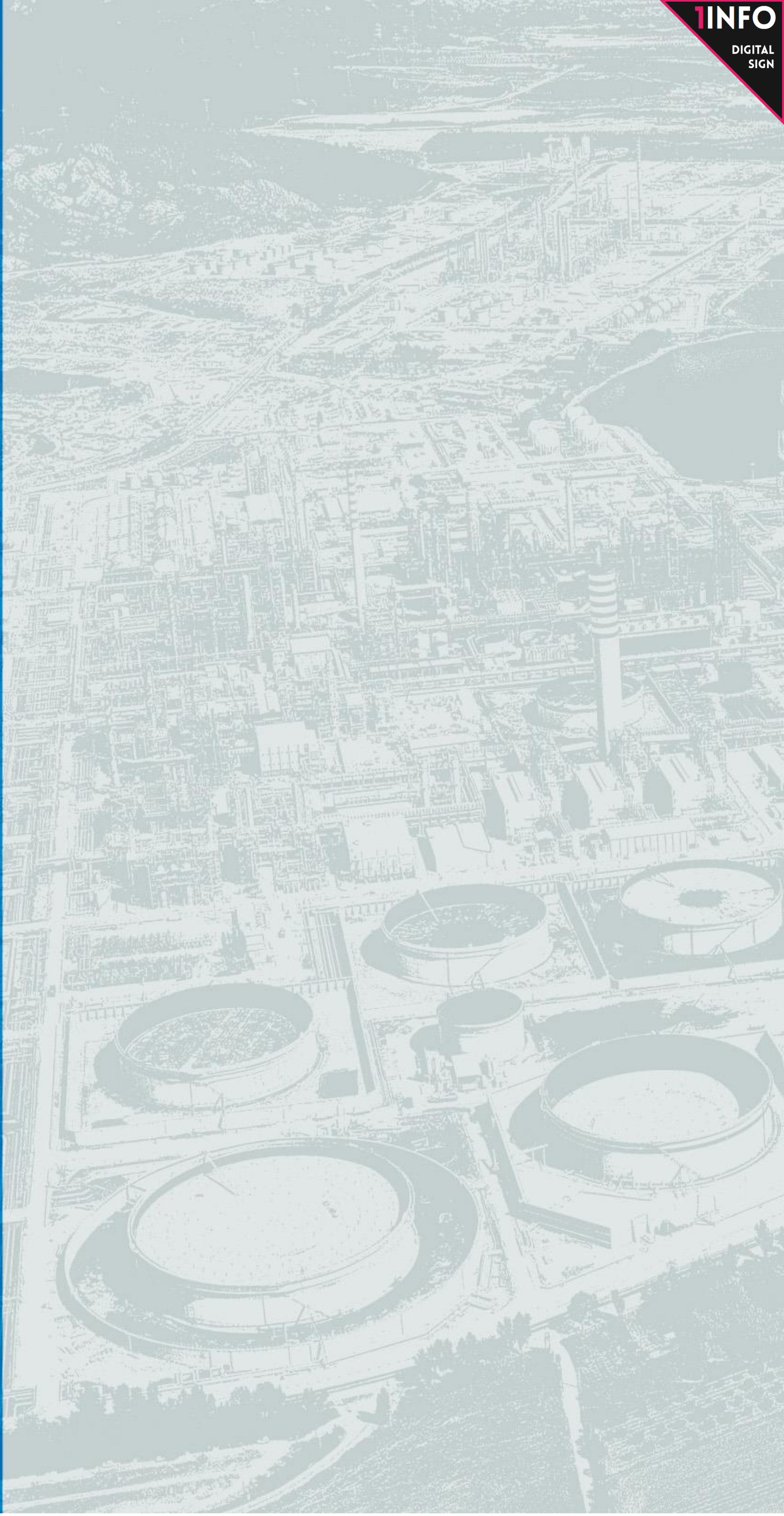
Saras Group Interim Financial Report as of 31st March 2023



SARAS

Table of contents

Statutory and Control Bodies	**3**
Group Activities	**4**
Structure of the Saras Group	**5**
Saras Stock Performance	**6**
REPORT ON OPERATIONS	
Gaap and Non Gaap measure	**7**
Key financial and operational Group Results	**7**
Impact of the Russia-Ukraine war	**7**
Oil Market	**11**
Segment Review	**14**
Industrial & Marketing	**14**
Renewables	**17**
Investments by business Segment	**18**
Outlook	**19**
Medium and long-term strategic guidelines	**21**
Risk Analysis	**22**
Other Information	**25**
Main events after the end of the three months of 2023	**26**
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	**27**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	**31**

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, Chief Executive Officer and Director
ANGELO MORATTI	Director
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
GIOVANNI EMANUELE MORATTI	Director
FRANCO BALSAMO	Deputy CEO, General Manager and Director
GIOVANNI MANCINI detto GIANFILIPPO	Independent Director
VALENTINA CANALINI	Independent Director
ADRIANA CERRETELLI	Independent Director
LAURA FIDANZA	Independent Director
FRANCESCA STEFANIA LUCHI	Independent Director
SILVIA PEPINO	Independent Director

BOARD OF STATUTORY AUDITORS

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

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

FABIO PERETTI	Chief Financial Officer

INDEPENDENT AUDITING FIRM

EY SpA

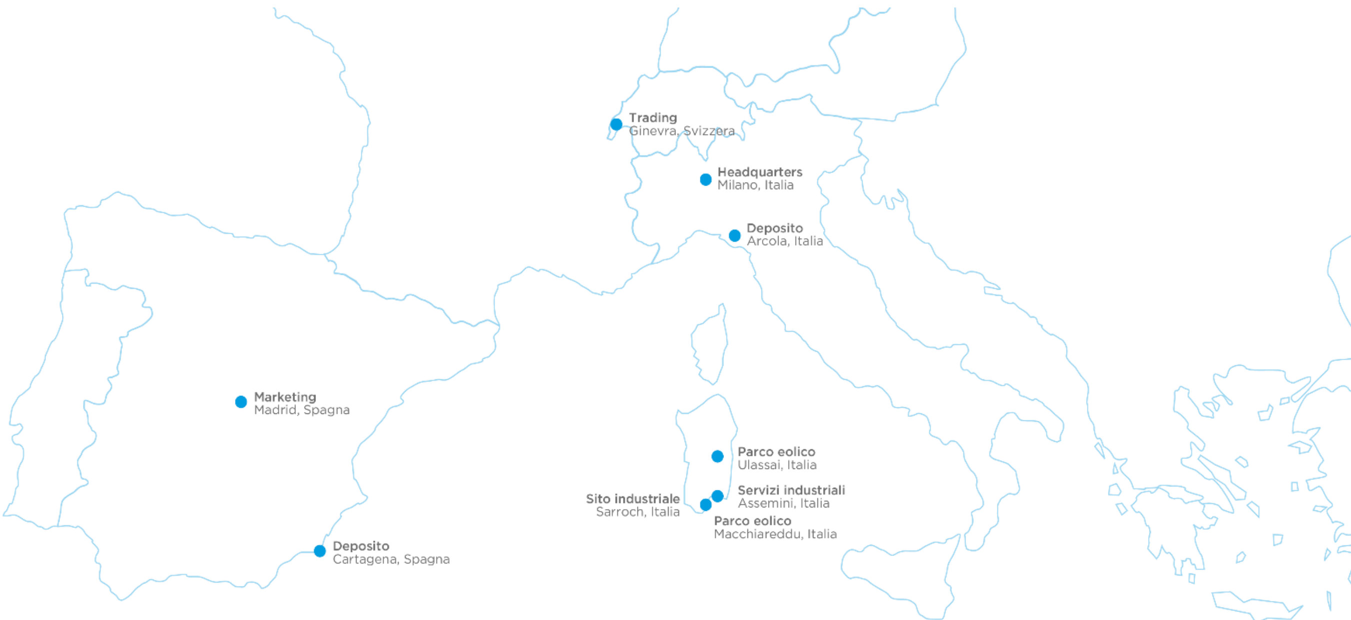
Group Activities

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. The Sarroch refinery, on the coast south-west of Cagliari, is one of the largest in the Mediterranean in terms of production capacity (15 million tons 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 trading & supply 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 (Saras Energia S.A.) 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 575 MW. The plant, which since April 2021 has been recognized by ARERA as one of the essential plants for the security of the Italian electricity system, uses heavy refining products and transforms them into approximately 4 billion kWh/year of electricity, contributing to over 45% of the electricity needs of Sardinia in 2022.

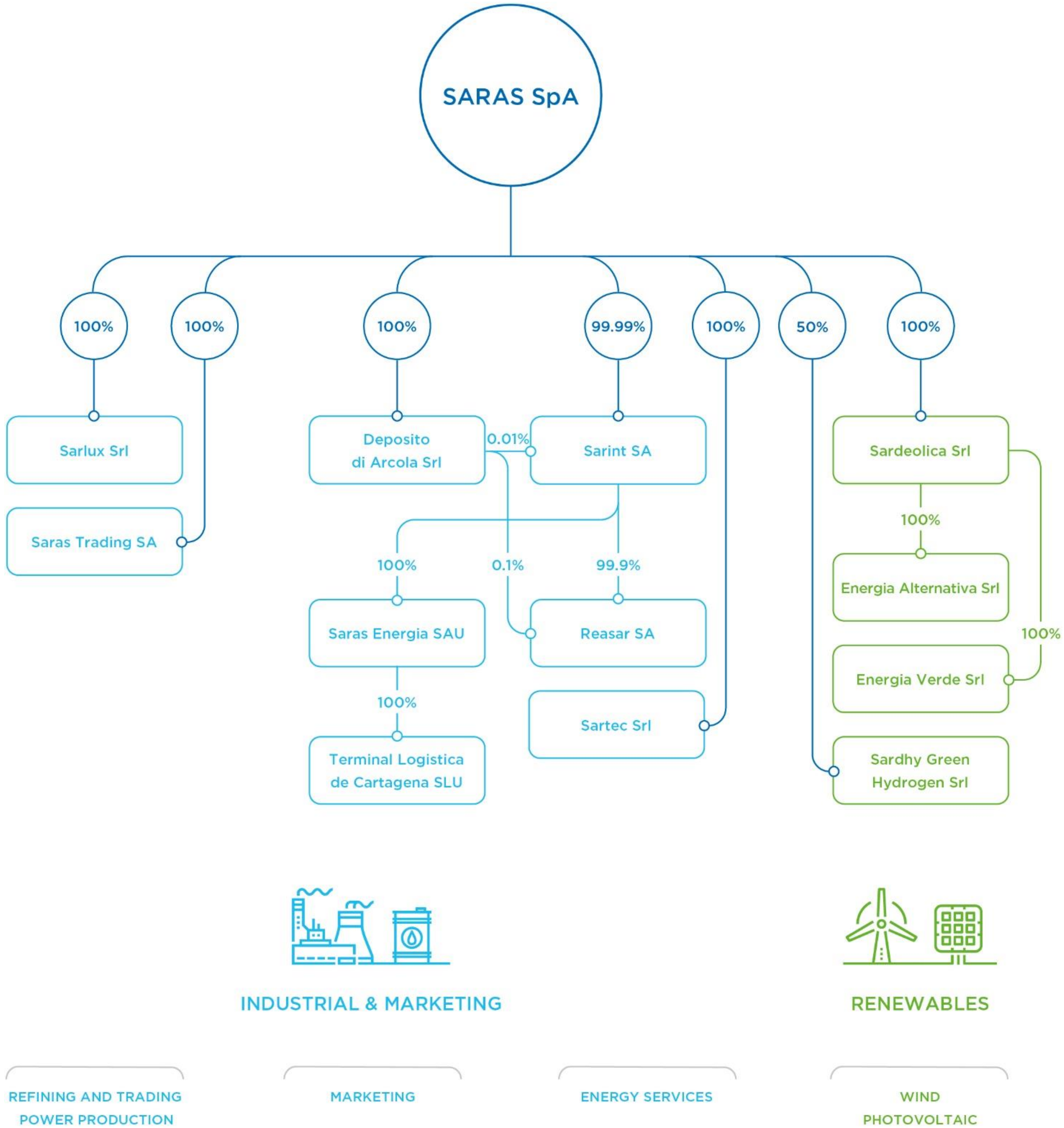
Also in Sardinia, the Group produces and sells electricity from renewable sources, through three wind farms managed by the subsidiaries Sardeolica Srl, Energia Alternativa Srl and Energia Verde Srl located in Sardinia, for a total installed capacity to date of 171 MW.

Lastly, the Group provides industrial engineering and research services to the petroleum, energy and environment industries, via its subsidiary Sartec Srl. The company Sardhy Green Hydrogen S.r.l., a subsidiary owned 50% by Saras S.p.A. and 50% by Enel Green Power Italia S.r.l., was incorporated at the end of 2021, with the aim of starting the first authorization procedures and, if the funding requested under the IPCEI European program will be obtained, to carry out the engineering, procurement and construction of the new hydrolyser through the formalization of dedicated contracts.



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 31/03/23.



