

# SARAS GROUP HALF-YEAR FINANCIAL REPORT AS OF 30<sup>TH</sup> JUNE 2021



**FROM SOURCES TO RESOURCES**



SARAS

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## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30<sup>TH</sup> JUNE 2021**

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

# Statutory and Control Bodies

## BOARD OF DIRECTORS

MASSIMO MORATTI	Chairman and Director
DARIO SCAFFARDI	Chief Executive Officer, General Manager and Director
ANGELO MORATTI	Director
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GIOVANNI 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	Chairman
FABRIZIO COLOMBO	Permanent Auditor
PAOLA SIMONELLI	Permanent Auditor
PINUCCIA MAZZA	Stand-in Auditor
ANDREA PERRONE	Stand-in Auditor

## EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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## INDEPENDENT AUDITING FIRM

EY SpA

# Group Activities

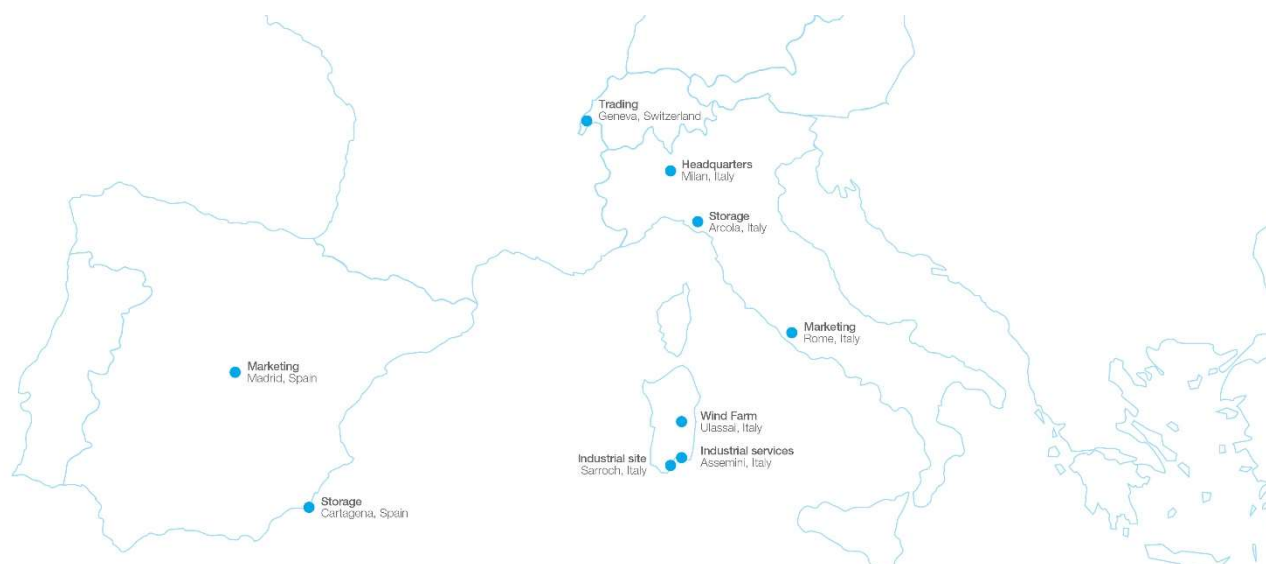
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the biggest in the Mediterranean in terms of production capacity (15 million tonnes per year, equal to 300,000 barrels per day)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

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

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

In Sardinia, the Group produces and sells electricity from renewable sources through the Ulassai wind farm (installed capacity of 126MW), which has been in operation since 2005 and is managed by the subsidiary Sardeolica Srl. Furthermore, on June 4<sup>th</sup>, 2021, Sardeolica Srl acquired from GWM Renewable Energy SpA 100% of the shares of Energia Verde Srl and Energia Alternativa Srl, owners of two wind farms located in Macchiarèdu, Cagliari (Sardinia), for a total installed capacity of 45 MW; thus bringing Saras' Group total wind installed capacity to 171 MW.

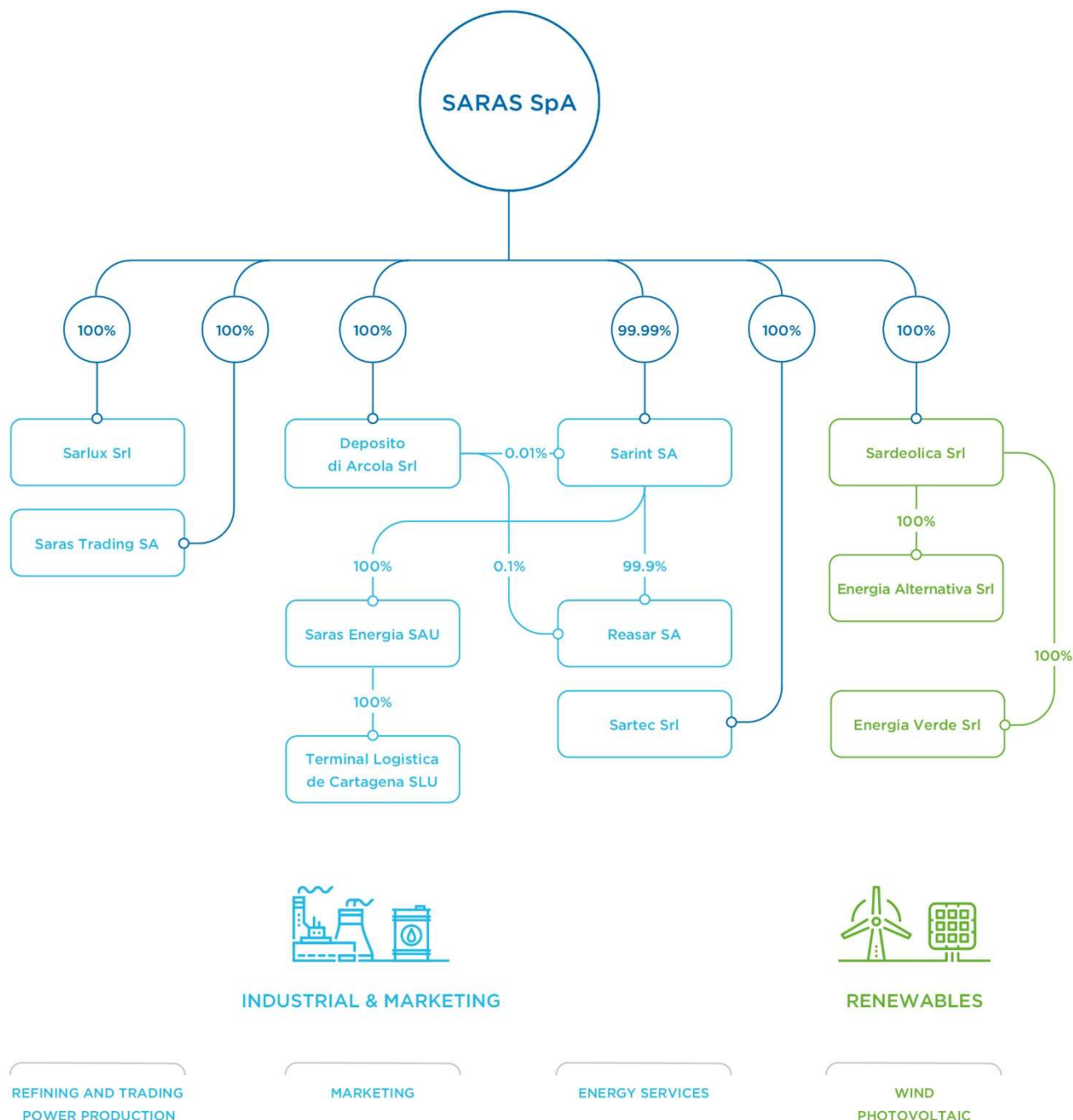
Lastly, the Group provides industrial engineering and research services to the petroleum, energy and environment industries, via its subsidiary Sartec Srl.



# Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 30<sup>th</sup> June 2021.

It should be noted that from January 1<sup>st</sup> 2021 the segment called "Industrial & Marketing" includes all activities relating to the refining and power generation as well as activities relating to "Marketing". The "Renewables" segment includes the activities previously included in the "Wind" segment which was renamed in view of potential developments in the photovoltaic and green hydrogen sectors.



# Saras Stock Performance

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

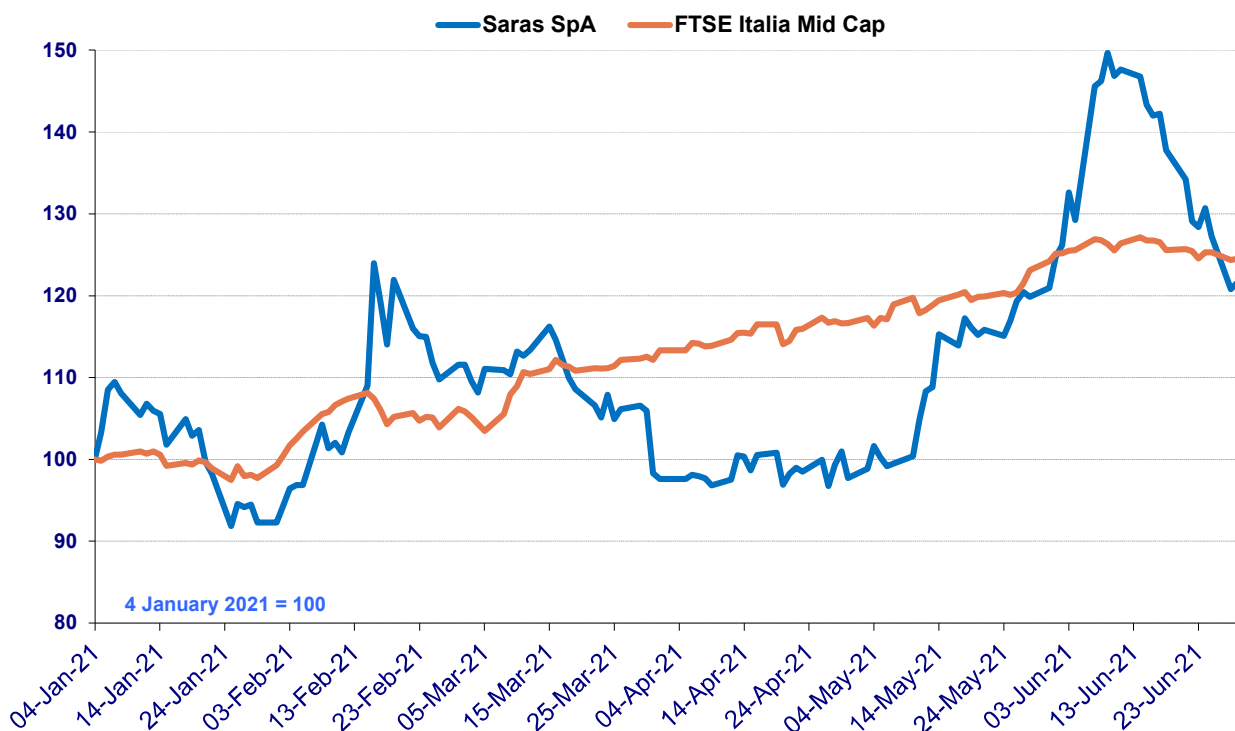
SHARE PRICE (EUR)		H1/21
Minimum price (25/01/2021)		0.54
Maximum price (09/06/2021)		0.88
Average price		0.6505
Closing price at the end of the first six months of 2021 (30/06/2021)		0.705

DAILY TRADED VOLUMES		H1/21
Maximum traded volume in EUR million (07/06/2021)		45.5
Maximum traded volume in number of shares (million) (07/06/2021)		53.2
Minimum traded volume in EUR million (22/04/2021)		2.2
Minimum traded volume in number of shares (million) (22/04/2021)		3.8
Average traded volume in EUR million		7.2
Average traded volume in number of shares (million)		10.8

The Market capitalization at the end of the first six months of 2021 was equal to approximately EUR 670 million and the total number of shares were 951 million.

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



# REPORT ON OPERATIONS

## Covid-19 Impact

The projections contained in the World Economic Outlook of the International Monetary Fund (IMF) at the end of July confirmed the expectations of a sustained growth in world GDP, at +6% for 2021, while they revised upwards the estimates already highlighted in April for the 2022, with an expected growth of +4.9% (+0.5 percentage points compared to the April estimates). A faster-than-expected recovery is expected for most advanced economies. Eurozone GDP will grow more than expected both in 2021, by +4.6%, and in 2022, by 4.3%. However, the risks associated with the Covid variants remain which, despite the vaccination campaigns introduced all over the world, could slow down the recovery time compared to what is now forecast.

According to what emerges from the latest report from the International Energy Agency (IEA), the positive trend in oil demand, which had already begun at the end of 2020, continued also in the second quarter of 2021, with a recovery of approximately 3.2 million barrels per day in June alone, bringing demand to 96.8 million barrels per day, about 3 million barrels per day lower than the average consumption in 2019, before the demand shock caused by the pandemic. The recovery observed in June came in the wake of the decline in Covid cases in Asia and South America, and thanks to the increasing seasonal mobility made possible by the continued expansion of vaccination campaigns.

According to the International Energy Agency, economic growth, vaccinations, and the reduction of distancing measures allow to foresee in the coming months an increase in oil demand, which could reach pre-Covid levels in the second half of the year.

However, the refining sector, and in particular the high-yield complex refineries of middle distillates (diesel and gas oil), such as that of Sarroch, are still affected by the impact of the pandemic on the margins of these products. Unlike what happened for gasoline, in fact, whose margins have largely returned to the levels of 2019 thanks to the recovery of mobility following the relaxation of restrictions and lockdowns, the margins of middle distillates (diesel and diesel) are still much lower compared to their pre-Covid levels. Diesel, which before the pandemic in 2019 recorded an average crack of 14.3 \$/bl, in the second quarter of 2021 recorded an average crack of 4.8 \$/bl. On the other hand, gasoline, which in 2019 recorded an average crack spread of 7 \$/bl, thanks to the recovery in demand in the second quarter of 2021, exceeded the average pre-pandemic value, recording a crack of 8.9 \$/bl.

