF FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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AUDIT FIRM

EY SpA



CORPORATE GOVERNANCE

The Company adheres to the Corporate Governance Code, published in January 2020 (the "**Code**") and entered into force starting from the 2021 financial year, with information to be included in the Corporate Governance Reports to be published in 2022. The Annual Report on Corporate Governance (the "**Report**") is prepared by the Board of Directors (the "**Board**") and published within 21 days of the Shareholders' Meeting (the "**Shareholders' Meeting**") called to approve the 2021 financial statements.

In this Report, which is drawn up pursuant to Article 123-*bis*, paragraph 1 of Legislative Decree no. 58 of 24th February 1998 (the Consolidated Finance Act or TUF), as amended, the main features of the Saras corporate governance system are described, as well as how its various components function in practical terms, with a specific focus on compliance with the recommendations contained in the Code.

The Company's governance system is formalised in the Code of Ethics, the Articles of Association, the Regulations of the Shareholders' Meetings, the Regulations of the Board Committees and in a set of principles and procedures periodically updated based on national and international best practices. The corporate organisation of Saras SpA complies with the Italian Civil Code and other

laws on corporations, specifically those contained in the Consolidated Finance Act.

The Company is structured in accordance with the traditional model for administration and control, with a 12-member Board of Directors tasked with managing the Company. Within the Board, there is a Remuneration and Appointments Committee, whose functions also include those of the Committee for Related-Party Transactions, a Control, Risks and Sustainability Committee, and a Steering and Strategies Committee, as well as a Board of Statutory Auditors, composed of three standing members and two alternate members, whose tasks include monitoring compliance with legislation and with the Articles of Association and controlling the adequacy of the Company's organisational structure, internal audit system and administrative and accounting systems.

The composition of the current Board of Directors and the current Board of Statutory Auditors, the former in office for one year until the date of the Shareholders' Meeting called to approve the financial statements at 31st December 2021 and the latter in office for three years until the date of the Shareholders' Meeting called to approve the financial statements at 31st December 2023, was defined during the Shareholders' Meeting of 12th May 2021, which appointed its members. On 19th May 2021, the

Board of Directors appointed and conferred the office of Chair to Mr Massimo Moratti and of Chief Executive Officer to Dario Scaffardi.

The Company has entrusted the audit firm EY SpA (EY) with the task of auditing the separate and consolidated financial statements for the financial years 2015-2023, as well as the limited audit of the half-year reports for the same period.

The Report provides details of the role and tasks of the Board of Directors, listing the functions that can and cannot be delegated and providing up-to-date information on its composition and the meetings held in 2021 and in the first months of 2022.

The Board of Directors' meeting of 19th May 2021, having assessed compliance with the independence requirements for Directors Gilberto Callera, Adriana Cerretelli, Laura Fidanza, Isabelle Harvie-Watt and Francesca Luchi, Lawyer and Monica De Virgiliis, has also appointed as Lead Independent Director Mr Gilberto Callera, the Remuneration and Appointments Committee (composed of Gilberto Callera, Laura Fidanza and Francesca Luchi), the Control, Risks and Sustainability Committee (composed of independent non-executive directors, Gilberto Callera, Adriana Cerretelli, Laura Fidanza, Isabelle Harvie-Watt and Monica De Virgiliis).

Both Committees have consultative and advisory functions, as provided for in the Code and have met

regularly during 2021 and in the first few months of 2022, as illustrated in detail in the Report on Corporate Governance.

In particular, the Remuneration and Appointments Committee has also been assigned the main functions of the Related Parties Committee to perform whenever necessary in compliance with the provisions of the relevant Procedure adopted by the Company pursuant to Art. 2391-*bis* of the Civil Code as implemented by the Consob Regulation adopted with resolution no. 17221 of 12th March 2010 and subsequent amendments; in addition, in the aforementioned Board meeting of 19th May 2021, the Board of Directors has also established the Control, Risks and Sustainability Committee and the Steering and Strategies Committee with consultative and support functions for the Board itself in defining strategic business and also finance guidelines, as well as sustainability guidelines.

The Report also describes the Company's internal control system, for which the Board of Directors is responsible and which establishes the guidelines and periodically reviews the operational adequacy and effectiveness, using the Control, Risks and Sustainability Committee and the Internal Audit Function.

The Board appointed the Chief Executive Officer Dario Scaffardi as the Executive Director responsible for overseeing the operations of the internal control system.

The Company has also appointed the Chief Financial Officer, Mr Franco Balsamo, as the manager in charge of financial reporting, according to Art. 154-*bis* of the Consolidated Finance Act.

The Company has had an "organisation, management and control model" in place since January 2006. It has been updated on many occasions, in implementation of the legislation relating to the "Rules governing the administrative liability of companies" pursuant to Legislative Decree no. 231/2001, which is overseen by a special supervisory body.

The Group's Code of Ethics (approved by the Board of Directors of Saras SpA on 1st August 2016 and subsequently transposed by the Boards of Directors of other companies in the Group) is also part of the internal control system. It sets out, in a single document, the shared values and principles which underpin the action of the Saras Group and which must be observed by all employees, collaborators and all those who establish relationships with the Group.

In view of the growing importance that Saras assigns to non-economic aspects in terms of defining the Company's value, the Report briefly illustrates, including with references to the "Sustainability Report" that has been published by Saras since 2017, the Company's orientation towards sustainability (inspired by the main national and

international standards such as the Corporate Governance Code and Legislative Decree no. 254/2016 and the declaration of non-financial information and diversity (so-called NFS)).

Finally, the Report describes the contents of the internal "*Compliance Guideline - Rules for managing relevant information and inside information and the establishment of an Insider Register*", as well as the Procedure to be followed for internal dealing, procedures for related-party transactions and the Code of Conduct for Saras Group Directors, as adopted by the Company's Board of Directors.

REGULATORY FRAMEWORK

The most important regulations in 2021 relating to the energy, environment and health and safety at work sectors are as follows:

- Law no. 234 of 30th December 2021, on "State budget for the financial year 2022 and multi-year budget for the three-year period 2022-2024";
- Decree-Law no. 228 of 30th December 2021, named "Urgent provisions regarding legislative deadlines";
- Law no. 233 of 29th December 2021, on "Conversion into law, as amended, of the decree-law no. 152 of 6th November 2021, containing urgent provisions for the implementation of the National Recovery and Resilience Plan (PNRR) and for the prevention of mafia infiltrations";
- Resolution no. 630/2021/R/EEL of 28th December 2021, on "Determinations regarding the Application for Admission to the SARLUX Essential Plant Reintegration Scheme, for the year 2022";
- Decree-Law no. 221 of 24th December 2021, on "Extension of the national state of emergency and further measures to contain the spread of the Covid-19 epidemic";
- Law no. 215 of 17th December 2021, on "Conversion into law, as amended, of the decree-law no. 146 of 21st October 2021, containing urgent measures in economic and fiscal matters, to protect work and for non-postponable needs";
- Regulation no. 2021/2204/EU of 13th December 2021, on "Regulations of the Commission amending Annex XVII of Regulation (EC) no. 1907/2006 of the European Parliament and the Council concerning the registration, evaluation, authorization and restriction of Chemical Substances (REACH), as regards substances that are carcinogenic, mutagenic or toxic for reproduction (CMR)";
- Implementing Resolution no. 2021/2326/EU of 30th November 2021, on "Decision establishing the conclusions on the best available techniques (BAT), pursuant to Directive 2010/75/EU of the European Parliament and the Council, for large combustion plants";
- Law no. 171, of 25th November 2021, on "Conversion into law, as amended, of the decree-law no. 130 of 27th September 2021, with urgent measures to contain the effects of price increases in the electricity and natural gas sector";
- Decree of the Ministry of the Interior of 24th November 2021, on "Amendments to Annex 1 of the Decree of the Minister of the Interior of 3rd August 2015, concerning the approval of technical fire prevention standards";
- Regulation 2021/2045/EU of 23rd November 2021 on "Commission Regulation amending Annex XIV of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)";
- Decree of the Ministry of Economic Development of 12th November 2021, on "Amendment of the technical annex of the Decree of the President of the Republic no. 160, of 7th September 2010, concerning technical specifications and reorganisation of the discipline on the Single Desk for Productive Activities (SUAP)";
- Decree of the Ministry of Ecological Transition 12th November 2021, on "Implementation of the Energy Transition Fund in the industrial sector - Compensation for indirect CO₂ costs";
- Legislative Decree no. 210 of 8th November 2021, on "Implementation of EU Directive 2019/944 of the European Parliament and the Council of 5th June 2019 concerning common rules for the internal market in electricity and amending Directive 2012/27/EU, as well as laying down provisions for the alignment of the national legislation with the provisions of EU Regulation 943/2019 on the internal market in electricity and EU Regulation 941/2019 on risk preparedness

in the electricity sector and repealing Directive 2005/89/EC";

- Legislative Decree no. 199 of 5th November 2021, on *"Implementation of Directive 2018/2001/EU on the promotion of the use of energy from renewable sources"*;
- Decree-Law no. 146 of 21st October 2021, on *"Urgent economic and fiscal measures to protect work and for non-postponable needs"*;
- Decree of the Ministry of the Interior 2nd September 2021, on *"Criteria for the management of workplaces in operation and in emergency situations and characteristics of the specific fire prevention and protection service, pursuant to Art. 46, paragraph 3, letter a), point 4 and letter b) of Legislative Decree no. 81 of 9th April 2008"*;
- Decree of the Ministry of the Interior of 1st September 2021, on *"General criteria for the control and maintenance of systems, equipment and other fire safety systems, pursuant to Art. 46, paragraph 3, letter a), point 3, of legislative decree no. 81 of 9th April 2008"*;
- Delegated Regulation no. 2021/1962/EU of 12th August 2021 on *"Commission Delegated Regulation correcting Annex VI to Regulation (EC) no. 1272/2008 of the European Parliament and the Council on classification, labelling*

and packaging of substances and mixtures";

- Decree of the Ministry of Sustainable Infrastructure and Mobility of 10th August 2021, on *"Adoption of tariffs for authorizations, permits or concessions for the construction and verification of energy plants and infrastructures"*;
- Delegated regulation no. 2021/2003/EU of 6th August 2021, on *"Delegated regulation of the commission that supplements Directive (EU) 2018/2001 of the European Parliament and the Council by establishing the Union platform for the development of renewables"*;
- Law no. 113 of 6th August 2021, on *"Conversion into law, with amendments, of the decree-law no. 80 of 9th June 2021, on urgent measures for strengthening the administrative capacity of public administrations that is functional to the implementation of the National Recovery and Resilience Plan (PNRR - Piano nazionale di ripresa e resilienza) and for the efficiency of justice"*;
- Decree of the Ministry of Finance of 6th August 2021, on *"Allocation of financial resources provided for the implementation of the interventions of the National Recovery and Resilience Plan (PNRR) and allocation of targets and objectives for six-monthly reporting deadlines"*;

- Decree of the Ministry of Ecological Transition of 30th July 2021, on *"Operating procedures of the ETS Committee and the Technical Secretariat"*;
- Law no. 108 of 29th July 2021, on *"Conversion into law, as amended, of the decree-law 31st May 2021, no. 77, containing governance of the National Recovery and Resilience Plan and first measures to strengthen administrative structures and to speed up and streamline procedures"*;
- Law no. 106 of 23rd July 2021, on *"Conversion into law, as amended, of the decree-law no. 73 of 25th May 2021, on urgent measures related to the Covid-19 emergency, for businesses, work, young people, health and local services"*;
- Law no. 101 of 1st July 2021, on *"Conversion into law, as amended, of the decree-law no. 59 of 6th May 2021, on urgent measures relating to the complementary Fund to the National Recovery and Resilience Plan and other urgent measures for investments"*;
- Decree of the Ministry of Ecological Transition of 25th June 2021, on *"Operating procedures of the environmental observatories"*;
- Decree of the Ministry of Economic Transition no. 261 of 23rd June 2021, on *"Approval of the general program for the prevention and management of packaging and packaging waste*



- 2019-2023 - Art. 225, paragraph 4, Legislative Decree 152/2006";
- Regulation (EU) 2021/979 of 17th June 2021, on "Commission Regulation amending Annexes VII to XI of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)";
 - Decree-Law no. 77 of 31st May 2021, on "Governance of the National Recovery and Resilience Plan and initial measures to strengthen administrative structures and accelerate and streamline procedures";
 - Law no. 69 of 21st May 2021 on "Conversion into law, as amended, of Decree-Law no. 41 of 22nd March 2021 on urgent measures in support of businesses and economic operators, labour, health and territorial services, related to the Covid-19 emergency";
 - Decree of the Ministry of Ecological Transition of 21st May 2021, on "Determination of the national quantitative energy saving targets that can be pursued by electricity and gas distribution companies for the years 2021-2024 (so-called white certificates)";
 - Decree of the Ministry of Labour and Social Policy of 18th May 2021, on "Transposition of Commission Directive no. 2019/1831/EU of 24th October 2019 establishing a fifth list of indicative occupational exposure limit values in implementation of Council Directive 98/24/EC and amending Commission Directive 2000/39/EC";
 - Decree-Law no. 56 of 30th April 2021, on "Urgent provisions regarding legislative deadlines";
 - Law no. 53 of 22nd April 2021, on "Delegation to the Government for the transposition of European directives and the implementation of other European Union acts - European delegation law 2019-2020";
 - Resolution no. 152/2021/R/EEL of 13th April 2021 related to "Determinations regarding the essential Sarlux electricity production plant, for the period from 21st April to 31st December 2021";
 - Regulation no. 2021/849/EU of 11th March 2021, on "Commission Delegated Regulation amending, for the purposes of its alignment with technical and scientific progress, Part 3 of Annex VI to Regulation (EC) no. 1272/2008 of the European Parliament and the Council on classification, labelling and packaging of substances and mixtures";
 - Regulation no. 2021/280/EU of 22nd February 2021 about the Internal Energy Market Rules on "Commission Implementing Regulation amending Regulations (EU) 2015/1222, (EU) 2016/1719, (EU) 2017/2195 and (EU) 2017/1485 to align them with Regulation (EU) 2019/943";
 - Decree of the Ministry of Labour and Social Policy of 11th February 2021, on "Transposition of Directive (EU) 2019/130 of the European Parliament and the Council of 16th January 2019 and Directive (EU) 2019/983 of the European Parliament and the Council of 5th June 2019 amending Directive (EC) 2004/37 of the European Parliament and the Council of 29th April 2004 on the protection of workers from the risks related to exposure to carcinogens or mutagens at work";
 - Decree of the Ministry of Ecological Transition of 2nd February 2021, on "Updating of coordinated monitoring programmes for the continuous assessment of the environmental status of marine waters".

EQUITY MARKET PERFORMANCE

2021 was a very positive year for global financial listings: the recovery of global stock markets that began in the late months of 2020 continued in 2021, supported by accommodating central bank policies and major economic support plans from the United States and the European Union. Indeed, these markets performed better than those of emerging countries, as well as those of China and Latin America.

The European financial markets recovered the heavy losses recorded in the first half of 2020, with uninterrupted growth between the beginning of the year and the month of November: the composite index that summarises the performance of the 300 European companies with the largest capitalisation - the

FTSE EuroFirst 300 - recorded an increase of 23% in the year. Among the main European lists, the best performances were that of the CAC of Paris which gained 28.9%, followed by the Ftse Mib which recorded an increase of 23.0%. Followed by the DAX in Frankfurt which gained 15.8%, the IBEX in Madrid up 7.9% and the FTSE ASE Large Cap in Athens up 11.1%. London FTSE 100 closed up 14.3%.

The US stock markets saw the S&P 500 rise by 27%, repeatedly hitting highs since 1995, the Dow Jones by around 19% and the Nasdaq by 21%.

At sector level, in addition to the IT sector, which continued to deliver strong returns, integrated large caps in the oil and energy sectors in particular benefited

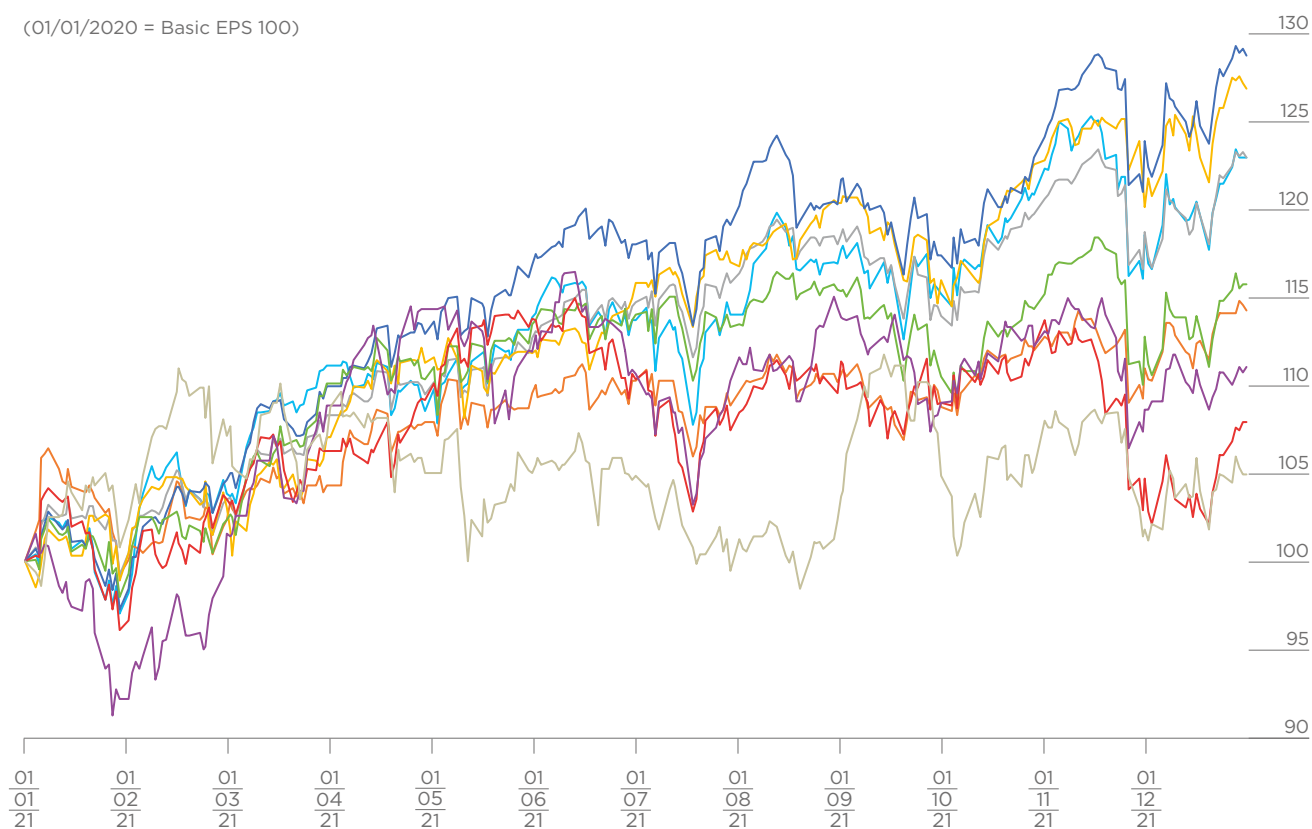
from these rises, in the face of the strong recovery in demand and the consequent appreciation of crude oil and other raw materials such as gas and coal. Two other sectors particularly penalised in 2020, real estate and financial, recorded the best performances in 2021.

On the currency market, the euro fell by 7.3% against the dollar, while with reference to government bonds the BTP-Bund spread widened by 23.7%.

The following graph provides a visual representation of the fluctuations in the share prices commented on, using the prices of 1st January 2021 as the “base 100” reference.

MAIN WORLD MARKET INDICES (SOURCE: BLOOMBERG)

(01/01/2020 = Basic EPS 100)



FTSE MIB Index: index of 40 stocks most representative of the Italian market

FTSE 100 Index: index of 100 stocks most representative of the Italian market

E300 Index: representative index of 300 European companies with the highest capitalisation

S&P 500 index: index of 500 stocks most representative of the USA market chosen from all sectors of the economy

CAC Index: index of 40 stocks most representative of the French market

DAX Index: index of 100 stocks most representative of the German market

IBEX Index: index of 35 stocks most representative of the Spanish market

FTASE Index: representative index of 300 European companies with the highest capitalisation

NIKKEI Index: index of 225 stocks most representative of the Japanese market

SARAS STOCK PERFORMANCE

SHARE PRICE (EUR)	2021
Minimum price (20/12/2021) *	0.5304
Maximum price (09/06/2021) *	0.88
Average price	0.655
Closing price on 30/12/2021	0.5508

* Minimum and maximum prices refer to official reference prices on the closing of each trading day.

DAILY TRADING VOLUMES	2021
Minimum traded volume in Euro (million) (27/12/2021)	1.2
Minimum traded volume in number of shares (million) (27/08/2021)	2.0
Maximum traded volume in Euro (million) (07/06/2021)	45.5
Maximum traded volume in number of shares (million) (07/06/2021)	53.2
Average traded volume in EUR million	7.0
Average traded volume in number of shares (million)	10.4

The previous data relate on the performance of the Saras stock in terms of price and volumes traded during the period from 4th January 2021 to 30th December 2021.

The market capitalisation at 30th December 2021 (last open market day of the year) amounted to approximately EUR 524 million and, on the same date, there were 951 million shares.

Following the resolution of the Shareholders' Meeting of 12th May 2021 regarding the 2018-2021 Stock Grant Plan, Saras SpA has assigned and delivered all treasury shares in its portfolio, equal to 9,220,216:

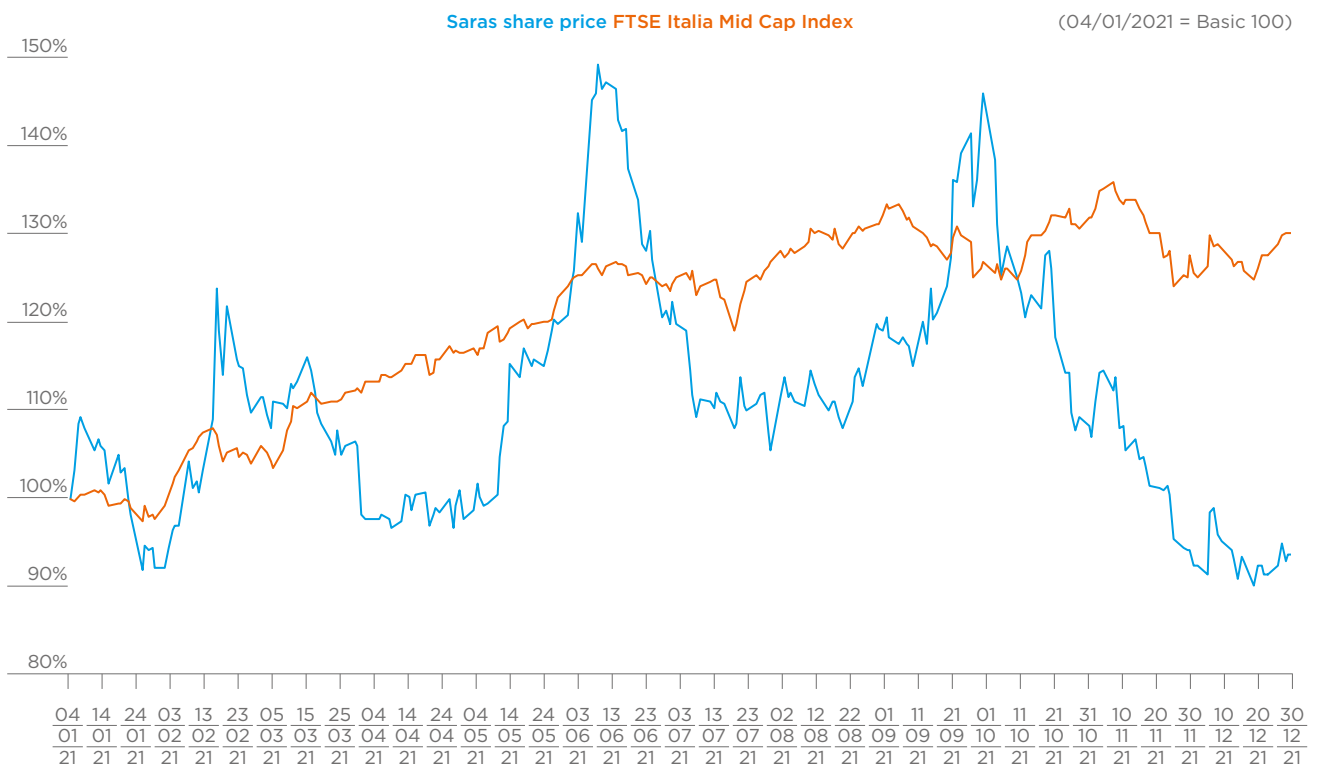
therefore, the number of ordinary shares in circulation at 31st December 2021 was 951,000,000. For details on own shares held in treasury and on the share movements during the year, reference should be made to the Report on Operations to the separate financial statements of Saras SpA.

The following graph shows the daily trend of the Saras stock, compared with the benchmark index, the FTSE Italia Mid Cap index of the Milan stock exchange: as a result of the phenomena described in the course of this Report and which have affected the refining market, the Saras stock reported

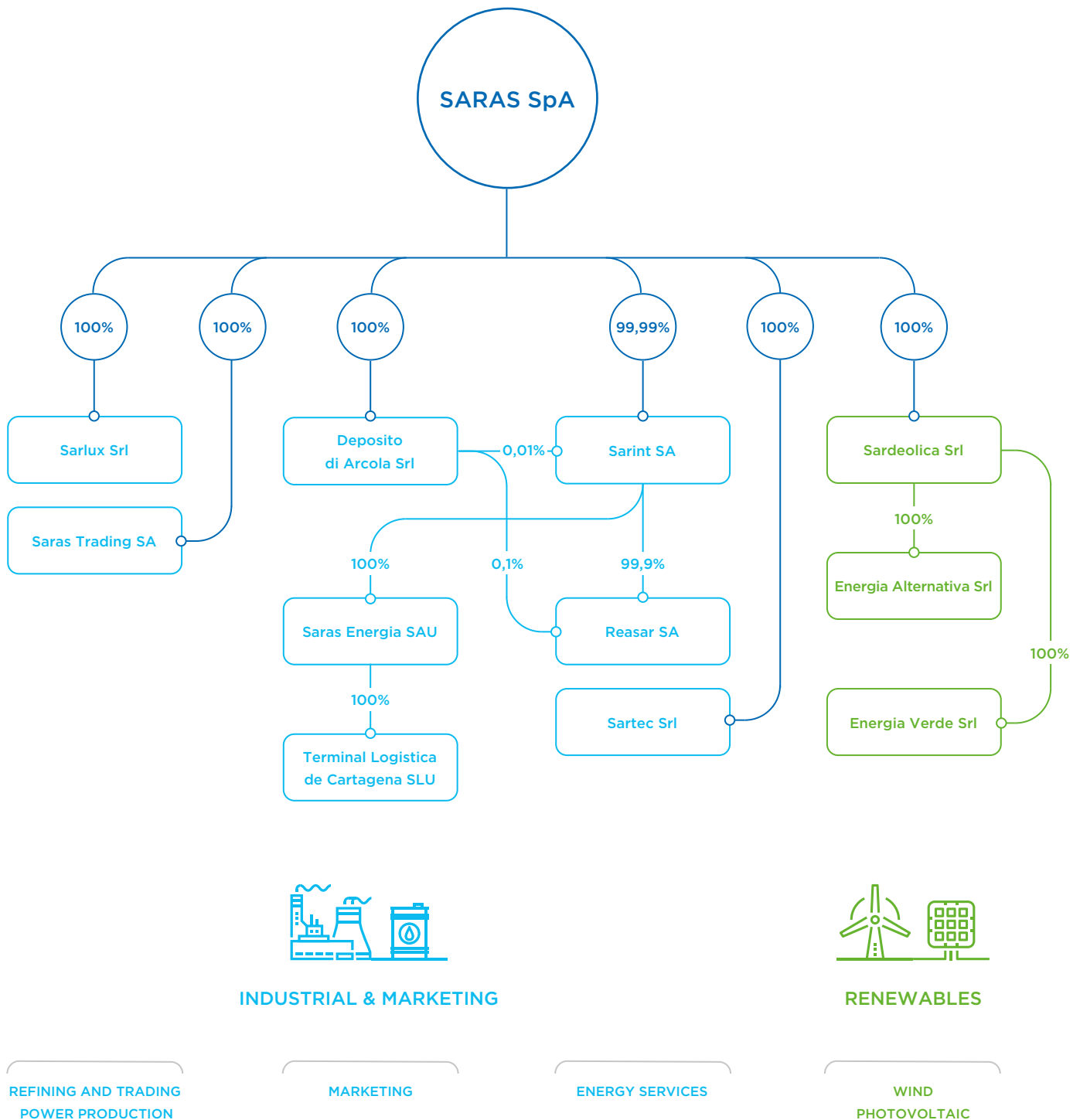
a negative performance of 7.4% in 2021. Regarding the Italian market, the benchmark FTSE Mid Cap index, which includes the Saras stock, saw a rise of 30.8%.

It should be noted that, following the quarterly revision of the FTSE index basket, at 21st March 2022, the Saras stock will be included in the FTSE Italia Small Cap Index, which includes all the shares of smaller capitalisation companies not included in the FTSE MIB and FTSE Italia Mid Cap Indexes, instead of the FTSE Italia Mid Cap Index, which includes the shares of the top 60 companies by capitalisation that do not belong to the FTSE MIB index.

SARAS VS FTSE ITALIA MID CAP



STRUCTURE OF THE SARAS GROUP



The following graphic shows the structure of the Saras Group and the main companies involved in each business segment, as of 31/12/2021.

It should be noted that, from 1st January 2021, the “Industrial & Marketing” segment includes all refining and electricity generation activities as well as marketing activities. The Renewables segment includes activities previously included in the “Wind” segment, which was renamed in view of the potential developments in photovoltaic power and green hydrogen.

REGISTERED OFFICES OF THE CONSOLIDATED COMPANIES



Saras SpA

SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Sarlux Srl

SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Deposito di Arcola Srl

Via XXV Aprile 18
19021 Arcola - La Spezia

Sartec Srl

Località Grogastu
Traversa 2^ Strada Est
09032 Assemini - Cagliari

Sardealica Srl

Strada Ovest - Zona Industriale
Macchiareddu
09010 Uta - Cagliari

Energia Alternativa Srl

Via Sidney Sonnino, 28
09125 Cagliari

Energia Verde Srl

Via Sidney Sonnino, 28
09125 Cagliari

Sardhy Green Hydrogen Srl

SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Saras Trading SA

Rue Philippe-Plantamour 18-20
1201 Geneve (Switzerland)
Svizzera

Sarint SA

12 Avenue de la Porte Neuve
2227 Luxembourg
Lussemburgo

Reasar SA

4, Rue du Fort Wallis
L-2714 (Luxembourg)
Lussemburgo

Saras Enegia SAU

Sta. María Magdalena 14
Planta 4º
28020 Madrid
Spagna

Terminal Logistica de Cartagena SLU

Sta. María Magdalena 14
Planta 4º
28020 Madrid
Spagna

COMMENTS ON SARAS GROUP RESULTS

GAAP and Non-GAAP measures (alternative performance indicators)

To present the Group's operating performance in a way that best reflects the most recent market trends, in line with generally accepted practices in the oil sector, the operating profit and comparable net profit, non-accounting values processed in this report on operations have been stated with the measurement of stocks using

the FIFO method, but excluding unrealised gains and losses on stocks resulting from scenario changes calculated by measuring opening stocks (including the related derivatives) at the same unit values as closing stocks (when quantities increase in the period), and closing stocks at the same unit values as opening stocks (when quantities decrease in the period). Items that are non-recurring in terms of their nature, materiality and frequency have been excluded

from both the operating profit and the comparable net profit.

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

KEY GROUP FINANCIAL AND OPERATING RESULTS

EUR million	2021	2020
REVENUE	8,636	5,342
Reported EBITDA	277.1	(87.1)
Comparable EBITDA	54.1	(20.8)
Reported EBIT	78.5	(341.1)
Comparable EBIT	(144.5)	(238.9)
Reported NET RESULT	9.3	(275.5)
Comparable NET RESULT	(136.0)	(197.0)
NET FINANCIAL POSITION BEFORE IFRS 16	(453)	(505)
NET FINANCIAL POSITION AFTER IFRS 16	(494)	(545)
CAPEX	77.8	256.0

Please refer to the reconciliation of GAAP-non-GAAP measures in the next paragraph.

Comments on Group results 2021

In 2021, the Saras Group achieved better financial results compared to 2020, although the scenario was still affected by the persisting effects of the pandemic crisis caused by Covid-19. In fact, a more substantial recovery in refining margins - particularly diesel oil

crack margins- only took place starting from the second half of the year.

Specifically, since September, diesel refining margins, which were more affected than gasoline by the economic slowdown following the Covid crisis, showed a significant recovery in Europe, averaging \$11.1/

bl in the last quarter, a double-digit level not seen since early 2020. These values, while on the rise, did not reach the pre-Covid levels of around \$14/bl. In 2021, European air traffic recovered considerably, although not completely, thanks to vaccination campaigns, reaching 64% of pre-Covid levels in January, rising to 70% during the summer,

and 78% in December¹. In the second half of the year, however, acceleration of consumption due to the post-pandemic recovery led to a surge in raw material costs and energy commodity costs, driving gas, electricity and CO₂ prices to record levels and largely offsetting the benefits derived from improved margins.

Within this scenario, the Group continued in 2021 to implement the cost efficiency and investment reduction plan adopted in 2020 with the aim of minimising the impact of the Covid-19 pandemic crisis. In particular, on the operating costs front, during 2021 the Company internalised, through its subsidiary Sartec, its engineering activities and continued its plan to contain labour costs, through the use of the redundancy fund which was adopted to a partial extent for all group employees and extended in the second half of the year, although in a reduced form, with the implementation of a plan for incentivised voluntary termination of employment.

In addition, the refinery's operations were modulated over the months according to the cost-effectiveness of processing the main refined products: in particular, the production of gasoline was maximised due to its higher profitability compared to diesel, especially in the first part of the year and, at the same time,

although representing a secondary component of the yield, to be noted is the increase in the production of VLSFO, the fuel oil with a very low sulphur content, which showed a growing marginality during the year thanks to a recovering maritime traffic.

As regards power generation activities, on 21st April 2021, following Resolution no. 598/2020/R/EEL of 29th December 2020, which included the Sarlux Srl IGCC combined cycle power plant among the plants essential for the safety of the electricity system for 2021, and following ARERA Resolution no. 152/2021/R/EEL of 13th April 2021, which defined the economic conditions for its operation in 2021, the transition from the CIP6/92 convention to the essentiality regime was finalised by adopting new technical and economic parameters.

At the same time, the Company continued to implement its plan to expand the Renewables segment, as set out in the Plan, with the acquisition in the second quarter of the year of an additional 45MW of installed wind power capacity, which, net of some maintenance activities, began operations immediately.

In 2021, Group revenues amounted to EUR 8,636 million, compared to EUR 5,342 million last year. The change is primarily attributable

to the significant appreciation of the main oil products compared to the same period of the previous year which, we should point out, had been characterised by a heavy slump in prices due to the effects of the pandemic; specifically, the average gasoline price in 2021 was \$671/tonne (vs. \$382/tonne in 2020), while the average diesel price was \$579/tonne (vs. \$362/tonne in 2020). Other factors that contributed positively to the increase in revenues were electricity sales due to the significant increase in the single national price, which averaged 125/MWh in 2021 (vs. EUR 39/MWh in 2020) and higher processing and sales of petroleum products; in fact, it should be noted that in 2020, production was affected by the impact of the multi-year maintenance of the FCC plant and the adverse scenario conditions.

The Group's reported EBITDA in 2021 amounted to EUR 277.1 million, up from EUR -87.1 million in 2020. This positive change was due predominantly to the different impacts of commodity price trends on oil inventories. In 2021, the change in inventories (net of related hedging derivatives) benefited from an appreciation of EUR 226.5 million compared to a loss of EUR 32.2 million in the same period of 2020. In addition, for the remaining part of the improvement in EBITDA, there was an overall improvement in the impact of the oil scenario on margin generation

1. EUROCONTROL (European Organization for the Safety of Air Navigation) Data

and a negative impact from the increase in electricity and CO₂ prices, which, starting from the second half of the year, increased variable costs (only partly offset by essential plant reimbursements). For other comments on operations, please refer to the "Segment Analysis" section.

The Group's reported Net Profit was EUR 9.3 million, compared to EUR -275.5 million in 2020. In addition to the EBITDA figures, depreciation and amortisation decreased in 2021 compared to the previous year, due on the one hand to the negative effect of the reduction in the value of property, plant and equipment as a result of the impairment test (pursuant to IAS 36) recognised in the previous year, and on the other hand to the reduction in intangible assets due to the end of the CIP6 contract; in addition, there was an increase in net financial income and expenses in 2021 due to the effects of exchange rate hedges.

The Group's comparable EBITDA in 2021 stood at EUR 54.1 million, up from EUR -20.8 million recorded in 2020. With respect to reported EBITDA, this result does not include the above-mentioned positive effect of the scenario on changes in inventories (net of related hedging derivatives) from the beginning to the end of the period, includes the impacts of currency derivatives (restated under core business) and excludes non-recurring items mainly relating to the price differential of the shares of CO₂ pertaining to the previous year and to the write-down of trade receivables while it maintains the release effect of the unused incentive fund for approximately 4 million euros, as it is not relevant for comparable purposes value and nature. The higher result compared to 2020 is made up of a positive variance in both the "Renewables" and "Industrial & Marketing" segments, which will be described in more detail in the "Segment analysis" section.

The Group's comparable net loss for 2021 was EUR -136.0 million, versus EUR -197.0 million in the same period last year.

Investments in 2021 amounted to EUR 77.8 million, significantly lower than in 2020. Investments related to the Industrial & Marketing segment amounted to EUR 69.4 million, down on the previous year due to both the initiatives to contain investments, implemented to mitigate the impact of the Covid-19 pandemic, and the lower planned shutdown activities carried out during the year. Investments relating to the Renewables segment amounted to EUR 8.4 million and mainly related to the completion of the reblading activities.

The following tables show the details on the calculation of EBITDA and comparable Net Result for the years 2021 and 2020.

DETAILS ON THE CALCULATION OF COMPARABLE EBITDA

EUR million	2021	2020
Reported EBITDA	277.1	(87.1)
Gains/(losses) on inventories and inventory hedging	(226.5)	32.2
Exchange rate derivatives	(15.8)	5.3
Non-recurring items	19.3	28.8
Comparable EBITDA	54.1	(20.8)

DETAILS ON THE CALCULATION OF COMPARABLE NET PROFIT

EUR million	2021	2020
Reported NET RESULT	9.3	(275.5)
Gains/(losses) on inventories and inventory hedging, net of taxes	(163.3)	23.4
Non-recurring items after tax	18.0	55.2
Comparable NET RESULT	(136.0)	(197.0)

NET FINANCIAL POSITION

The Net Financial Position as of 31st December 2021, before the effect of applying IFRS 16, was negative by EUR 453 million, compared with a negative reported net financial position of EUR 505 million as of 31st December 2020. The Net Financial Position including the effects of IFRS16 (negative impact of EUR 41 million) was a negative EUR 495 million.

In 2021, operations, apart from the positive price changes in inventories, did not offset the disbursements related to the financing of investments and to financial expenses. As for the working capital, it should be noted that the trend in raw material prices generated an increase in trade payables that more than offset

the increases related to inventory changes and the increase in trade receivables also induced by the performance of prices in finished products. It should be noted that trade receivables also include those relating to essential plant reimbursements.

It should be noted here that the additional credit lines granted and not used by the Group at 31st December 2021 are mainly short-term and amounted to approximately EUR 500 million. The bank loans referable mainly to the SACE credit line, and the Unicredit loan, have been classified among short-term loans for respectively EUR 258 million and 50 million. This is in application of the accounting standard IAS

1.74, which provides for this type of case where potential breaches of commitments which invalidate the mandatory right to defer the settlement of the liability until its natural expiry beyond twelve months. These payables will be reclassified in the medium-long term, according to their original contractual deadlines, upon receipt of the formal waiver of the banks (actually issued on March 31st, 2022) to make use of this contractual right.

For further details, please refer to the following paragraph "Risk Analysis" and to the Explanatory Notes in sections 1 – Foreword – continuity in Operations and business 5.3.1 Short-term financial liabilities and 5.4.1 Long-term financial liabilities.

KEY GROUP FINANCIAL AND OPERATING RESULTS:

EUR million	2021	2020
Medium- and long-term bank loans	(6)	(399)
Medium- and long-term bonds	0	(199)
Other medium- and long-term financial liabilities	(5)	(13)
Other medium- and long-term financial assets	4	6
Net medium-/long term financial position	(7)	(606)
Bank loans	(385)	(19)
Bonds loans	(200)	0
Payables to banks for bank overdrafts	(163)	(456)
Other short-term financial liabilities	(114)	(39)
Fair value on derivatives and realised net differentials	(9)	(6)
Other financial assets	58	62
Cash and cash equivalents	367	559
Net short-term financial position	(446)	101
Total Net Financial Position before lease liability pursuant to IFRS 16	(453)	(505)
Financial payables for leased assets pursuant to IFRS 16	(41)	(40)
Total Net Financial Position after lease liability pursuant to IFRS 16	(495)	(545)



SEGMENT REVIEW



In order to present the Group's business performance in a consistent manner, the information of the individual companies is attributed to the business segments identified; note that, from 1st January 2021, the "Industrial & Marketing" segment includes all refining and electricity generation activities as well as marketing activities. The "Renewables" segment includes activities previously included in the "Wind" segment, which was renamed in view of the potential developments in photovoltaic power and green hydrogen.



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 tonnes/year, corresponding to about 17% of the total distillation capacity in Italy, and an installed power generation capacity of 575 MW.

As regards power generation activities, on 21st April 2021, following ARERA Resolutions 598/2020/R/EEL of 29th December 2020, which ordered

the inclusion of the Sarlux Srl IGCC combined-cycle power plant among the plants essential for the safety of the electricity system for 2021, and 152/2021 of 13th April 2021, the transition from the CIP6/92 convention to the essentiality regime was finalised and the resulting change in the technical and the economic parameters to be considered for its operation was implemented. In particular, Resolution 152/2021 of 13th April 2021 defined the economic conditions for the operation of the plant for 2021, i.e. the reintegration component of the fixed costs strictly necessary for electricity production, the amortisation and remuneration of invested capital, and for

essential electricity production, the integration of variable costs with respect to what is collected from sales on the market at the reference zonal price.

The production set-up of the IGCC power plant takes into account the requirements defined by Terna related to the safe operation of the electricity system, compatibly with the operational constraints of the SARLUX plant.

It should be noted that for the "Industrial & Marketing" segment, the results include the sum of the "Refining", "Power", "Marketing" and "Other Activities" segments, as defined from the Quarterly Report at 31st March 2021.

REFERENCE MARKET

The Saras Group operates in the Refining sector through its Sarroch refinery, one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes/year) and also in terms of the complexity of plants it is ranked among the best in Europe (11.7 on the Nelson Index). Located on the coast south-west of Cagliari, it enjoys a strategic position in the middle of the Mediterranean Basin, close to the various crude supplier countries and the main markets for refined products.

Oil Market and Refining Margins²

The most recent estimates in the International Monetary Fund's (IMF) World Economic Outlook confirmed that **global GDP grew by 5.9% in 2021**, thanks to anti-Covid vaccination campaigns and strong economic support policies adopted by many countries. In particular, Europe with 5.2% growth at the end of the year returned fully to pre-crisis levels, while Italy's 6.2%

growth brought GDP back to 0.5 percentage points below its peak in the last quarter of 2019.

Global oil demand averaged 100.2 mb/d in the last quarter of 2021, a level in line with that of 2019. In addition, the shortage of natural gas, LNG and coal supplies caused by the strong recovery in energy demand has increased the demand for fuel oil, crude oil and middle distillates as alternatives in power generation processes, particularly in Europe, where additional consumption has reached up to approx. 250÷300 kb/d in the fourth quarter of 2021 compared to a normal seasonal trend.

However, looking **at the global refining industry**, the market was still weak in the first half of the year, and a recovery was only recorded from the summer period onwards, especially in terms of margins and processing. Refinery processing, which had declined globally by 7.2 mb/d in 2020, increased by around 3 mb/d in

2021, averaging 77.8 mb/d in the year and reaching 79.9 mb/d in the fourth quarter of 2021. In addition to growing demand, impacting the performance of refining margins, was the reduction in global refining capacity which, during 2021, fell for the first time in 30 years, by more than 0.7 mb/d, with almost 1.6 mb/d of capacity permanently closed or converted to biorefineries over the year, compared to 0.85 mb/d of new capacity coming on stream. However, the surge in energy costs occurring globally, but particularly in the second half of the year in Europe, largely offset the benefits derived from the improved oil scenario.

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

Average annual values ¹	2021	2020	2019
Crude Oil (USD/bbl)			
Price of Dated Brent (FOB Med)	70.9	41.8	64.2
Price of Urals (CIF Med)	69.8	42.1	63.8
Heavy-light price differential	-1.1	+0.2	-0.4
Refined Products (USD/tonne)			
ULSD price	579.4	362.1	585.6
Gasoline 10ppm	670.7	381.8	594.6
HSFO	375.3	214.5	324.0
Crack spreads (USD/bbl)			
ULSD crack spread	6.8	6.7	14.3
Gasoline crack spread	9.5	3.9	7.0
HSFO crack spread	-11.3	-7.8	-12.8
Other indicators of profitability			
EMC Benchmark margin (USD/bbl)	-0.2	-0.5	+1.1
USD/EUR forex	1.183	1.141	1.195

* Sources: "Platts" for prices and crack spreads, and "EMC - Energy Market Consultants" for the reference refining margin EMC Benchmark.

2. Source: IEA Oil Market Report February 2022

Crude Oil Prices

In 2021, **Brent dtd quotations** rose by more than 50%, from a quotation of USD 50/bl at the start of the year to around USD 78/bl at the end of the year, and an average quotation over the twelve months of USD 70.9/bl (USD 41.8/bl in 2020).

In the first quarter alone, quotations rose from USD 50/bl to over USD 69/bl in mid-March, buoyed not only by the optimism triggered by the vaccination campaigns, but also by the production discipline of Opec+ Russia countries, which maintained in the first months of the year the same levels of production quotas set for 2020.

In late March and early April, the upturn in the infection curve and a slowdown in the supply of vaccines to EU countries led to new restrictions, and quotations momentarily fell to USD 62-63/bl. Brent prices therefore averaged USD 61.1/bl in the first quarter.

Between May and June, the increase in vaccinations and the relaxation of restrictive measures led to an increase in global oil demand by more than 3 million barrels per day to 98 million barrels per day. Average quotations for the second quarter thus stood at USD 69/bl. Fears of stronger-than-expected demand with the onset of the summer period, unsupported by a gradual easing of production cutbacks, led Brent prices to exceed USD 76/bl at the end of June, reaching their highest values since 2018.

The Opec+ Russia countries showed difficulty in reaching an agreement on the modulation of the recovery, which was only reached in July with the decision to increase production by 400,000 bl/day every month from August, despite requests from the main consumer countries for a more substantial increase. These tensions were worsened by the uncertainties surrounding a possible resolution of the US-Iran nuclear deal negotiations, resulting in a return of Iranian crude exports, and the production reductions in the US triggered by Hurricanes Ida and Nicholas, which hit the Gulf of Mexico, halting production for weeks at a time during the summer months.

In the third quarter, the very positive economic outlook, with consumption and mobility data recovering strongly, led to the highest average Brent price recorded since 2018, at USD 73.5/bl (+6.5% compared to the second quarter of USD 69/bl). The increase in oil prices was also affected by the shortage of natural gas and coal from the second half of the year onwards, which increased the demand for fuel oil, crude oil and middle distillates by up to 500k/bl per day for power plants in many countries, including China, Japan and Pakistan in Asia; Germany and France in Europe; and Brazil.

At the beginning of October, the OPEC+ Russia countries confirmed the strategy adopted in mid-July - despite requests from the main consumer countries for a more substantial increase - foreseeing no production cuts only at the end of 2022, also declaring some difficulties in meeting the target quotas, also due to underinvestment in previous years by some member countries, including Angola, Nigeria and Malaysia.

In November, however, uncertainties over demand related to the onset of the Omicron Covid variant and the effects of inflation on economic growth led to a temporary downturn in prices, which then rebounded sharply at the end of the year: after rising in October by more than USD 9/bl in a single month, due to concerns over energy supply and ongoing stock drawings, prices fell by around 15%, or around USD 15-17/bbl, in November.

This situation continued for several weeks, with producers and refiners forced to cope with the uncertainties of fluctuating demand due to new Covid-related emergencies and changes in the economic environment.

Prices remained under pressure until 20th December, when the oil and financial markets gradually gained a better understanding of Omicron's impact, and Brent quickly returned to values above USD 75/bl, resuming a bullish trend and ending the fourth quarter with an average price of USD 79.8/bl.

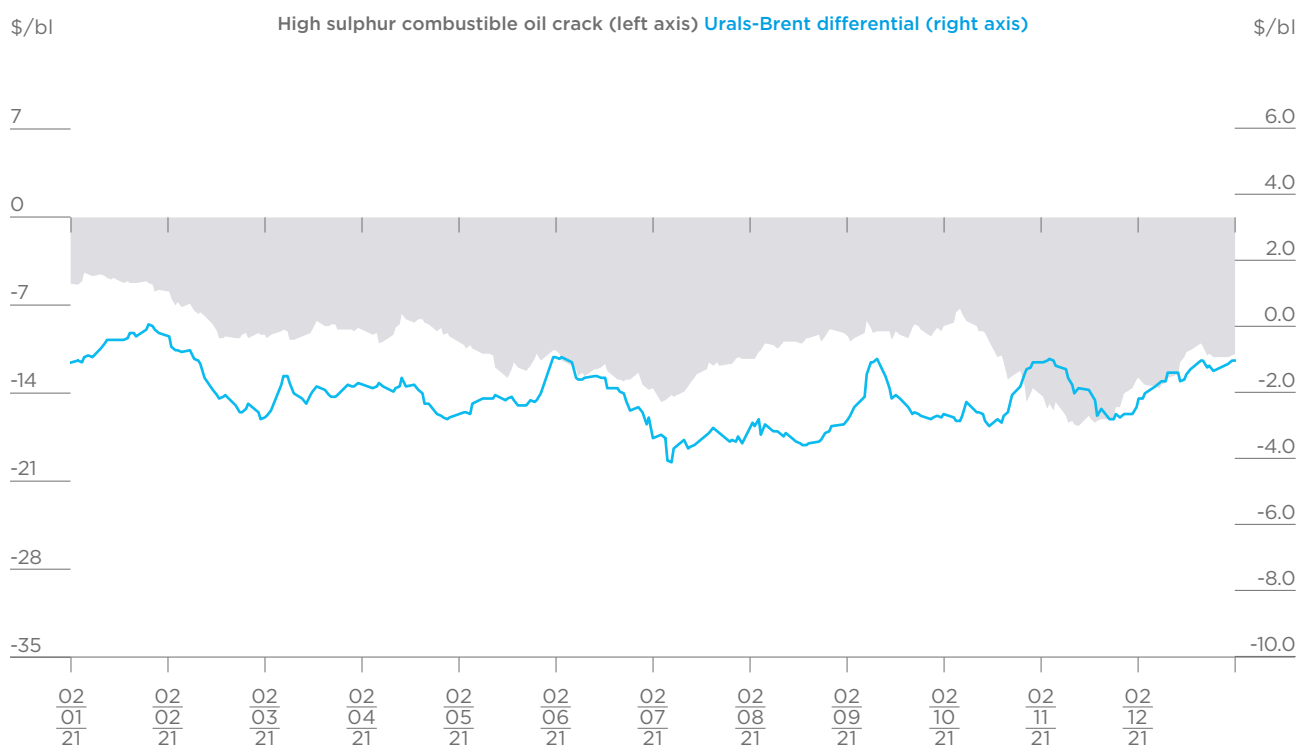
Price differential between heavy and light crude oils ("Urals" vs. "Brent")

The heavy-light differential in 2021 returned to negative values, averaging a discount of USD -1.1/bl, compared to an average of USD +0.2/bl in 2020 (and an average of USD +0.6/bl in 2019), when the production cuts implemented by OPEC+ Russia countries, which mainly affected medium-heavy high-sulphur crude oils, had driven the entire sour basket sharply upwards. The differential returned to negative territory in the first quarter of 2021 at USD -0.5/bl, in a context of increased exports from Russia and still weak demand, and gradually widened in the second quarter to USD -1.2/bl, thanks to an initial and partial reduction in OPEC+ Russia production cuts, and also as a result of lower utilisation by Russian refineries engaged in maintenance cycles. The "heavy-light" differential widened further in the third quarter as a result of unfavourable margins for middle distillates - which process sour crude oils - and reduced buying interest from Eastern buyers. Conversely, the reduction in planned Russian exports in September resulted in a compression of the discount. The average for the third quarter therefore stood at USD -1.8/bl. The Ural therefore strengthened in the last two months of the year, due to delays in supplies from the Black Sea caused by unfavourable weather conditions, which brought the average for the last quarter to USD -1/bl.

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

The **gasoline crack** in 2021 averaged USD 9.5/bl compared to USD 3.9/bl in 2020, a value in line with pre-Covid multi-year averages (USD 8.8/bl the 2017-19 average; USD 7/bl the 2019 average), which benefited from a particularly significant increase in demand at the end of the summer period. After a major recovery in the first quarter with an average of USD 6.2/bl (compared to USD 3.4/bl in the fourth quarter of 2020), gasoline margins benefited from a robust increase in car traffic with

PRICE DIFFERENTIAL OF "URALS-BRENT" CRUDE OIL AND THE CRACK SPREAD OF FUEL OIL (SOURCE: PLATTS)



the start of the summer season, averaging in the second quarter USD 8.9/bl. In addition, between late August and mid-September, hurricanes Ida and Nicholas hit the west coast of the USA, blocking refineries and platforms in the Gulf of Mexico for weeks. This has offered further support, with the gasoline margins in mid-September exceeding USD 17/bl, with a USD 12.6/bl average in the third quarter. In November, in addition to the rebalancing due to the end of the summer period, the crack saw a downturn due to concerns over the release of the new Omicron variant. However, in December a rapid recovery, due both to the decline in crude oil and to contingent problems that reduced gasoline exports from Northern European refineries, resulted in an average fourth-quarter gasoline crack price of USD 10.1/bl, a high level in view of the seasonality and the switch to winter specification.