Saras Stock Performance

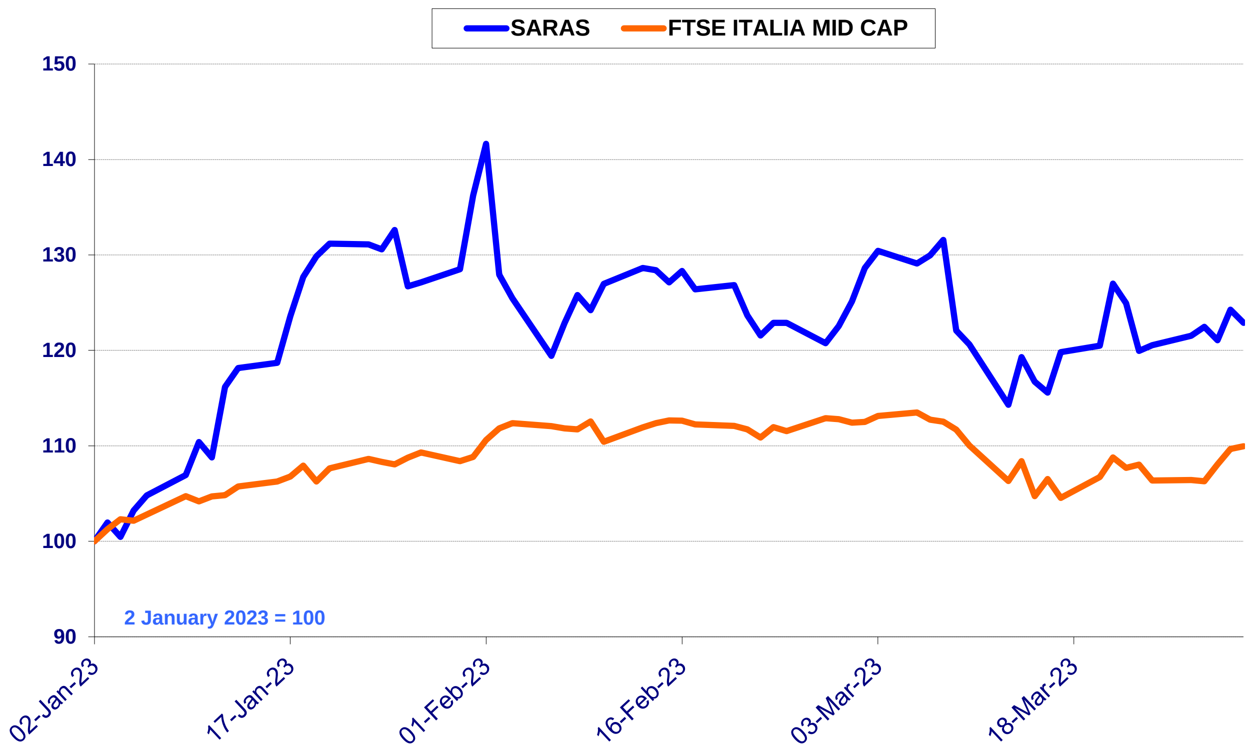
The following data relate to Saras' share prices and the daily volumes, traded during the first three months of 2023.

SHARE PRICE (EUR)	Q1/23
Minimum price (02/01/2023)	1.1685
Maximum price (01/02/2023)	1.655
Average price	1.431
Closing price at the end of the first three months of 2023 (31/03/2023)	1.436

DAILY TRADED VOLUMES	Q1/23
Maximum traded volume in EUR million (02/02/2023)	45.8
Maximum traded volume in number of shares (million) (02/02/2023)	30.6
Minimum traded volume in EUR million (02/01/2023)	3.7
Minimum traded volume in number of shares (million) (24/02/2023)	3.2
Average traded volume in EUR million	12.9
Average traded volume in number of shares (million)	9.0

The Market capitalization at the end of the first three months of 2023 was equal to approximately EUR 1,360 million and the total number of outstanding shares were 951 million. At today's date, the Company does not hold any treasury shares.

The following graph shows the daily performance of Saras' share price during the first three months of 2023, compared to the "FTSE Italia Mid Cap" Index of the Italian Stock Exchange:



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 market trends, in line with generally accepted practices in the oil sector, the operating profit and comparable net income, non-accounting values processed in this Report on Operations have been stated with the measurement of stocks using the FIFO method, but excluding unrealized 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 income.

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.

Impacts of the Russian-Ukrainian conflict

The results for the first quarter of 2023 take place in an oil market context still affected, albeit to a lesser extent than in 2022, by the consequences of the Russian-Ukrainian conflict. In fact, the margins of the main distilled products remained on average still higher than historical values, highlighting the permanent pressure on prices caused by the absence of imports from Russia, the main supplier of middle distillates to Europe until the outbreak of the conflict, in a context characterized by low unused refining capacity, both in Europe and in the USA. The pool of middle distillates, however, despite having been the most affected by the reduction in imports from Russia during 2022, recording unprecedented levels, showed a downward trend in prices and margins during the first quarter of 2023, driven on the one hand by a progressive increase in supply from Asian countries, and in particular China, India and Turkey, which have not joined the sanctions, and on the other hand by a slowdown in demand from the industrial sector recorded in the main countries of the OECD area.

For further details on the impacts of the Russian-Ukrainian conflict, see the chapters on the Reference market and Risk analysis, paragraph "Price fluctuation risk and risks related to the global macro-economic situation".

Key Group financial and operating results

EUR Million	**Q1/23**	**Q1/22**	**Change %**
REVENUES	3,466	2,950	18%
Reported EBITDA	246.4	156.3	58%
Comparable EBITDA	**285.3**	**62.0**	**360%**
Reported EBIT	200.0	110.7	81%
Comparable EBIT	**238.9**	**16.4**	**n.s**
NET RESULT reported	139.1	76.6	82%
Comparable NET RESULT	**162.0**	**13.3**	**n.s**

EUR Million	**Q1/23**	**Q1/22**	**FY 2022**
NET FINANCIAL POSITION ANTE IFRS 16	**354.9**	**(445.2)**	**268.6**
NET FINANCIAL POSITION POST IFRS 16	**315.7**	**(488.8)**	**227.5**
CAPEX	**41.1**	**24.1**	**105.7**

Comments on the Group's results for the first three months of 2023

In the first quarter of 2023, Group revenues amounted to EUR 3,466 million, compared to EUR 2,950 million reported in the same period last year. The significant increase was due to the higher volumes produced and sold, which more than offset the negative impact of changed scenario conditions between the two periods. From the standpoint of industrial production, it should be noted that the main production variables were above the values recorded in 2022. Specifically, refining runs in the first quarter of 2023 amounted to 24.9 million barrels (vs 20.5 million barrels in 2022), non-renewable electricity production amounted to 1,089 GWh (vs 840 GWh in 2022). From a scenario perspective, the negative impacts of the reductions in the prices of the main oil products and in the sale price of electricity (in accordance with the Essentiality Regime agreement) were only partly offset by the exchange rate development, which was characterized by the weakening of the dollar against the euro. Specifically, in the first quarter of 2023 the average diesel price was 835 USD/ton (vs 906 USD/ton in 2022), the average gasoline price was 840 USD/ton (vs 934 USD/ton in 2022), the single national price for the sale of electricity (PUN) was 157 EUR/MWh (vs 249 EUR/MWh in 2022) and the EUR/USD exchange rate was 1.07 (vs the EUR/USD exchange rate of 1.12 in 2022).

The Group's reported EBITDA amounted to EUR 246.4 million, up from EUR 156.3 million in the first quarter of 2022. The positive change is mainly attributable to the improved scenario conditions characterized by a sharp increase in diesel and gasoline crack margins, a reduction in the price of Brent (partly offset by the persistence of the high premiums required for the procurement of light and low sulfur crude-oils) and a reduction in energy costs due to the reduction of the national single price. The performance was also superior on both the production and commercial fronts, which continued to benefit in the first quarter of 2023 from an environment favorable to the value enhancement of refinery production on all sales channels. As regards the price dynamics of commodities on oil inventories (net of the related hedging derivatives), these decreased by EUR 31.8 million compared to an appreciation of EUR 87.8 million in recorded in the same period of 2022. In the first quarter of 2023, there were no non-recurring items compared to a negative value of EUR 1.1 million in 2022. Lastly, it should be noted that the reported EBITDA for 2023 reflects the effect of the TER Support Decree and the 2023 Budget Law, respectively a reduction in energy costs by EUR 24.8 million and a limitation of sales tariffs for electricity generated from renewable sources (wind power) by EUR 3.3 million.

The Group's reported Net Income was EUR 139.1 million, compared to EUR 76.6 million in the first three months of the financial year 2022. In addition to what is shown at the EBITDA level, this variance is mainly attributable to higher current taxes, due to the increase in taxable income for the year.

The Group's comparable EBITDA stood at EUR 285.3 million, up from EUR 62.0 million in the first quarter of 2022. With respect to reported EBITDA, this result does not include the above-mentioned negative effect of the scenario on changes in inventories between the start and end of the period, includes the impact of exchange rate derivatives (reclassified under core business) and excludes non-recurring items. The increase compared to the first quarter of 2022 is attributable to the higher contribution generated by the "Industrial & Marketing" segment partly offset by a slight reduction in the contribution of the "Renewables" segment; both deviations will be better described in the "Segment Review" section.

The **Group's comparable Net Result amounted to EUR 162.0 million**, an increase compared to the EUR 13.3 million achieved in the first quarter of 2022, due to the same phenomena described for the Reported Net Result, net of the negative effect of the scenario on inventory changes between the beginning and the end of the period

Investments in 2023 stood at EUR 41.1 million higher than in the first quarter of 2022 (EUR 24.1 million); this increase is attributable to the Industrial & Marketing segment, to the increased activities of Turn Around and to the replacement of some catalysts.

Calculation of the Group comparable EBITDA

EUR Million	Q1/23	Q1/22	Change %
Reported EBITDA	**246.4**	**156.3**	**58%**
Gain / (Losses) on Inventories and on inventories hedging derivatives	31.8	**(87.8)**	-136%
Derivatives FOREX	7.2	**(7.7)**	-193%
Non-recurring items	0.0	**1.1**	n.s
Comparable EBITDA	**285.3**	**62.0**	**360%**

Calculation of the Group comparable Net Result

EUR Million	Q1/23	Q1/22	Change %
Reported NET RESULT	**139.1**	**76.6**	**82%**
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	22.9	(63.3)	-136%
Non-recurring items net of taxes	-	-	n.s
Comparable NET RESULT	**162.0**	**13.3**	**n.s**

Net Financial Position

The Net Financial Position at 31 March 2023, before the effects of applying IFRS 16, was positive by EUR 354.9 million, compared to the positive position of EUR 268.6 million reported at 31 December 2022.

In the first quarter of 2023, cash flow totalled EUR 88 million. This flow is primarily attributable to operations, which, thanks to the high margins, generated EUR 251 million. The change in working capital absorbed EUR 114 million, and is mainly attributable to a reduction in trade payables. Investments absorbed EUR 41 million, while the payment of interest and financial charges absorbed EUR 8 million.

Lastly, it should be noted that cash and cash equivalents at 31 March 2023 amounted to EUR 756 million and that this amount will be used in part for the payment of the dividend for the 2022 financial year, ordinary taxes and the remaining portion of the so-called "windfall tax".

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

EUR Million	31-Mar-23	31-Dec-22
Medium/long-term bank loans	(373.3)	(401.4)
Bonds	-	-
Other medium/long-term financial liabilities	(4.1)	(4.4)
Other medium/long-term financial assets	4.1	4.1
Medium-long-term net financial position	**(373.3)**	**(401.7)**
Short term loans	(118.1)	(118.6)
Medium/long-term bank loans (maturity date within 12 months)	-	-
Banks overdrafts	(12.4)	(12.1)
Other short term financial liabilities	(17.4)	(22.3)
Fair value on derivatives and realized net differentials	43.5	6.6
Other financial assets	76.7	109.6
Cash and Cash Equivalents	756.0	707.1
Short-term net financial position	**728.3**	**670.3**
Total net financial position ante lease liabilities ex IFRS 16	**354.9**	**268.6**
Financial lease liabilities ex IFRS 16	(39.2)	(41.1)
Total net financial position post lease liabilities ex IFRS 16	**315.7**	**227.5**

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.

	Q1/23	Q1/22
Crude oil price and differential (USD/bbl)		
Brent Dated	81.3	102.5
Diff. Basrah Medium (CIF Med) vs. Brent Dtd	-7.1	-3.2
Diff. Azeri Light (CIF Med) vs. Brent Dtd	+6.2	+4.1
Crack spreads for refined oil products (USD/bbl)		
ULSD crack spread	30.6	19.0
Gasoline crack spread	19.2	9.4
Reference margin (USD/bbl)		
Reference margin (NEW Benchmark)	10.1	-0.5

Source: "Platts" and Official Selling Prices for prices and crack spreads.

Crude Oil Prices

In the first three months of 2023, Brent Dtd recorded an average price of 81.3 USD/bbl compared to an average price of 102.5 USD/bbl in the same period of 2022, down when compared to the values recorded on average in the last quarter of 2022 (88.9 USD/bbl).

The forecasts of growth in global oil demand, mainly linked to the recovery of China after the period of restrictions against the pandemic, were offset in the first part of the quarter by fears of a slowdown in global economic growth, due to the tightening of the restrictive policies of Western central banks to fight inflation. In March, macroeconomic concerns intensified following the collapse of some US banks linked to the tech sector, and the Credit Suisse crisis: the fear of repercussions on the entire banking sector and of a recessionary impact on the economy weighed further on Brent prices which in the third week of March reached 71 USD/bbl. At the end of the quarter, the intervention of the banking authorities aimed at avoiding a crisis in the credit system, together with macroeconomic data which highlighted a slowdown in inflation both in some European countries and in the USA, restored confidence on the markets. Brent therefore quickly returned to around 80 USD/bbl.

Finally, it should be noted that the market has not suffered from a lower supply of crude oils. In particular, the overall volumes of exports from Russia have not decreased compared to the period preceding the conflict: Russian crude oil, subject to the embargo by Western countries, has found new destinations, redirecting itself from the European market to the Asian one (in particular China, India and Turkey).

