

Saras Group
Interim Financial
Report as of
30th September 2022



SARAS

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

Statutory and Control Bodies

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FRANCO BALSAMO	Chief Financial Officer
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INDEPENDENT AUDITING FIRM

EY SpA

Group Activities

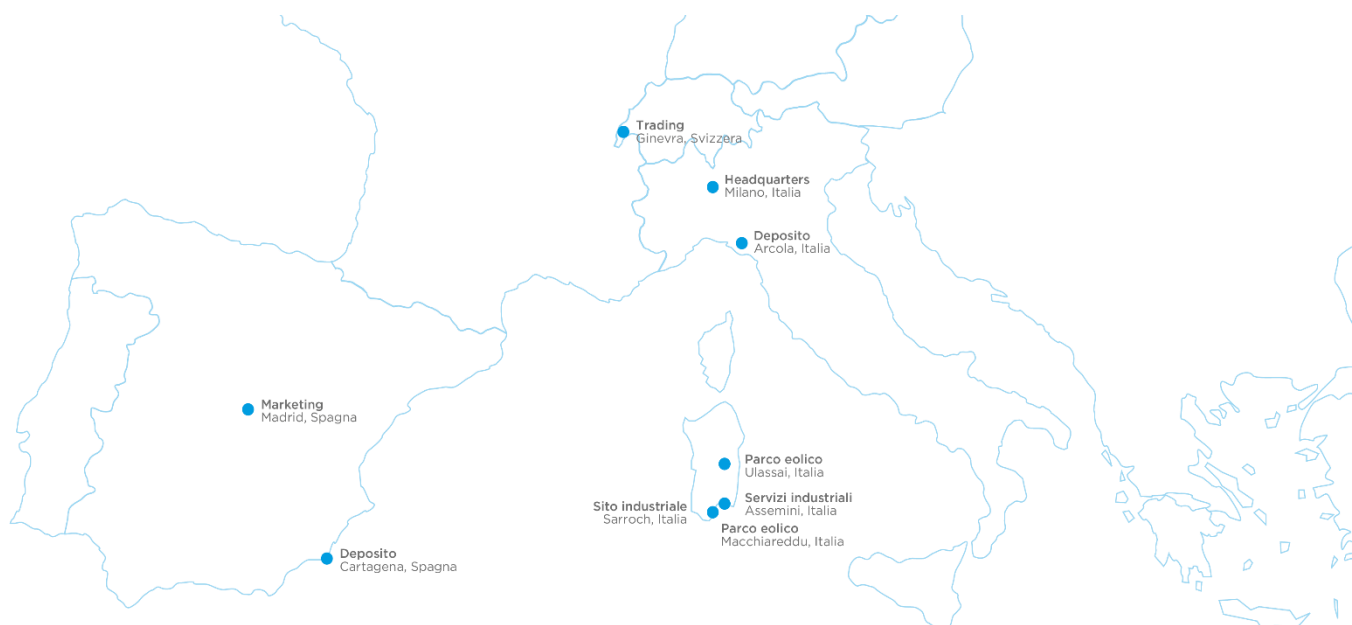
The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the largest in the Mediterranean in terms of production capacity (15 million tonnes per year, or 300,000 barrels per day) and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

The Group sells and distributes oil products directly and through its subsidiaries, such as diesel, gasoline, diesel fuel for heating, liquefied petroleum gas (LPG), virgin naphtha, fuel for aviation and bunkering, mainly on the Italian and Spanish markets, but also in various other European and non-European countries.

The Group is also active in the production and sale of electricity, through the IGCC plant (Integrated Gasification Combined Cycle), combined with the refinery and also managed by the subsidiary Sarlux, with an installed capacity of 575MW. The plant, which since April 2021 has been recognized by ARERA as one of the essential plants for the safety of the Italian electricity system, uses heavy refining products and transforms them into approximately 3.5 billion kWh/year of electricity, contributing to about 40% of the electricity needs of Sardinia.

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

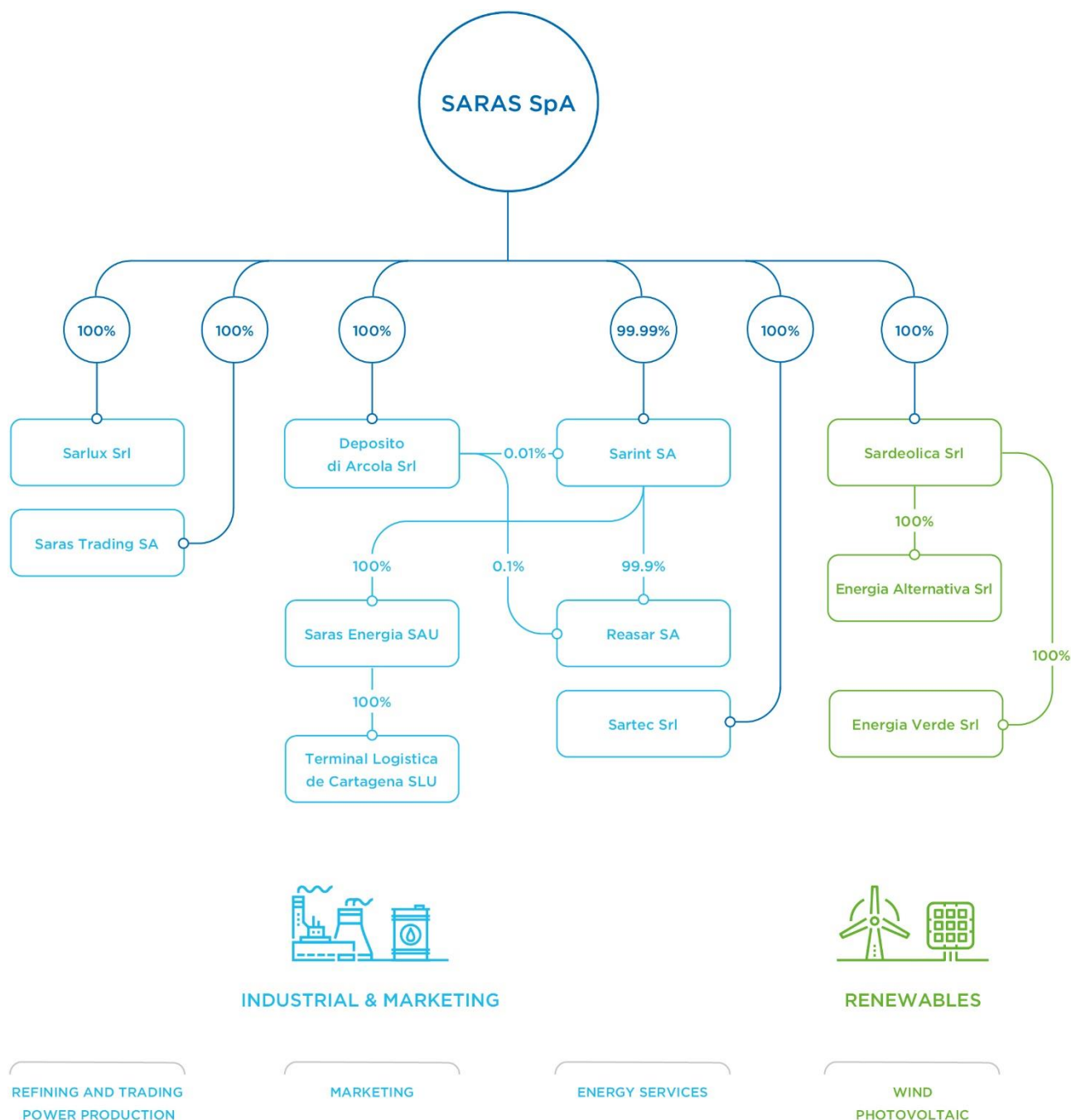
Lastly, the Group provides industrial engineering and research services to the petroleum, energy and environment industries, via its subsidiary Sartec Srl.



Structure of the Saras Group

The following picture illustrates the structure of the Saras Group and the main companies involved in each business segment, as of 30th September 2022.

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



Saras Stock Performance

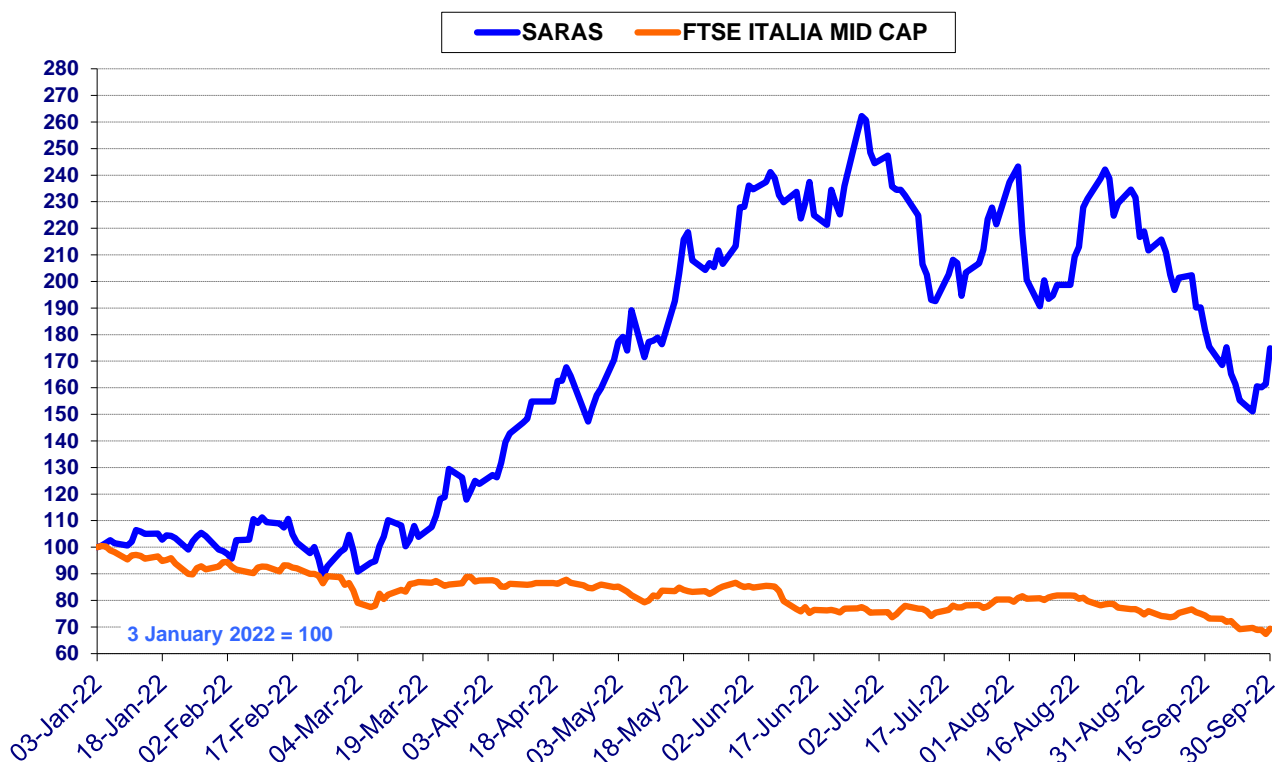
The following data relate to Saras' share prices and the daily volumes, traded during the nine months of 2022.

SHARE PRICE (EUR)		9M 2022
Minimum price (24/02/2022)		0.4966
Maximum price (28/06/2022)		1.464
Average price		0.944
Closing price at the end of the nine months of 2022 (30/09/2022)		0.976

DAILY TRADED VOLUMES		9M 2022
Maximum traded volume in EUR million (17/05/2022)		32.1
Maximum traded volume in number of shares (million) (04/02/2022)		39.4
Minimum traded volume in EUR million (11/01/2022)		1.8
Minimum traded volume in number of shares (million) (06/09/2022)		2.2
Average traded volume in EUR million		10.9
Average traded volume in number of shares (million)		12.2

The Market capitalization at the end of the nine months of 2022 was equal to approximately EUR 928 million and the total number of shares were 951 million.

The following graph shows the daily performance of Saras' share price¹, during the nine months of 2022, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange. Performance of the stock in the nine months of 2022 was 77.2%.



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

REPORT ON OPERATIONS

GAAP and Non-GAAP measure

Alternative performance indicators

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

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

Impact of the Russia-Ukraine war

The outbreak of the Russian-Ukrainian conflict changed the global energy scenario, triggering extreme volatility and a sharp increase in energy commodity prices (oil and derivatives, gas and electricity) particularly in Europe, which is more exposed to Russian market supplies.

With regard to the oil market, following the Russian invasion of Ukraine, major Western players in the sector progressively stopped imports from Russia due to the announcement or entry into force of sanctions by Europe, the US, the UK and Canada. In particular in Europe, at the end of May, the European Council agreed on the sixth sanctions package, which includes a ban on the purchase, import or transfer of crude oil and petroleum products from Russia to the EU: the restrictions, applied gradually so as to secure alternative supplies and reduce the impact on world oil prices, provide that by 5 December 2022 imports of Russian crude oil and by 5 February 2023 imports of petroleum products will be blocked, with a temporary exception for imports of crude oil supplied by pipeline to EU Member States which, due to their geographical situation, suffer from a particular dependence on Russian supplies and have no viable alternative options.

This scenario has led, in a context of sustained demand close to pre-covid levels, to a decrease in the global availability of crude with a consequent increase in prices and, especially in Europe, to a reduced supply of middle distillates, with a price increase more than proportional to that of crude.

Europe's structural shortage of diesel was in fact, before the war, offset by Russian imports (up to 800-900 kbbbl/day, approx. 35% of European diesel imports, and equal to 10-12% of the old continent's total needs)². At the same time, the availability of Sour Urals crude oil (around 20 per cent of the crude processed in the refineries of European OECD countries, largely used in the production of middle distillates) decreased, forcing several plants to reduce refining runs, due to the constraints of many refineries in their capacity to process other crude qualities in the production of diesel.

From the end of March until around mid-June, gasoline prices and margins also experienced unprecedented increases, driven by a sharp rise in demand in both Europe and the US with the onset of the "driving season", as well as by a supply affected by generally reduced refining capacity (many of the refineries closed in the last decade in both Europe and the US produced mainly gasoline) and the reshaping of refinery outputs in favour of diesel in the immediate aftermath of the outbreak of war. In addition, the shortage of high-octane components has further reduced production.

After the peaks in June, gasoline margins returned to historical seasonal values in the following months from July onwards.

Finally, beside the increase in oil prices, electricity and gas prices also contributed to the rise in fuel prices.

