

## The Board of Directors of Saras S.p.A. approves the Half-Year Financial Report as of 30th June 2022<sup>1</sup>

- Group' reported EBITDA at EUR 532.2 million in Q2/22 (EUR 81.6 million in Q2/21) and at EUR 688.5 million in H1/22 (EUR 108.7 million in H1/21) due to the strong increase in prices and margins of oil products recorded from the end of February
- Group' reported Net INCOME at EUR 215.9 million in Q2/22 (EUR 24.3 million in Q2/21) and at EUR 292.5 million in H1/22 (at EUR 0.5 million in H1/21)
- Group's Comparable EBITDA at EUR 458.6 million in Q2/22 (EUR 19.5 million in Q2/21) and at EUR 520.6 million in H1/22 (EUR 8.3 million in H1/21) for the effects described for the reported results, net of the impacts on inventory stock valuations
- Comparable Net INCOME at EUR 287.1 million in Q2/22 (negative by EUR 23.8 million in Q2/21) and at EUR 300.5 million in H1/22 (negative by EUR 70.8 million in H1/21), for the effects described at the level of reported results, net of the impacts on inventory valuations
- Positive Net financial position before IFRS16 at EUR 64.9 million (negative by EUR 453 million at December 31<sup>st</sup> 2021), due to due to higher profitability in the second quarter.

After the Board meeting, Saras' **Chairman, Massimo Moratti**, commented: *"The second quarter was characterized by extreme market conditions that showed, in all their severity, the importance of "traditional" energies and the need for a diversification of sources. Saras, thanks to its business model, strategic position, and the flexibility of its plants, has been able to meet the growing demand from the market, maximizing refining runs. We reported rewarding financial results, which allowed us to re-establish in just one quarter the historical ability of our business to generate cash, balancing the net debt left by the covid period. Although the scenario for the second half of the year is characterized by high uncertainty, we see positive medium-term fundamentals in the refining sector, to which we want to contribute with our continuous commitment to guarantee energy security".*

**Milan, 29<sup>th</sup> July 2022:** The Board of Directors of Saras S.p.A. met today under Chairman Massimo Moratti and approved the Half-Year Consolidated Financial Report as of 30th June 2022. The results of the second quarter, which are unaudited, are also presented here below for sake of continuity and completeness of information.

### Key financial and operational Group Results

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

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

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

<sup>1</sup> The manager in charge of preparing the corporate accounting documents, **Dr. Franco Balsamo**, declares, pursuant to paragraph 2 article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records of the Company.

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

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

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

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

The positive change is to be primarily attributed to the improvement in ordinary operations between the two periods, mainly due to the increase in the crack margins of the main products and secondarily to the strengthening of the dollar, which were partially offset by higher crude supply costs and the extraordinary increase in the electricity costs required to operate the refinery, net of the amount reimbursed according to the Essentiality Regime agreement.

From the point of view of trading & supply performance, a more complex market environment in terms of crudes supply and higher costs resulting from the backwardation structure of forward curves of crude oils and main oil products is to be noted. Backwardation generated higher cost of hedging inventory stocks; these phenomena were offset by the favourable sales conditions of products.

Regarding maintenance, the half-year was characterised by a more onerous plan compared to the same period last year (mainly in the first quarter) and by the inefficiencies caused by the port closures due to the bad weather of March and April.

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

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

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

**The Group's reported Net Profit was EUR 292.5 million**, compared to EUR 0.5 million achieved in the first six months of 2021. In addition to what is described at the EBITDA level, this change is mainly attributable to higher financial expenses and higher taxes for the first half of 2022, which were impacted by the provisions included in the Decree-Law No. 21 of 21 March 2022, as amended, so-called taxation on extra profits, in addition to the current taxes recorded in the period.

With regard to the windfall tax on extra profit, the Company made a provision which was prudentially estimated in its maximum amount and for which the Company reserves the right to make further assessments that could reduce the amount.

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

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

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

## Comments on the Group's second quarter 2022 results

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

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

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

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

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

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

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

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

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

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

**Investments in the second quarter of 2022 amounted to EUR 26.8 million** compared to EUR 18.5 million in the same period of 2021. The increase is primarily attributable to the Industrial & Marketing segment and is due to the increased maintenance activities carried out in 2022. It should be noted that the investments represented for the second quarter and the first half

of 2021 do not include the investment relating to the acquisition of Energia Verde and Energia Alternativa (relating to the Macchiareddu parks) finalized in June 2021 and classified in the 2021 Financial Statements between investments in equity investments.