The **diesel crack** in 2021 averaged USD 6.8/bl in line with the average recorded in 2020 of USD 6.7/bl, still below the average of USD 14.3/bl recorded in 2019. In the

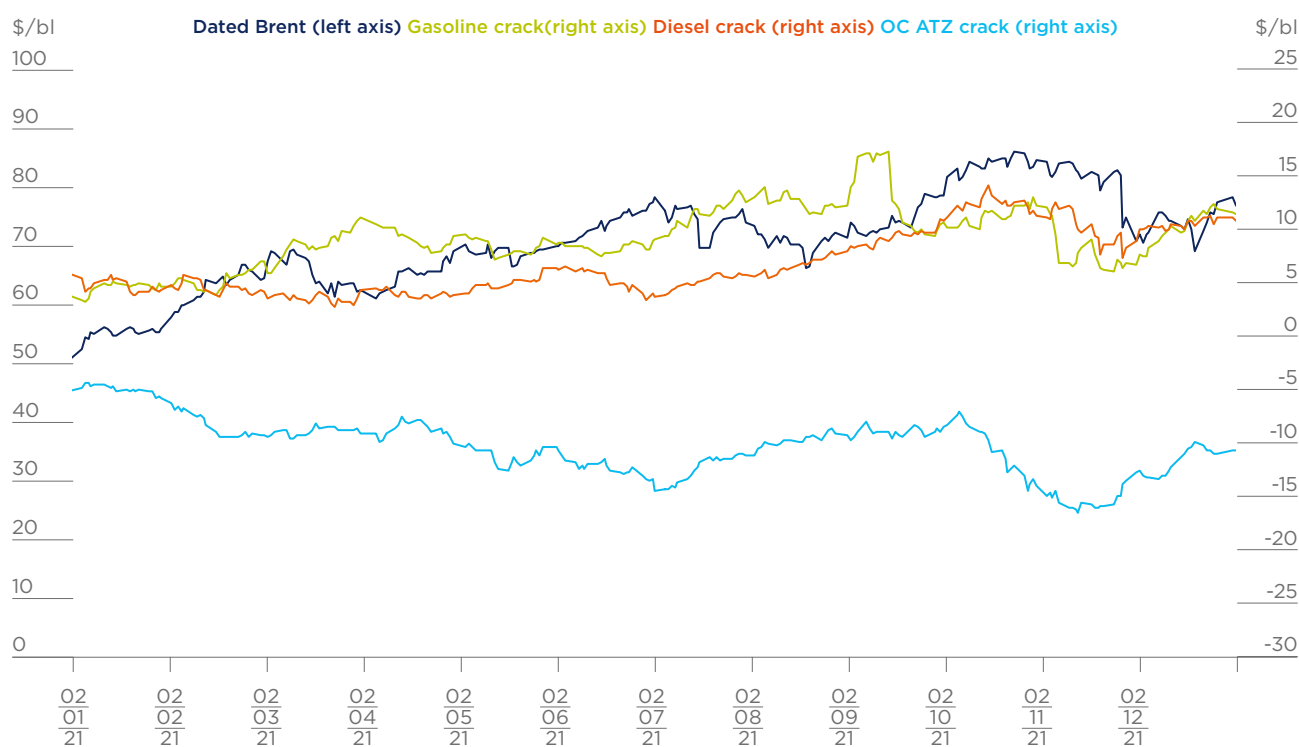
first half of the year, margins were still very weak, averaging USD 4.3/bl and then USD 4.8/bl in the first and second quarters respectively, particularly affected by reduced demand for jet fuel. In the third quarter, starting in September, a first real improvement was observed thanks to an increase in air traffic in both the US and Europe, supported by a drop in the volume of imported middle distillates, as a result of the aforementioned shutdown of US refineries due to Hurricane Ida. Inventories quickly hit values below historical averages, and the diesel crack averaged USD 7/bl in the third quarter. In the fourth quarter, the effects of economic recovery, despite concerns about new waves of contagion, further reduced stocks of middle distillates to their lowest levels in recent years and, thanks in part to a partial recovery in domestic and international air traffic and a temporary drop in crude oil prices recorded in December, diesel crack averaged USD 11.1/bl, a double-digit level not seen since early 2020.

Jet fuel crack increased to an average of USD 4.1/bl in 2021 from USD 1.2/bl in 2020. In 2019,

the average stood at USD 13.9/bl. The demand for jet fuel, while still remaining well below pre-Covid levels (averaging 65% of pre-Covid levels according to the latest IEA estimates) in the second half of the year benefited from a more substantial recovery in air traffic on a national and international scale. In particular, during the summer season, the increase in flights made a substantial contribution to the demand for jet fuel, which in the third quarter recorded an average margin value of USD 4.1/bl (compared to an average of USD 2/bl in the second quarter and USD 1.6/bl in the first quarter). In the fourth quarter, despite a setback caused by fears over the spread of the Omicron variant, and also thanks to the use of kerosene as a heating fuel in several Asian countries, the average crack more than doubled to USD 8.7/bl.

The **VLSFO crack** averaged USD 2/bl in 2021 (vs. USD 3.8/bl in 2020). After having continued, at the beginning of the year, the recovery recorded at the end of 2020, with an average in the first quarter of USD 4.5/bl, from the second quarter onwards the

DATED BRENT AND GASOLINE, DIESEL AND FUEL OIL CRACK SPREADS (SOURCE: PLATTS)



Crack spread: difference between the price of a finished product (e.g. gasoline or diesel) and the price of the reference crude oil (e.g. Dated Brent)

VLSFO crack showed a significant compression, in particular between May and June, with values just above zero, due to the rise in crude oil prices and maritime traffic still below the usual seasonal levels. The average for the second quarter therefore stood at USD 1.3/bl. After having reached negative values in July, the recovery of maritime traffic, especially dry-bulk and containers, made it possible to reach values of USD 2/bl between August and September. The average VLSFO crack in the third quarter was therefore USD 0.8/bl. In the last quarter, the recovery of maritime traffic, and increased consumption of fuel oil for power generation to replace gas, resulted in an average of USD 1.6/bl.

The **crack of the LSFO**, used as blendstock in the formulation of the VLSFO, averaged negative USD -0.2/bl in 2021, compared to an average of USD 1.3/bl in 2020.

The **HSFO crack** averaged USD -11.3/bl in 2021 (vs. USD -7.8/bl in 2020). Although the reduction in OPEC+ Russia production cuts contributed to an increase in ATZ crude production, helping to bring

the **HSFO crack** down to ever lower levels and closer to pre-pandemic levels, high natural gas prices have diverted a significant portion of HSFO volumes to power generation in some Asian and Middle Eastern countries.

Reference refining margin

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

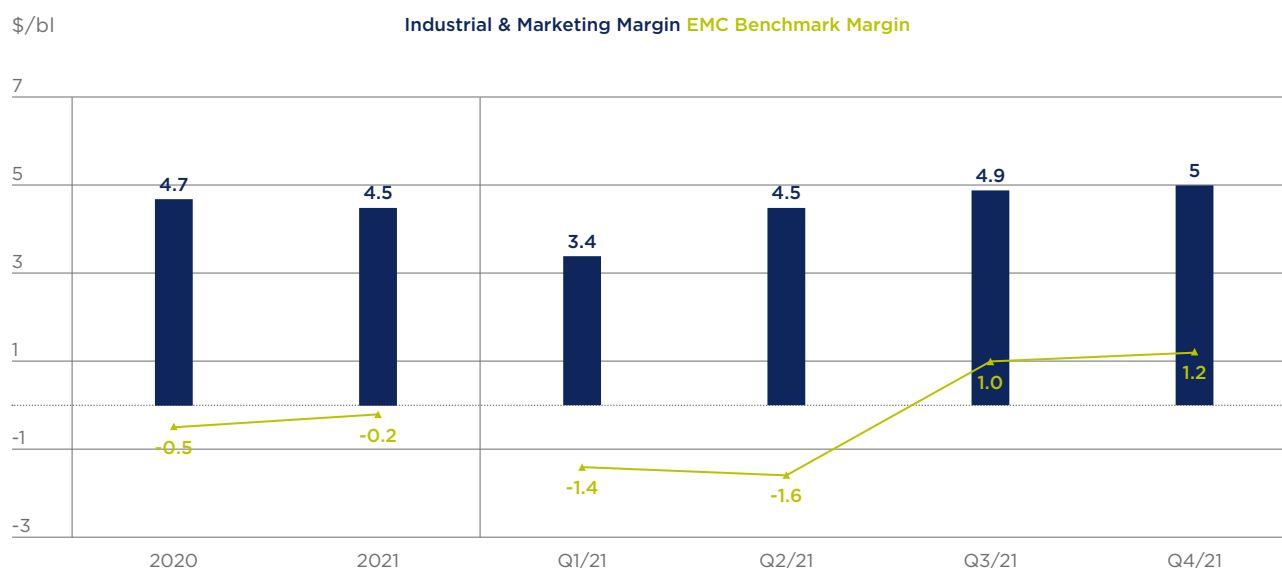
As shown in the graph below, the Industrial & Marketing segment of the Saras Group achieves normally a higher margin than the EMC Benchmark margin. The variability of the margin is dependent upon specific market conditions, as well as the performance of industrial and commercial operations in each individual quarter.

The EMC Benchmark recorded a still negative average value of USD -0.2/bl in 2021 (USD -0.5/bl in 2020), only showing positive values from the second half of the year onwards.

Saras showed an integrated I&M segment margin of USD 4.5/bl on average in 2021 (including a Marketing channel contribution of USD 0.6/bl) compared to a margin of USD 4.7/bl in 2020 (including a Marketing channel contribution of USD 0.5/bl).

Saras' premium over the EMC benchmark therefore stood at USD 4.7/bl (including USD 0.6/bl contribution from the Marketing channel) compared to a premium of USD 5.2/bl in 2020 (including USD 0.5/bl from the Marketing channel), slightly higher than the guidance of USD 4.3-4.5/bl (including USD 0.5/bl contribution from the Marketing channel) provided last quarter. The value of the premium should also be considered on the basis of processing in the period, amounting to 94.7 million barrels in 2021 compared to only 83 million barrels in 2020.

SARAS GROUP: INTEGRATED MARGINS 2020 - 2021



EMC Benchmark Margin: refining margin calculated by EMC (Energy Market Consultants), with crude slate 50% Urals and 50% Brent.

The reasons for the higher premium of around USD +0.3/bl compared with the guidance are described in the "Segment Analysis"/"Industrial & Marketing" chapter and are attributable to the performance in the fourth quarter and in particular: USD +0.1/bl to a higher contribution from the marketing channel, thanks to higher-than-expected margins; USD +0.2/bl to the positive effect of the improvement in the oil scenario, which more than offset the appreciation in energy costs.

It should be noted that, in some exceptional market conditions, EMC may not be a correct proxy for the performance of the Saras refinery, as happened in the second half of 2021, when variable energy costs were very high compared to historical averages. Energy costs within the EMC benchmark are included in variable costs³, which are in turn determined on the basis of a fixed percentage of the LSFO³ price per barrel; therefore, the EMC does not incorporate the actual appreciation of electricity and CO₂ that impacted Saras' margins.

In particular, with reference to electricity, it should be noted that the SNP in the third quarter recorded an average value of EUR 125/MWh

and in the fourth quarter an average value of EUR 242/MWh, compared to an average of approximately EUR 80/MWh in June. Similarly, CO₂ permit prices averaged EUR 57 and EUR 68/tonne in the third and fourth quarters respectively, compared to a June average of EUR 50/tonne.

These increases had an impact on Saras' margin, estimated on the basis of processing and electricity requirements, of USD -0.5/bl in the third quarter and USD -1.6/bl in the fourth quarter, respectively. If these impacts had been included, EMC would have recorded a lower value of USD +0.5/bl (instead of USD 1/bl) in the third quarter, and USD -0.3/bl (instead of USD +1.2/bl) in the fourth quarter, with an average annual value of USD -0.7/bl instead of USD -0.2/bl. Compared to these values of the EMC, recalculated to include the impact of the appreciation of electricity and CO₂, the Saras Industrial & Marketing premium would have been equal to USD 5.2/bl (instead of USD 4.7/bl).

Electricity Market

In 2021, accelerating consumption for the post-pandemic recovery has

led to an unprecedented surge in the cost of raw materials and energy commodities, creating tensions in key supply markets and driving prices to record levels.

The January 2022 IEA semi-annual report on the electricity market notes that the acceleration in consumption following the pandemic together with more extreme weather conditions in 2021 than in 2020, including a colder-than-average winter, led to a 6% increase in global electricity demand, the highest in percentage terms since 2010. In absolute terms, last year's increase of more than 1,500 terawatt hours was the highest ever recorded. About half of the increase was due to the demand from China which grew by about 10%. This has triggered a build-up of natural gas, LNG and coal stocks and a surge in energy prices in the world's major economies. In particular, the growth in demand for gas from Asia to Russia has led to less availability in Europe.

In Italy in particular, the spot price of natural gas at the TTF (the European reference market for natural gas) increased in 2021 by almost 500% from an average

³ In the EMC margin calculation, variable costs, including electricity, are determined based on a fixed percentage of the LSFO, according to the following formula: EMC Variable Costs (USD/bl) = 2%*LSFO price + USD 0.3/bl.

of EUR 21/MWh in January to an average of EUR 120/MWh in December 2021. This exponential increase in the price of gas - on which more than 40% of Italy's electricity production depends - was immediately reflected in the price of wholesale electricity, the SNP (Single National Price), which, from a historical average over the period 2015-2020 of around EUR 50/MWh, rose by almost 400% in 2021, from an average of EUR 61/MWh in January to an average of EUR 288/MWh in December.

This increase was particularly evident in the second half of the year, when the SNP rose from an average value of EUR 75/MWh in the second quarter, to an average of EUR 125/MWh in the third quarter and then to EUR 242/MWh in the fourth quarter, setting new all-time highs. The 2021 annual average stood at EUR 125.5/kWh compared to the historical minimum of EUR 38.9/kWh in 2020.

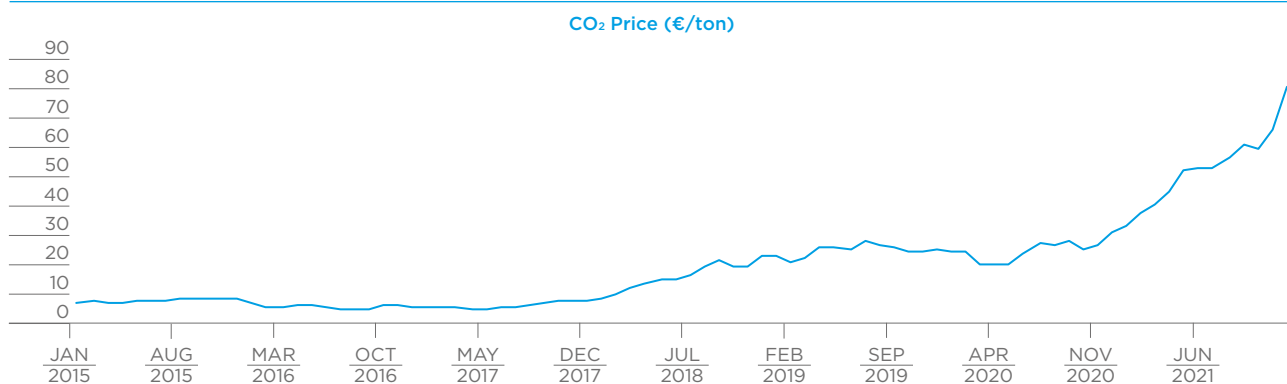
The values of "EUA" CO₂ emission quotas, traded in the European Emission Trading Scheme (ETS), also more than doubled in 2021 from an average of EUR 33 to EUR 79/tonne, recording an annual average of EUR 53.2/tonne. These values can be compared with a historical pre-Covid average of about EUR 20/tonne.

The increase in EUAs stems from a number of factors, including the start of "phase 4" of the ETS from 2021 to 2030, for which the European Union expects a greater reduction in the total quantity of emission quotas at an annual rate of 2.2% compared to the previous 1.74%. This helps to reduce oversupply, with consequent upward pressure on prices, together with another mechanism set up by the European Union with the same objective: the so-called "market stabilisation reserve", a fund where excess carbon emission allowances flow, most of which will be phased out from 2023 onwards.

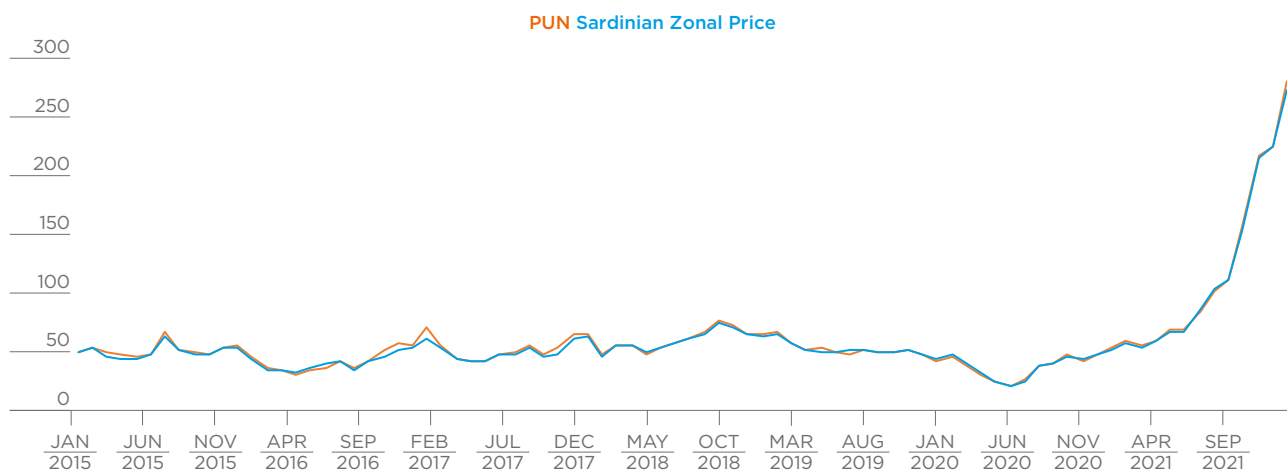
On 14th July, the European Commission also approved the "Fit for 55" climate package, providing for a series of measures aimed at reducing greenhouse gas emissions by at least 55% (from the previous 40%) compared to 1990 levels by 2030, with the aim of supporting the ecological transition process envisaged in the Green Deal. These measures cover different sectors, from economy to transport, from renewable energy to energy efficiency; in the manufacturing industry the reduction will be 62% (compared to the previous 43%).

Finally, the sudden post-pandemic recovery contributed to this trend. Indeed, the continuing high cost of gas has led to increased use of coal in power generation processes, which produces about twice as much CO₂ emissions as gas-fired plants. According to the IEA, the return to more polluting sources of electricity increased global carbon dioxide emissions from electricity

CO₂ PRICE (€/TON)



POWER PRICES (€/MWh)



production by 7% in 2021, reaching a new all-time high after falling in the previous two years.

Last but not least, there is a speculative component not related

to hedging one's position under the ETS Directive, based on the expectation that the price may rise further, at least in the short term. The presence of Investment Funds has grown dramatically since mid-

2020, from around 150 to 250 by June 2021, four times the presence of obliged parties (Source NE Numisma Energia).

Main operating results

REFINERY RUNS		2021	2020	%
CRUDE PROCESSING				
	Thousand tonnes	12,978	11,369	14%
	Million barrels	94.7	83.0	14%
	Thousand barrels/day	260	229	14%
COMPLEMENTARY FEEDSTOCKS				
	Thousand tonnes	809	702	15%
ELECTRICITY PRODUCTION				
	GWh	3,524	4,071	-13%
TOTAL SALES				
	Thousand tonnes	3,336	2,956	13%
of which: in Italy	Thousand tonnes	2,156	1,909	13%
of which: in Spain	Thousand tonnes	1,180	1,048	13%

Crude oil processing at the refinery in 2021 amounted to 13.0 million tonnes (11.4 million tonnes in 2020), corresponding to 94.7 million barrels (83.0 million barrels in 2020) and 260 thousand barrels/day (229 thousand barrels/day in 2020), up 14% from 2020.

Processing of complementary charges to crude oil was 0.8 million tonnes, compared to 0.7 million tonnes in 2020. This trend is primarily attributable to the different maintenance cycle planned for the two years (it should be noted that 2020 was affected by significant maintenance of the Topping T1 plant and the FCC unit in the first half of the year); in addition, the changed scenario conditions (especially in the second half of the year) and the different set-ups introduced by the two operating regimes of the power generation plant (operated under the essentiality regime in 2021 compared to the CIP 6 regime that

characterised the 2020 operation) also contributed.

Electricity production amounted to 3,524 GWh, down 13% compared to 2020, mainly due to a number of significant production shutdowns involving power generation plants in the first half of 2021 and the changed production set-ups required under the new essentiality regime.

Before analysing in detail the volume of sales of the Marketing channel, it is necessary to highlight some relevant market trends.

In Italy, according to data collected by Unione Energie per la Mobilità (UNEM), oil consumption in 2021 was 9.8% higher than in 2020, but still 8.2% lower than the pre-pandemic levels. In particular, the consumption of transport fuels (gasoline and diesel) amounted to 30.1 million tonnes, an increase of 17.2% compared to 2020 (increase

of 21.7% for gasoline and 15.9% for diesel). New car registrations in 2021 showed an increase of 5.8%, although the comparison was affected by the lockdown in the first part of the previous year. Gasoline-powered cars accounted for 29.7% of the total (vs. 37.5% in 2020), diesel-powered cars for 22.6% (vs. 33.1% in 2020), and hybrid cars for 29% (vs. 15.5% in 2020). In this context, the Saras Group recorded a sales volume of 2,156 million tonnes, an increase of 13% compared to the previous year.

Continuing with the analysis of the Spanish market, data compiled by CORES show that in 2021 the consumption of automotive fuel increased by 13.9% compared to 2020, with a more evident increase for gasoline (+23.4%) than for diesel (+11.8%). In this context, the Spanish subsidiary Saras Energia recorded a sales volume of 1,180 million tonnes, up 13% compared with the previous year.

RAW MATERIALS BY TYPE		2021	2020
Light extra sweet		42%	26%
Light sweet		7%	15%
Medium sweet/extra sweet		5%	4%
Medium sour		28%	32%
Heavy sour/sweet		18%	24%
Average Density	°API	33.9	33.6

The mix of crude oils that the Sarroch refinery processed in 2021 had an average density of 33.9°API, lower than the average

density processed in 2020. A more detailed analysis of the classes of used crude oils shows an increase in the percentage of light crude

oils with a very low sulphur content ("light extra sweet") (an effect attributable to the above-mentioned maintenance work on

the FCC plant and the lightening of some types of crude oils typically used), as opposed to a reduction in medium sour and heavy crude oils with both a low and high sulphur content ("heavy sour/sweet"), mainly due to the shutdowns involving the gasification cycle

and the different production set-ups of the plant required by the essentiality regime.

An analysis of the mix of raw materials by origin shows that in 2021 the share of raw materials from North Africa decreased by

14% (vs 22% in 2020) and that from the Middle East by 26% (vs 31% in 2020); reductions were offset by an increase in raw materials from the Caspian and North Sea. These changes are due to different conditions concerning market availability and convenience.

RAW MATERIALS BY ORIGIN	2021	2020
North Africa	14%	22%
North Sea	11%	6%
Middle East	26%	31%
Caspian region	32%	27%
West Africa	15%	13%
Other	0%	0%

With regard to the yields of finished products, to be noted is that in 2021 the yield of light distillates (29.0%) increased compared to 2020 (26%),

the yield of middle distillates (48%) decreased compared to 2020 (50%), while the yield of fuel oil (8%) increased compared to 2020

(7%). These changes are due to the different plant structures between the two periods, as well as to changed market conditions.

PRODUCTION		2021	2020
LPG	Thousand tonnes	269	210
	yield (%)	2%	2%
NAPHTHA + GASOLINES	Thousand tonnes	4,026	3,139
	yield (%)	29%	26%
MIDDLE DISTILLATES	Thousand tonnes	6,681	6,082
	yield (%)	48%	50%
FUEL OIL AND OTHERS	Thousand tonnes	1,035	847
	yield (%)	8%	7%

Note: The balance to 100% of the production is the "Consumption and Losses" of the Site (related to refining activities and electricity production)

Main financial results

EUR million		2021	2020	%
Reported EBITDA		243.7	(93.8)	N.A.
Comparable EBITDA		20.7	(28.3)	N.A.
<i>of which: related to the Marketing channel</i>		34.9	21.6	62%
Reported EBIT		52.6	(341.3)	N.A.
Comparable EBIT		(170.4)	(239.9)	N.A.
EMC BENCHMARK MARGIN	USD/bl	(0.2)	(0.5)	N.A.
SARAS IND & MKTG MARGIN	USD/bl	4.5	4.7	-4%
CAPEX		69.4	248.2	-72%

Comparable EBITDA in 2021 was positive at EUR 20.7 million, with a Saras Industrial & Marketing margin of USD 4.5/bl, within which the contribution of the Marketing channel was USD 0.6/bl (as usual, already net of the impact of the maintenance activity carried out in the period). This is against a comparable EBITDA of EUR -28.3 million and a Saras Industrial & Marketing margin of USD +4.7/bl (within which the contribution of the Marketing channel was USD 0.5/bl) in the same period of the previous year.

More specifically, when analysing the more purely industrial component, the comparison must take into account: market conditions, the specific performance of the Saras Group (in terms of both operations and commercial management) and the method according to which the costs governed by the applicable legislation for plants essential to the security of the electricity system (i.e. in essentiality regime) are reintegrated. It should be noted that this scheme provides that, where the revenues generated from the sale of essential electricity are lower than

the costs incurred in its production (including raw material procurement costs, other variable costs, fixed costs and the share relating to return on capital), these must be supplemented by an appropriate reimbursement by the competent authorities. Conversely, in cases where the revenues generated from the sale of electricity are higher than those costs, the higher margin generated is retroceded in accordance with current regulations.

As far as market conditions are concerned, the impact on margin

generation was positive by approximately EUR 60 million and it is to be mainly attributable to the strengthening of the gasoline crack USD 9.5/bl in 2021 (vs. USD 3.9/bl in 2020), only partly offset by the strengthening of the Brent price and the EUR/USD exchange rate, which averaged 1.18 (vs. 1.14 in 2020).

In terms of operating performance in 2021, compared to the same period in 2020, it was approximately EUR -4 million lower, with the impact of the lower performance almost entirely offset by the return on capital guaranteed by the essentiality.

The commercial contribution (which relates to the procurement of crude oil and complementary raw materials, the sale of finished products, tanker charter costs, and inventory management, including mandatory stocks quantities), although positive, compared to what was achieved in 2020 contributed negatively by approximately EUR -45 million; this variance is due to the particularly positive performance that the trading, the sale of products by ship and the sale of compulsory stocks had generated in 2020 (also due to the specific characteristics of the market that cannot be

replicated in the changed context of 2021).

Production planning (which consists of optimising the mix of crude oils brought in for processing, the management of semi-finished products, and the production of finished products, including those with special formulations) made a slightly lower contribution than in the previous year, despite a more unfavourable context characterised by limited availability of certain types of crude oil and a deterioration in the characteristics of certain qualities used.

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) was slightly worse than in 2020. Where the potential benefits of a less onerous maintenance plan were substantially offset by a lower production performance.

Variable costs of an industrial nature, net of the components related to the essentiality regime, increased by approximately EUR 105 million in 2021. This increase is

attributable for approximately EUR 59 million to the increase in the cost of electricity and for approximately EUR 41 million to the increase in the cost of CO₂.

In 2021, industrial fixed costs, as a result of cost containment initiatives launched from the fourth quarter of 2020, decreased by approximately EUR 38 million compared to the previous year's figures. It should also be noted that, within the final costs, approximately EUR 45 million is the amount subject to reimbursements relating to the essentiality regime not present in the previous year.

The contribution of the marketing channel to the comparable EBITDA amounted to EUR 34.9 million, versus EUR 21.6 million in 2020. This difference is mainly due to higher sales margins in Italy (due to the increase in volumes) - where Saras has consolidated its presence in the fuels market (gasoline + diesel) of 4.4% - and in Spain (due to the increase in volumes and unit margins). 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.



RENEWABLES

The Saras Group has historically been active in the production and sale of electricity from renewable sources through its subsidiary Sardeolica Srl, which manages a wind farm located in Ulassai and Perdasdefogu (Sardinia) and, starting from financial year 2021 through the newly acquired Energia verde Srl and Energia Alternativa Srl, owners of two wind

farms located in Macchiareddu (Cagliari).

It should be noted that for the "Renewables" segment, the 2020 results correspond to the "Wind" segment, as defined in the 2020 Financial Statements.

In the 2021 financial year, Saras' production from renewable sources

amounted to 258,453 MWh, which corresponds to the annual electricity needs of around 186,337 people. The use of renewable wind power has therefore saved 331,028 barrels of oil and reduced CO₂ emissions by around 167,475 tonnes. Furthermore, cumulatively, from the time it became operational until 31st December 2021, the park's electricity production reached 2,928,100 MWh.

PRODUCTION 2021 [MWh]	A EQUIVALENT ANNUAL POPULATION ¹	TOE ² "SAVED"	BARRELS OF OIL ³ "SAVED"
258,453	186,337	48,330	331,028
PRODUCTION 2021 [MWh]	POLLUTANT	SPECIFIC EMISSIONS ⁴ [KG/MWh]	EMISSIONS AVOIDED [t]
258,453	CO ₂	648	167,475
PRODUCTION 2005-2021	EQUIVALENT ANNUAL POPULATION ¹	TOE ² "SAVED"	BARRELS OF OIL ³ "SAVED"
2,928,100	2,111,100	547,554	3,750,370
PRODUCTION 2005-2021	POLLUTANT	SPECIFIC EMISSIONS ⁴	EMISSIONS AVOIDED
2,928,100	CO ₂	648	1,897,406

1. Energy consumption per capita in Sardinia for domestic use, 2020: 1,387 kWh/person/year (Terna: Statistical Data, Consumption 2020)

2. 1 kWh = 0.187 × 10⁻³ TOE (AEEGSI, Resolution EEN 3/08)

3. Barrel of oil equivalent = 0.146 TOE

4. Regional Environmental Energy Plan for Sardinia. "Towards a shared energy economy". Adoption of the technical proposal and start of the strategic environmental assessment procedure, page 114.

Reference market

Directive (EU) 2018/2001 (Renewable Energy Directive II, RED II) sets forth that EU Member States shall collectively ensure that, by 2030, the share of energy from renewable sources in the EU's gross final consumption of energy is at least 32% and the share of energy from renewable sources in transport is at least 14% of final consumption in that sector.

The new "Fit for 55" climate package approved by the European Commission on 14th July introduced, with regard to renewable energy, a revision of the RED Directive, increasing the minimum target of

32% to 38-40%, further incentivising the deployment of renewables in the energy, heating and cooling and transport sectors, and promoting a better use of waste heat and a better integration of renewables in buildings. The Fit for 55 legislative process provides that any proposal must first go through the scrutiny of the European Parliament and the Council and then through inter-institutional negotiations for the definition of the compromise text and subsequent approval. The first approvals are expected between the last quarter of 2022 and the first quarter of 2023.

In Italy, the share of energy from renewable sources in gross final

energy consumption is now about 18%, compared to 19.7% for the EU as a whole, in 2019.

According to the RES Observatory carried out by ANIE Rinnovabili, an association of ANIE Federazione, on the basis of Terna's Gaudi data in the first nine months of 2021 photovoltaic, wind and hydroelectric installations reached a combined total of connected power of 809 MW (+30% compared to the same period in 2020), with different trends for the three sectors: positive for photovoltaic, with an installed capacity of 607 MW (+20%), and wind, with an installed capacity of 179 MW (+229%), and negative for hydro,

with an installed capacity of e 22 MW (-63%).

According to WindEurope at European level, 17 GW (11 GW in the EU-27) of new wind capacity were installed in 2021, of which 81% coming from onshore installations. These figures compare with the 2020 figures of 14.8 GW of new installed capacity over the full year and the 2019 pre-pandemic figures of 15.5 GW of new installed capacity.

Sweden, Germany and Turkey have built most of the onshore wind power. The UK has the highest total of new wind installations, accounting for the majority of new offshore wind installations.

Europe currently has 236 GW of wind power capacity and will install 18GW per year between 2022 and 2026, but in order to reach Europe's 2030 target of 40% renewable energy, at least

30 GW per year will have to be installed.

Data produced by Terna show that wind power in Italy produced 20,619 GWh in 2021, an increase of 10.8% compared to 2020, with greater windiness and installed capacity, covering 7.4% of national electricity production (compared to 6.8% in 2020) also thanks to favourable weather conditions, which allowed for greater use of the plants.

Main operating and financial results

		2021	2020	%
ELECTRICITY PRODUCTION	MWh	258,453	225,530	15%
POWER TARIFF	EURcent/KWh	12.2	3.7	228%
INCENTIVE TARIFF	EURcent/KWh	10.9	9.9	10%

In 2021, the **comparable EBITDA of the Renewables segment was equal to EUR 33.4 million** including the release of the provision for early retirement incentives, equal to EUR 0.7 million, carried out in 2021 on the amount set aside in 2020, compared to EUR 7.4 million realised in 2020; we remind you that in 2020 the difference with respect to reported EBITDA, equal to EUR 6.7 million for the year, is due to costs related to early retirement incentives for the subsidiary Sardeolica.

This variation is attributable for approximately EUR 6 million to the contribution of the wind farms acquired during 2021 and for approximately EUR 20 million to

the higher EBITDA generated by the existing wind farm, mainly due to the increase in the average sale price, which in 2021 was 12.2 euro cents per KW/h compared to 3.7 euro cents per KW/h in 2020. The Incentive Tariff was 1.0 EURcent/kWh higher than in 2020 and incentivised production accounted for around 8% of volumes in 2021 (compared to 7% in 2020).

Production volumes in the period were 15% higher than in the same period of the previous year, mainly due to the production impact of the newly acquired wind farms.

On 4th June 2021, Sardeolica Srl acquired 100% of the shares of

Energia Verde Srl and Energia Alternativa Srl, owners of two wind farms located in Macchiareddu, Cagliari (Sardinia), with a total installed capacity of 45 MW, from GWM Renewable Energy SpA, bringing the Group's total installed capacity to 171 MW. 50% of the newly installed capacity benefits from an overall incentive tariff (GRIN), which in 2020 averaged EUR 9.9/KWh, for a period of 6 years (until 2027).

During the year, activities also continued for the development of a pipeline of projects that will lead to the acquisition of additional wind power and photovoltaic capacity for a total of 500 MW by 2025.

EUR million	2021	2020	%
Reported EBITDA	33.4	6.7	N.A.
Comparable EBITDA	33.4	7.4	N.A.
Reported EBIT	25.9	0.2	N.A.
Comparable EBIT	25.9	0.9	N.A.
CAPEX	8.4	7.5	N.A.

INVESTMENTS BY SEGMENT

The investments made by the Saras Group in 2021 amounted to EUR 77.8 million, down from EUR 255.7 million in 2020.

For the Industrial & Marketing segment, investments in 2021 amounted to EUR 69.4 million, a

significant reduction compared to the EUR 248.2 million in 2020, both due to the initiatives to contain investments, put in place to mitigate the impacts of the Covid-19 pandemic, and the reduced planned shutdown activities in the two periods.

Investments in the Renewables segment in 2021 amounted to EUR 8.4 million. These investments mainly concerned reblading activities, which were completed in the third quarter of 2021.

EUR million	2021	2020
INDUSTRIAL & MARKETING	69.4	248.2
RENEWABLES	8.4	7.5
TOTAL	77.8	255.7





BUSINESS OUTLOOK

The International Monetary Fund indicated in late January GDP growth of +4.4% globally and +3.9% in Europe in 2022, with all member states back to pre-pandemic levels by the end of the year. Looking ahead to 2023, the IMF estimated another year of growth of +3.8%, provided the healthcare situation in most countries finally normalises by the end of this year.

The IEA's estimates in its mid-February monthly oil market report, **also indicated a higher global oil demand** at the end of 2022 than before the pandemic, with consumption averaging 100.6 million barrels per day, on average about 300kb/d more than in 2019.

The geopolitical crisis in Russia and Ukraine has unfortunately dramatically changed the reference scenario, particularly in Europe, leading to unprecedented volatility in oil and energy commodity prices, the short-term evolution and it will take some time to recover from a normal situation.

The scenario envisaged in the Group's economic and financial forecasts is therefore based on identifying the best forecast in a condition of normality.

With respect to the price of the benchmark oil, **Brent Dtd**, the assumptions adopted in the 2022 budget saw a price between USD 85-90/bl 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 USD 70/bl; the annual average was USD 80/bl. 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 USD -1.2/bl on average.

When looking at the **margins of the main refined products**, namely gasoline and diesel, the projections adopted in the 2022 budget would have led to the assumption of an improvement in crack prices compared to the average values of the fourth quarter of 2021, supported by high demand, the normalisation of demand for jet fuel and the expected reduction in Brent prices. An average gasoline crack of USD 11.1/bl (USD 10.1/bl in Q4 2021) and an average diesel crack of USD 12.8/bl (USD 11.1/bl in Q4 2021) were therefore considered for 2022. The risks considered in the budget assumptions on the demand side were mainly related to the possibility of a resurgence of a new Covid variant, and too high a level of inflation, with a possible increase in interest rates that could slow down the growth of oil demand.

In terms of **energy costs, and in particular electricity costs**, the assumptions adopted envisaged an average PUN in 2022 of EUR171/MWh and an average EUA permit price of EUR 80/tonne. More specifically, after a first half still under pressure,

a partial rebalancing of the price of gas and with it the value of the SNP had been considered due to the end of the winter season, as well as a possible opening of the NordStream2 pipeline - no longer to be expected, an increase in imports from other countries already connected by pipelines, and an increase in domestic production.

By the same token, the assumptions adopted on the quotations of **CO₂ emission** permits would have incorporated a gradual rebalancing of quotations compared to current values from the second half of the year onwards, due to less upward pressure from the price of gas, at an average annual value of EUR80/tonne.

These assumptions would lead in different conditions to consider an average **EMC in 2022 of approximately USD 1.6/bl**, on the basis of which management estimated to achieve in 2022 an average **annual premium for the Industrial & Marketing segment of between USD 4.0 ÷ USD 4.5/bl**. This Saras margin was expected to improve further in the period 2023- 24 thanks to sustained levels of demand, a gradual rebalancing of the prices of brent and partly also of costs of electricity.

Furthermore, from an operational point of view, the objectives aimed at are confirmed to consolidate certain measures to make the industrial cost structure more efficient and contain investments. Initiatives that continue to be tailored to the evolution of

the macroeconomic context and any operational and commercial opportunities that may arise.

The current Russian-Ukrainian crisis has created strong volatility in the prices of oil and energy commodities, in particular in Europe. The need to ensure diversification of oil supplies has emerged at various locations and energetic. In this context, the strategic role of Saras is increasingly central thanks to its positioning at the center of Mediterranean, in guaranteeing the security of both oil supplies on the reference markets and electricity to the territory of Sardinia, thanks to its operational continuity.

As noted above, following the outbreak of the conflict between Russia and Ukraine, the level of uncertainty surrounding these assumptions has increased sharply, more so on the supply side, where attention is primarily focused on the impact that forthcoming developments may have on access to the Russian oil and gas market.

The high risk of supply affecting imports from this country has in fact caused a collapse in demand and prices for Russian Ural crude, the discount on which - at the time of writing - has exceeded USD -20/bl, in preference to alternative sour crude oils, and an immediate rise in Brent prices, which have exceeded USD 120/bl. OPEC+ countries also initially agreed to continue with the gradual restoration of production interrupted during the pandemic, moderately increasing production by 400,000 barrels per day in April, pointing out that "oil price volatility is linked to contingent geopolitical factors, while market fundamentals indicate a well-balanced market". The next OPEC+ meeting is scheduled for 31st March.

The margins on diesel surged dramatically to over USD 25/bl at

the time of writing, mainly reflecting fears of a drastic reduction in supply, as well as increased demand for diesel as a substitute for gas.

Gas prices on the TTF market **peaked at EUR 295/MWh** and the SNP exceeded EUR 500/MWh, while CO₂ showed a reduction to EUR 65/tonne.

This volatility does not currently allow reliable forecasts to be made on the short and medium to long-term economic and financial impacts. More specifically, it is not possible to predict the trend in certain variables that are fundamental to the calculation of the Saras margin, such as the prices of Brent and URAL crude, the crack in products, and the PUN and CO₂ prices.

In addition, it should be noted that the same EMC benchmark, based on current prices, is no longer a reliable proxy for the profitability of the Sarroch refinery: in fact, it takes into account a different and "simplified" crude slate than that of Saras, composed of 50% Ural and 50% Brent (Brent DTD prices). As indicated, Ural crude oils today present an extraordinarily high discount no longer representative. It should also be remembered that EMC is not representative in conditions of extreme appreciation of the prices in electricity and CO₂: in the calculation of the benchmark these costs are in fact included in the variable costs, which are in turn determined on the basis of a fixed percentage of the LSFO price per barrel.

Moreover, the variable costs of EMC do not include the cost of CO₂.

In the current context of volatility, however, which still has extremely high refining margins and one sustained demand for products, any short to medium term forecast may not be reliable.

As regards the **Renewables segment**, the valorisation of the segment's production must take into account the provisions of Decree-Law no. 4 of 27th 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 prices the market area prices, from the start-up of the plant until 31st December 2020. For Sardeolica, the compensation is based on a historical average price of approximately 62 €/MWh, to be applied to the non-incentivized production sections, equal to approximately 92% of the total production.

Still in the Renewables area, authorisation activities for the development of new greenfield plants are continuing: namely, the authorisation process for the installation of 80 MW of photovoltaic plants has been favourably completed and new authorisations for the development of further wind and photovoltaic capacity are expected to be obtained in 2023. Initiatives are continuing with the aim of reaching a total installed renewable capacity of 500 MW by 2025.

These objectives will be achieved through the development of a pipeline of greenfield wind and photovoltaic projects that can contribute to the achievement of ambitious new capacity development targets, guaranteeing higher returns than to the acquisition of existing assets. The evaluation for the launch of any new partnerships also continues with the aim of create long-term sustainable value.

In this context, in order to accelerate the implementation of the initiatives

described and to seize new opportunities deriving from the changed conditions of the sector according to the provisions of the Integrated National Plan for Energy and Climate 2030 and the Green European Deal, the implementation of this plan will consider the best options, including the opportunity to new partnerships with the aim of creating long-term sustainable value.

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, is designed to supply green hydrogen to the Saras refinery through the use of an approximately 20 MW electrolyser, powered exclusively by renewable energy. For this reason Sardhy Green Hydrogen Srl, a subsidiary owned 50% by Saras SpA and 50% by Enel Green Power Italia Srl, was incorporated in the last quarter of 2021.

In 2022, the first steps of the authorization procedures for the electrolysis plant is scheduled to begin, and, if the funding requested under the European IPCEI (Important Projects of Common European Interest) programme has been obtained, the construction of the electrolyser and related works will also be started.

With respect to the Carbon Capture and Storage project, the first phase aimed at evaluating various plant solutions for capturing CO₂ was completed in 2021. Further evaluations are underway to proceed with a second phase, in order to achieve a better definition of the whole development chain including logistics and transport

aspects, together with an estimate of costs and timeframe.

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

As far as the **Group's investments** are concerned, an amount of EUR 150 million is expected in 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.

Finally, with regard to the expected trend of the **Group's Net Financial Position**, in 2022, on the basis of the assumptions described and subject to high market volatility, a level of indebtedness was expected to be partially lower than at the end of the 2021 financial year. In this context the reduction in electricity prices and the improvement in refining margins would have allowed a gradual repayment of debt also due to the development plan in the Renewables sector. The recent geopolitical events do not allow us to predict the evolution of the scenario, let alone to reliably quantify the short-term impacts, although they are causing, on the one hand, a positive impact on margins and working capital, that cannot be quantified to date due to the appreciation of crude oil and oil products, and, on the other, a negative impact arising from higher energy costs.

To pursue the Group's sustainable development path, and in line with its ESG strategy, Saras updated its environmental, social and governance KPIs and related targets for 2022. In recent years, these performance indicators have proved to be valuable tools for keeping the organisation focused and for regularly measuring progress in each of the areas identified.

As an example, the main indicators refer to:

- Emissions of greenhouse gases (GHG) and air pollutants;
- Increase in energy efficiency;
- Reduction in water consumption by industrial associations;
- Reduction in waste production;
- Co-processing of vegetable oils at the refinery;
- Increase in electricity production from renewable sources;
- Reduction of the accident frequency index;
- Regular training of Group employees;
- Promotion of gender diversity;
- Audits on the implementation of the Group's Internal Control System;
- Engagement with stakeholders (external and internal).



HUMAN RESOURCES

In accordance with the provisions of Article 5, paragraph 3, letter b of Legislative Decree no. 254/2016, the Company prepared the consolidated non-financial statement, which constitutes a separate report. The 2020 consolidated non-financial statement, prepared in accordance with GRI Standards, consists of an autonomous document, which, in addition to fulfilling the requirements of Legislative Decree no. 254/16, enables the sharing of the Company Purpose and the sustainable development strategy. Therefore, the chapters concerning Human Resources, Social Responsibility, Health, Safety and Environment and activities with the community, will be broken down more thoroughly in the Sustainability Report - Consolidated Non-Financial Statement.

The systematic set of tools, interventions and activities prepared during the year in the field of human resources is illustrated below to ensure that the organisation achieves its business objectives and continuously improves performance according to the strategic plan defined in the business plan and in the annual budget.

The interventions were inspired by the principles contained in the Group's Purpose relating to sustainable development, the transformation of our way of working and the enhancement of the potential of our people. The initiatives carried out have focused on the development of existing skills, the strengthening of managerial sensibilities enabling people management roles and the importance of awareness of the individual impact on results.

As in the previous year, also during 2021, human resources management policies were affected by the crisis induced by the Covid-19 pandemic.

In particular, the implementation of the programme to reduce operating costs, launched in 2020 in order to ensure the long-term sustainability of the company, continued.

As part of this programme, the redundancy fund continued to be used and was partially reduced in the second half of the year and ended at the end of the year. The redundancy fund involved all employees of the Italian companies, with very few exceptions linked to the need for continuity of operations and business.

In addition, the plan was replicated, after having already led to the exit of 58 employees by 1/1/2021, thus allowing for substantial incentives for early retirement and support to undertake a different professional or business activity. Following the implementation of this new plan, a further 41 employees left the Group at the end of 2021. These exits are mainly the result of the agreements signed with the Trade unions who, fully aware of the extremely difficult context, have actively supported the programmes from the beginning, sharing their objectives and validity.

Organisation

At the end of 2021, the Group had 1,572 employees, down by 6.8% compared to the previous year, mainly due to terminations for early retirements and unilateral resignations during the year.

In order to best cope with a still difficult and uncertain scenario, in continuity with the previous year, the reorganisation measures for 2021 were geared towards rationalising structures, increase efficiency, reliability and operational flexibility, all inspired by the realisation of an organic and integrated vision of the Group, making the most of people's skills.

In particular, in the context of Business Operations, in order to continue to evolve towards an increasingly efficient and agile organization, some changes have been made that support the optimisation of processes within Asset, HSE and Site Performance. Furthermore, within the Production structure, the internalisation processes of the operational



management of the «Sulphur presses» plant and the «DWS» water recovery plant were completed.

In the Energy & Sustainability organisation, the Sardeolica structure was redesigned following the acquisition of the wind farms located in Macchiareddu and in order to achieve the development objectives of new renewable capacity set out in the 2021-2024 Business Plan.

To support the General Manager, the Development & Regulations function was created, dedicated to the development of new business opportunities and to the supervision of the continuous developing of the legislation; the management of operations and maintenance of the production sites has been entrusted to the coordination of Production & Maintenance. The Technology function, in addition to overseeing the technological evolution of the sector, has been assigned the role of project management for all authorisation activities, while the Business Analytics structure is responsible for the collection and processing of data for the optimisation of business activities; finally, the Construction function guarantees the construction of new plants from design to start-up.

In the Commercial area, the Retail & Wholesale Italy and Spain functions have been redefined with the aim of seizing the opportunities offered by their respective reference markets in a more effective and efficient way.

As regards the changes that have taken place in the business support organizations, in the area of Security, ICT & Procurement, the management of cybersecurity for the Group has been entrusted to the ICT Management function. Therefore,

the structure has assumed the responsibility of providing guidance and coordination to the process, guaranteeing regulatory compliance and introducing innovative solutions and emerging technologies that support the current work model, while ensuring compliance with corporate safety standards.

In the organisation of the Chief Financial Officer area, several rationalisation measures were implemented, which have made it possible to offer an increasingly efficient service to all Group companies, both Italian and foreign.

Finally, the activities related to the management of personal data protection issues were integrated into the General Counsel & Corporate Affairs organisation.

Industrial relations

In the early months of 2021, the activities with the Trade unions have focused on the reorganisation of the infirmary of the Southern Plants of the Sarroch site. At the same time, organisational and management procedures were shared for the shutdowns that have affected the plant during the year (T2, V2, Reforming, Targas, CTE NORD plants).

The management of the pandemic crisis has also affected trade union relations in 2021. The management and RSU/RLSA joint committee has continued to operate and define all measures to contain the spread of the virus.

At the same time, various management actions were implemented through the signing of specific trade union agreements relating to:

- use of the redundancy fund (CIG Covid-19 for the first six months and CIGO for the remainder of the year), for limited periods of suspension of work throughout the year 2021;
- consensual terminations with redundancy incentives and the possibility of using the NASPI [New Employment Social Insurance Benefit] allowance;
- internalisation of the DWS implant.

These actions were carried out for practically all the Group's Italian companies, in agreement with the Trade unions who, aware of the exceptionally difficult situation, shared the set out objectives and supported their implementation.

In particular, the layoffs for Covid-19 were applied until June. Subsequently, following the termination of this particular social safety net, use was made of the ordinary redundancy fund (CIGO), always adopting a socially sustainable approach: the suspension of work activity in fact affected the employees of all Italian companies in a fair and distributed way, compatible with the need to preserve work performance and the appropriate management of assets that are essential for operational and business continuity. To be noted is also that the Chairman of the Board of Directors has made the emolument for the year 2021 available to be used to offset the effects on income caused by the redundancy fund for Group employees in the October-December quarter.

In the middle of the year, the Company and the Trade Unions defined the rules for the



implementation of agile work as a structural working method following the Covid-19 pandemic emergency, with a view to flexibility in work activities, the search for a new and constant balance between work and private life, between organisational needs and people's needs, in order to maximise productivity and provide greater professional autonomy. With this in mind, the company has accordingly communicated its corporate policy.

As usual, by May the productivity and profitability indicators associated with the Performance Bonus for the year 2021 were also defined with the trade unions.

Finally, as regards the Sarroch site, on the occasion of the national strike of 16th December, a special agreement was signed on the layout of the installations and the relevant security teams.

Training and development of human resources

During the year, the Group launched learning initiatives aimed at fostering internal growth in line with policies, corporate values and specific personal and professional characteristics of our people, and also aimed at maintaining a high level of sustainability of the business

34,749
Total training hours 2021
of the Saras Group

and create the conditions necessary to face the challenges caused by the energy transition.

Attention was focused in particular on initiatives aimed at accompanying the development of the organisational culture and promoting managerial approaches defined and shared among the leaders of the companies of our Group.

The Learning & Development process is inspired by the principles expressed in the "Our people" Policy and is described in the "Human Resources Process Guideline".

In the belief that the experience-based approach is the most effective way to develop skills, the initiatives undertaken in 2021 were characterised by the adoption of a methodology that gave a lot of space to moments of re-elaboration and consolidation of experiences and skills, using digital learning for self-learning theoretical insights.

These initiatives represented important opportunities for the participants to share and integrate

the skills developed in different areas and in the companies they belong to and to create a new common knowledge for the Group's colleagues.

The methodological approach, based on the development of "Learning Agility", has resulted in more effective learning and in the immediate adoption and practical exercise of skills in the field, helping to optimise training time and achieve the set targets.

The main macro-areas of intervention concern:

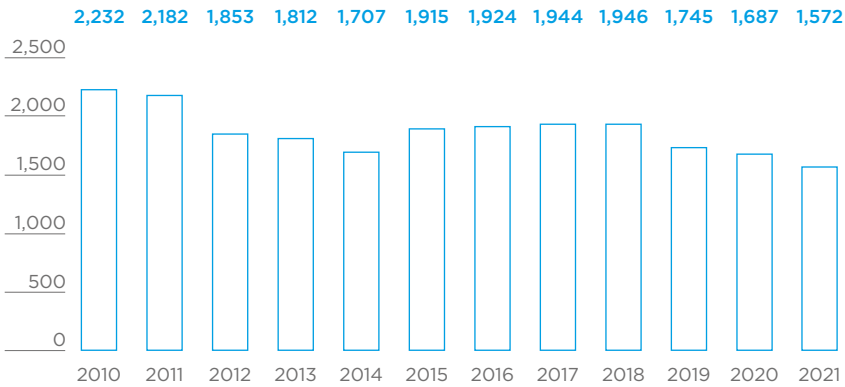
- the development of technical specialist skills: training activities aimed at specific professional figures;
- development of "soft skills" and managerial competences: training activities aimed at developing transversal competences for several corporate roles, linked to the approaches and behaviours accompanying the exercise of the roles and in line with corporate strategies and values;
- compliance training: training activities on issues governed by law/external bodies (e.g. HSE training, training deriving from certification obligations, etc.).