As described later, these factors had an overall positive impact on the Saras Group's economic and financial situation in the second and third quarters, although they generated some critical elements, such as, first of all, a significant appreciation of low-sulphur crude oils and electricity, and, last but not least, a significant difficulty in operational planning in the presence of extreme volatility in the markets of the reference commodities. In order to describe the extent of the "impact of the conflict" on the Group's business in the first half of 2022, it is possible to compare the assumptions made by the main industry analyst companies during the period in a "normality scenario" immediately prior to the conflict, with the relevant average values actually recorded during the period.

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

As described above, with the outbreak of hostilities between Russia and Ukraine, the scenario has drastically changed with Brent prices reaching peaks of over 138 USD/bbl in the first week of March, even within the context of Opec+ member countries production lower than planned. Subsequently, during Q3, expectations of a curb on demand due to the resurgence of the pandemic in China and the global economic slowdown, together with an increase in production by OPEC+ countries, brought Brent prices back below 100 USD/bbl, with the average for the nine months of 2022 standing at 105.7 USD/bbl. At this reporting date, Brent is trading between 91-93 USD/bbl.

Looking at the **margins of the main refined products, i.e. gasoline and diesel**, the average of the pre-conflict projections of industry analyst companies showed an improvement in margins compared to the average values of the last quarter of 2021, forecasting a recovery in consumption, and in particular diesel thanks to the gradual recovery of air traffic. These

² Source: IEA (International Energy Agency)

projections led to an average gasoline crack of ca. 11 USD/bbl and an average diesel crack of approximately 12-13 USD/bbl for 2022.

On the other hand, the change of scenario following the Russian-Ukrainian conflict, for the reasons outlined above, resulted in product margins in the nine months of 2022 averaging 18.3 USD/bbl in the case of gasoline, and 35.3 USD/bbl for diesel.

With regard to **energy costs**, and in particular electricity costs, the prevailing pre-conflict assumptions have assumed a very high PUN (Single National Electricity Price), in contrast to the increases recorded in the second half of 2021, averaging 242 EUR/MWh in the last quarter, although gradually decreasing over the course of the year. For CO₂, the scenario suggested an average EUA permit price of 80 EUR/ton for 2022.

In fact, the upward pressures that impacted the market of natural gas and the related increase in electricity continued in 2022 culminating in the days subsequent to 24 February 2022, day in which the conflict in Ukraine began, when the spot price of natural gas on the TTF (the European reference market for natural gas) reached 208 EUR/MWh and the PUN reached a record daily average of 588 EUR/MWh. In this context, **the PUN averaged 323 EUR/MWh in the nine months of the year**, with an average of 472 EUR/MWh in Q3.

EUA quotations for European carbon dioxide permits averaged 82.4 EUR/ton in the nine months of 2022 (before the pandemic phase and subsequent recovery, the CO₂ price averaged 48.1 EUR/MWh).

As regards the Renewables segment, the valorisation of the segment's production has taken into account the provisions of Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes a "compensation" mechanism for non-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 EUR/MWh, to be applied to the non-incentivised production sections which became operational prior to 2010 (around 63% of the installed capacity).

Key financial and operational Group Results

EUR Million	9M 2022	9M 2021	Change %	Q3/22	Q3/21	Change %
REVENUES	11,965	5,839	105%	4,266	2,083	105%
Reported EBITDA	1054.4	113.5	829%	365.9	4.8	7523%
Comparable EBITDA	817.0	10.6	n.s.	296.4	2.3	n.s.
Reported EBIT	913.2	(33.0)	n.s.	317.5	(46.6)	n.s.
Comparable EBIT	675.8	(135.9)	n.a.	248.0	(49.1)	n.a.
NET RESULT reported	347.2	(34.9)	n.s.	54.7	(35.4)	n.s.
Comparable NET RESULT	449.7	(109.7)	n.a.	149.3	(38.8)	n.a.

EUR Million	9M 2022	9M 2021	FY 2021
NET FINANCIAL POSITION ANTE IFRS 16	268.8	(503.0)	(453.1)
NET FINANCIAL POSITION POST IFRS 16	229.2	(546.9)	(494.5)
CAPEX	66.4	48.2	84.0

Comments on the Group's results for the nine months of 2022

In the nine months of 2022, Group revenues came to EUR 11,965 million compared to EUR 5,839 million in the nine months of the previous year. The significant increase is related to both the changed scenario conditions and the higher volumes produced and sold between the two periods. From a scenario perspective, the variables that had the greatest impact were the appreciation of the main oil products, the increase in the sale price of electricity (in accordance with the Essentiality Regime agreement) and the exchange rate trend characterised by the strengthening of the dollar against the euro. Specifically, the average price of diesel in the nine months of 2022 was 1,052 USD/ton (vs. 546 USD/ton in 2021), the average price of gasoline was 1,036 USD/ton (vs. 644 USD/ton in 2021), the single national price for the sale of electricity (PUN) was 323 EUR/MWh (vs. an average sale price of 99 EUR/MWh in the nine months 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) and the EUR/USD exchange rate was 1.06 (vs. EUR/USD exchange rate of 1.20 in 2021). From the standpoint of industrial production, it should be noted that all main production variables were above the values recorded in 2021. More specifically, refinery runs in the nine months of 2022 amounted to 71.8 million barrels (vs 69.3 million barrels in 2021), non-renewable electricity production amounted to 3,019 GWh (vs 2,454 GWh in 2021), renewable electricity production amounted to 206 GWh (vs 176 GWh in 2021) and Marketing channel sales amounted to 2,749 thousand tons (vs 2,496 thousand tons in 2021).

The Group's reported EBITDA amounted, for the nine months of 2022, to EUR 1,054.4 million, up from EUR 113.5 million in the nine months of 2021. The positive change is primarily attributable to improved scenario conditions, which, as mentioned, benefited from a strong appreciation of diesel and gasoline cracks, as well as an appreciation of the dollar against the euro. These positive factors were only partly offset by higher costs and greater complexity in the procurement of crudes (increase in the price of Brent crude oil and crude oil premiums, especially for light crudes), a weakening of the naphtha crack, an increase in energy costs only partly offset by the effects of the TER Support Decree, and the continuation of a "backwardation" market structure that increased crude oil costs and the costs caused by risk hedging activities on the related stocks.

The trading & supply activities were characterised by higher sales in all channels as well as improved trading results. Production planning has been adversely affected by a lesser variety of crude oils available on the market and a deterioration in the quality of some of these types.

With regard to operating performances, net of the impacts resulting from the increase in unit margins, the nine months of 2022 were characterised by an overall better performance than that of 2021, although a more onerous maintenance plan. In addition, as regards the price dynamics of commodities on oil inventories (net of the related hedging derivatives) in the nine months of 2022, these benefited from an appreciation of EUR 167.6 million compared to an appreciation of EUR 105.8 million in the same period of 2021.

Lastly, for non-recurring items, there was a negative impact of EUR 5.4 million in 2022, related to the adjustment of some receivables, compared to EUR 6.2 million in 2021, mainly related to the cost of CO2 emissions pertaining to 2020.

Lastly, it should be noted that the reported EBITDA for the nine months of 2022 reflects the effect of the TER Support Decree, respectively a reduction in energy costs by approx. EUR 83.2 million and a price cap on power sales from renewable sources (wind power) by approx. EUR 23.1 million.

The Group's reported Net Profit was EUR 347.2 million, compared to a negative value of EUR 34.9 million achieved in the nine months of 2021. In addition to the EBITDA figure, this variance is mainly attributable to higher financial expenses (mainly due to the strengthening of the US dollar and the consequent impact on the results of the relative hedging derivatives) and to higher current taxes, as a result of the increase in taxable income for the year, in addition to the effect of the so-called "taxation on extra-profits", as better described in the Notes to the Financial Statements.

The Group's comparable EBITDA amounted to EUR 817.0 million in the nine months of 2022, an increase over EUR 10.6 million recorded in the nine months of 2021. With respect to reported EBITDA, this result does not include the above-mentioned positive effect of the scenario on changes in inventories between the start and end of the period, includes the impact of currency derivatives (reclassified under core business) and excludes non-recurring items. The higher result compared to the nine 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 nine months of 2022 was EUR 449.7 million, compared to a loss of EUR 109.7 million in the same period of last year as a result of the same phenomena described for Reported Net Profit, net of the effect of "taxation on extra-profits".

Investments in the nine months of 2022 stood at EUR 66.4 million higher than in the first half of 2021 (EUR 48.2 million); this increase is attributable to the Industrial & Marketing segment and to the increased activities developed in 2022.

Comments on the Group's third quarter 2022 results

In the third quarter of 2022, Group revenues amounted to EUR 4,266 million, compared to EUR 2,083 million in the third quarter of last year. The significant change is attributable to the same market dynamics highlighted in the commentary on the nine-month results characterised by the appreciation of the main oil products, an increase in the price of electricity, in accordance with the Essentiality Regime agreement, and a strengthening of the dollar against the euro. In addition to these market trends, revenues also increased due to the positive results of the main production variables: refinery runs amounted to 25.4 million barrels (+18% vs 2021), non-renewable power generation amounted to 1,145 GWh (+17% vs 2021), Marketing channel sales amounted to 979 thousand tons (+5% vs 2021).

The Group reported EBITDA for the third quarter of 2022 was EUR 365.9 million, up from EUR 4.8 million in the third quarter of 2021. The positive change is primarily attributable to the improvement in ordinary operations between the two periods due to the same dynamics highlighted for the nine-month performance. The price dynamics of commodities on oil inventories (net of the related hedging derivatives) in the third quarter of 2022, benefited from an appreciation of EUR 44.2 million compared to an appreciation of EUR 4.7 million in the same period of 2021. Finally, non-recurring items showed a negative impact of EUR 1.7 million in 2022, compared to EUR 1.3 million in 2021, both due to the reclassification of some costs under financial expenses.

Lastly, it should be noted that the reported EBITDA for the third quarter of 2022 reflects the effect of the TER Support Decree, respectively a reduction in energy costs by approx. EUR 43.1 million and a limitation of sales tariffs for electricity generated from renewable sources (wind power) by approx. EUR 8.3 million.

The Group's reported Net Profit was EUR 54.7 million, an increase compared to the loss of EUR 35.4 million in the third 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 results for the nine months, taking into account the effect of the increase in current taxes, due to the increase in taxable income for the year, as well as the effect of "taxation on extra-profits".

The Group's comparable EBITDA amounted to EUR 296.4 million in the third quarter of 2022, up from EUR 2.3 million recorded in the third 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 third 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 third quarter of 2022 was EUR 149.3 million, compared to a loss of EUR 38.8 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 third quarter of 2022 amounted to EUR 15.5 million compared to EUR 8.0 million in the same period of 2021. The increase is mainly attributable to increased investment activities in the Industrial & Marketing segment.

Calculation of the Group comparable EBITDA

EUR Million	9M 2022	9M 2021	Q3/22	Q3/21
Reported EBITDA	1,054.4	113.5	365.9	4.8
Gain / (Losses) on Inventories and on inventories hedging derivatives	(167.6)	(105.8)	(44.2)	(4.7)
Derivatives FOREX	(75.2)	(3.3)	(27.0)	0.9
Non-recurring items	5.4	6.2	1.7	1.3
Comparable EBITDA	817.0	10.6	296.4	2.3

Calculation of the Group comparable Net Result

EUR Million	9M 2022	9M 2021	Q3/22	Q3/21
Reported NET RESULT	347.2	(34.9)	54.7	(35.4)
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	(120.8)	(76.3)	(31.8)	(3.4)
Non-recurring items net of taxes	223.4	1.5	126.4	-
Comparable NET RESULT	449.7	(109.7)	149.3	(38.8)

Net Financial Position

The Net Financial Position at 30 September 2022, before the effects of applying IFRS 16, was positive by EUR 268.8 million, compared to a negative reported Net Financial Position of EUR 453.2 million at 31 December 2021.

In the nine months of 2022, operating management generated EUR 965 million, of which EUR 168 million attributable to price changes in inventories and relative hedging derivatives.

The change in working capital amounted to EUR 99.0 million, mainly attributable to an increase 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 effects were partially offset by the increase in trade payables and the positive impact of CO2 payment dynamics.

Investments amounted to EUR 66 million and the payment of interest and financial charges and taxes absorbed EUR 76 million, including the payment of the advance on the so-called "taxation on extra-profits".

The Net Financial Position before the application of IFRS 16 was positive with EUR 268.8 million and positive with EUR 229.2 million considering the effect of the application of IFRS 16.

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

EUR Million	30-Sep-22	31-Dec-21
Medium/long-term bank loans	(432.9)	(5.6)
Bonds	-	-
Other medium/long-term financial liabilities	(4.6)	(5.3)
Other medium/long-term financial assets	4.1	4.1
Medium-long-term net financial position	(433.4)	(6.7)
	-	-
Short term loans	(118.5)	(385.2)
Medium/long-term bank loans (maturity date within 12 months)	-	(199.7)
Banks overdrafts	(12.8)	(163.2)
Other short term financial liabilities	(37.8)	(113.8)
Fair value on derivatives and realized net differentials	(41.9)	(9.1)
Other financial assets	188.8	57.6
Cash and Cash Equivalents	724.4	367.0
Short-term net financial position	702.3	(446.5)
Total net financial position ante lease liabilities ex IFRS 16	268.8	(453.2)
Financial lease liabilities ex IFRS 16	(39.6)	(41.3)
Total net financial position post lease liabilities ex IFRS 16	229.2	(494.5)

Oil Market

Oil market

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

	Q1/22	Q2/22	Q3/22	9M/22		Q1/21	Q2/21	Q3/21	9M/21
Crude oil price and differential (\$/bbl)									
Brent Dated (FOB Med)	102.5	113.9	100.8	105.7		61.1	69.0	73.5	67.9
Urals (CIF Med)	91.9	79.9	74.5	82.1		60.6	67.8	71.7	66.7
"Heavy-light" price differential	-10.6	-34.0	-26.4	-23.6		-0.5	-1.2	-1.8	-1.2
Crack spreads for refined oil products (\$/bbl)									
ULSD crack spread	19.0	44.8	42.0	35.3		4.3	4.8	7.0	5.4
Gasoline crack spread	9.4	31.9	13.7	18.3		6.2	8.9	12.6	9.3
Reference margin (\$/bbl)									
Reference margin (NEW Benchmark)	-0.5	16.9	8.6	8.3		-2.2	-2.8	-1.3	-2.1

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

Crude Oil Prices

In the nine months of 2022, Brent Dtd recorded an average price of 105.7 USD/bbl compared to an average price of 67.9 USD/bbl in the same period of 2021. The comparison must take into account a scenario that has profoundly changed over the two periods.