## Calculation of the Group comparable EBITDA

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

## Calculation of the Group comparable Net Result

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

## Net Financial Position

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

In the first half of 2022, operating management generated cash for EUR 655 million, of which EUR 123 million attributable to price changes in inventories and relative hedging derivatives. The change in working capital absorbed EUR 34.0 million. This absorption is mainly attributable to increases in the value of inventories (due to both the effect of the above-mentioned price trend and the increase in stored quantities) and of trade receivables; these increases were almost entirely offset by the increase in trade payables and the positive impact of CO2 payment dynamics. Investments have absorbed EUR 51 million and the payment of interest and financial charges and taxes have absorbed EUR 52 million, including the payment of the advance on the so-called taxation of extra-profits.

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

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

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

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

# Oil Market

## Oil market

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

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

Source: "Platts" for prices and crack spreads.

## Crude Oil Prices

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

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

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

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

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

The "heavy-light" differential (i.e. between "Urals" and "Brent" crude oils) in the first half of 2022 recorded a high average discount of 22.3 \$/bbl compared to the average discount of 0.9 \$/bbl in the same period of the previous year (in Q4 2021,

the discount averaged 1.0 \$/bbl). The market dynamics described above, which led to the collapse in demand for Russian crude oils by most American and European operators, resulted in the sharp widening of the Ural MED discount. At the same time, the first half of the year saw an appreciation of crude *sweet* (e.g. Azeri): in a context of high demand and high energy costs, these are preferred to crudes with higher sulphur content, which require more costly desulphurisation processes, due to the higher consumption of electricity, hydrogen and CO<sub>2</sub>. The average premium for Azeri sweet crude in the first half of the year thus stood at +5.3 \$/bbl (compared to an average premium of +1.4 \$/bbl in the same period in 2021).

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

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

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

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

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

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

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

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<sup>2</sup> Source IEA, International Energy Agency, Oil Market Report, March 2022

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

## Marketing

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

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

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

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

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

## Electricity and CO2

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

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

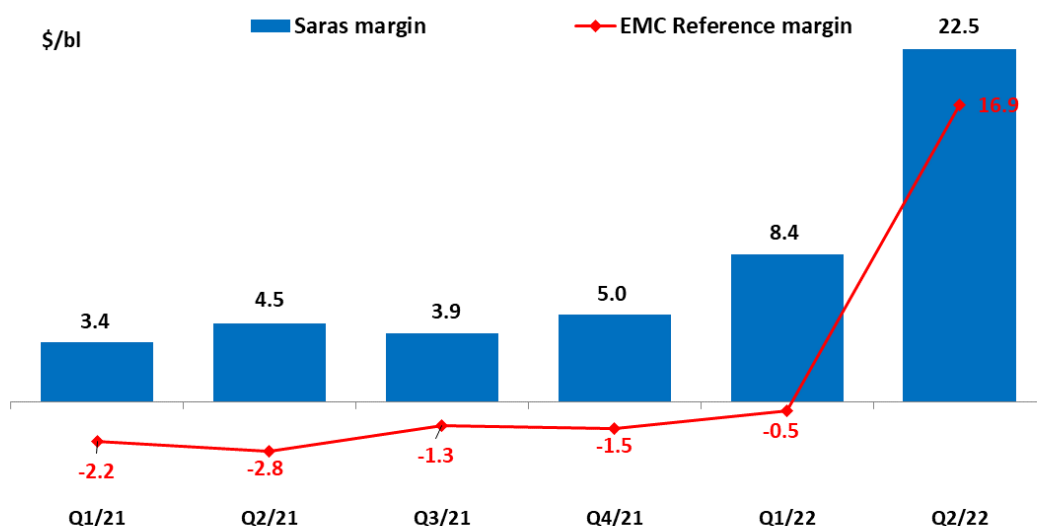


## Refining margins and Saras Industrial & Marketing margin

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

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

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



## Outlook

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

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

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

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

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

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

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

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

- Brent Dtd prices still very unstable: the risks mentioned relating to the supply of crude oil could lead to an increase in prices. In particular, the fear that, following the introduction of European sanctions on Russian oil exports starting from the end of the year, Russia could reduce production, leads some sector analysts to suppose in the second