TOTAL HOURS OF TRAINING

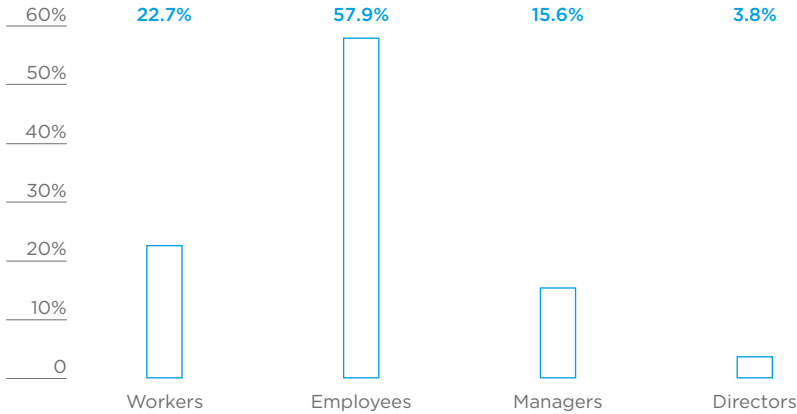
Parameters	2019	2020	2021
Saras Spa	2,848	3,120	3,076
Sarlux Srl	44,980	46,850	25,325
SARTEC SRL	7,315	4,049	3,889
Sardeolica Srl	3,037	1,819	1,445
Deposito di Arcola Srl	970	273	97
Saras Energia SAU	615	1,129	757
Saras Trading SA	586	154	160
Total	60,351	57,394	34,749



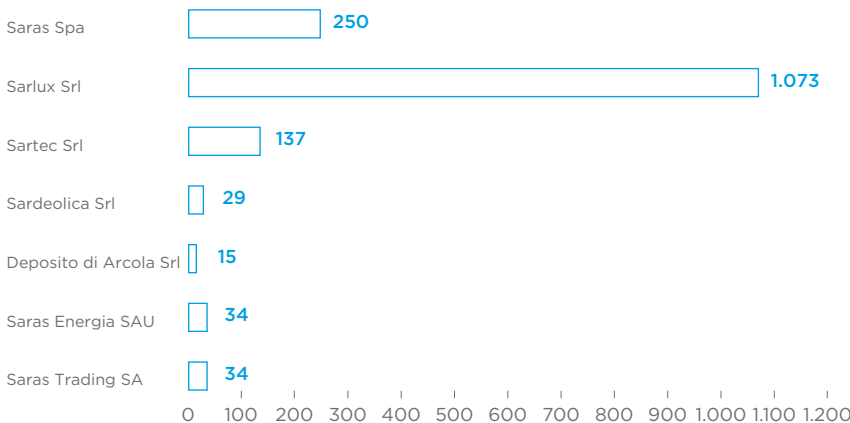
SARAS GROUP: TOTAL EMPLOYEES



SARAS GROUP: POPULATION BANDS (31.12.2021)



EMPLOYEES DISTRIBUTION BY COMPANY (31.12.2021)



The “SarasLearning” digital learning platform continues to be the training environment within which the people of the Group can use all the contents for the development of technical, managerial and soft skills.

Still on the subject of the digitisation of learning contexts, the “Learning Cards” project stands out for the contribution made by people who took the opportunity to capitalise on their skills and experience and turn them into learning content. Thanks to this project, the SarasLearning platform in the course of 2021 was enriched with new contents, collected in “learning paths”; these paths, developed independently by expert colleagues and with the support of HR, represent the basis for building a corporate wealth of skills that can be freely used by all employees.

All people in the Group continued to have free full-time access to the language learning platform to update their foreign language skills, with the main focus on English.

Position training for operational roles continues to be an important opportunity for the development of know-how, both technical and behavioural, as well as an opportunity for the transfer of knowledge and skills to new generations.

In 2021 an important development path was launched for a shared organisational culture inspired by our Purpose. The aim of the initiative is to involve people in defining shared approaches for the identification of behaviours and the execution of concrete actions to promote and deal with transformation.

The Group has continued to invest in the managerial skills of its leaders through paths aimed at leadership



development and individual coaching as well as the People Manager path.

As part of the Mentoring programme, Mentors have participated in a preparatory training course, specifically designed to support and structure mentoring projects with common methodologies and tools, focusing on skills considered fundamental for the sustainability of our Group.

Compliance training on the subject of Privacy and of the Organisation, Management and Control Model under Legislative Decree no. 231/2001 is always available to everyone on SarasLearning and is also an integral part of the onboarding course attended by all new hires.

In summary, in 2021 we continued to invest in the professional growth of people, focusing attention on the development of skills and approaches necessary to accompany and promote the sustainability of our Group.

Internal communication

During 2021, internal communication activities were aimed at supporting the transformation underway and enhancing the fundamental role that people play in the transformation process, also promoting the dissemination of a way of working increasingly based on accountability, trust, autonomy and the ability to deal with change.

Through internal communication, the objectives and innovations deriving from the reviews of processes and organisational structures and the introduction of new IT and digital tools were also shared, in order to promptly direct people's behaviour towards

the expectations and needs of the organization.

Finally, in continuity with the previous year, communication continued on issues related to the Covid-19 pandemic, aimed above all at providing information about working methods and measures to prevent and combat the spread of the virus in the workplace.

Remuneration policies

Management pay components

The fixed gross annual remuneration of the managers of the Group companies refers to national regulations and contracts. This remuneration may be supplemented by any benefits and a variable component linked to strategic objectives and operating results.

The Saras Shareholders' Meeting has approved, on 12th May 2021, the 2021 Stock Grant Plan for the Saras Group's Top Management, after cancelling the "2019-2021 Stock Grant Plan".

The 2021 Stock Grant Plan had the objective of recognising to the beneficiaries, already recipients of the 2019-2021 stock grant plan, a bonus linked to the results of the business indicators of the previous 2019-2021 stock grant plan, achieved in the two-year period 2019-2020.

The Shareholders' Meeting has also approved the long-term incentive plan for the Saras Group's Top Management, called Performance Cash Plan 2021-2023, with the aim of providing the Company with a remuneration tool that best represents the Company's objective and the management performance, which is more in line with the current strategy and capable of supporting the engagement and retention of

the Group's management figures, the details of which are provided in a subsequent section of this Report on Operations.

Components of employee remuneration

The fixed gross annual remuneration of employees complies with the national regulations and contracts as well as with the second level complementary agreements in force (where applicable).

In some cases, benefits and/or a part of an individual variable linked to results may also be assigned.



HEALTH, SAFETY AND ENVIRONMENT

Be safe, always.

“We are committed to maintaining a safe workplace. For all our employees it remains the single most important principle in the working environment. We have developed a code of conduct that specifically emphasises staff training and safety”

The prevention of major accidents, the protection of people's health and safety, the safeguarding and improvement of environmental conditions and the prudent and rational use of natural resources are core values for Saras. The Saras Group has defined its guiding principles on the following values:

- implement any useful initiative to prevent any type of accident and, if necessary, minimise the consequences for people, the environment and assets, also by promoting the development and sharing of expertise;
- manage all activities in constant compliance with the obligations related to the applicable regulations, the accepted voluntary regulations and the needs and expectations of the stakeholders;
- plan investments by assessing the availability of technological developments in the sector that have a positive impact on the prevention of major accidents and on the protection of health, safety and the environment;
- promote integration with the territory through responsible and transparent management of the relations established with it.

Disseminating a culture of safety means continuous research and training activities and the creation of working conditions aimed at gradually reducing the number of emergencies and accidents for Saras Group and contractor workers, with the aim of achieving "zero accidents".

To this end, Saras is working with Confindustria Energia, INAIL and the trade unions to ensure that this culture is also disseminated in the areas in which it operates and among its stakeholders, primarily suppliers, also by involving them in development and awareness-raising programmes.

HSE performance for the year 2021

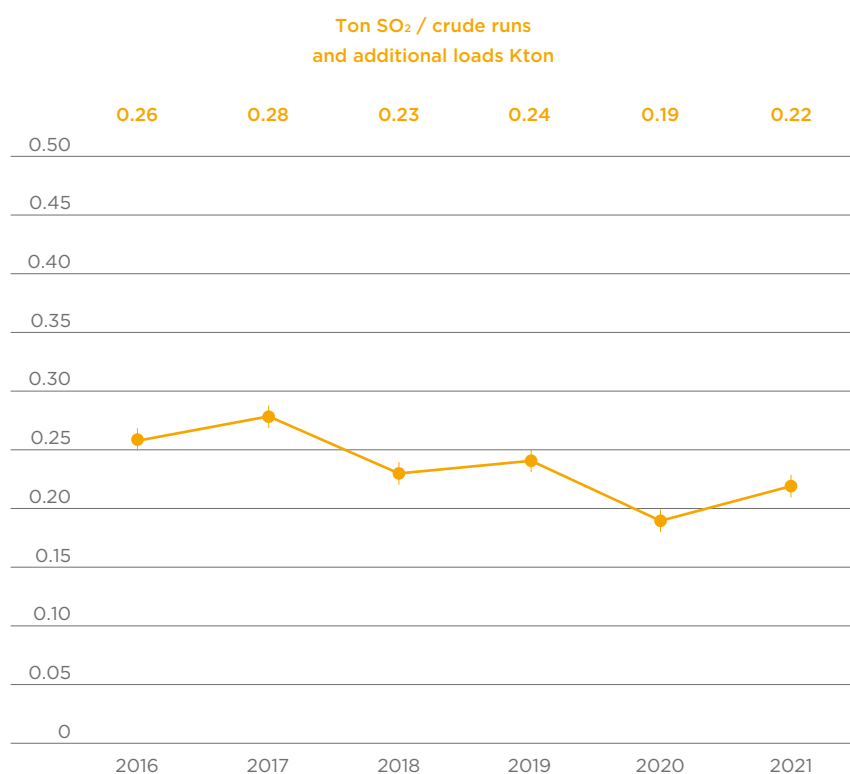
The injury frequency rate for the entire Group was 2.85, up from the 2.17 reported in 2020. The performance was affected by the number of events reported (7 in 2021 vs 6 in 2020) and by the decrease in the number of hours worked, which is the denominator of the ratio with which the frequency index is calculated. In fact, the total hours worked for the Group amounted to approximately 2.5 million hours in 2021 (compared to approximately 2.8 million hours in 2020), mainly due to the reduction in activities due to the continuing SARS COV2 pandemic.

On the other hand, due to the reduction in hours worked, the frequency index of the subsidiary Sarlux remained more or less stable, despite the decrease in the number of reported events: 5 accidents in 2021 compared to 6 events in 2020, none of which could be classified as "high consequences" (i.e. resulting in more than 6 months' absence from work as a consequence of the accident).

More specifically, out of the 5 accidents that happened to the Sarlux staff in 2021, only 1, attributable to defective equipment, was considered to be related to job risks (for which, starting from the Risk Assessment Document, the Employer has put in place all the necessary mitigation measures); while the causes of the other 4 accidents were related to inattention (3), and non-compliance with instructions or rules (1). Finally, the field supervision activities implemented in 2021 made it possible to identify 13 "serious near misses" (i.e., events that by mode and type could have caused an injury).

Despite the 7 accidents, the days lost due to accidents went from 239 in 2020 to 143 in 2021, consequently the Group's severity index decreased to 0.06 against the value of 0.09 recorded in the previous year.

SO₂ PRODUCTION INDEX



In this context the following are included in Sarlux:

1. the implementation of the BBS (Behaviour Based Safety) protocol on the Sarroch site. The Protocol, according to behavioural theories, establishes that behaviours are the result of learning through negative (punishments) and above all positive (rewards) reinforcements, in a sequence of "antecedents" (or activators) that induce "behaviours", which in turn lead to "consequences" (these three phases make up the "three-contingency model - ABC").

The application of the BBS protocol at the Sarlux site began in 2015 with a pilot project in some areas of the plant (Energy, Utilities, Handling and Assets) and was quickly extended to the entire plant and all operational functions. By now, from 2018 onwards, more than 20 thousand observations are made on an annual basis, with percentages of safe behaviour exceeding 98%, a sign that a

culture of safety is widespread throughout all company areas.

In 2021, due to reduced work activities because of the persistence of the SARS COV2 pandemic, there was a decrease in the observations carried out but, at the same time, a greater number of feedback was provided (essential lever for the success of the Protocol), and a further increase (98.7%) in the observed positive behaviours was noted. As for 2020, also in the current year, the observation checklists have taken into account the behaviours necessary for the prevention of coronavirus contagion. A review of the Protocol is planned for 2022 with the aim of maintaining the results achieved and reducing behaviours that have emerged as a contributory cause of accidents in the last three years.

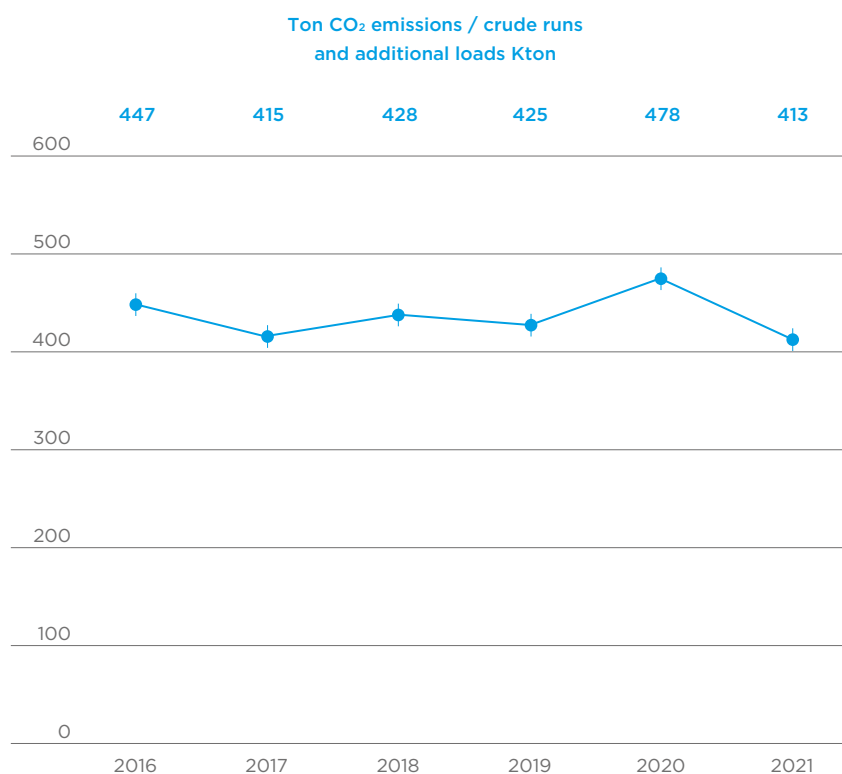
2. Systematic Periodic Exchanges with Contractors: implemented on a weekly basis during shutdown periods, a calendar of meetings to discuss contingent

HSE issues that have occurred on the site. Proactive exchange was further enriched by the contribution of the companies' prevention and protection representatives, who also attend the above-mentioned meetings.

3. Analysis of incidental and near-miss events: Near-misses are events related to work activities, with the potential to produce severe damage to persons and/or things. Once again, in 2021, the aim was to monitor the trend in near-misses in order to increase the level of perception of the risk for staff working at the site. This was achieved by classifying the severity of near-misses according to the accident scenario, the consequences (magnitude) and possible frequency of the occurrence of the event.

During the year, 23 near-misses were reported and analysed in the same way as accidents, with 1st and 2nd level analyses identifying root causes, contributing factors and corrective and improvement actions.

CO₂ PRODUCTION INDEX



4. HSE Management Systems Audits: 19 internal audits were planned and performed in 2021.
5. Site inspections: a total of 93 inspections were carried out, involving 40 companies and around 500 audited workers.

The HSE Management System of the Sarlux plant in Sarroch

In order to meet the commitments and achieve the objectives set out by Saras, Sarlux has gradually implemented its HSE Management System over the years.

The HSE Management System is the tool that Sarlux has adopted and maintains in accordance with current regulations and international standards in order to achieve these objectives. This is made possible through the active contribution of all employees, contractors, suppliers and any other person who has access to the site, all of whom have a duty to behave consistently with the values and guiding principles while also ensuring that they are respected.

On 14th May 2021, the Employee/Manager has updated the Policy for the Prevention of Major Accidents, for the Protection of the Health and Safety of Workers and for the Protection of the Environment.

The HSE Management System is compliant with and is certified for observing the following standards:

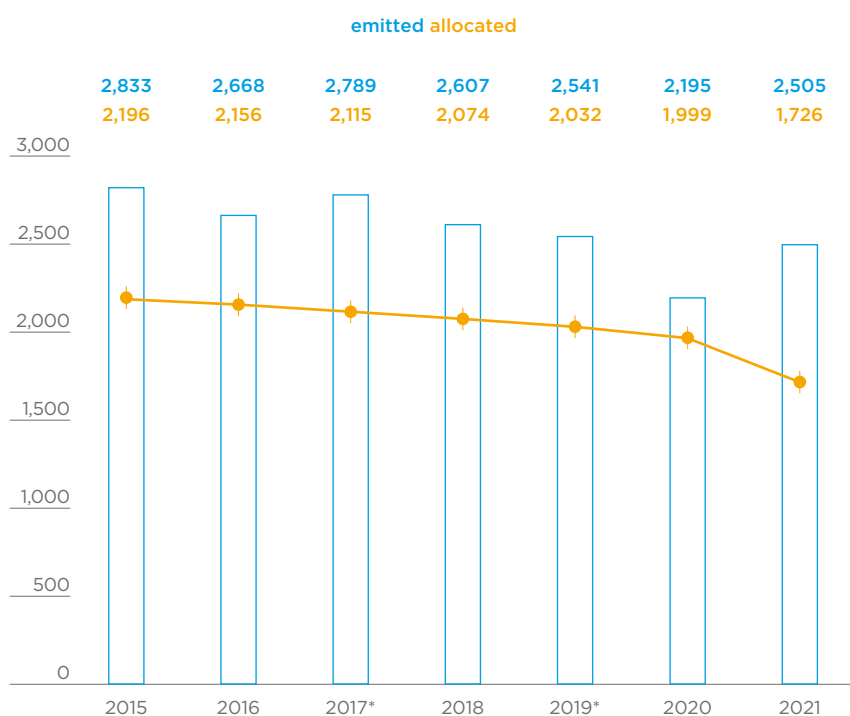
- UNI ISO 14001: 2015 "Environmental management systems: requirements and guidance for use";
- EC Regulation no. 1221/2009, EC no. 1505/2017 and EC no. 2026/2018 - Community eco-management and audit scheme EMAS = Eco-Management and Audit Scheme;
- EEC/EAEC/EC Directive no. 87 of 13th October 2003 - ETS = EU Emission Trading System;
- UNI ISO 45001: 2018 "Occupational health and safety management systems";
- UNI 10617: 2019 "Factories with major accident danger

- Safety management systems
- Essential Requirements".

The system is divided into:

- the Policy and Objectives;
- the hierarchical and functional organization;
- the definition of the scope;
- a specific documentary structure;
- the process analysis;
- the identification of tasks, responsibilities (authority given to the different in-house functions), as well as connections between the functions themselves and with the external organisations involved and concerned;
- the identification of criteria and requirements applicable to control, assurance and management activities and to the planning and implementation of continuous improvement of the System and the organisation.

REFINERY CO₂ EMISSIONS (TONS/YEAR)



* 2017 and 2019 emissions have been modified following the verifications and consequent certifications by Lloyd's, temporally following the publication of the financial statements.

The improvement of the HSE management system processes is implemented through the systematic application of mitigation and enhancement actions, with a constant commitment of the Management aiming at the involvement of all company functions.

The criteria and methods that are necessary to ensure the effective functioning and control of the processes involved are described in the documented information related to the system (guidelines, procedures, operating instructions, etc.).

Annually, the Management defines the objectives for the prevention of major accidents, the protection of workers' health, safety and the environment and plans, through the budget, the needs for both human and infrastructural resources (equipment, instrumentation, etc.) to eliminate or minimise risks.

Since May 2018, the Energy Management System (SGE - Sistema di gestione dell'energia), certified to UNI EN ISO 50001, which shares

the management and document structure of the HSE Management System, has been implemented.

Safety Management System for the prevention of major accidents - SMS-PMA

Specifically regarding the "Safety Management System for the Prevention of major accidents - SMS-PMA" (integral part of the HSE Management System), mandatory for the Sarlux Plant, falling within the scope of the "Legislative Decree no. 105/2015 - Implementation of Directive 2012/18/EU relating to the control of the danger of major accidents connected with dangerous substances" Sarlux has:

- drafted the Safety Report considering, in the evaluation of possible accidents, the domino effect;
- defined the Policy for the prevention of major accidents, the protection of the health and safety of workers and the environment;
- drafted the Policy Document;

- implemented and maintained a Safety Management System for the Prevention of Major Accidents (SMS-PMA);

- defined an Internal Emergency Plan (IEP);

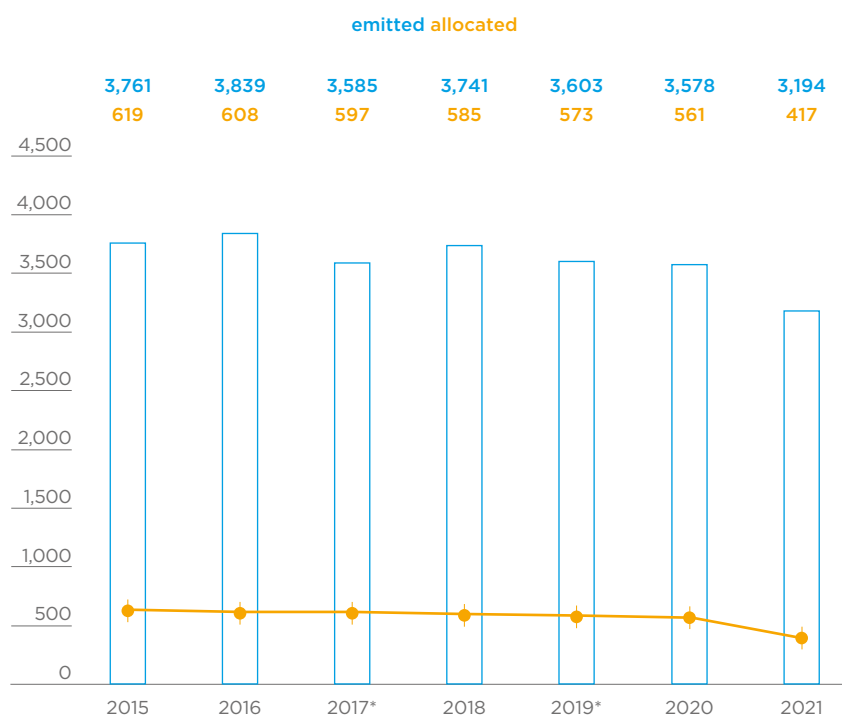
- defined an External Emergency Plan (EEP) in collaboration with the Prefecture of Cagliari and the Fire Brigade.

EMAS registration

Since October 2008 Sarlux has joined the community Eco-Management and Audit Scheme. EMAS is joined on a voluntary basis by both public and private companies and organisations which thus commit to assessing, improving and disseminating their environmental "efficiency".

EMAS is an important tool for improving environmental performance by providing supervisory authorities and citizens (the general public) with access to information, certified by an accredited environmental verifier, on the environmental performance of companies and organisations.

IGCC CO₂ EMISSIONS (TONS/YEAR)



* 2017 and 2019 emissions have been modified following the verifications and consequent certifications by Lloyd's, temporally following the publication of the financial statements.

Sarlux annually presents its Environmental Declaration through which it informs the control authorities and citizens (the general public) of its environmental performance. The document illustrates:

- Sarlux's activities;
- the environmental aspects connected to these activities, whether directly or indirectly;
- the environmental improvement objectives that the company has set for itself.

The Declaration is audited annually by an independent, accredited environmental verifier who assesses the accuracy of the information disclosed from the Environmental Management System.

The environment: a constantly improving picture

Being innovative, sustainable and a model among suppliers of safely and reliably produced energy is one of the principles that guide

the strategic choices of the Saras Group. Improving reliability and continuity in operations and at the same time guaranteeing territorial and environmental protection is a priority of the Company. In particular, activities to protect the health and safety of all those who work directly and indirectly for the Saras Group are of vital concern. Our company's continued commitment has made it possible to significantly reduce the impact of production activities on the environment.

In 2021, the consolidated management methods have contributed to the constant improvement of environmental performance and in particular to the main emission parameters.

Minor fluctuations still exist from year to year, which relate to specific plant interventions and extraordinary maintenance.

During the year, technical and operational interventions continued to equip the Plant with the most effective technologies and means in terms of production and respect for the environment; to this end,

investments are also included to improve energy efficiency with the consequent reduction of fuel burned (and thus lower atmospheric emissions).

Sulphur dioxide (SO₂) and carbon dioxide (CO₂) emissions, reviewed based on the above considerations, provide concrete evidence of the continuous improvement of recent years. In 2021, SO₂ emissions were 2,970 tonnes and CO₂ emissions were 5,699,089 tonnes.

The 2021 information is provisional, because it has yet to undergo a verification process and subsequent certification by an accredited body, as required by Directive 2003/87/EC.

The environmental protection policies also require continuous investment in staff training, which involves all workers at the refinery (including those of contractor companies) and other Group companies in a process aimed at creating a high degree of awareness of environmental issues. Even the most advanced technological systems must be supported by

careful management and control by all those involved in the production cycle.

During the year, all the monitoring activities of all environmental aspects related to air, water and soil were carried out and also for the year 2021, no situations emerged for which the company was found guilty of environmental damage.

In addition, the periodic PRTR (Pollutant Release and Transfer Register) reporting of the site's main environmental data was also carried out in 2021. These communications are sent to ISPRA (Istituto Superiore per la Protezione e la Ricerca Ambientale - Institute for Environmental Protection and Research) to be then forwarded to the European Commission. Specifically, the communications concern the emission values in water and air as well as the production of waste.

A detailed and accurate overview of all the environmental aspects that directly or indirectly affect the environment, within and outside the Sarroch Plant, is given in the annual "Environmental Statement", created according to the Community Eco-Management and Audit Scheme.

AIA: Integrated Environmental Authorisation

From 9th April 2009, all environmental authorisations have been integrated and replaced by decree DSA-DEC-2009-0000230 of 24/03/2009 of Integrated Environmental Authorisation (AIA). The Sarroch refinery was the first in Italy to obtain it, in 2009. After the acquisition of the Northern Plants (formerly Versalis Group Eni), the process of integrating the two authorisations was started.

In 2017, the Plant operated under the new decree that partly maintained the two AIA decrees active. While the one that in fact unified the two pre-existing AIA decrees introduced, in the area of atmospheric emissions, the new limits that relate to large combustion plants (combustion plants with a rated thermal power of not less than 50 MWth) that use mixed fuel (fuel gas and fuel oil), while for those that are single-fuel, the limits of the

Consolidated Environmental Act continue to apply.

The overall review of the Sarlux Integrated Environmental Authorisation (DEC-MIN-0000263 of 11th October 2017) was published on the website of the Ministry for the Environment and was released on 27th October 2017.

The review investigation, which became mandatory for all refineries following the publication of the new BAT in October 2014, ended with the Services Conference on 20th July 2017, in the presence of all competent Bodies (Ministry of the Environment, Region, Metropolitan City of Cagliari, Municipality of Sarroch, National Institute for Environmental Protection and Research (ISPRA) and Regional Environmental Protection Agency (ARPAS)), following a process started on 28th July 2016 with submission of the required documentation.

The current AIA is valid for 16 years as our plant holds the ISO 14001 certification and the EMAS registration. In 2016 it was also extended to cover the Northern Plants and it authorises the Operator to exercise the three activities carried out here at Sarroch, namely:

1. refinery - (manufacture of products derived from oil refining);
2. IGCC plant - (electricity production);
3. Northern Plants - (manufacture of basic organic chemicals).

The monitoring and control activities stipulated in the AIA permit continued on a regular basis during 2021.

Greenhouse gas emissions

The activities carried out in the Sarroch Plant by the subsidiary Sarlux Srl bring the Saras Group within the scope of the European "Emission Trading System" (ETS) Directive.

The ETS Directive was introduced in 2005 to help member states comply with the requirements of the

Kyoto Protocol and reduce carbon dioxide emissions as part of the battle against the greenhouse effect and consequent climate change. It works by assigning an emissions cap through a "National Allocation Plan" to each individual plant falling within the scope of the Directive. The ETS mechanism also allows for surplus allowances that may be traded and/or stockpiled and any deficit must instead be covered by purchasing emissions quotas on the market.

The allowance is assigned for each of the reference periods established by the Directive. The first reference period was the three-year period between 2005-2007, the second related to the five-year period between 2008-2012, while the third period relates to the years 2013-2020. In the second period of application of the ETS Directive, allocations were tighter, based on the Kyoto Protocol targets. The third period (2013-2020) has also led to a further annual reduction in the allocation of emissions quotas.

The Resolution no. 34/2020 of the National Committee for the management of Directive 2003/87/EC updated the free quotas allocated to the entire Sarlux plant starting from 2015 following the acquisition of the Versalis business unit (Northern Plants).

The "Emissions Trading System" National Register is available for consultation and records the allowances assigned and the YoY emissions of CO₂ in Italy.

The subsidiary Sarlux has been allocated a single position based on the total emissions from all its operations at the Sarroch plant. Sarlux keeps a register that records, calculates and monitors CO₂ emissions. The system is certified by accredited independent bodies in accordance with European guidelines and was updated subsequent to the purchase of the Northern Plants.

From 1st January 2021, we entered Phase IV of the system (2021-2030). Commission Regulation no. 2019/331 of 19.12.2018 established new rules for the allocation of free emission quotas for Phase IV of the system divided into two periods (2021-2025 and 2026-2030).

For the period 2021-2025 for the plant (Refinery, IGCC and Northern Plants), in June 2019, a suitable application for allocation was submitted as established by the National Committee for the management of Directive 2003/87/EC based on processing/production data for the period 2014 - 2018.

In Resolution 42_2021, the Committee has indicated a preliminary allocation for the entire plant of 2,143,510 tCO₂/year for the period 2021-2025, to be confirmed on the basis of the "dynamic allocation" mechanism, which takes into account significant variations in the level of activity (+/- 15%). Sarlux submitted to the ETS Committee the certified Activity Level Change (ALC) communication from a recognised entity on the activity levels for the 2019-2020 two-year period preceding the year of issue of free allowances (2021) indicating a non-significant activity level change. The allowances were released in March 2022 on a provisional basis.

Caring for the sea

We are conscious that we must preserve and limit any type of change to the environment. For this reason, we have for years had very stringent criteria relating to the transport of oil and refined products by sea. Starting from 2009, only the latest generation "twin-hulled" ships are used, in anticipation of current legislation on maritime traffic.

Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals. In this regard, vetting inspections are regularly carried out at other ports by trusted Saras personnel, in accordance with international criteria, as are on-the-spot pre-mooring inspections.

Furthermore, during the entire stay of the ships at the Sarroch Marine Terminals, a trusted Safety Inspector is always present on board, who supervises all embarking and disembarking activities of oil products in order to verify the strict compliance of procedures with particular reference to Health, Safety and Environment issues.

Waste

With reference to the problems related to waste, the subsidiary Sarlux, owner of the Sarroch industrial site, generates about 99% of the waste (both hazardous and non-hazardous) produced by the entire Group. For this reason, the Group has codified and formalised all aspects of waste management and monitoring at its operationally relevant site, using an ISO 14001 certified Environmental Management System and the EMAS regulation.

In compliance with the provisions of Legislative Decree 152/06 and the requirements set out in the AIA (Dec 263/2017), Sarlux's waste management is geared towards optimising the quantities produced, the type of waste and the quantities sent for recovery.

The primary objective of reducing the amount of waste produced by the process activities requires continuous internal synergies and innovation which have also enabled to achieve improvements in 2021 thanks to the introduction of new chemicals in the water treatment plants and the use of new, better performing adsorbent materials capable of guaranteeing longer working cycles.

For 2021, there is also a reduction in the production of waste related to investment and maintenance activities, due to their remodelling, so that the amount of waste managed in 2021 will be about 20% lower than the average of previous years.

With regard to the environmental impact of waste leaving the site, considering that approximately 65% of the waste produced in 2021 was process sludge, we continue to benefit from the reduction resulting from its treatment at the in-house thermo-drying plant; in fact, the plant allows a reduction of approximately 80% compared to the amount of waste that would have been generated without its use.

In 2021, around 80% of the total waste managed by Sarlux was classified as "hazardous", and derived almost entirely from industrial processes, while, when

analysing waste by destination, for Sarlux it is found that about 98% is allocated to the appropriate forms of treatment and recovery, while only a minimal part is sent for direct disposal in landfills.

A further commitment by Sarlux is to optimise the collection of waste similar to municipal waste, for which there was a reduction of around 40% in the amount of "municipal" waste managed at the site in 2021, a result linked, but only in part, to the reduction in the number of hours worked at the site due to the continuing SARS COV2 pandemic.

SOCIAL RESPONSIBILITY AND ACTIVITIES WITHIN THE COMMUNITY

Relations with the community

Every company starts out and grows in a specific local context and the relationship it establishes with that community characterises the future growth of both the Company and the local community.

The Saras Group, today a leading international player, was established almost 60 years ago in Sardinia, an island with a strong identity that the Group has considered and considers "its place to be".

From the beginning, Saras has always felt to be an integral part of and a reference point for the community of which it is a part, and has always been committed to creating sustainable value and promoting social projects that generate value for the community.

The Group's policy, called "Our Stakeholders", outlines its approach to managing relations with local communities and recognises the community and its territories, among the various stakeholders, as its strategically important interlocutors. The choice of projects, after an assessment that covers both economic aspects and congruity with the values of the Group's Purpose, falls on those considered to have the greatest impact and value for the territory, useful for supporting the social fabric, in particular following precise guidelines on the areas of intervention based on two main aspects: the social context, i.e. the subjects deserving

support - especially young people, the elderly and the less well-off - and the territory, i.e. the range of interventions to be implemented to enhance the history and traditions of the territory with particular focus on the needs of the community.

One of the objectives to which Saras aims with greater commitment is to spread the business culture and make people understand that "doing business" in Sardinia is still possible; for this reason, it promotes training activities for young people in schools and maintains ongoing relations with universities, with the aim of fostering knowledge, skills and professional standards that will enable young people to be promoters of a social development that cannot ignore the issues of work, sustainability and economic growth, in a region weakened by depopulation, especially among young people.

Saras for schools

Saras, through its Group companies, has set up a number of initiatives to meet the demands of schools and contribute to innovative and more effective teaching.

In 2021, the projects stemming from the ministerial program Transversal Skills and Orientation (PCTO) have continued, online and, when possible, in person, with 8 classes held by 3 higher technical institutes. Ad hoc lessons were organised for each course, during which

technicians and managers of the Company have covered topics of an industrial nature such as safety, environment, energy efficiency, production processes, maintenance processes, ICT, and several others, often using simulations to represent the Group's way of working, and convey what is useful to know when entering the world of work.

In the last few years, over one thousand students have participated in Courses for Transversal Skills and Orientation (PCTO), giving them the opportunity to see the world of work at first hand and in particular to observe the complex system of skills and technological innovation that develops in an industrial group. This has definitely contributed to increasing interaction with the community and consolidating a model of social responsibility within the Company that is ongoing.

For secondary schools, Saras has been supporting, for over 20 years, the cultural development of students at the public secondary school in Sarroch and Villa San Pietro, the municipalities where the Sarlux industrial site is located.

In the context of the "Saras for school" educational programmes, the Group, as every year, has donated textbooks to the approximately 120 students of the Institute and, during the acute phase of the pandemic, in addition to the tablets offered in previous years, it has donated to the school new computers and printers to support distance learning.

In the name of sustainability and circular economy, the books are delivered on loan for use and returned at the end of the year to future students, except in cases where new editions must be adopted.

The Group's commitment to the right to education, which began in the early years of Saras' presence in the area, has allowed over time the creation of a chemical laboratory, sports facilities (also equipped with defibrillators), the creation of thematic seminars, workshops and financial literacy activities.

Saras for universities

As part of the Memorandum of Understanding with the University of Cagliari, Saras has continued its activities in the area of corporate social responsibility also in 2021, pursuing the exchange of know-how with the University.

Technical seminars are organised on a regular basis as part of the training for future engineers and projects in collaboration with the various faculties, aimed at advancing scientific and technological innovation.

Particularly interesting partner, given the training and educational objectives, is the Department of Mechanical, Chemical and Materials Engineering of the University Faculty of Engineering with which the Saras Group organises, on a

regular basis, seminars, meetings, workshops and internships.

During the meetings, Saras Group managers and engineers will present the company as an industrial site, fully integrated between refining, energy production and petrochemicals, that represents a value for the area in terms of economic, social, cognitive and environmental growth. An important aspect is given by the presentation of the innovations in progress on the themes of energy saving and environmental sustainability, fully in line with the European Green Deal and the national PNIEC.

The seminars were held online, given the impossibility of organizing face-to-face meetings even in 2021, and provide the opportunity for important interactions between Saras and the University thus creating added value for students, the local area, the world of work and for the whole community.

In 2021, Saras has also joined a project promoted by the Italian Association of Chemical Engineering (AIDIC - Associazione Italiana di Ingegneria Chimica) and, together with other Sardinian companies, has contributed to offering scholarships to the best engineering graduates.

Saras for the community and sport

Saras also supports the community by sponsoring amateur and professional sports associations. The

pandemic forced the government to issue measures that led to the suspension of many activities and consequently the map of interventions on sport had to be redrawn.

However, the Saras Group has supported the "Sarroch Polisportiva Volley", an important local team, which the company is proud to help grow, in addition to its continue support of training centres for young athletes.

Community and safety

Saras shares its expertise in the field of safety at the workplace with many local firms and holds HSE training courses with a view to disseminating an appropriate industrial culture in tune with these fundamental principles.

RISK ANALYSIS

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

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

FINANCIAL RISKS

Exchange rate risk

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

Interest rate risk

Loans at variable interest rates expose the Group to the risk of variations in results and in cash flows, due to interest payments. Loans at fixed interest rates expose the Group to the risk of changes of

the fair value of the loans received. The main existing loan contracts are stipulated in part at variable market rates and in part at fixed rates. The Saras Group also uses derivative instruments to reduce the risk of 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. Operating cash generation therefore deteriorated, affecting the level of financial debt. In order to mitigate the liquidity risk, new medium/long-term credit lines were obtained, such as the EUR 350 million loan granted in December 2020 and expiring in September 2024, backed by a government guarantee for 70% of the value.

The next year will be characterised by the maturity of the bond loan of EUR 200 million subscribed in 2017, as well as the repayment of the instalments of other outstanding loans for around EUR 120 million.

Saras has already initiated discussions with a group of banks in order to obtain a new loan guaranteed at 70% by the government, in compliance with the Decree-Law no. 23 of 8th April 2020 - "Liquidity Decree" - whose term has been extended until 30th June 2022. The new loan is mainly aimed at the early repayment of the bond maturing in December 2022 and the medium-term loan of EUR 50 million maturing in August 2023. In accordance with the general conditions of the Italian Guarantee provision, the new loan will be equal to 125% of the debt subject to refinancing. The finalisation of this loan is still awaiting the issue of a specific decree by the Ministry of the Economy and Finance for authorisation of the issue of the guarantee by SACE.

Saras SpA on 24th December 2021 received the notification by the Public Prosecutor of Cagliari 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.

The lending banks could avail themselves of the remedies provided for in the loan agreements (SACE loan, Unicredit loan and RCF loan) in their favour in relation to an event referred to in Legislative Decree 231/2001.

Medium and long-term bank loans were consequently reclassified in the short term at 31st December 2021 in application of the accounting standard IAS 1.74 which provides this when a clause of a long-term loan agreement is violated as at the closing date or before the end of the financial year. This determine 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, for further details, see the Notes to the Financial Statements.

In order to mitigate this risk, it was necessary, at the beginning of 2022, to request a waiver from the lending banks in order to agree with the lenders to do not make use of the contractual right to request repayment in the presence of the alleged violation, restoring the original payment deadlines in the medium and long term.

On the basis of the discussions underway with the banks of the financing agreements, at the date of the Board of Directors' meeting of 14th March 2022, the Directors are confident that in the very short term they will be able to obtain the formalised waiver for the SACE loan and the RCF line (actually issued on 31st March 2022), which is also evidence of the willingness of the banks to continue to provide financial support to the Group also on the remaining short-term credit lines and to finance the principal instalments and the bond loan maturing in 2022.

It should also be noted that the financial parameters on existing loans subject to review at 31st December 2021 are complied with.

Finally, it should be noted that the level of debt could also undergo positive and negative changes due to the trend in working capital, strongly affected by the considerable volatility of the prices of oil and energy commodities caused by the Ukrainian crisis which could also affect the profitability of the core business.

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

Environmental risk

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

Legislative and regulatory risk

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

- regulations relating to the reduction of national emissions of specific atmospheric pollutants and their 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.;

- reference regulations relating to the fact that the Sarlux Srl subsidiary has sold, until April 2021, the electricity generated to the G.S.E. under the conditions specified by the legislation in force (Law no. 9/1991, Law no. 10/1991, CIP Decision 6/92 as amended, Law no. 481/1995), which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production;
- regulations and implementing documents issued by Terna and ARERA regarding the "essentiality" requirements of the IGCC plant in Sarlux, as provided for by ARERA Resolution no. 111/06, 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 (Sardecolica).

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 low-carbon basis, allocating most of the financial resources to the renewable energy, smart mobility and electrification sectors. States can pursue the goal of decarbonisation 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.

Protection of Personal Data

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

Information technology and cybersecurity

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

Covid-19 Risk

The intensification of the economic and financial crisis unleashed by the Covid-19 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. In addition, a situation of uncertainty remains regarding the evolution of the pandemic, even though the high vaccination rates at national, European and global level have led to an increase in consumer confidence and a recovery in oil consumption. The recovery in consumption starting from the second half of 2021 has not yet been reflected in an improvement in refining margins at pre-pandemic levels, shifting the expected recovery in profitability to 2022, and then consolidating at more significant levels between 2023 and 2024.

Provisions for risks and charges

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

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 anti-corruption rules, by Saras, its business partners, agents or other persons acting in its name or on its behalf, may expose Saras and its employees to the risk of criminal and civil penalties that could damage the Company's reputation and shareholder value. For more details on the proceedings in progress, please refer to paragraph 7.1 of the Explanatory Notes to the Consolidated Financial Statements.

OTHER FIGURES

Treasury shares

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

As a consequence of the resolution of the Shareholders' Meeting of 12th May 2021 on the 2018-2021 Stock Grant Plan, Saras SpA has assigned and delivered all treasury shares in its portfolio, equal to 9,220,216: therefore, the number of ordinary shares in circulation as at 31st December 2021 was 951,000,000.

Stock Grant Plans

The Saras Shareholders' Meeting has approved, on 12th May 2021, the 2021 Stock Grant Plan for the Saras Group's Top Management, after cancelling the "2019-2021 Stock Grant Plan".

The 2021 Stock Grant Plan had the objective of recognising to the beneficiaries, already recipients of the 2019-2021 stock grant plan, a bonus linked to the results of the business indicators of the previous 2019-2021 stock grant plan, achieved in the two-year period 2019-2020.

As a result of the 2021 Stock Grant Plan, 9,220,216 ordinary shares of Saras were allocated to Saras Group management.

Performance Cash Plan

The Shareholders' Meeting of Saras has also approved, on 12th May 2021, the long-term incentive plan for the Saras Group's Top Management, called Performance Cash Plan 2021-2023, with the aim of providing the Company with a remuneration tool that best represents the Company's objectives and the management performance, which is more in line with the current strategy and capable of supporting the engagement and retention of the Group's management figures.

The beneficiaries of the Plan were identified among:

- key managers within the Company;
- the directors of the Italian and/or foreign subsidiaries;

- other top managers with a high impact on the creation of value for the Group.

The Plan provides for the possibility for the beneficiaries to accrue, at the end of a three-year performance period, a monetary amount depending on the degree of achievement of the following objectives:

- Saras margin v. EMC benchmark - 40% weight
- Total Shareholder Return - 20% weight
- Debt reduction - 40% weight

Transactions with related parties

At the end of 2021, the effect on the Saras Group Balance Sheet and Income Statement arising from transactions or positions with related parties was not significant. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 7.3 "Transactions with Related Parties".

Use of financial instruments

Details can be found in the Notes to the Consolidated Financial Statements, in the chapter “Additional information”.

Research and development

In 2021, Saras did not undertake any significant research and development activities. Therefore, no significant costs have been capitalised or recorded in the Income Statement. For further information, please refer to paragraph 5.2.2 “Intangible assets”.

Information by segment and geographical area

Information on the breakdown of purchases and sales by business segment and geographical area is provided in chapter 4

“Information by business segment and geographical area” of the Notes to the Consolidated Financial Statements.

Non-recurring and unusual transactions

In 2021, no atypical and/or unusual transactions were carried out.

Information on shareholdings held by members of the Board of Directors, Board of Statutory Auditors and Managers

Details are available in the Notes to the Separate Financial Statements of Saras SpA at section 7.5 “Shareholdings held by members of the Board of Directors, Statutory Auditors, General Manager and Key Managers”.

Adoption of the fiscal consolidation

Details are available in paragraph 3.4 “Summary of accounting standards and policies” in the Notes to the Consolidated Financial Statements, under paragraph X “Taxes”.

Reconciliation between Group Net Result and Shareholders’ Equity

The reconciliation between the Group’s Net Result and Shareholders’ Equity and that of the Parent Company’s Net Result and Shareholders’ Equity is provided in the table below.

EUR thousand	NET RESULT	EQUITY
As per the Financial Statements of Saras SpA as at 31st December 2021	30,058	648,938
Differences between book value and Equity as at 31 st December 2021 of shareholdings at cost in the Financial Statements valued of Saras SpA	(5,368)	114,998
Corrections made during consolidation	(15,356)	29,782
As per the Group Consolidated Financial Statements as at 31st December 2021	9,334	793,718



MAIN EVENTS AFTER THE END OF 2021

Please refer to the relevant section in the Notes to Consolidated Financial Statements.



CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2021



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

Thousands of EUR	(1)	(2)	31/12/2021	31/12/2020
ASSETS				
Current financial assets	5.1		2,284,904	1,841,050
Cash and cash equivalents	5.1.1	A	366,680	558,997
Other financial assets	5.1.2	B	115,268	153,677
Trade receivables	5.1.3	C	546,511	256,641
<i>of which with related parties:</i>			<i>88</i>	<i>87</i>
Inventories	5.1.4	D	1,169,172	737,389
Current tax assets	5.1.5	E	32,954	14,289
Other assets	5.1.6	F	54,319	120,057
Non-current assets	5.2		1,414,691	1,529,138
Property, plant and equipment	5.2.1	H	1,227,395	1,310,794
Intangible assets	5.2.2	J	41,510	47,225
Right-of-use of leased assets	5.2.3	I	44,585	42,801
Other investments	5.2.4	L	507	502
Deferred tax assets	5.2.5	X	96,555	121,844
Other financial assets	5.2.6	M	4,139	5,972
Total assets			3,699,595	3,370,188
LIABILITIES AND EQUITY				
Current liabilities	5.4		2,683,506	1,676,426
SH-T Financial liabilities	5.4.1	R	928,683	611,441
Trade and other payables	5.4.2	R	1,580,564	916,594
Current tax liabilities	5.4.3	X	110,397	80,499
Other liabilities	5.4.4	R	63,862	67,892
Non-current liabilities	5.5		222,371	909,240
Long-term financial liabilities	5.5.1	R	51,845	652,064
Provisions for risks and charges	5.5.2	P, AA	159,718	244,165
Provisions for employee benefits	5.5.3	Q	6,883	8,901
Deferred tax liabilities	5.5.4	X	3,734	3,730
Other liabilities	5.5.5	R	191	380
Total liabilities			2,905,877	2,585,666
EQUITY				
	5.6	N, O, W		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			718,828	994,482
Net result			9,334	(275,516)
Total equity attributable to the parent company			793,718	784,522
Third-party minority interests			-	-
Total equity			793,718	784,522
Total liabilities and equity			3,699,595	3,370,188

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

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

CONSOLIDATED STATEMENT OF INCOME FOR 2021

Thousands of EUR	(1)	(2)	01/01/2021 31/12/2021	of which non-recurring	01/01/2020 31/12/2020	of which non-recurring
Revenues from ordinary operations	6.1.1	S	8,561,324		5,184,875	
Other income	6.1.2	S	75,124		157,409	
<i>of which with related parties:</i>			159		199	
Total revenues			8,636,448	0	5,342,284	0
Purchases of raw materials, consumables and supplies	6.2.1	T	(7,183,639)		(4,745,491)	
Services and other costs	6.2.2	T, AA	(1,033,218)		(520,375)	
<i>of which with related parties:</i>			(1,075)		(517)	
Personnel costs	6.2.3	Q,T	(142,570)		(163,497)	
Depreciation/amortisation and write-downs	6.2.4	H,J	(198,525)		(254,032)	
Total costs			(8,557,952)	0	(5,683,395)	0
Operating result			78,496	0	(341,111)	0
Financial income	6.3	U	64,217		68,601	
Financial charges	6.3	U	(110,505)		(82,419)	
Result before taxes			32,208	0	(354,929)	0
Income taxes	6.4	X	(22,874)		79,413	
Net result			9,334	0	(275,516)	0
Net result attributable to:						
Shareholders of the parent company			9,334		(275,516)	
Third-party minority interests			0		0	
Net earnings per share – base (euro cents)		Z	0.99		(29.25)	
Net earnings per share – diluted (euro cents)		Z	0.99		(29.25)	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2021

Thousands of EUR		01/01/2021 31/12/2021	01/01/2020 31/12/2020
Net result (A)		9,334	(275,516)
Items of comprehensive income that may subsequently be restated to profit or loss for the year			
Effect of translation of the financial statements of foreign operations	V	(751)	(637)
Items that will not be restated to profit or loss			
Actuarial effect IAS 19 on employee post-employment benefits	Q, T	613	
Other profit/(loss), net of the tax effect (B)		(138)	(637)
Total consolidated net result (A + B)		9,196	(276,153)
Total consolidated net result attributable to:			
Shareholders of the parent company		9,196	(276,153)
Third-party minority interests		0	0

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2021

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) for the year	Total Equity attributable to the Parent Company	Third-party Minority Interests	Total Equity
Balance at 31/12/2019	54,630	10,926	967,129	26,154	1,058,839	0	1,058,839
Period 1/1/2020 - 31/12/2020							
Allocation of previous year result			26,154	(26,154)	0		0
Dividend Distribution			0		0		0
Translation effect of financial statements in foreign currency			(466)		(466)		(466)
Actuarial effect IAS 19			(215)		(215)		(215)
Reserve for stock option plan			1,880		1,880		1,880
Net result				(275,516)	(275,516)		(275,516)
<i>Total net result</i>			<i>(466)</i>	<i>(276,197)</i>	<i>276,197</i>	<i>0</i>	<i>276,197</i>
Balance at 31/12/2020	54,630	10,926	994,482	(275,516)	784,522	0	784,522
Period 1/1/2021 - 31/12/2021							
Allocation of previous year result			(275,516)	275,516	0		0
Translation effect of financial statements in foreign currency			(751)		(751)		(751)
Actuarial effect IAS 19			613		613		613
Net result				9,334	9,334		9,334
<i>Total net result</i>			<i>(751)</i>	<i>9,334</i>	<i>8,583</i>	<i>0</i>	<i>8,583</i>
Balance at 31/12/2021	54,630	10,926	718,828	9,334	793,718	0	793,718

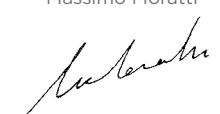
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2021

Thousands of EUR	(1)	(2)	01/01/2021 31/12/2021	01/01/2020 31/12/2020
A - Opening cash and cash equivalents			558,997	431,463
B - Cash flow from (for) operating activities				
Net result	5.5		9,334	(275,516)
Unrealised exchange rate differences on bank current accounts			(14,178)	(3,082)
Amortisation, depreciation and write-downs of assets	6.2.4	K, J	198,525	254,032
Net change in risk provisions	5.4.2	P, AA	(84,447)	49,887
Net change in provision for employee benefits	5.4.3	Q	(2,018)	(957)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	X	25,293	(90,735)
Net interest		U	19,708	(1,239)
Income tax set aside	6.4	X	(2,419)	11,322
Change in the fair value of derivatives	5.1.2 - 5.3.1		9,117	39,875
Other non-monetary components	5.5		(138)	1,199
Profit for the year before changes in working capital			158,777	(15,214)
(Increase)/Decrease in trade receivables	5.1.3	C	(289,870)	94,898
(Increase)/Decrease in inventories	5.1.4	D	(431,783)	303,453
(Increase)/Decrease in trade and other payables	5.3.2	R	663,970	(732,142)
Change other current assets	5.1.5 - 5.1.6	F	47,073	107,574
Change other current liabilities	5.3.3 - 5.3.4	R	28,287	(25,062)
Interest received		U	47	1,239
Interest paid		U	(19,755)	0
Change other non-current liabilities	5.4.5	R	(189)	(25,724)
Total (B)			156,557	(290,978)
C - Cash flow from (for) investment activities				
(Investments) in PPE and intangible assets	5.2.1 - 5.2.2	H, I	(100,050)	(252,327)
(Investments) in Right-of-use of leased assets			(11,146)	(2,064)
(Increase)/Decrease in other financial assets and other investments	5.1.2	B	97,889	(10,136)
Change in non-current assets held for sale	5.2.1 - 5.2.2		0	7,038
Total (C)			(13,307)	(257,489)
D - Cash flow from (for) financing activities				
Increase/(decrease) m/l-term financial payables	5.4.1	R	(600,219)	397,360
Increase/(decrease) short-term financial payables	5.3.1	R	250,473	275,559
Total (D)			(349,746)	672,919
E - Cash flows for the period (B+C+D)			(206,496)	124,452
Unrealised exchange rate differences on bank current accounts			14,178	3,082
F - Closing cash and cash equivalents			366,679	558,997

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

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

For the Board of Directors - The President
Massimo Moratti





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2021



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2021

1. Foreword

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

Saras SpA operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished products. 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 Alternativa Srl and Energia Verde Srl.

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

As described in more detail in the Report on Operations, for the Refining sector, the market was still weak in the first half of the year, and a recovery was only recorded from the summer period onwards, especially in terms of margins and processing. In 2021, accelerating consumption for the post-pandemic recovery has led to an unprecedented surge in the cost of raw materials and energy commodities, creating tensions in key supply markets and driving energy commodity prices to record levels.

During the year, the Group has continued to implement the cost efficiency and investment reduction plan launched in 2020 with the aim of minimising the impact of the Covid-19 pandemic crisis. In particular, on the operating costs front, during 2021 the Group has internalised, through its subsidiary Sartec, its engineering activities and continued its plan to contain labour costs, through the use of the redundancy fund which was adopted to a partial extent for all group employees and extended in the second half of the year,

although in a reduced form, with the implementation of a plan for incentivised voluntary termination of employment.