In particular, the beginning of 2022 saw an upward acceleration of prices compared to those already recorded in 2021 with the return of the pandemic emergency: demand at pre-Covid levels and a shortfall in supply, in particular due to production below the targets of Opec producing countries, led to increases of more than 15% in Brent prices, which in January exceeded the 90 USD/bbl mark for the first time in more than seven years.

The outbreak of the Russian-Ukrainian conflict then led to new increases: the gradual withdrawal of Western countries from the Russian market triggered a collapse in Ural crude prices in favour of alternative sour crudes, and a rise in Brent crude prices, which peaked at over 138 USD/bbl in the first week of March, and averaged around 101 USD/bbl and 114 USD/bbl in Q1 and Q2 respectively.

In the months immediately following the conflict, in fact, the producing countries of the OPEC+ alliance did not offset the lower exports of Russian crude oil to the market, maintaining production levels significantly lower than those expected from previous commitments, and reporting, as in the case of Nigeria and Angola, operational difficulties in meeting their targets. Lower exports from Libya and Kazakhstan, burdened by political tensions, have also neutralised the production increases from Saudi Arabia.

In light of this situation, the 31 member countries of the International Energy Agency (IEA) decided in March 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 related to a resurgence of the Covid pandemic in China and rising inflation in the US and Europe, helped rebalance Brent prices between March and April to lower values around 100 USD/bbl. In the first weeks of May, however, rapid progress on the EU's sixth round of sanctions on Russian exports renewed price tensions, with Brent Dtd quickly rising above 110 USD/bbl to over 130 USD/bbl in mid-June, after the EU officially adopted its sixth sanctions package on Russian oil.

In Q3, crude oil prices saw a gradual decline, averaging 100.8 USD/bbl. Since July, world oil supply has in fact progressively increased, thanks to the end of a set of maintenance operations on platforms in the North Sea and Canada, but above all thanks to the OPEC+ countries, and in particular Saudi Arabia, Kuwait and Kazakhstan, which have contributed with production in line with targets, as well as Libya, which returned to production thanks to the mid-July lifting of the force majeure.

At the same time, the release of high volumes of crude oil from US strategic stocks continued. In addition, oil demand grew less than expected due to prolonged lockdowns in China and a general global economic slowdown, where fears of a recession due to high energy costs, high inflation and restrictive central bank interest rate policies weighed on prices.

Russian oil exports fell by 230 thousand barrels per day to 7.5 thousand barrels per day in September, down 560 thousand barrels per day from pre-war levels. Two months after the embargo on Russian crude oil imports became effective, EU countries have yet to diversify more than half of their pre-war import levels.

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 nine months of 2022 recorded a high average discount of 23.6 USD/bbl (compared to 1.2 USD/bbl in the same period of the previous year). The described dynamics that led to the collapse in demand for Russian crude oils strongly widened the Ural MED discount, which averaged 34 USD/bbl in Q2. Russian volumes thus were gradually redirected mostly towards India and China, allowing for a slight recovery in the value of the Urals, which in Q3 recorded an average discount in the Mediterranean region of around 26 USD/bbl (1.8 USD/bbl in Q3 of 2021).

This phenomenon has led, on the other hand, to an appreciation of sweet crude (see Azeri) which, in a context of high demand and high energy costs, is often preferred to crude oils with a higher sulphur content, which require more costly desulphurisation processes: the average premium for Azeri sweet crude in the nine months of the year thus stood at +5.5 USD/bbl (compared to an average premium of +1.4 USD/bbl in the same period of 2021). In particular, the light sweet material, after a further appreciation in July, with a premium vs. Brent of +10.6 USD/bbl, declined in August and September, due to lower purchases by European refiners, bringing the average for the quarter to +5.9 USD/bbl in Q3, which was lower and comparable to the previous quarter (+6.5 USD/bbl in Q2).

"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 nine months of 2022 averaged +18.3 USD/bbl (vs. +9.3 USD/bbl in the nine months of 2021). In the first three months of the year, margins remained (on average +9.4 USD/bbl) broadly in line with the last quarter of 2021, when gasoline had already shown full recovery from the effects of the pandemic crisis.

The outbreak of war has had initially less of an impact on gasoline exports, one of the few products in which Russia does not play a primary role in terms of supplying global markets. However, some product characteristics, such as the significant seasonality and geographical differences in specifications, have affected the sharp increase in prices since April. The high demand recorded in both Europe and the US at the beginning of the summer season was in fact not matched by supply, which was affected by reduced refining capacity (many refineries processing mainly gasoline were closed in the last decade in both Europe and the US) and lower production due to the reshaping of outputs in favour of diesel in the period immediately following the outbreak of war. In addition, the shortage of high-octane components has further reduced gasoline production. In Q2, the gasoline crack thus reached a record average value of +31.9 USD/bbl. Starting in July and during Q3, the price of gasoline quickly returned to values more similar to historical seasonal values, averaging +13.7 USD/bbl (+12.6 USD/bbl in Q3/2021), mainly due to a rebalancing of consumption after the peaks of the driving season. The long production run of gasoline was further accentuated by the refinery runs increased processing in the preceding months in order to respond to the high demand for diesel, resulting in an increase in refinery runs and at the same time also in gasoline production.

Diesel crack (ULSD) in the nine months of 2022 averaged +35.3 USD/bbl (+5.4 USD/bbl in the same period of 2021).

The comparison between the two periods must necessarily 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 for the most part of 2021, as well as, on the other hand, the effects of the war in Ukraine from the end of February 2022. In the months preceding the outbreak of the Russian-Ukrainian conflict, the recovery of demand to pre-covid levels had brought diesel margins back to values close to pre-pandemic levels (+11 to 12 USD/bbl). The outbreak of the conflict at the end of February led to unprecedented volatility and diesel prices, in light of a structural shortage of middle distillates in Europe, which had been historically offset until then by imports of Russian product (up to 800-900 kbbbl/day, approx. 35% of European diesel imports, equal to 10-12% of the old continent's total needs).³ At the same time, the availability of sour Urals crude oil from Russia, which accounted for about 20% of the crude processed in the European refineries and to a large extent used in the production of middle distillates, declined. The constraints of many plants in the production of diesel from other crude qualities, particularly in hydrotreating capacity, have forced many refineries to reduce their runs.

³ Source IEA, International Energy Agency, Oil Market Report, March 2022

This supply shock has come on top of a pre-existing low unused refining capacity in Europe and the US, exacerbated in the last two years by the impacts of the pandemic on the industry (the IEA global refining capacity is estimated to have decreased by about 3 mb/day in the last three years).

The diesel crack thus averaged +44.8 USD/bbl in Q2.

In Q3, after a partial drop in July, due to high exports of middle distillates from Asia to Europe, the diesel crack resumed its upward trend, averaging +42 USD/bbl (+7 USD/bbl in Q3 / 2021), in an environment still characterised by strong demand and insufficient supply. In addition, the impending EU embargo on Russian diesel (effective from the beginning of February 2023) generated further bullish pressure on crack.

As for the analysis of jet fuel, this, in the nine months of 2022, recorded an average crack of +31.9 USD/bbl, (vs. an average of +2.6 USD/bbl in the nine months of 2021). In the pre-conflict period, air traffic had shown a recovery trend in particular in the last quarter of 2021. Following the outbreak of the Russian-Ukrainian conflict, the jet fuel, similarly to diesel, has received support from the lack of supply that impacted the entire middle distillate pool. Finally, although the cancellations of Russian flights have reduced some European air traffic, the closure of Russian and Ukrainian air space has increased the duration of numerous intercontinental flights between Europe and Asia, resulting in greater consumption of jet fuel. As far as short-haul flights are concerned, there has been an increase in traffic in Europe (Eurocontrol data show a level now back within 85% of the 2019 activity level). In Q2, the jet crack thus averaged +44.1 USD/bbl.

In Q3, jet fuel cracked at an average of 36.2 USD/bbl (+4.1 USD/bbl in Q3 / 2021), down slightly from Q2, similar to what has been described for diesel, due to an increased supply coming from imports from Asia to Europe.

The VLSFO crack in the nine months averaged +4.5 USD/bbl (vs. an average of +2.2 USD/bbl in the nine months of 2021). The VLSFO margins had followed a rather constant trend in the pre-conflict period, in continuity with 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 USD/bbl, (almost double the average of 3.8 USD/bbl in Q1), with daily peaks over 14 USD/bbl in early April. **In Q3, the VLSFO crack fell sharply, recording an average value of +2.4 USD/bbl (+0.8 USD/bbl in Q3/21),** down 67% from the average of +7.4 USD/bbl recorded in Q2, mainly due to the reduction in maritime cargo traffic as a result of the global economic slowdown.

On the other hand, the **HSFO crack** collapsed to -32 USD/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 nine months stood at -29.2 USD/bbl, depreciating progressively over the period (with averages of -21 USD/bbl in Q1; -28.1 USD/bbl in Q2 and -38.4 USD/bbl in Q3) compared to an average of -10.5 USD/bbl in the same period in 2021. HS fuel oil also remained at depressed values in Q3, hitting a new low with the September average (-42.6 USD/bbl). This development is related to the discounting of HS crude oils (due to the reduction of Asian purchases, which preferred Russian material at a large discount), as well as the availability of high-sulphur material of Russian origin. **Overall, the HSFO crack in Q3 was -38.4 USD/bbl (vs. -11.6 in Q3 / 2021).**

Marketing

In Italy, according to data collected by Unione Energie per la Mobilità (UNEM), in the nine months of 2022, the consumption of oil products showed an increase of 5.3% compared to the same period in 2021, but still lower (-3.5%) than in the nine months of 2019. The consumption of transport fuels (gasoline and diesel) showed a significant recovery of +6.3% compared to 2021, and a consumption finally in line (+0.3%) with the figure of 2019, thanks to a strong recovery in gasoline (+5.6%) and a substantial realignment of diesel (-0.3%). The negative deviation towards 2019 is weighed down by the still lower -25.2% jet fuel consumption compared to the pre-pandemic period.

In Q3, oil consumption was in line (-0.1%) with the same period in 2021, and thus still lower than in the same period in 2019 (-7.1%). In the quarter, the sales figure for gasoline and diesel was positive (total sales of the two fuels increased by +0.4% vs 2021 and +4.8% vs 2019). Still impacting the comparison is the recovery of jet fuel demand, which is very positive (+92%) compared to Q3/2021, but still lower by -20.5% than in the same quarter of 2019.

As for an analysis of the Spanish market, the data compiled by CORES so far available up to the month of August show that during the month of August alone, motorway fuel consumption grew by 0.5% compared to August 2021. In particular, the demand for gasoline increased by 4.7% while the consumption of diesel decreased (-0.7%).

Compared to the pre-pandemic situation in 2019, motorway fuel consumption in August was lower overall (-2.6%): gasoline consumption increased significantly (+7.5%) but the consumption of diesel (-5.3%) in the month was lower.

In the eight months of 2022, motorway fuel consumption in Spain in general increased by +5.5% compared to the same period of 2021, with a significant growth in demand particularly for gasoline (+12.6%) as well as for automotive diesel (+3.8%).

Electricity and CO2

The strongly upward trend that has characterised the natural gas market and the related electricity market since the second half of 2021 worsened in 2022 with the outbreak of the Russian-Ukrainian conflict, with the spot price of natural gas at the TTF (the European reference market for natural gas) reaching peaks of 323 EUR/MWh at the beginning of March and the PUN (Single National Electricity Price) 588 EUR/MWh. In fact, alarm has grown over an extension of the sanctions adopted against Russia to the gas sector, with the risk of a partial or total interruption of supplies from the country.

In this context, **the PUN averaged 323 EUR/MWh in the nine months of the year (with an average of 472 EUR/MWh in Q3**, vs. 125 EUR/MWh in the same quarter of 2021), a further rise from the already very high values recorded in the previous quarters (248 EUR/MWh in Q1 and 249 EUR/MWh in Q2), with a peak at the end of August (over 706 EUR/kWh). To deal with this emergency, the TER Support Decree (LD 4/2022, converted, with amendments, into Law No. 25), has provided for the recognition of an extraordinary contribution, in the form of a tax credit, to partially offset the higher charges incurred for electricity purchased and used in the performance of economic activities during the first, second, and third quarters of 2022, and in October and November, in favour of "energy-intensive companies"⁴, such as Sarlux srl, a subsidiary of the Saras Group.

EUA quotations for European carbon dioxide permits averaged 82 EUR/ton in the nine months of 2022. In Q3, the trend was unchanged compared to Q2 in the July-August period (84.2 EUR/ton), with a sharp drop in September (-18%), in the aftermath of falling gas prices. Overall, the average cost of CO2 in Q3 was 79.5 EUR/ton (vs. 56.9 EUR/ton in the same quarter of 2021), and slightly lower than in Q2 (83.4 EUR/ton).

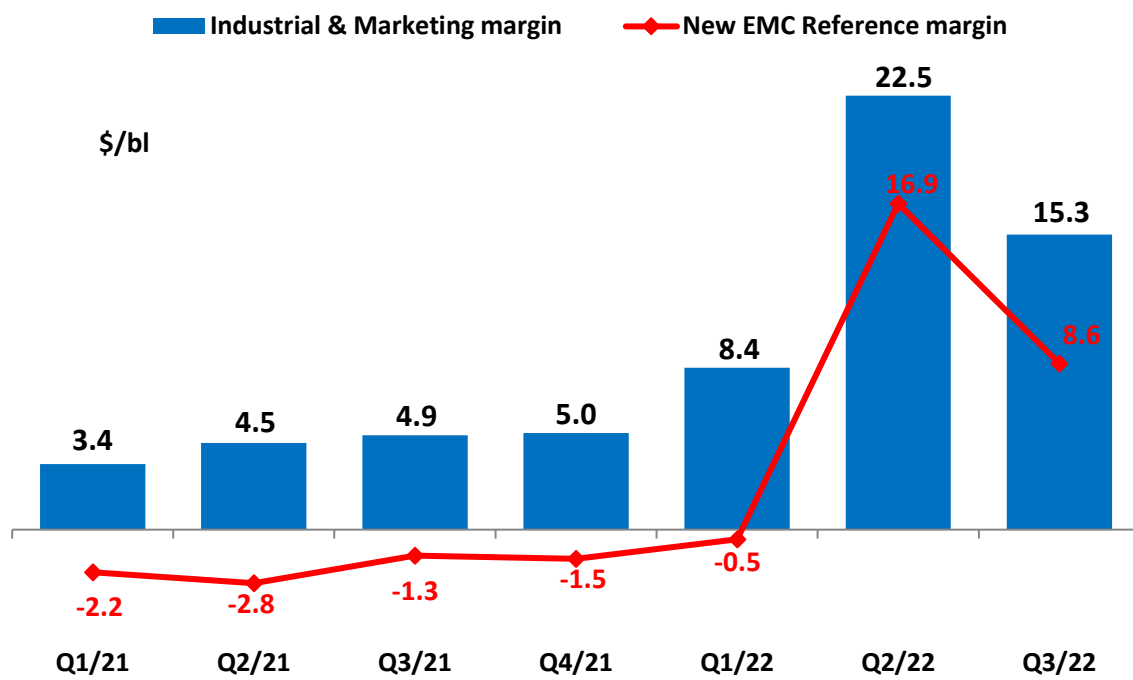
Refining margins and Saras Industrial & Marketing margin

With regard to the profitability analysis of the Industrial & Marketing segment, Saras uses the "EMC Reference Margin" refining benchmark as a reference, 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 Q3 2022, the EMC Reference Margin, in light of the market context described in the previous paragraph, averaged 8.6 USD/bbl (vs. a negative average of -1.3 USD/bbl in Q3/21). **Saras' margin was 15.3 USD/bbl** (4.9 USD/bbl in the same period of the previous year), **showing a premium of +6.7 USD/bbl, of which 1.0 USD/bbl the contribution of the Marketing segment (6.1 USD/bbl in Q3 2021).**

In the nine months of 2022, the EMC Reference Margin averaged 8.3 USD/bbl (vs. a negative EMC of -2.1 USD/bbl in the same period of 2021). **Saras' margin averaged 16.1 USD/bbl** (4.3 USD/bbl in the same period of the previous year), **showing a premium of +7.8 USD/bbl (+6.5 USD/bbl in the same period of 2021).**

⁴ "referred to in the Decree of the Minister of Economic Development of 21 December 2017, published by press release in the Official Gazette No. 300 of 27 December 2017".