The average for the first quarter of 2023 compares with a Brent Dtd which in the same period of the previous year saw an upward trend driven by oil demand recovering to pre-Covid levels and, from the end of February, by the shock to imports from Russia following the invasion of Ukraine.

Unlike in the past, it was decided to no longer use the Russian "Urals" crude as a reference for high-sulfur crude (as it was subject to an embargo), but an Iraqi crude, Basrah Medium, which is regularly traded both in Europe and in Asian countries.

In the first quarter of 2023, Basrah Medium CIF Med recorded an average discount compared to Brent Dated of -7.1 USD/bbl (vs. an average discount of -3.2 USD/bbl in the same period of the previous year), further expanding compared to an average of -6.6 USD/bbl in the last quarter of 2022. This trend, with a progressively widening discount starting from the outbreak of the Russian-Ukrainian conflict, reflects the lower demand from Asian buyers (China and India in particular) who, not joining the embargo against Russia, have preferred to resort to Russian crude oils, whose discount with respect to Brent has widened significantly as a result of the Western sanctions.

On the other hand, during 2022 there was a significant appreciation of sweet crude oils (see Azeri), supported by the high margins of gasoline and diesel and preferred to crude oils with a high sulfur content, in a context of high energy costs, by virtue of the less onerous desulfurization processes required by them. **The average premium of sweet Azeri crude oil in the first three months of the year stood at +6.2 USD/bbl (+4.1 USD/bbl in Q1/22)**, up from the average of +4.5 USD/bbl recorded in the last quarter of 2022, supported by the high gasoline crack.

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

In the first three months of 2023, gasoline crack recorded an average of +19.2 USD/bbl (+9.4 USD/bbl in the first quarter of 2022), an increase compared to the last quarter of 2022 (+13.4 USD/bbl). After the fluctuating trend recorded in the second half of 2022 and the marked seasonal decline recorded in December, the gasoline crack has returned to very sustained levels, supported by the resilience of consumption in Europe and overseas, albeit in an economic context held back by the inflation, and by a more intense maintenance season than in previous years, both in Europe and in the USA. In Europe, strike closures at some French refineries further reduced production. The average of gasoline crack thus marked an increase of 44% compared to the average values of the fourth quarter of 2022 (+13.4 USD/bbl).

In the first three months of 2023, diesel crack (ULSD) recorded an average of +30.6 USD/bbl (+19.0 USD/bbl in the same period of 2022), down compared to the last quarter of 2022 (+45.1 USD/bbl), but still clearly higher than historical averages, due to the effects of European sanctions on imports of Russian diesel. After the still very high values in January (40.4 USD/bbl), the crack dropped to around 25 USD/bbl between February and March. Among the main causes are the high stocks created in view of the Russian embargo, and the increase in imports from Asia (Turkey, India and China). In general, with reference to the main refined products, and in particular with reference to middle distillates, similarly to what was described for Brent, it should be noted that despite the sanctions imposed by Western countries, Russia has increased the volumes destined for countries not joining the embargo, which, by allocating the cheaper Russian product to domestic consumption, have increased the exports from local refineries. On the demand side, the reduction in margins was affected by a lower use of diesel to replace gas in the face of a gas price that continued to fall during 2023, and milder winter temperatures than the seasonal average.

In the first three months of 2023, the jet fuel crack recorded an average of +29.3 USD/bbl, (vs. an average of +15.3 USD/bbl in the first three months of 2022), also decreasing in this case compared to the last quarter of 2022 (36.6 USD/bbl), due to the effect - similarly to what was described for diesel - of the high volumes imported from non-EU refineries.

In the first three months of 2023, the VLSFO crack recorded an average of -0.2 USD/bbl (compared to an average of 3.8 USD/bbl in the first quarter of 2022), an increase compared to an average of -3.7 USD/bbl in Q4 2022. Among the reasons for this recovery, there are lower imports from the Middle East compared to previous months, following some operational difficulties encountered in the new Al-Zour refinery in Kuwait. Furthermore, given the strong margins of gasoline, during the quarter many refineries preferred to allocate the Light Sweet residue to the light distillates cycle, rather than using it in VLSFO formulations.

The fuel oil crack HSFO, even in the depressed context for ATZ crudes, recorded an average of -25.3 USD/bbl in the first quarter of 2023 (vs. an average of -21 USD/bbl in the first quarter of 2022) up 32% compared to the average of the last quarter of 2022 (-31.9 USD/bbl). This trend, according to the indications of some analysts, is due to the growing number of ships equipped with scrubbers which allow the use of HSFO, to the detriment of the more expensive VLSFO, in the "East of Suez" naval trades.

Marketing

In Italy, according to data collected by Unione Energie per la Mobilità (UNEM), in the first three months of 2023, the consumption of oil products showed an increase of +1.6% compared to the same period in 2022, but still lower (-1.4%) than in the first three months of 2019. The demand for gasoline continues to grow (+10.2% vs '22 and +9.4% vs '19) while that of diesel decreased in the first quarter (-0.6% vs '22 and -1.0% vs '19).

In Spain, the data compiled by CORES available up to the month of February show that in the first two months of 2023, the consumption of motorway fuels in Spain generally decreased by -4.5% compared to the same period of 2022, with an increase demand for gasoline (+1.3%) and a reduction in that for automotive diesel (-5.9%).Similarly, during the month of February alone, the consumption of motorway fuels decreased by -4.3% compared to February 2022. In particular, the demand for gasoline increased (+1.7%) while the consumption of diesel decreased (-5.7%).

Electricity and CO2

In the first three months of 2023, the PUN, in line with the trend experienced by natural gas, recorded an average price of 157 EUR/MWh (249 EUR/MWh in Q1 2022), a sharp decrease compared to the average of 244 EUR/MWh recorded in the last quarter of 2022.

The drop in natural gas prices can be attributed to the high imports of liquefied natural gas (LNG) to replace the reduced flows via pipeline from Russia, and to lower consumption compared to the historical seasonal averages, in the face of a particularly mild winter.

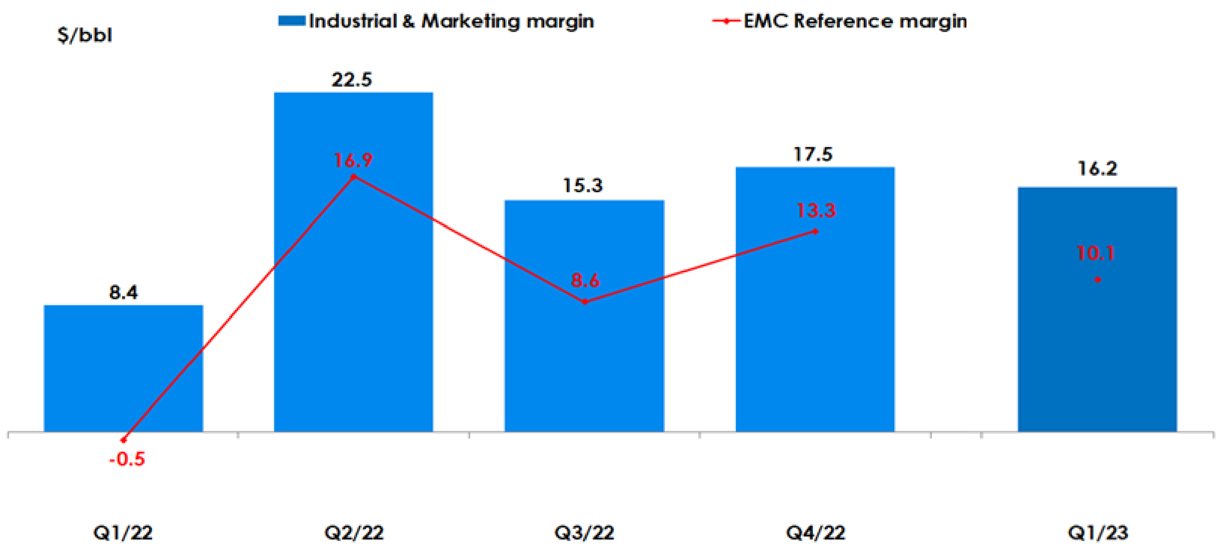
EUA quotations of European permits for carbon dioxide emissions recorded an average of 87 EUR/ton in the first three months of 2023, compared to an average of approx. 84 EUR/ton in the first quarter of 2022, and up from the average of about 77 EUR/ton recorded in the last three months of 2022.

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 baseline, against which the Saras refinery typically achieves a higher margin thanks to the high flexibility and complexity of its plants, as well as its industrial and commercial performance.

In Q1 2023, the EMC Reference Margin, in light of the market context described in the previous paragraph, averaged 10.1 USD/bbl (vs. a negative average of -0.5 USD/bbl in Q1/22). **Saras' margin was 16.2 USD/bbl** (8.4 USD/bbl in the same period of the previous year), **showing a premium of +6.1 USD/bbl (+8.9 USD/bbl in Q1 of 2022).**

The premium earned in the first quarter is at the upper end of the 2023 guidance range (which forecasts an expected annual premium of 5÷6 USD/barrel); it should be remembered that in high-margin environments, management's measures are aimed at achieving the margin offered by the market and maximizing processing, sometimes even at the expense of "second-tier optimizations" that may affect the relative premium with respect to the reference benchmark.



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 center 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 740/2022 of 29 December 2022, 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 2023.

EUR Million	Q1/23	Q1/22	Change %
Reported EBITDA	240.4	140.9	71%
Comparable EBITDA	**279.3**	**46.6**	**499%**
of which relative to Marketing sales	14.5	5.7	153%
Reported EBIT	196.1	97.4	101%
Comparable EBIT	**235.0**	**3.1**	**n.s.**
CAPEX	**39.8**	**19.0**	**110%**

Processing, electricity production and margins

		Q1/23	Q1/22	Change %
CRUDE RUNS	*Tons (thousand)*	3,415	2,804	22%
	Barrels (million)	24.9	20.5	22%
	Bl/day (thousand)	277	227	22%
COMPLEMENTARY FEEDSTOCK	*Tons (thousand)*	79	323	-76%
ELECTRICITY PRODUCTION	*GWh*	1,089	840	30%
TOTAL SALES	*Tons (thousand)*	765	835	-8%
of which: in Italy	*Tons (thousand)*	504	558	-10%
of which: in Spain	*Tons (thousand)*	261	278	-6%
EXCHANGE RATE	*EUR/USD*	1.07	1.12	-4%
NEW BENCHMARK MARGIN	*$/bl*	10.1	(0.5)	n.s.
SARAS IND & MKTG MARGIN	*$/bl*	16.2	8.4	93%

Comments on the results for the first three months of 2023

Crude oil runs in 2023 were 3.41 million tons (24.9 million barrels, corresponding to 277 thousand barrels/day), 22% higher than in the first quarter of 2022. The increased number of refining runs is mainly attributable to improved production performance and a less onerous maintenance plan as well as the reduced impacts of weather-related port closures that had penalized work in the first quarter of 2022.

Electricity production amounted to 1,089 GWh, an increase of 30% compared to the first quarter of 2022, mainly due to different production setups required by the Essentiality Regime agreement between the two periods.

Comparable EBITDA in 2023 stood at EUR 279.3 million, with a Saras Industrial & Marketing margin of +16.2 USD/bbl, within which the contribution of the Marketing channel was 0.8 USD/bbl (as usual, already net of the impact of the maintenance activity carried out in the period). This compares with a comparable EBITDA of EUR 46.6 million and a Saras Industrial & Marketing margin of +8.4 USD/bbl (within which the contribution of the Marketing channel was 0.5 USD/bbl) in the same quarter of the previous year.

As far as **market conditions** are concerned, the impact on margin generation was positive by approximately EUR 119 million. This positive result is mainly attributable to the strengthening of the cracks of major oil products (diesel and gasoline), the strengthening of the dollar and the reduction in the price of Brent crude. Partially offsetting these phenomena is the persistence of high rewards in terms of supply of raw materials, especially for light grades.

Operating performance in the first quarter of 2023, if compared with the same period of 2022, was higher by approximately EUR 82 million. This change includes the contribution for the remuneration of the capital used by the plants subject to the Essentiality Regime agreement, which in the first quarter of 2023 amounted to EUR 27 million (EUR 11 million higher than in the same period of the previous year, mainly due to the increase in the rate of return on capital recognized by the authorities) 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 60 million compared to the same period of the previous year. This result is mainly due to a positive performance in product management and to a greater contribution from trading activities and to the reduction of backwardation and the spread between Brent Dated and front line futures (DFL) which had negatively affected the commercial performance in the first quarter of 2022.

- **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 difference is attributable to greater optimizations of the product mix.

- **The performance of production activities** (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some "utilities" such as fuel oil, steam, electricity and fuel gas) made a higher contribution of approximately EUR 9 million compared with the same period in 2022 for lower consumption and better production yields.

Variable costs of an industrial nature, net of components related to the Essentiality Regime agreement, were EUR 18 million lower in the first quarter of 2023 than in the same period of 2022. Electricity contributed with a cost reduction of EUR 22 million mainly due to the effect of the reduction in the unit price of energy. Carbon dioxide emissions contributed with a reduction of EUR 3 million due to the higher free allocations received. The remaining incremental cost share is attributable to higher consumption of catalysts and higher demurrage costs.

The trend in **fixed costs** in the first quarter of 2023 recorded a decrease of approximately EUR 5 million compared to the same period of the previous year. This deviation is mainly attributable to lower maintenance costs. Within the final costs, approximately EUR 20 million is the amount subject to reimbursements relating to the Essentiality Regime agreement in 2023, an increase compared to the EUR 17 million expected in the previous year due to the inflationary phenomena and the increased scheduled maintenance activities.