In the second half of the year, however, the acceleration of consumption due to the post-pandemic recovery led to an unprecedented surge in raw material and energy commodity costs, driving gas, electricity and CO₂ prices to record levels and offsetting some of the benefits derived from improved margins.

Furthermore, in 2021, the resolution 598/2020/R/eel of 29th December 2020 has recognised the combined cycle power plant of Sarlux Srl IGCC among the essential plants for the safety of the Italian electricity system. On 13th April, Resolution no. 152/2021/R/EEL, ARERA has defined the amendments to the technical-economic parameters to be considered for its use.

At the same time, the Group has continued to implement its plan to expand the Renewables segment, as set out in the Plan, through the acquisition, in the second quarter of the year, of Energia Verde Srl and Energia Alternativa, with an additional installed wind power capacity of 45 MW, whose operations, net of some maintenance activities, began immediately.

On the basis of current market conditions and available information, it is extremely difficult to be able to articulate and assess the economic and financial impacts deriving from the evolution of the crisis. Therefore, the medium and long-term financial calculations used in the company projections aim at identifying a better forecast that does not consider the current volatility deriving from this sudden and unexpected crisis as it cannot be considered a normal market condition.

In this context, the Company has made consistent operating decisions aimed at maximising the production factors under its direct management, confirming the maintenance of all plants in operation in order to provide a concrete response to the national energy crisis.

The geopolitical crisis in Russia and Ukraine has dramatically changed the reference scenario, particularly in Europe, leading to unprecedented volatility in oil and energy commodity prices, the short-term evolution of which is currently difficult to predict. However, it has been assumed that, since the crisis is exogenous and non-financial in nature, with an uncertain intensity and re-absorption period, the Company’s long-term income-generating capacity is resilient to the crisis itself.

Finally, regarding the expected trend of the Group's Net Financial Position for 2022, the recent geopolitical events do not allow us to predict the evolution of the scenario, nor to reliably quantify the short-term impacts, although they are causing, on the one hand, a positive impact on margins and working capital that cannot be quantified to date due to the appreciation of crude oil and oil products, and, on the other, a negative impact arising from higher energy costs.

Going concern

As described in the paragraph on 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.

From 2020 onwards, the spread of Covid-19 has had a significant negative impact on the oil market. Operating cash generation therefore deteriorated, affecting the Group's level of financial debt. In order to mitigate the liquidity risk, new medium/long-term credit lines were obtained, such as the EUR 350 million loan granted in December 2020 and expiring in September 2024, backed by a government guarantee for 70% of the value. Group's net financial position basically remained still comparing to previous year.

The next year will, however, be characterised by the maturity of the bond loan of EUR 200 million subscribed in 2017, as well as the repayment of the instalments of other outstanding loans for around EUR 120 million.

Saras has already initiated discussions with a group of banks in order to obtain a new loan guaranteed at 70% by the government, in compliance with the Decree-Law no. 23 of 8th April 2020 - "Liquidity Decree" - whose term has been extended until 30th June 2022. The new loan is mainly aimed at the repayment of the bond maturing in December 2022 and the medium-term loan of EUR 50 million maturing in August 2023. In accordance with the general conditions of the Italian Guarantee provision, the new loan will be equal to 125% of the debt subject to refinancing. The finalisation of this loan is still awaiting the issue of a specific decree by the Ministry of the Economy and Finance for authorisation of the issue of the guarantee by SACE.

On 24th December 2021 Saras received 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 the report

on operations) and the possible involvement of the company as a responsible party pursuant to Legislative Decree 231/2001 constitutes an event that contractually causes Saras to forfeit the benefit of the term on all credit lines currently used or granted, and represents a critical issue for the granting of new lines in the authorisation process.

The maturity, in the next twelve months, of the EUR 200 million bond loan and of instalments of other loans for approximately EUR 120 million, together with the right of the lenders to request the repayment of the further outstanding indebtedness and the possible critical issues for the granting of new lines during the authorisation process in relation to the alleged violation of the provisions of Legislative Decree no. 231/2001 described in paragraph 7.1, constitute elements of uncertainty in obtaining the financial resources necessary to cover the financial requirements of the next 12 months. The financial equilibrium could also be affected by the trend in working capital, strongly affected by the considerable volatility of the prices of oil and energy commodities caused by the Ukrainian crisis which could also affect the profitability of the core business.

Waivers on the existing loans (actually obtained from the lending banks on 31st March 2022) will allow Saras not only to restore the medium- and long-term maturities of its existing loans and credit lines, but also to have its creditworthiness acknowledged in order to access the additional lines needed to cover the debt maturing in 2022.

2. General preparation criteria for the Consolidated Financial Statements

The consolidated financial statements of the Group for the year ending 31st December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS or international accounting standards) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002 and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree no. 38 of 28th 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 Bank 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.

These Financial Statements were prepared in accordance with the going concern principle, as the Directors determined that there are no financial, management or other indicators that could signal criticalities in the Group's ability to meet its obligations in the foreseeable future. Risks and uncertainties related to the business, as well as the variability of external and market factors to which the Group's economic and financial performances are exposed, are described in the relevant sections of the Report on Operations. A description of how the Group manages the risks connected to those factors, as well as financial risks, including liquidity and capital risks, is provided in the section on additional information on financial instruments and risk management policy of these notes.

3. Accounting standards applied

3.1 New accounting standards, interpretations and amendments applicable from this financial year and adopted by the group

The Group has applied for the first time certain standards or amendments that have been in force since January 1st, 2021, without impact on the consolidated financial statement of the Group.

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Phase 2 - issued on August 27th, 2020 and endorsed on January 13th, 2021. The amendments Phase 2 deal with some issues that could impact the financial reporting and information with respect to interest rate, including the effect on contractual cash flows or hedging relations due to the change from an

interest rate benchmark to an alternative interest rate (replacement issues).

3.2 Standards issued but not yet in force

Hereinafter is a list of new standards, amendments and interpretations that will be applied by the Group after December 31st, 2021: the Group will assess the possible impacts of the application of such standard during its first time adoption.

IFRS 17 Insurance contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a new comprehensive standard which covers recognition and measurement, presentation and disclosure for insurance contracts. Once into 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 be in force for financial years starting on 1st January 2021 or later and will require the presentation of the comparative balances. 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 does not have significant effects on the Group's consolidated financial statements.

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 preparation date of the Group's consolidated financial statements, 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.

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

The amendments introduce a definition of accounting estimates, by replacing the concept of change in

accounting estimates. According with the new definition, accounting estimates are monetary items subject to uncertainty in measurement. Entities perform accounting estimates if the accounting standards require that financial statements' items are measured in a way that involve uncertainty in measurement. The IASB clarified that a change in accounting estimates deriving from new information or new developments in not to be taken as the correction of a mistake. Furthermore, the effects of a change in inputs or in a measurement technique upon which an estimate is based are considered as changes in estimates if they do not result from mistakes done in the previous periods. A change in accounting estimates could impact the net result of the current period or it could also impact the following periods: therefore, the impact on the current period must be booked through the present income statement, whilst the impact on the future periods must be booked in the respective income statements. Such amendments will be effective, once they will be endorsed, starting from January 1st, 2023.

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

The amendments will be effective for financial years beginning on or after 1st January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on the current situation and in case it becomes necessary to renegotiate existing loan agreements as well as following the IFRS IC and IASB discussions in this regard.

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

The Amendments have the goal to help the Entities to prepare their financial statements in respect of the choice of the accounting policies, with particular attention to the definition of the relevant accounting policies and to the related disclosures to be given. An accounting policy is significant if the users of financial statement need it to understand other information included in the financial statement. Furthermore, IFRS Practice Statement 2 has been modified by adding guidelines and examples to show the application of the "four-step materiality process". Such amendments will be effective, once they will be endorsed, starting from January 1st, 2023.

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 will be effective for financial years beginning on 1st January 2022 and are to be applied prospectively.

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

Issued on May 7th, 2021 and yet to be endorsed, the document partially amend IAS12's requirements, by regulating if and when entities could avoid to book deferred tax liabilities or assets in certain circumstances. The goal of such amendments is to reduce differences in deferred taxes booked on leasing contracts and commissioning obligations. The amendments will be effective from January 1st, 2023; early adoption is permitted.

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 will be effective for financial years beginning on or after 1st 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 this amendment. No material effects are expected for the Group with respect to these amendments. It is also to be noted that on March 31st, 2021 Amendment to IFRS 16 – Leases: Covid-19-Related Rent Concessions beyond June 30th 2021 was issued. The amendment is meant to modify the deadlines stated by IFRS 16 in choosing some of the options and criteria to apply the standard.

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 will be effective for financial years beginning on 1st January 2022 or later. The Group will assess the effects of such amendments in the event of contracts for which it has not yet fulfilled all its obligations at the beginning of the first financial year application.

Annual Improvements 2018-2020

IASB issued an amendment to IFRS1 – First Time Adoption, in order to give instructions in some aspects related the first adoptions of IFRS. The amendment is effective from January 1st 2021 and early adoption is permitted.

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 will be effective for financial years beginning on or after 1st January 2022 and early application is permitted.

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

As part of the 2018–2020 annual improvement process 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 this 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 will be effective for financial years beginning on or after 1st January 2022 and early application is permitted. The Group will apply this amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies this amendment. No material effects are expected for the Group with respect to this amendment.

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. An entity applies this amendment prospectively to the fair value measurement starting from financial years beginning on or after 1st January 2022, early application is permitted. No material effects are expected for the Group with respect to this amendment. The IASB also approved two amendments to IAS 1 and IAS 8 with reference to the disclosure of significant accounting policies and the definition of estimates and changes in accounting estimates.

3.3 Consolidation Scope and Criteria

The consolidated financial statements include the financial statements of the Parent Company and of the companies over which it exercises control, directly or indirectly, starting from the date on which it was acquired and up to the date when such control ceases. In this case, said control is exercised both by virtue of the direct or indirect ownership of the majority of shares with voting rights and the exercise of a dominant influence expressed by the power to determine, even indirectly by virtue of contractual or legal agreements, financial and managerial choices of the entities, obtaining the relative benefits, 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 consolidated financial statements have been prepared as at 31st December 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.

On 30th March 2021, the Board of Directors of Saras SpA approved the draft separate financial statements of Saras SpA.

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 e società controllate	100%
Saras Energia SAU	100%
Terminal Logistica de Cartagena SLU	100%
Reasar SA	100%
Sardeolica Srl	100%
Energia Verde Srl	100%
Energia Alternativa Srl	100%
Saras Trading SA	100%
Other investments: measured at cost as not significant	
Sardhy Green Hydrogen Srl	50%
Sarda Factoring	4.01%
Consorzio La Spezia Utilities	5%

Compared to 31st December 2020, the parent company Saras Spa has established Sardhy Green Hydrogen Srl a joint venture with Enel Green Power, with the aim of designing, building and managing the first green hydrogen production plant in the area of the refinery in Sarroch. The shareholding is equal in terms of shareholdings, contractual relations and shareholders' agreements that govern relations between the two shareholders: in view of this, the company is not majority-owned by the Saras Group and has therefore been valued, in these financial statements, using the equity method.

The criteria adopted for the line-by-line consolidation of subsidiaries consolidated on a line-by-line basis are as follows:

- [I] assets and liabilities, expenses and income are consolidated on a line-by-line basis attributing to minority shareholders, where applicable, the portion of shareholders' equity and net result for the period pertaining to them; these items are reported separately in specific items of Shareholders' Equity and the Consolidated Statement of Comprehensive Income;
- [II] business combinations that lead to the control of an entity being acquired are accounted for using the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities and any equity instruments issued are acquired. The difference between:
 - the consideration paid (generally calculated on the basis of its fair value at acquisition date) and - in the case of a business combination achieved in stages - the fair value at the date of acquisition of control of the equity investment already held in the Company; and
 - the fair value of the identifiable assets acquired net of the identifiable liabilities taken on, measured at the date that control is acquired

is recognised, where the relevant conditions apply, as goodwill on the date that control of the business is acquired. In the case of negative goodwill, this is recognised in the Income Statement.

- [III] gains and losses arising from transactions between companies that are consolidated on a line-by-line basis, which have yet to be realised with third parties, are derecognised, where significant, as are any intragroup payables and receivables, costs and revenues and financial income and charges;
- [IV] gains and losses arising from the disposal (without loss of control) of equity investments in consolidated companies are charged to equity for amounts corresponding to the difference between the selling price and the portion of consolidated equity effectively transferred. If further acquisitions of equity investments take place without a change in control, the difference between the purchase price and the corresponding portion of equity acquired is recognised through equity.

Investments in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the Group exercises significant influence (referred to hereinafter as "affiliated companies"), which is presumed to exist when a stake of between 20% and 50% is held, are accounted for using the equity method, except where the application of this method does not impact on the Group's financial position, operating results and cash flow; in such instances, the investment is measured at fair value. The way in which the equity method is applied is described below:

- [I] the carrying amount of an investment is brought into line with the equity of the investee, adjusted, where necessary, to reflect the adoption of accounting policies that are consistent with those adopted by the Parent Company and includes, where applicable, any goodwill identified at the time of the acquisition;
- [II] the Group's proportionate share of profits or losses is recognised in the consolidated income statement from the date on which the significant and controlling influence commences until the day it ceases to exist. Should the company, as a result of losses, report a net deficit, the carrying amount of the investment is eliminated and any excess amount attributable to the Group is allocated to the relevant provision, only where the Group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not allocated to the result posted in the income statement are directly added to or deducted from equity reserves;
- [III] unrealised gains and losses arising from transactions between the Parent Company and subsidiaries or investee companies are derecognised based on the value of the stake held by the Group in the investees. Unrealised losses are eliminated, except where they represent an impairment loss.

The financial statements of the companies included in the basis of consolidation are prepared using the currency of the main economic environment in which they operate (functional currency). The consolidated financial statements are presented in euro, which is the functional currency of the Parent Company. The following rules are followed when translating the financial statements of companies expressed in a currency other than the functional currency into euro:

- [I] assets and liabilities are translated at the applicable exchange rates on the reporting date;
- [II] costs and revenues are translated at the average exchange rate for the period;
- [III] the translation reserve includes both exchange rate differences arising from the translation of income statement amounts at an exchange rate different from the year-end rate and those arising from the translation of equity balances at the beginning of the year at an exchange rate different from the year-end rate;

IV] goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of that entity and translated at the previous year-end exchange rate;

IV] when preparing the consolidated statement of cash flows, the average exchange rates for the period are used to translate the cash flows of foreign subsidiaries.

3.4 Summary of accounting standards and basis of measurement

The consolidated statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main valuation criteria used are described below, which are unchanged compared with the previous year, except the comments made in the following paragraph "6 - Notes to the Income Statement" concerning the classification of results from derivative instruments.

A Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, demand deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; overdrafts in bank accounts are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value and changes are reported in the income statement.

B Other financial assets

Other financial assets are reported at fair value, with any gains reported in the income statement under "Financial income" and "Financial charges". Other financial assets also include derivative contracts, which are discussed in the appropriate section "Y Derivative Instruments" to which reference is made for additional details.

C Trade receivables

Trade receivables are measured at fair value on initial recognition. Subsequently, they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows.

At the closing date of each balance sheet, the Group conducts an analysis of any expected losses on trade receivables measured at amortised cost and recognises or adjusts specific provisions for impairment.

The provisions for the above-mentioned expected losses are based on assumptions regarding the risk of default and expected losses. To this end, management uses its professional judgement and historical experience, as well as knowledge of current market conditions and forward estimates at the end of each reporting period.

Expected Credit Loss (ECL), determined using probability of default (PD), loss given default (LGD) and exposure at default (EAD), is determined as the difference between the cash flows due under the contract and the expected cash flows (including loss of earnings) discounted using the original effective interest rate.

The Group essentially applies an analytical approach, on individually significant positions and in the presence of specific information on the significant increase in credit risk. For individual assessments, PD is obtained mainly from external providers such as legal advisors who are entrusted with debt collection cases.

Receivable assignments

Receivable assignments are accounted for in accordance with the method indicated by IFRS 9 for the derecognition of financial assets. Consequently, all receivables assigned to the factoring company, when contractual provisions include clauses that involve maintaining significant exposure to the performance of cash flows arising from the receivables assigned, remain recognised in the financial statements.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the Group expects to obtain from their sale as part of its ordinary business activities, also considering sales made after the reporting date, or, for later periods, the expected price curves. The value of crude oil, materials and spare parts is determined by the FIFO method. The value of oil product inventories is calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised at amortised cost.

F Other assets

Other current assets are measured at fair value on initial recognition. Where there is objective evidence indicating impairment, the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

White certificates are recognised on an accruals basis under "Other income", in proportion to the savings, expressed as tonnes of oil equivalent (TOE), achieved during the year.

The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. The decreases due to the sale of white certificates accrued in the current or prior years are measured at the sale price. Gains and losses

arising from the sale of certificates in different years from those in which they were accrued are recognised under "Other income" or "Services and sundry costs", respectively.

G Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised at once (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them in full and without delay and (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over that asset.

In cases where the Group has transferred the rights to receive cash flows from an asset or entered into an agreement under which it retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that continue to be incumbent upon the Group.

When the entity's continuing involvement is a guarantee on the transferred asset, the involvement is measured at the lower of the amount of the asset and the maximum amount of consideration received that the entity may have to repay.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such exchange or change is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in profit or loss.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in preparing the assets for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any

interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Charges incurred for maintenance and repairs are charged directly to the Income Statement for the period in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Turnaround costs are classed as extraordinary maintenance costs and capitalised in the year in which they are incurred. They are amortised over the expected length of time until the next turnaround. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated over their useful life; the residual value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

The carrying amount of property, plant and equipment is adjusted by systematic depreciation, calculated on the basis of historical cost less residual value on a straight-line basis, from the time the asset is available and ready for use, in accordance with its estimated useful life.

The useful life estimated by the Group for each of the various asset categories is as follows:

	for I.G.C.C. plant	per other
Buildings	until 2031	18 years
General plants	until 2031	12 years
Highly corrosive plants	until 2031	9 years
Thermoelectric plant	until 2031	
Wind Farm		10/25 years
Transformation stations	until 2031	13 years
Office furniture and equipment		4 years
Vehicles		4 years
Other assets		5/12 years
Leasehold improvements	The shorter of the duration of the lease and the useful life of the asset	

The useful life of property, plant and equipment and their residual value are revised annually at each reporting date and adjusted accordingly.

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one component differs significantly from that of the others, each component of the asset is depreciated separately in accordance with the component approach. Tangible assets are derecognised at the time of their disposal

or when no future economic benefits are expected from their use or disposal; the relative profit or loss is recognised in the Income Statement.

I Leased assets and rights to use assets

Assets held through leasing contracts or contracts granting rights to use third party assets are recognised as Group assets at their current value or, if lower, at the current value of the minimum lease payments due, except for those of short-term or low value. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. The assets are depreciated on a straight-line basis over the term of the underlying contract and the financial liability is repaid on the basis of the payments provided for in the lease or the right to use.

J Intangible assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

Tangible assets are derecognised at the time of their disposal or when no future economic benefits are expected from their use or disposal; the relative profit or loss is recognised in the Income Statement.

[I] Goodwill

Goodwill is the excess cost of the acquisition cost plus the fair value of any minority interests already held at the point when control is acquired, incurred over net fair value, as recorded on the acquisition date, when acquiring assets and liabilities forming businesses or business units. Goodwill relating to equity-accounted investees is included in the carrying amount of the investees. It is not systematically amortised, but is periodically tested for impairment. This test is carried out with regard to the cash generating unit to which goodwill is to be allocated. Any reduction in goodwill is recognised where the recoverable amount of goodwill is lower than its carrying amount; the recoverable amount is the higher of the fair value of the cash generating unit, less disposal costs and its value in use, which is the present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life.

In the event that the impairment arising from the test is greater than the amount of goodwill allocated to the cash generating unit, the residual amount is in turn allocated to the assets included within the

cash generating unit, in proportion to their carrying value. The minimum amount for this allocation is the highest of the following:

- the fair value of the asset, less disposal costs;
- its value in use, as defined above;
- zero.

Where goodwill was previously written down for impairment, the write-down is not reversed.

[II] Patent rights, concessions, licences and software (intangible assets with a finite useful life)

Intangible assets with a finite useful life are amortised systematically over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying amount of the assets is checked using the same method applied to "Property, plant and equipment".

[III] Research and development expenses

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or otherwise relating to other scientific research or technological development are treated as current costs and taken to profit or loss when incurred.

K Impairment of assets

At each reporting date, property, plant and equipment and intangible assets with a finite useful life and equity investments are tested for impairment, originating from both internal and external sources. Where such indicators exist, the recoverable amount of these assets is estimated and any impairment loss duly charged to the income statement. The recoverable amount of an asset is the greater of its fair value minus selling costs and its value in use, where the latter is the present value of the future cash flows that the asset is expected to generate. In determining value in use, future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for impairment no longer exist, the impairment loss is reversed to profit or loss up to the carrying amount that the asset would have had, had it not been impaired and if it had been depreciated.

L Other investments

The investments included under "Other investments" are measured at fair value, with the impact of any changes in fair value recognised through equity. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IFRS 9. These

costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

M Other financial assets

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following categories:

- (i) financial assets measured at amortised cost;
- (ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);
- (iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortised cost if held for the purpose of collecting the contractual cash flows (hold-to-collect business model). The application of the amortised cost method results in the recognition in the income statement of interest income determined on the basis of the effective interest rate, exchange rate differences and any write-downs.

The treatment of financial assets linked to derivative instruments is shown under point “Y Derivatives”.

N Treasury shares

Treasury shares are recognised at cost and deducted from equity.

O Shareholders' equity

[I] Share Capital

Share capital consists of the Parent Company's subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise equity-related reserves set aside for a specific purpose relating to the Parent Company; they include retained earnings.

[III] Share-based payments by the Parent Company to Group employees and management

The Group grants additional benefits to employees and management via the allocation of bonus shares. In accordance with IFRS 2 – Share-based Payments, the cost of stock plans is recognised in profit or loss over the vesting period on a straight-line basis, with a balancing entry in equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and charges

Provisions for risks and charges are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best estimate of the sum that must be paid to discharge the obligation.

Those risks in respect of which it is only possible to show a future liability are disclosed in the section on commitments and risks and no provision is made.

Q Provisions for employee benefits

The Group provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1st January 2007, the regulations governing post-employment benefits (TFR) were amended to include the option for employees to decide where these are held. Specifically, new post-employment benefits may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- **Amounts set aside to 31st December 2006**

Post-employment benefits pursuant to Article 2120 of the Italian Civil Code are treated in the same way as “defined benefit plans”; these plans are based on the working life of the employees and on the remuneration they receive over a pre-determined period of service. The liability relating to post-employment benefits is entered on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. The recognition of defined benefit plans requires the estimate of the benefits accrued by the employees in exchange for the service provided using actuarial techniques. These services are then discounted in order to determine the present value of the Group's obligations. The present value of the Group's obligations is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of “accrued benefit methods”, considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.

The cost accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued on the present value of the Group's

obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

Following application of IAS 19 (revised), actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income.

- **Allocations accrued from 1st January 2007**

The allocations in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the Group.

The corresponding liability is determined according to Article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

They are measured, on initial recognition, at fair value and subsequently at amortised cost, using the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally calculated.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the Company. In this case, the assets are not derecognised, the debt for the repurchase is of a financial nature and the difference is recognised in profit and loss as a component of a financial nature.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with a balancing entry in profit or loss at each reporting date.

S Revenue recognition

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (over time) or at a specific time (at a point in time).

With reference to the products sold for the Group, the time of revenue recognition generally coincides:

- for crude and oil products, with shipping;
- for electricity with delivery to the customer;
- for oil products sold on the network market, with delivery to service stations.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums and of directly related taxes.

Excise duties paid on purchases are netted off against those collected on sales.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and expenses are booked on an accruals basis, according to the effective interest rate method.

V Conversion of items expressed in a currency other than the euro

Foreign currency transactions are translated into euros at the exchange rates ruling on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividends

[A] Dividends received

Dividends are recognised on the date on which the resolution approving them is carried by a shareholders' meeting.

[B] Dividends distributed

The payment of dividends to Parent Company shareholders is recognised as a liability in the statement of financial position of the year in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception of goodwill and those relating to temporary differences originating from investments in subsidiaries, when the timing of the reversal of such differences is controlled by the Group and it is probable that the differences

will not be reversed within a reasonably foreseeable timescale. In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.

Changes in tax rates due to regulatory amendments are recorded in the income statement or under equity, in relation to the transaction that generated the underlying deferred tax.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to equity, in which case the tax effect is taken directly to equity. Current and deferred taxes are offset when income taxes are applied by the same tax authority, when there is a legal right of offset and the intention to settle on a net basis.

Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".

The Parent Company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to Articles 117-128 of the Consolidated Law on Income Tax (the Consolidated National Tax). As a result, a single tax base is created for the Parent Company and some Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the parent company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivative instruments

All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging

the variability of the fair value of assets/liabilities), they are recorded at fair value in the income statement; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged.

Derivative financial instruments on commodities, in accordance with IFRS 9, are recognised at fair value with the change in the fair value of the instrument recognised in the income statement and this change is allocated to the items of operating costs to which the hedges refer.

Derivative financial instruments on commodities, realised on the basis of strategies other than the fixing of prices of crude oil and products, are entered at fair value with the recognition of economic effects in financial management items.

Derivative financial instruments on exchange rates and interest rates are recorded at fair value with the change in the fair value of the instrument recognised under financial management items in the income statement.

To determine the fair value of financial instruments listed on active markets, the bid price of the security on the relevant reporting date is used. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

To be noted is that most of these stipulated derivatives relate to hedging transactions not subject to "hedge accounting" rules.

Z Earnings per share

[I] Base

Basic EPS is calculated by dividing the Group's profit or loss, adjusted by the portion of profit or loss attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding treasury shares.

[II] Diluted

Diluted EPS is calculated by dividing Group-operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while the Group's profit or loss is adjusted to take into account the after-tax effects of the conversion.

AA Emission Trading

Decree-Law no. 216 of 4th April 2006 has introduced limits on CO₂ emissions from plants. If these limits are exceeded a company must purchase allowances or credits on the relevant market representing the excess CO₂.

If the allowances allocated are insufficient, the value of the shortfall is measured at market value and recorded in risks; if, however, the allowances exceed requirements, the surplus, measured at purchase cost aligned to the market value at the end of the year if lower, is recorded under intangible assets.

AB Segment information

An operating segment is a part of an entity:

- that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
- whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and
- for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area and subject to risks and benefits substantially different from those related to other geographical areas.

3.5 Use of estimates and discretionary evaluations, also as a consequence of Covid-19

The preparation of the 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.

3.6 Most significant accounting policies requiring a greater degree of discretion

A brief description is provided below of the most significant accounting policies requiring greater discretion by the directors in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

- [I] Depreciation of fixed assets: depreciation of fixed assets is a significant cost for the Group. The cost

of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the Group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The Group periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable amount in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

- [II] Recoverable amount of property, plant and equipment: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the reference regulations. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

- [III] Recoverable amount of inventories : the estimate of the recoverable amount of inventories entails a valuation process that is highly influenced by the performance of the oil product market, which is exposed to significant changes, including of a short-term nature. Therefore, the net realisable value of crude oil and finished goods at year end is estimated based on the amount that the Group expects to obtain from their sale, by observing the sales taking place after the reporting date. Consequently, this assessment is influenced by market conditions.

- [IV] Deferred tax assets: deferred tax assets are accounted for on the basis of expected taxable income in future periods. The measurement of expected income for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

- [V] Provisions for risks and impairment losses on current assets: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of current assets is not always straightforward. The directors consider such circumstances on a case-by-case basis and at the same time estimate the amount of financial resources needed to discharge the obligation. Where the directors feel that a liability or the risk of not recovering an asset are only possible, the associated risks are disclosed in the note concerning commitments and risks and no accrual is made. Where the directors feel that a liability or the risk of not recovering an asset are only probable, a special risk provision is recorded.

[VI] Revenues from electricity (Essentiality scheme): since the end of April 2021, Sarlux Srl has been admitted in the list of the plants which are considered essential to the National Electricity System. Given that admission, revenues deriving from electricity sold are regulated on a two-factors basis. The first factor is measured to restore fixed costs, including amortization and depreciation and the remuneration of the net invested capital, as stated by “Deliberazione 111/06”. The second factor is meant to integrate the differential (positive or negative) between variable costs and market local price.

The estimation of such revenues, especially the estimation of the integration factor, requires the management to perform an estimation process which – even if it is not particularly discretionary – has a significant economic impact.

[VII] Measurement of the recoverable amount of receivables: most of the receivables arising from the Group’s operations are factored without recourse (and derecognised) and/or covered by other credit risk mitigation measures applicable to wholesale customers (mainly through insurance policies and, to a lesser extent, bank sureties) and receivables from cargo trading activities (collection, including through letters of credit, bank sureties or parent company guarantees). Most receivables arising from cargo trading activities (with a significant unit amount) are characterised by extremely limited terms of payment (i.e., a few days after the date of delivery of the goods); the allowance for impairment is currently calculated based on specific assessments of the recoverability of past due positions. It should also be noted that the losses on receivables historically recognised by the Group are not of a significant amount.

[VIII] Estimation of the fair value of derivatives: the assessment depends on expectations regarding the trend of the market variables, including commodity prices and exchange rates, the variability and volatility of which depends on factors that are outside the sector.

The trend of market variables, in the medium-long term and in the short term, including the price and supply of crude oil and the worldwide demand of finished products with respect to the processing capacity, are capable of influencing, even significantly, the Group’s performance. This represents one of the critical assumptions for the various valuation processes, more specifically for the assessment of assets and of the recoverable value of inventories as well as the volatility of the current values of financial instruments. The underlying valuation processes, even complex ones, 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. The same, for this purpose, also considers scenarios expressed by independent sector experts.

4. Information by business segment and geographical area

4.1 Foreword

In order to present the performance of the Group’s activities in a consistent manner, the information of the individual companies is allocated to the revised business segments in the light of what is set out below.

In fact, starting from the 2021 financial year, the Group’s business sectors are as follows:

- Industrial & Marketing;
- Renewables.

With Resolution no. 598/2020/R/eel of 29th December 2020, ARERA (Italian Regulatory Authority for Energy, Networks and Environment) has indicated that TERNA register the combined cycle power plant of Sarlux Srl, IGCC (Integrated Gasification Combined Cycle), among the plants that are essential to the safety of the electricity system for the year 2021.

On 13th April 2021 ARERA - with Resolution 152/2021 - decided to accept the application for admission to the cost-recovery scheme, thus including Sarlux in the list - drawn up on an annual basis - of essential plants as from the expiry date of the related CIP6/92 convention (20th April 2021).

The transition from the CIP6/92 agreement to the essentiality regime has led to a significant change in the way the Sarlux plant operates, since the technical and economic parameters to be considered for its operation are those laid down in said regime and take into account the very high level of functional and strategic integration of the power station with the refinery. Therefore, the activities of the IGCC plant, previously represented in the “Power” segment, as from 1st January 2021 are represented in a single segment, called “Industrial & Marketing” which includes integrated refining and electricity generation activities in the Essentiality Scheme. This segment, which is also comprised of Marketing-related activities, included, until the previous year, the Spanish distribution network and warehouses used as intermediate logistics; the sale of the network, started in 2019 and finalised in 2020, which represented the relevant activity of the Marketing segment, entailed the closure of that segment, given that the plants remaining after such sale (the depots of Arcola, La Spezia and of Cartagena, Spain) are now subservient to the logistics of the refinery. Therefore, the Marketing segment is therefore no longer significant in its own right and has therefore been aggregated. Finally, the activities of the “Other Activities” segment, which in fact coincided with the activities carried out by Sartec and Reasar, also dedicated to integrated refining activities, have merged into the “Industrial & Marketing” segment.

The “Wind” segment has also been renamed the “Renewables” segment in view of potential developments in the photovoltaic and green hydrogen sectors and includes the subsidiaries operating in the wind power generation sector.

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.

4.3 Information by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Directly attributable assets and investments by geographical area of location.

Directly attributable assets	31/12/2021	31/12/2020	Change
Italy	3,387,762	3,158,090	229,672
Other EEC countries	126,002	72,481	53,521
Non-EEC	185,831	139,617	46,214
Total	3,699,595	3,370,188	329,407

Investments in property, plant and equipment and intangible	31/12/2021	31/12/2020	Change
Italy	100,052	254,737	(154,685)
Other EEC countries	0	577	(577)
Non-EEC	0	(0)	0
Total	100,052	255,314	(155,262)

Net revenues from ordinary operations by geographical area.

Revenues from ordinary operations	31/12/2021	31/12/2020	Change
Italy	4,321,903	1,524,418	2,797,485
Spain	271,759	125,191	146,568
Other EEC countries	1,675,005	908,456	766,549
Non-EEC	2,273,937	2,544,746	(270,809)
USA	93,846	239,473	(145,627)
Total	5,342,284	5,342,284	3,294,166

Amounts are shown net of inter-company eliminations. For more information on the sector, please refer to the relevant section of the Report on Operations.

The following table shows a breakdown of trade receivables by geographical area:

Trade receivables from third parties	31/12/2021	31/12/2020	Change
Italy	227,210	111,274	115,936
Spain	53,271	22,073	31,198
Other EEC countries	108,508	26,527	81,981
Non-EEC	145,444	100,642	44,802
USA	30,271	3,099	27,172
Bad debt provision	(18,193)	(6,974)	(11,219)
Totale	546,511	256,641	289,870

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are illustrated below.

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 equivalent:

Cash and cash equivalents	31/12/2021	31/12/2020	Change
Bank and postal deposits	366,629	558,933	(192,304)
Cash	51	64	(13)
Total	366,680	558,997	(192,317)

Bank deposits are mainly attributable to Saras SpA (EUR 301,149 thousand), Reasar SA (EUR 5,227 thousand), Sardeolica Srl (EUR 8,979 thousand) and Saras Trading SA (EUR 40,196 thousand).

There are no constraints or restrictions on such bank deposits.

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

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Current financial assets	31/12/2021	31/12/2020	Change
Current financial derivatives	57,652	91,110	(33,458)
Deposits to secure derivatives	56,087	61,325	(5,238)
Other assets	1,529	1,242	287
Total	115,268	153,677	(38,409)

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

For further details, see 5.4.1.

The item derivative guarantee deposits includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee open positions on the year-end date.

5.1.3 Trade receivables

Trade receivables amounted to EUR 546,511 thousand, up EUR 289,870 thousand from the previous year. The increase in receivables is essentially due to the sharp rise in market prices. For further comments on sales performance, please refer to the Report on Operations.

This item is shown net of the allowance for doubtful receivables, which amounted to EUR 18,193 thousand (EUR 6,974 thousand at 31st December 2020). As already mentioned, the Group conducts a specific analysis of credit positions and the provision for write-downs includes the results of these assessments. For further analysis, see section 7.4, information under IFRS 7 and 13.

5.1.4 Inventories

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

Inventories	31/12/2021	31/12/2020	Change
Raw materials, consumables and supplies	262,819	218,803	44,016
Unfinished products and semi-finished products	124,561	77,244	47,317
Finished products and goods	675,178	329,373	345,805
Advances on stocks	0	0	0
Spare parts and raw materials, supplies	106,614	111,969	(5,355)
Total	1,169,172	737,389	431,783

The increase in the value of oil inventories (crude oil and finished products) was essentially due to the increasing trend in prices partially offset by the decrease in quantities in inventory at the end of the year.

Inventories of consumables have been valued at their presumed recovery value.

In compliance with the provisions of the accounting standards, the Group has measured inventories of oil products at the lower of purchase or production cost and the recoverable amount on the market and this comparison leads to the recording of a lower value of inventories - essentially products - in the amount of EUR 73 million.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 1,151 thousand tonnes of oil products (valued at around EUR 640 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree no. 22 of 31st January 2001 (in the previous year, these stocks amounted to 1,014 thousand tonnes valued at around EUR 332 million).

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	31/12/2021	31/12/2020	Change
VAT credit	2,131	38	2,093
IRES credits	24,603	1,074	23,529
IRAP credits	0	7,625	(7,625)
Other amounts due from the tax authorities	6,220	5,552	668
Total	32,954	14,289	18,665

The increase in IRES credits refers to credits for which reimbursement has been requested.

Other Tax Receivables include taxes for which reimbursement has been requested, or which have been paid on a provisional basis.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/12/2021	31/12/2020	Change
Accrued income	109	36	73
Prepaid expenses	5,801	9,918	(4,117)
Other short-term loans	48,409	110,104	(61,695)
Total	54,319	120,058	(65,739)

Prepayments mainly relate to prepayments of insurance premiums and charges for the biofuel regulations for the Parent.

"Other receivables" mainly comprises:

- the receivable of EUR 24,138 thousand due to the subsidiary Sarlux Srl 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 11th June 2008, referred to the first months of 2021 that still benefited from the CIP 6/92 scheme; the decrease compared to the previous year (EUR 73,449 thousand) is due to the collection of the amount referring to 2020.
- white certificates for EUR 5,682 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 30,978 thousand in 2020), which were partially netted from the provision for risks amounting to EUR 23,707 thousand (unchanged compared to the previous year); for further details, refer to point 7.1.

5.2 Non-current assets

The spread of the Covid-19 pandemic the spread of the Covid-19 pandemic and the negative impacts of the severe restrictions put in place at a global level to combat it have caused an unprecedented drop in global demand for oil products during the 2020s; the market then rebalanced in terms of product supply and demand from 2021 onwards. In this context, the refining sector, due to the imbalance of the economic variables underlying the balance between the demand for refined products and the dynamics of crude oil pricing, partially recovered its previous values, starting in the second half of 2021, due to the achievement of the objectives for containing the pandemic effects.

This impacted the business of the Saras Group and consequently the market capitalisation of the Parent Bank. What characterises the "Covid-19" phenomenon is certainly its uniqueness both in terms of occurrence and impact and it can be classified as a risk with a low probability of occurrence but of an absolute impact.

The recent geopolitical situation between Russia and Ukraine and the consequent international crisis that has been generated are also expressing substantial changes in the balance of the oil and energy market and it will take time to return to a condition of normality.

The causes of the pandemic crisis and subsequently of the geopolitical crisis are not financial in nature, but are mainly attributable to factors external to the company's economic environment, which suffers the effects of instability and relative volatility in the short term, but which should not undermine its medium-term fundamentals.

Also in compliance the recommendations of the main regulatory authorities that have given their opinions on the matter (ESMA, CONSOB, IOSCO), the Company has performed the necessary checks regarding corporate continuity, of any certain or predictable effects of the Covid-19 pandemic emergency on the amounts of the financial statements and the Group's financial structure and, finally, in accordance with the provisions of IAS 36 (impairment of assets), has assessed whether its assets are carried at a value that is greater than their recoverable amount. In such a process, as recommended by the Guidelines for the preparation of the impairment test and by the International Financial Reporting Standards (more specifically, IAS 36 - Impairment of assets), the company also considered the 2015 Italian evaluation standards (PIV).

Based on current market conditions and available information, it is extremely difficult to articulate and assess the economic and financial impacts from the development of the current crisis. Therefore, the short, medium and long-term financial calculations that must be used in the company projections aim at identifying a better forecast that does not consider the current volatility deriving from this sudden and unexpected crisis as it cannot be considered a normal market condition.

Such assessments were performed on the Cash Generating Units (CGUs) to which the value of the assets was allocated, assuming the recoverable value to be greater of the market value and the value in use obtainable on the basis of the discounting of the derivable cash flows of the multi-year plans updated and approved by the Board of Directors on 14th March 2022. The impairment test must reflect the consensus to date, despite the difficulty of assessing the criticality of the context, and there is no reason to believe that corporate conditions are such that the business cannot continue in the medium term; in fact, the fundamentals remain unchanged for a return to normalcy in future financial years and, more specifically starting from 2022, as a function of a more significant resumption in oil demand and closer to the levels seen prior to the pandemic.

The current macroeconomic and geopolitical scenario and the effects deriving from the volatility of the main commodities, has resulted in a situation of uncertainty that has led the Company to make choices consistent with the production factors under its management, confirming the maintenance of all plants in operation both to provide a concrete response to the national energy crisis and in anticipation of an expected return to normal conditions.

It has also been assumed that, since the crisis is exogenous and non-financial in nature, with an uncertain

intensity and re-absorption period, the Company's long-term income-generating capacity is resilient to the crisis itself.

The scenario outlined is therefore based on medium- and long-term economic and financial calculations that aim to identify a better forecast that does not take into account the current volatility resulting from the sudden crisis, since it cannot be considered a normal market condition.

In particular, the scenario is based on the expectation of a recovery in the margins of the refining market, with a progressive growth in the following three years up to near pre-Covid levels throughout the entire plan. The impairment test was conducted according to the general criteria approved by the Board of Directors on 16th February 2022. The analysis was performed with specific reference to the complex of tangible and intangible assets that make up the "Industrial & Marketing" CGU and the Renewables CGU, in which the valuation process is aimed at verifying whether the same had suffered a permanent loss of value at the reporting date of these Financial Statements. To identify the CGUs, the company considered:

- the internal control system;
- the criteria according to which management takes strategic and operational decisions.

The "maximum" limitation relating to the segment is defined by the accounting standard only with reference to the Impairment Test of goodwill, which in this case is relevant only for the Renewables CGU. As regards the Impairment Test of tangible assets, as in the case of the Industrial & Marketing CGU of Saras, the reference for recoverability is to the investments made and their application (or use) in the reference business.

The valuation process was structured in a similar way to that described in the Annual Report 2020 and in the Half-Yearly Financial Report 2021. In relation to the macroeconomic and sectoral context, the impairment indicators that emerged in 2021 related to the strong volatility of the oil and refining scenario (Brent price, price of related commodities, crack spread, refining margins) remain, to which a strong volatility also of the energy scenario (electricity and CO₂ price) must be added, only partially offset by the essentiality mechanism.

Saras has therefore proceeded to test the property, plant and equipment and intangible assets relating to the Industrial & Marketing CGU; the financial-economic projections on the basis of the impairment tests have been built on the basis of the forecasts of the most reliable external sources approved by the Board of Directors on 14th March 2022.

Regarding the determination of the value in use, reference was made to the cash flows reflected in the 2022-2024 economic and financial projections, aimed at identifying a better forecast that does not consider volatility current resulting from the sudden crisis as it cannot be considered a normal market condition.

These documents reflect the best estimates that can be made by the Management regarding corporate operations, production profiles, the market environment and the evolution of the regulatory framework of reference. Following the process described above, the recoverable value was determined in terms of value in use comparable with the carrying value of the "Industrial & Marketing" CGU, which will be accounted for below. With regard to the Renewables CGU, the valuation process was structured in a similar way to the previous year, updating the electricity scenarios, the

progress of investments and the value of the WACC, which will be described below.

For more detailed information, see the specific note at sub-paragraph 5.2.2 below.

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Land and buildings	177,174	441	(7)	0	1,521	179,129
Plant and machinery	3,566,290	113,335	(22,628)	(35,000)	104,700	3,726,697
Industrial and commercial equipment	37,058	1	(35)	0	634	37,658
Other leased assets	642,596	542	(944)	0	27,124	669,318
Property, plant and equipment under construction	248,297	138,364	(24)	0	(140,172)	246,465
Total	4,671,415	252,683	(23,638)	(35,000)	(6,193)	4,859,267

Depreciation Provision	31/12/2019	Depreciation	Use	Write-downs	Other changes	31/12/2020
Land and buildings provision	100,663	4,529	0	0	(1)	105,191
Plant and machinery fund	2,799,894	138,219	(20,258)	0	29	2,917,884
Industrial and commercial equipment provision	28,593	3,820	0	0	0	32,413
Other leased assets	469,693	24,149	(857)	0	0	492,985
Total	3,398,843	170,717	(21,115)	0	28	3,548,473

Net Value	31/12/2019	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2020
Land and buildings	76,511	441	(7)	(4,529)	0	1,522	73,938
Plant and machinery	766,395	113,335	(2,370)	(138,219)	(35,000)	104,672	808,813
Industrial and commercial equipment	8,466	1	(35)	(3,820)	0	633	5,245
Other leased assets	172,903	542	(87)	(24,149)	0	27,124	176,333
Property, plant and equipment under construction	248,297	138,364	(24)	0	0	(140,172)	246,465
Total	1,272,572	252,683	(2,523)	(170,717)	(35,000)	(6,221)	1,310,794

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/12/2021
Land and buildings	179,129	917	(8,314)	0	8,099	179,831
Plant and machinery	3,726,697	50,112	(33,361)	0	175,484	3,918,932
Industrial and commercial equipment	37,658	0	(1,451)	0	2,276	38,483
Other leased assets	669,318	1,500	(4,860)	0	15,260	681,218
Property, plant and equipment under construction	246,465	31,283	399	0	(105,139)	173,008
Total	4,859,267	83,812	(47,587)	0	95,980	4,991,472

Depreciation Provision	31/12/2020	Depreciation	Use	Write-downs	Other changes	31/12/2021
Land and buildings provision	105,191	4,091	(4,758)	0	3,326	107,850
Plant and machinery fund	2,917,884	150,400	(24,661)	0	57,957	3,101,580
Industrial and commercial equipment provision	32,413	2,820	(1,266)	0	845	34,812
Other leased assets	492,985	24,571	(2,904)	0	5,183	519,835
Total	3,548,473	181,882	(33,589)	0	67,311	3,764,077

Net Value	31/12/2020	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2021
Land and buildings	73,938	917	(3,556)	(4,091)	0	4,773	71,981
Plant and machinery	808,813	50,112	(8,700)	(150,400)	0	117,527	817,352
Industrial and commercial equipment	5,245	0	(185)	(2,820)	0	1,431	3,671
Other leased assets	176,332	1,499	(1,956)	(24,571)	0	10,079	161,383
Property, plant and equipment under construction	246,465	31,283	399	0	0	(105,139)	173,008
Total	1,310,793	83,811	(13,998)	(181,882)	0	28,671	1,227,393

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 32,744 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2,229 thousand and land

largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux Srl, and the subsidiary Deposito di Arcola Srl with a net value of EUR 37,008 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 Srl, Saras Energia SA. and Deposito di Arcola Srl).

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 year amounted to EUR 83,811 thousand and mainly refer to technological interventions on refinery plants and the extension of the wind farm, as mentioned previously.

The main depreciation rates used, unchanged comparing to 2020, are as follows:

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

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

During the year, no financing costs were capitalised.

As a result of the manifestation of certain external phenomena linked to the macroeconomic and commodity scenario, such as to be able to cause a reduction in recoverable value, in accordance with the provisions of the accounting standards applied by the Group and in particular IAS 36, all the tangible and intangible assets that make up the “Industrial & Marketing” operating segment were tested for impairment at the reference date of these financial statements.

The test was performed, with the support of an independent expert, by comparing the carrying amount with the recoverable amount, represented by the higher of fair value, net of selling costs and value in use, as required by IAS 36.

The impairment testing process was organised into the following phases:

- a) **Definition of cash generating units (hereinafter, CGU):** the CGU that is the subject of valuation is represented by the complex of tangible and intangible assets of the operating sector “Industrial & Marketing”: as shown in the document on the General Criteria for the preparation of the impairment test at 31.12.2021, approved by the Board of Directors on 16th February 2022 and previously summarised.
- b) **Determination of the recoverable value of the plants based on the value in use:** the recoverable amount of the CGU in question was determined on the basis of its value in use, i.e., the present value of future cash flows expected to originate from the CGU. Cash flows were determined on the basis of the assumptions included in the medium- and long-term economic and financial projections underlying business planning under normal conditions, approved by the Board of Directors, which aim to identify a better forecast that does not consider the current volatility resulting from the sudden crisis as it cannot be considered a normal market condition and is not due to market fundamentals, considering the cash flows net of future developments.

The 2022-2024 cash flows (explicit period) were determined by taking into account the oil scenario (crude oil prices, petroleum products and refining margins), which is supported by recent publications of leading sector analysts, applied to the production levels consistent with the past and with the expected production plans, in application of the new industrial rationales as described above. Regarding the electricity system, the IGCC plant, which is highly integrated with the refinery, has been included since April 2021 in the scheme of plants that are essential for the stability of the electricity service of the Region of Sardinia. A remuneration of energy, consistent with the conditions set by the reference legislation in terms of determining the reimbursement of fixed and variable costs and the remuneration of capital, also assumed in the medium term, has been considered. With regard to the electricity scenario, more specifically the price of electricity and CO₂, reference was made to studies by leading sector analysts. The assumptions underlying the estimate of revenue flows are related to the forecast of the evolution of the global and national economic scenarios of the oil and energy sector, generally of complex forecasting, but lately even more difficult due to the effects of the pandemic and recent conflicts at a geopolitical level, aggravating significant and unpredictable volatility. Financial flows also take into account the recovery of previous losses.

The recoverable value of the CGU in question was determined on the basis of the estimate of its value in use, using the valuation methodology of the Unlevered Discounted Cash Flow, as follows:

- the discount rate for the discounting of financial flows (weighted average cost of capital - WACC) was estimated by weighing the market parameters of an extended panel of the oil & gas sector with those of a panel restricted to the refinery sector. A single sensitivity was also carried out on the discount rate on Saras' unlevered beta. In the light of the analyses carried out, an intermediate rate has been estimated between the extended panel and the restricted one, which leads to a 6.2% rate;
- at the end of the explicit period, a flat trend was estimated until the end of the Essentiality Scheme period, on the basis of the operating cash flow estimated in the last forecast year and a capital expenditure forecast in line with the one of the previous Impairment Test, applying a growth rate over that of the plan of 1%, a value consistent with the previous Impairment Test and, to date, lower than analysts' estimates of expected long-term inflation. Oil and energy market scenarios for the last explicit year have therefore been extended flatly until 2030.

With regard to the configuration of the refinery assets within the essentiality regime, two scenarios were considered based on the different duration of the essentiality regime, based on the most recent forecasts of TERNA and independent studies relating to the electricity market in Sardinia in the coming years.

As a normalised flow at the end of the essentiality regime, in the absence of a production plan to 2030 and taking into account the historical values recorded by Saras in the two-year period 2018-2019 pre-pandemic, the unit operating margin per barrel produced was estimated on the basis of an expected value between a minimum non-negative value and a maximum value, as represented by more recent analysts. The parameter was then converted into Euro and multiplied by the expected production. It was then considered an input variable in the range indicated above through the Montecarlo simulation technique.

The forecasting difficulties related to the estimation of the business trend in the long term, concerning the identification of a better forecast that does not consider the current volatility deriving from the sudden crisis, since it cannot be considered as a normal market condition, make it desirable to use statistical techniques, which associate the relevant variables with probabilities of occurrence according to specific distribution curves.

In general, in conditions of high uncertainty, as well as difficulty in estimating the relevant parameters for determining the value of an asset, the valuation process can be enriched and completed through the application of probabilistic simulation techniques.

In particular, the best practice has identified the most suitable tool in the simulation technique called "Montecarlo". The contribution, provided by the Monte Carlo Simulation, to the valuation models is expressed in a systematic and detailed analysis of the risk and uncertainty situations linked to the

estimation of the values of the determining input variables (or drivers). In order to identify results that take due account of the variability of the valuation drivers, a deterministic approach considered complete would in fact require: firstly, an analysis of all possible scenarios (oil and energy commodities) - obtained by varying the input on a case-by-case basis - and, subsequently, a selection of the results deemed most plausible.

The application of the Monte Carlo Simulation technique allows you to assign probability of occurrence to the values that the factors subject to greater uncertainty (or variability) can assume, to simulate their behaviour in a random manner, and to measure the frequency of occurrence of the results related to the different simulated variables. Consequently, such an analysis provides the evaluator with more complete and detailed support, as it is enriched with measures of sensitivity of the results according to any changes in the parameters.

The input variables of the simulation process considered for the purposes of the impairment test were the following:

- Beta and Gearing parameters of the discount rates;
- growth rate for the period beyond the plan (inflation);
- investments for the continuation of the business beyond the plan;
- Long-term EBITDA per unit of product based on different operating margin scenarios (at the end of essentiality).

The statistical distributions were constructed taking into account the dynamics of the parameters of the comparables with regard to the variables of the discount rate, and the intervals supported by external sources. The simulation was conducted for both scenarios based on the essentiality term, taking into account a 50%-50% probability of occurrence.

Following the sensitivity analysis, also considering the possibility of the two scenarios, a target WACC of 6,7% has been identified, and it would bring to zero the headroom emerging from the test.

The analysis carried out shows recoverable values higher than the book value of the "Industrial & Marketing" CGU, thus not showing any permanent losses in value as defined by IAS 36.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	53,300	2,920	(1,289)	0	4,548	59,479
Concessions, licences, trademarks and similar rights	24,349	2	0	0	192	24,543
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible assets	531,832	0	(1,607)	0	189	530,414
Intangible assets under construction	1,218	0	(289)	0	0	929
Total	631,718	2,922	(3,185)	0	4,929	636,384

Amortisation Provision	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	48,515	4,224	(840)	0	(23)	51,876
Concessions, licences, trademarks and similar rights	11,961	1,405	0	0	(325)	13,041
Other intangible assets	493,190	32,331	(1,223)	0	(138)	524,160
Total	553,748	37,960	(2,063)	0	(486)	589,159

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	4,785	2,920	(449)	(4,224)	0	4,571	7,603
Concessions, licences, trademarks and similar rights	12,388	2	0	(1,405)	0	517	11,502
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	38,642	0	(384)	(32,331)	0	327	6,254
Intangible assets under construction	1,218	0	(289)	0	0	0	929
Total	77,970	2,922	(1,122)	(37,960)	0	5,415	47,225

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/12/2021
Industrial patent and original work rights	59,479	493	(5,392)	0	506	55,086
Concessions, licences, trademarks and similar rights	24,543	1,715	(1,716)	0	0	24,542
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible assets	530,414	345	(30)	0	506	531,235
Intangible assets under construction	929	336	0	0	0	1,265
Total	636,384	2,889	(7,138)	0	1,012	633,147

Amortisation Provision	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/12/2021
Industrial patent and original work rights	51,876	3,692	(3,321)	1,834	(2,063)	52,018
Concessions, licences, trademarks and similar rights	13,041	854	(1,186)	0	992	13,701
Other intangible assets	524,160	901	(30)	0	805	525,836
Total	589,159	5,447	(4,537)	1,834	(266)	591,637

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2021
Industrial patent and original work rights	7,603	493	(2,071)	(3,692)	1,834	(1,099)	3,068
Concessions, licences, trademarks and similar rights	11,502	1,715	(530)	(854)	0	(992)	10,841
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	6,254	345	(530)	(901)	0	231	5,399
Intangible assets under construction	929	336	0	0	0	0	1,265
Total	47,225	2,889	(3,131)	(5,447)	1,834	(1,860)	41,510

Amortisation of intangible assets totalled EUR 5,447 thousand and was calculated using the annual rates shown below.