Segment Review

Industrial & Marketing

The Sarroch production site, located on the coast south-west of Cagliari, consists of one of the largest refineries in the Mediterranean in terms of production capacity and plant complexity, perfectly integrated with an IGCC (combined cycle gasification) plant. The site is strategically located in the centre of the Mediterranean and has a processing capacity of 15 million tons/year, corresponding to about 17% of the total distillation capacity in Italy, and an installed power generation capacity of 575 MW. It should be noted that, with regard to electricity generation activities, following resolution 630/2021 of 28 December 2021, ARERA accepted the request for admission to the cost reintegration regime for the Sarlux plant, entered by TERNA in the list of essential plants for the electricity system for 2022.

EUR Million	9M 2022	9M 2021	Change %	Q3/22	Q3/21	Change %
Reported EBITDA	1027.4	97.6	953%	360.2	0.0	n.s.
Comparable EBITDA	790.0	(4.6)	n.s.	290.7	(2.5)	n.s.
<i>of which relative to Marketing sales</i>	41.2	24.6	67%	12.2	15.3	-20%
Reported EBIT	892.7	(43.5)	n.s.	314.0	(49.5)	n.s.
Comparable EBIT	655.3	(145.7)	n.s.	244.5	(52.0)	n.s.
CAPEX	60.4	39.8	52%	15.4	7.3	110%

Processing, electricity production and margins

		9M 2022	9M 2021	Change %	Q3/22	Q3/21	Change %
CRUDE RUNS	<i>Tons (thousand)</i>	9,830	9,489	4%	3,476	2,937	18%
	<i>Barrels (million)</i>	71.8	69.3	4%	25.4	21.4	18%
	<i>Bl/day (thousand)</i>	266	257	4%	282	238	18%
COMPLEMENTARY FEEDSTOCK	<i>Tons (thousand)</i>	792	582	36%	180	180	0%
ELECTRICITY PRODUCTION	<i>GWh</i>	3019	2,454	23%	1145	977	17%
TOTAL SALES	<i>Tons (thousand)</i>	2749	2,496	10%	979	934	5%
of which: in Italy	<i>Tons (thousand)</i>	1808	1,589	14%	654	583	12%
of which: in Spain	<i>Tons (thousand)</i>	941	907	4%	325	351	-7%
EXCHANGE RATE	<i>EUR/USD</i>	1.06	1.20	-11%	1.01	1.18	-15%
NEW BENCHMARK MARGIN	<i>\$/bl</i>	8.3	(2.1)	n.s.	8.6	(1.3)	n.s.
SARAS IND & MKTG MARGIN	<i>\$/bl</i>	16.1	4.2	279%	15.3	4.9	213%

Comments on the Group's results for the nine months of 2022

Crude oil processing in the nine months of 2022 was 9.83 million tons (71.8 million barrels, corresponding to 266 thousand barrels/day), 4% higher than in the nine months of 2021. The increased number of refinery runs is mainly attributable to improved production performance, which more than offset a more onerous maintenance plan and the impacts of the port closures due to bad weather that occurred in the first quarter.

Electricity production amounted to 3,019 GWh, up by 23% compared to the nine months of 2021, mainly due to the significant maintenance work that had penalized 2021 and the different production set-ups required by the Essentiality Regime between the two periods.

Comparable EBITDA stood at EUR 790.0 million in the nine months of 2022, with a Saras Industrial & Marketing margin of +16.1 USD/bl, within which the contribution of the Marketing channel was 0.8 USD/bl (as usual, already net of the impact of the maintenance activity carried out in the period). This compares with a negative comparable EBITDA of EUR 4.6 million and a Saras Industrial & Marketing margin of +4.2 USD/bl (within which the contribution of the Marketing channel was 0.5 USD/bl) in the same quarter of the previous year.

With regard to the impact of the oil scenario, it contributed by approximately EUR 844 million. This positive result is mainly attributable to the strengthening of cracks margins of the main refined products (diesel and gasoline) and the strengthening of the US dollar; positive factors that were partially offset by the increase in the price of Brent crude and the increases in crude oil premiums, especially for light grades, as well as the reduction of the naphtha crack. In addition to the development of market variables, these amounts also included the negative impacts that the "backwardation" market structure causes on both procurement and hedging of crude oil stocks, as well as the negative impacts of port closures due to bad weather in the first quarter of 2022.

Operating performance in the nine months of 2022, if compared with the same period of 2021, was better with an impact of approximately EUR 77 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the essentiality regime, with a difference between the two years of EUR 19 million. In particular:

- **Trading & Supply activities** (which include the procurement of crude oil and complementary raw materials, the sale of finished products, the costs of hiring oil tankers, and the management of inventories, including compulsory stocks) contributed to a greater extent for EUR 74 million compared to the same period of the previous year. This was mainly due to a positive performance in oil product management and a higher contribution from trading activities
- **Production planning** (consisting of the optimization of the mix of raw materials brought in for processing, management of semi-finished products and production of finished products, including those with special formulations) made a lower contribution of approximately EUR 21 million compared to the same period of the previous year. This difference continues to be attributable primarily to the unavailability and different qualities of some light crude oils and to the difficulty of offsetting these changes in a context characterized by high complexity in terms of raw material procurement.
- **The execution of production activities** (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some "utilities" such as fuel oil, steam, electricity and fuel gas) - excluding the impact from the different unit margins between the two periods - led to a higher contribution of approximately EUR 5 million compared to the same period of the prior year.

Industrial variable costs, net of components relating to the Essentiality Regime, were EUR 126 million higher in the nine months of 2022 compared to the same period in 2021. Electricity contributed a cost increase of EUR 53 million. This increase is attributable to the increase in the unit price of energy, which amounted to EUR 146 million and was partly offset by the benefits of the tax credit due to the "Support Decree" and lower consumption. Carbon dioxide emissions contributed with a cost increase of EUR 50 million due for EUR 25 million to the unit price increase, for EUR 20 million to the lower free allocations received, and EUR 5 million to the higher non-redeemed emissions. The remaining incremental cost share is attributable to higher demurrage (due to higher unit costs and the impact of bad weather in Q1), higher catalyst costs (due to higher unit prices and higher utilization rate to achieve higher margins for the period), and utilities (nitrogen), due to higher unit costs partly related to the price of electricity.

The trend in **fixed costs** in the nine months of 2022 recorded an increase of approximately EUR 16 million compared to the same period of the previous year. This deviation is mainly due to higher maintenance costs (due to both the different maintenance plan envisaged between the two years, and the increase in functional activities to achieve the higher margin level) and to the impact of the redundancy fund on personnel costs in 2021. It should also be noted that, within the final costs, approximately EUR 52 million is the amount subject to reimbursements relating to the Essentiality Regime in 2022; this amount was EUR 29 million in the previous year with the start of the new regime as of 21 April.

The contribution of the Marketing channel to the comparable EBITDA amounted to EUR 41.2 million, versus EUR 24.6 million in 2021. This change is mainly due to higher margins on sales in Italy and Spain. In this regard, it should be noted that in both markets, thanks also to a favorable market environment, both sales volumes and unit margins realized increased. Note that this contribution should be considered together with the industrial one because their technical and commercial expertise, on which the Group's business model is based, is closely coordinated.

Comments on the third quarter 2022 results

Crude oil runs in the third quarter of 2022 were 3.48 million tons (25.4 million barrels, corresponding to 282 thousand barrels/day) 18% higher than in the third quarter of 2021. This increase is due on the one hand to a higher-than-expected 2022 processing due to the optimization of some scheduled maintenance work and on the other hand to a lower-than-expected 2021 result due to unexpected maintenance work (FCC shutdown).

Electricity production amounted to 1,145 GWh, up by 17% compared to the third quarter of 2021, mainly due to the different maintenance plan in place and the different production set-ups required by the Essentiality Regime.

Comparable EBITDA stood at EUR 290.7 million in the third quarter of 2022, with a Saras Industrial & Marketing margin of +15.3 USD/bl, within which the contribution of the Marketing channel was 0.6 USD/bl (as usual, already net of the impact of the maintenance activity carried out in the period). This is against a negative comparable EBITDA of EUR 2.5 million and a Saras Industrial & Marketing margin of +4.9 USD/bl (within which the contribution of the Marketing channel was 0.9 USD/bl) in the same quarter of the previous year.

With regard to the impact of the oil scenario, the impact on margin generation was positive by approximately EUR 282 million. This positive result is mainly attributable to the strengthening of the cracks of the main oil products and the strengthening of the US dollar; positive factors that were partially offset by the increase in the price of Brent crude and by increases in crude oil premiums especially for light grades and the weakening of the naphtha crack. In addition to the development of market variables, these amounts also included the negative impacts that the "backwardation" market structure has caused during the quarter on raw material inventories.

Operating performance in the third quarter of 2022, if compared with the same period of 2021, was higher by approximately EUR 63 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the Essentiality Regime, with a difference between the two years of EUR 2 million. In particular:

- **Supply & Trading activities** (which include the procurement of crude oil and complementary raw materials, the sale of finished products, the costs of hiring oil tankers, and the management of inventories, including compulsory stocks) contributed to a greater extent for approximately EUR 44 million compared to the same period of the previous year. As highlighted above this result was mainly due to a positive performance in product management and a higher contribution from trading activities.
- **Production planning** (consisting of the optimization of the mix of raw materials brought in for processing, management of semi-finished products and production of finished products, including those with special formulations) made a higher contribution of approximately EUR 2 million compared to the same period of the previous year. This was due to the optimizations made on the pool of light crude oils where some typically used grades, characterised by high premium levels in the current context, were replaced with crude oils with a lower equivalent cost.
- **The execution of planning** (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some "utilities" such as fuel oil, steam, electricity and fuel gas) net of the effects due to the different levels of unit margins between the two periods, made a higher contribution of approximately EUR 15 million compared to the same period of the prior year.

Industrial variable costs, net of components relating to the Essentiality Regime, were EUR 47 million higher in the third quarter of 2022 compared to the same period in 2021. Electricity contributed a cost increase of EUR 23 million. This higher cost is attributable to the increase in the unit price of energy, which had an impact of EUR 60 million, partially offset by the benefits of the tax credit due to the Support Decree (for approximately EUR 43 million). Carbon dioxide emissions contributed a cost increase of EUR 14 million, of which EUR 13 million was due to the development of the scenario. The remaining incremental cost share is attributable to the higher demurrage, higher cost of catalysts and utilities.

The trend in **fixed costs** in the third quarter of 2022 recorded an increase of approximately EUR 3 million compared to the same period of the previous year. This variance is mainly due to higher costs for disposal and reclamation activities and higher bank commissions of a commercial nature, the increase of which is attributable to higher prices of physical goods. It should also be noted that, within the final costs, approximately EUR 17 million is the amount subject to reimbursements relating to the Essentiality Regime in 2022; this amount was EUR 16 million in the previous year.

The contribution of the Marketing channel to the comparable EBITDA amounted to EUR 12.2 million, versus EUR 15.3 million in 2021. This difference can be attributed to the result of activities in Spain.

Oil slate and refined products yield

The mix of crudes that the Sarroch refinery processed in the nine months of 2022 had an average density of 32.9°API, heavier than the average density processed in the nine months of 2021. A more detailed analysis of the grades of crude oils used shows an increase in the percentage of light crude oils with low and very low sulphur content ("*light sweet*" and "*light extra sweet*"), an increase in the percentage of heavy crude oils with both low and high sulphur content ("*heavy sour/sweet*"), and a decrease in medium crude oils with both low and high sulphur content. These trends can be attributed to the changed market conditions with high margins of the main oil products and to the higher production of electricity due to the different production set-up required.

		9M 2022	9M 2021	Q3/22
Light extra sweet		44%	43%	44%
Light sweet		9%	6%	7%
Medium sweet/extra sweet		1%	6%	0%
Medium sour		12%	25%	9%
Heavy sour/sweet		33%	20%	40%
Average crude gravity	°API	32.9	33.8	31.9

As regards the yields of finished products, to be noted is that in the nine months of 2022, consistent with market trends, the yield of middle distillates was maximised (51.7%), which was higher than in the nine months of 2021.

		9M 2022	9M 2021	Q3/22
LPG	Tons (thousand)	207	211	62
	yield (%)	2.0%	2.1%	1.7%
NAPHTHA + GASOLINE	Tons (thousand)	2,791	2,934	913
	yield (%)	26.3%	29.1%	25.4%
MIDDLE DISTILLATES	Tons (thousand)	5,492	4,867	1,897
	yield (%)	51.7%	48.4%	51.9%
VERY LOW SULFUR FUEL OIL	Tons (thousand)	510	513	234
	yield (%)	4.8%	5.1%	5.6%
OTHERS	Tons (thousand)	1,008	925	363
	yield (%)	9.5%	9.2%	9.9%

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

Renewables

The Saras Group is active in the production and sale of electricity from renewable sources. The company operates several plants with a total installed wind power capacity of 171 MW. The Group's development objectives envisage an increase in installed capacity up to 500 MW; in this regard, on 30 March 2022, the Autonomous Region of Sardinia approved the Single Authorisation in favour of Sardeolica S.r.l. for the construction and operation of a 79 MW photovoltaic plant in the industrial area of Macchiareddu. In this regard, the purchase order for photovoltaic panels was completed in the third quarter, and construction work and site preparation is scheduled to begin by the end of the year. It is confirmed that the construction of the new plant will take place by the fourth quarter of 2023.