The contribution of the Marketing channel to the comparable EBITDA amounted to EUR 14.5 million, compared with EUR 5.7 million recorded in 2022. This variance is due to the increase in premiums earned both in Italy and in Spain which more than offset the reductions in sales volumes. 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.

Oil slate and refined products yield

The mix of crudes that the Sarroch refinery processed in the first quarter of 2023 has an average density of 32.1°API, heavier than the average density processed in 2022. A more detailed analysis of the grades of crude oils used showed an increase in the percentage incidence of heavy crude oils with both low and high sulfur content ("heavy sour/sweet"), a decrease in medium crude oils with high sulfur content ("medium sour") and an increase in light crude oils with low and very low sulfur content ("light sweet" and "light extra sweet"). 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.

		Q1/23	Q1/22	FY 2022
Light extra sweet		42%	41%	43%
Light sweet		13%	10%	10%
Medium sweet/extra sweet		0%	0%	1%
Medium sour		2%	23%	10%
Heavy sour/sweet		43%	26%	36%
Average crude gravity	°API	32.1	33.3	32.8

Turning the analysis to the yields of finished products, it can be seen that in the first quarter of 2023, consistently with the production arrangements characterized by the shutdowns of some plants and with the need to prepare the next cluster of shutdowns scheduled for the second quarter, the percentage yields in gasoline and middle distillates decreased in favor of greater production of semi-finished products, fuel oil and naphtha.

		Q1/23	Q1/22	FY 2022
LPG	Tons (thousand)	75	79	269
	yield (%)	2.1%	2.5%	1.9%
NAPHTHA	Tons (thousand)	198	51	525
	yield (%)	5.7%	1.6%	3.7%
GASOLINE	Tons (thousand)	700	851	3,207
	yield (%)	20.0%	27.2%	22.6%
MIDDLE DISTILLATES	Tons (thousand)	1,582	1,561	7,344
	yield (%)	45.3%	49.9%	51.7%
VERY LOW SULPHUR FUEL OIL	Tons (thousand)	209	62	716
	yield (%)	6.0%	2.0%	5.0%
OTHERS	Tons (thousand)	536	307	1,343
	yield (%)	15.3%	9.8%	9.5%

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. As far as development activities are concerned, it should be noted that in the first quarter of 2023, contracting/tender activities continued for the construction of the new photovoltaic plant of approx. 80 MW located in the municipality of Macchiareddu; in the second quarter of 2023, contract awards are expected to be finalized and construction activities are expected to begin, with completion in the second quarter of 2024 and commissioning scheduled for June 2024.

EUR million	Q1/23	Q1/22	Change %
Reported EBITDA	6.0	15.4	-61%
Comparable EBITDA	**6.0**	**15.4**	**-61%**
Reported EBIT	3.9	13.3	-71%
Comparable EBIT	**3.9**	**13.3**	**-71%**
CAPEX	**1.3**	**5.1**	**-74%**

Other figures

		Q1/23	Q1/22	Change %
ELECTRICITY PRODUCTION	MWh	81,305	94,733	-14%
POWER TARIFF	EURcent/KWh	9.7	17.4	-44%
INCENTIVE TARIFF	EURcent/KWh	0.0	4.3	n.a

Comments on the results for the first three months of 2023

In the first quarter of 2023, the Renewables segment's comparable EBITDA amounted to EUR 6.0 million, lower than that achieved in the first three months of 2022 of EUR 15.4 million. The reduction in EBITDA between the two periods is EUR 8.0, million attributable to the lower electricity tariff and incentive tariff, and EUR 1.0 million due to the lower electricity production.

With regard to the impacts relating to the application of the price limits, it should be noted that the TER Support Decree established a sales price limit of 61 EUR/MWh, which in the first quarter of 2023 is applicable to 53% of total production, while the 2023 Budget Law established a second price limit of 180 EUR/MWh on the remaining part of production. Considering the sales price trend, only the limit imposed by the TER Support Decree had an economic impact and reduced the result for the quarter by approximately EUR 3.3 million.

Investments by business segment

EUR Million	Q1/23	Q1/22
INDUSTRIAL & MARKETING	39.8	**19.0**
RENEWABLES	1.3	**5.1**
Total	**41.1**	**24.1**

Investments made by the Saras Group in the first quarter of 2023 amounted to EUR 41.1 million, up slightly compared to EUR 24.1 million in 2022.

For the **Industrial & Marketing segment,** investments in the first quarter of 2023 amounted to EUR 39.8 million, higher than the EUR 19.0 million in the first quarter of 2022, mainly due to the greater turn around maintenance work and the replacement of the mild hydrocracking catalysts, replacements with a multi-year cycle and not present in 2022.

Investments in the **Renewables segment** in the first quarter of 2023 amounted to EUR 1.3 million. These investments concerned the start of development activities for the new photovoltaic plant.

Outlook

In the mid-April update of the WEO (World Economic Outlook), the International Monetary Fund issued cautious forecasts for global GDP growth, with estimates essentially unchanged from the January outlook: growth recorded in 2022, equal to 3.4%, will be limited to 2.8% this year and 3% in 2024 (0.1% lower in both periods than the January estimates). The restart of China, a driving force behind this year's growth, was confirmed at 5.2%. Growth for Europe and the USA is instead expected at 0.8% and 1.6% respectively. In fact, the Eurozone and the USA will have to discount the effects of the restrictive policies of the central banks to combat high inflation, and only partially recover this year, as well as having to manage the risks associated with rapidly rising interest rates in the banking system.

In the Oil Market Report issued in mid-April 2023, the International Energy Agency (IEA) confirmed the latest estimates that see **global oil demand** increase by 2 mb/d this year, rising to an average of 101.9 mb/d a figure that exceeds the pre-Covid average annual demand of 2019 (100.4 mb/d), and potentially surpassing 103 mb/d in the second half of the year. This expectation reflects a strong geographic disparity: non-OECD countries, supported by a recovering China, will account for the bulk of the growth, and will more than offset the reduction in demand in OECD countries. The latter, at the end of March, recorded lower demand for the second consecutive quarter compared to the same period of 2022. The main causes are the slowdown in industry and lower fuel consumption linked, on the one hand, to a milder than expected winter, and, on the other, to the greater use of gas, the price of which has steadily fallen in recent months. These phenomena mainly impact the demand for middle distillates, which are more closely linked to industry trends, while demand from the private sector, particularly gasoline, continues to show resilience. In the second part of the year, however, a strong boost to demand is also expected for middle distillates thanks to the recovery of jet/kerosene, with the return of Asian air traffic, which will indirectly boost the margins of the middle distillates pool.

On the supply side, the unexpected announcement on 2 April by the main OPEC+ member countries on a further production cut - by around 1 mb/d starting in May and throughout the rest of 2023 The International Energy Agency (IEA) i has impacted the expectations of the main sector analysts, who already indicated a potential deficit in the oil market starting from the second half of the year. The latest cuts announced by OPEC+ are in fact part of an already tense crude oil market characterized by a low expansionary policy by the member countries of the organization, to which must be added the production cuts announced in February by Russia for approx. 500 kb/d from May and throughout 2023. In this context, the global supply of crude oil is consequently led by non-OPEC+ countries (primarily the United States and Brazil). The latest IEA estimates following the announcement of OPEC+ cuts anticipates that oil supply will average 101.1 mb/d in 2023, reflecting an imbalance between supply and demand, particularly evident in the second half of the year.

The market trend in April showed the prices of Brent Dtd rapidly rising above 88 USD/bbl following the announcement of the cut in production by the OPEC+ countries, and a return to lower levels around 82 USD/bbl at the end of the month, awaiting the announcements of the central banks on interest rates. In terms of refined product margins, gasoline and diesel averaged approx. 19 and 15 USD/bbl: in particular, diesel margins, while remaining higher than historical averages, recorded a downward trend, reflecting the increase in stocks previously described, caused by a partial slowdown in industrial demand in OECD countries, and by high import volumes from Asia and the Middle East. The prices of electricity and CO2 averaged respectively approx. 136 EUR/MWh, lower than the first quarter (157 EUR/MWh), and 91 EUR/ton, slightly higher than the first quarter average (87 EUR/ton).

The scenario just described, which is still volatile, together with the prevailing scenario assumptions among industry analysts[1] and the trend in the forward curves of oil, gas and electricity commodities, lead to the view that the scenario for 2023 is still positive, but more conservative than assumed at the beginning of March, particularly with regard to diesel margins, in light of the recent weakening of demand. However, market consensus continues to forecast a recovery in demand for middle distillates in the second half of the year driven by the Chinese recovery and an increase in jet fuel demand. Gasoline margins are expected to remain at high levels especially in the second and third quarters, thanks to strong seasonal demand, particularly in the American area. In light of these forecasts, the EMC Reference Margin in 2023 is expected to still be higher than historical averages, although lower than 2022 levels.

From an operational point of view, the projected maintenance plan is confirmed. In the first quarter, maintenance was carried out on the catalytic reforming, on a hydrocracker (MHC2) and on some distillation units (T2 and V2). Multi-year turnaround activities of the IGGC combined cycle gasification plant are confirmed in the second quarter as scheduled; at the same time, the second hydrocracker (MHC1) and an additional topping unit will be maintained (T1).In the second half of the year, no significant maintenance works are planned, except for some minor activities (a slowdown of the gasification and maintenance of one of the desulfurization units). Overall, as regards the **annual refining runs of crude oil**, this is confirmed in the order of about 12 ÷ 13 million tons (or 88 ÷ 95 million barrels), to which about 1 million tons of complementary plant feedstock to the crude oil (corresponding to about 7 million

[1] Oil Market: Platts, WMC, FGE and Nomisma estimates (Apr'23); Electricity & Gas Market: estimates by Ref4E, Nomisma and Elemens (Apr'23); Note: for Q2_23 forward curves @07/04 for Brent and Cracks; indication of Saras Supply Chain Management for premiums/discounts on crude oils.

barrels) are to be added. The production of electricity is confirmed – in line with the planned maintenance interventions and on the basis of an assumed essential power requirement – slightly lower (-5%) than the 2022 levels.

Against these conditions, the Company confirms the guidance for 2023 to achieve an average premium over the EMC Reference Margin of between 5 ÷ 6 USD/bbl.

As regards the **Renewables segment**, the installed capacity in 2023 was confirmed unchanged at 171 MW. The valuation of 2023 production, the measure introduced by Decree-Law no. 4 of 27/2022, so-called "TER Support," has been extended to the entire first half of the year: therefore, about 53% of the expected production in the year will be valued with a limitation to the maximum price of about 61 EUR/MWh. In addition to this measure, the 2023 Budget Law implementing EU regulation 2022/1854 established that, for the first half of 2023, the remaining part of production will be subject to a maximum price limitation of approximately 180 EUR/MWh. At present, no extensions of these mechanisms are expected for the second half of the year.

In terms of renewable development activities, Sardeolica is currently engaged in the construction of the 80 MW Helianto photovoltaic plant, which is proceeding as planned and is expected to be operational by the end of the first half of 2024. The authorization process for the development of over 100 MW of new greenfield wind capacity in Sardinia is also at an advanced stage.

As regards the **other projects launched by the Group as part of the energy transition strategy ("New Energies")**, Saras continues its collaboration with Enel Green Power, aimed at supplying green hydrogen to the Saras refinery through the use of an electrolyzer of about 20 MW powered by renewable energy. After the recognition of SardHy Green Hydrogen among the four Italian companies admitted to the European IPCEI Hy2Use program (the European Union initiative that supports the best projects related to the hydrogen value chain), discussions with MIMIT (Ministry of Enterprises and Made in Italy) are underway and the application for financial relief was submitted, based on the provisions of the Ministerial decree for the activation of the intervention of the IPCEI fund for these projects of common European interest in the field of hydrogen. In addition, preliminary activities were launched for the negotiation and definition of contracts for the supply of materials and for works tenders.

With regard to the Carbon Capture and Storage project, the collaboration with Air Liquide is proceeding, aimed at better defining the aspects relating to the entire development chain including logistics and transport, together with an estimate of costs and timing. In addition, activities launched in 2022 to access the European Green New Deal and Horizon funds dedicated to CCS and CCU (Carbon Capture and Utilization) projects, are under way.

With reference to the **Group's investments** in 2023, an amount of approximately EUR 180-190 million is confirmed, for the Industrial & Marketing segment, aimed at increasing efficiency and maintaining the competitiveness of the plants also in light of the reduced investments of the past two years, and equal to EUR 60-70 million for the Renewables segment. In particular, in the Industrial & Marketing segment, investments will be mainly concentrated in the multi-year turnaround of the IGCC plant, as well as in the HSE (Health, Safety & Environment) area and in the development of ICT, Digital and Cybersecurity projects. In the Renewables segment, investments will be mainly aimed at the construction of the Helianto photovoltaic park.

With regard to the expected trend of the **Group's Net Financial Position**, in the remainder of the year this will be affected by the payment of taxes (including those on "extra-profits"), dividends relating to 2022 and investments. However, the forecasts of cash flow generation and working capital trends (by virtue of the scenario and performance assumptions made by the Company) allow us to project a year-end Group Net Financial Position still in surplus although down from current levels.

Medium and long-term strategic guidelines

On 10 May 2023, the Saras Board of Directors approved a revision of the Group's medium- and long-term main objectives and strategic guidelines, **providing for the evolution of the Group from *pure refiner* to *sustainable energy player***. The Group's strategy focus on accelerating the energy transition to ensure sustainable and profitable growth for all stakeholders.