This different trend in margins is due to both the recovery of demand for these products and to the cost of crude oil.

In fact, the demand for middle distillates is still penalized above all by the absence of a large share of jet fuel consumption, due to a lack of real restart of long-haul flights: if in 2019, before the pandemic, jet fuel consumption accounted for approximately 8% of total global fuel demand, with demand of around 8 million barrels per day on average, in 2020 demand fell to an average of 4.7 million barrels per day. This year, the demand for jet fuel is expected to reach 5.4 million barrels per day, a figure that is about 3 million barrels per day lower than the average consumption of 2019. Faced with this lower demand, the production assets refineries, which cannot be remodeled beyond certain limits, have allocated a large part of the share of crude oil previously used in the production of jet fuel to the production of diesel and diesel fuel since the beginning of the pandemic. Global stocks of these products have therefore progressively increased with an unprecedented global oversupply, which negatively impacted the marginality of the middle distillates pool.

Tensions on the crude oil market further penalized refining margins in the second quarter: crude oil prices in June exceeded 76 \$/bl, the highest value recorded since 2018, supported by positive economic indicators that fuelled expectations of a robust recovery in oil consumption and by data on crude oil inventories in gradual reduction, also due to the resumption of refinery operations after the winter months dedicated to turnarounds. Added to this were the confirmations of a not very expansive policy by the member countries of OPEC + Russia which, despite a growing demand, at the beginning of June decided to keep the previously established production cuts unchanged, feeding the fears of the markets on the risk of a short-term supply deficit. However, this rapid appreciation of Brent was only partially reflected in the prices of refined products, further penalizing the margins of products such as diesel, already exposed to the pressures described above.

In mid-July, the agreement reached by the member of OPEC + Russia, despite having further eased last year's cuts, could keep the crude oil market in a slight deficit, given the structural growth in demand expected for this year, despite the risks associated with the Delta variant remain. However, it is reasonable to expect a gradual stabilization of Brent dtd at lower levels in 2022.

On the other hand, the acceleration in demand expected in the coming months for the main oil products could bring an improvement on product prices and margins. However, the global demand for jet fuel, which mostly affects the recovery of



the middle distillate margins, and is still significantly lower than pre-Covid levels, showed clear signs of recovery in June, and is expected to progressively increase starting from the second half of 2021.

These conditions will be crucial for a recovery in middle distillate margins in the short term, as well as for the profitability of complex refineries such as that of Saras.

The economic and financial impacts of what has been described and of the short-term prospects will be illustrated in the following chapters.

## GAAP and Non-GAAP measure Alternative performance indicators

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

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

## Key financial and operational Group Results

EUR Million	H1 2021	H1 2020	Change %	Q2/21	Q2/20	Change %
REVENUES	3,756	2,742	37%	2,127	857	148%
Reported EBITDA	108.7	(114.4)	n.s.	81.6	(22.4)	n.s.
<b>Comparable EBITDA</b>	<b>8.3</b>	<b>71.7</b>	<b>-88%</b>	<b>19.5</b>	<b>15.0</b>	<b>30%</b>
Reported EBIT	13.6	(215.0)	n.s.	33.6	(73.4)	n.s.
<b>Comparable EBIT</b>	<b>(86.8)</b>	<b>(29.0)</b>	<b>n.s.</b>	<b>(28.5)</b>	<b>(36.0)</b>	<b>n.s.</b>
NET RESULT reported	0.5	(180.7)	n.s.	24.3	(67.6)	n.s.
<b>Comparable NET RESULT</b>	<b>(70.8)</b>	<b>(41.5)</b>	<b>n.s.</b>	<b>(23.8)</b>	<b>(41.1)</b>	<b>42%</b>

EUR Million	H1 2021	FY 2020
NET FINANCIAL POSITION ANTE IFRS 16	(433)	(505)
NET FINANCIAL POSITION POST IFRS 16	(479)	(545)
CAPEX	58	256



## Comments to First Half 2021 Group Results

For the sake of consistency, the information related to each company of the Group is attributed to the business segment identified as described here below. It is reminded that starting from January 1<sup>st</sup>, 2021, refining and power generation activities, as well as those previously reported as "Marketing", are represented in the "Industrial & Marketing" segment. The segment "Renewables", including all the activities of the so far called "Wind" segment, has been renamed in view of potential developments in the field of photovoltaics and green hydrogen.

In the first half of 2021, concerning the "Industrial & Marketing" segment and the related electricity generation activity, following resolution 598/2020/R/eel of December 29<sup>th</sup>, 2020 and the consequent admission of the combined cycle power plant of Sarlux Srl (named IGCC) to the list of the essential plants for the safety of electricity system for the year 2021, the transition from the CIP6/92 convention to the essentiality regime has been finalized and the consequent change of the technical and economic parameters to be considered for its functioning has been implemented.

Regarding the "Renewables" segment, on June 4<sup>th</sup>, 2021, Sardeolica Srl signed an agreement with GWM Renewable Energy SpA for the acquisition of 100% share of Energia Verde Srl and Energia Alternativa Srl, owners of two wind farms located in Macchiarèdu (CA), Sardinia, thus increasing the installed capacity by additional 45 MW and bringing Saras' total wind installed capacity to 171 MW.

For further details, please refer to section "Segment Review".

**Group's revenues in the first half of 2021 totaled EUR 3,756 million**, compared to EUR 2,742 million in the first half of 2020. The variation is mainly due to the significant increase in prices of oil products, compared to the same period of the previous year, characterized by a sharp drop led by the effects of the pandemic. In particular, gasoline price was on average equal to 607 \$/ton (compared to the average of 367 \$/ton in the first half of 2020), while that of diesel was on average equal to 520 \$/ton (compared to the average of 365 \$/ton in the first half of 2020). Additional factors that boosted revenues are greater refinery runs and product sales; indeed, it is reminded that in the first six months of 2020 production had been affected by the turnaround maintenance of the FCC plant. The negative impact of an appreciated Euro, with the €/€ exchange rate of the first half of 2021 being equal to 1.21 (compared to the average of 1.10 in first half of 2020), and of lower electricity sales partially compensated the above effects.

**Group's reported EBITDA in the first half of 2021 was EUR 108.7 million**, increasing compared to the negative EBITDA of EUR -114.4 million in the first half of 2020. The positive change is mainly due to the different impact of price dynamics on oil inventories. In the first half of 2021, the change in inventories (net of related hedging derivatives) benefited from an appreciation of EUR 101.0 million, compared to a depreciation of EUR 191.1 million in the same period of 2020. This advantage was partially compensated by the negative impact of an unfavorable scenario, both in terms of oil prices that negatively influenced margins (i.e., a higher Brent price and a lower crack for Diesel), and higher prices for electricity and CO<sub>2</sub> that negatively affected variable costs. For additional information, please refer to section "Segment Review".

**Group's reported Net Result was equal to EUR 0.5 million**, compared to EUR -180.7 million achieved in the first half of 2020, mainly due to the same dynamics highlighted in terms of EBITDA.

**Group's comparable EBITDA in the first half of 2021 was EUR 8.3 million**, decreasing compared to EUR 71.7 million in the first half of 2020. This result, compared to reported EBITDA, does not include the above-mentioned positive effect of the scenario on the change in inventories, it includes the impact of derivatives on exchange rates (reclassified in the core business results) and it excludes non-recurring items arising from CO<sub>2</sub> duties of the previous year. The deviation from the first half of 2020 is almost entirely attributable to the segment "Industrial & Marketing".

**Group's comparable Net Result in the first half of 2021 was negative and equal to EUR -70.8 million**, compared to EUR -41.5 million in the same period of the previous year.

**Investments in the first half of 2021 amounted to EUR 58.0 million**, significantly lower than in the first half of 2020 (equal to EUR 186.0 million) due to fewer shutdowns planned between the two periods and to the investment containment initiatives.

## Comments to Second Quarter 2021 Group Results

**Group's revenues in the second quarter of 2021 totaled EUR 2,127 million**, compared to EUR 857 million in the second quarter of 2020. The significant variation is determined by the same dynamics highlighted in the comments to first half results, made even more evident if considering the sharp drop in oil prices and the turnaround maintenance of the FCC plant happened in the second quarter 2020. Hence, regarding the prices of the main oil products, they recorded a general increase compared to the same period of the previous year: in the second quarter of 2021 gasoline price was on average equal to 651 \$/ton (compared to the average of 267 \$/ton in the second quarter of 2020), while that of diesel was on average equal to 551 \$/ton (compared to the average of 268 \$/ton in the second quarter of 2020). Concerning refinery runs in the second quarter of 2021, they amounted to 3,367 kTon (vs 2,293 kTon in 2020). The appreciation of the Euro/Dollar exchange rate partially compensated the above events, with a negative impact in line with that shown for the first six months of 2021.

**Group's reported EBITDA in the second quarter of 2021 was EUR 81.6 million**, increasing compared to EUR -22.4 million in the second quarter of 2020. As previously stated, the variation is due to the different impact of the dynamics of commodity prices on oil inventories: in the second quarter of 2021 the change in inventories (net of the related hedging derivatives) benefited from an appreciation of EUR 62.8 million (compared to a depreciation of EUR 35.9 million in the same period of 2020). This advantage more than compensated the negative impact of an unfavorable, both in terms of oil prices and the increase in the prices of electricity and CO<sub>2</sub> (affecting variable costs). For additional information, please refer to section "Segment Review".

**Group's reported Net Result in the second quarter of 2021 totaled EUR 24.3 million**, compared to EUR -67.6 million in the second quarter of 2020, basically due to the reasons shown at EBITDA level.

**Group's comparable EBITDA in the second quarter of 2021 amounted to EUR 19.5 million**, compared to EUR 15.0 million achieved in the second quarter of 2020. This result, compared to reported EBITDA, does not include the positive effect of the scenario on the change in inventories, it includes the impact of derivatives on exchange rates (reclassified in the core business results) and it excludes non-recurring items arising from CO<sub>2</sub> duties of the previous year. The deviation from the second quarter 2020 is almost entirely attributable to the segment "Renewables".

**Group's comparable Net Result in the second quarter of 2021 was EUR -23.8 million**, compared to EUR -41.1 million in the second quarter of 2020.

**Investments in the second quarter of 2021 amounted to EUR 36.3 million**, significantly lower than investments in the second quarter of 2020, equal to EUR 88.7 million. As stated above, the variation depends on both: the initiatives adopted to contain the capital expenditures and the differences between planned shutdown activities in the two periods.

## Calculation of the Group comparable EBITDA

EUR Million	H1 2021	H1 2020	Q2/21	Q2/20
<b>Reported EBITDA</b>	<b>108.7</b>	<b>(114.4)</b>	<b>81.6</b>	<b>(22.4)</b>
Gain / (Losses) on Inventories and on inventories hedging derivatives	(101.0)	191.1	(62.8)	35.9
Derivatives FOREX	(4.3)	(7.0)	2.8	0.7
Non-recurring items	4.9	2.0	(2.1)	0.8
<b>Comparable EBITDA</b>	<b>8.3</b>	<b>71.7</b>	<b>19.5</b>	<b>15.0</b>

## Calculation of the Group comparable Net Result

EUR Million	H1 2021	H1 2020	Q2/21	Q2/20
<b><i>Reported NET RESULT</i></b>	<b>0.5</b>	<b>(180.7)</b>	<b>24.3</b>	<b>(67.6)</b>
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	(72.8)	137.8	(45.3)	25.9
Non-recurring items net of taxes	1.5	1.4	(2.8)	0.6
<b><i>Comparable NET RESULT</i></b>	<b>(70.8)</b>	<b>(41.5)</b>	<b>(23.8)</b>	<b>(41.1)</b>

## Net Financial Position

The Net Financial Position as at June 30<sup>th</sup> 2021, before the effects of applying IFRS 16, was negative for EUR 432.6 million, compared to the negative position of EUR 504.6 million as at December 31<sup>st</sup>, 2020. Cash generation over the period was recorded due to the positive result of operations, impacted by the positive price dynamics on inventories. These variations more than compensated the capital expenditures and financial charges of the period. Concerning the decrease in working capital, it was mainly due to the increase in accounts payable that more than compensated the increase in inventories and in accounts receivable (that include the reimbursement entailed by the “essentiality” regime).

**The Net Financial Position before the effects of IFRS 16 was negative for EUR 432.6 million and negative for EUR 479.0 million when considering the effect of applying IFRS 16.**

For further details, please refer to the Notes.

Please note that adjustments to specific financial parameters are being discussed with the lending banks to properly reflect current market conditions.

<i>EUR Million</i>	<b>30-Jun-21</b>	<b>31-Dec-20</b>
Medium/long-term bank loans	(318.3)	(399.2)
Bonds	(201.2)	(199.3)
Other medium/long-term financial liabilities	(14.9)	(13.2)
Other medium/long-term financial assets	4.5	6.0
<b>Medium-long-term net financial position</b>	<b>(529.8)</b>	<b>(605.7)</b>
Short term loans	(20.9)	(19.1)
Medium/long-term bank loans (maturity date within 12 months)	(87.5)	-
Banks overdrafts	(358.7)	(456.1)
Other short term financial liabilities	(10.4)	(38.9)
Fair value on derivatives and realized net differentials	(20.4)	(6.2)
Other financial assets	54.2	62.4
Cash and Cash Equivalents	540.8	559.0
<b>Short-term net financial position</b>	<b>97.1</b>	<b>101.1</b>
<b>Total net financial position ante lease liabilities ex IFRS 16</b>	<b>(432.6)</b>	<b>(504.6)</b>
Financial lease liabilities ex IFRS 16	(46.3)	(40.3)
<b>Total net financial position post lease liabilities ex IFRS 16</b>	<b>(479.0)</b>	<b>(544.9)</b>

# Oil Market and Refining Margins

## Oil Market:

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..