EUR million	9M 2022	9M 2021	Change %	Q3/22	Q3/21	Change %
Reported EBITDA	27.0	15.9	70%	5.7	4.8	19%
Comparable EBITDA	27.0	15.2	78%	5.7	4.8	19%
Reported EBIT	20.5	10.5	95%	3.5	2.9	21%
Comparable EBIT	20.5	9.8	110%	3.5	2.9	20%
CAPEX	6.0	8.4	-28%	0.2	0.7	-74%

Other figures

		9M 2022	9M 2021	Change %	Q3/22	Q3/21	Change %
ELECTRICITY PRODUCTION	MWh	205,691	175,612	17%	42,528	47,438	-10%
POWER TARIFF	EURcent/KWh	15.0	7.0	114%	16.9	10.2	66%
INCENTIVE TARIFF	EURcent/KWh	4.3	10.9	-61%	4.3	10.9	-61%

Comments on the results for the nine months of 2022

In the nine months of 2022, the Renewables segment's comparable EBITDA amounted to EUR 27.0 million, higher than the EUR 15.2 million achieved in the nine months of 2021. The increase in EBITDA between the two periods is attributable for EUR 6.0 million to the contribution of the new plants and for the remaining part to the contribution of the existing wind farms.

In relation to the existing wind farms, production was up by EUR 0.6 million due to higher wind speeds, while the remaining portion is attributable to the increases in the average electricity tariff between the two periods. The percentage of incentivised production in the two periods was respectively 17% in 2022 and 12% in 2021, with the difference due to the incentivised production relating to the Energia Alternativa srl plant.

In terms of the impacts relating to application of the TER Support Decree, the production affected by the application of the sale price cap of 61 EUR/MWh is 54% of the total, with a lower EBITDA by about EUR 23.1 million.

Comments on the third quarter 2022 results

In the third quarter of 2022, the Renewables segment's comparable EBITDA amounted to EUR 5.7 million, higher than the EUR 4.8 million achieved in the third quarter of 2021. In the quarter, the higher margin generated as a result of higher average sales prices was almost entirely offset by the effects of the application of the TER Support Decree and decreased production due to lower windiness.

The percentage of incentivised production in the two periods was respectively 17% in 2022 and 20% in 2021, with the difference due to the incentivised production relating to the Energia Alternativa srl plant due to lower windiness.

In terms of the impacts relating to application of the TER Support Decree, the production affected by the application of the sales price cap of 61 EUR/MWh is 65% of the total, with a lower EBITDA by about EUR 8.3 million.

Investments by business segment

EUR Million	9M 2022	9M 2021	Q3/22	Q3/21
INDUSTRIAL & MARKETING	60.4	39.8	15.4	7.3
RENEWABLES	6.0	8.4	0.2	0.7
Total	66.4	48.2	15.5	8.0

Investments made by the Saras Group in the nine months of 2022 amounted to EUR 66.4 million, up compared to EUR 48.2 million in 2021.

For the **Industrial & Marketing segment**, capital expenditures in the nine months of 2022 amounted to EUR 60.4 million, higher than the EUR 39.8 million recorded in the nine months of 2021, mainly due to the higher portion of authorized work and capitalized maintenance work.

Investments in the **Renewables segment** in the nine months of 2022 amounted to EUR 6.0 million. These investments concerned the start of development activities for the new photovoltaic plant.

Outlook

The International Energy Agency (IEA) in its latest Oil Market Report released in October, partially revised **global oil demand estimates**, with a forecast for 2022 of +1.9 mb/day y-o-y demand growth, and average consumption of 99.6 mb/day in the year. This estimate positively revises the estimates released in July - reported in the Saras Group's business outlook at 30 June 2022 - which saw a growth of +1.7 mb/day and an average consumption of 99.2 mb/day for this year. In its interim report in August, the IEA pointed out that, despite an expected slowdown in consumption, a balancing act was expected from Q3 onwards due to higher oil demand for power generation to replace gas (estimated up to approx. +380 mb/day).

For 2023, the IEA instead revised its growth forecast downwards: +1.7 mb/day y-o-y (down from +2.1 mb/day y-o-y in July's estimates), however with an average consumption stable at 101.3 mb/day, considering the revision to 2022, and strong growth in emerging countries to offset the slowdown in OECD economies.

Looking at **global oil supply**, at the beginning of October, OPEC+ member countries, after having made a substantial contribution to the increase in global production recorded in Q3 (+2.1 mb/day, for a supply of 101.2 mb/day in September), announced a cut of 2 mb/day from November onwards compared to official production targets (estimated, however, at 1 mb/day effective given the bloc's underperformance against quotas). Following the announcement, crude oil prices, which following the peaks of over 120 USD/bl in June had fallen to an average of 90 USD/bl in September, reached highs of around 99 USD/bbl, and then settled back to around 92 to 93 USD/bbl. In addition, the sixth EU sanctions package adopted in May 2022, which provides for an embargo on imports of Russian crude oil by ship, remains in force and will come into effect on 5 December for crude oil.⁵

Also in its October report, the IEA points out that this context exacerbates the risks arising from an oil market that was already "short" of crude prior to the Russian-Ukrainian crisis, and which, even taking into account expectations of progressively slowing demand, "will drastically reduce the necessary build-up of oil stocks in the remainder of 2022 and the first half of 2023". The persistent tensions in the physical crude oil markets and the high refining margins point to the continuation of an underlying imbalance between supply and demand. In particular, in OECD countries, although high prices have started to put a dent in oil consumption, this now seems to be offset by a stronger-than-expected rebound in demand in emerging and developing economies, led by China, which is starting to rebound after the Covid closures.

Furthermore, the IEA report highlights the resilience of Russian crude oil exports to Europe, which, although gradually declining in the months following the outbreak of the conflict, stood at 7.5 mbl/day in September, down 560 thousand barrels per day from pre-war levels: this trend makes it necessary for EU member states, less than two months after the embargo came into effect, to diversify more than half of their pre-war import levels away from Russia.

Finally, according to the IEA, global refinery productivity will respond to the slowdown in demand in the latter part of the year and in 2023, which will contribute to maintaining relatively low inventory levels.

Oil prices in the last month reflected the events described above, although product prices rose more than proportionally to those of Brent crude, with an expansion of margins, which in the case of gasoline already in the last week of September returned to double-digit values and averaged 11.4 USD/bbl, and in the case of diesel averaged 58.3 USD/bbl, highlighting a particularly "short" diesel market, particularly in the MED area.

At the same time, despite the continuing high instability in the gas and electricity markets, the price of gas fell significantly in Europe and Italy after the peaks at the end of August, due to several factors, including the filling of storage and average temperatures particularly mild for the month of October. The PUN has progressively fallen from the highs of over 740 EUR/MWh at the end of August and, since 19 October, well below 200 EUR/MWh with a daily average around 176 EUR/MWh: the reduction is to be attributed to the new package against high energy prices, presented on 18 October 2022 by the European Commission, which provides, among other measures, for the application of a price cap to gas prices. The Commission's proposal will have to be scrutinized by the European Council on 20 and 21 October and finally approved by the energy ministers of the member states who will meet in November.

⁵ In early October, the EU Council has officially approved the eighth sanctions package against Moscow, which includes a cap on the price of oil exported by ship from Russia to third countries. According to the agreement, EU Member States will not be able to provide shipping services, technical assistance, financial intermediation or financing, to crude oil (from December 2022) and petroleum products (from February 2023) exported from Russia at a price higher than the price cap. The new package includes the legal basis for setting a ceiling on the price of Russian oil, which will be defined later on, based on a number of technical assessments carried out jointly by the various participating countries.

Assumptions on the Q4 oil scenario, mainly based on the development of oil commodity forward curves,⁶ lead us to consider Brent prices for the end of 2022 to be in continuity with the current ones (90-95 USD/bbl), and with a premium for low-sulphur crude oils, such as Azeri, still very high compared to historical averages. It is also reasonable to expect, despite the risk of a slowdown in consumption, that diesel cracks will still be high and on average in line with the mean recorded in Q3 (42 USD/bbl), in the presence of a European market short of diesel and the impending sanctions on product imports from Russia starting from February 2023. As regards gasoline cracks, which are exposed to a risk of price reductions in the event of excess production and a slowdown in consumption, a rebalancing from current levels to values close to historical seasonal averages can be expected.

Regarding energy costs, and in particular with reference to the cost of electricity and CO₂, on the basis of what has been indicated by the main analyst companies in the sector,⁷ it is believed that, despite the downward correction in gas and electricity prices recorded in October, a PUN and a CO₂ price in line with those of Q3 will be expected, given the continuing high volatility in the gas and electricity markets.

Based on these assumptions, and the performance recorded in the nine months of the year, the Company estimates to achieve an average annual premium over EMC Reference margin of 7 ÷ 8 USD/bbl in 2022, including a contribution of 0.5 USD/bbl from the Marketing channel. This estimate compares to previous guidance which indicated an average annual premium of 6 ÷ 7 USD/bbl on EMC, including 0.5 USD/bbl from the Marketing channel.

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 EUR/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, for which new authorisations are expected to be obtained during 2023 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 design of the new Helianto 80 MW photovoltaic park recently authorised is also in progress and is expected to be operational by the end of 2023.

As far as the **Group's investments** are concerned, they are expected to amount to approximately EUR 135 million by the end of 2022, a partial decrease from the previous forecast of EUR 150 million. In particular, investments of approx. EUR 100 million are projected in the Industrial & Marketing segment, with a shift of some maintenance activities initially planned for this year to 2023. In the Renewables segment, investments of EUR 27 million were confirmed, mainly for the execution of the 80 MW photovoltaic park in the Macchiareddu area.

Regarding the expected trend of the Group's **Net Financial Position**, an improvement is expected for the end of 2022 compared to the financial position at 30 September 2022, thanks to the contribution of the core business, which remains subject to the variability of the scenario evolution as regards working capital and takes into account the payment of taxes in the last part of the year.

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, designed to supply **green hydrogen** to the Saras refinery through the use of an approximately 20 MW electrolyser, powered by renewable energy through a PPA agreement, continues. At the end of September, SardHy Green Hydrogen, a company created from a project by Enel Green Power and Saras, was recognised as one of the beneficiaries of funds allocated at European level as part of the IPCEI Hy2Use initiative, the second Important Project of Common European Interest on H₂ approved by the European Commission, which supports research, first industrial application and infrastructure construction in the hydrogen value chain. SardHy Green Hydrogen is one of the four Italian companies admitted to the European programme and for which a total of EUR 500 million in funding is planned.

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 CO₂, the study phase with Air Liquide is proceeding, aimed at better defining the

⁶ Sources: for the oil market: forward curves as of 5 October for Brent and Cracks; Supply Chain Management indications for crude premiums/discounts.

⁷ Sources by energy market: estimates by AFRY-Pöyry (Jul'22); Elemens (Sep'22); Ref4E and Nomisma (Oct'22).

aspects relating to the entire development chain including logistics and transport, together with an estimate of costs and timing.

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

Risk Analysis

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

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

FINANCIAL RISKS

Exchange rate risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

Starting in 2020, the spread of Covid-19 had a significant negative impact on the oil market, affecting the Group's financial debt level with a Net Financial Position that was negative until 31 December 2021. In order to mitigate the liquidity risk, two important loans were obtained in two subsequent stages: a EUR 350 million loan disbursed in December 2020 and maturing in September 2024, backed by a government guarantee for 70% of the value, and a EUR 312.5 million loan, disbursed in May 2022, and backed by a guarantee issued by SACE for 70% of the amount, thanks to the provisions of the BIS Support Decree Law, with the aim of reshaping the Group's debt maturity profile.

In 2022, thanks to the subsiding of the pandemic emergency and the changed oil scenario, the Group regained its historical ability to generate cash from ordinary operations, recording a positive net financial position at the end of the first half of the year, which was consolidated in the third quarter, reaching a value of EUR 229.2 million (post IFR16) at 30 September 2022.

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

OTHER RISKS

Price fluctuation risk

The Saras Group results are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, principally crude oil). In addition, for its production activities, the Saras Group is required to maintain adequate inventories of crude oil and finished products and the value of these inventories is subject to the fluctuations of market prices. The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated through the use of appropriate risk management policies. In order to address the risks arising from price changes and more specifically to mitigate the precise price fluctuations on the quantities bought and sold compared to the monthly averages, the Group also enters into hedging contracts on commodities. The selling price of electricity sold by our subsidiaries Sarlux and Sardeolica is also prone to fluctuations, as are the prices of Energy Efficiency Certificates and of the CO2 emission quotas. The Russia-Ukraine crisis is leading to a shortage of crude oil on the market and thus to a liquidity crunch on the market itself, with an impact on the volatility of oil product prices.

Risk related to the procurement of crude oil

A significant portion of the crude oil refined by Saras originates from countries exposed to high political, social and macroeconomic uncertainties; changes in legislation, politics, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potentially negative effects on the Group's economic and financial position. In particular, the Russia-Ukraine crisis is causing increased difficulties of supplying crude oil which are added to the limitation of imports of crude oil from countries subject to restrictions and embargoes.