In a decade of profound transformation, Saras' strategy aims to support and accelerate the convergence between the conventional and renewable energy business, promoting and developing the integration of new energy sources within the refining business. Capitalizing on core business excellence, financial solidity and the significant progress achieved in renewable development, Saras' strategy sets itself the following objectives:

- **Continue to improve the overall effectiveness and efficiency of the refining business to maintain the Sarroch refinery as the best-in-class asset in the sector**, through a progressive optimization of operating and trading leverage and of investments: in an ongoing process aimed at increasing the flexibility and resilience of the business to the volatility of the market, this will allow for a progressive strengthening and stability of the Group's financial structure.

- **1GW renewable capacity installed by 2028**. The new target takes into account a pipeline of greenfield projects in Sardinia for a total of over 600 MW, in various stages of progress, to which joint development agreements or other forms of collaboration with new partners may be added, both in Sardinia and in the rest of the national territory. The new capacity will be in addition to the current installed wind capacity of 171 MW and to the 80 MW Helianto park under construction and will involve the use of project financing.

- **Position the Company to seize the opportunities offered by new technologies**. Depending on the evolution of the current regulatory context and on future opportunities, renewable energy production will become ever more relevant for "hard-to-abate" industrial activities to achieve higher efficiency and decarbonisation; furthermore, in the long term, renewable energy will also be necessary in the production of new fuels (e-fuels) as well as functional to the development of a series of initiatives currently under study by Saras in the context of "New Energies" (green hydrogen, CCS and biofuels).

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 changes in results and in cash flows deriving from interest. Inflationary pressures, resulting from an increase in the prices of raw materials and commodities, led to an increase in both short- and medium-term interest rates. The ECB has revised upwards the marginal refinance rate and the deposit rate, with the consequence for Saras of an increase in financial expenses and in the cost of derivative transactions, albeit in a context of significant cash generation expected in 2023.

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. Please note that the Group is not directly and indirectly 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 significantly negatively impacted the oil market, affecting the Group's level of financial debt with a Net Financial Position that was negative until 31 December 2021, while during 2022 and the first quarter of 2023, the Group regained its cash generation capacity, recording a positive net financial position.

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

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

OTHER RISKS

Price fluctuation risk and risks related to the global macro-economic situation

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 oil 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.

In particular, the outbreak of the Russian-Ukrainian conflict radically changed the global energy scenario, triggering from the end of February 2022 an immediate rise in energy commodity prices (oil and derivatives, gas, and electricity) and high volatility, with major impacts on the reported results of Oil & Gas and Refining companies. This phenomenon has more directly involved Europe, which is more dependent on Russia in terms of energy. In particular, the Western sanctions imposed on oil imports from Russia led to an increase in the prices and margins of refined products, which in 2022 translated into a significant improvement in the Group's economic and financial results. This phenomenon, as described in the chapter relating to the reference market, progressively decreased in 2023 in the case of middle distillates: refining margins, while remaining above the historical averages, recorded a reduction, mainly due to a partial slowdown in industrial consumption and a simultaneous increase in imports of refined products, especially from Asia (India, China, the Middle East and Turkey).

In this regard, it should be noted that in 2023, the Group's expected income results and cash flows are exposed to the risks of a global economic slowdown or, in the most severe case, a possible recession, with the consequent reduction in expectations of growth in demand for hydrocarbons. The restrictive monetary policies adopted by the central banks to counter the high levels of inflation could in fact act as a brake on economic growth, particularly in Europe and the USA, with negative consequences on oil demand.

The international geopolitical tensions caused by the Russian invasion of Ukraine as well as by the imposition of several different sanctions against Russia also increase the systemic risks, including that of the continuation of the war, of its extension to other countries, as well as the impacts of economic sanctions on the global economy, the supply chain and consumer, business and investor confidence resulting in delays or halts in spending and investment decisions. The occurrence of such events could trigger a slowdown in growth or, in the worst case, a global recession. These conditions could lead to a reduction in the demand for energy raw materials and a consequent reduction in prices, with negative repercussions on the economic results, cash flow and the implementation of the Group's business plans.

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 economic and financial position.

In particular, as described in the chapter "Outlook", the forecasts by leading industry analysts see a risk of a deficit crude market in 2023 starting in the second half of the year that could lead to increased supply difficulties which would add to the limitation of crude oil imports from countries subject to restrictions and embargoes.

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shut-downs. Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accidents to a minimum: in addition, Saras has a major program of insurance cover in place to offset such risks. However, under certain circumstances, this program 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 exchange activities and promptly evaluating any legal 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 dispositions relating 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, and the cost reimbursement regime;

• measures taken to contain electricity costs, such as for example the TER Support Decree and the 2023 Budget Law which impact, on the one hand, system charges and variable energy components for "energy-intensive" enterprises (Sarlux) and, on the other hand, the sale prices of electricity from renewable sources (Sardeolica, Green Energy and Alternative Energy).

Dependencies on third parties

The IGCC plant, owned by the subsidiary Sarlux S.r.l., depends on oxygen supplied by Air Liquide Italia in addition to oil crudes 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 Group's activities are intrinsically exposed to risks and opportunities related to climate change. These risks and opportunities, which are included in the Corporate Risk Management model, can be both physical and regulatory, i.e., arising from the policies being implemented to accompany the energy transition and limit climate change.

With respect to physical risks, the Group could be exposed to significant accidents at its facilities due to adverse weather events (e.g., torrential rains, lightning strikes, sea level rise, drought). Possible mitigation measures could be insurance coverage and a proper HSE system.

With regard to regulatory risk, the Group could face further tightening of European and national legislation on decarbonization and ecological transition. The Group constantly monitors regulatory developments and assesses mitigating measures and actions from time to time.

Finally, the Group manages the reputational risk related to the assessment of its sustainable business strategy by its Stakeholders through engagement activities with the Stakeholders, materiality analyses for the identification of priority issues and impacts, performance monitoring through ESG indicators, and, finally, appropriate transparent and comprehensive reporting in the area of Sustainability.

Saras has developed a decarbonization and energy transition process involving the following areas: (i) the development of the production capacity of electricity from renewable sources such as wind and photovoltaic to reach 500 MW of installed power, (ii) increase in production of biofuel up to 250 kton/year, (iii) development of green hydrogen production from renewable sources, (iv) study for the construction of a CO2 Carbon Capture & Storage plant in order to reduce the Group's CO2 emissions into the atmosphere.

Protection of Personal Data

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

Information technology and cybersecurity

Complex information systems support the various business activities and processes. Risk aspects concern the adequacy of such systems and the availability, integrity and confidentiality of data and information. In particular, some major systems may be exposed to the risk of cyberattacks. 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 specialized in the subject and adopting the international standard IEC 62443.

In 2023, the Group continues to increase the level of protection against cyberattacks through a service (Uptime security monitoring service) and the activation of awareness courses for the company's population.

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 statement of financial position liabilities (see Notes).

Involvement in legal proceedings

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

Other Information

Treasury shares

In the first quarter of 2023, Saras S.p.A. has not bought or sold any treasury shares.

Research and development

Saras did not undertake any significant research and development activities. Therefore, no significant costs have been capitalized or recorded in the income statement in the first quarter of 2023.

Non-recurring and unusual transactions

In the first three months of 2023 there were no significant transactions and there are no positions resulting from atypical and/or unusual transactions.

Main events after the end of the first three months of 2023

On 28th April 2023, the ordinary Shareholders' Meeting approved, inter alia, the Separate Financial Statements at 31 December 2022 of Saras S.p.A., reviewed the Group's Consolidated Financial Statements and the consolidated non-financial statement pursuant to Legislative Decree no. 254 dated 30/12/2016 (Sustainability Report). The Shareholders' Meeting also approved the distribution of a dividend for the 2022 financial year of EUR 0.19 per share and has appointed the Board of Directors for the 2023-2025 financial years. It conferred the statutory auditing assignment for the financial years from 31 December 2024 to 31 December 2032 to the company PwC, approved the first section and expressed a favorable opinion on the second section of the Remuneration Report and amended Art. 2 of the Regulations for Shareholders' Meetings of Saras S.p.A.

The new Board of Directors is made up of the following members: Massimo Moratti, Angelo Moratti, Angelomario Moratti, Gabriele Moratti, Giovanni Emanuele Moratti, Franco Balsamo, Giovanni (known as Gianfilippo) Mancini (Independent Director), Valentina Canalini (Independent Director), Adriana Cerretelli (Independent Director), Laura Fidanza (Independent Director), Francesca Stefania Luchi (Independent Director) and Silvia Pepino (Independent Director).

On the same date, in extraordinary session, the Shareholders' Meeting resolved on the amendment and integration of Article 12 (entitled "Notice of Call") of the Articles of Association, reserving the possibility, in order to safeguard and protect the rights of the Shareholders, – in consideration of contingent factors, to be evaluated from time to time – to hold, where technological developments allow it, its future Shareholders' Meetings also solely by telecommunication means (so-called "virtual-only meetings") without indicating the place of convocation, if provided for in the notice of call and with the modalities indicated therein in terms of attendance and participation, in compliance with primary and regulatory legislation pro tempore in force, and, in any case, continuing to guarantee and protect the full and active participation of Shareholders in the Shareholders' Meeting proceedings in real time, according to what will be, from time to time, market best practices.

On 3rd May 2023, the Board of Directors of Saras S.p.A. confirmed the appointment of Massimo Moratti as Chairman of the Board of Directors and Chief Executive Officer. Franco Balsamo was appointed Deputy CEO. The Chief Financial Officer, Fabio Peretti, was appointed Manager in charge of financial reporting, pursuant to Art. 154-bis of the Consolidated Law on Finance. The Board has appointed Adriana Cerretelli as Lead Independent Director and has proceeded to appoint and identify the members of the following Committees: the Remuneration and Appointments Committee, made up of the independent directors Adriana Cerretelli, Laura Fidanza and Francesca Luchi, to whom the main functions of the Related Parties Committee have also been conferred, to be performed whenever necessary pursuant to the Procedure for Transactions with Related Parties adopted by the Company and the applicable legislation on the matter; the Control, Risk and Sustainability Committee, composed of the independent directors Adriana Cerretelli, Laura Fidanza, Valentina Canalini and Silvia Pepino, and the non-independent director Giovanni Moratti; the Steering and Strategy Committee, composed of the directors Massimo Moratti, Angelo Moratti, Franco Balsamo, Angelomario Moratti, Gabriele Moratti, Giovanni Moratti and Giovanni (known as Gianfilippo) Mancini, with advisory and support functions to the Board of Directors in defining the strategic business guidelines, including financial ones, as well as guidelines on sustainability.

On 20th April 2023, the Shareholders' Meetings of the subsidiaries Sarlux and Sartec approved the merger by incorporation of Sartec Srl into Sarlux Srl, as part of a broader reorganization of the Group aimed at simplifying and rationalizing the current corporate structure. The merger deed is scheduled for July 1st, 2023 with administrative-accounting effect from January 1st, 2023.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as at 31st March 2023

Thousands of EUR		31/03/2023	31/12/2022
ASSETS	(1)		
Current assets	5.1	**2,912,328**	**3,010,759**
Cash and cash equivalents	5.1.1	756,009	707,115
Other financial assets	5.1.2	175,970	187,555
Trade receivables	5.1.3	537,919	728,881
Inventories	5.1.4	1,334,578	1,287,312
Current tax assets	5.1.5	54,879	74,929
Other assets	5.1.6	52,973	24,967
Non-current assets	5.2	**1,284,080**	**1,253,568**
Property, plant and equipment	5.2.1	1,141,332	1,147,135
Intangible assets	5.2.2	43,672	40,802
Right-of-use of leased assets	5.2.3	43,104	45,384
Other equity investments	5.2.4	745	745
Deferred tax assets	5.2.5	12,461	15,398
Other financial assets	5.2.6	4,112	4,104
Other assets	5.2.7	38,654	0
Non-current assets held for sale	5.2.8	**333**	**333**
Total assets		**4,196,741**	**4,264,660**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	5.3	**2,006,081**	**2,327,702**
Short-term financial liabilities	5.3.1	203,724	224,376
Trade and other payables	5.3.2	990,279	1,444,441
Current tax liabilities	5.3.3	512,075	356,952
Other liabilities	5.3.4	300,003	301,933
Non-current liabilities	5.4	**836,315**	**724,584**
Long-term financial liabilities	5.4.1	416,664	446,909
Provisions for risks and charges	5.4.2	378,833	267,800
Provisions for employee benefits	5.4.3	7,146	6,002
Deferred tax liabilities	5.4.4	3,878	3,730
Other liabilities	5.4.5	29,794	143
Total liabilities		**2,842,396**	**3,052,286**
SHAREHOLDERS' EQUITY	5.5		
Share capital		54,630	54,630
Legal reserve		10,926	10,926
Other reserves		1,149,696	729,902
Net result		139,093	416,916
Total parent company shareholders' equity		**1,354,345**	**1,212,374**
Third-party minority interests		-	-
Total shareholders' equity		**1,354,345**	**1,212,374**
Total liabilities and shareholders' equity		**4,196,741**	**4,264,660**

(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 measurement bases"

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the periods 1st January – 31st March 2023