	Q1/20	Q2/20	H1/20		Q1/21	Q2/21	H1/21
<b>Quotations and crude differentials (\$/bl)</b>							
Brent Dated (FOB Med)	50.2	29.6	39.9		61.1	69.0	65.0
Urals (CIF Med)	48.4	31.8	40.1		60.6	67.8	64.1
"Heavy-light" differential	-1.9	2.2	0.15		-0.5	-1.2	-0.9
<b>Crack spreads products (\$/bl)</b>							
Crack spread ULSD	11.2	6.4	8.8		4.3	4.8	4.6
Crack spread Gasoline	5.3	2.4	3.8		6.2	8.9	7.6
<b>Reference margin (\$/bl)</b>							
EMC Benchmark	+1.3	-0.7	+0.3		-1.4	-1.6	-1.5

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

In the second quarter of 2021, after two consecutive months of decline, global oil demand in June increased by about 3.2 million barrels per day, reaching 98 million barrels per day: robust economic growth, rising vaccinations and the relaxation of restrictive measures and social distancing have contributed to this trend, and it is expected that these same factors may continue to support consumption also in the second half of the year.

However, the refining sector in the second quarter was still heavily penalized by the low demand for jet fuel, which continues to affect the margins of the middle distillates pool, even if some first signs of recovery were observed in Europe and the United States starting from the end of the period, with a slight recovery in air mobility and long-haul flights, thanks to the effect of vaccination campaigns and at the beginning of the summer season.

In terms of crude oil supply, on a global level, 95.6 million barrels per day were reached in June, with a growth of 1.1 million barrels per day, thanks to lower OPEC + Russia production cuts, and the return in production in other countries, which had stopped some important fields for the necessary maintenance interventions. However, the quarter saw Brent prices reach values above 76 \$/bl, hitting maximum values since 2018, due to fears of an insufficient supply of crude to meet a more sustained recovery in demand than expected, starting from the summer period.

In particular, the confirmation at the beginning of June by the OPEC + Russia member countries of a cautious path in easing supply restrictions, was followed at the beginning of July by difficulties in finding an agreement with respect to a gradual easing of production cuts starting from the month in August. After a first stalemate on a new agreement, a new agreement was reached between Saudi Arabia and the United Arab Emirates only in mid-July, with an increase in total production by 400,000 barrels per day, every month starting in August, and the concession to the U.A.E. of a further increase in production quotas, starting from April 2022. This agreement, however, while partially easing the tension on the markets, did not remove the fear of a possible short-term supply deficit, keeping Brent prices above 72 \$/bl. To these tensions were added in the quarter those deriving from the slowdown in the timing of the negotiations between the US and Iran aimed at a possible nuclear agreement which would favor a return of Iranian crude exports.

## Crude Oil Quotations:

In the second quarter of 2021, the growing trend of Brent dtd prices continued, reaching the maximum for the quarter at 76.4 \$/bl on 25<sup>th</sup> June, to then close to these levels, with a quarterly average of 69 \$/bl ( vs. 61 \$/bl in the first quarter). Among the main reasons, as described in the previous paragraph, the positive economic outlook (which fuels expectations

for a robust recovery in oil consumption), and the contextual uncertainty on the production front, both due to the difficulties of agreement between OPEC + members in the progressive relaxation of production cuts, and to the timing of the Iranian nuclear negotiations (and the possible end of the embargo).

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

Il progressivo ampliamento dello sconto dell'Ural MED, già iniziato nel primo trimestre dell'anno con un differenziale che si riportava in territorio negativo, è proseguito nel secondo trimestre 2021, in un contesto di progressiva riduzione dei tagli produttivi OPEC+ Russia e ritorno di maggior disponibilità di grezzi *sour*, e anche per effetto di maggiori esportazioni dovute alle minori lavorazioni da parte delle raffinerie russe, impegnate in importanti cicli manutentivi nel periodo. Il differenziale Ural Brent ha registrato una media di -1,2\$/bl nel periodo (verso un premio di +2,2\$/bl nello stesso periodo dell'anno precedente).

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

In the second quarter of 2021, the margins of the main products saw a fluctuating trend, with some slowdowns due to the spread of the Covid variants, even in products more responsive to the recovery such as gasoline.

Looking at the product most affected by the pandemic, **jet fuel**, it should be noted how limited international air traffic continues to slow down demand: after recovering positive values in the last quarter of 2020, and an average value of 1.6 \$/bl in first quarter of 2021, in the second quarter the jet fuel crack recorded a very slight improvement with an average of 2 \$/bl (negative and equal to -2.6 \$/bl in the second quarter of 2020).

The **gasoline** crack, after the improvement recorded in the first three months of 2021 (with an average crack of 6.2 \$ / bl), further increased in the second quarter, passing to an average value of 8.9 \$/bl, thanks the transition to the summer specification and the expectations of solidity of the economic recovery. In May, the trend in gasoline margins peaked when one of the most important oil pipelines in the United States, the Colonial Pipeline, suffered a cyber attack that led to an increase in exports from Europe. A slowdown in consumption was instead recorded at the end of the quarter due to the spread of the Delta variant of Covid.

The **diesel** crack achieved only a modest recovery in the second quarter of 2021, continuing to suffer in particular from the reduced demand for jet fuel, against which the refineries are unable to reshape their production assets beyond certain limits: the average of the quarter was 4.8 \$/bl, up + 0.5 \$/bl compared to the average of the previous quarter (compared to a crack of 6.4 \$/bl in the same period of 2020).

The **crack of the VLSFO** in the second quarter continued the negative trend of the previous quarter, settling between May and June at values just above zero. Among the main factors responsible for this trend, there is above all the rise in crude oil prices and the excess supply due to the restart of refinery processing, compared to maritime traffic still below the usual seasonal levels. Overall, the average of the VLSFO crack in the period was 1.3 \$/bl (compared to 4.5 \$/bl in the first quarter and 2.6 \$/bl in the same period of 2020).

A substantially similar trend recorded the crack of **LSFO**, also used as a "blendstock" in the formulation of VLSFO, with an average value in the quarter equal to -1.8 \$/bl, weaker compared to the first quarter when it recorded an average of 2.2 \$/bl and equal to 0.5 \$/bl in the second quarter of 2020.

The increase in availability of high-sulfur crude oils, following the gradual easing of OPEC + Russia production cuts, continued to bring the HSFO crack back to ever lower levels and closer to pre-pandemic levels: on average in the quarter the HSFO recorded a crack of -11.7 \$ / bl (-8.3 \$ / bl in the first quarter and -6.2 in the same period of 2020).

The increase in availability of high-sulphur crude oils, following the gradual easing of OPEC + Russia production cuts, continued to bring the **HSFO** crack back to ever lower levels and closer to pre-pandemic levels: on average in the quarter the HSFO recorded a crack of -11.7 \$/bl (-8.3 \$/bl in the first quarter and -6.2 in the same period of 2020).

## **Refining Margin:**

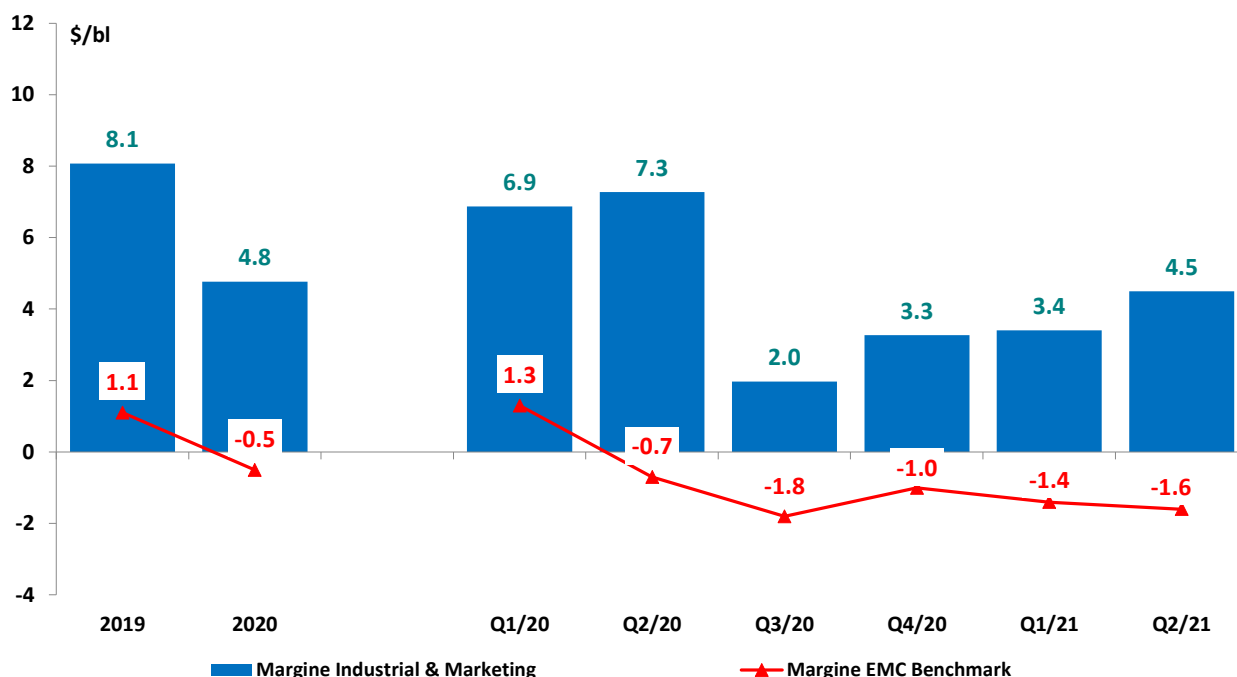
As regards the profitability analysis, Saras traditionally uses the refinery margin calculated by EMC (Energy Market Consultants) as a reference for a medium complexity coastal refinery, located in the Mediterranean Basin, which processes a feedstock made up of 50% Brent and 50% Urals crude oils.

The reference margin (called “EMC Benchmark”) in the second quarter of 2021 it recorded an average of -1.6 \$/bl, (compared to an average of -0.7 \$/bl respectively in the first quarter of 2020) and in the first half of 2021 an average of -1,5 \$/bl (compared to an average of +0.3 \$/bl in the first half of 2020).

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

In the second quarter of 2021, the margin of the Industrial & Marketing segment recorded a value of + 4.5 \$/bl, with an integrated premium of + 6 \$/bl on the EMC of -1.6 \$/bl.

In the first half of 2021, the margin of the same segment recorded a value of 3.9 \$/bl with an integrated premium of 5.4 \$/bl.





# Segment Review

## Industrial & Marketing

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

It is reminded that, concerning power generation activities, on April 21<sup>st</sup> 2021, by way of resolutions 598/2020/R/eel of December 29<sup>th</sup>, 2020 and 152/2021 of April 13<sup>th</sup>, 2021 and the consequent admission of the combined cycle power plant of Sarlux Srl (named IGCC) to the list of the essential plants for the safety of electricity system for the year 2021, the transition from the CIP6/92 convention to the essentiality regime has been finalized and the consequent change of the technical and economic parameters to be considered for its functioning has been implemented.

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

EUR Million	H1 2021	H1 2020	Change %	Q2/21	Q2/20	Change %
Reported EBITDA	97.6	(117.7)	n.s.	75.0	(23.3)	n.s.
<b>Comparable EBITDA</b>	<b>(2.1)</b>	<b>68.4</b>	<b>n.s.</b>	<b>13.6</b>	<b>14.1</b>	<b>-4%</b>
<i>of which relative to Marketing sales</i>	9.3	12.6	-26%	9.4	8.0	18%
Reported EBIT	6.0	(215.1)	n.s.	28.9	(72.6)	n.s.
<b>Comparable EBIT</b>	<b>(93.7)</b>	<b>(29.0)</b>	<b>n.s.</b>	<b>(32.5)</b>	<b>(35.2)</b>	<b>n.s.</b>
CAPEX	32.5	185.1	-82%	15.6	88.1	-82%

## Margins and refinery runs

		H1 2021	H1 2020	Change %	Q2/21	Q2/20	Change %
<b>CRUDE RUNS</b>	<i>Tons (thousand)</i>	6,551	5,431	21%	3,367	2,293	47%
	<i>Barrels (million)</i>	47.8	39.6	21%	24.6	16.7	47%
	<i>Bl/day (thousand)</i>	264	219	21%	270	184	47%
<b>COMPLEMENTARY FEEDSTOCK</b>	<i>Tons (thousand)</i>	402	443	-9%	187	211	-11%
<b>ELECTRICITY PRODUCTION</b>	<i>GWh</i>	1,476	1,986	-26%	862	801	8%
<b>TOTAL SALES</b>	<i>Tons (thousand)</i>	1,562	1,333	17%	807	615	31%
of which: in Italy	<i>Tons (thousand)</i>	1,006	849	19%	523	412	27%
of which: in Spain	<i>Tons (thousand)</i>	556	484	15%	284	203	40%
<b>POWER TARIFF</b>	<i>Eurocent/KWh</i>	8.5	7.5	14%	8.3	7.5	10%
<b>EXCHANGE RATE</b>	<i>EUR/USD</i>	1.21	1.10	9%	1.21	1.10	10%
<b>EMC BENCHMARK MARGIN</b>	<i>\$/bl</i>	(1.5)	0.3	n.s.	(1.6)	(0.7)	127%
<b>SARAS IND &amp; MKTG MARGIN</b>	<i>\$/bl</i>	3.9	7.1	-44%	4.5	7.3	-39%

## Comments to First half of 2021 Results

**Crude refinery runs over the first half of 2021 stood at 6.55 million tons** (47.8 million barrels, corresponding to 264 thousand barrels per day), higher than in the first half of 2020, affected by the relevant turnaround of the FCC plant. Complementary crude feedstock amounted to 0.40 million tons, slightly lower than the 0.44 million tons of the first half of 2020.

**In the first half of 2021, electricity production amounted to 1,476 GWh**, down by 26%, compared to the first half of 2020. The decrease is due to shutdowns involving power generation plant in the first half of 2021.

**The comparable EBITDA amounted to EUR -2.1 million in the first half of 2021**, with a Saras Industrial & Marketing margin of +3.9 \$/bl, where impacts of Marketing sales accounted for 0.4 \$/bl (as usual, already net of the impact from the maintenance activities carried out over the period). This compares with a comparable EBITDA of EUR 68.4 million and a Saras Industrial & Marketing margin of +7.1 \$/bl, where Marketing accounted for 0.5 \$/bl, in the same period of the previous year.