Risks of interruption of production

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

Environmental risk

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

Legislative and regulatory risk

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

- regulations relating to the reduction of national emissions of specific atmospheric pollutants and their relative impact on the limits indicated in the current AIA permit;
- the view of the European Commission and the ARERA (Italian Regulatory Authority for Energy, Networks and Environment) implementing documents in relation to the recognition of the Sarlux subsidiary as an energy consuming enterprise;
- regulatory provisions related to energy efficiency certificates for the Power sector and incentives for the Wind sector and their consequences for the G.S.E.;

- regulations and implementing documents issued by Terna and ARERA regarding the “essentiality” requirements of the IGCC plant in Sarlux, as provided for by ARERA Resolution no. 111/06, 598/20 and 152/2021 and the cost reimbursement regime;
- measures taken to contain electricity costs, such as for example “TER supports” which impact on the one hand the system charges and the variable energy components for the “energy-intensive” companies (Sarlux) and on the other the sales prices of electricity from renewable sources (Sardegolica).
- measures adopted by the Italian Government against the energy sector as “solidarity contributions” of a fiscal nature on the so-called “extra profits” of the sector

Dependencies on third parties

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

Climate Change Risk

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

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

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

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

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

Protection of Personal Data

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

Information technology and cybersecurity

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

Provisions for risks and charges

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

Covid-19 Risk

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

Involvement in legal proceedings

Saras is a party in civil and administrative proceedings and in legal actions related to the normal course of its business. In addition to the provision for risks for disputes set aside in the financial statements, it is possible that in the future Saras may incur other liabilities, even significant ones due to: (i) uncertainty with respect to the final outcome of pending litigation for which its liability is currently assessed as not probable or the related estimate not reliable; (ii) the occurrence of further developments or the emergence of new evidence and information that may provide sufficient elements for a reliable estimate of the amount of the obligation, (iii) inaccuracy in the estimate of the provisions due to the complex process of determination that involves subjective judgements by management. Violations of the Code of Ethics, laws and regulations, including anticorruption rules, by Saras, its business partners, agents or other persons acting in its name or on its behalf, may expose Saras and its employees to the risk of criminal and civil penalties that could damage the Company's reputation and shareholder value. For more details on the proceedings in progress, please refer to paragraph 7.1 of the Explanatory Notes to the Consolidated Financial Statements.

Other Information

Treasury shares

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

Research and Development

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

Non-recurring and unusual Transactions

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

Other relevant information

In August 2022, an employee of the company Turisman, a contracting company working for Sarlux s.r.l., which specialises in industrial docks and scaffolding, died during the dismantling of a pontoon in the refinery area. The Cagliari public prosecutor's office opened an investigation into the death of the Turisman employee. The file, currently against unknown persons, was opened by the public prosecutor's office with the criminal offence of manslaughter.

Main events after the end of the nine months of 2022

There are no significant events that took place after the close of the nine months of 2022.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH SEPTEMBER 2022

Consolidated Statement of Financial Position as at 30th September 2022

Thousands of EUR		30/09/2022	31/12/2021
ASSETS	(1)		
Current financial assets	5.1	3,709,810	2,284,904
Cash and cash equivalents	5.1.1	724,446	366,680
Other financial assets	5.1.2	307,428	115,268
Trade receivables	5.1.3	804,088	546,511
Inventories	5.1.4	1,722,824	1,169,172
Current tax assets	5.1.5	107,091	32,954
Other assets	5.1.6	43,933	54,319
Non-current asset	5.2	1,248,949	1,414,691
Property, plant and equipment	5.2.1	1,158,495	1,227,395
Intangible assets	5.2.2	42,320	41,510
Right-of-use of leased assets	5.2.3	42,301	44,585
Other investments	5.2.4	745	507
Deferred tax assets	5.2.5	990	96,555
Other financial assets	5.2.6	4,098	4,139
Total assets		4,958,759	3,699,595
LIABILITIES AND EQUITY			
Current liabilities	5.4	2,981,587	2,683,506
Short-term Financial liabilities	5.4.1	329,602	928,683
Trade and other payables	5.4.2	2,127,105	1,580,564
Current tax liabilities	5.4.3	461,314	110,397
Other liabilities	5.4.4	63,566	63,862
Non-current liabilities	5.5	835,168	222,371
Long-term financial liabilities	5.5.1	477,172	51,845
Provisions for risks and charges	5.5.2	346,499	159,718
Provisions for employee benefits	5.5.3	7,544	6,883
Deferred tax liabilities	5.5.4	3,730	3,734
Other liabilities	5.5.5	223	191
Total liabilities		3,816,755	2,905,877
EQUITY	5.6		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		729,215	718,828
Net result		347,233	9,334
Total equity attributable to the parent company		1,142,004	793,718
Third-party minority interests		-	-
Total equity		1,142,004	793,718
Total liabilities and equity		4,958,759	3,699,595

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

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

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

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

Thousands of EUR	(1)	1 January 30 September 2022	of which non- recurring	1 January 30 September 2021	of which non- recurring
Revenues from ordinary operations	6.1.1	11,926,017		5,780,209	
Other income	6.1.2	39,228		58,393	
Total revenues		11,965,245	0	5,838,602	0
Purchases of raw materials, consumables and supplies	6.2.1	(9,567,672)		(4,934,997)	
Services and other costs	6.2.2	(1,231,467)		(683,523)	
Personnel costs	6.2.3	(111,760)		(106,506)	
Depreciation/amortisation and write-downs	6.2.4	(141,144)		(146,636)	
Total costs		(11,052,043)	0	(5,871,662)	0
Operating result		913,202	0	(33,060)	0
Financial income	6.3	148,876		65,036	
Financial charges	6.3	(249,665)		(86,519)	
Result before taxes		812,413	0	(54,543)	0
Income taxes	6.4	(465,180)		19,709	
Net result		347,233	0	(34,834)	0
Net result attributable to:					
Shareholders of the parent company		347,233		(34,834)	
Third-party minority interests		0		0	
Net earnings per share – base (euro cents)		36.51		(3.69)	
Net earnings per share – diluted (euro cents)		36.51		(3.69)	

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

Thousands of EUR	1 January 30 September 2022	1 January 30 September 2021
Net result (A)	347,233	(34,834)
Items of comprehensive income that may subsequently be restated to profit or loss for the period		
Effect of translation of the financial statements of foreign operations	1,053	(1,097)
Items that will not be restated to profit or loss		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
Other profit/(loss), net of the tax effect (B)	1,053	(1,097)
Total consolidated net result (A + B)	348,286	(35,931)
Total consolidated net result attributable to:		
Shareholders of the parent company	348,286	(35,931)
Third-party minority interests	0	0

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

Consolidated Statement of Changes in Equity to 30th September 2022

Migliaia di Euro	Share Capital	Legal Reserve	Other Reserves	Profit (Loss) for the period	Total equity attributable to the Parent Company	Third-party Minority Interests	Total equity
Balance at 31/12/2020	54,630	10,926	994,482	(275,516)	784,522	0	784,522
Allocation of previous year result			(275,516)	275,516	0		0
Translation effect of financial statements in foreign currency			(434)		(434)		(434)
Reserve for stock option plan			3,314		3,314		3,314
Net result				577	577		577
<i>Total net result</i>			0	577	577	0	577
Balance at 30/06/2021	54,630	10,926	721,846	577	787,979	0	787,979
Allocation of previous period result			0	0	0		0
Translation effect of financial statements in foreign currency			(317)		(317)		(317)
Actuarial effect IAS 19			613		613		613
Reserve for stock option plan			(3,314)		(3,314)		(3,314)
Net result				8,757	8,757		8,757
<i>Total net result</i>			(138)	8,757	8,619	0	8,619
Balance at 31/12/2021	54,630	10,926	718,828	9,334	793,718	0	793,718
Allocation of previous year result			9,334	(9,334)	0		0
Translation effect of financial statements in foreign currency			1,053		1,053		1,053
Net result				347,233	347,233		347,233
<i>Total net result</i>			0	347,233	347,233	0	347,233
Balance at 30/09/2022	54,630	10,926	729,215	347,233	1,142,004	0	1,142,004

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

Thousands of EUR	(1)	1/1/2022- 30/09/2022	1/1/2021- 30/09/2021
A - Opening cash and cash equivalents		366,680	558,997
B - Cash flow from (for) operating activities			
Net result	5.5	347,233	(34,834)
Unrealised exchange rate differences on bank current accounts		(31,512)	(14,265)
Amortisation, depreciation and write-downs of assets	6.2.4	141,144	146,636
Net change in risk provisions	5.4.2	186,781	(29,740)
Net change in provision for employee benefits	5.4.3	661	341
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	95,561	(20,000)
Net interest		20,433	14,654
Income tax set aside	6.4	369,619	291
Change in the fair value of derivatives	5.1.2 - 5.3.1	41,918	18,982
Other non-monetary components	5.5	1,053	2,217
Profit for the year before changes in working capital		1,172,891	84,282
(Increase)/Decrease in trade receivables	5.1.3	(257,577)	(182,765)
(Increase)/Decrease in inventories	5.1.4	(553,652)	(324,270)
Increase/(Decrease) in trade and other payables	5.3.2	546,541	374,881
Change other current assets	5.1.5 - 5.1.6	(63,751)	43,808
Change other current liabilities	5.3.3 - 5.3.4	41,576	98,603
Interest received		165	110
Interest paid		(20,598)	(14,764)
Taxes paid	5.3.2	(60,573)	0
Change other non-current liabilities	5.4.5	32	9
Total (B)		805,053	79,894
C - Cash flow from (for) investment activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(65,544)	(66,096)
(Investments) in Right-of-use of leased assets		(5,226)	(11,159)
(Increase)/Decrease in other financial assets and other investments	5.1.2	(73,729)	89,060
Total (C)		(144,499)	11,805
D - Cash flow from (for) financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	425,327	(104,067)
Increase/(decrease) short-term financial payables	5.3.1	(759,627)	89,319
Total (D)		(334,300)	(14,748)
E - Cash flows for the period (B+C+D)		326,254	76,951
Unrealised exchange rate differences on bank current accounts		31,513	14,265
F - Closing cash and cash equivalents		724,446	650,213

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

For the Board of Directors
The Chairman



Massimo Moratti

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022

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1. Foreword

The publication of the condensed consolidated financial statements of the Saras Group for the period ended 30 September 2022 was authorised by the Board of Directors on 28 October 2022.

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

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

These consolidated interim financial statements at 30 September 2022 are presented in Euro, the currency valid in the economy in which the Group operates. They comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity and the Notes. All values in the notes to the consolidated financial statements are stated in thousands of Euro, unless indicated otherwise.

2. Basis of presentation of the Consolidated Financial Statements

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

IFRS refer to all International Financial Reporting Standards, all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as at the date of approval of the draft separate and consolidated financial statements by the Parent Company's Board of Directors and contained in the associated EU Regulations published at 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 Shareholders' Equity.

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

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

3.1 Drafting principles

The condensed consolidated financial statements of the Saras Group at 30 September 2022, prepared in accordance with Art. 154-ter of the Consolidated Law on Finance, as amended, were drafted in compliance with the International Financial Reporting

Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, which include all international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), previously called the Standing Interpretations Committee (SIC). The condensed consolidated financial statements at 30 September 2022 were drafted in accordance with the provisions of IAS 34 – Interim financial reporting.

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

The accounting standards adopted by the Saras Group to draft the condensed consolidated financial statements at 30 September 2022 are consistent with those used to prepare the consolidated financial statements at 31 December 2021 and the corresponding interim reporting period, with the exception of the new accounting standards, interpretations and amendments outlined below which, at the reporting date, had already been issued and entered into force during the current year. The Group did not arrange early adoption of any new standards, interpretations or amendments issued but not yet in force.

Standards issued and in force

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 such amendment.

No material effects are expected for the Group with respect to these amendments.

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB published amendments to IAS 37 to specify what costs should be considered by an entity when assessing whether a contract is onerous or at a loss.

The amendment provides for the application of an approach called the “directly related cost approach”. Costs that relate directly to a contract for the supply of goods or services include both incremental costs as well as costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly rechargeable to the counterparty on the basis of the contract.

The amendments 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

As part of the improvement cycle, the IASB has issued an amendment to IFRS 1 First-time Adoption, which allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1, to account for cumulative translation differences on the basis of the amounts recognised by the parent company, considering the parent company's date of transition to IFRSs. This amendment also applies to associated companies or joint ventures. The IASB then proposed an amendment to IFRS 9, clarifying the fees that an entity must include in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. An entity applies such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies the amendment. These amendments will be effective for the financial years beginning on 1 January 2022 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 associated 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 such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies the amendment.

The amendment will be effective for financial years beginning on or after 1 January 2022 and early application is permitted. The Group will apply such amendment to financial liabilities that are amended or exchanged subsequent to the date of the first financial year in which the entity first applies such amendment.

No material effects are expected for the Group with respect to such 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 such amendment.

IASB also approved two amendments to IAS 1 and IAS 8 in relation to the information on relevant accounting policies and with the definition of an estimate and modification of accounting estimates.

Standards issued but not yet in force

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

IFRS 17 – Insurance contracts

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

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

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

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

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

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

The amendments introduce a definition of accounting estimates, replacing the concept of change in accounting estimates. Under the new definition, accounting estimates are monetary amounts subject to measurement uncertainty. Entities develop

accounting estimates if accounting standards require financial statement items to be measured in such a way as to result in measurement uncertainty. The Board clarifies that a change in accounting estimates that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or measurement approach used to develop an accounting estimate qualify as changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may only affect the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. These amendments will apply from 1 January 2023, subject to endorsement.

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

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

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

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

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

These changes are intended to assist the person in charge of preparing the financial statements in deciding which accounting policies to present in the financial statements. In particular, an entity is required to disclose material accounting policies, rather than significant accounting policies, and several paragraphs are introduced to clarify the process for establishing material policies, which may be material by their very nature, although the amounts involved may be immaterial. An accounting policy is material if the users of the financial statements need it to understand other information included in the financial statements. In addition, IFRS Practice Statement 2 was amended by adding guidelines and examples to demonstrate and explain the application of the four-step materiality process to disclosures about accounting policies to support the amendments to IAS 1. These amendments apply, subject to endorsement, from 1 January 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 7 May 2021, pending endorsement. IAS 12 requires the recognition of deferred taxes whenever temporary differences arise, i.e. taxes that are due or recoverable in the future. In particular, it has been established that companies, in specific circumstances, may be exempted from including deferred tax when they recognise assets or liabilities for the first time. This provision previously gave rise to some uncertainty as to whether the exemption was applicable to transactions such as leases and decommissioning obligations, transactions for which companies recognise both an asset and a liability. By amending IAS 12, IFRS clarifies that the exemption does not apply to this case and that companies are required to recognise the deferred tax on such transactions. The objective of the amendments is to reduce diversity in the reporting of deferred taxes on leases and decommissioning obligations. The amendments are effective for financial years beginning on 1 January 2023 and early adoption is permitted.

3.3 Consolidation Scope

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

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

Consolidated subsidiaries are listed in the table below:

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

There is no change from 31 December 2021.

3.4 Use of discretionary estimates and valuations

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

The evolution of market variables, in the medium to long term and in the short term, including the price and supply of crude oil and the

worldwide demand for finished products compared to the processing capacity that can also significantly affect the Group's performance, is one of the critical assumptions for the evaluation processes including in particular for the measurement of fixed assets and the recoverable amount of inventories as well as the volatility of the current fair values of financial instruments. The underlying measurement processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions that, by their nature, involve the use of a high degree of judgement

on the part of Company Management which, for this purpose, also considers scenarios formulated by independent experts of the sector.