Thousands of EUR	(1)	1 January 31 March 2023	1 January 31 March 2023
Revenues from ordinary operations	6.1.1	3,452,198	2,941,992
Other income	6.1.2	14,097	7,634
Total revenues		**3,466,295**	**2,949,626**
Purchases of raw materials and consumables	6.2.1	(2,916,653)	(2,319,291)
Cost of services and sundry costs	6.2.2	(262,232)	(436,026)
Personnel costs	6.2.3	(41,001)	(38,097)
Depreciation/amortization and write-downs	6.2.4	(46,480)	(45,602)
Total costs		**(3,266,366)**	**(2,839,016)**
Operating result		**199,929**	**110,610**
Financial income	6.3	87,447	42,196
Financial charges	6.3	(90,851)	(46,379)
Result before taxes		**196,525**	**106,427**
Income taxes	6.4	(57,432)	(29,832)
Net result		**139,093**	**76,595**
Net result attributable to:			
Shareholders of the parent company		139,093	76,595
Third-party minority interests		0	0
Net earnings per share – base (EUR cents)		**14.63**	**8.05**
Net earnings per share – diluted (EUR cents)		**14.63**	**8.05**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1ST JANUARY - 31ST MARCH 2023

Thousands of EUR	1 January 31 March 2023	1 January 31 March 2023
Net result (A)	**139,093**	**76,595**
Items of comprehensive income that may subsequently be restated to profit or loss for the year		
Effect of translation of the financial statements of foreign operations	(249)	155
Cash Flow Hedging reserve	3,127	
Items that will not be restated to profit or loss for the year		
Actuarial effect IAS 19 on employee post-employment benefits	0	0
Other profit/(loss), net of the fiscal effect (B)	**2,878**	**155**
Total consolidated net result (A + B)	**141,971**	**76,750**
Total consolidated net result attributable to:		
Shareholders of the parent company	141,971	76,750
Third-party minority interests	0	0

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

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

Consolidated Statement of Changes in Equity to 31st March 2023

Thousands of EUR	Share Capital	Legal reserve	Other reserves	Profit (Loss) for the period	Total shareholders' equity attributable to the parent company	Third-party minority interests	Total shareholders' 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
Conversion effect of financial statements in foreign currency			(751)		(751)		(751)
Actuarial effect IAS 19			613		613		613
Net result				9,334	9,334		9,334
Total net result			*(138)*	*9,334*	*9,196*		*9,196*
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
Conversion effect of financial statements in foreign currency			565		565		565
Actuarial effect IAS 19			1,038		1,038		1,038
Cash Flow Hedging reserve			137		137		137
Net result				416,916	416,916		416,916
Total net result			*1,740*	*416,916*	*418,656*		*418,656*
Balance at 31/12/2022	**54,630**	**10,926**	**729,902**	**416,916**	**1,212,374**	**0**	**1,212,374**
Allocation of previous year result			416,916	(416,916)	0		0
Conversion effect of financial statements in foreign currency			(249)		(249)		(249)
Cash Flow Hedging reserve			3,127		3,127		3,127
Net result				139,093	139,093		139,093
Total net result			*2,878*	*139,093*	*141,971*		*141,971*
Balance at 31/03/2023	**54,630**	**10,926**	**1,149,696**	**139,093**	**1,354,345**	**0**	**1,354,345**

Consolidated Statement of Cash Flows for the period to 31st March 2023

Thousands of EUR	(1)	1/1/2023-31/03/2023	1/1/2022-31/12/2022
A - Initial cash and cash equivalents		**707,115**	**366,680**
B - Cash flow from (for) operating activities			
Net result	5.5	139,093	416,916
Unrealized exchange rate differences on bank current accounts		0	37,238
Depreciation/amortization and write-downs of fixed assets	6.2.4	46,480	204,715
Net change in provisions for risks	5.4.2	111,033	108,082
Net change in provision for employee benefits	5.4.3	1,144	(881)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	3,085	81,153
Net interest		7,840	29,832
Income tax set aside	6.4	54,347	391,101
Change in the fair value of derivatives	5.1.2 - 5.3.1	(50,740)	(6,633)
Other non-monetary components	5.5	2,878	1,740
Profit for the period before changes in working capital		**315,160**	**1,263,264**
(Increase)/Decrease in trade receivables	5.1.3	190,962	(182,370)
(Increase)/Decrease in inventories	5.1.4	(47,266)	(118,140)
(Increase)/Decrease in trade and other payables	5.3.2	(454,162)	(136,123)
Change in other current assets	5.1.5 - 5.1.6	(7,956)	(12,623)
Change in other current liabilities	5.3.3 - 5.3.4	98,846	208,329
Interest received		311	1,286
Interest paid		(8,151)	(31,118)
Taxes paid	5.3.2	0	(114,804)
Change in other non-current liabilities	5.4.5	(9,002)	(48)
Total (B)		**78,741**	**877,652**
C - Cash flow from (for) investment activities			
(Investments) in property, plant and equipment and intangible assets	5.2.1-5.2.2	(41,267)	(113,583)
(Investments) in Right-of-use of leased assets		0	(10,963)
(Increase)/Decrease in other financial assets and other equity investments	5.1.2	118,091	5,498
Change in non-current assets held for sale	5.2.1-5.2.2	0	(333)
Total (C)		**76,824**	**(119,381)**
D - Cash flow from (for) financing activities			
Increase/(decrease) m/l-term financial payables	5.4.1	(30,245)	395,064
Increase/(decrease) in short-term financial payables	5.3.1	(76,426)	(775,662)
Total (D)		**(106,671)**	**(380,598)**
E - Cash flows for the period (B+C+D)		**48,894**	**377,673**
Unrealized exchange rate differences on bank current accounts		1	(37,237)
F - Final cash and cash equivalents		**756,009**	**707,115**

(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 31 MARCH 2023

1. Foreword

2. General preparation criteria for the Consolidated Financial Statements

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

3.1 Drafting principles
3.2 New accounting standards, interpretations and amendments adopted by the Group
3.3 Consolidation scope
3.4 Use of discretionary estimates and valuations

4. Information by business segment and geographical area

4.1 Foreword
4.2 Segment information

5. Notes to the Statement of Financial Position

5.1 Current assets
5.1.1 Cash and cash equivalents
5.1.2 Other financial assets
5.1.3 Trade receivables
5.1.4 Inventories
5.1.5 Current tax assets
5.1.6 Other assets
5.2 Non-current assets
5.2.1 Property, plant and equipment
5.2.2 Intangible assets
5.2.3 Right-of-use of leased assets
5.2.4 Other equity investments
5.2.5 Deferred tax assets
5.2.6 Other financial assets
5.2.7 Other assets
5.2.8 Non-current assets held for sale
5.3 Current liabilities
5.3.1 Short-term financial liabilities
5.3.2 Trade and other payables
5.3.3 Current tax liabilities
5.3.4 Other liabilities
5.4 Non-current liabilities
5.4.1 Long-term financial liabilities
5.4.2 Provisions for risks and charges
5.4.3 Provisions for employee benefits
5.4.4 Deferred tax liabilities
5.4.5 Other liabilities
5.5 Shareholders' equity

6. Notes to the Income Statement

6.1 Revenues
6.1.1 Revenues from ordinary operations
6.1.2 Other income
6.2 Costs
6.2.1 Purchases of raw materials and consumables
6.2.2 Cost of services and sundry costs
6.2.3 Personnel costs
6.2.4 Depreciation/amortization and write-downs
6.3 Financial income and charges

6.4 Income taxes

7. Other information
7.1 Main legal actions pending
7.2 Commitments
7.3 Related-party transactions
7.4 Subsequent events

1. Foreword

The publication of the condensed consolidated financial statements of the Saras Group for the period ended 31 March 2023 was authorized by the Board of Directors on 10 May 2023.

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), SS 195 "Sulcitana" Km. 19. It is jointly controlled by Massimo Moratti S.A.P.A. (20.01%), Angel Capital Management S.p.A. (10.005%) and Stella Holding S.p.A. (10.005%), which together represent 40.02% of the share capital of Saras S.p.A., under the shareholders' agreement signed by these companies on 30 March 2022 (for further details please refer to what has already been published at 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 S.r.l., and the wind farms of the subsidiaries Sardeolica S.r.l., Energia Verde S.r.l. and Energia Alternativa S.r.l.

These consolidated interim financial statements at 31 March 2023 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. General preparation criteria for the Consolidated Financial Statements

The condensed consolidated financial statements of the Saras Group for the period ended 31 March were prepared on the basis of International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure indicated in Art. 6, Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and in accordance with the provisions issued in implementation of Art. 9, Italian Legislative Decree no. 38 of 28 February 2005.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft consolidated and separate financial statements were approved by the Board of Directors of the Parent Company and set out in the relevant EU regulations published as of that date.

The financial statements have been prepared using the following criteria, in line with IAS 1, deemed suitable to provide a more complete picture of the financial position, operating results and cash flows of the Group:

- Statement of Financial Position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Income Statement and Statement of Comprehensive Income: income statement items are presented according to their nature;
- Cash Flow Statement: presented using the indirect method, which distinguishes between cash flows from operations, investing and financing activities;
- Consolidated Statement of Changes in 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 31 March 2023, prepared in accordance with Art. 154-ter of the Consolidated Law on Finance, as amended, were drafted in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, which include all international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), previously called the Standing Interpretations Committee (SIC). The condensed consolidated financial statements at 31 March 2023 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 31 March 2023 are consistent with those used to prepare the consolidated financial statements at 31 December 2022 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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard. The amendment 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if contracted separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the date of acquisition.
The amendment also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition as assets at the date of acquisition. In accordance with the transition rules, the Group applies the amendment prospectively, i.e., to business combinations that occur after the beginning of the financial year in which the amendment is adopted for the first time (date of first-time adoption). These amendments had no impact on the Group's consolidated financial statements as no contingent assets, liabilities, and contingent liabilities were recognized for the purposes of these amendments.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments prohibit 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. An entity will recognize such sales proceeds from such products and related costs to produce such products in the income statement. In accordance with the transition rules, the Group applies the amendment retrospectively only for items of property, plant and equipment that came into operation after or at the beginning of the financial year comparative to the one in which the amendment is adopted for the first time (date of first-time adoption). These amendments had no impact on the Group's consolidated financial statements as there were no sales related to these items of property, plant and equipment before they came into operation before or after the beginning of the previous comparative period.

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

An onerous contract is one in which the non-discretionary costs (i.e., costs that the Group cannot avoid because it is a party to a contract) required to fulfill its obligations are greater than the economic benefits that are supposed to be obtainable from the contract.
The amendment specifies that in determining whether a contract is onerous or generates losses, an entity must consider costs directly related to the contract for the supply of goods or services that include both incremental costs (i.e., the cost of direct labor and materials) and costs directly attributable to contractual works (i.e., depreciation of equipment used to fulfill the contract as well as costs for managing and supervising the contract). 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. These amendments have had no impact on the consolidated financial statements of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

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, if no adjustments had been made in consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment also applies to associated companies or joint ventures that choose to apply paragraph D16(a) of IFRS 1.
This amendment had no impact on the Group's consolidated financial statements as the Group is not a first-time adopter.

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

This amendment clarifies what fees 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. No such amendment has been proposed regarding IAS 39 Financial Instruments: Recognition and Measurement.
In accordance with the transition rules, the Group applies the amendment to financial liabilities that are modified or exchanged after or at the beginning of the financial year in which the amendment is adopted for the first time (date of first-time adoption). This amendment had no impact on the Group's consolidated financial statements as there were no changes in the Group's financial liabilities during the quarter.

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, when they enter into force.

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

The amendments introduce a definition of accounting estimates, 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 financial year 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 financial year is recognized as income or expense in the current financial year. The effect, if any, on future periods is recognized 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 February 2021, the IASB issued amendments to IAS 11 and IFRS Practice Statement 2 Making Materiality Judgments to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on the current situation and 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.

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

Issued on 7 May 2022, 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 recognize 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 recognize 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 recognize 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.

Amendment to IFRS 16-'Leases', lease liability in a sale and leaseback (issued on 22 September 2022)

A sale and leaseback transaction involves the transfer of an asset from one entity (the seller-lessee) to another entity (the purchaser-lessor) and the leaseback of the same asset by the seller-lessee. The amendment specifies how a selling lessee should measure the lease liability that arises in a sale and leaseback transaction, to ensure that it does not recognize any amount of the profit or loss related to the retained right of use. The amendment does not change the accounting for leases other than sale and leaseback transactions. The first adoption is scheduled for 1 January 2024.

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 financial statements subject to consolidation have been prepared at March 31 and are those specifically drawn up and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to align them with the accounting standards of the Parent Company.

Consolidated subsidiaries are listed in the table below:

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

There is no change from 31 December 2022.

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 and amortization 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 according to the Essentiality Regime agreement 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 trend of market variables, in the medium-long term and in the short term, including the price and supply of crude oil and the worldwide demand of finished products with respect to the processing capacity, are capable of influencing, even significantly, the Group's performance. This represents one of the critical assumptions for the valuation processes, more specifically for the assessment of fixed assets and of the recoverable amount of inventories as well as the volatility of the current values of financial instruments.
The underlying valuation processes, again complex, involve the expression of estimates which depend on variables that are outside the sector, which are highly volatile and which are based on assumptions that, by their nature, involve the use of a high degree of judgment on the part of company Management. The same, for this purpose, also considers scenarios expressed by independent sector experts.

Estimates and judgments are reviewed periodically and the effects of each are recognized in the income statement. A summary of the most significant estimates is presented in the Group's consolidated financial statements at 31 December 2022, to which reference should be made.

4. Information by business segment and geographical area

4.1 Foreword

In order to present the performance of the Group's activities in a consistent manner, the information of the individual companies is allocated to the following business segments:

- Industrial & Marketing;
- Renewables.