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

With regard to market conditions, as previously briefly mentioned, the impact on margins was negative for approximately EUR 70 million, mainly due to the increased Brent price, with an average quote of 65 \$/bl in the first half of 2021 (vs 40 \$/bl in 2020), and a weaker diesel crack spread, on average equal to 4.6 \$/bl (vs 8.8 \$/bl in 2020), partially compensated by the strengthening of gasoline crack spread, on average equal to 7.6 \$/bl (vs 3.8 \$/bl).

Looking at the operational performance in the first half of 2021, it was down for approximately EUR 15 million with respect to 2020. Such variation is mainly due to commercial activities (related to the supply of crudes and complementary raw materials, the sale of finished products, the rental costs of oil tankers, and the management of inventories, including mandatory stocks) that contributed negatively for approximately EUR 20 million, with respect to 2020. This deviation depends on the exceptionally positive performance trading activities delivered in 2020, thanks to specific market features not replicable in the 2021 market context.

Production planning (consisting in the optimization of the mix of raw materials brought into processing, in the management of semi-finished products, and in the production of finished products, including those with special formulations) instead positively contributed for approximately EUR 5 million, with respect to 2020.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) performed in line with 2020, since a less expensive maintenance plan allowed to compensate a lower production performance.

Concerning variable industrial costs in the first half of 2021, an increase of EUR 55 million was registered. On the one hand, due to the different market conditions (mainly affected by rising prices of electricity and CO<sub>2</sub>) with an estimated impact of approximately EUR 20 million; on the other hand, due to the reduction of free allocations and reimbursement for CO<sub>2</sub> duties deriving from the end of CIP6 regime, with an estimated impact of approximately EUR 40 million.

Regarding fixed costs, it was achieved a reduction of approximately EUR 30 million with respect to 2020, thanks to the costs containment initiatives, started at the end of 2020, that concerned reduction of industrial costs and investments, implemented by internalizing engineering activities thanks to the subsidiary Sartec, and personnel costs, implemented by making combined use of the redundancy fund and of a voluntary incentive termination plan for the employment relationship.

Please note that reimbursement for "essentiality" allocated in the "Industrial & Marketing" revenues includes refund for costs (related to supply of raw materials, other variable and fixed costs) as well as return on invested capital linked to the "essential" power generation activity, as per resolution approved by the competent authorities.

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

According to the data collected by UNEM (Unione Energie per la Mobilità), in the first half of 2021, total oil consumption in Italy was up by 9.8% compared to the first half of 2020, even though still 12.8% lower than pre-pandemic levels. In particular, consumption of automotive fuel (gasoline and diesel) totaled approximately 13.8 million tons, an increase of 21.5% with respect to 2020 (precisely a raise of 23.7% for gasoline and 20.9% for diesel). In the first half of 2021, new car registrations increased by 51.5%, even if the comparison is affected by the impact of the COVID lockdown in the first half of 2020. Gasoline vehicles accounted for 32.3% of total sales (vs 43.2% in 2020), diesel vehicles for 23.8% (vs 34.7% in 2020), hybrid vehicles for 27.4% (vs 10.7% in 2020). In this context, Saras Group registered a total sales volume of 1.006 million tons, increasing by 19% with respect to the same period in 2020.

In Spain, the data collected by CORES indicates an increase of 17.9% in the consumption of automotive fuel during the first half of 2021, with a clear raise of 29.3% for gasoline and of 7.8% for diesel. In this context, the Spanish subsidiary Saras Energia registered a total sales volume of 0.556 million tons, increasing by 15% from the previous year.

**Analyzing the portion of comparable EBITDA deriving from Marketing sales, it amounted to EUR 9.3 million**, compared to EUR 12.6 million registered in the first half of 2020. The variance is mainly due to the lower margin on sales of wholesale channel in Italy, directly linked to the effects of a colder season (impacting the density of products), and to price dynamics of raw materials (including those related to the compliance with biodiesel regulation). This component has to be considered jointly with the Industrial, given the strong coordination between the technical and commercial skills on which the Group's business model is based.

## Comments to Second quarter of 2021 Results

**Crude refinery runs over the second quarter of 2021 stood at 3.37 million tons** (24.6 million barrels, corresponding to 270 thousand barrels per day), higher than in the second quarter of 2020, affected by the relevant turnaround of the FCC plant. Complementary crude feedstock amounted to 0.19 million tons, slightly lower than the 0.21 million tons of the second quarter of 2020.

**In the second quarter of 2021, electricity production amounted to 862 GWh**, up by 8%, compared to the second quarter of 2020, due to a different maintenance plan between the periods.

**The comparable EBITDA amounted to EUR 13.6 million in the second quarter of 2021**, with a Saras Industrial & Marketing margin of +4.5 \$/bl, where impacts of Marketing sales accounted for 0.6 \$/bl (as usual, already net of the impact from the maintenance activities carried out over the period). This compares with a comparable EBITDA of EUR 14.1 million and a Saras Industrial & Marketing margin of +7.3 \$/bl, where Marketing accounted for 0.7 \$/bl, in the same period of the previous year.

With regard to market conditions, the impact on margins was negative for approximately EUR 10 million, as described in the above paragraph it is mainly due to the increased Brent price, with an average quote of 69 \$/bl in the second quarter of 2021 (vs 30 \$/bl in 2020), and a weaker diesel crack spread, on average equal to 4.8 \$/bl (vs 6.4 \$/bl in 2020), partially compensated by the strengthening of gasoline crack spread, on average equal to 8.9 \$/bl (vs 2.4 \$/bl) and the raise of petrochemical products.

Looking at the operational performance in second quarter of 2021, it was down for approximately EUR 20 million with respect to the same period in 2020. Such variation is mainly due to commercial activities (related to the supply of crudes and complementary raw materials, the sale of finished products, the rental costs of oil tankers, and the management of inventories, including mandatory stocks) that contributed negatively for approximately EUR 35 million, with respect to 2020. This deviation depends in part on the exceptional market conditions in 2020 that allowed for delivering great performance from trading activities and in part, from Brent and ICE differentials dynamic that had generated significant negative results in the first quarter of 2020, but then recovered in the second quarter of 2020.

The execution of production activities (which takes account of losses in connection with scheduled and unscheduled maintenance, and increased consumption with respect to the technical limits of certain utilities such as fuel oil, steam, electricity and fuel gas) contributed for approximately EUR 15 million, benefiting for a less expensive maintenance plan.

Concerning variable industrial costs in the second quarter of 2021, an increase of EUR 45 million was registered. On the one hand, due to the different market conditions (same dynamics as presented in the above paragraph) with an estimated impact of approximately EUR 15 million; on the other hand, due to the reduction of free allocations and reimbursement for CO<sub>2</sub> duties deriving from the end of CIP6 regime, with an estimated impact of approximately EUR 20 million. Regarding fixed costs, it was achieved a reduction of approximately EUR 20 million with respect to 2020, thanks to the costs containment initiatives started at the end of 2020.

Please note that reimbursement for "essentiality" allocated in the "Industrial & Marketing" revenues includes refund for costs (related to supply of raw materials, other variable and fixed costs) as well as return on invested capital linked to the "essential" power generation activity, as per resolution approved by the competent authorities.

**Analyzing the portion of comparable EBITDA deriving from Marketing sales, it amounted to EUR 9.4 million**, compared to EUR 8.0 million registered in the second quarter of 2020. The variance is mainly due to the higher margin deriving from greater volumes in the second quarter of 2021, compared to those in the second quarter of 2020.

## Crudes processed and yields of finished products

The mix of crudes that the Sarroch refinery processed in the first half of 2021 had an average density of 34.0° API, therefore lighter than the average density processed in the first half of 2020. Analyzing, in greater detail, the classes of crude oils, there was an increase in the percentage of processing of low and very low sulfur crude oils ("light sweet" and "light extra sweet") (it should be noted that the first half of 2020 was characterized by a major turn around of the FCC plant), compared to a decrease of high sulfur crude oils ("medium sour") and heavy crude oils, both low and high sulfur ("heavy sour/sweet"), mainly due to contingent plant set-up situations arising from the scheduled shutdowns involving the gasification cycle and from the different plant set-up requested by the "essentiality" regime.

		H1 2021	H1 2020	Q2/21
Light extra sweet		42%	18%	39%
Light sweet		7%	15%	6%
Medium sweet/extra sweet		6%	2%	7%
Medium sour		30%	38%	32%
Heavy sour/sweet		16%	27%	16%
Average crude gravity	°API	34.0	33.0	33.8

Turning to the analysis of finished product yields, in the first half of 2021 the yield of light distillates (29.7%) was higher than in the first half of 2020. On the other hand, the yield of middle distillates (47.8%) was lower than in the same period of the previous year, as well as the lower yield of fuel oil (8.4%). These changes are linked to different plants set up and to different market conditions between the two periods.

		H1 2021	H1 2020	Q2/21
LPG	Tons (thousand)	154	76	77
	yield (%)	2.2%	1.3%	2.2%
NAPHTHA + GASOLINE	Tons (thousand)	2,066	1,371	1,076
	yield (%)	29.7%	23.3%	30.3%
MIDDLE DISTILLATES	Tons (thousand)	3,327	2,914	1,710
	yield (%)	47.8%	49.6%	48.1%
FUEL OIL & OTHERS	Tons (thousand)	586	655	248
	yield (%)	8.4%	11.2%	7.0%

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

## Renewables

Saras Group is active in the production and sale of electricity from renewable sources, through its subsidiary Sardeolica Srl, which operates a wind park located in Ulassai (NU) and in Perdasdefogu (NU), Sardinia.

On June 4<sup>th</sup>, 2021, Saras Group signed an agreement with GWM Renewable Energy S.p.A. for the acquisition of 100% of Energia Verde S.r.l. and Energia Alternativa S.r.l., owners of two wind farms located in Macchiareddu (CA), Sardinia, thus increasing the installed capacity by additional 45 MW and bringing Saras' total wind installed capacity to 171 MW. Economic and financial figures related to the acquisition were consolidated starting from June 1<sup>st</sup>, 2021.

Please note that, concerning the segment "Renewables", results of 2020 correspond to the "Wind" segment, as defined in the 2020 Financial Statements.

EUR million	H1 2021	H1 2020	Change %	Q2/21	Q2/20	Change %
Reported EBITDA	11.1	3.3	236%	6.6	0.9	633%
<b>Comparable EBITDA</b>	<b>10.4</b>	<b>3.3</b>	<b>214%</b>	<b>5.9</b>	<b>0.9</b>	<b>552%</b>
Reported EBIT	7.6	0.0	n.s.	4.7	(0.8)	n.s.
<b>Comparable EBIT</b>	<b>6.9</b>	<b>0.0</b>	<b>n.s.</b>	<b>4.0</b>	<b>(0.8)</b>	<b>n.s.</b>
CAPEX	25.5	0.9	n.s.	20.7	0.6	n.s.

## Other figures

		H1 2021	H1 2020	Change %	Q2/21	Q2/20	Change %
<b>ELECTRICITY PRODUCTION</b>	MWh	128,174	119,018	8%	47,279	44,980	5%
<b>POWER TARIFF</b>	EURcent/kWh	5.8	3.2	82%	6.5	2.0	225%
<b>INCENTIVE TARIFF</b>	EURcent/kWh	10.9	9.9	10%	10.9	9.9	10%

## Comments to First Half of 2021 Results

**In the first half of 2021 the comparable EBITDA of the Renewables segment stood at EUR 10.4 million**, higher than that recorded in the first half of 2020 of EUR 3.3 million. It should be noted that the result of the first half of 2021 benefited from approximately EUR 3.54 million linked to the acquisition of the two new wind farms.

Other factors that positively contributed to the result of the first half of 2021 are the increase in production by 4%, compared to the same period of 2020, and the increase in the energy sales tariff of 3.6 Eurocent/kWh, compared to the same period of 2020 (of which 2.6 Eurocent/kWh from the market component and 1.0 Eurocent/kWh from the incentive tariff).

## Comments to Second Quarter of 2021 Results

**In the second quarter of 2021 the comparable EBITDA of the Renewables segment stood at EUR 5.9 million**, higher than that achieved in the second quarter of 2020 of EUR 0.9 million, mainly thanks to the effects deriving from the acquisition of the two new wind farms.

In the second quarter, production volumes were up by 5% compared with the second quarter of 2020, while the energy sales tariff benefited from an overall increase of 5.5 Eurocent/kWh, compared with the second quarter of 2020 (of which 4.5 Eurocent/kWh from the market component and 1.0 Eurocent/kWh from the incentive tariff).

## Investments by business segment

EUR Million	H1 2021	H1 2020	Q2/21	Q2/20
INDUSTRIAL & MARKETING	32.5	185.1	15.6	88.1
RENEWABLES	25.5	0.9	20.7	0.6
Total	58.0	186.0	36.3	88.7

Investments of Saras Group in the first six months of 2021 amounted to EUR 58.0 million, decreasing from EUR 186.0 million in the first six months of 2020.

Concerning the segment “Industrial & Marketing”, investments in the first half of 2021 amounted to EUR 32.5 million, a significant reduction compared to EUR 185.1 million in 2020. The drop resulted from the investment containment initiatives implemented to mitigate the impacts of COVID-19 pandemic and for fewer scheduled shutdowns (it is reminded that the first half of 2020 was characterized by the FCC turn around).

Regarding the segment “Renewables”, investments in the first half of 2021 amounted to EUR 25.5 million. The investments concerned *reblading* activities, that are currently underway and whose completion is expected in the third quarter 2021, and the acquisition of the above-mentioned wind farms located in Macchiareddu (CA).

## Outlook

The projections contained in the World Economic Outlook of the International Monetary Fund (IMF) at the end of July confirmed the expectations of a sustained global GDP growth at +6% for 2021, while they revised upwards the estimates already highlighted in April for the 2022, with an expected growth of +4.9% (+0.5 percentage points compared to the April estimates). The forecasts of the Monetary Fund highlight a more sustained recovery in advanced economies than in emerging ones, while the risk linked to the dominant Delta variant of the virus remains. The data for the second quarter made it possible to revise the growth expected for both the United States slightly upwards, equal in 2021 to +7% (+0.6 compared to April) and to 4.9% in 2022 (+1.4 compared to the April estimates) and for Europe, expected in 2021 equal to + 4.6% (+0.2 percentage points compared to the April estimates) and in 2022 to + 4.3% (+0.5 compared to April estimates). Among the euro area countries, Italy's growth forecasts have also been revised upwards, with an estimated increase in GDP of + 4.9% in 2021 (against + 4.2% in the April estimates) and of + 4.2% in 2022 (+ 3.6% in April estimates).