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

4. Information by business segment and geographical area

4.1 Introduction

In order to present the performance of the Group's activities in a consistent manner, the information of the individual companies is allocated to the business segments, which from 2021 are as follows:

- Industrial & Marketing;
- Renewable.

4.2 Segment information

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

Given the above, the format previously used to provide segment information in these notes is no longer appropriate and the information provided in the Report on Operations by segment, to which reference should be made, is considered much clearer and more explanatory.

5 Notes to the Statement of Financial Position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

Cash and cash equivalents	30/09/2022	31/12/2021	Change
Bank and postal deposits	724,415	366,629	357,786
Cash	31	51	(20)
Total	724,446	366,680	357,766

Bank deposits are mainly attributable to Saras SpA for EUR 523,387 thousand, Saras Trading S.A. for EUR 88,622 thousand and Saras Energia for EUR 39,092 thousand. These deposits are not subject to constraints or restrictions.

It should be noted that the item "Bank and postal deposits" includes an amount not immediately available of EUR 1,356 thousand set up by the subsidiary Energia Alternativa S.r.l. in favour of the financing bank to guarantee the debt arising from the loan for the construction of the wind farm.

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

5.1.2 Other financial assets

The other financial assets held for trading comprise the following:

Current financial assets	30/09/2022	31/12/2021	Change
Current financial derivatives	125,893	57,652	68,241
Deposits to secure derivatives	180,006	56,087	123,919
Other assets	1,529	1,529	0
Total	307,428	115,268	192,160

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

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

5.1.3 Trade receivables

Trade receivables amounted to EUR 804,088 thousand, an increase of EUR 257,577 thousand compared to the same figure at 31 December 2021. This item is stated net of the bad debt provision, which amounted to EUR 23,790 thousand, an increase

of EUR 5,597 thousand due to a further write-down of some trade receivables (EUR 18,193 thousand at 31 December 2021). The increase in receivables is mainly due to the increase in the prices of petroleum products. For further comments on sales performance, please refer to the Report on Operations.

5.1.4 Inventories

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

Inventories	30/09/2022	31/12/2021	Change
Raw materials, consumables and supplies	462,687	262,819	199,868
Unfinished products and semi-finished products	139,737	124,561	15,176
Finished products and goods	1,022,222	675,178	347,044
Spare parts and raw materials, supplies	98,178	106,614	(8,436)
Total	1,722,824	1,169,172	553,652

The increase in the value of oil inventories is mainly attributable to both the rising price dynamic and the increase in stock quantities compared to 31 December 2021.

In accordance with the accounting standards, the Group valued inventories at the lower of purchase or production cost and recoverable market value: this comparison showed the need to recognise inventories at a lower value for approximately EUR 345 million.

No inventories are used as collateral for liabilities.

5.1.5 Current tax assets

Current tax assets break down as follows:

Current tax assets	30/09/2022	31/12/2021	Change
VAT credit	6,342	2,131	4,211
IRES credits	1,126	27,482	(26,356)
IRAP credits	8,435	(2,879)	11,314
Other amounts due from the tax authorities	91,188	6,220	84,968
Total	107,091	32,954	74,137

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

5.1.6 Other assets

The balance breaks down as follows:

Other assets	30/09/2022	31/12/2021	Variazione
Accrued income	215	109	106
Prepaid expenses	12,432	5,801	6,631
Other short-term loans	31,286	48,409	(17,123)
Total	43,933	54,319	(10,386)

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

"Other receivables" mainly comprises:

- the receivable of EUR 23,684 thousand due to the subsidiary Sarlux S.r.l. from the Equalisation Fund for the Electricity Sector for the payment, pursuant to Title II, paragraph 7- bis , CIP Regulation no. 6/92, of charges resulting from Directive 2003/87/EC (Emissions Trading), in application of Authority for Electricity and Gas Resolution ARG/elt 77/08 of 11 September 2008, referred to the first months of 2021 that still benefited from the CIP 6/92 scheme;
- white certificates of EUR 5,678 thousand, related to the benefits granted to the subsidiary Sarlux in respect of the energy savings achieved through specific projects preliminarily authorised by GSE and carried out at the Sarroch refinery (EUR 30,978 thousand in 2021); for additional information, reference should be made to section 7.1.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

Historical Cost	31/12/2021	Increases	Decreases	Write-downs	Other changes	30/09/2022
Land and buildings	179,831	14	(594)	0	283	179,534
Plant and machinery	3,918,932	27,874	(1,346)	0	37,715	3,983,175
Industrial and commercial equipment	38,483	0	(9)	0	0	38,474
Other assets	681,218	181	(343)	0	16,701	697,757
Property, plant and equipment under construction	173,008	35,997	(36)	0	(58,178)	150,791
Total	4,991,472	64,066	(2,328)	0	(3,479)	5,049,731

Amortisation Fund	31/12/2021	Depreciation	Use	Write-downs	Other changes	30/09/2022
Land and buildings provision	107,850	2,562	(317)	0	138	110,233
Plant and machinery fund	3,101,580	107,350	(1,568)	0	(2)	3,207,360
Industrial and commercial equipment provision	34,812	1,103	(8)	0	(31)	35,876
Other assets	519,835	18,323	(336)	0	(55)	537,767
Total	3,764,077	129,338	(2,229)	0	50	3,891,236

Net Value	31/12/2021	Increases	Decreases	Depreciation	Write-downs	Other changes	30/09/2022
Land and buildings	71,981	14	(277)	(2,562)	0	145	69,301
Plant and machinery	817,352	27,874	222	(107,350)	0	37,717	775,815
Industrial and commercial equipment	3,671	0	(1)	(1,103)	0	31	2,598
Other asset	161,383	181	(7)	(18,323)	0	16,756	159,990
Property, plant and equipment under construction	173,008	35,997	(36)	0	0	(58,178)	150,791
Total	1,227,395	64,066	(99)	(129,338)	0	(3,529)	1,158,495

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 30,451 thousand, office buildings in Milan and Rome belonging to the Parent Company with a net value of EUR 2,050 thousand and land largely relating to the Sarroch and Arcola sites respectively belonging to the subsidiary Sarlux S.r.l., and the subsidiary Deposito di Arcola S.r.l. with a net value of EUR 36,800 thousand.

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

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

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

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

Increases for the period amounted to EUR 64,066 thousand and mainly refer to technological interventions on refinery plants.

The main depreciation rates used, unchanged comparing to 2021, are as follows:

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

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

Based on the requirements of accounting standard IAS 36 and the recommendations of the main regulatory authorities, the company has constantly monitored the presence of market indicators that could highlight possible risks on the main balance sheet figures. The company has updated the most recent oil and electricity market scenarios for the financial year 2022 used for the impairment test as at 31.12.2021, and has verified that, based on the updated scenarios, no "impairment indicators" have emerged as at 30.09.2022.

5.2.2 Intangible assets

The following tables show the changes in intangible assets:

Historical Cost	31/12/2021	Increases	Decreases	Write-downs	Other changes	30/09/2022
Industrial patent and original work rights	55,086	18	(31)	0	3,241	58,314
Concessions, licences, trademarks and similar rights	24,542	0	0	0	0	24,542
Goodwill and intangible assets with indefinite life	21,019	0	0	0	0	21,019
Other intangible assets	531,235	959	0	0	0	532,194
Intangible assets under construction	1,265	1,405	0	0	0	2,670
Total	633,147	2,382	(31)	0	3,241	638,739

Amortisation Fund	31/12/2021	Amortisation	Use	Write-downs	Other changes	30/09/2022
Industrial patent and original work rights	52,018	2,897	(16)	0	3	54,902
Concessions, licences, trademarks and similar rights	13,701	29	26	0	586	14,342
Other intangible assets	525,836	1,370	0	0	(113)	527,093
Total	591,637	4,296	10	0	476	596,419

Net Value	31/12/2021	Increases	Decreases	Amortisation	Write-downs	Other changes	30/09/2022
Industrial patent and original work rights	3,068	18	(47)	(2,897)	0	3,270	3,412
Concessions, licences, trademarks and similar rights	10,841	0	26	(29)	0	(638)	10,200
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	5,399	959	0	(1,370)	0	113	5,101
Intangible assets under construction	1,265	1,405	0	0	0	0	2,670
Total	41,510	2,382	(21)	(4,296)	0	2,745	42,329

The decrease compared to 31 December 2021 was mainly due to amortisation for the period, which amounted to EUR 4,296 thousand and was determined using the annual rates, unchanged with respect to 2021 as reported below.

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

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

Concessions, licences, trademarks and similar rights

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

Goodwill and intangible assets with indefinite life

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

Other intangible assets

These amount to EUR 5,101 thousand, almost unchanged compared to 31 December 2021

Intangible assets under construction and advance payments

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

5.2.3 Right-of-use of leased assets

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

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

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

Historical Cost	31/12/2021	Increases	Decreases	Write-downs	Other changes	30/09/2022
Leased land and buildings	41,070	3,874	0	0	0	44,944
Leased plant and equipment	11,952	0	0	0	0	11,952
Other leased assets	19,500	1,076	0	0	0	20,576
Total	72,522	4,950	0	0	0	77,472

Amortisation Fund	31/12/2021	Amortisation	Use	Write-downs	Other changes	30/09/2022
Leased land and buildings provision	15,118	4,080	0	0	(275)	18,923
Leased plant and machinery provision	4,621	1,090	0	0	(1)	5,710
Other goods	8,198	2,340	0	0	0	10,538
Total	27,937	7,510	0	0	(276)	35,171

Net Value	31/12/2021	Increases	Decreases	Amortisation	Write-downs	Other changes	30/09/2022
Leased land and buildings	25,952	3,874	0	(4,080)	0	275	26,021
Leased plant and equipment	7,331	0	0	(1,090)	0	1	6,242
Other leased assets	11,303	1,076	0	(2,340)	0	0	10,038
Total	44,585	4,950	0	(7,510)	0	276	42,301

The balance at 30 September 2022, of EUR 42,301 thousand, relates to the application of the standard IFRS 16 - Leases. The registration essentially refers to the following types of contracts:

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

The increase compared to the end of the previous year, amounting to EUR 4,950 thousand, essentially refers to contract renewals that took place during the period.

5.2.4 Other equity investments

Other equity investments break down as follows:

Other investments	30/09/2022	31/12/2021	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Sardhy Green Hydrogen	243	5	238
Total	745	507	238

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

5.2.5 Prepaid tax assets

The net deferred tax assets and liabilities of the Saras Group at 30 September 2022 amounted to EUR 2,740 thousand (consisting of deferred tax assets of EUR 990 recognised under non-current assets and deferred tax liabilities recognised under non-current liabilities of EUR 3,730 thousand).

The decrease is mainly due to the utilisation of deferred tax assets on past tax losses against the increase in taxable income generated during the period.

5.2.6 Other financial assets

At 30 September 2022, this item amounts to EUR 4,098 thousand (EUR 4,139 thousand in the previous year) and relates to medium/long-term receivables.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

Short -Term Financial liabilities	30/09/2022	31/12/2021	Change
Current bond loan	0	199,684	(199,684)
Current bank financing	118,522	385,252	(266,730)
Bank c/a	12,779	163,134	(150,355)
Financial derivatives	160,546	66,769	93,777
Other short-term financial liabilities	37,755	113,844	(76,089)
Total	329,602	928,683	(599,081)

The bond loan was repaid in the second quarter of 2022.

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

Values expressed in millions of EUR	Loan acquisition / renegotiation	Original Amount	Base rate	Contratual Maturity	Residual at 31/12/2021	Residual at 30/09/2022	Maturities	
							1 year	over 1 to 5 years
Saras SpA								
Bond	December 2017	200	1.7%	Dec-22	199.7	-		
Unicredit	February 2020	50	6M Euribor	Aug-23	50.0	-		
Sace loan	December 2020	350	0.95%	Sep-24	320.8	233.6	116.6	117.0
Sace loan	May 2022	312.5	1.70%	Mar-28		311.7	-	311.7
Energia Alternativa Srl	January 2017	16	2,5% + 6M Euribor	Jun-26	4.3	6.1	1.9	4.2
Total liabilities to banks for loans					574.8	551.5	118.5	432.9

During the month of December 2020 - SARAS signed a EUR 350 million loan contract with 70% of the amount backed by SACE guarantees issued under the Italy Guarantee programme and intended to strengthen the capital structure of the Company. The loan was organised and underwritten by a pool of leading Italian financial institutions, including Banco BPM, Intesa Sanpaolo and UniCredit as Mandated Lead Arrangers and Lending Banks. Intesa Sanpaolo covers the role of Custodian Bank, Agent Bank and SACE Agent.

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

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

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

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

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

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

"Current bank accounts" comprises the credit lines balance as well as the "hot money" transactions used by the Group in the normal course of business. The Parent Company Saras also has a revolving credit facility for a maximum amount of EUR 305 million, of which the amount drawn at 30 September 2022 was zero.

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

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

Financial derivative instruments	30/09/2022 Assets	30/09/2022 Liabilities	31/12/2021 Assets	31/12/2021 Liabilities	Change
Interest rate swaps	0	586	0	65,185	(64,599)
Fair value derivatives on commodities	125,893	157,980	57,652	509	157,471
Fair value forward purchases and sales on exchange rates	0	1,979	0	970	1,009
Negative Fair value, derivative instruments	0	0	0	105	(105)
Total	125,893	160,545	57,652	66,769	93,776

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

For further details, see the cash flow statement.