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

There are no significant intangible assets with finite useful life held for sale.

The content of the main items is shown below.

Concessions, licences, trademarks and similar rights

The balance of the item mainly refers to the concession for the operation of the Ulassai wind farm of the subsidiary Sardeolica Srl, which will be fully amortised by 2035.

Goodwill and intangible assets with indefinite life

This item relates to the goodwill recognised for the subsidiary Sardeolica Srl (EUR 20,937 thousand), paid by Saras SpA for the purchase of Parchi Eolici Ulassai Srl (merged by incorporation into Sardeolica Srl in 2017): 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.

In accordance with the accounting standards applied by the Group, particularly IAS 36, the goodwill in question was tested for impairment as of the date of these financial statements to verify whether the asset had undergone no impairment. The analysis showed that no impairment had taken place and – as in previous years – it was therefore unnecessary to

post any write-downs. The test was performed by comparing the carrying amount of the CGU, to which the goodwill is allocated, with its recoverable amount represented by its value in use.

The impairment testing process was organised into the following phases:

Definition of cash generating units (hereinafter, CGU): Sardeolica Srl is identified as a CGU, i.e., as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows generated by other assets or groups of assets, given that it is the only company of the Group to manage the business of electricity generation from wind power.

Allocation of goodwill to the CGU: goodwill is entirely attributable to the subsidiary Sardeolica Srl as it arose during the purchase of 30% of the share capital of the same. It is equal to EUR 20,937 thousand.

Determination of the recoverable amount of goodwill based on value in use: the recoverable value of the CGU Sardeolica Srl was determined on the basis of value in use, i.e., the present value of the nominal future cash flows expected to be generated by the CGU with a time horizon of 2035 (period of validity of the concession obtained by the Municipality of Ulassai and the Municipality of Perdasdefogu). At the end of the concession period, a terminal value equal to the net invested capital remaining at the end of the time horizon was assumed and discounted at the WACC.

Cash flows were determined based on the 2022-2024 economic and financial projections prepared by management and subject to approval by the Board of Directors considering cash flows net of future developments.

The cash flow determination was made in view of the scenario of energy sale prices until the end of the concession, bearing in mind the impact of the legislative provisions on electricity prices from renewable sources for 2022, until the expiry of the concession, applying an expected wind speed based on the historical series, valued by applying the expected price curves drawn from important independent companies specialised in the sector, and consistent with the Business Plan.

- a) **The discount rate for cash flows** (weighted average cost of capital - WACC) has been estimated at 4.1%, through the application of market parameters specific to the reference sector;
- b) **Sensitivity analysis:** this specific analysis has concluded that a change within a reasonable range in the main basic assumptions (the quantity of electricity produced and the sale prices of electricity) shows recoverable amounts that are higher than the carrying amount of the goodwill in question, therefore not showing impairment losses as defined by IAS 36;
- c) **External indicators:** finally, no events took place during the year that had an impact on the production of wind power in general or that generated by the CGU in particular, which would lead to an impairment loss.

Other intangible assets

These amount to EUR 5,399 thousand, almost unchanged compared to 31st December 2020.

Intangible assets under construction and advance payments

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

5.2.3 Right-of-use of leased assets

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

- functional areas that are essential to the pursuit of its core business (state-owned areas adjacent to the sites of Sarroch and Arcola, areas on which the Ulassai wind farm stands, etc.), of which it was unable or did not consider it appropriate to purchase ownership;
- properties used for 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	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/12/2021
Leased land and buildings	41,070	0	0	0	0	41,070
Leased plant and equipment	11,952	0	0	0	0	11,952
Other leased assets	8,239	11,261	0	0	0	19,500
Total	61,261	11,261	0	0	0	72,522

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/12/2021
Leased land and buildings provision	10,113	4,891	0	0	114	15,118
Leased plant and machinery provision	3,167	1,453	0	0	1	4,621
Other goods	5,180	3,018	0	0	0	8,198
Total	18,460	9,362	0	0	115	27,937

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2021
Leased land and buildings	32,639	0	0	(4,891)	0	(1,796)	25,952
Leased plant and equipment	8,785	0	0	(1,453)	0	(1)	7,331
Other leased assets	3,060	11,261	0	(3,018)	0	(1)	11,302
Total	44,484	11,261	0	(9,362)	0	(1,798)	44,585

The balance at 31st December 2021, amounting to EUR 44,585 thousand, relates to the application of 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, equal to EUR 11,261 thousand, essentially refers to a new contract, stipulated by the subsidiary Sarlux Srl, related to logistic support and anti-pollution prevention services through the use of boats of third parties.

5.2.4 Equity investments

Following is a list of the equity investments held at 31st December 2021, with an indication of the main information relating to investee companies:

Name	Registered office	Currency	Share Capital	Percentage held by the Group (%) at 31-12-21	Percentage held by the Group (%) at 31-12-20	Percentage (%) of Share Capital	Shareholder	% voting rights	% owned
Deposito di Arcola Srl	Arcola (SP)	Euro	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie Srl	Assemini (CA)	Euro	3,600,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sarint SA and subsidiaries:	Luxembourg	Euro	50,705,314	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Energia SAU and subsidiary:	Madrid (Spain)	Euro	5,000,000	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirectly controlled
Terminal Logistica de Cartagena SLU	Cartagena (Spain)	Euro	3,000	100.00%	100.00%	100.00%	Saras Energia SA	100.00%	Indirectly controlled
Reasar SA	Luxembourg	Euro	2,225,000	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirectly controlled
Sarlux Srl	Sarroch (CA)	Euro	100,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sardeclica Srl	Cagliari	Euro	56,696	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Energia Verde Srl	Cagliari	Euro	10,000	100.00%	0.00%	100.00%	Sardeclica Srl	100.00%	Indirectly controlled
Energia Alternativa	Cagliari	Euro	10,000	100.00%	0.00%	100.00%	Sardeclica Srl	100.00%	Indirectly controlled
Saras Trading SA	Geneva (Switzerland)	USD	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sardhy Green Hydrogen Srl	Sarroch (CA)	Euro	10,000	50.00%	0.00%	50.00%	Saras SpA	50.00%	Other investments
Consorzio La Spezia Utilities	La Spezia	Euro	122,143	5.00%	5.00%	5.00%	Deposito di Arcola Srl	5.00%	Other investments
Sarda Factoring	Cagliari	Euro	9,027,079	4.01%	4.01%	4.01%	Saras SpA	4.01%	Other investments

As previously mentioned, equity investments in subsidiaries are consolidated on a line-by-line basis in these financial statements.

5.2.4.1 Other investments

Other equity investments break down as follows:

Other investments	31/12/2021	31/12/2020	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Sardhy Green Hydrogen	5	0	5
Total	507	502	5

5.2.5 Deferred tax assets

The net deferred tax assets and liabilities of the Saras Group at 31st December 2021 amounted to EUR 92,821 thousand (consisting of deferred tax assets of EUR 96,555 recognised under non-current assets and deferred tax liabilities of EUR 3,734 thousand).

With regard to the above, the total balance of the Group's net position is almost entirely due to the taxes

of the Italian companies and consists more or less of the following:

- Net deferred tax assets allocated on generated tax losses in the amount of EUR 96,261 thousand;
- Deferred tax assets set aside on the fiscal valuation of inventories for EUR 20,054 thousand;
- Deferred tax liabilities for EUR 21,171 thousand relating to excess and prepaid depreciation.

The directors, based on the economic medium and long-term projections, have assumed that the tax assets related to previous years losses are recoverable.

The following table shows the changes in the net position of deferred tax assets and liabilities.

Figures in thousands of EUR	Total 31/12/2020	Other movement	Accruals	Reversal	Total 31/12/2021
Deferred tax assets					
Expenses deductible in future years	4,206		1,944	3,856	2,294
Write-downs of fixed assets and receivables and temporary differences in statutory-tax depreciation and amortisation	34,173		3,513	2,289	35,397
Tax losses	87,665		8,596	0	96,261
Provisions for risks and charges (taxed)	19,395		30,466	49,952	(91)
Inventory tax assessment	18,716		1,338	0	20,054
Provision for bad debts	1,202		1,233	0	2,435
Other residual items	756		22,754	18,615	4,895
<i>Effect IAS/Consolidated (other residual items Group companies)</i>	8,679		3,176		11,855
<i>Effect IAS/Consolidated (straight-line revenues Sarlux IAS 17 and IFRIC 4)</i>	7,146			7,146	0
<i>IFRS 16 effect</i>	14				14
Total deferred taxes	181,951	0	73,020	81,858	173,113
Deferred tax liabilities					
Non-accounting amortisation and depreciation (reversal "EC")	23,293			2,121	21,171
Deferred income and taxation	9,683				9,683
Inventory tax assessment	0				0
Revaluation land	7,995				7,995
Other residual items	2,703		34,793	4,521	32,975
<i>Effect IAS/Consolidated (other residual items Group companies)</i>	5,773			2,039	3,734
<i>Effect IAS/Consolidated (Fair value contract GSE - Sarlux)</i>	8,370			8,370	0
<i>Effect IAS/Consolidated (capitalised financial charges on IGCC plant)</i>	1,150				1,150
<i>Effect IAS/Consolidated (Valorisation licences wind farms - Sardeolica)</i>	3,183			227	2,956
<i>Effect IAS/Consolidated (homogenisation inventory valuation criteria - Saras)</i>	1,687			1,059	628
Total deferred taxes	63,837		34,793	18,337	80,292
Total net	118,114		38,227	63,520	92,821

5.2.6 Other financial assets

At 31st December 2021, this item amounts to EUR 4,139 thousand (EUR 5,972 thousand in the previous year) and mainly 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:

SH-T Financial liabilities	31/12/2021	31/12/2020	Change
Current bond loan	199,684	0	199,684
Current bank financing	385,252	19,059	366,193
Bank c/a	163,134	456,144	(293,010)
Financial derivatives	66,769	97,327	(30,558)
Other short-term financial liabilities	113,844	38,911	74,933
Total	928,683	611,441	317,242

The item "Current bond loan" includes a bond loan, previously recorded under item "5.5.1 - Long-term financial liabilities", with a total nominal value of EUR 200 million, maturing on 28th December 2022 and a fixed coupon of 1.70% on an annual basis represented by a private placement of bonds with the Austrian multilateral trading system, Third Market, which belongs to Wiener Börse AG.

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	Contractual maturity	Residual at 31/12/2020	Residual at 31/12/2021	Maturities	
							1 year	over 1 to 5 years
Saras SpA								
Bond	December 2017	200	1.7%	December 2022	199.3	199.7	199.7	
Unicredit	February 2020	50	6M Euribor	August 2023	49.2	50.0	50.0	
Sace loan	December 2020	350	0.95%	September 2024	350.0	320.8	320.8	
Energia Alternativa Srl								
	January 2017	16	2.5% + 6M Euribor	June 2026		5.2		5.2
Total liabilities to banks for loans					598.5	575.7	570.5	5.2

During the month of December 2020 - SARAS signed a EUR 350 million loan contract with 70% of the amount assisted 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 9th April 2020 and the SACE regulations, is mainly aimed at supporting the Company's working capital.

The receipt by Saras Spa on 24th 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, contractually determines the lender's right to request repayment of the credit lines (SACE loan, Unicredit loan and RCF loan) currently used or granted, and represents a critical issue for the granting of new lines in the authorisation process. Therefore, the SACE loan and the loan taken out with Unicredit for EUR 50 million, although contractually of medium-term duration, have been classified under short-term loans 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 from the lending banks in order to agree with the lenders to waive the contractual right to request repayment in the presence of the alleged violation, restoring the original payment deadlines in the medium and long term.

On the basis of the discussions underway and the sharing with the lawyers appointed by the banks of the actual substance of the alleged violations relevant for the purposes of the financing agreements, the Directors are confident that in the very short term they will be able to obtain the formalised waiver for the SACE loan and the RCF line (actually issued on 31st March 2021), which is also evidence of the willingness of the banks to continue to provide financial support to the Group also on the remaining short-term credit lines and to finance the principal instalments and the bond loan maturing in 2022.

It should also be noted that the financial parameters on existing loans subject to review at 31st December 2021 are complied with.

"Current bank accounts" comprises the balance of the utilised credit lines as well as the "hot money" transactions used by the Group in the course of business. The Parent Company Saras also has a Revolving Credit Facility in place for a maximum amount of EUR 305 million: the amount used at 31st December 2021 was equal to EUR 50 million.

The item "Derivative financial instruments" includes the negative fair value of derivative financial instruments held at year-end.

The following tables show the notional values and corresponding fair values of the derivatives outstanding at 31st December 2021 and 31st December 2020:

Type of Operation	31/12/2021				31/12/2020			
	Notional value		Fair value		Notional value		Fair value	
	Purchases	Sales	Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Oil and crude products	(359,789)	339,677	57,652	(65,185)	(253,224)		56,890	(95,105)
Exchange rates	(512,892)			(509)	(315,206)			(1,637)
Interest rates	(400,000)			(970)	(50,000)			(586)
CO ₂ allowances				(105)			34,220	
Total	(1,272,682)	339,677	57,652	(66,768)	(616,431)	0	91,110	(97,328)

"Other current 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.

Long-term bank loans and bonds are measured using the amortised cost method.

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2021	31/12/2020	Change
Payables to suppliers			
Customers advances account	61,521	1,582	59,939
Payables to current suppliers	1,519,043	915,012	604,031
Total	1,580,564	916,594	663,970

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

The balance of "Trade payables" essentially includes payables for crude oil supplies; the increase compared to the previous financial year is mainly due to the combined effect of greater purchases of crude oil and petroleum products made at the end of the financial year and the increase of oil prices.

5.3.3 Tax liabilities

This item breaks down as shown below:

Current tax liabilities	31/12/2021	31/12/2020	Change
Payables for VAT	20,638	15,739	4,899
IRES payables (and income tax foreign firms)	8,809	365	8,444
IRAP payables	2,505	0	2,505
Other tax payables	78,445	64,395	14,050
Total	110,397	80,499	29,898

“Other tax payables” mainly include payables for excise duties on products released for consumption by the Parent Company (EUR 55,148 thousand) and the subsidiary Saras Energia SA. (EUR 7,574 thousand).

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	31/12/2021	31/12/2020	Change
Payables employee benefit and social security	12,306	10,395	1,911
Payables to employees	27,960	26,928	1,032
Other payables	16,037	21,162	(5,125)
Accrued liabilities	887	1,135	(248)
Deferred income	6,672	8,272	(1,600)
Total	63,862	67,892	(4,030)

The item “Payables due to personnel” includes salaries not yet paid for December, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/12/2021	31/12/2020	Change
Non-current bond loan	0	199,344	(199,344)
Non-current bank loans	5,244	399,236	(393,992)
Other long-term financial liabilities	46,601	53,484	(6,883)
Total	51,845	652,064	(600,219)

The item includes the medium/long-term portions of bank loans taken out by the parent company Energia Alternativa Srl.

The bond loan recorded in this item in the previous year was restated under the item “short-term financial liabilities” as it matures at the end of the 2022 financial year.

As regards non-current bank loans, 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	31/12/2019	Provisions	Use	Other changes	31/12/2020
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO ₂ quotas fund	148,711	120,114	(53,856)	(35,931)	179,038
Other prov. for risks and charges	26,529	23,326	(3,766)	0	46,089
Total	194,278	143,440	(57,622)	(35,931)	244,165

Provisions for risks and charges	31/12/2020	Provisions	Use	Other changes	31/12/2021
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO ₂ quotas fund	179,038	133,307	(179,038)	0	133,307
Other prov. for risks and charges	46,089	1,645	(40,361)	0	7,373
Total	244,165	134,952	(195,565)	0	159,718

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 CO₂ allowances (EUR 133,307 thousand) was accrued pursuant to Legislative Decree no. 216 of 4th April 2006, which introduced limits on CO₂ emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO₂ must be purchased on the appropriate market. The use that occurred in the period is due to the purchase of quotas for the fulfilment of the 2020 obligation equal to 179,038 thousand euro. The provision relates to the portion of allowances, necessary to meet the obligation for the current year, not yet purchased at 31st December 2021.

“Other risk provisions” mainly refer to provisions accrued in respect of probable legal and tax liabilities.

The use of tax-related provisions during the year mainly refers to:

- the settlement of a number of Invitations to be cross-examined, notified by the Regional Directorate of Internal Revenue, and concerning the verification of the correct tax treatment for the period 2016-2017 of ACE facilitation;
- the write-off of credits for the recognition of white certificates (TEE) made during the year using the specific provision already set aside in previous years.

5.4.3 Provisions for employee benefits

The balance breaks down as follows:

Provisions for employee benefits	31/12/2021	31/12/2020	Change
Post-employment benefits	6,883	8,901	(2,018)
Total	6,883	8,901	(2,018)

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 31st December 2006 was determined

using actuarial methods, in compliance with IAS 19. The impact of actuarial evaluation are shown in the Comprehensive Income.

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

31/12/19	9,858
Provision part for defined contributions	7,533
Interest	34
actuarial (income)/charges	215
Utilisations/ Contributions to supplementary funds or INPS Treasury	(8,739)
31/12/20	8,901
Provision part for defined contributions	6,056
Interest	81
actuarial (income)/charges	613
Utilisations/ Contributions to supplementary funds or INPS Treasury	(8,768)
31/12/2021	6,883

Pursuant to IAS 19, the post-employment benefits fund was valued using the projected unit credit cost method and the following assumptions:

ECONOMIC ASSUMPTIONS	31/12/2021	31/12/2020
Increase in the cost of living:	1.50%	1.50%
Discount rate:	0.98%	0.34%
Pay increase:	2.50%	2.50%

DEMOGRAPHIC ASSUMPTIONS

Probability of death	Use of tables SIM 2002 differentiated between males and females
Probability of disability	Use of tables C.N.R. unisex
Probability of dismissal	Constant annual rate assumption used, corresponding to the company's historical values
Probability of retirement	It was assumed that the first of the retirement requirements for A.G.B. was reached.
Probability of payout	An annual value per year of 3% is assumed

At 31st December 2021, the discount rate used was the IBOXX Eurozone Corporates AA- (0.98%).

The actuarial calculation takes into account the changes to pensions legislation (Decree Law no. 201/2011).

Given the accounting method used (see the section entitled “Summary of accounting standards and policies” and sub-paragraph Q “Provisions for employee benefits” of these Notes), at 31st December 2021, an actuarial loss is recorded in the financial statements.

As required by IAS 19 (revised), a sensitivity analysis of the main actuarial assumptions at 31st December 2020 and 2019 for post-employment benefits are indicated:

2021	Reference parameter change	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	7,251	6,515
	Variazione parametro di riferimento	
	-0.5%	0.5%
ANNUAL INFLATION RATE	6,645	7,102
	Reference parameter change	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	6,851	6,879

2020	Reference parameter change	
	-0.5%	0.5%
ANNUAL DISCOUNT RATE	8,602	7,835
	Reference parameter change	
	-0.5%	0.5%
ANNUAL INFLATION RATE	7,999	8,571
	Reference parameter change	
	-0.5%	0.5%
ANNUAL TURNOVER RATE	8,276	8,275

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,734 thousand, relate to the foreign subsidiaries. For more details, please see 5.2.5 “Deferred tax assets”.

5.4.5 Other non-current liabilities

The balance at 31st December 2021 was EUR 191 thousand, a decrease of EUR 189 thousand compared to the previous year.

5.5 Shareholders' equity

Shareholders' equity is comprised of by the following:

Total equity	31/12/2021	31/12/2020	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	718,828	994,482	(275,654)
Net profit/(loss) for the year	9,334	(275,516)	284,850
Total	793,718	784,522	9,196

Share capital

At 31st December 2021, 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 718,828 thousand, with a net decrease of EUR 275,654 thousand compared to the previous year. This net decrease was the combined result of:

- allocation of the result of the previous year (loss of EUR 275,516 thousand);
- negative effect of the translation of foreign currency financial statements by foreign subsidiaries for EUR 751 thousand;
- increase of EUR 613 thousand, due to the effect of IAS 19 discounting.

In accordance with IAS 1, para. 1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

Net result

The consolidated profit for the year amounted to EUR 9,334 thousand.

Dividends

On 12th May 2021, the Ordinary Shareholders' Meeting of Saras SpA, called to approve the financial statements for the year ending 31st December 2020, resolved to cover the loss for the year in full using "other reserves".

The average number of shares outstanding was 947,539,261 in 2021, which increased compared to the average number of shares outstanding in 2020 due to the award made in May 2021 of shares at the close date of the 2019/2021 Stock Grant Plan.

Saras SpA at 31st December 2021 did not hold treasury shares.

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	31/12/2021	31/12/2020	Change
Revenues from sales and services	7,927,630	4,811,313	3,116,317
Sale of electricity	628,770	363,458	265,312
Other remunerations	6,544	9,216	(2,672)
Change in contract work in progress	(1,620)	888	(2,508)
Total	8,561,324	5,184,875	3,376,449

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

Revenues from the sale of electricity mainly included those related to the gasification plant (544,065 thousand euros) and those related to the sale of energy within the Internal User Networks - RIU (EUR 54,495 thousand) of the subsidiary Sarlux Srl, as well as to those related to the wind farms of the subsidiaries Sardeolica, Green Energy and Alternative Energy (EUR 30,211 thousand which also includes sales made by the newly acquired wind farms).

It must be noted that on 13th April 2021 ARERA (Autorità di Regolazione per Energia Reti e Ambiente - Regulatory Authority for Energy, Networks and the Environment), following Resolution no. 152/2021/R/EEL, within the framework of the Essentiality regime, has granted SARLUX Srl's application for the reinstatement of costs for the period from 21st April to 31st December 2021 for its IGCC (Integrated Gasification Combined Cycle) power plant. The economic conditions to which the IGCC plant will therefore be subjected, for the period in question, consist of two main terms. The first term includes the component of reintegration of the fixed costs strictly necessary for electricity production (thus excluding the production of hydrogen and steam);

these costs are in line with the rationalisation and optimisation plans envisaged by SARLUX, providing a positive contribution to reducing the costs of the national electricity system. The QAR component is also reintegrated (depreciation and remuneration of the invested capital, as required by Resolution 111/06). The second term provides, as regards essential electricity production, the integration of variable costs compared to the amount received from the sale on the market at the zonal reference price. The main items of variable costs include the fuel of the IGCC plant, the cost of the oxygen necessary for the transformation of the aforementioned fuel into synthesis gas completely clean of all traces of sulphur or other pollutants, and the charges associated with CO₂ emission quotas according to the Emissions Trading System.

It should be noted that with Resolution 630/2021, ARERA has granted the request for admission to the cost reintegration regime. The plant was therefore registered by TERNA in the list of essential plants for the electricity system for 2022.

Resolution 630/2021 lays the foundations for a continuous management of the plant with the same production levels of 2021.

Other remuneration essentially includes the revenues earned by the subsidiaries Sartec Srl and Reasar SA. in their respective business segments.

Revenues from ordinary operations are broken down by business segment and geographical area in sections 4.2 "Segment information" and 4.3 "Breakdown by geographical area" above.

6.1.2 Other income

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

Other operating revenues	31/12/2021	31/12/2020	Change
Compensation for storage of mandatory stocks	2,426	10,186	(7,760)
Sale of various materials	211	396	(185)
Contributions	1,808	1,808	0
Ship tanks hire	1,828	3,900	(2,072)
Recovery for claims and compensation	411	724	(313)
CO ₂ charges reimbursement	24,138	73,327	(49,189)
Other revenues	44,302	67,068	(22,766)
Total	75,124	157,409	(82,285)

The item "Repayment of CO₂ charges" refers to the revenues recognised by the subsidiary Sarlux Srl following the obtainment, 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. The decrease compared to the previous year is mainly due to the decrease in the number of shares subject to redemption, in consideration of the fact that, as already mentioned, the IGCC plant ended the CIP6/92 period on 20th April 2021.

The decrease of this item "Other revenues" is mainly attributable to the release, during the previous period,

of the provision made in previous years for CO₂ quotas in relation to the purchase of the business unit (North plants) from Versalis SpA following their final assignment for the period 2015-2020, against EUR 35.9 million.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, consumables and supplies

Purchases of raw materials, consumables and supplies	31/12/2021	31/12/2020	Change
Purchase of raw materials	3,888,189	1,443,330	2,444,859
Purchase of semi-finished products	148,707	127,518	21,189
Purchase of supplies and consumables	59,654	85,799	(26,145)
Increase in property, plant and equipment	(18,507)	(7,059)	(11,448)
Purchase of finished products	3,525,752	2,793,388	732,364
Change in inventories	(420,156)	302,515	(722,671)
Total	7,183,639	4,745,491	2,438,148

The costs for the purchase of raw materials increased by EUR 2,444,859 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 732,364 thousand euro mainly due to the increase in prices offset by the lower 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 73 million.

6.2.2 Cost of services and sundry costs

Cost of services and sundry costs	31/12/2021	31/12/2020	Change
Costs for services	838,873	596,296	242,577
Capitalisations	(18,364)	(84,826)	66,462
Derivatives on crude oil products and CO ₂	41,807	(142,621)	184,428
Costs for use of third-party goods	4,754	2,919	1,835
Provisions for risks	133,440	123,244	10,196
Bad debt provision trade receivables	8,178	0	8,178
Other operating costs	24,530	25,363	(833)
Total	1,033,218	520,375	512,843

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The increase in the item is mainly attributable to the strong increase in the prices of utilities which have occurred above all during the second half of the year. Also included in the item "costs for services" are the purchases of CO₂ quotas, equal to 156,883 thousand euro, made during the year to fulfil the obligations of Directive 2003/87/EC (Emission Trading); for more details, please refer to the Report on Operations.

The item "Capitalisations" mainly refers to the turn-around maintenance costs capitalised in the period;

the decrease compared to the same period of the previous year is due to the important maintenance cycle of the shut-downs carried out during the first half of 2020.

The item "Provisions for risks and charges" mainly includes the provision for charges related to the application of Directive 2003/87/EC (Emission Trading). The increase compared to 31st December 2021 is mainly due to the increase in the value of the CO₂ quotas due to the relative prices partially offset by the reduction in the number of quotas due to the purchases already made during the 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	31/12/2021	31/12/2020	Change
Salaries and wages	98,802	120,189	(21,387)
Increases in fixed assets for internal work	(4,469)	(11,578)	7,109
Social security contributions	29,104	31,144	(2,040)
Post-employment benefits	6,056	7,533	(1,477)
Other long-term costs and incentives	12,550	14,162	(1,612)
Remuneration to the Board of Directors	527	2,047	(1,520)
Total	142,570	163,497	(20,927)

The cost of labour, in consideration of the decrease in the average staff employed by the Group and the use of the Redundancy Fund which began in the last part of 2020 and continued in the current year, has decreased compared to the same period of the previous year.

6.2.4 Depreciation/amortisation and write-downs

"Amortisation, depreciation and write-downs of fixed assets" are shown below:

Depreciation/amortisation and write-downs	31/12/2021	31/12/2020	Change
Amortisation of intangible assets	5,447	37,960	(32,513)
Impairment (Reversal of impairment) of intangible assets	1,834	0	1,834
Depreciation of property, plant and equipment	181,882	170,997	10,885
Impairment (Reversal of impairment) of property, plant and equipment	0	35,893	(35,893)
Total	189,163	244,850	(55,687)

The item "Amortisation of intangible assets" decreased by EUR 32,513 thousand compared to the same period of the previous year mainly due to the amortisation of the contract for the sale of electricity under the CIP6/92 regime of the subsidiary Sarlux.

The item "Depreciation of property, plant and equipment" increased due to the entry into operation and therefore amortisation of the investments made by the group in the previous year.

"Amortisation, depreciation and write-downs" break down as follows:

Depreciation of leased items	31/12/2021	31/12/2020	Change
Depreciation of leased property, plant and equipment	9,362	9,182	180
Total	9,362	9,182	180

This item represents the effect of the application of IFRS 16, which took place in the previous financial year.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/12/2021	31/12/2020	Change
Bank interest income	47	1,239	(1,192)
Realised differences on derivatives	2,821	10,100	(7,279)
Other income	170	0	170
Profit on exchange rates	61,179	57,262	3,917
Total	64,217	68,601	(4,384)

Financial charges	31/12/2021	31/12/2020	Change
Unrealised differences on derivatives	836	(2,123)	2,959
Realised differences on derivatives	(1,622)	(2,054)	432
Interest expenses on loans and other financial charges	(19,078)	(16,911)	(2,167)
Interest on rights of use on leases	(677)	(693)	16
Exchange rate losses	(89,964)	(60,638)	(29,326)
Total	(110,505)	(82,419)	(30,237)

The table below shows net income/charges by type:

Financial income e Financial charges	31/12/2021	31/12/2020	Change
Net interest	(19,708)	(16,365)	(3,343)
Result of derivative instruments, of which:	2,035	5,923	(3,888)
<i>Realised</i>	1,799	8,046	(6,847)
<i>Fair value of open positions</i>	836	(2,123)	2,959
Net exchange rate differences	(28,785)	(3,376)	(25,409)
Other	170	0	170
Total	(46,288)	(13,818)	(36,358)

The entire fair value of the derivatives in place at 31st December 2021 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

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

6.4 Income taxes

Income taxes are shown below:

Income taxes	31/12/2021	31/12/2020	Change
Current taxes	109,675	14,050	95,625
Net deferred tax liabilities (assets)	(86,801)	(93,463)	6,662
Total	22,874	(79,413)	102,287

Differences between the theoretical and effective tax rates for the two periods compared are shown below (figures in EUR million):

	2021	2020
IRES		
PRE-TAX RESULT [A]	32.2	(355.0)
IRES THEORETICAL TAX [A*24%] [B]	7.7	(85.2)
THEORETICAL TAX RATE [B/A*100] %	24.0%	24.0%
EFFECTIVE INCOME TAX [C]	9.5	(76.6)
EFFECTIVE TAX RATE [C/A*100] %	29.5%	21.6%

	2021		2020	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	7.7	24.0%	(85.2)	24.0%
Effect of 3.5% reduction in IRES rate from 2017 on deferred taxes (Law no. 208/15)	0.0	0.00%	0.0	0.00%
Effect of concession (A.C.E.) Decree Law no. 201/2011	(1.8)	-5.44%	0.0	0.00%
Previous years' taxes	1.2	3.73%	10.5	-2.96%
Super amortisation allowance	(8.6)	-26.66%	(7.7)	2.18%
Tax asset recovery (Saras Energia)	0.0	0.00%	0.0	0.00%
Other permanent differences	10.9	33.88%	5.8	-1.62%
Effective taxes	9.5	29.5%	(76.7)	21.6%

	2021	2020
IRAP		
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS [A]	363.0	-305.2
IRAP THEORETICAL TAX [A*2,93%] [B]	10.6	-8.9
THEORETICAL TAX RATE [B/A*100] %	2.93%	2.93%
EFFECTIVE INCOME TAX [C]	13.3	0.5
EFFECTIVE TAX RATE [C/A*100] %	3.7%	-0.2%

	2021		2020	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	10.6	2.93%	(8.9)	2.93%
IRAP effect on foreign companies with positive Production Value	(1.0)	-0.27%	(0.2)	0.05%
Effect of different regional rates on production value	(6.6)	-1.83%	(0.3)	0.10%
Non-recognition of Tax Asset for IRAP companies with negative EBIT	11.4	3.15%	8.1	-2.66%
Other permanent differences	(1.2)	-0.33%	1.8	-0.59%
Effective taxes	13.3	3.7%	0.5	-0.2%

The theoretical tax rate for 2021 was calculated using the 2.93% ordinary rate, instead of the generally applicable 3.90%, which is currently set by the Autonomous Region of Sardinia (Regional Law no. 5/2015).

7. Other information

7.1 Main legal actions pending

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

The company Saras SpA is subjected to investigations in the context of criminal proceedings no. 9603/2021 RGNR mod. 21 DDAT, pending at the Cagliari District Attorney - District Anti-Mafia and Terrorism Directorate.

The claim against Saras - pursuant to art. 25-octies of Legislative Decree no. 231/2001 - concerns the administrative offence deriving from the crime of "use of money, goods or benefits of unlawful origin" (pursuant to art. 648-ter of the Italian Criminal Code) alleged against some of its managers.

Specifically, according to the indictment, as resulting from the notice of conclusion of the preliminary investigations pursuant to Article 415-bis of the Italian Criminal Code notified to the company on 24.12.2021, some Group's managers allegedly committed the crimes of "ideological misrepresentation committed by a public official in public deeds" (pursuant to art. 479 of the Italian Criminal Code) and of "use of money, goods or benefits of unlawful origin" (pursuant to art. 648-ter of the Italian Criminal Code) in relation to 52 purchase transactions, in 2015 and 2016, from Petraco Oil Company LLP, of crude oil of criminal origin - because it was not certified by S.O.M.O. ("State Oil Marketing Organization"), the oil company of the Federal Government of Baghdad, and therefore they allegedly misappropriated from the Republic of Iraq - which was used in the economic and financial refining activities of Saras and on which, in any case, operations were carried out to hinder the verification of its criminal origin, consisting, inter alia, of the falsification of the relevant contractual, travel and customs documentation.

For its part, Saras is being investigated for the administrative offence referred to in article 25-octies of Legislative Decree no. 231/2001 in relation to the crime referred to in article 648-ter of the Italian Criminal Code and allegedly committed by the Group's managers because, according to the accusation, in 2015 and 2016, it failed to adopt an effective Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 (hereinafter, the "Model 231"), given that:

- until 12th May 2016, the latter did not specifically provide for preventive measures to combat the offence under investigation;
- subsequently, although the 231 Model was updated, it would not have been effectively implemented.

According to the indictment, these organisational shortcomings would have made it possible for the Group's managers to carry out the individual episodes of reutilisation that are the subject of the charges, from which Saras would have gained a significant economic advantage deriving, in particular, "from the purchase of oil products of unlawful origin and destined for refining, at a much lower price, quantifiable at no less than EUR 1,124,767,082.47, compared with the market value".

On the other hand, no charges have been brought against the Company under Legislative Decree no. 231/2001 in relation to the offence of false ideology: indeed, Art. 479 of the Criminal Code did not constitute and still does not constitute a predicate offence for the administrative liability of entities under Legislative Decree no. 231/2001.

The notice of conclusion of the investigations does not contain any criminal-law charges originally brought against the managers under investigation.

As of today, there has been no formal communication of the prosecution by the Public Prosecutor. However, according to press reports, informally confirmed by the Public Prosecutor's Office, the prosecution appears to have taken place at the end of February 2022.

The company believes that the evidence acquired by the Cagliari District Attorney's Office leaves ample room to refute - first and foremost - the thesis that the marketing of crude oil by the KRG was not legitimate and, in any case, to rule out the awareness of Saras' management.

On 28th March 2022 the Company and the managers involved in the investigations have been notified with the notice that the preliminary hearing in Cagliari Court on 16th June 2022.

Saras SpA - Since it became aware of the existence of the criminal proceedings, Saras SpA has issued five press releases, in which it has made its position known to the market, refuting all the accusations (see: press releases dated 8.10.2020, 9.10.2020, 24.1.2021, 26.2.2022 and 28.03.2022 available on the Company's website).

In the light of the above-mentioned reasons and after the first analysis performed, several elements emerge that could be used to refute the hypothesis of crime. Therefore, the management consider that it is not possible to estimate and to evaluate the risk arising from the potential fiscal dispute.

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

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

The Parent Saras SpA and the subsidiaries Sarlux Srl and Sardeolica Srl were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts.

7.2 Earnings per share

Earnings per share (EPS) is calculated by dividing the profit (loss) for the year by the weighted average number of Saras SpA shares outstanding during the year, excluding treasury shares.

Net earnings per share are EUR +4.54 cents per share for the 2020 financial year and EUR -25.77 cents per share for the 2020 financial year. Diluted earnings per share do not vary significantly from basic earnings per share.

The average number of shares outstanding was 947,539,261 in 2020. Saras SpA at 31st December 2021 did not hold treasury shares.

7.3 Related-party transactions

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below and information is provided on the largest transactions.

The effects of transactions or positions with related parties on statement of financial position items are shown in the following summary table:

Description	Absolute value (Euro/000) and % on balance sheet item 31/12/2021		Absolute value (Euro/000) and % on balance sheet item 31/12/2020	
Related party transactions involving Saras Group's majority shareholders				
Trade receivables	88	0.02%	87	0.03%
Other operating revenues	159	0.21%	199	0.13%
Cost of services and sundry costs	1,075	0.10%	517	0.10%

With regard to the above-mentioned transactions, contracts governing provision of services are settled with amounts in line with market conditions.

The effects of transactions or positions with related parties on the statement of financial position and the income statement are summarised in the table below:

Description	Absolute value (Euro/000) and % on balance sheet item 31/12/2021			Absolute value (Euro/000) and % on balance sheet item 31/12/2020		
	Related parties	Total	Incidence %	Related parties	Total	Incidence %
Trade receivables	88	549,527	0.02%	87	256,641	0.03%
Other operating revenues	159	74,672	0.21%	199	157,409	0.13%
Cost of services and sundry costs	1,075	1,033,218	0.10%	517	520,375	0.10%

The main cash flows with related parties are shown in the table below:

Flows with related parties	2021	2020
(Increase) Decrease in trade receivables	(1)	22
Increase (Decrease) in trade payables	0	0
Cash flow from (for) activities in the year	(1)	22
Interest received (paid)	0	0
Cash flow from (for) investment activities	0	0
(Increase)/Decrease financial payables	0	0
Cash flow from (for) financial activities	0	0
Total cash flows towards related parties	(1)	22

The effects of cash flows with related parties are shown in the table below:

Description	Absolute value (Euro/000) and % on balance sheet item 31/12/2021			Absolute value (Euro/000) and % on balance sheet item 31/12/2020		
	Related parties	Total	Incidence %	Related parties	Total	Incidence %
Cash flow from (for) activities in the year	(1)	(196,495)	0.00%	22	(324,696)	-0.01%

7.4 Information pursuant to IFRS 7 and 13 Financial Instruments: Disclosures

To the extent that it is applicable to the Saras Group, the disclosure on financial instruments to be provided in financial statements and interim reports is mainly

set out in IFRS 7 and 13.

IFRS 7 - Financial Instruments: Disclosures, requires entities to provide supplementary disclosures in financial statements that make it possible to evaluate:

- a) the value of financial instruments with respect to the financial position and results of operations;
- b) the nature and extent of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date and the way in which this is managed.

IFRS 13 – Fair Value Measurement, which is applicable from 1st January 2013, requires supplementary disclosures on fair value, some of which is also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Sub-paragraphs a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this

end, IFRS 13 defines a precise three-tier fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the various levels of reliability of fair value, depending on whether it is based on:

- a) unadjusted quotations taken from an active market – as defined by IAS 39 – for the assets and liabilities being measured (level 1);
- b) measurement techniques based on factors other than the quoted prices referred to above, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);
- c) measurement techniques that are not based on observable market data as a reference (level 3).

Given the above, the following table shows assets and liabilities measured at fair value by the Group at 31st December 2021, broken down by fair value hierarchy:

Type of Operation	31/12/2021 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/2021 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps	12,097		12,097		(878)		(878)	
Derivatives on commodities	45,555	45,555			(65,382)	(65,382)		
Exchange rate derivatives					(509)		(509)	
Derivatives on CO ₂ allowances			0		(105)		0	
Total	57,652	45,555	12,097	0	(66,874)	(65,382)	(1,387)	0

The Group's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.

Pursuant to sub-paragraph c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the year.

Measurement techniques

As shown in the table in the section above, financial instruments measured at fair value by the Saras Group largely consist of derivatives entered into by the Parent Company and the subsidiaries Sarlux Srl and Saras Trading to hedge the currency and interest rate risks and the fluctuating price of oil and crude products and CO₂ emission allowances.

Specifically, the fair value measurement of these instruments is carried out:

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;
- for commodity-based derivatives and CO₂ quotas, based on the account statements of open positions that are periodically received from the clearing broker through which these instruments are agreed.

For all types of derivatives described above, the fair value measurements received from the counterparties

in open positions are verified by comparing them to the fair value measurement carried out within the Group for the same positions. These internal measurements are carried out using reference parameters observable on markets (spot and forward interest rates, exchange rates and crude oil and oil product prices available in active regulated markets).

The valuation does not consider the counterparty risk as the effect is not significant considering the existing security deposits.

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

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

7.4.1 Information on the Statement of Financial Position

With reference to the Statement of Financial Position, Sections 8 - 19 of the standard in question state that the carrying value of all financial instruments belonging to the categories set out in IFRS 9 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities

at fair value through profit and loss, or where it has restated financial assets or derecognised them from the accounts. The statement of financial position

of the Saras Group at 31st December 2021 and 31st December 2020 is shown below, with details of the Group's financial instruments:

31/12/2021	Accounting value of financial derivatives categories, defined according to IFRS 9				Financial statements
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	at 31/12/2021
ASSETS					
Current financial assets	1,058,175	1,529	0	1,225,200	2,284,904
Cash and cash equivalents	366,680				366,680
Other financial assets	113,739	1,529			115,268
<i>Titles held for the purpose of trading</i>					
<i>Derivative instruments</i>	113,739				
<i>Other current financial assets</i>		1,529			
Trade receivables	546,511				546,511
Inventories				1,169,172	1,169,172
Current tax assets				32,954	32,954
Other assets	31,246			23,073	54,319
<i>Emissions Trading Credit</i>	23,684				
<i>White certificates</i>	0				
<i>Other</i>	7,562				
Non-current assets	4,139	0	0	1,410,551	1,414,691
Property, plant and equipment				1,227,395	1,227,395
Intangible assets				41,510	41,510
Right-of-use of leased assets				44,585	44,585
Equity investments valued using the equity method					0
Other investments				507	507
Deferred tax assets				96,555	96,555
Other financial assets	4,139				4,139
<i>Loans</i>	372				
<i>Sundry receivables</i>	3,766				
Non-current assets held for sale			0		0
Property, plant and equipment				0	0
Intangible assets				0	0
Total assets	0	0	0	0	3,699,595
LIABILITIES					
Current liabilities	66,769	2,442,478	0	174,259	2,683,506
SH-T Financial liabilities	66,769	861,914			928,683
<i>Bond loans</i>					
<i>Bank loans (secured)</i>		584,936			
<i>C/a advances</i>		163,134			
<i>Financial payables to non-consolidated companies and other payables</i>		113,844			
<i>Derivative instruments</i>	66,769				
Trade and other payables		1,580,564			1,580,564
Current tax liabilities				110,397	110,397
Other liabilities				63,862	63,862
<i>Other payables</i>				63,862	
Non-current liabilities	0	52,035	0	170,335	222,371
Long-term financial liabilities		51,845			51,845
<i>Bank loans (secured)</i>		5,244			
<i>Bond loans</i>		0			
<i>Financial payable IFRS 16</i>		41,343			
<i>Other payables</i>		5,257			
Provisions for risks				159,718	159,718
Provisions for employee benefits				6,883	6,883
Deferred tax liabilities				3,734	3,734
Other liabilities		191		0	191
<i>Other payables</i>		191			
Total liabilities	66,769	2,494,513	0	344,594	2,905,877

31/12/2020	Accounting value of financial derivatives categories, defined according to IFRS 9				
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	Financial statements at 31/12/2020
ASSETS					
Current financial assets	1,073,524	1,242	0	766,285	1,841,050
Cash and cash equivalents	558,997				558,997
Other financial assets	152,435	1,242			153,677
<i>Titles held for the purpose of trading</i>					
<i>Derivative instruments</i>	152,435				
<i>Other current financial assets</i>		1,242			
Trade receivables	256,641				256,641
Inventories				737,389	737,389
Current tax assets				14,289	14,289
Other assets	105,450			14,607	120,057
<i>Emissions Trading Credit</i>	75,231				
<i>White certificates</i>	36,688				
<i>Other</i>	(6,469)				
Non-current assets	5,972	0	0	1,523,167	1,529,138
Property, plant and equipment				1,310,794	1,310,794
Intangible assets				47,226	47,225
Right-of-use of leased assets				42,802	42,801
Equity investments valued using the equity method					0
Other investments				502	502
Deferred tax assets				121,844	121,844
Other financial assets	5,972				5,972
<i>Loans</i>	2,077				
<i>Sundry receivables</i>	3,895				
Non-current assets held for sale			0		0
Property, plant and equipment				0	0
Intangible assets				0	0
Total assets	0	0	0	0	3,370,188
LIABILITIES					
Current liabilities	97,327	1,430,708	0	148,391	1,676,426
SH-T Financial liabilities	97,327	514,113			611,441
<i>Bond loans</i>					
<i>Bank loans (secured)</i>		19,059			
<i>C/a advances</i>		456,144			
<i>Financial payables to non-consolidated companies and other payables</i>		38,911			
<i>Derivative instruments</i>	97,327				
Trade and other payables		916,594			916,594
Current tax liabilities				80,499	80,499
Other liabilities				67,892	67,892
<i>Other payables</i>				67,892	
Non-current liabilities	0	652,444	0	256,796	909,240
Long-term financial liabilities		652,064			652,064
<i>Bank loans (secured)</i>		399,236			
<i>Bond loans</i>		199,344			
<i>Financial payable IFRS 16</i>		40,329			
<i>Other payables</i>		13,155			
Provisions for risks				244,165	244,165
Provisions for employee benefits				8,901	8,901
Deferred tax liabilities				3,730	3,730
Other liabilities		380		0	380
<i>Other payables</i>		380			
Total liabilities	97,327	2,083,152	0	405,187	2,585,666

Financial instruments measured at fair value in the income statement comprise derivatives held by the Parent Company and the subsidiaries Sarlux Srl and Saras Trading, described in paragraph 5.4.1. The derivatives relate to commodities, interest rates and foreign exchange. The first type was entered into by the Parent Company to hedge the risks inherent in the business in which it operates, which stem from changes in the price of crude

and oil products (futures, options and swaps). The second type was entered into by the Parent Company and the subsidiary to hedge the interest rate risk on loans. Finally, the third type was entered into by the Parent Company to hedge the currency risk on open currency positions.

All trade receivables and most other current and non-current receivables are classed as "Loans" since they

consist of non-derivative financial assets with fixed or determinable payments that are not listed on any active market. The value entered in the financial statements is close to fair value.

With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying amount is close to their fair value.

Other financial liabilities valued at amortised cost include all the Group's financial liabilities and trade payables arising from the Group's contractual obligations to deliver cash or other financial assets to another entity.

During the year, no financial assets were restated between those measured at amortised cost and those designated at fair value, nor were any financial assets transferred or derecognised, with the exception of trade receivables sold without recourse. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.4.2 Information on the Income Statement

Paragraph 20 of the standard in question requires companies to state the net gains or losses generated by financial assets and liabilities, broken down according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overloading the accounting statements with information, the Group has opted for the second alternative, as advised in the Appendix to the accounting standard itself.

The following tables therefore show details of income statement items for the current and the previous year:

31/12/2021	Net profits and losses, active and passive interests, fees and expenses generated from:				Financial statements at 31/12/2021
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	
Revenues from ordinary operations				8,561,324	8,561,324
Other income				75,124	75,124
Total revenues				8,636,448	8,636,448
Purchases of raw materials, consumables and supplies				(7,183,639)	(7,183,639)
Services and other costs	(41,807)			(991,411)	(1,033,218)
Personnel costs				(142,570)	(142,570)
Depreciation/amortisation and write-downs				(198,525)	(198,525)
Total costs				(8,516,145)	(8,557,952)
Operating result					78,496
Net income (charges) from equity investments					
Other financial income (charges)	2,034	(48,323)			(46,288)
<i>from Securities held for trading</i>					
<i>- of which:</i>					
<i>Realised differentials</i>					
<i>FV change</i>					
<i>from interest on current accounts</i>			47		47
<i>from loans made to Group companies</i>					
<i>from Derivative instruments</i>	2,034				2,034
<i>- of which:</i>					
<i>Realised differentials</i>	1,199				1,199
<i>FV change</i>	836				836
<i>from Other financial assets</i>					
<i>from Interest on loans</i>		(19,078)			(19,078)
<i>from Interest on factoring</i>		(4,413)			(4,413)
<i>from other credits/debts</i>		(24,879)			(24,879)
Result before taxes					32,208
Income taxes					(22,874)
Net result					9,334

31/12/2020	Net profits and losses, active and passive interests, fees and expenses generated from:				Financial statements at 31/12/2020
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	
Revenues from ordinary operations				5,184,875	5,184,875
Other income				157,409	157,409
Total revenues				5,342,284	5,342,284
Purchases of raw materials, consumables and supplies				(4,745,491)	(4,745,491)
Services and other costs	142,621			(662,997)	(520,375)
Personnel costs				(163,497)	(163,497)
Depreciation/amortisation and write-downs				(254,032)	(254,032)
Total costs				(5,826,018)	(5,683,395)
Operating result					(341,111)
Net income (charges) from equity investments					
Other financial income (charges)	5,923	(19,742)			(13,819)
from Securities held for trading					
- of which:					
Realised differentials					
FV change					
from interest on current accounts			1,239		1,239
from loans made to Group companies					
from Derivative instruments	5,923				5,923
- of which:					
Realised differentials	8,046				8,046
FV change	(2,123)				(2,122)
from Other financial assets					
from Interest on loans			(16,911)		(16,911)
from Interest on factoring			(3,740)		(3,739)
from other credits/debts			(329)		(329)
Result before taxes					(354,930)
Income taxes					79,413
Net result					(275,517)

The entire fair value of the derivatives in place at 31st December 2021 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

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

Financial liabilities measured at amortised cost generated losses of EUR 19,078 thousand (EUR 16,911 thousand in the previous year), mainly due to interest on loans.

7.4.3 Supplementary information

7.4.3.1 Accounting for derivative transactions

As stated earlier, the Parent Company enters into derivative contracts on commodities to hedge the risks arising from changes in the price of crude oil and oil products, on CO₂ emission allowances, on the EUR/USD exchange rate to hedge against the risks relating to its currency positions and on interest rates, to hedge against interest rate risk on its loans.

At 31st December 2021, outstanding derivatives contracts included derivatives on all three types of underlying assets, stated as financial instruments held for trading.

These instruments are recorded at fair value: changes in fair value, as well as differentials realised, are recorded for the part linked to the hedging of petroleum products in the income statement under revenues and costs of ordinary operations.

All other financial instruments (interest rate swaps and Forwards on exchange rates) not related to the hedging of petroleum products are recorded at fair value: changes in fair value, as well as realised differentials, are recorded in the income statement under financial income or financial expenses.

Most outstanding positions on commodities and on foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2021, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of instruments is determined on the basis of the statements that are periodically sent by the counterparties with which these instruments are stipulated.

7.4.3.2 Fair value

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost. As these assets and liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31st December 2019.

The bond carries a fixed rate and market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 transposed in Europe by means of Regulation (EC) no. 1165 of 27th November 2009, all financial instruments booked at fair value are calculated based on valuation methods that use observable market parameters other than the prices of these instruments as their reference, except for forex and commodities futures classified under “Other current assets” or “Short-term financial liabilities”, which are valued based on prices in an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.4.4 Risks deriving from financial instruments

Risks deriving from financial instruments to which the Group is exposed are:

- a. credit risk: i.e. the risk that the Group will incur a loss in the event that a counterparty to a financial instrument defaults;
- b. liquidity risk: i.e. the risk that the Group will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;
- c. market risk: i.e. the risk relating to the performance of markets in which the Group operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations.

7.4.4.1 Credit risk

The company's exposure to credit risk relates mainly to trade receivables, other current and non-current

receivables, assets held for trading and cash and cash equivalents.

The information required by sections 36-38 is shown in the tables below:

	Accounting value at 31/12/2021		Credit risk		Analysis of maturities by financial assets, ex paragraph 37 b) IFRS 7					Value impairment loss		
	Total	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	2,284,904	1,046,652	1,046,652	51,785	989,022	21,241	(8,276)	2,592	42,072	1,028,459		
Cash and cash equivalents	366,680	366,680	366,680		366,680					366,680		
Other financial assets held for trading	115,268	115,268	115,268		115,268					115,268		
Trade receivables	564,704	564,704	564,704	51,785	507,074	21,241	(8,276)	2,592	42,072	546,511		
Bad debt provision	(18,193)									0	0	(18,193)
Inventories	1,169,172											
Current tax assets	32,954											
Other assets	54,319											
Non-current assets	1,414,691	507	4,273	0	3,766	0	0	0	0	3,766		
Property, plant and equipment	1,227,395											
Intangible assets	41,510											
Right-of-use of leased assets	44,585											
Equity investments valued using the equity method												
Other investments	507	507	507									
Deferred tax assets	96,555											
Other financial assets	4,139		3,766		3,766					3,766		
Total assets	3,699,596	1,047,159	1,050,925	51,785	992,788	21,241	(8,276)	2,592	42,072	1,032,225		

	Accounting value at 31/12/2020		Credit risk		Analysis of maturities by financial assets, ex paragraph 37 b) IFRS 7					Value impairment loss		
	Total	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	1,841,050	976,290	976,290	85,660	851,127	145,676	37,135	12,934	24,140	1,064,039		
Cash and cash equivalents	558,997	558,997	558,997		558,997					558,997		
Other financial assets held for trading	153,677	153,677	153,677		153,677					153,677		
Trade receivables	263,616	263,616	263,616	85,660	138,453	145,676	37,135	12,934	24,140	351,365		
Bad debt provision	(6,974)									0	0	(6,974)
Inventories	737,389											
Current tax assets	14,287											
Other assets	120,057											
Non-current assets	1,529,139	502	4,397	0	3,895	0	0	0	0	3,895		
Property, plant and equipment	1,310,794											
Intangible assets	47,226											
Right-of-use of leased assets	42,802											
Equity investments valued using the equity method												
Other investments	502	502	502									
Deferred tax assets	121,844											
Other financial assets	5,971		3,895		3,895					3,895		
Total assets	3,370,188	976,792	980,687	85,660	855,022	145,676	37,135	12,934	24,140	1,067,934		

Guarantees on trade receivables are represented by sureties requested from Off-grid customers by Saras SpA and customers of Saras Energia, a credit insurance policy taken out by them covering most of the turnover, as well as letters of credit guaranteeing part of the Parent Company's receivables.