Analyzing the dynamics of the oil market, from the point of view of supplies, crude oil prices rose well above 70 \$ / bl in the second quarter in the face of particularly positive indicators on the recovery of demand, also due to the uncertainties with respect to a policy not sufficiently accommodating by the producer countries of OPEC + Russia, they have partially stabilized after they reached an agreement in mid-July, which plans to increase by 0.4 million barrels per day on a monthly basis starting in August and up to December 2022, allowing production to return to pre-Covid levels in the second half of 2022. This agreement, while further easing last year's cuts, could keep the crude oil market in a slight deficit, given the structural growth in demand expected for this year, although the risks associated with the Delta variant remain. However, it is reasonable to expect a gradual stabilization of Brent dtd at lower levels in 2022.

With regards to the petroleum products market, according to what emerges from the latest report of the International Energy Agency (IEA), economic growth, vaccinations and the reduction of distancing measures suggest an increase in demand also in the coming months, which could reach levels close to pre-Covid levels in the second half of the year. The recovery in demand, which had already begun at the end of 2020, continued in the second quarter of 2021 as well, with a growth of approximately 3.2 million barrels per day in June alone, with a demand that in June also reached 96.8 million barrels per day, about 3 million barrels per day lower than the average consumption in 2019.

However, while the demand for most petroleum products is expected to accelerate in the coming months, even to levels higher than those prior to the pandemic, with a benefit on margins, the global demand for jet fuel, which most affects the recovery of marginality of middle distillates and is still significantly lower than pre-Covid levels, showed clear signs of recovery in June, and is expected to progressively increase starting from the second half of 2021.

In this context, with regard to the Industrial & Marketing segment, the objective of Management is to continue the efforts undertaken to contain costs and investments; initiative that will be modulated according to the evolution of the macroeconomic context and any operational and commercial opportunities that may arise. In this regard, it should be noted that the Company has chosen to extend, albeit in a reduced form, the use of the redundancy fund until 30 September 2021. Furthermore, the focus on maximizing commercial opportunities remains unchanged, both on the raw material supply side and on the enhancement of products and on the optimal operational management of the plants within the new essentiality regime.

Despite the uncertainty of the current market scenario and consistent with the hypothesis of a third quarter margin in line with current values and then increasing in the fourth quarter, the Saras Group, considering the current state of maturity of the cost containment initiatives and the actual and expected production performances, updates and increases its objective of achieving an average annual premium above the EMC Benchmark margin in a range of +4.8 ÷ +5.2 \$/bl, including the results of the Marketing channel (forecasted at approx. +0.4 \$/bl).

With regard to the Renewables segment, the acquisition of two wind farms located in Macchiareddu, Cagliari (Sardinia), for a total installed capacity of 45 MW, finalized in June, and the completion of the reblading activities, scheduled for third quarter, represent further concrete steps towards the achievement of the plan targets (installed capacity of 500 MW by 2024). To this end, the authorization activities for the development of new greenfield plants continue and the evaluation of the best options, including the opportunity for new partnerships with the aim of creating sustainable value in the long term.



Finally, with regard to the Net Financial Position, in the second half of 2021, a rebalancing of part of the benefit achieved in the first half of the year is expected, thus achieving a level of debt no higher than that at the end of 2020, also thanks to the continuation of the activities to contain industrial costs, investments and labor costs.

# Risk Analysis

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

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

## FINANCIAL RISKS

### Exchange rate risk

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

### Interest rate risk

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

### Credit risk

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

### Liquidity risk

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

Self-financing capacity and as a result the Group's level of debt, which has historically been limited, are determined by the generation of cash from operations and the performance of working capital; in particular, the latter is based on levels of demand and supply of crude oil and oil products as well as the relative prices and their extreme volatility and sensitivity to external phenomena (such as economic, social and political factors).

During FY 2020, the oil market shock (in terms of demand, supply and prices) due to the spread of the Covid-19 pandemic and the drastic pandemic containment measures enacted at a global level, inevitably negatively affected the Group's ability to generate cash from operating activities and therefore the Group's level of debt. The recovery of Group's level of debt could occur in case the oil market conditions will recover and subsequently the profitability levels will come back to the past levels.

In the previous year, the Group implemented a range of actions in order to mitigate the liquidity risk, by obtaining new credit lines both at short term and at medium/long term, one of which granted by the Government. The revisions of

the financial parameters as of 31 December 2020 have been agreed with the financial institutions with which the main medium and long-term loans are in place. Currently, the failure to improve conditions on the oil market in the short term entails a delay for the Group in the plan to improve the level of debt.

In this context, the Group has initiated interactions with the main credit institutions to define a review of the main maturities of the main loans, in order to mitigate the risk of the non-recovery of the market compared to what was planned in the multi-year plans.

Compliance with the financial parameters on existing loans subject to verification at June 30<sup>th</sup> 2021 is emphasized.

## **OTHER RISKS**

### **Price fluctuation risk**

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

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

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

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

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

### **Risks of interruption of production**

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

### **Environmental risk**

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

### **Legislative and regulatory risk**

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

- regulations relating to the reduction of national emissions of specific atmospheric pollutants and their effect on the limits indicated in the current AIA permit
- the view of the European Commission and the ARERA (Italian Authority for Electricity, Gas and Water) implementing documents in relation to the recognition of the Sarlux subsidiary as an energy intensive

- enterprise
- regulatory dispositions relating to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the G.S.E.
- reference regulations relating to the fact that the Sarlux Srl subsidiary sold the electricity generated to the G.S.E. until the month of April 2021 under the conditions specified by the legislation in force (Law No. 9/1991, Law No. 10/1991, CIP Decision 6/92 as amended, Law No. 481/1995), which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time limited incentives, linked to the actual production.
- Regulations and implementing documents issued by Terna and ARERA regarding the “essentiality” requirements of the IGCC plant in Sarlux, as provided for by ARERA Resolution No.111/06 and 598/20 and the cost reimbursement regime.

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

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

#### **Protection of Personal Data**

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

#### **Information technology and cybersecurity**

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

#### **Covid-19 Risk**

The intensification of the economic and financial crisis unleashed by the Covid-19 crisis has resulted, starting from April 2020, in a drastic and widespread drop in demand for oil products, with a consequent impact on the refining margin, along with the volatility of commodity prices and oil prices in particular.

These extended effects resulted in reduced profitability and increased short-term liquidity requirements for the Saras Group and for the refining sector as a whole: should such conditions last in the midterm, they would be unbearable. There also remains a situation of uncertainty about the pandemic’s evolution, even if the implementation of vaccination activities at national, European and world level has led to an increase in the level of consumer confidence and a recovery in oil consumption. The recovery in consumption in the second quarter of 2021 has not yet been reflected in an improvement in refining margins, shifting the expected recovery in profitability to 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 Group made appropriate allocations to provisions for risks and charges included in balance sheet liabilities (see Notes).

## **Other Information**

#### **Treasury shares**

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

As a result of the resolution of the Shareholders' Meeting of May 12<sup>th</sup> 2021 on the 2018-2021 Stock Grant Plan, Saras SpA assigned and delivered all treasury shares in its portfolio, equal to 9,220,216: therefore, the number of ordinary shares outstanding at 30 June 2021 were 951,000,000.

### **Research and Development**

Saras did not undertake meaningful “Research and Development” activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first half of 2021.

### **Non-recurring and unusual Transactions**

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

## **Main events after the end of the Half of 2021**

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

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position as at 30<sup>th</sup> June 2021

Thousands of EUR		30/06/2021	31/12/2020
<b>ASSETS</b>	(1)		
<b>Current financial assets</b>	5.1	<b>2,121,158</b>	<b>1,841,050</b>
Cash and Cash equivalents	5.1.1	540,842	558,997
Other financial assets	5.1.2	113,187	153,677
Trade receivables from third parties	5.1.3	439,355	256,641
Inventories	5.1.4	919,921	737,389
Current tax assets	5.1.5	20,630	14,289
Other assets	5.1.6	87,223	120,057
<b>Non-current assets</b>	5.2	<b>1,502,575</b>	<b>1,529,138</b>
Property, plant and equipment	5.2.1	1,280,329	1,310,794
Intangible assets	5.2.2	45,215	47,225
Right-of-use of leased assets	5.2.3	49,345	42,801
Other investments	5.2.4	502	502
Deferred tax assets	5.2.5	122,638	121,844
Other financial assets	5.2.6	4,546	5,972
<b>Total assets</b>		<b>3,623,733</b>	<b>3,370,188</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>	5.4	<b>2,093,145</b>	<b>1,676,426</b>
Short-term financial liabilities	5.4.1	556,917	611,441
Trade and other payables	5.4.2	1,297,059	916,594
Current tax liabilities	5.4.3	184,140	80,499
Other liabilities	5.4.4	55,029	67,892
<b>Non-current liabilities</b>	5.5	<b>742,609</b>	<b>909,240</b>
Long-term financial liabilities	5.5.1	580,655	652,064
Provisions for risks and charges	5.5.2	148,105	244,165
Provisions for employee benefits	5.5.3	9,525	8,901
Deferred tax liabilities	5.5.4	3,730	3,730
Other liabilities	5.5.5	594	380
<b>Total liabilities</b>		<b>2,835,754</b>	<b>2,585,666</b>
<b>EQUITY</b>	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		721,846	994,482
Net result		577	(275,516)
<b>Total parent company equity</b>		<b>787,979</b>	<b>784,522</b>
Third-party minority interests		-	-
<b>Total equity</b>		<b>787,979</b>	<b>784,522</b>
<b>Total liabilities and equity</b>		<b>3,623,733</b>	<b>3,370,188</b>

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

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

# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1<sup>st</sup> January – 30<sup>th</sup> June 2021

Thousands of EUR	(1)	(2)	1 JANUARY 30 JUNE 2021	of which non- recurring	1 JANUARY 30 JUNE 2020	of which non- recurring
Revenues from ordinary operations	6.1.1	S	3,699,300		2,648,589	
Other income	6.1.2	S	56,801		93,183	
<b>Total returns</b>			<b>3,756,101</b>	<b>0</b>	<b>2,741,772</b>	<b>0</b>
Purchases of raw materials, consumables and supplies	6.2.1	T	(3,144,928)		(2,590,636)	
Cost of services and sundry costs	6.2.2	T, AA	(434,636)		(188,556)	
Personnel costs	6.2.3	Q, T	(67,867)		(76,854)	
Depreciation/amortisation and write-downs	6.2.4	H, J	(95,121)		(100,830)	
<b>Total costs</b>			<b>(3,742,552)</b>	<b>0</b>	<b>(2,956,876)</b>	<b>0</b>
<b>Operating result</b>			<b>13,549</b>	<b>0</b>	<b>(215,104)</b>	<b>0</b>
Financial income	6.3	U	40,958		35,626	
Financial charges	6.3	U	(54,931)		(50,643)	
<b>Result before taxes</b>			<b>(424)</b>	<b>0</b>	<b>(230,121)</b>	<b>0</b>
Income tax	6.4	X	1,001		49,537	
<b>Net result</b>			<b>577</b>	<b>0</b>	<b>(180,584)</b>	<b>0</b>
<b>Net result attributable to:</b>						
Shareholders of the parent company			577		(180,584)	
Third-party minority interests			0		0	
<b>Net earnings per share – base (euro cents)</b>		Z	<b>0.06</b>		<b>(19.17)</b>	
<b>Net earnings per share - diluted (euro cents)</b>		Z	<b>0.06</b>		<b>(19.17)</b>	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 30TH JUNE 2021

Thousands of EUR		1 JANUARY 30 JUNE 2021	1 JANUARY 30 JUNE 2020
<b>Net result (A)</b>		<b>577</b>	<b>(180,584)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Effect of translation of the financial statements of foreign operations	V	(434)	(65)
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial effect IAS 19 on employee post-employment benefits	Q, T		
<b>Other profit/(loss), net of the fiscal effect (B)</b>		<b>(434)</b>	<b>(65)</b>
<b>Total consolidated net result (A + B)</b>		<b>143</b>	<b>(180,649)</b>
<b>Total consolidated net result attributable to:</b>			
Shareholders of the parent company		143	(180,649)
Third-party minority interests		0	0

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

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



## Consolidated Statement of Changes in Equity to 30<sup>th</sup> June 2021

Thousands of EUR	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) Financial year	Total Equity attributable to the Parent Company	Third-party Minority Interests	Total Equity
<b>Balance at 31/12/219</b>	<b>54,630</b>	<b>10,926</b>	<b>967,129</b>	<b>26,154</b>	<b>1,058,839</b>	<b>0</b>	<b>1,058,839</b>
Allocation of previous period result			26,154	(26,154)	0		0
Conversion effect balances in foreign currency			(65)		(65)		(65)
Reserve for stock option plan			1,336		1,336		1,336
Net result				(180,584)	(180,584)		(180,584)
<i>Total net result</i>			(65)	(180,584)	(180,649)	0	(180,649)
<b>Balance at 30/06/2020</b>	<b>54,630</b>	<b>10,926</b>	<b>994,554</b>	<b>(180,584)</b>	<b>879,526</b>	<b>0</b>	<b>879,526</b>
Conversion effect balances in foreign currency			(401)		(401)		(401)
Effetto attuariale IAS 19			(215)		(215)		(215)
Reserve for stock option plan			544		544		544
Net result				(94,932)	(94,932)		(94,932)
<i>Total net result</i>			(401)	(94,932)	(95,333)	0	(95,333)
<b>Balance at 31/12/2020</b>	<b>54,630</b>	<b>10,926</b>	<b>994,482</b>	<b>(275,516)</b>	<b>784,522</b>	<b>0</b>	<b>784,522</b>
Allocation of previous period result			(275,516)	275,516	0		0
Conversion effect balances in foreign currency			(434)		(434)		(434)
Reserve for stock option plan			3,314		3,314		3,314
Net result				577	577		577
<i>Total net result</i>			0	0	0	0	0
<b>Balance at 30/06/2021</b>	<b>54,630</b>	<b>10,926</b>	<b>721,846</b>	<b>577</b>	<b>787,979</b>	<b>0</b>	<b>787,979</b>