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

half of the year strong growth quotations; on the other hand, the prices could also discount a strong devaluation if fears of a recessive risk are confirmed;

- premiums on crude oils with low sulfur content, such as Azeri, still very high at historically never reached levels, with a significant impact on the Saras margin;
- gasoline cracks exposed to a potential risk of price reduction in the face of excess production and a slowdown in consumption, rapidly rebalancing towards historical averages;
- gasoil cracks still high due to the entry into force of sanctions on imports from Russia starting from the end of 2022, but potentially exposed to further volatility due to the risk of a slowdown in consumption;
- the high volatility of the PUN, which as early as July saw a further increase in prices, linked to trade tensions with Russia, makes it necessary to consider the risk of an appreciation of gas and with it of electricity;
- CO2 forecast still around the current 85 €/ton in the second half of 2022.

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

As regards the **Renewables segment**, starting from the month of February, the valorisation of the segment's production takes into account the provisions of Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes a "compensation" mechanism for non-incentivised renewable sources, under which producers must repay, up until the end of 2022, the difference between the prices that will occur on the market and "an equitable remuneration", referred to the historical average of the market area prices, from the start-up of the plant until 31 December 2020. For Sardeolica, the compensation is based on a historical average price of about 61 €/MWh, to be applied to the non-incentivised production sections which became operational prior to 2010 (around 63% of the installed capacity).

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

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

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

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

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

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

With regard to the Carbon Capture and Storage project, after the conclusion in 2021 of the first phase aimed at evaluating different plant solutions for the capture of CO<sub>2</sub>, a second phase was launched with Air Liquide, to achieve a better definition of the aspects relating to the entire development chain including logistics and transport aspects, together with an estimate of costs and timing.

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

## Conference call on July 29<sup>th</sup>, 2022, and other information

On July 29<sup>th</sup>, 2022, the Board of Directors of Saras SpA will meet in order to approve First Half 2022 Group's results. Subsequently a dedicated press release will be issued via SDIR and, at the same time, a slide presentation will become available on the company's website ([www.saras.it](http://www.saras.it)).

On the same day at 16:00 CEST, there will be a conference call for analysts and investors, during which the management will comment the results and answer to relevant questions.

Dial in numbers:

For Italy: +39 02 8020911  
For UK: +44 1 212818004  
For USA: +1 718 7058796

Link for the live webcast: <https://87399.choruscall.eu/links/saras220729.html>

Playback and transcript of the webcast will also be available on the company's website.

For enquiries, please contact Saras' Investor Relations Department.

This press release has been prepared pursuant to the Regulation implementing Legislative Decree 24th February 1998 number 58, adopted by CONSOB under resolution 14th May 1999 number 11971, as amended and supplemented. It is available to the general public on the Company's website under "Investors / Financial Press Releases", and also on the "1Info" authorised storage mechanism ([www.1info.it](http://www.1info.it)). Moreover, the Half-Year Financial Report as of 30th June 2022 is also available to the public at the Company's registered Office in Sarroch (CA) S.S. 195 Sulcitana Km. 19, on the Company's website under "Investors / Financial Reports", and on the "1Info" authorised storage mechanism.

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### THE SARAS GROUP

The Saras Group, founded by Angelo Moratti in 1962, is one of the leading players in the European energy and oil refining industry. Through the Parent Company Saras S.p.A., and its subsidiaries, Saras Trading SA, based in Geneva, and Saras Energia SAU, based in Madrid, the Group sells and distributes oil products in the domestic and international markets. The Group also operates in the production of electricity, through its subsidiaries Sarlux S.r.l. (IGCC plant) and Sardeolica S.r.l. (wind plant). Moreover, the Group provides industrial engineering and research services to the oil, energy and environment sectors through its subsidiary Sartec S.r.l.. The Group has about 1,572 employees and total revenues of about EUR 8.6 billion as of 31 December 2021 (about EUR 5.3 billion as of 31 December 2020).