4.2 Segment information

A breakdown by segment follows below. For further quantitative details and comments, please refer to the appropriate sections of the Report on Operations:

Income Statement at 31st March 2023	INDUSTRIAL & MARKETING	RENEWABLES	TOTAL
Revenues from ordinary operations	3,444,313	7,885	3,452,198
Other income	13,300	797	14,097
Depreciation/amortization and write-downs	(44,306)	(2,174)	(46,480)
Operating result	**196,066**	**3,863**	**199,929**
Financial income (a)	103,486	512	103,998
Financial charges (a)	(107,148)	(254)	(107,402)
Income taxes	(56,202)	(1,230)	(57,432)
Net result	**136,202**	**2,891**	**139,093**
Total directly attributable assets balance at 31st March 2023 (b)	**4,033,775**	**162,966**	**4,196,741**
Total directly attributable liabilities balance at 31st March 2023 (b)	**2,796,447**	**45,949**	**2,842,396**
Investments in tangible assets at 31st March 2023	**39,398**	**1,341**	**40,739**
Investments in intangible assets at 31st March 2023	**373**	**0**	**373**

Income Statement at 31st March 2022	INDUSTRIAL & MARKETING	RENEWABLES	TOTAL
Revenues form ordinary operations	2,925,321	16,671	2,941,992
Other income	6,693	941	7,634
Depreciation/amortization and write-downs	(43,476)	(2,126)	(45,602)
Operating result	**97,305**	**13,305**	**110,610**
Financial income (a)	44,815	0	44,815
Financial charges (a)	(48,788)	(210)	(48,998)
Income taxes	(26,412)	(3,420)	(29,832)
Net result	**66,920**	**9,675**	**76,595**
Total directly attributable assets balance at 31st December 2022 (b)	**4,096,161**	**168,499**	**4,264,660**
Total directly attributable liabilities balance at 31st December 2022 (b)	**3,010,112**	**42,174**	**3,052,286**
Investments in tangible assets at 31 dicembre 2022	**84,078**	**18,677**	**102,755**
Investments in intangible assets at 31 dicembre 2022	**2,686**	**234**	**2,920**

(a) Determined without considering intercompany eliminations.
(b) Total assets and liabilities are calculated after intercompany eliminations.

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	31/03/2023	31/12/2022	Change
Bank and postal deposits	755,976	707,077	48,899
Cash	33	38	(5)
Total	**756,009**	**707,115**	**48,894**

Bank deposits are mainly attributable to Saras S.p.A. for EUR 692,160 thousand, Saras Trading S.A. for EUR 24,838 thousand and Saras Energia for EUR 13,043 thousand. There are no constraints or restrictions on such bank deposits.
It should be noted that the item "Bank and postal deposits" includes an amount not immediately available of EUR 1,504 thousand set up by the subsidiary Energia Alternativa S.r.l. in favor 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 summarized in the statement of cash flows.

5.1.2 Other financial assets

The table below shows the breakdown of other financial assets:

Other financial assets	31/03/2023	31/12/2022	Change
Current financial derivatives	106,514	77,988	28,526
Derivative guarantee deposits	69,456	108,034	(38,578)
Other assets	0	1,533	(1,533)
Total	**175,970**	**187,555**	**(11,585)**

The item financial derivative instruments comprises the positive fair value of existing instruments as at the period-end date and the positive differentials realized and not yet received.
For further details, see 5.3.1.

The item derivative guarantee deposits includes deposits requested by the counterparties with which the Group uses derivative instruments to guarantee open positions at the end of the period.
The change of EUR 38,578 thousand is due to the decrease in oil prices.

5.1.3 Trade receivables

Trade receivables amounted to EUR 537,919 thousand, a decrease of EUR 190,962 thousand from the previous year. The trend of receivables follows the decrease in market prices at the end of the period and the trend of sales. Please note that all customers are subject to a credit assessment (KYC), and in particular customers in the wholesale market are all insured by leading insurance companies. For comments on sales performance, please refer to the Report on Operations.
This item is shown net of the bad debt provision, which amounted to EUR 23,049 thousand, essentially unchanged from 31 December 2022.

5.1.4 Inventories

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

Inventories	31/03/2023	31/12/2022	Change
Raw materials and consumables	438,172	339,550	98,622
Unfinished products and semi-finished products	120,286	113,237	7,049
Finished products and goods	673,906	736,189	(62,283)
Spare parts and raw materials, consumables	102,214	98,336	3,878
Total	**1,334,578**	**1,287,312**	**47,266**

The increase in the value of oil inventories is mainly attributable to the increase in stock quantities compared to 31 December 2022. 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 recognize inventories at a lower value for approximately EUR 6,935 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	31/03/2023	31/12/2022	Change
VAT credit	6,163	2,121	4,042
IRES credits	15,365	1,355	14,010
IRAP credits	190	190	0
Other amounts due from the tax authorities	33,161	71,263	(38,102)
Total	**54,879**	**74,929**	**(20,050)**

Other amounts due from the tax authorities include taxes for which reimbursement has been requested or provisionally paid; the decrease for the year mainly refers to the use of tax credit offsets in favor of energy companies (mainly in favor of the subsidiary Sarlux S.r.l., accrued during the last quarter of 2022) in accordance with the provisions of the so-called "TER Support Decree".

5.1.6 Other assets

The balance breaks down as follows:

Other assets	31/03/2023	31/12/2022	Change
Accrued income	158	356	(198)
Prepaid expenses	21,230	10,980	10,250
Other short-term receivables	31,585	13,631	17,954
Total	**52,973**	**24,967**	**28,006**

Prepaid expenses mainly relate to prepayments of insurance premiums and charges for the biofuel regulations for the Parent Company.

Other short-term receivables at 31 March 2023 mainly refer to Energy Efficiency Certificates (TEE) claimed by the subsidiary Sarlux S.r.l. and shown net of the bad debt provision. The increase is due to the payment of advances on future supplies of oil products paid during the period.

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	31/12/2022	Increases	Decreases	Write-downs	Other changes	31/03/2023
Land and buildings	193,229	0	(2)	0	0	193,227
Plant and machinery	4,015,979	4,939	0	0	6,746	4,027,664
Industrial and commercial equipment	40,388	0	0	0	0	40,388
Other assets	712,755	10	(730)	0	3,389	715,424
Property, plant and equipment under construction	114,156	35,790	(33)	0	(14,927)	134,986
Total	**5,076,507**	**40,739**	**(765)**	**0**	**(4,792)**	**5,111,689**

Accumulated depreciation	31/12/2022	Depreciation	Use	Write-downs	Other changes	31/03/2023
Land and buildings provision	110,688	885	0	0	(1)	111,572
Plant and machinery provision	3,239,149	35,037	0	0	(894)	3,273,292
Industrial and commercial equipment provision	35,541	388	0	0	0	35,929
Other assets	543,994	6,312	(730)	0	(12)	549,564
Total	**3,929,372**	**42,622**	**(730)**	**0**	**(907)**	**3,970,357**

Net Value	31/12/2022	Increases	Decreases	Depreciation	Write-downs	Other changes	31/03/2023
Land and buildings	82,541	0	(2)	(885)	0	1	81,655
Plant and machinery	776,830	4,939	0	(35,037)	0	7,640	754,372
Industrial and commercial equipment	4,847	0	0	(388)	0	0	4,459
Other assets	168,761	10	0	(6,312)	0	3,401	165,860
Property, plant and equipment under construction	114,156	35,790	(33)	0	0	(14,927)	134,986
Total	**1,147,135**	**40,739**	**(35)**	**(42,622)**	**0**	**(3,885)**	**1,141,332**

The item "Land and buildings" chiefly include industrial buildings, offices and warehouses with a net value of EUR 28,421 thousand, office buildings in Milan and Rome belonging to the Parent Company with a net value of EUR 1,844 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 51,390 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 40,739 thousand and mainly refer to technological interventions on refinery plants.

The main depreciation rates used, unchanged comparing to 2022, 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.

The Company, based on the requirements of accounting standard IAS 36 and the recommendations of the main regulatory authorities, has constantly monitored the presence of market indicators that could point to possible risks on the main financial statements figures. The Company has updated the most recent oil and power market scenarios for the 2023 financial year used for impairment testing as of 31/12/2022, and has verified that, based on the updated scenarios, no "impairment indicators" have emerged at 31/3/2023

5.2.2 Intangible assets

The following tables show the changes in intangible assets:

Historical Cost	31/12/2022	Increases	Decreases	Write-downs	Other changes	31/03/2023
Industrial patent and original work rights	63,522	0	(2)	0	4,089	67,609
Concessions, licenses, trademarks and similar rights	24,542	0	0	0	0	24,542
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	20,937
Other intangible assets	528,038	0	(91)	0	(1)	527,946
Intangible assets under construction	1,965	373	0	0	0	2,338
Total	**639,004**	**373**	**(93)**	**0**	**4,088**	**643,372**

Accumulated amortization	31/12/2022	Depreciation	Use	Write-downs	Other changes	31/03/2023
Industrial patent and original work rights	57,536	1,327	0	0	(216)	58,647
Concessions, licenses trademarks and similar rights	13,740	0	0	0	214	13,954
Other intangible assets	526,926	251	0	0	(78)	527,099
Total	**598,202**	**1,578**	**0**	**0**	**(80)**	**599,782**

Net Value	31/12/2022	Increases	Decreases	Depreciation	Write-downs	Other changes	31/03/2023
Industrial patent and original work rights	5,986	0	(2)	(1,327)	0	4,305	8,962
Concessions, licenses, trademarks and similar rights	10,802	0	0	0	0	(214)	10,588
Goodwill and intangible assets with indefinite life	20,937	0	0	0	0	0	20,937
Other intangible assets	1,112	0	(91)	(251)	0	77	847
Intangible assets under construction	1,965	373	0	0	0	0	2,338
Total	**40,802**	**373**	**(93)**	**(1,578)**	**0**	**4,168**	**43,672**

Amortization of intangible assets totaled EUR 1,578 thousand and was calculated using the annual rates shown below.

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

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

Concessions, licenses, 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 amortization of which will end in 2035.

Goodwill and intangible assets with indefinite life
This item relates mainly to the goodwill recognized for the subsidiary Sardeolica S.r.l. (EUR 20,937 thousand), paid for the purchase of the subsidiary Parco Eolico di Ulassai S.r.l. (merged by incorporation into Sardeolica): this goodwill is justified by the projection of future cash flows expected by the subsidiary Sardeolica S.r.l. over a time horizon extended until the term of the concessions obtained thereby.

Other intangible assets
These amount to EUR 847 thousand, almost unchanged compared to 31 December 2022

Intangible assets under construction and advance payments

The item includes investments underway to purchase software licenses.

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	31/12/2022	Increases	Decreases	Write-downs	Other changes	31/03/2023
Leased land and buildings	49,492	0	0	0	(28)	49,464
Leased plant and equipment	11,887	0	0	0	0	11,887
Other leased assets	21,475	0	0	0	0	21,475
Total	**82,854**	**0**	**0**	**0**	**(28)**	**82,826**

Accumulated depreciation	31/12/2022	Depreciation	Use	Write-downs	Other changes	31/03/2023
Leased land and buildings provision	20,120	1,479	0	0	(29)	21,570
Leased plant and machinery provision	6,074	363	0	0	0	6,437
Other assets	11,276	438	0	0	1	11,715
Total	**37,470**	**2,280**	**0**	**0**	**(28)**	**39,722**

Net Value	31/12/2022	Increases	Decreases	Depreciation	Write-downs	Other changes	31/03/2023
Leased land and buildings	29,372	0	0	(1,479)	0	1	27,894
Leased plant and equipment	5,813	0	0	(363)	0	0	5,450
Other leased assets	10,199	0	0	(438)	0	(1)	9,760
Total	**45,384**	**0**	**0**	**(2,280)**	**0**	**0**	**43,104**

The balance at 31 March 2023, of EUR 43,104 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 decrease compared to the end of the previous year, amounting to EUR 2,280 thousand, refers mainly to the depreciation charge recorded in the period.

5.2.4 Other equity investments

Other equity investments break down as follows:

Other equity investments	31/03/2023	31/12/2022	Change
Consorzio La Spezia Utilities	7	7	0
Sarda Factoring	495	495	0
Sardhy Green Hydrogen	243	243	0
Total	745	745	0

There are no changes compared to the previous year.

5.2.5 Deferred tax assets

The net deferred tax assets and liabilities of the Saras Group at 31 March 2023 amounted to EUR 8,583 thousand (consisting of deferred tax assets of EUR 12,461 thousand recognized under non-current assets and deferred tax liabilities of EUR 3,878 thousand recognized under non-current liabilities).

5.2.6 Other financial assets

At 31 March 2023, this item amounts to EUR 4,112 thousand (EUR 4,104 thousand in the previous year) and relates to medium/long-term receivables.

5.2.7 Other assets

As described in paragraph 7.1 "Main legal actions pending", Saras concluded on 23 March 2023 the tax assessment settlement with the Cagliari Revenue Agency for an amount of EUR 38,654 thousand (in terms of tax, penalties and interest). This settlement, due to the particular nature of the tax procedure, provides for the right to a refund of the amount paid in the event of an acquittal sentence in criminal proceedings.
Pending the conclusion of the proceeding, the Group has recognized under the item "other non-current assets" the credit for the entire amount and the payable to the agency, dividing it into the short-term portion and the long-term portion, respectively in "tax payables" and in "other non-current liabilities".

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	31/03/2023	31/12/2022	Change
Current bank loans	118,117	118,569	(452)
Bank current accounts	12,385	12,134	251
Financial derivatives	55,774	71,355	(15,581)
Other short-term financial liabilities	17,448	22,318	(4,870)
Total	**203,724**	**224,376**	**(20,652)**

The item "Current bank loans" includes the short-term portion of bank loans granted to the Group, which are valued at amortized cost. The terms and conditions of the loans are described in the table in paragraph 5.4.1 "Long-term financial liabilities".