# Consolidated Statement of Cash Flows for the period to 30<sup>th</sup> June 2021

Thousands of EUR	(1)	1/1/2021- 30/06/2021	1/1/2020- 30/06/2020
<b>A - Initial cash and cash equivalents</b>		<b>558,997</b>	<b>431,463</b>
<b>B - Cash flow from (for) operating activities</b>			
Net result	5.5	577	(180,584)
Unrealised exchange rate differences on bank current accounts		(10,158)	(11,074)
Amortisation, depreciation and write-downs of assets	6.2.4	95,121	100,830
Net change in risk provisions	5.4.2	(96,060)	(41,608)
Net change in provision for employee benefits	5.4.3	624	171
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	(794)	(50,146)
Net interest		9,299	7,041
Income tax set aside	6.4	(207)	609
Change in the fair value of derivatives	5.1.2 - 5.3.1	20,354	30,098
Other non-monetary components	5.5	2,880	1,271
<b>Profit (loss) for the period before changes in working capital</b>		<b>21,636</b>	<b>(143,392)</b>
(Increase)/Decrease in trade receivables	5.1.3	(182,714)	104,276
Increase)/Decrease in inventories	5.1.4	(182,532)	315,694
Increase/(Decrease) in trade and other payables	5.3.2	380,465	(592,038)
Change other current assets	5.1.5 - 5.1.6	26,493	45,930
Change other current liabilities	5.3.3 - 5.3.4	90,985	77,958
Interest received		108	1,250
Interest paid		(9,407)	(8,291)
Change other non-current liabilities	5.4.5	214	(12,805)
<b>Total (B)</b>		<b>145,248</b>	<b>(211,418)</b>
<b>C - Cash flow from (for) investment activities</b>			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(58,003)	(186,471)
(Investments) in Right-of-use of leased assets		(11,187)	(1,355)
(Increase)/Decrease in other financial assets	5.1.2	100,917	(64,444)
Increases in the sale of non-current assets held for sale	5.2.1-5.2.2	0	5,980
<b>Total (C)</b>		<b>31,727</b>	<b>(246,290)</b>
<b>D - Cash flow from (for) financing activities</b>			
Increase/(decrease) m/l-term financial payables	5.4.1	(71,409)	57,617
Increase/(decrease) short-term financial payables	5.3.1	(133,879)	190,669
<b>Total (D)</b>		<b>(205,288)</b>	<b>248,286</b>
<b>E -Cash flows for the period (B+C+D)</b>		<b>(28,313)</b>	<b>(209,422)</b>
Unrealised exchange rate differences on bank current accounts		10,158	11,074
<b>F - Final cash and cash equivalents</b>		<b>540,842</b>	<b>233,115</b>

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

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

For the Board of Directors  
The Chairman



Massimo Moratti

# NOTES TO THE CONSOLIDATED STATEMENTS OF ACCOUNTS AS AT 30<sup>TH</sup> JUNE 2021

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## 1. Introduction

Publication of the condensed consolidated financial statements of Saras Group for the period ended 30 June 2021 was authorised by the Board of Directors on 2 August 2021.

Saras S.p.A. (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 S.p.A. (10.005%) and Stella Holding S.p.A. (10.005%), which together represent 40.02% of the share capital of Saras S.p.A. (excluding treasury shares) under the shareholders' agreement signed by these companies on 24 June 2019. The Company is established until 31 December 2056, as stated in its articles of association.

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

These condensed consolidated half-year financial statements for the year ended 30 June 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 the amounts shown in these Notes to the Consolidated Financial Statements are expressed in thousands of euro, unless otherwise stated.

## 2. Basis of preparation of the Consolidated Financial Statements

The condensed consolidated half-year financial statements of the Group 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 19 July 2002, and in accordance with the measures adopted in implementation of Article 9 of Legislative Decree No. 38 of 28 February 2005.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft consolidated and separate financial statements were approved by 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 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.

Taking into consideration the economic and financial situation as at June 2021, deeply influenced by the ongoing Covid-19 pandemic and its aftermaths on Group's profitability (whose further details are reviewed in Report on Operations), the economic forecast underlying 2021 budget and 2021/2024 Industrial Plan, both approved by the Board of Directors during the first half of 2021 as restated by the management in the light of the current and ongoing situation, as well as considering the forecasts regarding working capital and financial and cash situation of the Group, the Directors decided to prepare the condensed consolidated half-year financial statements with the going concern principle.

The Directors determined that there are no financial or operating indicators, among others, signalling criticalities in the Group'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 Group's economic and financial performance is exposed, are described

in the dedicated 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. Basis of preparation and changes to Group Accounting standards

#### 3.1 Standards of preparation

The condensed consolidated financial statements of the Saras Group for the period ended 30 June 2021, presented pursuant to Article 154-ter of the TUF, as subsequently amended, have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Union, which include all the international accounting standards (IASs) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC). The condensed consolidated financial statements for the period ended 30 June 2021 have been prepared pursuant to IAS 34 — Interim Financial Reporting.

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

The main standards adopted by the Saras Group for the preparation of the condensed consolidated financial statements as at 30 June 2021 are consistent with those applied in the consolidated financial statements as at 31 December 2020 and the corresponding interim reporting period, except for the new accounting standards, interpretations and amendments described below, which, as of the date of preparation of these condensed consolidated financial statements, had already been enacted and had become effective in this financial year. The Group decided not to adopt earlier any standard, interpretation or amendment.

##### **New accounting standards, effective and adopted**

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 condensed 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 13rd, 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).

##### **Standard issued but not yet in force, nor adopted on a early basis**

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 1 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.

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

IAS 8.30 requires disclosure for those standards that have been issued but are not yet in force; it is required for the purpose of providing known or reasonably estimable information that is relevant to enable users to assess the possible impact of the application of these standards on an entity's financial statements. Below, standards and interpretations are illustrated which, at the 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 1<sup>st</sup>, 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 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on the current situation and 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 1<sup>st</sup>, 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 1 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 7<sup>th</sup>, 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 1<sup>st</sup>, 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 1 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 31<sup>st</sup>, 2021 Amendment to IFRS 16 – Leases: Covid 19-Related Rent Concessions beyond June 30<sup>th</sup> 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 1 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 1 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 1 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 1 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 area

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

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

Consolidated subsidiaries are listed below:

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

Compared to 31 December 2020, the subsidiary Sardeolica S.r.l. acquired the following equity investments

- Energia Alternativa S.r.l.
- Energia Verde S.r.l.

The closing of the transaction, which took place at the beginning of June, involved an outlay of EUR 13,564 thousand and concerned all the shares of the two companies, which own and operate two wind farms located in the municipality of Uta (CA) with a total installed capacity of 45 MW, as well as financial receivables due from them.

## 3.4 Use of discretionary estimates and assessments, including in light of the effects of COVID-19

The preparation of the condensed consolidated 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 results of the accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based.

The 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 are related to amortization of fixed assets, recoverable amount of property, plant and equipment, recoverable amount of inventories, deferred tax assets, provisions for risks and impairment losses on current assets, revenues for the sale of electricity in the "Essenzialità" Scheme and the related cost restoration mechanism granted by the Authority, measurement of the recoverable amount of receivables, estimation of the fair value of derivatives

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, 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 which, 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.

Furthermore, the sanitary emergency related to the pandemic determined unprecedented effects on global markets, and especially on oil market, which significantly impacted the economic and financial performance of the Group. The uncertainty about the time and the chance that the markets and their operators could come back to the usual operating level, as well as the chance that a new wave of emergency could come back in Italy and globally make it extremely complex – especially for the oil market – to develop any kind of forecast for the future: on such forecasted scenario the Group devolps its test of impairment over its assets.

In the light of what is described in the Covid-19 Impact Paragraph of Report on Operations, the Group performed the necessary checks on going concern and evaluation of its assets (please refer to Par. 5.2), as well as it updated the Risk Analysis Section of the Report on Operations. ndale e alle valutazioni delle attività, a cui si rimanda al successivo Capitolo 5.2 Attività non correnti, nonché ha aggiornato il Capitolo relativo all'Analisi dei Rischi presente in Relazione sulla Gestione.

Estimates and evaluations are periodically reviews and their effects are booked in the income statements; for a broader description of the main significant estimates, please refer to 2020 Annual Report,

## 4. Information by business segment and geographical area

### 4.1 Premise

With the purpose of providing a consistent disclosure of the results for each business of the Saras Group, the financial information of the individual companies within the Group have been calculated and reported according to the same business , which have been reviewed and aggregated as described in the following notes.

Hence, starting from January 2021, Group's activities are aggregated in the segments:

- Industrial&Marketing;

Renewable.

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

On 13 April 2021, AREA issued Resolution 152/2021 approving the application for admission to the cost recovery scheme, thus including Sarlux in the list, drawn up on an annual basis, of essential plants with effect from the expiry of the relevant CIP6/92 agreement (20 April 2021).

The transition from the CIP6/92 agreement to the essentiality regime marked a significant change in the way the Sarlux plant operates, since the technical and economic parameters to be considered for its operation will be those laid down in the said regime and will 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, are therefore represented as of 1 January 2021 in a single segment, called "Industrial & Marketing" including the integrated refining and electricity generation activities. This segment also includes the activities related to "Marketing", a segment that until the previous financial year included the Spanish distribution network and the depots 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, resulted in the loss of the 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. The Marketing segment is therefore no longer significant in its own right and has therefore been aggregated. Finally, the "Industrial & Marketing" segment included 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.

The 'Wind' segment will be renamed the 'Renewable' segment in view of potential developments in photovoltaics and green hydrogen: as at June 2021, it includes the subsidiaries operating wind farms.

## 4.2 Segment information

In light of what has been described in the previous paragraph, starting from the first quarter of 2021, the information by business segment has undergone a profound review, in the direction of a substantial aggregation of the segments previously identified, inspired by the aforementioned changes in the Group's business model.

Having said that – from this condensed consolidated financial statement on – the segment information according to IFRS 8 has been adapted to match with mentioned modifications of the operating segments, as a consequence of the business activities which generate revenues and costs. Such a segment information is coherent with the way Directors periodically review the Group's performance.

## 5. Notes to the Statement of Financial Position

### 5.1 Current assets

#### 5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	30/06/2021	31/12/2020	Change
Bank and postal deposits	540,783	558,933	(18,150)
Cash	59	64	(5)
<b>Total</b>	<b>540,842</b>	<b>558,997</b>	<b>(18,155)</b>

Bank deposits are mainly attributable to Saras S.p.A. (EUR 345,709 thousand), Sarlux S.r.l. (EUR 39,513 thousand) and Saras Trading S.A. (EUR 134,672 thousand). Such deposits are not subject to constraints or restrictions; among deposits, please note that Energia Alternativa Srl has a bank deposit, amounting to EUR 1.044 thousand, not immediately available as it guarantees a part of the loan used by the subsidiary to build the wind farm.

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

#### 5.1.2 Other financial assets

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

Current financial asset	30/06/2021	31/12/2020	Change
Current financial derivatives	59,001	91,110	(32,109)
Deposits to secure derivatives	52,944	61,325	(8,381)
Other assets	1,242	1,242	0
<b>Total</b>	<b>113,187</b>	<b>153,677</b>	<b>(40,490)</b>

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

The item "Derivative guarantee deposits" includes the balance as at 30 June 2021 of deposits to guarantee open positions in derivative instruments required by the counterparties with which the Group has entered into such transactions.

#### 5.1.3 Trade receivables

Trade receivables amount to EUR 439,355 thousand, up on the equivalent amount as at 31 December 2020, by EUR 182,714 thousand. The item is presented net of the allowance for impairment, which amounts to EUR 7001 thousand (EUR 7.974 thousand as at 31 December 2020). The increase in receivables is essentially due to the increase in both the quantities sold and the prices of petroleum products. For further comments on sales performance, please refer to the Report on Operations.

#### 5.1.4 Inventories

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

<b>Inventories</b>	<b>30/06/2021</b>	<b>31/12/2020</b>	<b>Change</b>
Raw materials, consumables and supplies	229,415	218,803	10,612
Unfinished products and semi-finished products	90,868	77,244	13,624
Finished products and goods	487,272	329,373	157,899
Spare parts and raw materials, supplies	112,366	111,969	397
<b>Total</b>	<b>919,921</b>	<b>737,389</b>	<b>182,532</b>

The increase in the value of oil inventories is attributable to the growing trend in prices, which partially offsets a decrease in inventory quantities compared to 31 December 2020.

In compliance with the provisions of the accounting standards, the Group has measured inventories at the lower of purchase or production cost and the recoverable amount on the market estimated on the basis of quantities sold during the first two weeks of July 2021: this comparison revealed the necessity to record the lower value of EUR 58 million for the inventories.

No inventories are used as collateral for liabilities.

#### 5.1.5 Current tax assets

Current tax assets break down as follows:

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

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

<b>Current tax assets</b>	<b>30/06/2021</b>	<b>31/12/2020</b>	<b>Change</b>
VAT credit	1,689	38	1,651
IRES credits	5,761	1,074	4,687
IRAP credits	9,994	7,625	2,369
Other amounts due from the tax authorities	3,186	5,552	(2,366)
<b>Total</b>	<b>20,630</b>	<b>14,289</b>	<b>6,341</b>

#### 5.1.6 Other assets

The balance breaks down as follows:

<b>Other assets</b>	<b>30/06/2021</b>	<b>31/12/2020</b>	<b>Change</b>
Accrued income	92	36	56
Prepaid expenses	20,645	9,918	10,727
Other short-term loans	66,486	110,104	(43,618)
<b>Total</b>	<b>87,223</b>	<b>120,058</b>	<b>(32,835)</b>

Prepayments mainly relate to insurance premiums and charges for the biofuel regulations for the Parent Company.