The company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the table below:

7.4.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans.

	Accounting value at 31/12/2021		Liquidity risk		Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of the financial liabilities	Guarantee	2021	2022	2023	2024	2025	beyond 5 years
LIABILITIES										
Current liabilities	2,683,506	2,683,271	2,572,874	0	2,572,874	0	0	0	0	0
SH-T Financial liabilities	928,683	928,448	928,448	0	928,448					
<i>Bond loans</i>		<i>200,000</i>	<i>200,000</i>		<i>200,000</i>					
<i>Interest on bond loan</i>										
<i>Bank loans (secured)</i>		<i>384,701</i>	<i>384,701</i>		<i>384,701</i>					
<i>C/a advances</i>		<i>103,134</i>	<i>163,134</i>		<i>163,134</i>					
<i>Interest rates (final average rate = 1.060%)</i>										
<i>Financial payables to non-consolidated companies and other payables</i>		<i>113,844</i>	<i>113,844</i>		<i>113,844</i>					
<i>Derivative instruments</i>		<i>66,769</i>	<i>66,769</i>		<i>66,769</i>					
Trade and other payables	1,580,564	1,580,564	1,580,564		1,580,564					
Current tax liabilities	110,397	110,397								
Other liabilities	63,862	63,862	63,862		63,862					
Non-current liabilities	222,371	52,036	46,792	0	0	191	0	0	0	0
Long-term financial liabilities	51,846	51,846	46,602	0	0	0	0	0	0	0
<i>Bank loans (secured)</i>		<i>5,244</i>								
<i>Bond loans</i>		<i>0</i>				<i>0</i>				
<i>Financial payable IFRS 16</i>		<i>41,343</i>	<i>41,343</i>							
<i>Other</i>		<i>5,258</i>	<i>5,258</i>							
<i>Medium-long term loan rates (final average rate = 1,18%)</i>					<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	
<i>Interest on bond loan</i>					<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	
Provisions for risks	159,718									
Provisions for employee benefits	6,883									
Deferred tax liabilities	3,734									
Other liabilities	191	191	191			191				
Total liabilities	2,905,877	2,735,307	2,619,666	0	2,572,874	191	0	0	0	0

	Accounting value at 31/12/2020		Liquidity risk		Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of the financial liabilities	Guarantee	2020	2021	2022	2023	2024	beyond 5 years
LIABILITIES										
Current liabilities	1,676,426	1,676,426	1,596,869	0	1,576,869	0	0	0	0	0
SH-T Financial liabilities	611,441	611,441	612,382	0	592,382					
<i>Bond loans</i>										
<i>Interest on bond loan</i>										
<i>Bank loans (secured)</i>		<i>19,059</i>	<i>20,000</i>							
<i>C/a advances</i>		<i>456,144</i>	<i>456,144</i>		<i>456,144</i>					
<i>Interest rates (final average rate = 1.060%)</i>										
<i>Financial payables to non-consolidated companies and other payables</i>		<i>38,911</i>	<i>38,911</i>		<i>38,911</i>					
<i>Derivative instruments</i>		<i>97,327</i>	<i>97,327</i>		<i>97,327</i>					
Trade and other payables	916,594	916,594	916,594		916,594					
Current tax liabilities	80,499	80,499								
Other liabilities	67,892	67,892	67,892		67,892					
Non-current liabilities	909,240	652,444	653,864	0	6,361	6,741	6,360	56,095	556,095	0
Long-term financial liabilities	652,064	652,064	653,484	0	6,361	6,361	6,360	56,095	556,095	0
<i>Bank loans (secured)</i>		<i>399,236</i>	<i>400,000</i>					<i>50,000</i>	<i>350,000</i>	
<i>Bond loans</i>		<i>199,344</i>	<i>200,000</i>						<i>200,000</i>	
<i>Financial payable IFRS 16</i>		<i>40,329</i>	<i>40,329</i>		<i>0.7</i>	<i>0.6</i>	<i>0.5</i>	<i>0.4</i>	<i>0.3</i>	
<i>Other</i>		<i>13,155</i>	<i>13,155</i>							
<i>Medium-long term loan rates (final average rate = 1.060%)</i>					<i>4,240</i>	<i>4,240</i>	<i>4,240</i>	<i>3,975</i>	<i>3,975</i>	
<i>Interest on bond loan</i>					<i>2,120</i>	<i>2,120</i>	<i>2,120</i>	<i>2,120</i>	<i>2,120</i>	
Provisions for risks	244,165									
Provisions for employee benefits	8,901									
Deferred tax liabilities	3,730									
Other liabilities	380	380	380			380				
Total liabilities	2,585,666	2,328,870	2,250,732	0	1,583,229	6,741	6,360	56,095	556,095	0

7.4.4.3 Market risk

As stated previously, the market risks to which the Group is exposed via its financial instruments relate to:

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date and which determines the exchange rate gains and losses recorded under “Financial income” or “Financial charges” as well as the fair value of derivatives held at the reporting date;
- the Euribor interest rate, to which the interest rates paid by the Group on its loans are indexed, as well as the fair value of derivative instruments held at the reporting date;
- prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by section 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Group is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management’s forecasts. The results of the analysis are shown in the tables below.

EUR/USD exchange rate

With reference to the EUR/USD exchange rate, at the reporting date, the Saras Group had a significant level of financial instruments denominated in the latter currency recorded mainly under trade receivables and payables (principally relating to the Parent Company).

The Group carried out a simulation of the impact on net profit and equity, assuming a change of +/-10% in the EUR/USD exchange rate at the end of the year, which was used to translate currency positions in the preparation of the statement of financial position.

2021				Reference parameter change	
EUR/USD exchange rate				-10%	+10%
Statement of Financial Position item	Amount in currency	EUR/USD Exchange rate	Amount in (thousands of EUR)		
Currency net position	(808,683)	1.133	(515,837)		
Effect on result before tax				(57,315)	46,894
Effect on net result (and equity)				(39,318)	32,169

2020				Reference parameter change	
EUR/USD exchange rate				-10%	+10%
Statement of Financial Position item	Amount in currency	EUR/USD Exchange rate	Amount in (thousands of EUR)		
Currency net position	(450,206)	1.227	(288,132)		
Effect on result before tax				(32,015)	26,194
Effect on net result (and equity)				(21,962)	17,969

To mitigate the effects of sensitivity to the EUR/USD exchange rate, the Parent Company also enters into forward exchange rate contracts, which are recognised at their fair value at the reporting date. As fair value is inevitably affected by the underlying exchange rate, the Group carried out a simulation

of the impact on the Group’s profit (loss) for the year and equity, assuming a change of +/-10% in the benchmark parameters.

The details and results of the simulation are shown in the tables below:

2021			Reference parameter change	
Derivatives on:	Fair Value at 31/12/2021		-10%	10%
Exchange rates	509		55,486	(46,388)
	509		55,486	(46,388)
Effect on result before tax			55,486	(46,388)
Effect on net result (and equity)			40,227	(33,631)

2020			Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020		-10%	10%
Exchange rates	1,637		26,732	(24,805)
	1,637		26,732	(24,805)
Effect on result before tax			26,732	(24,805)
Effect on net result (and equity)			19,381	(17,984)

Interest rate

The Group has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.

A simulation of the impact of this variable on Group net profit and consequently on equity was carried out,

assuming a change of +/-50 basis points in rates and only taking into account the portion of variable-rate funding.

The analysis measures the impact in terms of greater or lower interest expense that would have accrued on floating-rate loans in 2021.

The details and results of the simulation are shown in the table below:

2021		Reference parameter change	
VARIABLE INTEREST RATES	Average annual interest rate 2021	Annual interest expense	
			-50 bps +50 bps
Short and medium-long term financial liabilities	1.18%	(19,708)	
Effect on result before tax			8,351 (8,351)
Effect on net profit (and equity)			6,054 (6,054)

2020		Reference parameter change	
VARIABLE INTEREST RATES	Average annual interest rate 2020	Annual interest expense	
			-50 bps +50 bps
Short and medium-long term financial liabilities	1.06%	(16,365)	
Effect on result before tax			7,719 (7,719)
Effect on net profit (and equity)			5,597 (5,597)

In addition, the fair value of the Interest Rate Swaps (IRS) and interest rate options outstanding at the reporting date relating to the Parent Company is affected by the fluctuations in the Euribor rate: a simulation of the impact of this variable on the profit for the year and equity was carried out, assuming a change of +/-25

basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The details and results of the simulation are shown in the tables below:

2021		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2021	-25 bps	+25 bps
Fair value of Interest rate swaps	(970)	970	(970)
	(970)	970	(970)
Effect on result before tax		970	(970)
Effect on net result (and equity)		703	(703)

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-25 bps	+25 bps
Fair value of Interest rate swaps	(586)	586	(586)
	(586)	586	(586)
Effect on result before tax		586	(586)
Effect on net result (and equity)		425	(425)

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives at 31st December 2021 consisted of futures, swaps and options on oil products and the fair value recorded in the statement of financial position was derived from the market prices

of the relevant underlying assets at that date.

The Group therefore has carried out a simulation of the impact of this variable on net profit and consequentially, on equity, assuming a change of +/-20%.

The details and results of the simulation (comparative) are shown in the tables below:

2021		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2021	-20%	+20%
Crude and oil products	(7,532)	(14,862)	(6,382)
	(7,532)	(14,862)	(6,382)
Effect on result before tax		(14,862)	(6,382)
Effect on net result (and equity)		(10,775)	(4,627)

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-20%	+20%
Crude and oil products	(8,488)	29,934	(3,722)
	(8,488)	29,934	(3,722)
Effect on result before tax		29,934	(3,722)
Effect on net result (and equity)		21,702	(2,699)

The above analysis of the Group's exposure to risks related to financial instruments shows that there are no significant concentrations of risk in terms

of counterparty, geographical area or market; the concentration risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.5 Average staff numbers

The average numbers of staff working at companies included in the perimeter of consolidation, divided by category, are shown below:

Average number of employees	2021	2020
Top management	51	60
White collars	1,211	1,262
Blue collars	381	394
Total	1,643	1,716

The number of the Group's employees decreased from 1,687 at the end of 2020 to 1,572 at 31st December 2021.

7.6 Fees and remuneration of key management personnel

In 2021, key management personnel received remuneration totalling EUR 2,430 thousand. For further details, see section 7.5.1 of the Notes to the Financial Statements of Saras SpA.

For information on indemnities in the event of the early termination of employment of directors and succession plans for executive directors (pursuant to Article 114, paragraph 5 of Legislative Decree no. 58 of 24th February 1998), please see the annual report on corporate governance and ownership structure pursuant to Article 123-*bis* of Legislative Decree no. 58 of 24th February 1998.

7.7 Commitments

At 31st December 2021 and 2020, 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 issued sureties totalling EUR 266,269 thousand at 31st December 2020, mainly in favour of subsidiaries and entities, such as Customs Agencies and the Ministry of Defence.

7.8 Disclosure of external auditor's fees

Pursuant to Art. 149-*duodecies* of the Consob Issuers' Regulation, the table below provides details of the fees relating to 2021 paid to the independent auditors for the provision of audit and other non-audit services and the services provided by the network companies.

Types of services	Provider	Recipient	Consideration of competence of the 2021 financial year
Audit	EY SpA	Saras SpA	534
	EY SpA	Subsidiaries Italy	192
	Network EY	Subsidiaries abroad	105
Net income			831
Certification services	EY SpA	Saras SpA "Non financial reporting"	35
	Network EY	Subsidiaries abroad "AUP Saras Energia"	13
Total			48
Other services	EY SpA	Saras SpA	8
Total			8
TOTAL			887

7.9 Other

For information on atypical and/or unusual transactions, please refer to the relevant section of the Report on Operations.

7.10 Subsequent events

During February 2022 the Russian-Ukrainian conflict broke out, following the invasion of Ukraine by the Russian Army. The following economic sanctions adopted by the international community to Russia have determined significant turbulence on the financial and oil markets. The Group confirms that it does not have plants or employees in Russia, in Ukraine or in countries with geopolitical links with such countries. It also confirms to have interrupted trade relations with such countries. No significant financial restrictions deriving from the exclusion of Russian from the SWIFT circuit have affected the Group.

Regardless of that, in a market already afflicted by restrictions, the Group could not exclude the possibility that situation could worsen and therefore affect the Group's ability to purchase oil, in a measure that it is not possible to estimate today.

On 28th March 2022 the Company and the managers involved in the investigations have been notified with the notice that the preliminary hearing in Cagliari Court on 16th June 2022.

On 30th March 2022 Sardeolica Srl received the "Autorizzazione Unica" (Authorisation) to build and operate a photovoltaic plant in Uta (Cagliari) of 80 MW.

8. Publication of the Consolidated Financial Statements

In its meeting of 14th March 2022, Saras' Board of Directors has authorised the publication of the Financial Statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the Notes to the Financial Statements any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Massimo Moratti





REPORT ON OPERATIONS OF SARAS SPA



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REPORT ON OPERATIONS OF SARAS SPA

Saras SpA is the Parent Company and operates in the Italian and international oil markets buying and selling refined oil products. This has already been analysed in detail in the Report on Operations of the Saras Group, which can be consulted for further information, as well as for

a detailed analysis of the market, regulatory framework, principal events in the year, significant events after the end of the year and the business outlook.

In the 2021 financial year, the revenues of Saras SpA amounted

to EUR 7,645 million, an increase of EUR 2,922 million compared to the previous financial year, essentially due to the trend in the prices of petroleum products recorded during the financial year, as well as to a slight increase in the quantities sold.

KEY PROFIT AND LOSS FIGURES

EUR million	2021	2020	CHANGE
Revenue	7,645	4,723	2,922
EBITDA	343	(61)	404
EBIT	338	(66)	404
NET RESULT	30	(65)	95

EBITDA amounted to EUR 343 million, a significant increase compared to the previous year, mainly due to higher refining margins and greater quantities sold during 2021, as already commented in the Report on Operations of the Group's Consolidated Financial Statements.

It should be noted that in the financial statements in question a write-down was made of the book value of the investment in the subsidiary Sarlux Srl for EUR 188 million, aligning the same value with that of the subsidiary's shareholders' equity.

The net profit for the year of EUR 30 million is affected by the above.

The Net Financial Position of Saras SpA at 31st December 2021 was positive for EUR 115 million.

The following information is provided pursuant to Article 2428 of the Italian Civil Code:

- intangible assets do not include research and development costs;

- transactions with subsidiaries, associates and companies controlled by the latter are shown in the Notes under 7.2 "Related party transactions";
- during the year, there were no transactions for the purchase and sale of treasury shares.

During the year, the "Plan for the free allocation of the Company's shares to the management of the Saras Group" for the period 2019/2021 (the "2019/2021 Stock Grant Plan" or the "Plan") was cancelled, and the 2021 Stock Grant Plan was approved. This plan had the objective of recognizing to the beneficiaries, already recipients of the 2019-2021 stock grant plan, a bonus linked to the results of the industrial indicators of the previous 2019-2021 stock grant plan, achieved in the two-year period 2019-2020. By virtue of the results of the 2021 Stock

Grant Plan, no. 9,220,216 Saras ordinary shares.

For information about the use of financial instruments by the company, see the following section of this report, "Risk analysis".

The only secondary place of business of the Company is the General and Administrative Headquarters, located in Milan, Galleria Passarella, 2.

Information about remuneration and shareholdings of directors and auditors, general managers and key managers is shown in the Notes under paragraph 7.5.

Finally, for the analysis of the main litigation pending please refer to the Notes in section 7.1 "Main Legal Actions pending", while reference is made to the relevant section of the Consolidated Financial Statements of the Saras Group for:

- Corporate Governance;
- Structure of the Group;
- Atypical and/or unusual transactions;
- Performance indicators and non-financial indicators;
- Information about staff;
- Information about the environment.

RISK ANALYSIS

Saras bases its risk management policy on the identification, assessment and possible mitigation with reference to the strategic, operational and financial areas. The principal risks are reported to and discussed by the Company'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, Saras also uses derivatives, only for hedging and without using complex structures.

FINANCIAL RISKS

Exchange rate risk

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

Interest rate risk

Variable rate loans expose to the risk of changes in results and cash flows due to interest. Loans at fixed interest rates expose to the risk of changes in 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. Saras 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 Company's reference market and it is primarily 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 Company's credit risk profile has not changed. Please note that the Company 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 Group's 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. Operating cash generation therefore deteriorated, affecting the Group's level of financial debt. In order to mitigate the liquidity risk, new medium/long-term credit lines were obtained, such as the EUR 350 million loan granted in December 2020 and expiring in September 2024, backed by a government guarantee for 70% of the value.

The next year will be characterised by the maturity of the bond loan of EUR 200 million subscribed in 2017, as well as the repayment of the instalments of other outstanding loans for around EUR 120 million.

Saras has already initiated discussions with a group of banks in order to obtain a new loan guaranteed at 70% by the

government, in compliance with the Decree-Law no. 23 of 8th April 2020 - "Liquidity Decree" - whose term has been extended until 30th June 2022. The new loan is mainly aimed at the early repayment of the bond maturing in December 2022 and the medium-term loan of EUR 50 million maturing in August 2023. In accordance with the general conditions of the Italian Guarantee provision, the new loan will be equal to 125% of the debt subject to refinancing. The finalisation of this loan is still awaiting the issue of a specific decree by the Ministry of the Economy and Finance for authorisation of the issue of the guarantee by SACE.

The receipt by Saras Spa on 24th 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, contractually determines the lender's right to request repayment of the credit lines (SACE loan, Unicredit loan and RCF loan) currently used or granted, and represents a critical issue for the granting of new lines in the authorisation process.

Consequently, medium and long-term bank loans were classified at 31st December 2021 among short-term loans 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 as 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. For further details, see the Notes to the Financial Statements

In order to mitigate this risk, it was necessary, at the beginning of 2022, to request a waiver from the lending banks in order to agree with the lenders to waive the contractual right to request repayment in the presence of the alleged violation, restoring the original payment deadlines in the medium and long term.

On the basis of the discussions underway and the sharing with the lawyers appointed by the banks of the actual substance of the alleged violations relevant for the purposes of the financing agreements, the Directors are confident that in the very short term they will be able to obtain the formalised waiver for the SACE loan and the RCF line (actually issued on 30th March 2022), which is also evidence of the willingness of the banks to continue to provide financial support to the Group also on the remaining short-term credit lines and to finance the principal instalments and the bond loan maturing in 2022.

It should also be noted that the financial parameters on existing loans subject to review at 31st December 2021 are complied with.

Finally, it should be noted that the level of debt could also undergo positive and negative changes due to the trend in working capital, strongly affected by the considerable volatility of the prices of oil and energy commodities caused by the Ukrainian crisis which could also affect the profitability of the core business.

OTHER RISKS

Price fluctuation risk

Saras' results are affected 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, mainly crude oil). In addition, for its production activities, Saras 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, Saras 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

Saras' activity depends significantly on the refinery of its subsidiary Sarlux, located in Sardinia, as well as on the adjacent IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shut-downs. 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 incurring costs in the event of accidents and/or interruption to production.

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 low-carbon basis, allocating most of the financial resources to the renewable energy, smart mobility and electrification sectors. States can pursue the goal of decarbonisation 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 five 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.

Protection of Personal Data

Saras 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) 679/2016 ("GDPR") on the

protection of personal data entered in force. The Saras Group launched a project aimed at implementing the new measures required by the GDPR and aligning its procedures and processes with the changes introduced by this Regulation.

Information technology and cybersecurity

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

Covid-19 Risk

The intensification of the economic and financial crisis unleashed by the Covid-19 crisis has resulted, 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. The prolonged effects has led, for Saras and for the entire refining sector, to a reduction in profitability and an increase in short-term liquidity requirements that would be difficult to sustain if such conditions were to continue in the medium term. In addition, a situation of uncertainty remains regarding the evolution of the pandemic, even though the high vaccination rates at national, European and global level have led to an increase in consumer confidence and a recovery in oil consumption. The

recovery in consumption starting from the second quarter of 2021 has not yet been reflected in an improvement in refining margins, shifting the expected recovery in profitability to the second half of 2022, and then consolidating at more significant levels between 2023 and 2024.

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 made appropriate allocations to provisions for risks and charges included in balance sheet liabilities (see Notes).

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 anti-corruption rules, by Saras, its business partners, agents or other persons acting in its name or on its behalf, may expose Saras and its employees to the risk of

criminal and civil penalties that could damage the Company's reputation and shareholder value. For further details, refer to Chapter 7.1 of the Notes to the Consolidated Financial Statements.

PROPOSALS OF THE BOARD OF DIRECTORS

Dear Shareholders,

The separate financial statements at 31st December 2021 closed with a net profit of EUR 30,057,640. If you agree with the principles used to prepare the financial statements and the accounting standards and policies implemented therein, we propose that the following resolutions be passed:

The Shareholders' Meeting

- having regard to the separate financial statements of the Company at 31st December 2021;
- having seen the statutory auditors' report to the shareholders' meeting pursuant to Article 153 of Legislative Decree no. 58/1998 (the Consolidated Law on Finance, TUF);
- having regard to the external auditor's report on the separate financial statements at 31st December 2021,

resolves

to approve the separate financial statements of the Company for the year ended 31st December 2021 in their entirety and in the individual items, and to carry forward the profit for the year.

For the Board of Directors
The Chairman
Massimo Moratti





SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31ST DECEMBER 2021



SARAS SPA – STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

Thousands of EUR	(1)	(2)	31/12/2021	31/12/2020
ASSETS				
Current financial assets	5.1		2,604,079	1,973,874
Cash and cash equivalents	5.1.1	A	301,172	517,620
Other financial assets	5.1.2	B	682,332	611,182
<i>of which with related parties:</i>			<i>639,131</i>	<i>551,187</i>
Trade receivables	5.1.3	C	585,847	241,048
<i>of which with related parties:</i>			<i>409,440</i>	<i>181,300</i>
Inventories	5.1.4	D	990,348	585,398
Current tax assets	5.1.5	E	17,584	7,602
Other assets	5.1.6	F	26,796	11,024
<i>of which with related parties:</i>			<i>4,239</i>	<i>0</i>
Non-current assets	5.2		533,980	725,299
Property, plant and equipment	5.2.1	H	8,591	9,511
Intangible assets	5.2.2	J	2,390	2,727
Right-of-use of leased assets	5.2.3	I	3,466	5,284
Equity investments measured at cost	5.2.3.1	L	496,412	684,713
Other investments	5.2.3.2	L	500	495
Deferred tax assets	5.2.4	X	19,577	19,191
Other financial assets	5.2.5	M	3,044	3,378
Total assets			3,138,059	2,699,173
LIABILITIES AND EQUITY				
Current liabilities	5.3		2,470,723	1,462,504
SH-T Financial liabilities	5.3.1	R	861,056	640,469
<i>of which with related parties:</i>			<i>55,825</i>	<i>417,267</i>
Trade and other payables	5.3.2	R	1,404,987	731,957
<i>of which with related parties:</i>			<i>287,600</i>	<i>117,311</i>
Tax liabilities	5.3.3	X	71,091	67,011
Other liabilities	5.3.4	R	133,589	23,067
<i>of which with related parties:</i>			<i>119,326</i>	<i>12,398</i>
Non-current liabilities	5.4		18,398	621,245
Long-term financial liabilities	5.4.1	R	10,808	612,199
Provisions for risks and charges	5.4.2	P, Z	5,914	7,060
Provisions for employee benefits	5.4.3	Q	1,676	1,986
Deferred tax liabilities	5.4.4		0	0
Other liabilities	5.4.5	R	0	0
Total liabilities			2,489,121	2,083,749
EQUITY				
	5.5	N, O, W		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			553,324	615,066
Net result			30,058	(65,198)
Total equity			648,938	615,424
Total liabilities and equity			3,138,059	2,699,173

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

(2) Please refer to the Notes, section 3.3 “Summary of accounting standards and basis of measurement”

SARAS SPA – STATEMENT OF INCOME FOR 2021

Thousands of EUR	(1)	(2)	01/01/2021 31/12/2021	of which non-recurring	01/01/2020 31/12/2020	of which non-recurring
Revenues from ordinary operations	6.1.1	S	7,592,114		4,658,299	
of which with related parties:			823,364		534,707	
Other income	6.1.2	S	53,270		65,142	
of which with related parties:			37,711		40,694	
Total revenues			7,645,384	0	4,723,441	0
Purchases of raw materials, consumables and supplies	6.2.1	T	(6,657,398)		(4,369,592)	
of which with related parties:			(1,170,357)		(851,248)	
Services and other costs	6.2.2	T, Z	(609,542)		(376,183)	
of which with related parties:			(277,257)		(217,155)	
Personnel costs	6.2.3	T, Q	(35,281)		(38,200)	(3,912)
Depreciation/amortisation and write-downs	6.2.4	H, J	(4,808)		(5,879)	
Total costs			(7,307,029)	0	(4,789,854)	(3,912)
Operating result			338,355	0	(66,413)	(3,912)
Net income (charges) from equity investments	6.3	L, W	(188,301)		(15,620)	
of which with related parties:			(188,301)		(15,620)	
Financial income	6.4	U, Y	80,013		70,597	
of which with related parties:			10,377		7,760	
Financial charges	6.4	U, Y	(103,169)		(71,459)	
of which with related parties:			(11)		(77)	
Result before taxes			126,898	0	(82,895)	(3,912)
Income tax	6.5	X	(96,840)		17,697	939
Net result			30,058	0	(65,198)	(2,973)

SARAS SPA – STATEMENT OF COMPREHENSIVE INCOME FOR 2021

Thousands of EUR	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Net result (A)	30,058	(65,198)
Items of comprehensive income that may subsequently be restated to profit or loss for the year		
Items that will not be restated to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits	Q, T	(142)
		(53)
Other profit/(loss), net of the tax effect (B)	(142)	(53)
Consolidated net result (A + B)	29,916	(65,251)
Consolidated net result for the period attributable to:		
Shareholders of the parent company		(65,251)
Third-party minority interests		0

(1) Please refer to the Note,s section 6 “Notes to the Statement of Comprehensive Income”

(2) Please refer to the Notes, section 3.1 “Summary of accounting standards and basis of measurement”

SARAS SPA – STATEMENT OF CHANGES IN EQUITY FOR 2021

Thousands of EUR	Share Capital	Legal reserve	Other reserves	Profit (loss) for the year	Total equity
Balance at 31/12/2019	54,630	10,926	535,736	77,503	678,795
Period 1/1/2020 - 31/12/2020					
Allocation of previous year result			77,503	(77,503)	0
Dividend Distribution			0		0
Employee share plan reserve			1,880		1,880
Actuarial effect IAS 19			(53)		(53)
F.T.A. effect IFRS 9					0
Net result				(65,198)	(65,198)
<i>Total net result</i>			(53)	(65,198)	(65,251)
Balance at 31/12/2020	54,630	10,926	615,066	(65,198)	615,424
Period 1/1/2021 - 31/12/2021					
Allocation of previous year result			(65,198)	65,198	0
Employee share plan reserve			3,598		3,598
Actuarial effect IAS 19			(142)		(142)
Net result				30,058	30,058
<i>Total net result</i>			(142)	30,058	29,916
Balance at 31/12/2020	54,630	10,926	553,324	30,058	648,938


SARAS SPA – STATEMENT OF CASH FLOW FOR 2021

Thousands of EUR	(1)	(2)	01/01/2021 31/12/2021	01/01/2020 31/12/2020
A - Opening cash and cash equivalents	5.1.1	A	517,620	271,637
B - Cash flow from (for) operating activities				
Net result	5.5		30,058	(65,198)
Unrealised exchange rate differences on bank current accounts			(6,438)	(3,082)
Amortisation, depreciation and write-downs of assets	6.2.4	H, J	4,808	5,879
Bad debt provision			5,552	0
Net income (charges) from equity investments	6.3	L	188,301	15,620
<i>of which with related parties:</i>			<i>188,301</i>	<i>15,620</i>
Net change in provisions for risks	5.4.2	P, Z	(1,146)	5,364
Net change in provision for employee benefits	5.4.3	Q	(310)	(370)
Net change in deferred tax liabilities and deferred tax assets	5.2.4	X	(386)	(20,972)
Net interest		U, Y	5,308	4,034
Income tax set aside	6.5	X	97,226	50,202
Change in FV marketable financial assets and financial liabilities			9,003	38,609
Other non-monetary components	5.5		3,456	1,827
Profit (loss) of operating activities before monetary and non-monetary differences in working capital			335,433	31,913
(Increase) Decrease in trade receivables	5.1.3	C	(350,351)	85,597
<i>of which with related parties:</i>			<i>(228,140)</i>	<i>(68,101)</i>
(Increase) Decrease in inventories	5.1.4	D	(404,950)	273,506
(Increase) Decrease in trade and other payables	5.3.2	R	673,030	(502,224)
<i>of which with related parties:</i>			<i>(170,289)</i>	<i>(24,020)</i>
Change in other current assets	5.1.5 - 5.1.6	E, F	(25,754)	52,930
<i>of which with related parties:</i>			<i>(4,239)</i>	<i>0</i>
Change in other current liabilities	5.3.3 - 5.3.4	X, R	17,376	15,506
<i>of which with related parties:</i>			<i>(106,928)</i>	<i>10,396</i>
Interest received		U, Y	10,368	8,938
<i>of which with related parties:</i>			<i>10,377</i>	<i>7,760</i>
Interest paid		U, Y	(15,676)	(12,972)
<i>of which with related parties:</i>			<i>(11)</i>	<i>(77)</i>
Income taxes paid		E, X	0	(69,346)
Change in other non-current liabilities	5.4.4	R	0	0
Total (B)			239,475	(116,152)
C - Cash flow from (for) investment activities				
(Net investments) in property, plant and equipment and intangible assets	5.2.1 - 5.2.2	H, I	(1,733)	(1,410)
Change in investments	5.2.3.1	L	(5)	(3,100)
(Increase)/decrease in other financial assets	5.1.2 - 5.2.5	B, M	(50,437)	(372,644)
Total (C)			(52,175)	(377,154)
D - Cash flow from (for) financing activities				
Increase/(decrease) m/l-term financial payables	5.4.1	R	(285,040)	397,777
Increase / (decrease) short-term financial payables	5.3.1	R	(125,146)	338,430
<i>of which with related parties:</i>			<i>(361,442)</i>	<i>350,116</i>
Total (D)			(410,186)	736,207
E - Cash flows for the period (B+C+D)			(222,886)	242,901
Unrealised exchange rate differences on bank current accounts			6,438	3,082
F - Closing cash and cash equivalents			301,172	517,620

(1) Please refer to the Notes, section 5 "Notes to the Statement of Financial Position" and section 6 "Notes to the Statement of Comprehensive Income"

(2) Please refer to the Notes, section 3.3 "Summary of accounting standards and basis of measurement"

For the Board of Directors - The Chairman
Massimo Moratti





NOTES TO THE
SEPARATE FINANCIAL
STATEMENTS
OF SARAS SPA AT
31ST DECEMBER 2021

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA AT 31ST DECEMBER 2021

1. Foreword

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

Saras SpA operates in the Italian and international oil market through the sale of refining derivatives; it also holds full interests (directly and indirectly) in companies operating:

- in the refining of crude oil in the plant owned by its Sarlux Srl subsidiary;
- in the sale of oil products in the retail and wholesale markets in Spain (Saras Energia SA).

These Financial Statements for the year ended 31st December 2021 are presented in Euro, since this is the currency of the economy in which the Group operates. They consist of a Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity and these Notes. All amounts shown in these Notes to the Financial Statements are expressed in thousands of euro, unless otherwise stated.

Going concern

As described in the paragraph on Liquidity Risk, Saras 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.

From 2020 onwards, the spread of Covid-19 has had a significant negative impact on the oil market. Operating cash generation therefore deteriorated, affecting Saras's level of financial debt. In order to mitigate the liquidity risk, new medium/long-term credit lines were obtained, such as the EUR 350 million loan granted in December 2020 and expiring in September 2024, backed by a government guarantee for 70% of the value. Saras's net financial position basically remained still comparing to previous year.

The next year will, however, be characterised by the maturity of the bond loan of EUR 200 million subscribed in 2017, as well as the repayment of the instalments of other outstanding loans for around EUR 120 million.

Saras has already initiated discussions with a group of banks in order to obtain a new loan guaranteed at 70% by the government, in compliance with the Decree-Law no. 23 of 8th April 2020 - "Liquidity Decree" - whose term has been extended until 30th June 2022. The new loan is mainly aimed at the repayment of the bond maturing in December 2022 and the medium-term loan of EUR 50 million maturing in August 2023. In accordance with the general conditions of the Italian Guarantee provision, the new loan will be equal to 125% of the debt subject to refinancing. The finalisation of this loan is still awaiting the issue of a specific decree by the Ministry of the Economy and Finance for authorisation of the issue of the guarantee by SACE.

On 24th December 2021 Saras received 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 the report on operations) and the possible involvement of the company as a responsible party pursuant to Legislative Decree 231/2001 constitutes an event that contractually causes Saras to forfeit the benefit of the term on all credit lines currently used or granted, and represents a critical issue for the granting of new lines in the authorisation process.

The maturity, in the next twelve months, of the EUR 200 million bond loan and of instalments of other loans for approximately EUR 120 million, together with the right of the lenders to request the repayment of the further outstanding indebtedness and the possible critical issues for the granting of new lines during the authorisation process in relation to the alleged violation of the provisions of Legislative Decree no. 231/2001 described in paragraph 7.1, constitute elements of uncertainty in obtaining the financial resources necessary to cover the financial requirements of the next 12 months. The financial equilibrium could also be affected by the trend in working capital, strongly affected by the considerable volatility of the prices of oil and energy commodities caused by the Ukrainian crisis which could also affect the profitability of the core business.

Waivers on the existing loans (actually obtained from the lending banks on 31st March 2022) will allow Saras not only to restore the medium- and long-term maturities of its existing loans and credit lines, but also to have its creditworthiness acknowledged in order to

access the additional lines needed to cover the debt maturing in 2022.

2. Basis of preparation of the separate financial statements

The Separate Financial Statements of Saras SpA for the year ending 31st December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Art. 6 of Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19th July 2002 and in accordance with the measures adopted in implementation of Art. 9 of Legislative Decree no. 38 of 28th 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 separate financial statements were approved by its Board of Directors 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:

- 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 equity.

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

These financial statements were prepared in accordance with the going concern principle, as the Directors determined that there are no financial or operating indicators, among others, signalling

criticalities in the Company's ability to meet its obligations in the foreseeable future. The risks and uncertainties related to the business, as well as the variability of external and market factors to which the Company's economic and financial performance is exposed, are described in the dedicated sections of the Report on Operations. A description of how the Company manages the risks connected to those factors, as well as financial risks, including liquidity and capital risks, is provided in the section on additional information on financial instruments and risk management policy of these Notes.

3. Accounting standards applied

3.1 New accounting standards, interpretations and amendments applicable from this financial year and adopted by the Company

Saras has applied for the first time certain standards or amendments that have been in force since January 1st, 2021, without impact on the financial statements.

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Phase 2 - issued on August 27th, 2020 and endorsed on January 13th, 2021. The amendments Phase 2 deal with some issues that could impact the financial reporting and information with respect to interest rate, including the effect on contractual cash flows or hedging relations due to the change from an interest rate benchmark to an alternative interest rate (replacement issues).

3.2 Standards issued but not yet in force

Hereinafter is a list of new standards, amendments and interpretations that will be applied by the Company after December 31st, 2021: the Company will assess the possible impacts of the application of such standard during its first time adoption.

IFRS 17 Insurance contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a new comprehensive standard which covers recognition and measurement, presentation and disclosure for insurance contracts. Once into 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 be in force for financial years starting on 1st January 2021 or later and will require the presentation of the comparative balances. 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 does not have significant effects on the financial statements.

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 preparation date of the financial statements, had been issued but were not yet in force. Saras intends to adopt these standards and interpretations, if applicable, once they come into force.

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

The amendments introduce a definition of accounting estimates, by replacing the concept of change in accounting estimates. According with the new definition, accounting estimates are monetary items subject to uncertainty in measurement. Entities perform accounting estimates if the accounting standards require that financial statements' items are measured in a way that involve uncertainty in measurement. The IASB clarified that a change in accounting estimates deriving from new information or new developments in not to be taken as the correction of a mistake. Furthermore, the effects of a change in inputs or in a measurement technique upon which an estimate is based are considered as changes in estimates if they do not result from mistakes done in the previous periods. A change in accounting estimates could impact the net result of the current period or it could also impact the following periods: therefore, the impact on the current period must be booked through the present income statement, whilst the impact on the future periods must be booked in the respective income statements. Such amendments will be effective, once they will be endorsed, starting from January 1st, 2023.

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

The amendments will be effective for financial years beginning on or after 1st January 2023 and must be applied retrospectively. Saras is currently assessing the impact that the amendments will have on the current situation and in case it becomes necessary to renegotiate existing loan agreements as well as following the IFRS IC and IASB discussions in this regard.

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

The Amendments have the goal to help the Entities to prepare their financial statements in respect of the choice of the accounting policies, with particular attention to the definition of the relevant accounting policies and to the related disclosures to be given. An accounting policy is significant if the users of financial statement need it to understand other information included in the financial statement. Furthermore, IFRS Practice Statement 2 has been modified by adding guidelines and examples to show the application of the "four-step materiality process". Such amendments will be effective, once they will be endorsed, starting from January 1st, 2023.

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 will be effective for financial years beginning on 1st January 2022 and are to be applied prospectively.

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

Issued on May 7th, 2021 and yet to be endorsed, the document partially amend IAS12's requirements, by regulating if and when entities could avoid to book deferred tax liabilities or assets in certain circumstances. The goal of such amendments is to reduce differences in deferred taxes booked on leasing contracts and commissioning obligations. The amendments will be effective from January 1st, 2023; early adoption is permitted.

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 will be effective for financial years beginning on or after 1st 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 this amendment. No material effects are expected for the Company with respect to these amendments. It is also to be noted that on March 31st, 2021 Amendment to IFRS 16 - Leases: Covid-19-Related Rent Concessions beyond June 30th 2021 was issued. The amendment is meant to modify the deadlines stated by IFRS 16 in choosing some of the options and criteria to apply the standard.

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 will be effective for financial years beginning on 1st January 2022 or later. The Company will assess the effects of such amendments in the event of contracts for which it has not yet fulfilled all its obligations at the beginning of the first financial year application.

Annual Improvements 2018-2020

IASB issued an amendment to IFRS1 - First Time Adoption, in order to give instructions in some aspects related the first adoptions of IFRS. The amendment is effective from January 1st, 2021 and early adoption is permitted.

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 Firsttime 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 will be effective for financial years beginning on or after 1st January 2022 and early application is permitted.

IFRS 9 Financial Instruments - Fees in the "10 per cent" test for derecognition of financial liabilities

As part of the 2018–2020 annual improvement process 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 this 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 will be effective for financial years beginning on or after 1st January 2022 and early application is permitted. The company will apply this amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies this amendment. No material effects are expected for the Company with respect to this amendment.

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. An entity applies this amendment prospectively to the fair value measurement starting from financial years beginning on or after 1st January 2022, early application is permitted. No material effects are expected for the Company with respect to this amendment. The IASB also approved two amendments to IAS 1 and IAS 8 with reference to the disclosure of significant accounting policies and the definition of estimates and changes in accounting estimates.

3.3 Summary of accounting standards and basis of measurement

The Financial Statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main valuation criteria used are described below, which are unchanged compared with the previous year, except the comments made in the following paragraph "Notes to the Income Statement" concerning the classification of results from derivative instruments.

A Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, demand deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; overdrafts in bank accounts are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value and changes are reported in the income statement.

B Financial assets

Financial assets are reported at fair value, with any gains reported in the income statement under "Financial income" and "Financial charges".

C Trade receivables

Trade receivables are measured at fair value on initial recognition. Subsequently, they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows.

At the closing date of each balance sheet, the Company conducts an analysis of any expected losses on trade receivables measured at amortised cost and recognises or adjusts specific provisions for impairment.

The provision for the above-mentioned expected losses is based on assumptions regarding the risk of default and expected losses. To this end, management uses its professional judgement and historical experience, as well as knowledge of current market conditions and forward estimates at the end of each reporting period.

Expected Credit Loss (ECL), determined using probability of default (PD), loss in case of default (LGD) and exposure to risk in case of default (EAD), is determined as the difference between the cash flows due under the contract and the expected cash flows (including cash inflows) discounted using the original effective interest rate.

The Company essentially applies an analytical approach, on individually significant positions and in the presence of specific information on the significant increase in credit risk. For individual assessments, PD is obtained mainly from external providers such as legal advisors who are entrusted with debt collection cases.

Receivable assignments

Receivable assignments are accounted for in accordance with the method indicated by IAS 39 for the derecognition of financial assets. Consequently, all receivables assigned to the factoring company, when contractual provisions include clauses that involve maintaining significant exposure to the performance of cash flows arising from the receivables assigned, remain recognised in the financial statements.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the Company expects to obtain from their sale as part of its ordinary business activities, also considering sales made after the reporting date, or, for later periods, the expected price curves. The value of crude oil, materials and spare parts is determined by the FIFO method. The value of oil product inventories is calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are recognised at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset's carrying amount is decreased to an amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

G Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised at once (e.g., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Company has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them in full and without delay and (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over that asset.

In cases where the Company has transferred the rights to receive cash flows from an asset or entered into an agreement under which it retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset continues to be recognised in the Company's financial statements to the extent of its residual involvement in the asset. In this case, the Company also recognises an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that continue to be incumbent upon the Company.

When the entity's continuing involvement is a guarantee on the transferred asset, the involvement is measured at the lower of the amount of the asset and the maximum amount of consideration received that the entity may have to repay.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such exchange or change is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in profit or loss.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in preparing the assets for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of property, plant and equipment are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Maintenance and repair charges are expensed as incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated over their useful life; the residual value of components thus replaced is charged to the income statement.

The carrying amount of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the Company, for the different categories of assets, is the following:

Buildings	18 years
Office furniture and machinery	4 - 8 years
Vehicles	4 years
Other goods	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

Property, plant and equipment and their residual value are revised annually at each reporting date and adjusted accordingly.

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one

component differs significantly from that of the others, each component of the asset is depreciated separately in accordance with the component approach.

I Leased goods

Assets held through leasing contracts or contracts granting rights to use third-party assets are recognised as Company assets at their current value or, if lower, at the current value of the minimum lease payments due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. The assets are depreciated on a straight-line basis over the term of the underlying contract and the financial liability is repaid on the basis of the payments provided for in the lease or the right to use.

J Intangible assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

Intangible assets are recorded, where required, with the approval of the Board of Statutory Auditors.

[I] Patent rights, concessions, licences and software (intangible assets with a finite useful life)

Intangible assets with a finite useful life are amortised systematically over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying amount of the assets is checked using the same method applied to "Property, plant and equipment".

[II] Research and development expenses

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or otherwise relating to other scientific research or technological development are treated as current costs and taken to profit or loss when incurred.

K Impairment of assets

At each reporting date, property, plant and equipment and intangible assets with a finite useful life and equity investments are tested for impairment, originating from both internal and external sources. Where such indicators exist, the recoverable amount of these assets is estimated and any impairment loss duly charged to the income statement. The recoverable amount of an asset is the greater of its fair value minus selling costs and its value in use, where the latter is the present

value of the future cash flows that the asset is expected to generate. In determining value in use, future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for impairment no longer exist, the impairment loss is reversed to profit or loss up to the carrying amount that the asset would have had, had it not been impaired and if it had been depreciated.

L Equity investments

Investments in subsidiaries are recorded at purchase cost and reduced for any losses according to the provisions of IAS 36.

The investments included under “Other investments” are measured at fair value, with the impact of any changes in fair value recognised through equity. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value. When the reasons that led to a write-down in previous periods no longer exist, the write-down of the investment is reversed through the income statement.

M Other financial assets

Depending on the characteristics of the instrument and the business model adopted for its management, financial assets are classified into the following categories:

- (i) financial assets measured at amortised cost;
- (ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);
- (iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are measured at amortised cost if held for the purpose of collecting the contractual cash flows (hold-to-collect business model). The application of the amortised cost method results in the recognition in the income statement of interest income determined on the basis of the effective interest rate, exchange rate differences and any write-downs.

The treatment of financial assets linked to derivative instruments is shown under point “Y Derivatives”.

N Treasury shares

Treasury shares are recognised at cost and deducted from equity.

O Shareholders' equity

[I] Share Capital

Share capital consists of subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise equity-related reserves set aside for a specific purpose; they include retained earnings.

[III] Share-based payments by the Company to employees and management

The Company granted, until the financial year 2021, additional benefits to employees and management through the allocation of bonus shares. In accordance with IFRS 2 - (Share-based Payments), the cost of stock plans is recognised in profit or loss over the vesting period on a straight-line basis, with a balancing entry in equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and charges

Provisions for risks and charges are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used in determining the current value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Risks for which the occurrence of a liability is only possible are disclosed in the section on commitments and risks; no provision is made for such risks.

Q Provisions for employee benefits

The Company provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1st January 2007, the regulations governing post-employment benefits (TFR) were amended to include the option for employees to decide where these are held. Specifically, new post-employment benefits may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- **Amounts set aside to 31st December 2006**
Post-employment benefits pursuant to Article 2120 of

the Italian Civil Code are treated in the same way as “defined benefit plans”; these plans are based on the working life of the employees and on the remuneration they receive over a pre-determined period of service. The liability relating to post-employment benefits is entered on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. The recognition of defined benefit plans requires the estimate of the benefits accrued by the employees in exchange for the service provided using actuarial techniques. These services are then discounted in order to determine the present value of the Company’s obligations. The present value of the Company’s obligations is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of “accrued benefit methods”, considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.

The cost accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued on the present value of the Company’s obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

Following application of IAS 19 revised, actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income.

- **Allocations accrued from 1st January 2007**

The allocations in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the Company.

The corresponding liability is determined according to Article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

They are measured, on initial recognition, at fair value and subsequently at amortised cost, using the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally calculated.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the Company. In this case, the assets are not derecognised, the debt for the repurchase is of a financial nature and the difference is recognised in profit and loss as a component of a financial nature.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with a balancing entry in profit or loss at each reporting date.

S Recognition of revenues

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums and of directly related taxes.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and expenses are booked on an accruals basis.

V Conversion of items expressed in a currency other than the euro

Foreign currency transactions are translated into euros at the exchange rates ruling on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividends

[A] Dividends received

Dividends received from subsidiaries, joint ventures, affiliates and other holdings are recorded in the income statement when the right of shareholders to receive the payment has been established.

[B] Dividends distributed

The payment of dividends to Company shareholders is recognised as a liability in the statement of financial position of the year in which the distribution was approved by the company’s shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred tax liabilities are calculated on all temporary differences arising between the tax base of an asset or

liability and its carrying amount, with the exception both of those relating to equity investments in subsidiaries and when the timing of the reversal of such differences is controlled by the company and it is probable that the differences will not be reversed within a reasonably foreseeable timescale.

In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

Deferred tax liabilities are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.

Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to equity, in which case the tax effect is taken directly to equity. Current and deferred taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.

Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under equity, in relation to the transaction that generated the underlying deferred tax.

Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".

The Parent Company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to Articles 117-128 of the Consolidated Law on Income Tax (the "Consolidated National Tax"). As a result, a single tax base is created for the Parent Company and some Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the parent company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivative instruments

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value

of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of assets/liabilities), they are recorded at fair value in the income statement; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged.

Derivative financial instruments on commodities, in accordance with IFRS 9, are recognised at fair value with the change in the fair value of the instrument recognised in the income statement and this change is allocated to the items of operating costs to which the hedges refer.

Derivative financial instruments on commodities, realised on the basis of strategies other than the fixing of prices of crude oil and products, are entered at fair value with the recognition of economic effects in financial management items.

Derivative financial instruments on exchange rates and interest rates are recorded at fair value with the change in the fair value of the instrument recognised under financial management items in the income statement.

To determine the fair value of financial instruments listed on active markets, the bid price of the security on the relevant reporting date is used. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

To be noted is that most of these stipulated derivatives relate to hedging transactions not subject to "hedge accounting" rules.

Z Segment information

An operating segment is a part of an entity:

- a) that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
- b) whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and
- c) for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area.

3.4 Use of discretionary estimates and valuations

The preparation of the financial statements requires directors to apply accounting standards and methodologies that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the

circumstances. The 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 amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based.

3.5 Most significant accounting policies requiring a greater degree of discretion

A brief description is provided below of the most significant accounting policies requiring greater discretion by the directors in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[I] Depreciation of non-current assets: depreciation of non-current assets is a significant cost. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The Company periodically reviews technological and sector changes, dismantling charges and the recovery amount of assets to update their residual useful lives. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Recoverable amount of assets: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the regulatory framework. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

[III] Deferred tax assets: deferred tax assets are accounted for on the basis of expected taxable income in future periods. The measurement of expected income for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[IV] Provisions for risks and impairment losses on current assets: in certain circumstances, determining whether there is a current obligation (either legal or constructive) or the recoverability of current assets is not always straightforward. The directors consider such circumstances on a case-by-case basis and at the same time estimate the amount of financial resources needed to discharge the obligation. Where the directors feel that a liability

or the risk of not recovering an asset are only possible, the associated risks are disclosed in the note concerning commitments and risks and no accrual is made. Where the directors feel that a liability or the risk of not recovering an asset are only probable, a special risk provision is recorded.

[V] Recoverable amount of inventories: the estimate of the recoverable amount of inventories entails a valuation process that is highly affected by the performance of the oil product market, which is exposed to significant changes, including of a short-term nature. Therefore, the net realisable value of crude oil and finished goods at year end is estimated based on the amount that the Company expects to obtain from their sale, by observing the sales taking place after the reporting date. Consequently, this assessment is influenced by market conditions.

[VI] Estimation of the fair value of derivatives: the assessment depends on expectations regarding the trend of the market variables, including commodity prices and exchange rates, the variability and volatility of which depends on factors that are outside the sector.

The trend of market variables, in the medium-long term and in the short term, including the price and supply of crude oil and the worldwide demand of finished products with respect to the processing capacity, are capable of influencing, even significantly, the Company's performance. This represents one of the critical assumptions for the various valuation processes, more specifically for the assessment of assets and of the recoverable value of inventories as well as the volatility of the current values of financial instruments. The underlying valuation processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions that, by their nature, involve the use of a high degree of judgement on the part of Company Management. The same, for this purpose, also considers scenarios expressed by independent sector experts.

4. Information by business segment and geographical area

4.1 Introduction

The Company operates in the Italian and international oil markets as a seller of products derived from the refining process. It is therefore deemed that the Company operates in just one segment.

4.2 Information by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Net revenues from ordinary operations by geographical area:

Revenues from ordinary operations	31/12/2021	31/12/2020	Change
Italy	2,733,276	1,437,603	1,295,673
Spain	271,759	125,191	146,568
Other EEC countries	925,056	511,812	413,244
Non-EEC	3,490,261	2,355,710	1,134,551
USA	171,761	227,983	(56,222)
Total	7,592,114	4,658,299	2,933,815

The following table shows a breakdown of trade receivables by geographical area:

Trade receivables	31/12/2021	31/12/2020	Change
Italy	307,340	85,951	221,389
Other EEC countries	99,288	29,779	69,509
Non-EEC	189,820	127,339	62,481
USA	70	3,096	(3,026)
Bad debt provision	(10,670)	(5,117)	(5,553)
Total	585,848	241,048	344,800

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are illustrated below.

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 equivalent:

Cash and cash equivalents	31/12/2021	31/12/2020	Change
Bank and postal deposits	301,149	517,595	(216,446)
Cash	23	25	(2)
Total	301,172	517,620	(216,448)

For further details on the Company's net financial position, reference is made to the relevant section of the Report on Operations and the Statement of cash flows.

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Current financial assets	31/12/2021	31/12/2020	Change
Current financial derivatives	20,379	16,507	3,872
Deposits to secure derivatives	22,534	43,488	(20,954)
Other assets	639,419	551,187	88,232
Total	682,332	611,182	71,150

This item includes the positive fair values of derivatives in place at the reporting date, guarantee deposits paid to Clearing Houses and other current assets consisting of "Financial receivables from Group companies", mainly from Sarlux Srl (EUR 597,090 thousand). The latter carry interest charged at market rates and are due beyond one year.

5.1.3 Trade receivables

The breakdown of trade receivables is as follows:

Trade receivables	31/12/2021	31/12/2020	Change
Customer receivables	303,352	130,973	172,379
Group current trade receivables	282,495	110,075	172,420
Total	585,847	241,048	344,799

Trade receivables amounted to EUR 303,352 thousand, with an increase of EUR 172,379 thousand. The increase in receivables is essentially due to the sharp rise in the prices of oil products recorded in the last period of the year compared to the previous one. The item is shown net of a bad debt provision of EUR 10,670 thousand, adjusted during the year by EUR 5,552 thousand.

It also comprises the receivables from group companies, mainly the subsidiaries Saras Energia SAU (EUR 29,273 thousand) and Saras Trading SA (EUR 54,392 thousand) for the supply of oil products, and the subsidiary Sarlux Srl (EUR 194,800 thousand) for the supply of raw materials and services. For further analysis, see section 7.4, information under IFRS 7 and 13.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred in 2021:

Inventories	31/12/2021	31/12/2020	Change
Raw materials, consumables and supplies	262,061	217,897	44,164
Unfinished products and semi-finished products	122,840	76,662	46,178
Finished products and goods	605,447	290,839	314,608
Total	990,348	585,398	404,950

The increase in the value of oil inventories, in particular of finished products, is essentially due to the growing trend in prices.

In accordance with the accounting standards, the Group valued inventories at the lower of purchase or production cost and recoverable market value and from this comparison it recorded a lower value of inventories - essentially products - of EUR 63.1 million. No inventories are used as collateral for liabilities. The item "Finished products and goods held for resale" includes around 1,151 thousand tonnes of oil products (valued at around EUR 640 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree no. 22 of 31st January 2001 (in the previous year, these stocks amounted to 1,014 thousand tonnes valued at around EUR 332 million).