5.3.2 Trade and other payables

Trade payables amounted to EUR 2,127,105 thousand, an increase of EUR 546,541 thousand compared to the same figure at 31 December 2021. The increase is due to both higher prices and larger quantities purchased during the period.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	30/09/2022	31/12/2021	Change
Payables for VAT	59,973	20,638	39,335
IRES payables (and income tax foreign firms)	128,856	8,809	120,047
IRAP payables	3,101	2,505	596
Other tax payables	269,384	78,445	190,939
Total	461,314	110,397	350,917

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

"Other tax payables" mainly comprises:

- payables for excise duties on products released for consumption by the Parent Company Saras SpA (EUR 77,555 thousand) and the subsidiary Saras Energia S.A.U. (EUR 6,244 thousand). The increase is mainly due to the effect of excise duty advances paid only in December, as required by Italian law;
- debt related to the Extraordinary Contribution on the extra-profits of companies operating in the energy sector mainly arising from the application of Decree-Law No. 21 of 21 March 2022, as subsequently amended, in addition to the indications emerging from EU Regulation 2022/1854, the amount of which was prudentially determined due to certain uncertainties in the interpretation of the scope of application and constitutional legitimacy of the tax. To this end, the company reserves the right to review the value of the tax recognised as at 30.09.2022 in accordance with any regulatory changes and interpretative circulars that may be issued by the balance date and/or any legal actions that the company may take.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

Other current liabilities	30/09/2022	31/12/2021	Change
Payables employee benefit and social security	10,014	12,306	(2,292)
Payables to employees	30,753	27,960	2,793
Other payables	14,627	16,037	(1,410)
Accrued liabilities	2,655	887	1,768
Deferred income	5,517	6,672	(1,155)
Total	63,566	63,862	(296)

Other current liabilities decrease by EUR 296 thousand compared to those at year-end 2021; in particular, the item "Payables due to employees" includes salaries and wages for the month of September, not yet paid, and the accrued portion of additional monthly payments as well as any bonuses related to the achievement of the set out objectives.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	30/09/2022	31/12/2021	Change
Non-current bank loans	432,937	5,244	427,693
Other long-term financial liabilities	44,235	46,601	(2,366)
Total	477,172	51,845	425,327

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

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

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

5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

Provisions for risks and charges	31/12/2021	Provisions	Use	Other changes	30/09/2022
Plant dismantling fund	19,038	0	0	0	19,038
Charges for CO2 quotas fund	133,307	186,988	0	0	320,295
Other prov. for risks and charges	7,373	1,423	(1,630)	0	7,166
Total	159,718	188,411	(1,630)	0	346,499

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

The provision for CO₂ allowances (EUR 320,295 thousand) originates from the existence of quantitative limits to the CO₂ emissions of plants defined by Legislative Decree no. 216 of 4 April 2006; exceeding these limits entails the obligation to purchase, in the appropriate market, allowances covering the excess amount of CO₂. The provision relates to allowances, necessary to fulfil the obligation for the current period, which have not yet been purchased.

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

5.4.3 Provisions for employee benefits

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

Provisions for employee benefits	30/09/2022	31/12/2021	Change
Post-employment benefits	7,544	6,883	661
Total	7,544	6,883	661

Post-employment benefits are governed by Article 2120 of the Italian Civil Code and reflect the estimated amount that the company will be required to pay employees when they leave their employment. The liability accrued at 31 December 2006 was determined using actuarial methods.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,730 thousand, relate to the foreign subsidiaries.

5.4.5 Other non-current liabilities

Other non-current liabilities amounted to EUR 223 thousand and increased by EUR 32 thousand compared to the previous year.

5.5 Shareholders' equity

Shareholders' equity is comprised of the following:

Total equity	30/09/2022	31/12/2021	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	729,215	718,828	10,387
Net profit/(loss) for the period	347,233	9,334	337,899
Total	1,142,004	793,718	348,286

Share capital

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

Legal reserve

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

Other reserves

This item totalled EUR 729,214

thousand, up by a net EUR 10,387 thousand compared with the previous year-end balance. The net increase was the combined result of:

- allocation of the result of the previous year (profit of EUR 9,334 thousand);
 - positive effect of the translation of foreign currency financial statements by foreign subsidiaries for EUR 1,053 thousand;
- In accordance with IAS 1, paras. 1 and 97, it is noted that no equity transactions took place with shareholders acting in their capacity as owners of the company.

Net result

Profit for the period amounted to EUR 347,233 thousand.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

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

Revenues from ordinary operations	30/09/2022	30/09/2021	Change
Revenues from sales and services	10,970,458	5,386,443	5,584,015
Sale of electricity	951,774	388,843	562,931
Other remunerations	3,785	5,328	(1,543)
Change in contract work in progress	0	(405)	405
Total	11,926,017	5,780,209	6,145,808

Revenues from sales and services increased by EUR 5,584,015 thousand due to the strong increase in average sales prices, partially offset by a slight decrease in sales volumes. For more details, please refer to the contents of the Report on Operations.

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

It should be noted that revenues for the sale of electricity with respect to the company Sarlux were recognised in accordance with Resolution no. 630/2021/R/EEL issued by ARERA (the Italian Authority for Energy, Networks and the Environment), within the framework of the Essentiality Regulation, which provides for the admission to the reinstatement of costs advanced by SARLUX S.r.l., for the year 2022, for its IGCC (Integrated Gasification Combined Cycle) power plant.

The revenues of the parent company Sardeolica take into account the Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes, inter alia, a "compensation" mechanism for non-incentivised renewable sources, under which producers must repay, for the period from 1 February up until the end of 2022, the difference between the prices that will occur on the market and "an equitable remuneration", referred to the historical average of the market area prices, from the start-up of the plant until 31 December 2020.

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

6.1.2 Other income

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

Other operating revenues	30/09/2022	30/09/2021	Change
Compensation for storage of mandatory stocks	1,587	1,935	(348)
Sale of various materials	258	161	97
Grants	1,376	1,322	54
Chartering	1,903	1,680	223
Recovery for claims and compensation	83	391	(308)
CO2 charges reimbursement	0	24,061	(24,061)
Other revenues	34,021	28,843	5,178
Total	39,228	58,393	(19,165)

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

6.2 Costs

The following table shows a breakdown of the main costs

6.2.1 Purchases of raw materials, supplies and consumables

Purchases of raw materials, consumables and supplies	30/09/2022	30/09/2021	Change
Purchase of raw materials	6,989,022	2,560,568	4,428,454
Purchase of semi-finished products	102,559	134,014	(31,455)
Purchase of supplies and consumables	50,087	41,852	8,235
Increase in property, plant and equipment	(5,072)	(7,787)	2,715
Purchase of finished products	2,983,898	2,540,460	443,438
Change in inventories	(552,822)	(334,110)	(218,712)
Total	9,567,672	4,934,997	4,632,675

The costs for the purchase of raw materials increased by EUR 4,428,454 thousand compared to the same period of the previous year, due to the increase in prices; costs for the purchase of finished products increased by EUR 443,438 thousand mainly due to the increase in prices. For more details, please refer to the contents of the Report on Operations.

In accordance with the provisions of the accounting standards, the Group has measured inventories at the lower of purchase or production cost and recoverable market value: this comparison showed the need to recognise inventories at a lower value of EUR 345 million.

6.2.2 Costs of services and sundry costs

Cost of services and sundry costs	30/09/2022	30/09/2021	Change
Costs for services	872,642	434,072	438,570
Capitalisations	(24,076)	(12,118)	(11,958)
Derivatives on crude oil products and CO2	160,830	91,560	69,270
Costs for use of third-party goods	3,693	2,932	761
Provisions for risks	186,988	152,827	34,161
Bad debt	5,503	0	5,503
Other operating costs	25,887	14,250	11,637
Total	1,231,467	683,523	547,944

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

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

The item “Provisions for risks and charges” mainly includes the provision for charges related to the application of Directive 2003/87/EC (Emissions Trading). The increase compared to 30 September 2021 is essentially due to both the increase in the value of CO2 allowances due to the related prices, and to the increase in the number of allowances to be purchased due to the cut in the number of allowances allocated free of charge during the financial year.

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

6.2.3 Personnel costs

The breakdown of “Personnel costs” is as follows:

Personnel costs	30/09/2022	30/09/2021	Change
Salaries and wages	78,981	74,730	4,251
Increases in fixed assets for internal work	(3,187)	(4,056)	869
Social security contributions	22,885	20,871	2,014
Post-employment benefits	5,057	4,851	206
Other long-term costs	6,489	9,702	(3,213)
Remuneration to the Board of Directors	1,535	408	1,127
Total	111,760	106,506	5,254

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

6.2.4 Depreciation/amortisation and write-downs

“Amortisation/depreciation” are shown below:

Depreciation/amortisation and write-downs	30/09/2022	30/09/2021	Change
Amortisation of intangible assets	4,296	4,077	219
Impairment (Reversal of impairment) of intangible assets	0	1,715	(1,715)
Depreciation of tangible assets	129,338	133,835	(4,497)
Total	133,634	139,627	(5,993)

Depreciation of leased items	30/09/2022	30/09/2021	Change
Depreciation of leased tangible assets	7,510	7,009	501
Total	7,510	7,009	501

The item “Amortisation of leased items” includes the amortisation for the period calculated in accordance with IFRS 16.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

Financial income	30/09/2022	30/09/2021	Change
Bank interest income	165	110	55
Unrealised differences on derivatives	7,486	429	7,057
Realised differences on derivatives	10,997	1,819	9,178
Other income	(62)	0	(62)
Profit on exchange rates	130,290	62,678	67,612
Total	148,876	65,036	83,840

Financial charges	30/09/2022	30/09/2021	Change
Unrealised differences on derivatives	(1,178)	555	(1,733)
Realised differences on derivatives	(2,388)	(1,305)	(1,083)
Interest expenses on loans and other financial charges	(20,598)	(14,764)	(5,834)
Interest on rights of use on leases	(504)	(504)	0
Exchange rate losses	(224,997)	(70,501)	(154,496)
Total	(249,665)	(86,519)	(168,980)

The table below shows net income/charges by type:

Financial income and Financial charges	30/09/2022	30/09/2021	Change
Net interest	(20,937)	(15,158)	(5,779)
Result of derivative instruments, of which:	14,917	1,498	13,419
<i>Realised</i>	8,609	514	8,095
<i>Fair value of open positions</i>	6,308	984	5,324
Net exchange rate differences	(94,707)	(7,823)	(86,884)
Other	(62)	0	(62)
Total	(100,789)	(21,483)	(65,887)

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

Net interest of EUR 20,937 thousand increased by EUR 5,779 thousand compared to the previous period due to the recognition in the period of early termination fees on the EUR 50 million loan and the EUR 200 million bond.

Net exchange rate differences showed a loss of EUR 94,707 thousand and increased by EUR 86,884 thousand compared to the previous year due to the strengthening of the dollar against the euro.

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

6.4 Income taxes

Income taxes are summarised below:

Income taxes	30/09/2022	30/09/2021	Change
Current taxes	466,755	(25,379)	492,134
Net deferred tax liabilities (assets)	(1,575)	5,670	(7,245)
Total	465,180	(19,709)	484,889

Current taxes consist of IRAP and IRES calculated on the taxable income of consolidated companies, were up by EUR 492,134 thousand due to the increase in taxable income for the year added to the effect of the application of Decree-Law No. 21 of 21 March 2022, as amended, in addition to the indications arising from EU Regulation 2022/1854, the so-called taxation on extra profits.

7. Other information

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

7.1 Main legal actions pending

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

The company Saras S.p.A. is subjected to investigations in the context of criminal proceedings no. 9603/2021 RGNR mod. 21 D.D.A.T., pending at the Cagliari District Attorney - District Anti-Mafia and Terrorism Directorate.

The claim against Saras - pursuant to art. 25-octies of Legislative Decree no. 231/2001 - concerns the administrative offence deriving from the crime of "use of money, goods or benefits of unlawful origin" (pursuant to art. 648 ter of the Italian Criminal Code) alleged against some of its managers.

On 28 March 2022, the Company and the managers involved in the investigations related to the purchase of crude oil of Kurdish origin were notified of the notice of preliminary hearing date before the Cagliari GUP [Preliminary Hearing Judge] for 16 June 2022.

Since it became aware of the existence of the criminal proceedings, Saras S.p.A. has issued five press releases, in which it has made its position known to the market, refuting all the accusations (see: press releases dated 8.10.2020, 9.10.2020, 24.1.2021, 26.2.2022, 28.3.2022 available on the Company's website).

At the hearing on 16.6.2022 held today, a failure to notify the offended party (Embassy of Iraq) was noted and it will have to be re-executed. During the hearing, the imprecision of the reference to the offence of misrepresentation contained in Chapter A) of the indictment was also noted, and the Prosecutor decided to clarify the matter by simply deleting from the indictment the

reference to the offence of misrepresentation under Article 479 of the Criminal Code. At the same time, it was also clarified that the reference to the table (containing the indication of the transactions carried out) and referred to in the indictment, but not materially attached to the request therefor, is however the same as that already notified with the notice of conclusion of the investigations pursuant to Article 415 bis of the Code of Criminal Procedure.

Excluding the use of alternative remedies, the trial was adjourned to the following 6 and 20 October. The hearings of 6 and 20 October were held regularly. The Judge set the hearing for the replies for November 29, 2022. We also inform you that on 8 August 2022 the company received from the Economic-Financial Police Unit of Cagliari the Minutes of Dispute regarding income taxes and the regional tax on production activities relating to the aforementioned ongoing criminal proceedings.

In light of the above considerations and based on an initial analysis, several elements have emerged to refute both the application of the tax rules on so-called criminal costs and the factual reconstruction of the alleged offences. Therefore, it is deemed that, as of today, it is not possible to estimate the risk related to the possible tax liability related to the potential dispute against the Company by the Public Prosecutor's Office.

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

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

Furthermore, with regard to the subsidiary Sarlux, a criminal case against the company and some managers must be noted.

In April 2022, an investigation was initiated against Sarlux S.r.l. and some of the company's managers, by the Cagliari Public Prosecutor's Office, as part of an investigation into blow-down discharges, with exceedances of the limits of the gases sent to the flare, as set forth by the AIA agreement, which allegedly generated black smoke and odour emissions, as ascertained in the records covering the period from 2019 to the present. In particular, the investigation refers to the alleged offence 452-bis of the Criminal Code. (Environmental Pollution). The investigation is still at the preliminary stage and the deadlines for filing expert reports, ordered by the Court, expire on 9 August 2022.

In June 2022, the Corpo Forestale e di Vigilanza Ambientale ("C.F.V.A.") notified some managers of Sarlux S.r.l. of the application of a decree ordering the inspection of places and goods, issued by the Public Prosecutor's Office of the Court of Cagliari, for the offence referred to in Article 452 bis of the Italian Criminal Code, allegedly committed in Sarroch until December 2019, as a result of possible emissions and spillage of waste. At the end of the inspection, the C.F.V.A. ordered the criminal seizure of a limited tank area for the presence of traces of hydrocarbons on the soil, and of one of the rainwater collection tanks for the presence of oily products. The site surrounding the seized areas was closed and access was restricted for the sole purpose of environmental monitoring.

The Parent Company Saras SpA and the subsidiaries Sarlux Srl and Sardeolica Srl were subject to a tax audit by the tax authorities which led, in some cases, to disputes pending before tax courts.

7.2 Commitments

At 30 September 2022 there were no irrevocable commitments in existence for the purchase of materials or the provision of services over a period of several years.

As part of its normal activities, the Parent Company Saras has issued sureties totalling EUR 264,316 thousand at 30 September 2022, mainly in favour of subsidiaries and entities, such as Customs Agencies and the Ministry of Defence.

7.3 Related-party transactions

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