"Other receivables" mainly comprise:

- the receivable of EUR 31,575 thousand due to the subsidiary Sarlux S.r.l. from the Equalisation Fund for the Electricity Sector for the payment, pursuant to Title II, paragraph 7-bis, Cip Regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emissions Trading), in application of Authority for Electricity and Gas Resolution ARG/elt 77/08 of 11 June 2008, referring to the first half of 2021; the decrease compared to the previous financial year is due to the collection of the portion referring to the year 2020.
- white certificates of EUR 29,512 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 30,978 thousand in 2020); for additional information, reference should be made to section 7.1;

## 5.2 Non-current assets

As already described in the Report on Operations, Refining Market is one of the most impacted by the pandemic. Uncertainty still remains, especially over the demand of oil products, as a consequence of the risk of new variants and this situation caused a new contraction of the profitability in the market during the first half of 2021.

Saras Group, taking into consideration the recommendations of the main regulators and authorities (ESMA, CONSOB, IOSCO) and according to IAS 36 (Impairment of assets), has constantly monitored the presence of indicators that could represent a risk for the Group to continue to operate as a going concern, as well as it monitored the presence of current or foreseeable effects of the crisis on financial statements' items and on the financial structure of the Group.

Based on such monitoring activity and considering the updated 2021 budget and some mid-term indicators approved by the Board of Directors during 2021, the Group verified as at June 30<sup>th</sup>, 2021 if the CGU "Refining, Power and Marketing" had suffered an impairment. Such a verification has been conducted through a sensitivity analysis by using the same model used for the previous year; the main variations in the assumptions from the last verification (the one performed for December 2020) were:

- update of the oil and power scenario 2021-2022, according to the most updated report available on the market (same independent source as December 2020);
- update of the production plan (refining and power) 2021-2022;
- updated of the assumption regarding the "Essenzialità" scheme, according to the evolution occurred during the first half of 2021;
- review of the capital expenditures plan for the period 2021-2024.

Market scenarios for the period after 2022 have not been amended from the ones assumed as at December 2020, as the availability of independent, third-party reports are limited to the short-term; such an approach is consistent with the widespread expectations of the segment which foresee the end of the crisis due to the pandemic after 2022, when the market should come back to a conditions in line with the world economy.

The above mentioned analysis did not bring to any evidence of impairment of assets for the first half of 2021.

Regarding "Renewable" CGU – which coincides with the previous "Wind" CGU – no impairment indicators arose.

### 5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	30/06/2021
Land and buildings	179,129	3	(219)	0	(1)	178,912
Plant and machinery	3,726,697	10,545	(9,000)	0	116,296	3,844,538
Industrial and commercial equipment	37,658	0	(331)	0	0	37,327
Other goods	669,318	49	(230)	0	8,274	677,411
Tangible fixed assets under construction	246,465	25,230	0	0	(47,948)	223,747
<b>Total</b>	<b>4,859,267</b>	<b>35,827</b>	<b>(9,780)</b>	<b>0</b>	<b>76,621</b>	<b>4,961,935</b>

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	30/06/2021
Land and buildings fund	105,191	2,046	(12)	0	(193)	107,032
Plant and machinery fund	2,917,884	72,160	(10,668)	0	55,891	3,035,267
Industrial and commercial equipment fund	32,413	1,338	(316)	0	(10)	33,425
Other goods	492,985	12,225	(205)	0	877	505,882
<b>Total</b>	<b>3,548,473</b>	<b>87,769</b>	<b>(11,201)</b>	<b>0</b>	<b>56,565</b>	<b>3,681,606</b>

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2021
Land and buildings	73,938	3	(207)	(2,046)	0	192	71,880
Plant and machinery	808,813	10,545	1,668	(72,160)	0	60,405	809,271
Industrial and commercial equipment	5,245	0	(15)	(1,338)	0	10	3,902
Other goods	176,333	50	(25)	(12,225)	0	7,396	171,529
Tangible fixed assets under construction	246,465	25,230	0	0	0	(47,948)	223,747
<b>Total</b>	<b>1,310,794</b>	<b>35,828</b>	<b>1,421</b>	<b>(87,769)</b>	<b>0</b>	<b>20,055</b>	<b>1,280,329</b>

"Land and buildings" chiefly include industrial buildings, offices and warehouses with a carrying amount of EUR 32,575 thousand, office buildings in Milan and Rome belonging to the Parent Company with a carrying amount of EUR 2317 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux S.r.l. and the subsidiary Deposito di Arcola S.r.l. with a carrying amount of EUR 36,988 thousand.

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

The item "Industrial and commercial equipment" includes equipment for the chemical laboratory and the control room for refining activities, as well as miscellaneous production equipment.

"Other assets" mainly include tanks and pipelines used to carry the group companies' products and crude oil (Sarlux S.r.l., Saras Energia S.A. and Deposito di Arcola S.r.l.).

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

Increases for the year amounted to EUR 35,828 thousand and mainly refer to technological interventions on refinery plants and the extension of the wind farm, as mentioned previously.

Other movements include the balances of the two companies acquired from the subsidiary Sardeolica as described above.

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

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

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

## 5.2.2 Intangible assets

The following table shows the changes in intangible assets:

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	30/06/2021
Industrial patent and original work rights	59,479	3	(262)	0	406	59,626
Concessions, licences, trademarks and similar rights	24,543	0	(1)	0	0	24,542
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible fixed assets	530,414	135	(30)	0	506	531,025
Intangible assets under construction	929	148	0	0	1	1,078
<b>Total</b>	<b>636,384</b>	<b>286</b>	<b>(293)</b>	<b>0</b>	<b>913</b>	<b>637,290</b>

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	30/06/2021
Industrial patent and original work rights	51,876	1,560	(31)	0	57	53,462
Concessions, licences, trademarks and similar rights	13,041	20	(1)	0	407	13,467
Other intangible fixed assets	524,160	1,129	(30)	0	(195)	525,064
<b>Total</b>	<b>589,159</b>	<b>2,709</b>	<b>(62)</b>	<b>0</b>	<b>269</b>	<b>592,075</b>

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2021
Industrial patent and original work rights	7,603	3	(293)	(1,560)	0	411	6,164
Concessions, licences, trademarks and similar rights	11,502	0	(2)	(20)	0	(405)	11,075
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible fixed assets	6,254	135	(60)	(1,129)	0	761	5,961
Intangible assets under construction	929	148	0	0	0	1	1,078
<b>Total</b>	<b>47,225</b>	<b>286</b>	<b>(355)</b>	<b>(2,709)</b>	<b>0</b>	<b>768</b>	<b>45,215</b>

The decrease compared with 31 December 2020 mainly reflects amortisation in the period of EUR 1345 thousand, calculated using the same annual rates as in the 2020 financial year, which are reported below.

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

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

### Concessions, licences, trademarks and similar rights

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

### Goodwill and intangible assets with indefinite life

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

### Other intangible fixed assets

They amounted to EUR 5.961 thousand, virtually unchanged from 31 December 2020.

## Intangible assets under construction and advance payments

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

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

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

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

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

Historical Cost	31/12/2020	Increases	Decreases	Write-downs	Other changes	30/06/2021
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	11,245	0	0	0	19,484
<b>Total</b>	<b>61,261</b>	<b>11,245</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72,506</b>

Amortisation Fund	31/12/2020	Amortisation	Use	Write-downs	Other changes	30/06/2021
Leased land and buildings	10,113	2,488	0	0	57	12,658
Leased plant and equipment	3,167	727	0	0	0	3,894
Other leased assets	5,180	1,428	0	0	1	6,609
<b>Total</b>	<b>18,460</b>	<b>4,643</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>23,161</b>

Net Value	31/12/2020	Increases	Decreases	Amortisation	Write-downs	Other changes	30/06/2021
Leased land and buildings	30,957	0	0	(2,488)	0	(57)	28,412
Leased plant and equipment	8,785	0	0	(727)	0	0	8,058
Other leased assets	3,059	11,245	0	(1,428)	0	(1)	12,875
<b>Total</b>	<b>42,801</b>	<b>11,245</b>	<b>0</b>	<b>(4,643)</b>	<b>0</b>	<b>(58)</b>	<b>49,345</b>

The balance as at 30 June 2021 of EUR 49,345 thousand, relates to the application of the IFRS 16 — Leases standard.

Booking essentially refers to the following types of contracts:

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

The increase compared with the end of the previous financial year, amounting to EUR 11,245 thousand, essentially relates to a new contract, signed by the subsidiary Sarlux S.r.l., for logistical support and pollution prevention services using third-party vessels.

### 5.2.4 Other investments

Other investments break down as follows:

Other investments	30/06/2021	31/12/2020	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
<b>Total</b>	<b>502</b>	<b>502</b>	<b>0</b>

### 5.2.5 Prepaid tax assets

The net deferred tax assets and liabilities of the Saras Group at 30 June 2021 amounted to EUR 118,908 thousand (consisting of deferred tax assets of EUR 122,638 recognised under non-current assets and deferred tax liabilities of EUR 3730 thousand).



Based on the forecasts of the 2021–2024 Business Plan and its updates for 2021 and 2022, the Directors have deemed the deferred tax assets recognised on past tax losses recoverable.

### 5.2.6 Other financial assets

At 30 June 2021, this item amounts to EUR 4546 thousand (EUR 5972 thousand in the last financial year) and relates to medium-/long-term receivables.

## 5.3 Current liabilities

### 5.3.1 Short-term financial liabilities

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

Short-term financial liabilities	30/06/2021	31/12/2020	Change
Current bank loans	108,405	19,059	89,346
Bank current accounts	358,746	456,144	(97,398)
Financial derivatives	79,355	97,327	(17,972)
Other short-term financial liabilities	10,411	38,911	(28,500)
<b>Total</b>	<b>556,917</b>	<b>611,441</b>	<b>(54,524)</b>

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

The item "Bank overdrafts" includes the balance of the credit lines, as well as the "hot money" transactions that the Group uses in the normal course of business. The Parent Company Saras also has a medium-term Revolving Credit Facility for a maximum amount of EUR 305 million, the amount drawn at 30 June 2021 was EUR 170 million.

"Financial derivatives" comprise the negative fair value of the financial derivatives in place as at 30 June 2021: the increase of such items on 31 December 2020 is primarily due to the rise in the prices of crude and oil products.

The following table shows assets and liabilities measured at fair value as at 30 June 2021, broken down by the underlying type:

Financial derivative instruments	30/06/2021 Assets	30/06/2021 Liabilities	31/12/2020 Assets	31/12/2020 Liabilities
Interest rate swaps	3,555	2,092	0	586
Fair value derivatives on commodities	55,446	77,263	91,110	95,104
Fair value forward purchases and sales on exchange rates	0	0	0	1,637
Negative Fair value, derivative instruments	0	0	0	0
<b>Total</b>	<b>59,001</b>	<b>79,355</b>	<b>91,110</b>	<b>97,327</b>

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

For further details, see the cash flow statement.

### 5.3.2 Trade and other payables

Trade payables amount to EUR 1,297,059 thousand, up by EUR 380,465 thousand on the balance as at 31 December 2020. The increase is mainly due to the increase in prices during the period.



### 5.3.3 Current tax liabilities

This item breaks down as shown below:

Tax liabilities	30/06/2021	31/12/2020	Change
Payables for VAT	41,324	15,739	25,585
IRES payables (and income tax foreign firms)	4,038	365	3,673
Payables for IRAP	2,350	0	2,350
Other tax payables	136,428	64,395	72,033
<b>Total</b>	<b>184,140</b>	<b>80,499</b>	<b>103,641</b>

"Other tax payables" mainly include payables for excise duties on products released for consumption by the Parent Company, Saras S.p.A., (EUR 127,644 thousand) and the subsidiary Saras Energia S.A.U. (EUR 2,991 thousand). The increase mainly arises from the excise tax advance payments made only in December, as required by Italian law.

### 5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	30/06/2021	31/12/2020	Change
Payables employee benefit and social security	6,962	10,395	(3,433)
Payables due to employees	22,453	26,928	(4,475)
Payables to others	17,259	21,162	(3,903)
Accrued liabilities	880	1,135	(255)
Deferred income	7,475	8,272	(797)
<b>Total</b>	<b>55,029</b>	<b>67,892</b>	<b>(12,863)</b>

Other current liabilities decreased by EUR 12,863 thousand compared to those at year-end 2020; in particular, the item "Payables to employees" includes salaries and wages for the month of June not yet paid and the accrued portion of additional monthly payments as well as any bonuses linked to the achievement of company objectives.

## 5.4 Non-current liabilities

### 5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	30/06/2021	31/12/2020	Change
Non-current bonds	201,190	199,344	1,846
Non-current bank loans	318,250	399,236	(80,986)
Other long-term financial liabilities	61,215	53,484	7,731
<b>Total</b>	<b>580,655</b>	<b>652,064</b>	<b>(71,409)</b>

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

Values expressed in millions of EUR	Commencement / Debt renegotiation	Original amount	Base rate	Maturities	Balance at 31/12/2020	Balance at 30/06/2021	Maturities	
							1 year	beyond 1 year to 5 years
<b>Saras SpA</b>								
Bond	December 2017	200	1.7%	Dec-22	199.3	201.2		201.2
Unicredit	February 2020	50	6M Euribor	Aug-23	49.2	49.5		49.5
Sace Financing	December 2020	350	0.95%	Sep-24	350.0	350.0	87.5	262.5
<b>Energia Alternativa Srl</b>	January 2017	16	2.5% + 6M Euribor	Jun-26		6.2		6.2
<b>Total liabilities to banks for loans</b>					<b>598.5</b>	<b>606.9</b>	<b>87.5</b>	<b>519.4</b>

The "Long-term financial liabilities" include a bond with a total nominal value of EUR 200 million, maturing on 28 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.

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 Company's capital structure.

The loan was organised and underwritten by a pool of leading Italian financial institutions, including Intesa SanPaolo as Depositary Bank, Agent Bank and SACE Agent.

The transaction is part of a financial consolidation plan put in place by Saras to address the impact of the COVID-19 emergency and, in line with the provisions of the "Liquidity Decree" of 9 April 2020 and SACE.