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	31/12/2021	31/12/2020	Change
IRES credits	16,681	74	16,607
Crediti IRAP	0	7,359	(7,359)
Other amounts due from the tax authorities	903	169	734
Total	17,584	7,602	9,982

The increase in IRES credits is mainly due to credits for which reimbursement has been requested.

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/12/2021	31/12/2020	Change
Accrued income and prepaid expenses	4,633	8,844	(4,211)
Other short-term loans	22,163	2,180	19,983
Total	26,796	11,024	15,772

Prepayments mainly relate to the prepayment for charges related to biofuel regulations.

The item "Other short-term receivables" mainly includes

advances paid to suppliers of oil raw materials for future supplies, to be completed in the early months of 2022.

5.2 Non-current assets

5.2.1 Property, plant and equipment

Details of property, plant and equipment, as well as related changes, are as follows:

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Land and buildings	3,809	0	0	0	0	3,809
Industrial and commercial equipment	150	0	0	0	0	150
Other leased assets	17,036	0	0	0	138	17,174
Property, plant and equipment under construction	1,572	0	0	0	(1,572)	0
Total	22,567	0	0	0	(1,434)	21,133

Depreciation Provision	31/12/2019	Depreciation	Use	Write-downs	Other changes	31/12/2020
Land and buildings provision	1,693	264	0	0	0	1,957
Industrial and commercial equipment provision	109	17	0	0	(1)	125
Other leased assets	8,019	1,521	0	0	0	9,540
Total	9,821	1,802	0	0	(1)	11,622

Net Value	31/12/2019	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2020
Land and buildings	2,116	0	0	(264)	0	0	1,852
Industrial and commercial equipment	42	0	0	(17)	0	0	25
Other leased assets	9,018	0	0	(1,521)	0	137	7,634
Property, plant and equipment under construction	1,572	0	0	0	0	(1,572)	0
Total	12,748	0	0	(1,802)	0	(1,435)	9,511

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/12/2021
Land and buildings	3,809	0	0	0	0	3,809
Industrial and commercial equipment	150	0	0	0	0	150
Other leased assets	17,174	500	0	0	(1)	17,673
Property, plant and equipment under construction	0	0	399	0	0	399
Total	21,133	500	399	0	(1)	22,031

Depreciation Provision	31/12/2020	Depreciation	Use	Write-downs	Other changes	31/12/2021
Land and buildings provision	1,957	264	0	0	0	2,221
Industrial and commercial equipment provision	125	17	0	0	0	142
Other leased assets	9,540	1,537	0	0	0	11,077
Total	11,622	1,818	0	0	0	13,440

Net Value	31/12/2020	Increases	Decreases	Depreciation	Write-downs	Other changes	31/12/2021
Land and buildings	1,852	0	0	(264)	0	0	1,588
Industrial and commercial equipment	25	0	0	(17)	0	0	8
Other leased assets	7,634	500	0	(1,537)	0	(1)	6,596
Property, plant and equipment under construction	0	0	399	0	0	0	399
Total	9,511	500	399	(1,818)	0	(1)	8,591

"Land and buildings" includes office buildings and improvements to the Milan and Rome offices.

"Other assets" mainly include furniture and electronic equipment.

"Assets under construction and payments on account" reflect the costs incurred for investments not yet deployed at 31st December 2021.

The most significant annual depreciation rates used

are unchanged comparing to the previous year and are shown below:

Industrial buildings (land and buildings)	5.50%
Supplies (equipment)	25%
Electronic office equipment (other assets)	20%
Office furniture and machinery (other assets)	12%
Vehicles (other assets)	25%

There are no property, plant and equipment held for sale.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	27,703	0	0	0	2,794	30,497
Intangible assets under construction	1,089	2,505	0	0	(2,794)	800
Total	28,792	2,505	0	0	0	31,297

Amortisation Provision	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	26,813	1,757	0	0	0	28,570
Total	26,813	1,757	0	0	0	28,570

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Industrial patent and original work rights	890	0	0	(1,757)	0	2,794	1,927
Intangible assets under construction	1,089	2,505	0	0	0	(2,794)	800
Total	1,979	2,505	0	(1,757)	0	0	2,727

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/12/2021
Industrial patent and original work rights	30,497	484	0	0	1	30,982
Intangible assets under construction	800	336	0	0	(1)	1,135
Total	31,297	820	0	0	0	32,117

Amortisation Provision	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/12/2021
Industrial patent and original work rights	28,570	1,158	0	0	(1)	29,727
Total	28,570	1,158	0	0	(1)	29,727

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2021
Industrial patent and original work rights	1,927	484	0	(1,158)	0	2	1,255
Intangible assets under construction	800	336	0	0	0	(1)	1,135
Total	2,727	820	0	(1,158)	0	1	2,390

Amortisation of intangible assets totalled EUR 1,158 thousand and was calculated using the annual rates shown below. The main items are unchanged comparing to the previous year and are set out in detail below.

Industrial patent rights and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	5% - 33%
Other intangible assets	6% - 33%

The content of the main items is shown below.

Industrial patent and original work rights

The balance of this item mainly relates to the costs incurred to acquire software licences.

Non-current assets under construction and payments on account

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

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

Historical Cost	31/12/2019	Increases	Decreases	Write-downs	Other changes	31/12/2020
Leased land and buildings	7,887	0	0	0	0	7,887
Other leased assets	1,556	338	0	0	0	1,894
Total	9,443	338	0	0	0	9,781

Amortisation Fund	31/12/2019	Amortisation	Use	Write-downs	Other changes	31/12/2020
Leased land and buildings provision	1,567	0	0	0	1,682	3,249
Other leased assets	610	638	0	0	0	1,248
Total	2,177	638	0	0	1,682	4,497

Net Value	31/12/2019	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2020
Leased land and buildings	6,321	0	0	0	0	(1,683)	4,638
Other leased assets	946	338	0	(638)	0	0	646
Total	7,267	338	0	(638)	0	(1,683)	5,284

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	31/12/2021
Leased land and buildings	7,887	0	0	0	0	7,887
Other leased assets	1,894	13	0	0	0	1,907
Total	9,781	13	0	0	0	9,794

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	31/12/2021
Leased land and buildings provision	3,249	1,299			0	4,548
Other leased assets	1,248	532				1,780
Total	4,497	1,831	0	0	0	6,328

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	31/12/2021
Leased land and buildings	4,638	0	0	1,299	0	0	3,339
Other leased assets	537	13	0	532	0	0	127
Total	5,175	13	0	1,831	0	0	3,466

The balance at 31st December 2021, of EUR 3,466 thousand, relates to the application of the standard IFRS 16 – Leases. The registration essentially refers to the following types of contracts:

- 1) Leases of buildings to be used as management and commercial premises;
- 2) Company car fleets: these are long-term lease contracts on company cars used by employees in various administrative and commercial sites.

5.2.4 Equity investments

5.2.4.1 Equity investments measured at cost

The table below shows the list of equity investments at 31st December 2021, indicating the main information related to subsidiaries at the same date:

List of fixed financial assets										
Name	Registered office	Currency	Share capital	Share owned	% owned	Total assets	Total liabilities	Equity	Profit/(loss) for the year	Book value in Saras SpA
Deposito di Arcola Srl	Arcola (SP)	EUR	1,000	100%	Direct	7,102	6,050	1,052	(469)	0
Sardeolica Srl	Uta (CA)	EUR	57	100%	Direct	138,869	15,173	123,696	18,308	33,613
Sarint SA (*)	Luxembourg	EUR	50,705	99.99%	Direct	2,255	332	1,924	(22)	0
Sartec Srl	Assemini (CA)	EUR	3,600	100%	Direct	27,665	10,855	16,810	4,359	11,782
Saras Trading SA	Geneva (Switzerland)	EUR	881	100%	Direct	342,312	335,749	6,564	652	923
Sarlux Srl	Sarroch (CA)	EUR	100,000	100%	Direct	1,776,349	1,326,255	450,094	(230,356)	450,094
Total										496,412

(*) The subsidiary Deposito di Arcola Srl owns the remaining 0.1% share of Sarint SA

A comparison with the figures for the previous year is shown below:

	31/12/2021	31/12/2020
Deposito di Arcola Srl	0	0
Sardeolica Srl	33,613	33,613
Sarint SA	0	0
Sartec Srl	11,782	11,782
Saras Trading SA	923	923
Sarlux Srl	450,094	638,395
Total	496,412	684,713

Changes in the carrying amount are as follows:

	31/12/2020	Payments	Revaluations	Other changes	Impairment	31/12/2021
Deposito di Arcola Srl	0	0	0	0	0	0
Sardeolica Srl	33,613	0	0	0	0	33,613
Sarint SA	0	0	0	0	0	0
Sartec Srl	11,782	0	0	0	0	11,782
Saras Trading SA	923	0	0	0	0	923
Sarlux Srl	638,395	0	0	0	(188,301)	450,094
Total	684,713	0	0	0	(188,301)	496,412

The impairment loss recorded during the year relates to the adjustment of the investment in the subsidiary Sarlux Srl to reflect the decrease in its equity.

Should the net equity of the subsidiary be negative, a provision to reflect the effects of the future capitalisation has been set up.

None of the direct and indirect subsidiaries of Saras SpA is listed on the regulated market.

5.2.4.2 Other investments

The item includes the investment, equal to 4.01% of

the share capital, in the company Sarda Factoring SpA, for EUR 495 thousand and the investment, equal to 50% of the share capital, in the newly incorporated Sardhy Green Hydrogen Srl on 29th December 2021 in joint-venture with ENEL Green Power Srl.

5.2.5 Deferred tax assets

Deferred tax assets (EUR 19,577 thousand at 31st December 2021 and EUR 19,191 thousand at 31st December 2020) are shown below net of deferred tax liabilities essentially recognised on temporary differences in the tax valuation of inventories.

Figures in thousands of EUR				
Deferred tax assets	Total 31/12/2020	Accruals	Reversal	Total 31/12/2021
Expenses deductible in future years	1,408	574	1,072	909
Inventory tax assessment	18,699	1,021	0	19,720
Provision for bad debts	1,032	1,233	0	2,265
Other residual items	756	12,286	756	12,286
Total deferred taxes	21,894	15,114	1,828	35,179
Deferred tax liabilities	Total 31/12/2020	Accruals	Reversal	Total 31/12/2021
Provision for bad debts	0			0
Other residual items	2,703	17,422	4,522	15,603
Total deferred taxes	2,703	17,422	4,522	15,603
Total net	19,191	(2,308)	(2,693)	19,577

All deferred tax assets\liabilities are non-current.

5.3 Current liabilities

5.2.6 Other financial assets

At 31st December 2021, this item amounted to EUR 3,044 thousand (EUR 3,378 thousand in the previous year) and mainly relates to medium-/long-term receivables.

5.3.1 Short-term financial liabilities

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

S/T Financial liabilities	31/12/2021	31/12/2020	Change
Current bond loan	199,684	0	199,684
Financial receivables from group companies	55,824	83,454	(27,630)
Current bank financing	379,035	19,059	359,976
Bank c/a	157,194	448,165	(290,971)
Financial derivatives	29,382	55,116	(25,734)
Other short-term financial liabilities	39,937	34,675	5,262
Total	861,056	640,469	220,587

The item Current bond loan refers to the short-term

Values expressed in millions of EUR	Loan acquisition/renegotiation	Original amount	Base rate	Contractual maturity	Residual at 31/12/2020	Residual at 31/12/2021	Maturities	
							1 year	over 1 to 5 years
Saras SpA								
Bond	December 2017	200	1.7%	December 2022	199.3	199.7	199.7	-
Unicredit	February 2020	50	6M Euribor	August 2023	49.2	50.0	50.0	-
Sace loan	December 2020	350	0.95%	September 2024	350.0	320.8	320.8	-
Total liabilities to banks for loans					598.5	570.5	570.5	-

During the month of December 2020 - SARAS signed a EUR 350 million loan contract with 70% of the amount assisted 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 9th April 2020 and the SACE regulations, is mainly aimed at supporting the Company's working capital.

The receipt by Saras Spa on 24th 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, contractually determines the lender's right to request repayment of the credit lines (SACE loan, Unicredit loan and RCF loan) currently used or granted, and represents a critical issue for the granting of new lines in the authorisation process. Therefore, the SACE loan and the loan taken out with Unicredit for EUR 50 million, although contractually of medium-term duration, have been classified under short-term loans 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 from the lending banks in order to agree with the lenders to waive the contractual right to request repayment in the presence

restatement of the loan taken out in February 2020 with maturity on 28th December 2022 and a fixed coupon of 1.70% on an annual basis represented by a "private placement" of bonds on the Austrian multilateral trading facility, Third Market, of Wiener Börse AG.

The item "Current bank loans" includes the short-term portion of bank loans, which are valued at amortised cost. The terms and conditions of the loans and bonds are summarised below (amounts in millions of euros):

of the alleged violation, restoring the original payment deadlines in the medium and long term.

On the basis of the discussions underway and the sharing with the lawyers appointed by the banks of the actual substance of the alleged violations relevant for the purposes of the financing agreements, the Directors are confident that in the very short term they will be able to obtain the formalised waiver for the SACE loan and the RCF line (actually issued on 31st March 2021), which is also evidence of the willingness of the banks to continue to provide financial support to the Group also on the remaining short-term credit lines and to finance the principal instalments and the bond loan maturing in 2022.

It should also be noted that the financial parameters on existing loans subject to review at 31st December 2021 are complied with.

"Current bank accounts" comprises the credit lines balance as well as the "hot money" transactions used by the Group in the normal course of business. The Parent Company Saras also has a revolving credit facility of up to EUR 305 million in place: the amount used as of 31st December 2021 was EUR 50 million.

The item "Derivative financial instruments" includes the negative fair value of derivative financial instruments held at year-end.

The item "Loans from Group companies" include the balances of loans from Group Companies and the negative balance of the centralized Group treasury.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

Payables to suppliers	31/12/2021	31/12/2020	Change
Customers advances account	51,566	1,265	50,301
Payables to current suppliers	1,065,776	614,288	451,488
Trade payables to group companies	287,645	116,404	171,241
Total	1,404,987	731,957	673,030

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

The balance of "Payables to current suppliers" essentially includes payables for crude oil supplies; the increase compared to the previous year is mainly due to the strong and generalised increase in oil prices.

"Trade payables to Group companies" essentially include payables to Sarlux Srl and Saras Trading SA amounting to EUR 130,177 thousand and EUR 157,036 thousand, respectively.

5.3.3 Tax liabilities

This item breaks down as shown below:

Current tax liabilities	31/12/2021	31/12/2020	Change
Payables for VAT	7,728	8,853	(1,125)
IRAP payables	4,939	0	4,939
Other tax payables	58,424	58,158	266
Total	71,091	67,011	4,080

"Other tax payables" mainly include payables for excise duties on products released for consumption totalling EUR 55,148 thousand).

5.3.4 Other liabilities

The breakdown of other liabilities is shown below:

Other current liabilities	31/12/2021	31/12/2020	Change
Payables for employee benefit and social security	4,345	3,135	1,210
Payables to employees	8,441	6,040	2,401
Payables to subsidiaries for transfer of taxes	119,329	11,853	107,476
Other payables	1,187	1,714	(527)
Accrued liabilities	287	325	(38)
Total	133,589	23,067	110,522

"Payables due to employees" include the December remuneration yet to be paid, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item "Payables to subsidiaries for tax transfers" includes the payable to subsidiaries for taxes transferred pursuant to the aforementioned tax consolidation agreements. The balance is essentially due to the taxes transferred by the subsidiary Sarlux Srl for EUR 99,486 thousand.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/12/2021	31/12/2020	Change
Non-current bond loan	0	199,344	(199,344)
Non-current bank loans	0	399,236	(399,236)
Other long-term financial liabilities	10,807	13,619	(2,812)
Total	10,807	612,199	(601,392)

The bond loan recorded in this item in the previous year was restated under the item "short-term financial liabilities"

as it matures at the end of the 2022 financial year.

As regards non-current bank loans, 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 may be analysed as follows:

Provisions for risks and charges	31/12/2020	Provisions	Use	Other changes	31/12/2021
Other prov. for risks and charges	7,060	0	0	(1,146)	5,914
Total	7,060	0	0	(1,146)	5,914

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

5.4.3 Provisions for employee benefits

The balance breaks down as follows:

Provisions for employee benefits	31/12/2021	31/12/2020	Change
Post-employment benefits	1,676	1,986	(310)
Total	1,676	1,986	(310)

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 31st December 2006 was determined using actuarial methods, in compliance with IAS 19+.

The impact of actuarial evaluation are shown in the Comprehensive Income.

5.4.4 Deferred tax liabilities

Deferred tax liabilities at 31st December 2021 are shown as a decrease in the item "Deferred tax assets", to which reference is made.

5.5 Shareholders' equity

Shareholders' equity is comprised of by the following:

Equity	31/12/2021	31/12/2020	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	553,324	615,066	(61,742)
Net profit/(loss) for the year	30,058	(65,198)	95,256
Total	648,938	615,424	33,514

Share capital

At 31st December 2021, 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 caption totals EUR 553,324 thousand, up by a net EUR 61,742 thousand compared with the previous year-end balance.

This net decrease was the combined result of:

- a decrease due to the allocation of the previous year's loss of EUR 65,198 thousand;
- increase of EUR 3,598 thousand in the reserve for the bonus issue to all employees under the Company's stock grant plans;
- decrease of EUR 142 thousand, due to the effect of IAS 19 discounting.

Net result

The profit for the financial year amounts to EUR 30,058 thousand.

On 12th May 2021, the Ordinary Shareholders' Meeting of Saras SpA, called for the approval of the Financial Statements at 31st December 2020, has resolved to allocate the entire 2020 net profit to the extraordinary reserve.

With regard to the financial year ended 31st December 2021, the Board of Directors has proposed to the Shareholders' Meeting called on 27th May 2022 to carry forward the loss for the year.

The average number of shares outstanding was 947,539,261 in 2021, which increased compared to the average number of shares outstanding in 2020 due to the award made in May 2021 of shares at the close date of the 2019/2021 Stock Grant Plan.

Saras SpA at 31st December 2021 did not hold treasury shares in portfolio.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

Revenues from sales and services (EUR 7,592,114 thousand compared to EUR 4,658,299 thousand in the previous year) increased by EUR 2,933,815 thousand.

The positive change in the item "Revenues from sales and services" is mainly attributable to the trend in the prices of petroleum products recorded during the year, as well as to a slight increase in the quantities sold.

Revenues from ordinary operations are broken down by geographical area in paragraph 4 above.

6.1.2 Other income

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

Other operating revenues	31/12/2021	31/12/2020	Change
Compensation for storage of mandatory stocks	2,819	11,471	(8,652)
Sale of various materials	64	26	38
Ship tanks hire	3,018	7,002	(3,984)
Recovery for claims and compensation	354	436	(82)
Other revenues	47,015	46,207	808
Total	53,270	65,142	(11,872)

The item "Other revenues" essentially comprises charges to the subsidiaries for services provided under service agreements.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, consumables and supplies

Purchases of raw materials, consumables and supplies	31/12/2021	31/12/2020	Change
Purchase of raw materials	5,792,814	3,175,597	2,617,217
Purchase of semi-finished products	155,550	63,654	91,896
Purchase of supplies and consumables	466	630	(164)
Purchase of finished products	1,103,861	855,713	248,148
Change in inventories	(395,293)	273,998	(669,291)
Total	6,657,398	4,369,592	2,287,806

The increase in costs for the purchase of raw, ancillary and consumable materials totalled EUR 2,617,217 thousand compared to the previous financial year; this change is essentially attributable to the rising average trend of oil products and the quantities purchased during the year.

6.2.2 Cost of services and sundry costs

Cost of services and sundry costs	31/12/2021	31/12/2020	Change
Costs for services	481,977	441,185	40,792
Derivatives on crude oil and petroleum products	108,834	(77,992)	186,826
Costs for use of third-party goods	5,878	5,209	669
Bad debt provision trade receivables	5,552	0	5,552
Other operating costs	7,301	7,781	(480)
Total	609,542	376,183	233,359

The item "Costs for services" mainly includes the processing fee paid to the subsidiary Sarlux Srl for the refining of crude oil, which increased compared to the previous year.

During the year, the recoverability of trade receivables was also analysed, which led to the prudent recognition of a write-down for some receivables in the amount of EUR 5,552 thousand.

"Other operating costs" mainly comprise membership fees, non-income taxes and contingencies.

6.2.3 Personnel expense

The breakdown of “Personnel costs” is as follows:

Personnel costs	31/12/2021	31/12/2020	Change
Salaries and wages	18,228	25,909	(7,681)
Social security contributions	6,536	5,923	613
Post-employment benefits	1,600	1,533	67
Other long-term costs and incentives	8,393	2,793	5,600
Remuneration to the Board of Directors	524	2,042	(1,518)
Total	35,281	38,200	(2,919)

The cost of labour decreased by EUR 2,919 thousand compared to the previous year, essentially due to the combined effect of the collective company agreement for the early termination of the employment relationship put in place by the group at the end of the previous year and the measures implemented from the end of 2020 onwards in order to keep costs under control, including through the use of social shock absorbers for staff (partial lay-off for all employees).

The Saras Shareholders' Meeting has approved, on 12th May 2021, the 2021 Stock Grant Plan for the Saras Group's Top Management, after cancelling the “2019-2021 Stock Grant Plan”. The 2021 Stock Grant Plan had the objective of recognising to the beneficiaries, already recipients of the 2019-2021 stock grant plan, a bonus linked to the results of the business indicators of the previous 2019-2021 stock grant plan, achieved in the two-year period 2019-2020.

By virtue of the results of the 2021 Stock Grant Plan, no. 9,220,216 Saras ordinary shares.

On the same day, the Shareholders' Meeting has also approved the long-term incentive plan for the Saras Group's Top Management, called Performance Cash Plan 2021-2023, with the aim of providing the Company with a remuneration tool that best represents the Company's objective and the management performance, which is more in line with the current strategy and capable of supporting the engagement and retention of the Group's management figures.

The beneficiaries of the Plan were identified among the key managers of the Company, the directors of the Italian and/or foreign subsidiaries and other top managers with a high impact on the creation of value for the Group.

6.2.4 Depreciation/amortisation and write-downs

Depreciation of non-current assets” is shown below:

Depreciation/amortisation and write-downs	31/12/2021	31/12/2020	Change
Amortisation of intangible assets	1,158	1,757	(599)
Depreciation of property, plant and equipment	1,818	1,802	16
Total	2,976	3,559	(583)

Amortisation, depreciation and write-downs” break down as follows:

Depreciation of leased items	31/12/2021	31/12/2020	Change
Depreciation of leased property, plant and equipment	1,832	2,320	(488)
Total	1,832	2,320	(488)

This item represents the effect from the application of IFRS 16.

6.3 Net income (charges) from equity investments

Net income (charges) from equity investments	31/12/2021	31/12/2020	Change
Value adjustments to assets	(188,301)	(15,620)	(172,681)
Total	(188,301)	(15,620)	(172,681)

The value adjustments refer to the write-down made during the year of the value of the investment in the subsidiary Sarlux Srl, in order to adjust its book value to the related shareholders' equity.

6.4 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	31/12/2021	31/12/2020	Change
Bank interest income	45	1,221	(1,176)
Realised differences on derivatives	10,443	8,684	1,759
Interest from subsidiaries	10,323	7,717	2,606
Profit on exchange rates	59,202	52,975	6,227
Total	80,013	70,597	9,416

Financial charges	31/12/2021	31/12/2020	Change
Unrealised differences on derivatives	836	(2,123)	2,959
Realised differences on derivatives	(1,622)	(249)	(1,373)
Interest expenses on loans	(7,013)	(5,621)	(1,392)
Interest expenses on bonds	(3,740)	(3,750)	10
Interest from subsidiaries	0	(54)	54
Other (interest on mortgages, on arrears, etc.)	(4,923)	(3,481)	(1,442)
Interest on rights of use on leases	0	(66)	66
Exchange rate losses	(86,707)	(56,115)	(30,592)
Total	(103,169)	(71,459)	(31,710)

The summary table below provides an analysis of the main changes during the year:

Financial income and Financial charges	31/12/2021	31/12/2020	Change
Net interest	(5,308)	(4,034)	(1,274)
Result of derivative instruments, of which:	9,657	6,312	3,345
<i>Realised</i>	8,821	8,435	386
<i>Fair value of open positions</i>	836	(2,123)	2,959
Net exchange rate differences	(27,505)	(3,140)	(24,365)
Total	(23,156)	(862)	(18,949)

The entire fair value of the derivatives in place at 31st December 2021 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

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

6.5 Income taxes

Income taxes are shown below:

Income taxes	31/12/2021	31/12/2020	Change
Current taxes	104,129	3,276	100,853
Net deferred tax liabilities (assets)	(7,289)	(20,973)	13,684
Total	96,840	(17,697)	114,537

Current taxes comprise IRES (EUR 91,355 thousand) and IRAP (EUR 12,774 thousand) for the year.

Deferred tax assets/liabilities amounted to EUR 7,289 thousand and refer to changes during the year in temporary differences between the values recorded in the financial statements and those recognised for tax purposes.

Differences between the theoretical and effective tax rates for the two periods compared are shown below (figures in EUR million):

IRES	2021	2020
PRE-TAX RESULT [A]	126.9	(79.3)
IRES THEORETICAL TAX [A*24%] [B]	30.5	(19.0)
THEORETICAL TAX RATE [B/A*100] %	24.0%	24.0%
EFFECTIVE INCOME TAX [C]	74.8	(15.5)
EFFECTIVE TAX RATE [C/A*100] %	59.0%	19.5%

	2021		2020	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	30.5	24.0%	(19.0)	24.0%
Valuation of investments and receivables from holdings	0.0	0.00%	(3.0)	3.79%
Effect of concession (ACE) Decree Law no. 201/2011	(1.5)	-1.17%	(1.5)	1.87%
Previous years' taxes	0.9	0.67%		0.00%
Other permanent differences	45.0	35.46%	8.1	-10.17%
Effective taxes	74.8	59.0%	(15.5)	19.5%

"Other permanent differences" mainly include the effect of the write-down of the investment in Sarlux Srl, performed in 2021.

IRAP	2021	2020
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	338.4	266.5
IRAP THEORETICAL TAX [2.93%]	9.92	7.81
THEORETICAL TAX RATE [B/A*100] %	2.93%	2.93%
EFFECTIVE INCOME TAX [C]	12.63	10.60
EFFECTIVE TAX RATE [C/A*100] %	3.73%	3.98%

	2021		2020	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical tax	9.92	2.93%	3.34	2.93%
Personnel costs	(0.03)	-0.01%	0.08	0.07%
Effect of different regional rates on production value	2.99	0.88%	0.40	0.35%
Other permanent differences	(0.25)	-0.07%	0.48	0.42%
Effective taxes	12.63	3.73%	4.30	3.77%

7. Other information

7.1 Main legal actions pending

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

The company Saras SpA 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 Attorney - District Anti-Mafia and Terrorism Directorate.

The claim against Saras - pursuant to art. 25-octies of Legislative Decree no. 231/2001 - concerns the administrative offence deriving from the crime of "use of money, goods or benefits of unlawful origin" (pursuant to art. 648-ter of the Italian Criminal Code) alleged against some of its managers.

Specifically, according to the indictment, as resulting from the notice of conclusion of the preliminary investigations pursuant to Article 415-bis of the Italian Criminal Code notified to the company on 24.12.2021, some Group's managers allegedly committed the crimes of "ideological misrepresentation committed by a public official in public deeds" (pursuant to art. 479 of the Italian Criminal Code) and of "use of money, goods or benefits of unlawful origin" (pursuant to art. 648-ter of the Italian Criminal Code) in relation to 52 purchase transactions, in 2015 and 2016, from Petraco Oil Company LLP, of crude oil of criminal origin - because it was not certified by S.O.M.O. ("State Oil Marketing Organization"), the oil company of the Federal Government of Baghdad, and therefore they allegedly misappropriated from the Republic of Iraq - which was used in the economic and financial refining activities of Saras and on which, in any case, operations were carried out to hinder the verification of its criminal origin, consisting, inter alia, of the falsification of the relevant contractual, travel and customs documentation.

For its part, Saras is being investigated for the administrative offence referred to in article 25-octies of Legislative Decree no. 231/2001 in relation to the crime referred to in article 648-ter of the Italian Criminal Code and allegedly committed by the Group's managers because, according to the accusation, in 2015 and 2016, it failed to adopt an effective Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 (hereinafter, the "Model 231"), given that:

- until 12th May 2016, the latter did not specifically provide for preventive measures to combat the offence under investigation;
- subsequently, although the 231 Model was updated, it would not have been effectively implemented.

According to the indictment, these organisational shortcomings would have made it possible for the Group's managers to carry out the individual episodes of reutilisation that are the subject of the charges, from which Saras would have gained a significant economic advantage deriving, in particular, "from the purchase of oil products of unlawful origin and destined for refining, at a much lower price, quantifiable at no less than EUR 1,124,767,082.47, compared with the market value".

On the other hand, no charges have been brought against the Company under Legislative Decree no. 231/2001 in relation to the offence of false ideology: indeed, Art. 479 of the Criminal Code did not constitute and still does not constitute a predicate offence for the administrative liability of entities under Legislative Decree no. 231/2001.

The notice of conclusion of the investigations does not contain any criminal-law charges originally brought against the managers under investigation.

As of today, there has been no formal communication of the prosecution by the Public Prosecutor. However, according to press reports, informally confirmed by the Public Prosecutor's Office, the prosecution appears to have taken place at the end of February 2022.

The company believes that the evidence acquired by the Cagliari District Attorney's Office leaves ample room to refute - first and foremost - the thesis that the marketing of crude oil by the KRG was not legitimate and, in any case, to rule out the awareness of Saras' management.

On 28th March 2022 the Company and the managers

involved in the investigations have been notified with the notice that the preliminary hearing in Cagliari Court on 16th June 2022.

Saras SpA - Since it became aware of the existence of the criminal proceedings, Saras SpA has issued five press releases, in which it has made its position known to the market, refuting all the accusations (see: press releases dated 8.10.2020, 9.10.2020, 24.1.2021, 26.2.2022 and 28.03.2022 available on the Company's website).

In the light of the above-mentioned reasons and after the first analysis performed, several elements emerge that could be used to refute the hypothesis of crime. Therefore, the management consider that it is not possible to estimate and to evaluate the risk arising from the potential fiscal dispute.

7.2 Related-party transactions

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. For information on guarantees given to and received from related parties, see section "7.6 Commitments" below.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below and information is provided on the largest transactions.

The effects of transactions or positions with related parties on statement of financial position items are shown in the following summary table:

Description	Absolute value (Euro/000) and % on balance sheet item 31/12/2021			Absolute value (Euro/000) and % on balance sheet item 31/12/2020		
Related party transactions involving Saras Group's majority shareholders						
Current financial assets	639,131	682,332	93.67%	551,187	611,182	90.18%
Trade receivables	409,440	585,847	69.89%	181,300	241,048	75.21%
Other assets	4,239	26,796	15.82%	(0)	11,024	0.00%
Short-term financial liabilities	55,825	861,056	6.48%	417,267	640,469	65.15%
Trade and other payables	287,600	1,404,987	20.47%	117,311	731,957	16.03%
Other current liabilities	119,326	133,589	89.32%	12,398	23,067	53.75%
				-		
Revenues from ordinary operations	823,364	7,592,114	10.84%	534,707	4,658,299	11.48%
Other operating revenues	37,711	53,270	70.79%	40,694	65,142	62.47%
Purchases of raw materials, consumables and supplies	1,170,357	6,657,398	17.58%	851,248	4,369,592	19.48%
Cost of services and sundry costs	277,257	609,542	45.49%	217,155	376,183	57.73%
Net income (charges) from equity investments	(188,301)	(188,301)	100.00%	(15,620)	(15,620)	100.00%
Financial income	10,377	80,013	12.97%	7,760	70,597	10.99%
Financial charges	11	103,169	0.01%	77	71,459	0.11%

With regard to the above-mentioned transactions, in the interests of the Company, the agreements governing sales of raw materials and products reflect market conditions; where a market price is not directly available, the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses passed on in relation to seconded personnel are charged at cost, without the application of any margin and interest on loans

is charged at market rates.

Related parties include both the directors and auditors, whose remuneration is stated in 7.5.1 "Remuneration paid to directors and auditors, officers and key management personnel".

The effects of transactions or positions with related parties on the statement of financial position and the income statement are summarised in the table below:

	Absolute value (Euro/000) and % on balance sheet item 31/12/2021			Absolute value (Euro/000) and % on balance sheet item 31/12/2020		
	Related parties	Total	Incidence	Related parties	Total	Incidence
Current financial assets	639,131	682,332	93.67%	551,187	611,182	90.18%
Trade receivables	409,440	585,847	69.89%	181,300	241,048	75.21%
Other assets	4,239	26,796	15.82%	0	11,024	0.00%
Short-term financial liabilities	55,825	861,056	6.48%	417,267	640,469	65.15%
Trade and other payables	287,600	1,404,987	20.47%	117,311	731,957	16.03%
Other current liabilities	119,326	133,589	89.32%	12,398	23,067	53.75%
Revenues from ordinary operations	823,364	7,592,114	10.84%	534,707	4,658,299	11.48%
Other operating revenues	37,711	53,270	70.79%	40,694	65,142	62.47%
Purchases of raw materials, consumables and supplies	1,170,357	6,657,398	17.58%	851,248	4,369,592	19.48%
Cost of services and sundry costs	277,257	609,542	45.49%	217,155	376,183	57.73%
Net income (charges) from equity investments	(188,301)	(188,301)	100.00%	(15,620)	(15,620)	100%
Financial income	10,377	80,013	12.97%	7,760	70,597	10.99%
Financial charges	11	103,169	0.01%	77	71,459	0.11%

The main cash flows with related parties are shown in the table below:

	31/12/2021	31/12/2020
Net income (charges) from equity investments	(188,301)	(15,620)
Dividends from invest. in subsidiaries	0	0
Decrease in trade receivables	(228,140)	(68,101)
Increase (Decrease) in trade and other payables	(170,289)	24,020
Change other current assets	(4,239)	0
Change other current liabilities	(106,928)	10,396
Change other non-current liabilities	0	0
Interest received	10,377	7,760
Interest paid	(11)	(77)
Cash flow from (for) activities in the year	(687,532)	(41,622)
Dividends from invest. in subsidiaries	0	0
Cash flow from (for) investment activities	0	0
Increase (Decrease) in financial liabilities	(361,442)	375,826
Cash flow from (for) financial activities	(361,442)	375,826
Total cash flows from/to related parties	(1,048,974)	334,204

The effects of cash flows with related parties are shown in the table below:

	Absolute value (Euro/000) and % on balance sheet item 31/12/2021			Absolute value (Euro/000) and % on balance sheet item 31/12/2020		
	Related parties	Total	Incidence	Related parties	Total	Incidence
Cash flow from (for) activities in the year	(687,532)	239,475	N/A	(41,622)	(119,252)	N/A
Cash flow from (for) investment activities	0	(52,175)	0.00%	0	(407,712)	0.00%
Cash flow from (for) financial activities	(361,442)	(400,186)	90.32%	375,826	769,865	48.82%

7.3 Information pursuant to IFRS 7 and 13 Financial Instruments: Disclosures

To the extent that it is applicable to Saras SpA, the disclosure on financial instruments to be provided in financial statements and interim reports is mainly set out in IFRS 7 and 13.

IFRS 7 – Financial Instruments: Disclosures, requires entities to provide supplementary disclosures in financial statements that make it possible to evaluate:

- the value of financial instruments with respect to the financial position and results of operations;
- the nature and extent of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date and the way in which this is managed.

IFRS 13 – Fair Value Measurement, which is applicable from 1st January 2013, requires supplementary disclosures on fair value, some of which is also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Sub-paragraphs a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this end, IFRS 13 defines a precise three-tier fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the

various levels of reliability of fair value, depending on whether it is based on:

- a) unadjusted quotations taken from an active market – as defined by IFRS 9 – for the assets and liabilities being measured (level 1);
- b) measurement techniques based on factors other than the quoted prices referred to above, which can

either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);

- c) measurement techniques that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the Company at 31st December 2021:

Type of Operation	31/12/21 Assets	Fair value level 1	Fair value level 2	Fair value level 3	31/12/21 Liabilities	Fair value level 1	Fair value level 2	Fair value level 3
Interest rate swaps	11,057				878		878	
Fair value derivatives on commodities	9,322	9,322			27,995	27,995		
Fair value forward purchases and sales on exchange rates					509		509	
Total	20,379	9,322	0	0	29,382	27,995	1,387	0

The Company's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.

Pursuant to sub-paragraph c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the year.

Measurement techniques

As shown in the table in the section above, financial instruments measured at fair value largely consist of derivatives entered into to hedge the currency and interest rate risks and the fluctuating price of oil and crude products.

Specifically, the fair value measurement of these instruments is carried out:

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;
- for commodity-based derivatives, based on the account statements of open positions that are periodically received from the clearing broker through which these instruments are contracted.

For all types of derivatives described above, the fair value measurements received from the counterparties in open positions are verified by comparing them to the fair value measurement carried out within the Company for the same positions. These internal measurements are carried out using reference parameters observable on markets (spot and forward interest rates, exchange rates and crude oil and oil product prices available in active regulated markets).

The valuation does not consider the counterparty risk as the effect is not significant considering the existing security deposits.

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

With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying amount is close to their fair value.

The criteria contained in the standard supplement those set out for the recognition, measurement and disclosure in the financial statements of the financial assets and liabilities listed in IAS 32 (Financial Instruments: Disclosure and Presentation) and in IAS 39 (Financial Instruments: Recognition and Measurement).

The standard applies to all entities and all types of financial instruments, except for shareholdings in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

7.3.1 Information on the Statement of Financial Position

With reference to the Statement of Financial Position, Sections 8 - 19 of the standard in question state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided by the Company, as well as detailed information where the Company has opted to record financial assets or liabilities at fair value through profit and loss, or where it has restated financial assets or derecognised them from the accounts. Following is the financial position and operating results of Saras SpA at 31st December 2021 and 31st December 2020, with a breakdown of the financial instruments:

31/12/2021	Accounting value of financial derivatives categories, defined according to IFRS 9				Financial statements at 31/12/2021
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	
ASSETS					
Current financial assets	932,732	639,418	0	1,031,926	2,604,079
Cash and cash equivalents	301,172				301,172
Other financial assets	42,912	639,418			682,332
<i>Derivative instruments (FV, realised and guarantee deposits)</i>	42,912				
<i>Loans to third parties</i>		0			
<i>Payables to Group companies</i>		639,418			
Trade receivables	585,848				585,847
<i>Receivables from clients</i>	303,352				
<i>Trade receivables from Group company</i>	282,495				
Inventories				990,347	990,348
Current tax assets				17,584	17,584
Other assets	2,800			23,996	26,796
<i>Sundry receivables</i>	2,800			23,996	
Non-current assets	3,044	0	0	530,936	533,980
Property, plant and equipment				8,591	8,591
Intangible assets				2,390	2,390
Right-of-use of leased assets				3,466	3,466
Equity investments at cost				496,412	496,412
Other investments				500	500
Deferred tax assets				19,577	19,577
Other financial assets	3,044				3,044
<i>Loans to subsidiaries</i>					
<i>Sundry receivables</i>	3,044				
Total assets	935,776	639,418	0	1,562,862	3,138,059
LIABILITIES					
Current liabilities	29,382	2,236,661	0	204,681	2,470,723
SH-T Financial liabilities	29,382	831,675			861,056
<i>Bond loans</i>					
<i>Bank loans</i>		157,194			
<i>C/a advances</i>					
<i>Financial payables from Group companies</i>		634,543			
<i>Derivative instruments</i>	29,382				
<i>Other financial payables</i>		39,937			
Trade and other payables		1,404,987			1,404,987
Current tax liabilities				71,091	71,091
Other liabilities				133,589	133,589
<i>Other payables</i>				133,589	
Non-current liabilities	0	10,808	0	7,590	18,398
Long-term financial liabilities		10,808			10,808
<i>Bank loans (secured)</i>		0			
<i>Bond loans</i>		0			
<i>Financial payable IFRS 16</i>		5,550			
<i>Other</i>		5,257			
Provisions for risks				5,914	5,914
Provisions for employee benefit				1,676	1,676
Other liabilities				0	0
Total liabilities	29,382	2,247,470	0	212,271	2,489,121

31/12/2020	Accounting value of financial derivatives categories, defined according to IFRS 9				Financial statements at 31/12/2020
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	
ASSETS					
Current financial assets	820,840	551,187	0	601,846	1,973,874
Cash and cash equivalents	517,620				517,620
Other financial assets	59,994	551,187			611,182
<i>Derivative instruments (FV, realised and guarantee deposits)</i>	59,994				
<i>Loans to third parties</i>		0			
<i>Payables to Group companies</i>		551,187			
Trade receivables	241,048				241,048
<i>Receivables from clients</i>	130,973				
<i>Trade receivables from Group company</i>	110,075				
Inventories				585,398	585,398
Current tax assets				7,602	7,602
Other assets	2,177			8,847	11,024
<i>Sundry receivables</i>	2,177			8,847	
Non-current assets	3,378	0	0	721,921	725,299
Property, plant and equipment				9,511	9,511
Intangible assets				2,727	2,727
Right-of-use of leased assets				5,284	5,284
Equity investments at cost				684,713	684,713
Other investments				495	495
Deferred tax assets				19,191	19,191
Other financial assets	3,378				3,378
<i>Loans to subsidiaries</i>					
<i>Sundry receivables</i>	3,378				
Total assets	824,218	551,187	0	1,323,767	2,699,173
LIABILITIES					
Current liabilities	55,116	1,317,309	0	90,078	1,462,504
SH-T Financial liabilities	55,116	585,352			640,469
<i>Bond loans</i>					
<i>Bank loans</i>		448,165			
<i>C/a advances</i>					
<i>Financial payables from Group companies</i>		102,513			
<i>Derivative instruments</i>	55,116				
<i>Other financial payables</i>		34,675			
Trade and other payables		731,957			731,957
Current tax liabilities				67,011	67,011
Other liabilities				23,067	23,067
<i>Other payables</i>				23,067	
Non-current liabilities	0	612,199	0	9,046	621,245
Long-term financial liabilities		612,199			612,199
<i>Bank loans (secured)</i>		399,236			
<i>Bond loans</i>		199,344			
<i>Financial payable IFRS 16</i>		7,471			
<i>Other</i>		6,148			
Provisions for risks				7,060	7,060
Provisions for employee benefit				1,986	1,986
Other liabilities				0	0
Total liabilities	55,116	1,929,508	0	99,124	2,083,749

Financial instruments recorded at fair value in the income statement comprise derivatives held by the company, as described in paragraph 5.4.1 above. The derivatives contracts on commodities, interest rates and exchange rates were entered into to mitigate the risks inherent in the business in which it operates, arising from changes in the price of crude and oil products (futures, options and swaps), to hedge interest rate risk on loans taken out and to hedge exchange rate risk relating to its currency positions.

All trade receivables and most other current and

non-current receivables are classed as “Loans” since they consist of non-derivative financial assets with fixed or determinable payments that are not quoted on any active market. The carrying amount is close to fair value.

Other financial liabilities valued at amortised cost include all the Company’s financial liabilities and trade payables arising from the Company’s contractual obligations to deliver cash or other financial assets to another entity.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a 'without recourse' basis. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.3.2 Information on the Statement of Comprehensive Income

Paragraph 20 of the standard in question requires companies to state the net gains or losses generated by financial assets and liabilities, broken down according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overloading the accounting statements with information, the Company has opted for the second alternative, as advised in the Appendix to the accounting standard itself. The following tables therefore show details of income statement items for the current and the previous year:

31/12/2021	Net profits and losses, active and passive interests, fees and expenses generated from:				Financial statements at 31/12/2021
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	
Revenues from ordinary operations				7,592,114	7,592,114
Other income				53,270	53,270
Total revenues				7,645,384	7,645,384
Purchases of raw materials, consumables and supplies				(6,657,398)	(6,657,398)
Services and other costs	108,834			(718,376)	(609,542)
Personnel costs				(35,281)	(35,281)
Depreciation/amortisation and write-downs				(4,808)	(4,808)
Total costs	108,834			(7,415,862)	(7,307,029)
Operating result					338,355
Net income (charges) from equity investments				(188,301)	(188,301)
Other financial income (charges)	(17,849)	(5,308)			(23,156)
<i>from Securities held for trading</i>					
<i>- of which:</i>					
<i>Realised differentials</i>					
<i>FV change</i>					
<i>from interest on current accounts</i>			45		
<i>from loans made to Group companies</i>			10,323		
<i>from Derivative instruments</i>	9,656				
<i>- of which:</i>					
<i>Realised differentials</i>	8,820				
<i>FV change</i>	836				
<i>from Other financial assets</i>	(27,505)				
<i>from Interest on loans</i>			(13,211)		
<i>from Interest on factoring</i>			(2,465)		
<i>from other credits/debts</i>					
Result before taxes					126,898
Income taxes					(96,842)
Net result					30,058

31/12/2020	Net profits and losses, active and passive interests, fees and expenses generated from:				Financial statements at 31/12/2020
	FVTPL	Amortised cost	FVOCI (debt securities)	Other	
Revenues from ordinary operations				4,658,299	4,658,299
Other income				65,142	65,142
Total revenues				4,723,441	4,723,441
Purchases of raw materials, consumables and supplies				(4,369,592)	(4,369,592)
Services and other costs	(77,992)			(298,190)	(376,183)
Personnel costs				(38,200)	(38,200)
Depreciation/amortisation and write-downs				(5,879)	(5,879)
Total costs	(77,992)			(4,711,861)	(4,789,854)
Operating result					(66,413)
Net income (charges) from equity investments				(15,620)	(15,620)
Other financial income (charges)	3,172	(4,034)			(862)
<i>from Securities held for trading</i>					
<i>- of which:</i>					
<i>Realised differentials</i>					
<i>FV change</i>					
<i>from interest on current accounts</i>			1,221		
<i>from loans made to Group companies</i>			7,664		
<i>from Derivative instruments</i>	6,312				
<i>- of which:</i>					
<i>Realised differentials</i>	8,435				
<i>FV change</i>	(2,123)				
<i>from Other financial assets</i>	(3,140)				
<i>from Interest on loans</i>			(9,847)		
<i>from Interest on factoring</i>			(3,072)		
<i>from other credits/debts</i>					
Result before taxes					(82,895)
Income taxes					17,697
Net result					(65,198)

The entire fair value of the derivatives in place at 31st December 2021 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

As shown, the changes mainly refer to net exchange rate differences, as well as gains/losses on derivative financial instruments.

Financial liabilities measured at amortised cost generated losses of EUR 13,211 thousand (EUR 9,847 thousand in the previous year), mainly due to interest on loans.

7.3.3 Supplementary information

7.3.3.1 Accounting for derivative transactions

As described above, the Company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude oil and oil products and on interest rates to hedge the interest rate risks relating to the loans obtained.

At 31st December 2021, the derivative contracts in effect were essentially represented by:

- futures, options and swaps on oil products, classified as financial instruments held for trading;
- Interest Rate Swaps;
- Forwards on the EUR/USD exchange rate.

Derivative instruments related to hedging transactions on oil products, as already mentioned in point 6 – Notes to the Income Statement, have been recognised, following the change in the accounting policy, in revenues and costs from ordinary operations.

All other financial instruments (interest rate swaps and Forwards on exchange rates) not related to the hedging of petroleum products are recorded at fair value: changes in fair value, as well as realised differentials, are recorded in the income statement under financial income or financial expenses.

Most outstanding positions on commodities and on foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2020, while the interest rate swaps have the same duration as the underlying loans to which they refer.

The fair value of instruments is determined on the basis of the statements that are periodically sent by the counterparties with which these instruments are stipulated.

7.3.3.2 Fair value

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost. As these assets and liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31st December 2021.

The bond carries a fixed rate and market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 transposed in Europe by means of Regulation (EC) no. 1165 of 27th November 2009, all financial instruments booked at fair value are calculated based on valuation methods that use observable market parameters other than the prices of these instruments as their reference, except for forex and commodities futures classified under “Other current assets” or “Short-term financial liabilities”, which are valued based on prices in an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.3.4 Risks deriving from financial instruments

Risks deriving from financial instruments to which the Company is exposed are:

- Credit risk: i.e. the risk that the Company will incur a loss in the event that a counterparty to a financial instrument defaults;
- Liquidity risk: i.e. the risk that the Company will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;
- Market risk: i.e. the risk relating to the performance of markets in which the Company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations.

7.3.4.1 Credit risk

The company's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

The information required by sections 36-38 is shown in the tables below:

	Accounting value at 31/12/2021		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7					Value impairment loss		
	Total	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	2,604,079	1,580,021	1,580,021		1,533,542	29,173	(5,204)	634	21,876	1,580,021	0	(10,670)
Cash and cash equivalents	301,172	301,172	301,172		301,172					301,172		
Other financial assets held for trading	682,332	682,332	682,332		682,332					682,332		
Trade receivables	596,516	596,516	596,516	51,785	550,037	29,173	(5,204)	634	21,876	596,516		
Bad debt provision	(10,670)											(10,670)
Inventories	990,348											
Current tax assets	17,584											
Other assets	26,796											
Non-current assets	533,980	3,544	3,544		0	0	0	0	0	0		
Property, plant and equipment	8,591											
Intangible assets	2,390											
Right-of-use of leased assets	3,466											
Equity investments valued using the equity method	496,412											
Other investments	500	500	500									
Deferred tax assets	19,577											
Other financial assets	3,044	3,044	3,044									
Total assets	3,138,059	1,583,565	1,583,565		1,533,542	29,173	(5,204)	634	21,876	1,580,021		

	Accounting value at 31/12/2020		Credit risk		Analysis of maturities by financial activity, ex paragraph 37 b) IFRS 7					Value impairment loss		
	Total	of which financial instruments	Maximum exposure at credit risk without consideration of guarantees or other similar instruments	Guarantees	Current	Expired				Total	Determined in the financial year	Progressive
						0-30 days	31-60 days	61-90 days	beyond 90 days			
Current financial assets	1,973,874	1,374,967	1,374,967		1,323,288	14,399	10,021	3,286	23,973	1,374,967	0	(5,117)
Cash and cash equivalents	517,620	517,620	517,620		517,620					517,620		
Other financial assets held for trading	611,182	611,182	611,182		611,182					611,182		
Trade receivables	246,165	246,165	246,165	48,548	194,486	14,399	10,021	3,286	23,973	246,165		
Bad debt provision	(5,117)											(5,117)
Inventories	585,398											
Current tax assets	7,602											
Other assets	11,024											
Non-current assets	725,299	3,873	3,873		0	0	0	0	0	0		
Property, plant and equipment	9,511											
Intangible assets	2,727											
Right-of-use of leased assets	5,284											
Equity investments valued using the equity method	684,713											
Other investments	495	495	495									
Deferred tax assets	19,191											
Other financial assets	3,378	3,378	3,378									
Total assets	2,699,173	1,378,840	1,378,840		1,323,288	14,399	10,021	3,286	23,973	1,374,967		

Guarantees on receivables are represented by letters of credit obtained by the Company in relation to deliveries to certain customers, guaranties obtained from customers and credit insurance.

7.3.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. The significant

self-financing capacity, together with the low level of debt, suggests that the liquidity risk is moderate.

It should be noted that during the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the tables below:

	Book value at 31/12/2021		Nominal value of the financial liabilities	Liquidity risk	Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7						
	Total	of which financial instruments			Guarantees	2021	2022	2023	2024	2025	beyond 5 years
LIABILITIES											
Current liabilities	2,470,723	2,470,724	3,260,689	0	3,260,689	0	0	0	0	0	0
SH-T Financial liabilities	861,056	861,056	861,056		861,056						
Bank loans (secured)		578,719	578,719		578,719						
C/a advances		157,194	157,194		157,194						
Financial payables from Group companies		55,824	55,824		55,824						
Interest rates (final average rate = 1.18%)											
Derivative instruments		29,382	29,382		29,382						
Other financial payables		39,937	39,937		39,937						
Trade and other payables	1,404,987	1,404,987	1,404,987		1,404,987						
Current tax liabilities	71,091	71,091									
Other liabilities	133,589	133,589	133,589		133,589						
Non-current liabilities	18,398	10,807	10,807	0	0	0	0	0	0	0	0
Long-term financial liabilities	10,807	10,807	10,807								
Bank loans (secured)		0									
Bond loans		0				0					
Financial payable IFRS 16		5,550	5,550		0,0	0,0	0,0	0,0	0,0		
Other		5,257	5,257								
Amount interest medium-long term loan rates (rate = 1.18%)					0	0	0	0	0		
Interest on bond loan					0	0	0	0	0		
Provisions for risks	5,914										
Provisions for employee benefits	1,676										
Other liabilities	0										
Total liabilities	2,489,121	2,481,531	3,271,496	0	3,260,689	0	0	0	0	0	0

	Book value at 31/12/2020		Nominal value of the financial liabilities	Liquidity risk Guarantees	Analysis of maturities for financial liabilities, pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments			2020	2021	2022	2023	2024	beyond 5 years
LIABILITIES										
Current liabilities	1,462,504	1,462,504	1,395,493	0	929,318	0	0	0	0	0
SH-T Financial liabilities	640,469	640,469								
Bank loans (secured)		19,059	19,059							
C/a advances		448,165	448,165							
Financial payables from Group companies		83,454	83,454		83,454					
Interest rates (final average rate = 1.060%)					1,049					
Derivative instruments		55,116	55,116		55,116					
Other financial payables		34,675	34,675		34,675					
Trade and other payables	731,957	731,957	731,957		731,957					
Current tax liabilities	67,011	67,011								
Other liabilities	23,067	23,067	23,067		23,067					
Non-current liabilities	621,245	612,199	613,619	0	6,361	6,361	6,360	56,095	556,095	0
Long-term financial liabilities	612,199	612,199	613,619							
Bank loans (secured)		399,236	400,000					50,000	350,000	
Bond loans		199,344	200,000						200,000	
Financial payable IFRS 16		7,471	7,471		0.69	0.59	0.5	0.38	0.28	
Other		6,148	6,148							
Amount interest medium-long term loan rates (rate = 1.060%)					4,240	4,240	4,240	3,975	3,975	
Interest on bond loan					2,120	2,120	2,120	2,120	2,120	
Provisions for risks	7,060									
Provisions for employee benefits	1,986									
Other liabilities	0									
Total liabilities	2,083,749	2,074,702	2,009,112	0	935,679	6,361	6,360	56,095	556,095	0

The fair value of derivatives recognised in the financial statements mainly relates to current positions.