The loan was provided in a lump sum and will mature on 30 September 2024, with a grace period of nine months and provides for a repayment in constant quarterly instalments starting from the end of December 2021, at a rate, inclusive of the cost of the SACE guarantee, in line with the average cost of the Group's debt.

The additional (both medium-term and short-term) credit line of approximately EUR 500 million were at the Group's disposal but still unused as at June 30<sup>th</sup>, 2021.

Compliance with the financial parameters on existing loans subject to verification at June 30<sup>th</sup> 2021 is emphasized

## 5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

Provisions for risks and charges	31/12/2020	Provisions	Use	Other Changes	30/06/2021
Plant dismantling fund	19,039	0	0	0	19,039
Charges for CO <sub>2</sub> quotas fund	179,038	86,677	(179,038)	0	86,677
Other funds for risks and charges	46,088	702	(565)	(3,836)	42,389
<b>Total</b>	<b>244,165</b>	<b>87,379</b>	<b>(179,603)</b>	<b>(3,836)</b>	<b>148,105</b>

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

The provision for CO<sub>2</sub> allowances (EUR 86,677 thousand) was accrued pursuant to Legislative decree no. 216 of 4 April 2006, which introduced limits on CO<sub>2</sub> emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO<sub>2</sub> must be purchased on the appropriate market. The utilisation occurred in the period is due to the purchase of quotas for the fulfilment of the 2020 obligation amounting to EUR 179,038 thousand. The provision relates to allowances, necessary to meet the obligation for the current year, which have not yet been purchased.

The item "Other provisions for risks" mainly refers to provisions recorded for probable liabilities of a legal and fiscal nature, mainly due to a dispute with the GSE for the recognition of white certificates (energy efficiency certificates).

## 5.4.3 Provisions for employee benefits

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

Provisions for employee benefits	30/06/2021	31/12/2020	Change
Post-employment benefits	9,525	8,901	624
<b>Total</b>	<b>9,525</b>	<b>8,901</b>	<b>624</b>

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

## 5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3730 thousand, relate to the foreign subsidiaries.

## 5.4.5 Other non-current liabilities

Other non-current liabilities amounted to EUR 594 thousand and increased by EUR 214 thousand compared to the previous financial year.

## 5.5 Shareholders' equity

Shareholders' equity comprises the following:

Total equity	30/06/2021	31/12/2020	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	721,846	994,482	(272,636)
Net profit (loss) for the period	577	(275,516)	276,093
<b>Total</b>	<b>787,979</b>	<b>784,522</b>	<b>3,457</b>

### Share capital

As at 30 June 2021, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

### Legal reserve

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

### Other reserves

This item totals EUR 721,846 thousand, representing a net decrease of EUR 272,636 thousand on the previous financial year. The net decrease was the combined result of:

- the allocation of the prior year loss (EUR 275,516 thousand);
- an increase of EUR 3314 thousand relating to changes in treasury shares as a result of the resolution passed by the Shareholders' Meeting of Saras S.p.A. on 12 May 2021;
- the negative effect of the translation of foreign currency financial statements of foreign subsidiaries (EUR 434 thousand);

In accordance with IAS 1, para. 1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

### Net result

Profit for the period amounts to EUR 577 thousand.

## 6. Notes to the income statement

### 6.1 Revenues

#### 6.1.1 Revenues from ordinary operations

"Revenues from ordinary operations" break down as follows:

Revenues from ordinary operations	30/06/2021	30/06/2020	Change
Revenues from sales and services	3,499,530	2,466,285	1,033,245
Sale of electricity	196,697	176,297	20,400
Other remunerations	3,883	5,319	(1,436)
Change in contract work in progress	(810)	688	(1,498)
<b>Total</b>	<b>3,699,300</b>	<b>2,648,589</b>	<b>1,050,711</b>

Revenues from sales and services increased by EUR 1,033,245 thousand due to the increase in average sales prices, also supported by a slight increase in sales volumes. For further details, see the Report on Operations.

Revenue from the sale of electricity mainly comprises revenue from the gasification plant (EUR 174,303 thousand) and revenue from the sale of RIUs (EUR 15,121 thousand) by the subsidiary Sarlux S.r.l., as well as revenue from the wind farm of the subsidiary Sardeolica (EUR 7273 thousand, which also includes sales from newly acquired wind farms).

It should be noted that on 13 April 2021 ARERA (the Energy, Networks and Environment Regulatory Authority), following Resolution no. 152/2021/R/EEL, as part of the Essentiality Regulation, accepted the application for admission to the reinstatement of costs made by SARLUX S.r.l., for the period from 21 April to 31 December 2021, for its IGCC (Integrated Gasification Combined Cycle) power plant. The economic conditions to which the IGCC plant will therefore be subject for the period in question consist of two main terms. The first term includes the reintegration component of the fixed costs strictly

necessary for electricity production (thus excluding hydrogen and steam production); these costs are aligned with the rationalisation and optimisation plans envisaged by SARLUX, making a positive contribution to reducing the costs of the national electricity system. The QAR component (depreciation and return on invested capital, as provided for in Resolution 111/06) is also reintegrated. The second term provides, for essential electricity production, for the integration of variable costs in relation to what is collected from the sale on the market at the zonal reference price. The main items of variable costs include the IGCC plant fuel, the cost of the oxygen needed to convert this fuel into synthesis gas completely clean of any trace of sulphur or other pollutants, and the charges associated with CO<sub>2</sub> emission allowances under the Emissions Trading System.

It should be noted that revenue from the sale of electricity includes revenue earned until 20 April 2021 under CIP6/92, which, inter alia, was subject to linearisation until 2020, as described in detail in the financial statements at 31 December 2020.

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

### 6.1.2 Other income

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

Other operating revenues	30/06/2021	30/06/2020	Change
Compensation for storage of mandatory stocks	1,623	5,099	(3,476)
Sale various materials	131	254	(123)
Grants	905	896	9
Chartering	1,527	1,947	(420)
Recovery for claims and compensation	161	466	(305)
CO <sub>2</sub> charges reimbursement	31,576	32,236	(660)
Other revenues	20,878	52,285	(31,407)
<b>Total</b>	<b>56,801</b>	<b>93,183</b>	<b>(36,382)</b>

The item "Repayment of CO<sub>2</sub> charges" refers to the revenues recognised by the subsidiary Sarlux S.r.l. 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 (Emission Trading) as per AEEG's resolution no. 77/08. The decrease, compared to the previous financial year, is mainly due to the decrease in the number of allowances subject to reimbursement, in consideration of the fact that, as already mentioned, the CIP6/92 period of the IGCC plant ended on 20 April 2021.

The decrease in the item "Other revenues" is mainly due to the release of the provision, which took place in the previous period, for CO<sub>2</sub> allowances in relation to the purchase of the business unit (north plant) from Versalis S.p.A. following their definitive assignment for the period 2015–2020, for EUR 35.9 million.

## 6.2 Costs

The following table shows a breakdown of the main costs

### 6.2.1 Purchases of raw materials, consumables and supplies

Purchases of raw materials, replacement parts, consumables	30/06/2021	30/06/2020	Change
Purchase of raw materials	1,760,367	534,292	1,226,075
Purchase semi-finished products	103,795	79,222	24,573
Purchase supplies and consumables	25,530	50,751	(25,221)
Increase in property, plant and equipment	(3,172)	(5,800)	2,628
Purchase finished products	1,444,413	1,615,566	(171,153)
Change in inventories	(186,005)	316,605	(502,610)
<b>Total</b>	<b>3,144,928</b>	<b>2,590,636</b>	<b>554,292</b>

Costs for the purchase of raw materials increased by EUR 1,226,075 thousand compared to the same period of the previous financial year, due to both the increase in prices and the increase in quantities purchased. On the contrary, costs for the purchase of finished products decreased by EUR 171,153 thousand, mainly due to lower quantities being purchased, which was offset by an increase in average prices. For further details, see the Report on Operations.

In accordance with accounting standards, the Group has valued inventories at the lower of purchase or production cost and

recoverable market value: this comparison showed the need to recognise inventories at a lower value of EUR 58 million.

## 6.2.2 Services and sundry costs

Services and sundry costs	30/06/2021	30/06/2020	Change
Costs for services	268,116	334,229	(66,113)
Capitalisations	(8,373)	(72,766)	64,393
Derivatives on crude oil products and CO2	72,763	(139,694)	212,457
Costs for use of third-party goods	2,121	1,242	879
Provisions for risks	86,677	51,862	34,815
Other operating costs	13,332	13,683	(351)
<b>Total</b>	<b>434,636</b>	<b>188,556</b>	<b>246,080</b>

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The decrease in this item is related to the cost containment and investment reduction plan launched in the second half of the previous financial year: for further details, please refer to the Report on Operations.

The "Capitalisations" item mainly relates to the costs of turn-around maintenance costs capitalised in the period. The decrease compared with the same period of the previous financial year is due to the extensive maintenance cycle of scheduled closures carried out in the first half of 2020.

"Provisions for risks and charges" mainly include the allowance for charges relating to the application of Directive 2003/87/EC (Emissions Trading). The increase compared with 30 June 2020 is mainly due to the increase in the value of CO2 allowances.

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

## 6.2.3 Personnel cost

The breakdown of "Personnel cost" is as follows:

Personnel costs	30/06/2021	30/06/2020	Change
Salaries and wages	46,928	59,111	(12,183)
Increases in fixed assets for internal work	(4,455)	(6,391)	1,936
Social security contributions	12,885	16,366	(3,481)
Post-employment benefits	3,497	3,688	(191)
Other costs and long term incentives	7,990	3,102	4,888
Remuneration to the Board of Directors	1,022	978	44
<b>Total</b>	<b>67,867</b>	<b>76,854</b>	<b>(8,987)</b>

Due to the decrease in the average number of staff employed by the Group and the use of the redundancy fund started in the last part of 2020 and continued in the first quarter of 2021, the personnel cost decreased compared to the same period of the previous financial year.

## 6.2.4 Depreciation/amortisation and write-downs

Amortisation and depreciation figures are shown below:

Depreciation/amortisation and write-downs	30/06/2021	30/06/2020	Change
Amortisation of intangible assets	2,709	18,038	(15,329)
Depreciation of tangible assets	87,769	78,220	9,549
Depreciation of tangible leased assets	4,643	4,572	71
<b>Total</b>	<b>95,121</b>	<b>100,830</b>	<b>(5,709)</b>

The item "Amortisation of intangible assets" decreased by EUR 15,329 thousand compared with the same period last year, mainly due to the end of the amortisation of the contract for the sale of electricity under CIP6/92 of the subsidiary Sarlux.

"Depreciation of tangible non-current assets" increases due to the commissioning and consequent start of depreciation of the investments made by the group during the previous financial year.

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

### 6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	30/06/2021	30/06/2020	Change
Bank interest income	108	1,250	(1,142)
Unrealised differences on derivatives	968	0	968
Realised differences on derivatives	1,460	9,465	(8,005)
Profit on exchange rates	38,422	24,911	13,511
<b>Total</b>	<b>40,958</b>	<b>35,626</b>	<b>5,332</b>

Financial charges	30/06/2021	30/06/2020	Change
Unrealised differences on derivatives	131	(610)	741
Realised differences on derivatives	(692)	1,761	(2,453)
Interest expenses on loans and other financial charges	(9,407)	(8,291)	(1,116)
Interest on rights of use on leases	(327)	(335)	8
Exchange rate losses	(44,636)	(43,168)	(1,468)
<b>Total</b>	<b>(54,931)</b>	<b>(50,643)</b>	<b>(5,412)</b>

The table below shows net income/charges by type:

Financial income and Financial charges	30/06/2021	30/06/2020	Change
Net interest	(9,299)	(7,041)	(2,258)
Result of derivative instruments, of which:	1,867	10,616	(8,749)
<i>Realised</i>	768	11,226	(10,458)
<i>Fair value of open positions</i>	1,099	(610)	1,709
Net exchange rate differences	(6,214)	(18,257)	12,043
Other	(327)	(335)	8
<b>Total</b>	<b>(13,973)</b>	<b>(15,017)</b>	<b>(7,705)</b>

The fair value of derivatives in place as at 30 June 2021 refers in full to exchange rate and interest rate hedges, as well as speculative transactions.

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

### 6.4 Income tax

Le imposte sul reddito sono sostanzialmente riferite agli imponibili della Capogruppo e della controllata Sarlux Srl.

Income taxes basically refer to the results of Saras SpA and Sarlux Srl

## 7. Other information

For information on subsequent events, reference should be made to the relevant section in the Report on Operations.

## 7.1 Main legal actions pending

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

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

The subsidiary Sarlux S.r.l. is involved in pending litigation concerning energy issues:

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

Refer to the 2020 consolidated financial statements for further details.

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

## 7.2 Commitments

As at 30 June 2021, there are no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company Saras issued sureties totalling EUR 263,162 thousand as at 30 June 2021, mainly in favour of subsidiaries and bodies, such as Customs Agencies and the Ministry of Defence.

## 7.3 Related-party transactions

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

# Saras S.p.A.

Interim condensed consolidated financial  
statements as of 30 June 2021

Review report on the interim condensed  
consolidated financial statements

(Translation from the original Italian text)



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

To the Shareholders of  
Saras S.p.A.

### Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related explanatory notes of Saras S.p.A. and its subsidiaries (the "Saras Group") as of 30 June 2021. The Directors of Saras S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Saras Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 2 August 2021

EY S.p.A.  
Signed by: Alberto Romeo, Auditor

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



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

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

- the appropriateness in respect of the type of company, and
- the efficient application of the administrative and accounting procedures for the preparation of the interim consolidated half year financial statements, for the period 1<sup>st</sup> January 2021 to 30<sup>th</sup> June 2021.

In addition, the undersigned declare that:

1. the Half-Year Financial Report as at 30<sup>th</sup> June 2021:

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

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

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

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

*Milan, 2<sup>nd</sup> August 2021*

Signature: delegated authority

Signature: director responsible for drawing  
up the accounting statements

Chief Executive Officer

(Ing. Dario Scaffardi)

(Dott. Franco Balsamo)