The hedging derivative instruments included in current financial liabilities include interest rate swaps on the Company's loans: the nominal future interest flows thereon are already included in "Interest on medium/long term loans" in the "Non-current liabilities" section of the table.

7.3.4.3 Market risk

As stated previously, the market risks to which the Company is exposed via its financial instruments relate to:

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges" as well as the fair value of derivatives held at the reporting date;
- the Euribor interest rate, to which the interest rates paid by the Company on its loans are indexed, as well as the fair value of derivative instruments held at the reporting date;
- prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by section 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Company is exposed at the reporting date has been prepared, which shows the effects of these risks on the income

statement and equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management's forecasts. The results of the analysis are shown in the tables below.

EUR/USD exchange rate

With reference to the EUR/USD exchange rate, at the reporting date, the Company had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables.

The simulation of the impact on net profit and equity, was carried out assuming a change of +/-10% in the EUR/USD exchange rate at the end of the year, which was used to translate currency positions in the preparation of the statement of financial position.

2021						
Euro/USD exchange rate					Reference parameter change	
Statement of Financial Position item	Amount in currency	Exchange rate EUR/USD	Amount in (thousands of EUR)	-10%	+10%	
Currency net position	1,184,700	1.133	1,194,948			
Effect on result before tax				132,772	(108,632)	
Effect on net result (and equity)				91,082	(74,521)	

2020						
Euro/USD exchange rate					Reference parameter change	
Statement of Financial Position item	Amount in currency	Exchange rate EUR/USD	Amount in (thousands of EUR)	-10%	+10%	
Currency net position	802,746	1.227	729,421			
Effect on result before tax				81,047	(66,311)	
Effect on net result (and equity)				55,598	(45,489)	

To hedge the effects of sensitivity to the EUR/USD exchange rate, the Company also enters into forward exchange rate contracts, which are recorded in the financial statements at their fair value on the reporting date: As the fair value is inevitably affected by the underlying exchange rate, a simulation was carried out of the impact on net profit and consequentially

equity, assuming a change of +/-10% in the benchmark parameters based on this year's exchange rate trends; the results obtained from such a variation are reported at a 99.55% confidence level.

The details and results of the simulation are shown in the tables below:

2021				Reference parameter change	
Derivatives on:	Fair Value at 31/12/2021	-10%	10%		
Exchange rates	509	55,486	(46,388)		
	509	55,486	(46,388)		
Effect on result before tax		55,486	(46,388)		
Effect on net result (and equity)		40,227	(33,631)		

2020				Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-10%	10%		
Exchange rates	1,637	26,732	(24,805)		
	1,637	26,732	(24,805)		
Effect on result before tax		26,732	(24,805)		
Effect on net result (and equity)		19,381	(17,984)		

Interest rate

The Company has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.

and equity was carried out, assuming a change of +/-25 bps in rates and only taking into account the portion of variable-rate funding.

A simulation of the impact of this variable on net profit

The following table shows the simulation at 31st December 2021:

2021					
VARIABLE INTEREST RATES				Reference parameter change	
	Average annual interest rate 2021	Annual interest expense	-50 bps	+50 bps	
Short and medium-long term financial liabilities	1.18%	(5,308)			
Effect on result before tax			2,249	(2,249)	
Effect on net profit (and equity)			1,631	(1,631)	

2020					
VARIABLE INTEREST RATES				Reference parameter change	
	Average annual interest rate 2020	Annual interest expense	-50 bps	+50 bps	
Short and medium-long term financial liabilities	1.06%	(3,968)			
Effect on result before tax			1,872	(1,872)	
Effect on net profit (and equity)			1,357	(1,357)	

In addition, the fair value of the Interest Rate Swaps (IRS) and interest rate options outstanding at the reporting date relating to the Company is affected by the fluctuations in the Euribor rate: a simulation of the impact of this variable on the profit for the year and equity was carried out, assuming a change of +/-25

basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The details and results of the simulation are shown in the tables below:

2021		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2021	-25 bps	+25 bps
Fair value of Interest rate swaps	878	878	(878)
	878	878	(878)
Effect on result before tax		878	(878)
Effect on net result (and equity)		637	(637)

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-25 bps	+25 bps
Fair value of Interest rate swaps	(586)	586	(586)
	(586)	586	(586)
Effect on result before tax		586	(586)
Effect on net result (and equity)		425	(425)

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives at 31st December 2021 consisted of futures, swaps and options on oil products and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.

A simulation of the impact of this variable on net profit and consequentially, on equity, was therefore carried out assuming a change of +/-20%.

The details and results of the simulation (comparative) are shown in the tables below:

2021		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2021	-20%	20%
Crude and oil products	(7,616)	(11,858)	(10,005)
	(7,616)	(11,858)	(10,005)
Effect on result before tax		(11,858)	(10,005)
Effect on net result (and equity)		(8,597)	(7,254)

2020		Reference parameter change	
Derivatives on:	Fair Value at 31/12/2020	-20%	20%
Crude and oil products	(8,488)	29,934	(3,722)
	(8,488)	29,934	(3,722)
Effect on result before tax		29,934	(3,722)
Effect on net result (and equity)		21,702	(2,699)

The above analysis of the Company's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the concentration risk relating to exposure to USD is mitigated by the hedging policies implemented.

7.4 Average staff numbers

The average number of employees broken down by category is as follows:

Personnel	2021	2020
Top management	31	33
White collars	233	239
Total	264	272

Employees went from 279 at the end of 2020 to 250 at 31st December 2021.

7.5 Tables relating to information on the remuneration and shareholdings of members of management and control bodies, general managers and key managers

The following tables provide information on remuneration and shareholdings of directors and statutory auditors, the general manager and senior key managers (the latter identified in the Chief Financial Officer).

7.5.1 Remuneration of directors and auditors, general managers and key managers

(A)	(B)	(C)		(D)	(1)	(2)	(3)	(4)
Name and surname	Office held	Period for which office was held		End of term in office	Emoluments for the office held in the company	Non-monetary benefits	Bonuses and other incentives	remunerations
Board of Directors								(*)
Massimo Moratti	Chairman	01/01/20	31/12/21	approv. 2021 financial statements	45,000			(*)
Dario Scaffardi	CEO And General Manager	01/01/20	31/12/21	approv. 2021 financial statements	45,000		612,000	972,131
Angelo Moratti	Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			200,000
Giovanni Emanuele Moratti	Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			80,501
Gabriele Moratti	Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			90,653
Angelo Mario Moratti	Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			204,791
Laura Fidanza	Independent Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			
Adriana Cerretelli	Independent Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			
Gilberto Callera	Independent Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			
Harvie-Watt Isabelle	Independent Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			
Francesca Luchi	Independent Director	01/01/20	31/12/21	approv. 2021 financial statements	45,000			
Leonardo Senni	Independent Director	01/01/20	11/05/21	approv. 2021 financial statements				
Monica de Virgiliis	Independent Director	12/05/21	31/12/21	approv. 2021 financial statements	45,000			
Board of Statutory Auditors								(**)
Giancarla Branda	Chair Of The Board Of Statutory Auditors	01/01/20	31/12/21	approv. 2021 financial statements	66,384			-
Paola Simonelli	Standing Auditor	01/01/20	31/12/21	approv. 2021 financial statements	46,384			20,000
Fabrizio Colombo	Standing Auditor	01/01/20	31/12/21	approv. 2021 financial statements	46,384			68,000
Pinuccia Mazza	Alternate Auditor	01/01/20	31/12/21	approv. 2021 financial statements				
Andrea Perrone	Alternate Auditor	01/01/20	31/12/21	approv. 2021 financial statements				
Compliance Committee								(***)
Paola Simonelli	Member	01/01/20	31/12/21	approv. 2021 financial statements	25,000			15,000
Dirigenti della società	Chairman and Members	01/01/20	31/12/21	approv. 2021 financial statements	-			618,467
Control, Risk and Sustainability Committee								
Gilberto Callera	Chairman	01/01/20	31/12/21	approv. 2021 financial statements	40,000			
Adriana Cerretelli	Member	01/01/20	31/12/21	approv. 2021 financial statements	35,000			
Harvie-Watt Isabelle	Member	01/01/20	31/12/21	approv. 2021 financial statements	35,000			
Laura Fidanza	Member	01/01/20	31/12/21	approv. 2021 financial statements	35,000			
Leonardo Senni	Member	01/01/20	11/05/21	approv. 2021 financial statements				
Monica de Virgiliis	Member	12/05/21	31/12/21	approv. 2021 financial statements	22,345			
Remuneration Committee								
Gilberto Callera	Chairman	01/01/20	31/12/21	approv. 2021 financial statements	40,000			
Fidanza Laura	Member	01/01/20	31/12/21	approv. 2021 financial statements	35,000			
Francesca Luchi	Member	01/01/20	31/12/21	approv. 2021 financial statements	35,000			
Key Managers							282,000	518,758

(*) Employment responsibilities - (**) trade union fees from other Group companies - (***) including fees from other Group companies

7.5.2 Equity investments held by directors, statutory auditors, general managers and key managers

Name and surname	Office held	Company	Number of shares held at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the previous financial year
Massimo Moratti	Chairman	Saras SpA	-	-	-	-
Dario Scaffardi	Chief Executive Officer and General Manager	Saras SpA	1,662,520	2,763,302 (1)	2,862,520	1,563,302
Angelo Moratti	Director	Saras SpA	-	-	-	-
Angelomario Moratti	Director	Saras SpA	-	-	-	-
Gabriele Moratti	Director	Saras SpA	-	-	-	-
Giovanni Emanuele Moratti	Director	Saras SpA	-	-	-	-
Gilberto Callera	Independent Director	Saras SpA	-	-	-	-
Adriana Cerretelli	Independent Director	Saras SpA	-	-	-	-
Laura Fidanza	Independent Director	Saras SpA	-	-	-	-
Isabelle Harvie-Watt	Independent Director	Saras SpA	-	-	-	-
Francesca Luchi	Independent Director	Saras SpA	-	-	-	-
Monica de Virgiliis	Independent Director	Saras SpA	-	-	-	-
Giancarla Branda	Chair of the Board of Statutory Auditors	Saras SpA	-	-	-	-
Paola Simonelli	Standing auditor	Saras SpA	-	-	-	-
Fabrizio Colombo	Standing auditor	Saras SpA	3,000	-	-	3,000
Pinuccia Mazza	Deputy auditor	Saras SpA	-	-	-	-
Andrea Perrone	Deputy auditor	Saras SpA	-	-	-	-
Key Managers		Saras SpA	10,809	1,185,828 (1)	511,823	684,814

(1) Shares allocated in execution of the 2021 Stock Grant Plan.

7.6 Commitments

At 31st December 2020 and 2021 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 issued sureties totalling EUR 313,720 thousand at 31st December 2021, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

7.7 Other

There were no atypical and/or unusual transactions carried out during the year.

7.8 Subsequent events

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

8. Miscellaneous

Pursuant to Art. 2428 of the Italian Civil Code, the company's other offices are:

General and Administrative Headquarters - Milan

Pursuant to Art. 149-*duodecies* of the Consob Issuers' Regulation, the table below provides details of the fees relating to 2021 paid to the independent auditors for

the provision of audit and other non-audit services and the services provided by the network companies.

Types of services	Service provider	Recipient	Compensation for the year 2021
Audit	EY SpA	Saras SpA	534
Certification services	EY SpA	Saras SpA	35
Other services	EY SpA	Saras SpA	8
Total			577

9. Publication of the Financial Statements

In its meeting of 14th March 2022, Saras' Board of Directors has authorised the publication of the Financial Statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the Notes to the Financial Statements any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Massimo Moratti





REPORTS ON THE 2021 FINANCIAL STATEMENTS



STATEMENT OF SARAS GROUP'S MANAGER IN CHARGE OF FINANCIAL REPORTING

Saras SpA



Declaration in respect of the consolidated accounts pursuant to article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Massimo Moratti, Chairman of the Board of Directors, Dario Scaffardi, CEO, and Franco Balsamo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness in respect of the type of company and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated accounts for the period 1 January 2021 to 31 December 2021.

In this respect, it should be noted:

- a. The adequacy of the administrative and accounting procedures for the preparation of the Consolidated Annual Report as of 31 December 2021 was verified through the evaluation of the internal control system on financial report;
- b. No relevant aspects were detected during the evaluation of the internal control system on the financial report.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2021:

- a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002
- b) accurately represent the figures in the company's accounting records
- c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July

Saras SpA



2006, and give a true and fair view of the assets, and financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies.

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

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

Milan, 14 March 2022

Signature: delegated authority

Signature: director responsible for drawing
up the accounting statements

(Massimo Moratti)

(Franco Balsamo)

(Dario Scaffardi)

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saras Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Saras S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 - 20123 Milano
Sede Secondaria: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter:

Key Audit Matter	Audit Response
Assets and liabilities valuation	
<p>The economic and financial performance of the Group is significantly influenced by the volatility of market factors, including the cost and the availability of crude oil and the global demand for finished products with respect to the processing capacity, which determine the margins achievable from refining, the main activity of the Group. The unexpected trend of market factors resulted in unexpected losses in 2020 and consequent deterioration of the financial position. The trend in the foreseeable future represents one of the critical assumptions for the evaluation of the recoverable amounts of fixed assets and of inventories, for the estimation of fair values of derivative instruments and for the estimation of the financial needs that for 2022 include repayment of financial debts totalling Euro 320 million.</p> <p>Management assesses, at least annually, the existence of impairment indicators for fixed assets, and, in case, performs an impairment test; in addition, at the end of the year they verify the recoverable amount of inventory, estimate the fair value of derivative instruments and monitor, throughout the year, the cash needs with respect to the expected cash flow deriving from the ordinary activities, to the planned capital expenditures and to the availability of financial lines.</p> <p>These estimates involve evaluation processes, also complex, even more in the current context of uncertainty deriving from the pandemic and from geopolitical tension. These evaluations are based on assumptions which, by their nature, involve the use of high degree of judgment by Management with particular reference to the sector factors, highly volatile and to the capability to obtain the needed financial resources.</p>	<p>The audit procedures performed in response to this key audit matter, included, among others,</p> <ul style="list-style-type: none"> • the identification of cash generating units and the comprehension of the procedure and controls of the Group in relation to the identification of any impairment indicators; • the discussion of the economic and sector scenarios considered by Management in preparing such plans, with particular reference to the expected cash generation after the Group investments; • the analysis of the reasonableness of the plan assumptions, the analysis of consistency with the external sources used and the continuance of their use; • the analysis of the model for assessing the recoverability of fixed assets prepared by the independent expert appointed by the Directors, as well as the processes for assessing the recoverable value of inventories and the current value of derivative instruments in place at year end; • the analysis and discussion of the coverage of the financial needs with respect to the estimated cash generation that include for 2022 a new financial loan that is in the process of approval. <p>In performing our procedures, we have also leveraged on the support of our experts in evaluation techniques.</p> <p>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to this key audit matter.</p>



Considering the complexity of the assumptions used by Management in its valuation, and in particular the possible impacts on future cash flows from changes in market conditions, we considered that this area represents a key audit matter.

The disclosure related to this issue is included in notes 3.6 "Most significant accounting policies requiring a greater degree of discretion" of the explanatory note to consolidated financial statements, with reference of impairment test in notes 5.2 "Non-current assets" of the explanatory note to consolidated financial statements and in notes "Liquidity risks" of the Report on operations and "Going concern" of the explanatory note to consolidated financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Saras S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.



With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Saras S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, April 5, 2022

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

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

STATEMENT OF SARAS'S MANAGER IN CHARGE OF FINANCIAL REPORTING

Saras SpA



Declaration in respect the annual accounts pursuant to article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Massimo Moratti, Chairman of the Board of Directors, Dario Scaffardi, CEO, and Franco Balsamo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness in respect of the type of company (also considering any changes that occurred during the year) and
- the effective application of the administrative and accounting procedures for the preparation of the annual accounts for the period 1 January 2021 to 31 December 2021.

In this respect, it should be noted:

- a. The adequacy of the administrative and accounting procedures for the preparation of the Annual Report as of 31 December 2021 was verified through the evaluation of the internal control system on financial report.
- b. No relevant aspects were detected during the evaluation of the internal control system on the financial report.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2021:

- a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002
- b) accurately represent the figures in the company's accounting records
- c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July

Saras SpA



2006, and give a true and fair view of financial position, operating performance and cash flows of Saras S.p.A. and all consolidated companies

2.2 the Directors' Report includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

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

Milan, 14 March 2022

Signature: delegated authority

Signature: director responsible for drawing up the accounting statements

(Massimo Moratti)

(Franco Balsamo)

(Dario Scaffardi)

BOARD OF STATUTORY AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA

SARAS S.p.A.

Offices in S.S. Sulcitana 195 km. 19 - Sarroch (CA), Italy

Share Capital €54,629,666.67 fully paid-up

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

pursuant to art. 2429 of the Italian Civil Code and art. 153 of Italian Legislative Decree no. 58/1998

Shareholders,

The Board of Statutory Auditors of Saras S.p.A. (hereinafter "Saras" or the "Company"), also in the role of *"internal control and audit committee"*, reports with regard to the supervisory activity carried out during the year ended on 31 December 2021, pursuant to articles 2429 et seq. of the Italian Civil Code and in compliance with the provisions set forth in Italian Legislative Decree no. 58/1998 (Consolidated Finance Act or TUF); on the recommendations given in the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the Italian accounting profession; taking into account the instructions provided by Consob with its communication dated 6 April 2001 - DEM/1025564, amended and supplemented with communication dated 4 April 2003 - DEM/3021582 and afterwards with communication dated 7 April 2006 - DEM/6031329; having considered the provisions of the ESMA document dated 28 October 2020 *"European common enforcement priorities for 2020 annual financial reports"* on the common European supervisory priorities in light of the consequences of the Covid-19-linked health emergency and following the instructions provided in Consob Call to Attention no. 1/21 of 16 February 2021; also taking into account the instructions contained in the new *Corporate Governance* Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A., which the Company joined on 30 March 2021, starting up all the necessary adjustment activities.

In this Report, the Board also reports on the supervisory activity carried out on the Company's compliance with the provisions contained in Italian Legislative Decree no. 254/2016 on the subject of disclosing non-financial information and information on diversity.

The Board has acquired the information instrumental for carrying out its supervisory function - in addition to the routine control activities carried out during the 17 meetings held during the year - also by participating in the Board of Directors meetings and the meetings of the board Committees, through the different interviews with the Company's *management*, and thanks to the information acquired from the competent company structures.

As regards carrying out the supervisory duties assigned to it, the Board ensures that - event though the limitations linked to the COVID-19 health emergency did not allow practically any of the meetings *in the same place* in 2021 as well - it carried out its activity effectively and adequately, also thanks to regular dialogue with the *managers* and the Company's structures, and to a continual exchange of information with the Company tasked with its regulatory audit, with the *Internal audit* Manager and with the other control bodies of the Company and of its subsidiaries.

Appointment and independence of the Board of Statutory Audit

This Board was appointed by the Shareholders' Meeting held on 12 May 2021 for the 2021-2023 three-year period, in the persons of Giancarla Branda (Chair), Paola Simonelli (Auditor) and Fabrizio Colombo (Auditor).

The composition of the Board complies with the criterion of gender allocation pursuant to art. 148 of Italian Legislative Decree no. 58 of 1998.

At the time of appointment and before preparing this report, the Board of Statutory Auditors checked that the independence requirement of the individual members exists, within the scope of the broadest self-assessment process carried out while following the instructions provided by Rule Q.1.1 "Self-assessment of the board of statutory auditors", contained in the document "*Rules of conduct of the board of statutory auditors of listed companies*" published by the Italian accounting profession in May 2019; the instructions provided by the rules Q.1.2., Q.1.3. and Q.1.4. of the same "*Rules of conduct of the board of statutory auditor of listed companies*"; and the rules contained in Italian Legislative Decree no. 58 of 24 February 1998 (TUF) and those contained in the Code of *Corporate Governance*.

The Board of Statutory Auditors also carried out the self-assessment process, with reference to 2021, on the composition and functioning of the board in order to ascertain the suitability of the members and the adequate composition of the board with reference to the requirements of professionalism, expertise, availability of time and resources in connection with the complexity of the appointment. The results of the above-mentioned self-assessment process, conducted during the Board of Statutory Auditors meeting held on 9 March 2022, were communicated to the Board of Directors pursuant to art. 144-novies, paragraph 1-ter of the Issuers' Regulation, adopted by Consob with its resolution no. 11971 of 1999, of the provisions contained in the Code of *Corporate Governance* and of the aforementioned Rules contained in the document prepared by the CNDCEC during its meeting of 14 March 2022. The referred-to results are shown in the Report on corporate governance, to which the reader is referred.

The members of the Board of Statutory Auditors also confirmed compliance with the limit of

an accumulation of offices set out in art. 144-*terdecies* of the Issuers' Regulations.

Supervisory and control activities of the Board of Statutory Auditors

As part of the performance of the functions assigned to it by the law in its role of control body and also as internal control and audit committee in bodies of public interest, pursuant to art. 19 of Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors performed the activities indicated below in detail.

With specific reference to the **activity of supervising compliance with the law and the articles of association**, the Board:

- participated in the Shareholders' Meetings and the meetings of the Board of Directors, supervising compliance with the law, the primary and secondary regulations and the articles of association, and compliance with the principles of proper administration;
- obtained from the Directors, with the frequency set by art. 150 of Italian Legislative Decree no. 58/1998 and with the methods established by the Articles of Association under art. 22, information on the general performance of operations, their foreseeable evolution, and on the activity carried out and on the operations of major economic, financial and equity importance initiated by the Company and by its subsidiaries during the year, paying special attention to the circumstance that the resolutions adopted and the actions undertaken were compliant with the law and with the articles of association and were not manifestly imprudent, risky, in potential conflict of interest, conflicting with the resolutions of the shareholders' meetings or such as to jeopardise the integrity of the company's assets;
- acquired knowledge of and supervised, to the extent of its competence, the adequacy of the organisational set-up in terms of structure, procedures, skills and responsibilities, size of the Company, nature and methods of pursuing the company purpose, by collecting information from the managers of the company functions in charge and meetings with the Audit Firm for a reciprocal exchange of data and information;
- supervised compliance with the principles of proper administration through regular participation at the meetings of the Board of Directors and of the board Committees established in compliance with the Code of Corporate Governance and on the basis of the information acquired, focussing attention on the fact that the management choices are to be inspired by the principle of proper administration and reasonableness and that the directors were aware of the risks and effects of the operations carried out;
- assessed and supervised the adequacy of the internal control system and of the

administrative-accounting system, and the reliability of the latter to properly represent the operational transactions through:

J examination of the report of the Manager in charge of internal control over the Company's Internal Control system ;

J examination of the reports prepared by the *Internal Audit* function and of the information provided by it on the results of the monitoring activities regarding implementation of the corrective actions identified from time to time;

J acquisition of information from the managers of the respective company functions;

J acquisition of information on the activities of monitoring the company risk defences carried out by the Company, investigating the assessments made to this regard by the risk owners;

J examination of the company documents;

J analysis of the results of the work carried out by the Audit Firm;

J exchange of information with the control bodies of the subsidiaries pursuant to art. 151, paragraphs 1 and 2, of Italian Legislative Decree no. 58/1958;

- held 17 meetings during the year lasting, on average, two hours and thirty minutes each and participated in all Board of Directors meetings (seven) and all board Committee meetings, precisely seven meetings of the Control, Risk and Sustainability Committee, three meetings of the Remuneration and Nomination Committee and one meeting of the Related Parties Committee, whose functions were assigned to the Remuneration and Nomination Committee with Board of Directors resolution adopted on 19 May 2021;
- supervised the adequacy of the reciprocal flow of information between the Company and its subsidiaries pursuant to art. 114, paragraph 2 of Italian Legislative Decree no. 58/1998;
- supervised the fulfilments concerning "*Market abuse*" and "*Internal Dealing*", while checking the adequacy of the rules and procedures adopted by the Company for the management of privileged information and its adherence to the applicable regulatory provisions and paying attention to the procedure to disseminate press releases and information to the public;
- supervised the adaptation of the procedures for transactions with related parties of the Company to the new "Regulation concerning transactions with related parties" issued by

Consob and that came into force on 1 July 2021;

- evaluated the "Code of conduct of Group directors", approved by the Company, to provide the directors with homogeneous conduct criteria;
- pursuant to art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, held meetings with representatives of the
Company tasked with the audit;
- had an exchange of information with the corresponding control bodies of the subsidiaries of Saras, pursuant to art. 151, paragraphs 1 and 2 of Italian Legislative Decree no. 58/1998;
- pursuant to art. 149, paragraph 1, letter *c-bis*, of Italian Legislative Decree no. 58/1998, supervised the methods for concretely implementing the Code of Corporate Governance prepared by the *Corporate Governance* Committee, to which the Company adheres;
- verified adoption of the procedure of self-assessment on the composition and functioning of the Board of Directors and Committees established within it, carried out in compliance with the recommendations of art. 4 of the Code of *Corporate Governance*, and having ascertained that in the assessment - carried out based on the processing of the results of a self-assessment questionnaire completed by all members of the Board of Directors criteria similar to those used in the previous year were used and no critical issues emerged;
 - in particular verified the proper application of the criteria and of the assessment procedures adopted by the Board of Directors in compliance with the application criterion set out in Recommendation no. 6 of art. 2 of the Code of *Corporate Governance* to assess the independence of its members;
 - verified that during 2021 the Company neither acquired nor sold treasury shares on the Italian electronic stock market;
 - verified the consistency of the organisational measures to contain the risk connected to the Covid-19 epidemiological emergency prepared by the Company's *management* and that of the Group companies with the regulatory requirements and with the protocols prepared by the competent Authorities.

The Board also acknowledges that it issued the following favourable opinions:

J on the assessment that the independent directors possess the independence requirements

provided for by the Code of *Corporate Governance* and by Italian Legislative Decree no. 58/1998;

J on the approval of the annual plan of activities prepared by the manager of the *Internal Audit* function, pursuant to Recommendation no. 33, letter c) contained in art. 6 of the Code of *Corporate Governance*;

J on the assessment of proper use of the accounting standards and their homogeneity for the purpose of drawing up the consolidated financial statements, carried out by the Control and Risk Committee, pursuant to Recommendation no. 35, letter a) provided under art. 6 of the Code of *Corporate Governance*, in agreement with the Manager in Charge of Financial Reporting;

J on awarding two tasks regarding "non-auditing activities" performed by E&Y in favour of the Spanish investee Saras Energia S.A.

as regards the **supervisory activity regarding the adequacy of the administrative-accounting system and the auditing of accounts activity**, the Board, called upon to supervise, pursuant to art. 19 of Italian Legislative Decree no. 39/2010, the financial disclosure process, the effectiveness of internal control and risk management systems, the auditing of accounts and the independence of the Audit Firm especially as regards the provision of services other than the audit, in detail:

- supervised the existence of rules and procedures regarding the financial disclosure formation and dissemination process; the process of certifying the reliability of the financial disclosure and the ability of the process of preparing the financial statements to produce the financial disclosure in accordance with the accounting standards. In particular, it is pointed out that the criteria for defining the internal Control and Risk Management System in connection with the financial disclosure process at the consolidated level are indicated in the Report on Corporate Governance and that the functioning of the administrative-accounting procedures is subject to checks carried out through monitoring of the controls, performed by the Manager in Charge of Financial Reporting with the support of the *Internal Audit*. As regards this monitoring of the internal control system on the financial disclosure to be certified, the Manager in Charge of Financial Reporting focussed attention on three issues in the report annexed to the financial statements submitted for your approval, considering their importance in terms of economic and financial impact and their complexity in terms of process and assessment. The reference is: *i)* to the CGU Impairment Test process consisting of the tangible and intangible assets of the "*Industrial and Marketing*" operating segment and of the "*Renewables*" operating segment; *ii)* to the essentiality regime and *iii)* to the financial and liquidity risks. The Board received adequate information regarding the reasons that involved focussing attention in the

procedures for disclosure on the aforesaid issues. In particular, as for the essentiality regime, for which admission by the subsidiary Sarlux S.r.l was requested and obtained on 21 April 2021, in consideration of its attributability to the category of essential plants for producing energy for Sardegna, the auditors received adequate information on the circumstance that this event - which entailed switching from the CIP6/92 Convention to the essentiality regime with the partial reintegration of the fixed costs and the remuneration of the invested capital - involved a necessary reappraisal of the internal planning processes and control procedures. The Board was also informed on the scope of the activities carried out by the Company and on the update of the mapping of the processes by the managers of the respective functions and also through the analysis of the results of the work carried out by the Audit Firm. No elements impeding the issue of the certification of the manager responsible for drafting company accounting documents and of the Chief Executive Officer regarding the adequacy of the administrative and accounting procedures for forming the separate financial statements and the consolidated financial statements of the Company for 2021 emerged;

- supervised the effectiveness of the internal control systems and the adequacy of the risk management policy in connection with the strategic, operational and financial areas. To this regard, note that during the year the Board followed - with particular attention - the process of defining the document containing the guideline of the internal control and risk management system and checked the monitoring of the Company on protecting against risks directly or indirectly pertaining to the epidemiological situation and to the complex scenario that took shape during the year, which suggested the introduction - in the previous catalogue - of three additional risks: risk linked to the pandemic event, risk of inadequate formalisation and management of the "*Crisis Management Model*" and the risk relating to relations with financial institutes and to the economic-financial impacts connected with criminal proceedings in progress. With specific reference to the issues just mentioned, the auditors have analysed the actions taken by the Company to manage and mitigate the risks of liquidity and contraction of the profitability, tied to the continuation of the economic and financial crisis caused by the health emergency and to the uncertainty surrounding recovery time, to the complex scenario of the market of reference and to the increase in energy costs (natural gas, electricity and CO₂); taking into account objective difficulties to reduce the Group's indebtedness level, existing and perspective, through the cash flows generated by operations. More in detail, the auditors have constantly followed the events of the well-known criminal proceedings at the public prosecutor's office in Cagliari regarding the purchase of Kurdish crude oil in the years 2015-2016 in connection with which the same Board, as previously pointed out in the Report on the financial statements of 2020, had requested - together with the Supervisory Board - a specific verification regarding compliance with the procedures and company actions, which

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ended with an overall positive result. As regards these proceedings, please note that on 24 December 2021 the Company was notified of the end of the investigations and this fact made it further necessary to pay particular attention to the issue in consideration of the potential consequences linked to the involvement of Saras as responsible party, pursuant to Italian Legislative Decree no. 231/01, on the stability of the existing loans (for which the parameters at 31 December 2021 are in any cases observed) and on the Company's ability to acquire others to manage the financial commitments soon to fall due. To this regard, the company provided ample *disclosure* both in the Report on Operations and in the Notes on the impacts of the events pointed out above, also in connection with compliance with the going concern assumption, confirming the appropriateness of this assumption in drafting the financial statements in question. The Board was informed that the lending banks issued the requested waivers on the existing loans on 31 March 2022. This will allow the company to restore the medium- and long-term maturities of the loans and credit lines, and to have its creditworthiness confirmed in order to access the additional lines needed to cover the debt maturing in 2022.

- supervised the consistency of the conduct of the issuer with the instructions provided by Consob in warnings no. 1/2021 and no. 5/2021 of 29 April 2021, also in terms of disclosure regarding the existence of the going concern;
- supervised the auditing of the annual accounts and the consolidated accounts and the independence of the Audit Firm, especially regarding any provisions of services other than auditing;
- received from the Audit Firm confirmation of its independence pursuant to art. 17 of Italian Legislative Decree no. 39/2010 and paragraph 17 of International Auditing Principle (ISA Italia) 260.

In performing the above-mentioned activity, the Board coordinated with the Control, Risk and Sustainability Committee in order to avoid overlapping and to benefit from the different skills.

As regards **supervision of the adequacy of the internal control system and organisational set-up**, the Board assessed and supervised the adequacy of the internal control and the effectiveness of the internal control and risk management systems, focussing its attention on the most important activities, also through regular participation in the meetings of the Control, Risk and Sustainability Committee.

As part of this activity, the Board states that it:

- received the periodic reports on the activity carried out, prepared by the Control, Risk and Sustainability Committee and that prepared by the *Internal Audit* function;
- received the reports drawn up upon conclusion of the checking and monitoring activities by the *Internal Audit* function, with the relevant results and the recommended actions, and had proof of the subsequent controls on the actual implementation of the aforesaid actions;
- received the periodic updates on the evolution of the risk management process, the result of the monitoring and *assessment* activities performed by *Internal Audit* and the results achieved;

examined and obtained information on the procedural and organisational activities started up in implementing the legislation regarding the "*Rules governing the administrative liability of companies*" pursuant to Italian Legislative Decree no. 231/2001 as amended, acknowledged the update of the Model, taking shape in the introduction of new "Special parts" relating to tax offences and smuggling offences, approved by the Board on 2 August 2021, and received the minutes of the relevant meetings held during 2021 from the Supervisory Body, acquired the periodic Reports submitted to the Board of Directors, and received from this same body assurance that there are no facts or situations to report in this report except for the above-mentioned involvement of the company in the criminal proceedings under way at the public prosecutor's office in Cagliari.

As a result of the activity carried out during the year, the Board shared the positive assessment given by the Control, Risk and Sustainability Committee with regard to the adequacy of the internal control and risk management system.

With regard to the criminal investigation, it reiterates that it received - in 2021 - adequate and constant information concerning the criminal investigation of the Public Prosecutor's Office of Cagliari during the various meetings held with the competent company managers. With regard to the aforesaid proceedings, it reiterates that on 24 December 2021 notifications of preliminary investigations concluded pursuant to art. 415-bis of the Italian Code of Criminal Procedure were served to the four Group managers previously investigated in the preliminary investigations and to the Company. As for

the Company, the alleged administrative offence pursuant to Italian Legislative Decree no. 231/01 concerns "*offence involving stolen goods, money laundering, use of money or benefits of illegal origin and self-laundering*", with particular reference to art. 648-ter of the Italian Criminal Code "*use of money, goods or benefits of illegal origin*". Following this news, the Company, upon the urging of the Supervisory Board, gave a special assignment to an independent Consultant regarding the assessment, with a *forensic* approach, of the adequacy of the internal control system and Model 231 and the check of their application in the transactions the criminal proceedings concern.

As for the **supervision of compliance with the principles of proper administration**, the Board acknowledges it received analytical information on the operations of major economic, financial and equity importance initiated, also through subsidiaries. These operations, examined and approved by the Board of Directors, include:

J conclusion of a memorandum of understanding with Enel Green Power aimed at developing a "green hydrogen" project in Sardinia and afterwards establishment of the company Sardhy Green Hydrogen S.r.l. 50% of which held by Saras S.p.A. with the remaining 50% held by Enel Green Power for the purpose of carrying out engineering, procurement and construction of the new hydrolyser by formalising dedicated contracts;

J acquisition of the shares of the companies Energia Verde S.r.l. and Energia Alternativa S.r.l., owners of two wind farms located in Sardinia and precisely in Macchiareddu through the subsidiary Sardeolica S.r.l.

The Board also acknowledges that it received adequate information on the recognition - with ARERA Resolution no. 152/2021/R/EEL - in favour of the subsidiary Sarlux S.r.l. of the essentiality regime for Sardinia of the electricity production plant with partial reintegration of costs until 31 December 2021 and the fact that this circumstance led to switching from the CIP6/92 Convention to the new essentiality regime starting from 21 April 2021. As regards routine management, it is confirmed that in spite of the continuation of the health emergency, Saras and its subsidiaries kept refinery and energy production plants running continuously, also by taking adequate Covid-19 contagion risk prevention and containment measures compliant with the regulatory provisions.

In this context, after the supervision and control activity carried out during the year, the Board can state that:

- no omissions, irregularities and/or reprehensible or in any case significant facts such as to require their reporting to the control bodies or to be mentioned in this report emerged;
- neither reports pursuant to art. 2408 of the Italian Civil Code nor complaints by third parties were received;

- no transactions with third parties, with Group Companies or with other related parties such as to point to atypical and/or unusual profiles in terms of content, nature, size and timing were identified;
- the total sum of the transactions and choices made is inspired by the principle of proper administration and reasonableness.

As regards the **supervision of implementation of the corporate governance rules**, the Board acknowledges:

- that it checked the evolution of the *governance* also in light of the considerations contained in the corporate governance report concerning the recommendations in the letter of the Chairman of the *Corporate Governance* Committee dated 3 December 2021 and, in this context, that it positively evaluated the attention the Company paid to the subject of sustainability and *engagement*. In connection with sustainability, the Company, in the Board of Directors meeting held on 16 February 2022, adopted its own Sustainability Policy, made public and accessible to all *Stakeholders*. The policy draws inspiration from the United Nations Sustainable Development Goals (SDGs) in addition to values set forth in the Code of Ethics and in the Group Purpose. This Policy formalises the strategies, goals, models of conduct and commitments undertaken by the Company in order to improve its sustainability performance and to guarantee effective management of the ESG issues involving the Group. With specific reference to managing dialogue with the shareholders and other stakeholders, the Company has adopted its own Policy aimed at encouraging dialogue with the shareholders and financial market in general that is increasingly effective and marked by principles of transparency, correctness and reliability.

As regards **supervision of the Financial Statements, the Consolidated Financial Statements and the Consolidated Non-Financial Statement**, the Board states that:

- on 14 March 2022, it received the draft Group consolidated financial statements and separate financial statements at 31 December 2021 drawn up according to the international accounting standards, and the report on operations, before the deadlines set by art. 2429 of the Italian Civil Code, and that it ascertained that the rules of law governing its formation were observed, also through the information collected from the Audit Firm;
- it obtained analytical information on the *impairment tests* performed pursuant to IAS 36, confirming the values of assets recorded in the financial statements of the Company and in the financial statements of the subsidiaries. To this regard, it is emphasised that the Group heavily sustained - in both income and financial terms - the impact of the Covid-19 epidemic,

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the sudden rise of energy costs and the geopolitical situation. In consideration of this, the Company - consistent with the provisions contained in the above-mentioned IAS 36 standard and taking into account the recommendations expressed by the competent national and international Authorities on the point (reference is also made to Consob warnings no. 1/2021 and no. 5/2021, dated 16 February and 29 April 2021, respectively) - carried out the necessary checks aimed at identifying any going concern risks and at quantifying and defining effects of the pandemic emergency on the measurements of the assets and on the financial structure of the Group, of which it provided adequate information in the Notes. The measurements underlying the *impairment tests*, periodically conducted (upon expiration of the half-year or of the third quarter) and above all the one at 31 December 2021, were analysed by the Board during its various meetings and informal discussions with the Company's *management*. Among other things, these measurements were processed consistent with the methodology used in the previous periods and by continuing to make use of the support of a primary consulting firm. The *impairment test* conducted at 31 December 2021 allowed the competent function to certify - although in a context marked by extreme uncertainty - that the value of use of the intangible assets remained that of the relevant book value, even if the smallness of the difference between the two values requires monitoring and continual updating of the impairment test;

- to have received, also on 14 March 2022, the Sustainability Report containing the Consolidated Statement of Non-Financial and Diversity Information, by the deadline set by art. 5 of Italian Legislative Decree no. 254/16;
- in connection with the above-mentioned Sustainability Report, to be able to certify the adequacy of the organisational structures based on the strategic socio/environmental objectives that the Company set for itself, and the consistency of the statement produced with the provisions contained in Italian Legislative Decree no. 254/2016. Going into detail, the Board, as part of the routine activity carried out in implementing current legislation, supervised the Company's compliance with the provisions established regarding communication of non-financial and diversity information, verifying that the Company drew up the consolidated non-financial statement in 2021 as well in the broader form of "*Sustainability Report*", placing it in a distinct document and not in a section of the report on operations. This statement, drawn up according to the reporting principles identified in the "*Global Reporting Initiative Sustainability Reporting Standards*" (GRI Standard in short), offers a representation of the strategies adopted in order to ensure the economic growth of the Company and the development of its *business* in a sustainable perspective. It covers the environmental, social, occupational health and safety, human resources management, respect for human rights, the fight against active and passive corruption, IT security, and *privacy* topics, significant considering the company's

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activity and characteristics, to an extent adequate to allow the activity carried out by the Saras Group, its performance, its results and the impact it generates to be understood in a way consistent with the provisions contained in art. 3 of Italian Legislative Decree no. 254/2016. As regards the aforesaid statement, approved by the Board of Directors during its meeting held on 14 March 2022 and made available to the Statutory Auditors on the same date, the Board performed a concise check on the systems and processes in order to ascertain compliance with the law and with proper administration. Specifically, the check concerned the significance of risks matrix, the method of reporting information provided by the Group companies and their truthfulness, and the consistency of the reporting with the provisions of the decree. In particular, it is reported that during the routine control of the above-mentioned statement regarding 2021, the Board acknowledged the reappraisal of the "Materiality Matrix", conducted through a more extensive involvement of the internal and external *Stakeholders*; the introduction of a *Roadmap* of initiatives and projects for the Ecological and Decarbonisation Transition; the start-up of a path of analyses and critical review of several main ESG ratings attributed to the Group; and the identification of the activities ascribable in the category of those classifiable as "eco-sustainable economic activities" in compliance with Regulation (EU) 2020/852 (so-called Taxonomy Regulation).

With specific reference to the impact of the pandemic infection, which continued in 2021 as well, on the non-financial topics, the Board verified that mitigation actions aimed at containing the effects, although mitigated by the massive vaccine campaign, had been taken. regarding the social and human resources questions, the auditors paid the necessary attention to the profiles concerning occupational health and safety and resorting to the remote working method, checking the adequacy of the measures taken. A similar check was conducted relating to the adequacy of the policies adopted by the Company concerning its employees and collaborators; then - with reference to the *business model* and the creation of value - to the actions taken by the Company to contain the effects of the crisis generated by the epidemic in order to retain its ability to create value over time. Finally, the Board also checked the adequacy of the behaviours adopted to monitor containment of the risks linked to climate change, also in light of the recent "*Fit for 55*" plan that aims at reducing greenhouse gas emissions up to achieving "*carbon neutrality*". Lastly, as for the interconnections existing between financial and non-financial information, the Board assessed the impact generated by the pandemic crisis on the Company's financial situation and the relevant *performance* with special attention.

Upon completion of the activity carried out and in light of the conclusions the Audit Firm reached in the specific report, the Board can certify the adequacy of the organisational

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structures based on the strategic socio/environmental objectives that the company set for itself, and the consistency of the statement produced with the provisions contained in Italian Legislative Decree no. 254/2016;

- to have assessed the work plan prepared by EY S.p.A., finding it adequate for the characteristics and size of the Group, and to have supervised the effectiveness of the auditing process, finding that it was conducted in observance of the audit plan and according to the *International Audit Standards*;
- to have received from the Audit Firm on 5 April 2022 the reports issued pursuant to art. 14 and art. 19, paragraph 3 of Italian Legislative Decree no. 39/2010 for the financial statements and for the consolidated financial statements at 31 December 2021, respectively. What emerges from these reports is that the financial statements and the consolidated financial statements of the Company provide a truthful and correct representation of the financial position, of the economic result and of the cash flows for the year ended on 31 December 2021, in compliance with the *International Financial Reporting Standards* adopted by the European Union and with the measures issued in implementing art. 9 of Italian Legislative Decree no. 38/2005; and that the report on operations and the information of the corporate governance report and the ownership structures indicated in paragraph 4 of art. 123-bis of Italian Legislative Decree no. 58/1998 are consistent with the financial statements and the consolidated financial statements. The audit report includes specification of the key aspects of the audit, in connection with which, however, a separate opinion is not given since they were broached within the auditing process and in the formation of the opinion on the financial statements as a whole. The reference is to a single key aspect: the "Measurement of equity elements". The Auditor thought that this issue should integrate a key aspect in consideration of the complexity of the variables - tied to the uncertainty originating from the continuation of the pandemic emergency and from the geopolitical tensions - of which Company Management must take under consideration in its assessments, in particular including the possible effects of the changes in the market context affecting the future cash flows;
- to have received the report required by art. 11 of Regulation (EU) 537/2014 from the Audit Firm EY S.p.A. on 5 April 2022, which shows no significant shortcomings in the internal control system in connection with the financial disclosure process worthy of being brought to the attention of the *governance* managers. The Board of Statutory Auditors will inform the Board of Directors of the Company on the results of the audit by sending the additional report together with any comments, pursuant to art. 19 of Italian Legislative Decree no. 39/2010, for that purpose. With regard to the previous year, the Board of Statutory Auditors informed the Board of Directors on the results of the audit as required by the provisions of law.

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- to have received the limited audit report on compliance of the non-financial information provided with the rules set out in Italian Legislative Decree no. 254 of 30 December 2016 from the Company tasked with the audit EY S.p.A. on 5 April 2022, which shows the non-existence of elements that can lead one to believe that the Consolidated Non-Financial Statement was not drawn up, in all significant aspects, in compliance with what articles 3 and 4 of the above-mentioned Decree and the GRI Standards require.

The Board of Statutory Auditors points out that art. 154-*ter*, paragraph 1.1., of the TUF (in forces since 1 February 2022) requires that the directors see to it that the provisions of Delegated Regulation (EU) 2019/815 of the European Commission of 17 December 2018 ("ESEF Regulation") are applied. Paragraph 1.2 of above-mentioned art. 154-*ter* (this one as well in force since 1 February 2022) also required that the audit firm express its opinion on the compliance of the draft financial statements and the draft consolidated financial statements in the audit report, included in the annual financial report, with the provisions of the ESEF Regulation, pursuant to art. 14 of Italian Legislative Decree no. 39/2010.

The Board of Statutory auditors supervised application of the provisions of the ESEF Regulation by the directors and confirms that the audit firm, in its report pursuant to art. 14 of Italian Legislative Decree no. 39/2010, expressed its opinion on the compliance of the draft financial statements and the draft consolidated financial statements, included in the annual financial report, with the provisions of the ESEF Regulation.

As regards the **supervisory activity on relations with the subsidiaries**, the board:

- acquired knowledge and supervised, pursuant to art. 149, paragraph 1, letter d) of Italian Legislative Decree no. 58/1998, for the main companies subject to control, on the adequacy of the instructions given by the Company to the subsidiaries pursuant to art. 114, paragraph 2 of the same Italian Legislative Decree no. 58/1998, through:

J acquisition of information from the managers of the competent company functions;

J meetings and exchanges of information with the Chairmen of the Boards of Statutory Auditors and with the Sole Statutory Auditor, if foreseen;

J meetings with the Company tasked with the audits of the investees as well.

As regards the **supervision over the transactions with related parties**, the Board:

- supervised over the compliance of the procedures adopted by the Company with the principles specified in the Regulation containing provisions concerning transactions with related parties pursuant to Consob Resolution no. 17221 of 12 March 2010, taking into

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account the updates in force since 1 July 2021, to have not found the existence of atypical or unusual transactions with Group companies, with third parties or with other related parties, and to have checked that the relations with related parties were governed at conditions similar to those usually practised with non-related parties for transactions of a corresponding nature, size and risk. To this regard, the Board calls the reader's attention to the circumstance that in the Notes to the financial statements, the Directors point out and explain analytically - in paragraph 7.3 of Chapter 7 entitled "Other information" of the consolidated financial statements and in paragraph 7.2 of the same chapter of the separate financial statements, respectively - the existence of relations of exchange of goods and services and relations financial in nature with subsidiaries and with other related parties, specifying the nature of the most significant ones, clearly expressing the economic effects of the individual transactions, specifying that the same relations were governed at the conditions that would have been applied to transactions of the same nature between non-related parties and representing the relevant conformity with the Company's interest. On this point, the Board also specifies that issuing loans to subsidiaries does not constitute an atypical or unusual transactions as it falls within the normal carrying on of the business of a Parent Company. The circumstance is specifically illustrated in the note to the consolidated financial statements under paragraph 7.7 of Chapter 7 and in the note to the separate financial statements under paragraph 7.6 of Chapter 7;

- supervised the observance of the Procedure on the subject of transactions with related parties, adopted by the Company and published on its *website*, to this regard collecting adequate information from the functions in charge and also through participation in the meetings of the Related Parties Committee, whose specific functions were given to the Remuneration and Nomination Committee.

Conclusions

Upon the conclusion of the supervisory activity described above carried out during 2021, repeating considerations already expressed, the Board can certify that the choices made by the Directors appear to be compliant with the law and with the articles of association, with the principles of proper administration, and consistent and compatible with the company's size and assets; and that - also on the basis of the information collected from the Audit Firm - no omissions and/or reprehensible facts and/or irregularities or in any case significant facts such as to require them to be reported to the control bodies or to be mentioned in this report were found.

On the basis of the aforesaid supervisory activity, and from the analysis of the draft financial statements submitted, considering that on 5 April 2022 the Audit Firm issued its reports without findings, the Board finds no reason to impede approval of the financial statements at 31 December

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2021 and the draft resolutions formulated by the Board of Directors.

5 April 2022

The Board of Statutory Auditors

Giancarla Branda - Chair

Fabrizio Colombo - Auditor

Paola Simonelli - Auditor



Giancarlo Fracale
Fabrizio Colombo
Paola Simonelli

LIST OF OFFICES HELD BY THE BOARD OF STATUTORY AUDITORS IN COMPANIES REFERRED TO IN BOOK V OF THE ITALIAN CIVIL CODE ON 14TH MARCH 2022

Avv. Giancarla Branda

COMPANY NAME	POSITION HELD
Saras SpA	Chairman Board of Statutory Auditors
ACI Progei SpA	Statutory Auditor
Aci Consult in liquidazione volontaria	Statutory Auditor
FINECO Bank SpA (quotata)	Member of the Board of Directors
Garofalo Health Care SpA - GHC (quotata)	Member of the Board of Directors
Consorzio Studi e Ricerche Fiscali	Chairman Board of Statutory Auditors
Banca Network Investimenti in liquidazione coatta amministrativa	Member of the Monitoring Committee

Dott. Fabrizio Colombo

COMPANY NAME	POSITION HELD
Geox SpA	Statutory Auditor
Saras SpA	Statutory Auditor
Mittel SpA	Chairman Board of Statutory Auditors
Publitalia '80 SpA	Statutory Auditor
Acciaieria Arvedi SpA	Statutory Auditor
Finarvedi SpA	Statutory Auditor
Sistemi Informativi Srl	Statutory Auditor
Value Transformation Services SpA	Statutory Auditor
Sarlux Srl	Chairman Board of Statutory Auditors

Dott.ssa Paola Simonelli

COMPANY NAME	POSITION HELD
Bruker Italia Srl	Chairman Board of Statutory Auditors
Lio Capital Srl	Chairman Board of Statutory Auditors
Chef Express SpA	Statutory Auditor
C&P Srl	Statutory Auditor
BI-QEM SpA	Statutory Auditor
BI-QEM Specialties SpA	Statutory Auditor
Bludigit SpA	Statutory Auditor
Cremonini SpA	Statutory Auditor
Ge.Se.So. Gestione Servizi Social Srl	Statutory Auditor
Innovative-RFK SpA	Statutory Auditor
Webuild SpA (quotata)	Statutory Auditor
Perani & Partners SpA	Statutory Auditor
Posa SpA	Statutory Auditor
Sarlux Srl	Statutory Auditor
Toscana Energia SpA	Statutory Auditor
UBS Fiduciaria SpA	Statutory Auditor
Finlombarda SpA	Director
Simonelli & Partners Srl	Director (without powers)
Kamma Srl	Legal Auditor
BAB Srl	Legal Auditor
Fratelli Gotta Srl	Legal Auditor

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF SARAS SPA



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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Saras S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Saras S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matter:

Key Audit Matter	Audit Response
<p>Assets and liabilities valuation</p> <p>The economic and financial performance of Saras is significantly influenced by the volatility of market factors, including the cost and the availability of crude oil and the global demand for finished products with respect to the processing capacity, which determine the margins achievable from refining, the main activity of the Entity and the Group. The unexpected trend of market factors resulted in unexpected losses in 2020 and consequent deterioration of the financial position. The trend in the foreseeable future represents one of the critical assumptions for the evaluation of the recoverable amounts of fixed assets and of inventories, for the estimation of fair values of derivative instruments and for the estimation of the financial needs that for 2022 include repayment of financial debts totalling Euro 320 million.</p> <p>Management assesses, at least annually, the existence of impairment indicators for fixed assets, owned through its subsidiaries, and, in case, performs an impairment test; in addition, at the end of the year they verify the recoverable amount of inventory, estimate the fair value of derivative instruments and monitor, throughout the year, the cash needs with respect to the expected cash flow deriving from the ordinary activities, to the planned capital expenditures and to the availability of financial lines.</p> <p>These estimates involve evaluation processes, also complex, even more in the current context of uncertainty deriving from the pandemic and from geopolitical tension. These evaluations are based on assumptions which, by their nature, involve the use of high degree of judgment by Management with particular reference to the sector factors, highly volatile and to the capability to obtain the needed financial resources.</p>	<p>The audit procedures performed in response to this key audit matter, included, among others,</p> <ul style="list-style-type: none"> • the identification of cash generating units and the comprehension of the procedure and controls of the Entity and the Group in relation to the identification of any impairment indicators; • the discussion of the economic and sector scenarios considered by Management in preparing such plans, with particular reference to the expected cash generation after the Entity and Group investments; • the analysis of the reasonableness of the plan assumptions, the analysis of consistency with the external sources used and the continuance of their use; • the analysis of the model for assessing the recoverability of fixed assets prepared by the independent expert appointed by the Directors, as well as the processes for assessing the recoverable value of inventories and the current value of derivative instruments in place at year end; • the analysis and discussion of the coverage of the financial needs with respect to the estimated cash generation that include for 2022 a new financial loan that is in the process of approval. <p>In performing our procedures, we have also leveraged on the support of our experts in evaluation techniques.</p> <p>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements in relation to this key audit matter.</p>



Considering the complexity of the assumptions used by Management in its valuation, and in particular the possible impacts on future cash flows from changes in market conditions, we considered that this area represents a key audit matter.

The disclosure related to this issue is included in notes 3.5 "Most significant accounting policies requiring a greater degree of discretion" and "Liquidity risks" of the Report on operations and "Going concern" of the explanatory note to financial statements.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Saras S.p.A., in the general meeting held on April 28, 2015, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2015 to December 31, 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.



Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Saras S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Saras S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Saras S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Saras S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Saras S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Saras S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.



Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, April 5, 2022

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

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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