It should be noted that the financial parameters on existing loans subject to review at 31 March 2023 are complied with.

"Bank current accounts" comprises the balance of the utilized credit lines as well as the "hot money" transactions used by the Group in the normal course of business.

The item "Financial derivatives" includes the negative fair value of derivative financial instruments held at 31 March 2023. The increase compared to 31 December 2022 is essentially due to the trend in the prices of crude oil and petroleum products.

The following table presents the assets and liabilities measured at fair value at 31 March 2023, broken down by type of underlying asset:

Financial derivatives	Assets 31/03/2023	Liabilities 31/03/2023	Assets 31/03/2023	Liabilities 31/03/2023
Interest rate swaps	7,452	2,083	7,274	586
Fair value derivatives on commodities	73,060	42,190	70,714	58,498
Fair value forward purchases and sales on exchange rates	4,395	0	0	770
Fair value forward purchases and sales on CO2 allowances	21,606	11,501	0	11,501
Total	**106,514**	**55,774**	**77,988**	**71,355**

"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

The table below shows a breakdown of this item:

Trade and other payables	31/03/2023	31/12/2022	Change
Advances from customers	34,227	21,039	13,188
Current payables to suppliers	956,052	1,423,402	(467,350)
Total	**990,279**	**1,444,441**	**(454,162)**

"Advances from customers" relate to payments on account received from customers for the supply of oil products.

The balance of "Trade payables" essentially includes payables for crude oil supplies; the decrease compared to the previous financial year is mainly due to the decrease in crude oil and oil product prices at the end of the period.

5.3.3 Current tax liabilities

This item breaks down as shown below:

Current tax liabilities	31/03/2023	31/12/2022	Change
Payables for VAT	40,509	20,743	19,766
IRES payables (and income tax of foreign firms)	308,930	239,802	69,128
IRAP payables	23,019	23,744	(725)
Other tax payables	139,617	72,663	66,954
Total	**512,075**	**356,952**	**155,123**

"IRES payables" includes the payable for current taxes and the payable for the "Extraordinary contribution on the extra-profits" of companies operating in the energy sector, as already described in the financial statements at 31 December 2022. With regard to the so-called "Extraordinary contribution on extra profits", the Group reserves the right to take any legal action for its own protection.

The increase for the period refers to the accrual of taxes.

The item "Other tax payables" includes payables for excise duties on products released for consumption by the Parent Company Saras S.p.A. (EUR 111,793 thousand) and by the subsidiary Saras Energia SAU (EUR 4,663 thousand) and the short-term portion of the payable to the Revenue Agency regarding the settlement agreement already described in section 5.2.7 amounting to EUR 8,997 thousand.

5.3.4 Other liabilities

The breakdown of other liabilities is shown below:

Other liabilities	31/03/2023	31/12/2022	Change
Payables employee benefit and social security	16,694	20,724	(4,030)
Payables due to employees	49,537	49,307	230
Payables to others	226,316	226,202	114
Accrued liabilities	2,772	618	2,154
Deferred income	4,684	5,082	(398)
Total	**300,003**	**301,933**	**(1,930)**

The item "Payables due to personnel" includes salaries not yet paid for March, the portion of additional monthly payments accrued, performance bonuses for the achievement of business targets and a provision related to the agreement for the consensual termination in favor of some top managers.

The item "Payables to others" mainly includes the amount to be returned to ARERA (Italian Regulatory Authority for Energy, Networks and Environment) in settlement of the Essentiality Regime agreement for 2022 related to the trend in electricity market prices.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

Long-term financial liabilities	31/03/2023	31/12/2022	Change
Non-current bank loans	373,307	401,415	(28,108)
Other long-term financial liabilities	43,357	45,494	(2,137)
Total	**416,664**	**446,909**	**(30,245)**

The terms and conditions of the loans are shown in the table below (amounts in EUR million):

Values expressed in millions of EUR	Loan acquisition / renegotiation	Original amount	Base rate	Contractual Maturity	Balance at 31/12/2022	Balance at 31/03/2023	Maturities	
							1 year	1 to 5 years
Saras SpA								
Sace loan	December 2020	350	0.95%	set-24	203.6	174.8	116.2	58.6
Sace loan	May 2022	312.5	1.70%	mar-28	312.2	312.2	-	312.2
Energia Alternativa Srl	January 2017	16	2.5% + 6M Euribor	giu-26	4.2	4.2	1.9	2.3
Total liabilities to banks for loans					**520.0**	**491.1**	**118.1**	**373.1**

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 program and intended to strengthen the capital structure of the Company.

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 disbursed in a lump sum and the repayment plan provides for a 36-month grace period and repayment in 12 constant quarterly installments starting on 30 June 2025 and ending on 31 March 2028, the loan's maturity date.

The item "Other long-term financial liabilities" mainly includes the financial debt relating to contracts recognized 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	31/12/2022	Provisions	Use	Other changes	31/03/2023
Provision for decommissioning plants	29,715	0	0		29,715
Provision for remediation costs	11,290	0	0		11,290
Provision for CO2 allowances	220,631	111,018	0		331,649
Other provisions for risks and charges	6,164	536	(521)		6,179
Total	**267,800**	**111,554**	**(521)**	**0**	**378,833**

The provision for decommissioning plants relates 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 remediation costs refers to land reclamation activities on the industrial site that the subsidiary Sarlux will have to bear in subsequent years.

The provision for CO_2 allowances (EUR 331,649 thousand) was accrued pursuant to Legislative Decree no. 216 of 4 April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision relates to the portion of allowances, necessary to meet the obligation for the previous and the current year, not yet purchased at 31 March 2023 consistent with the accounting standard historically adopted by the Group.

"Other provisions for risk and charges" mainly refer to provisions accrued in respect of contingent 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	31/03/2023	31/12/2022	Change
Post-employment benefits	7,146	6,002	1,144
Total	**7,146**	**6,002**	**1,144**

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, in compliance with IAS 19. The impacts of actuarial evaluation are shown in the Comprehensive Income.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totaling EUR 3,878 thousand, relate to the foreign subsidiaries.

5.4.5 Other liabilities

Other liabilities amount to EUR 29,794 thousand and almost entirely include the long-term portion of the payable to the Revenue Agency in relation to the settlement agreement already described in paragraph 5.2.7.
For further details, see 7.1.

5.5 Shareholders' equity

Shareholders' equity is comprised of the following:

Total shareholders' equity	31/03/2023	31/12/2022	Change
Share capital	54,630	54,630	0
Legal reserve	10,926	10,926	0
Other reserves	1,149,696	729,902	419,794
Net profit (loss) for the period	139,093	416,916	(277,823)
Total	**1,354,345**	**1,212,374**	**141,971**

Share capital
At 31 March 2023, 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, is equal to one-fifth of the share capital.

Other reserves
This item totals EUR 1,149,696 thousand, up by a net EUR 419,794 thousand compared with the previous year. The net increase was the combined result of:

- allocation of the result of the previous year (profit of EUR 416,916 thousand);
- negative effect of the translation of foreign currency financial statements of foreign subsidiaries for EUR 249 thousand;
- increase of EUR 3,127 thousand, due to recognition in the reserve related to cash flow hedge as required by IFRS 9.

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 139,093 thousand.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The "Revenues from core business" break down as follows:

Revenues from ordinary operations	31/03/2023	31/03/2022	Change
Revenues from sales and services	3,204,806	2,678,755	526,051
Sale of electricity	246,505	261,964	(15,459)
Other remunerations	887	1,273	(386)
Total	**3,452,198**	**2,941,992**	**510,206**

The positive change in the item "Revenues from sales and services" is largely due to the trend in the prices of oil products recorded during the year, also supported by an increase in sales. For a more in-depth analysis, please refer to the Report on Operations.

Revenues from the sale of electricity mainly included those related to the gasification plant (EUR 220,125 thousand), those related to the sale of energy within the Internal User Networks - RIU (EUR 18,494 thousand) and those related to the wind farms of the subsidiaries Sardeolica, Energia Verde ed Energia Alternativa (EUR 7,885). 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 subsidiary Sarlux were recognized in accordance with the Essentiality Regime agreement, which provides for the admission to the reinstatement of costs advanced by Sarlux S.r.l., for the year 2023, for its IGCC (Integrated Gasification Combined Cycle) power plant. The economic conditions to which the IGCC plant will therefore be subjected, for the period in question, consist of two main terms. The first term includes the component of reintegration of the fixed costs strictly necessary for electricity production (thus excluding the production of hydrogen and steam); these costs are in line with the rationalization and optimization plans envisaged by Sarlux, providing a positive contribution to reducing the costs of the national electricity system. The QAR component is also reintegrated (depreciation and remuneration of the invested capital, as required by Resolution 111/06). The second term provides, as regards essential electricity production, the integration of variable costs compared to the amount received from the sale on the market at the zonal reference price. The main items of variable costs include the fuel of the IGCC plant, the cost of the oxygen necessary for the transformation of the aforementioned fuel into synthesis gas completely clean of all traces of sulfur or other pollutants, and the charges associated with CO2 emission quotas according to the Emissions Trading System.

The revenues of the subsidiary Sardeolica take into account the Decree Law no. 4 of 27 January 2022, the "TER Support Decree" and the 2023 Budget Law, which establish, inter alia, a "compensation" mechanism for non-incentivized renewable sources under which producers must repay 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 S.r.l. and Reasar S.A. in their respective business segments.

6.1.2 Other income

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

Other income	**31/03/2023**	**31/03/2022**	**Change**
Compensation for storage of mandatory stocks	1,909	381	1,528
Sale of various materials	106	51	55
Grants	767	478	289
Chartering	1,146	103	1,043
Recovery for claims and compensation	5	7	(2)
Other revenues	10,164	6,614	3,550
Total	**14,097**	**7,634**	**6,463**

6.2 Costs

The following table shows a breakdown of the main costs:

6.2.1 Purchases of raw materials and consumables

Purchases of raw materials and consumables	**31/03/2023**	**31/03/2022**	**Change**
Purchase of raw materials	2,398,271	1,712,916	685,355
Purchase of semi-finished products	8,266	64,098	(55,832)
Purchase of consumables	37,010	19,326	17,684
Increase in property, plant and equipment	(9,596)	(1,466)	(8,130)
Purchase of finished products	531,115	896,592	(365,477)
Change in inventories	(48,413)	(372,175)	323,762
Total	**2,916,653**	**2,319,291**	**597,362**

The item mainly consists of the purchase costs of raw materials and finished products. For more details, please refer to the contents of the Report on Operations.

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 recognize inventories at a lower value for EUR 6,935 million.

6.2.2 Costs of services and sundry costs

Cost of services and sundry costs	31/03/2023	31/03/2022	Change
Costs for services	197,548	237,214	(39,666)
Capitalizations	(11,125)	(10,144)	(981)
Derivatives on crude oil and petroleum products and CO2	(49,974)	140,297	(190,271)
Costs for use of third-party assets	2,207	1,196	1,011
Provisions for risks	112,496	55,974	56,522
Other operating costs	11,080	11,489	(409)
Total	**262,232**	**436,026**	**(173,794)**

Costs for services mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The decrease in the item is mainly attributable to the strong decrease in the prices of utilities which have occurred during the period. These costs are shown net of the tax credit granted to the Group's energy-intensive companies on the purchase of electricity of EUR 24.8 million; more details can be found in the Report on Operations.

The "Capitalization" item mainly refers to turn-around maintenance costs capitalized during the period.

The item "Provisions for risks" mainly includes the provision for charges related to the implementation of Directive 2003/87/EC (Emissions Trading). The increase from 31 March 2022 is mainly due to the price increase and from the number of CO2 allowances; for further details see paragraph 5.4.2. Provisions for risks and charges.

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

6.2.3 Personnel costs

The breakdown of "Personnel costs" is as follows:

Personnel costs	31/03/2023	31/03/2022	Change
Salaries and wages	28,928	27,259	1,669
Increases in fixed assets for internal work	(919)	(1,047)	128
Social security contributions	8,315	7,512	803
Post-employment benefits	2,063	1,735	328
Other long-term costs and incentives	2,095	2,123	(28)
Remuneration to the Board of Directors	519	515	4
Total	**41,001**	**38,097**	**2,904**

6.2.4 Depreciation/amortization and write-downs

"Amortization/depreciation" are shown below:

Depreciation/amortization and write-downs	31/03/2023	31/03/2022	Change
Amortization of intangible assets	1,578	1,165	413
Depreciation of property, plant and equipment	42,622	41,962	660
Total	**44,200**	**43,127**	**1,073**

Depreciation of leased items	31/03/2023	31/03/2022	Change
Depreciation of leased property, plant and equipment	2,280	2,475	(195)
Total	**2,280**	**2,475**	**(195)**

The item "Depreciation of leased items" includes the depreciation 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	31/03/2023	31/03/2022	Change
Bank interest income	311	1	310
Unrealized differences on derivatives	4,395	3,508	887
Realized differences on derivatives	1,250	932	318
Profit on exchange rates	81,491	37,755	43,736
Total	**87,447**	**42,196**	**45,251**

Financial charges	31/03/2023	31/03/2022	Change
Unrealized differences on derivatives	(727)	509	(1,236)
Realized differences on derivatives	(5,423)	(319)	(5,104)
Interest expenses on loans and other financial charges	(8,151)	(5,347)	(2,804)
Interest on rights of use on leases	(150)	(171)	21
Exchange rate losses	(76,400)	(41,051)	(35,349)
Total	**(90,851)**	**(46,379)**	**(47,255)**

The table below shows net income/charges by type:

Net financial income and charge	31/03/2023	31/03/2022	Change
Net interest	(7,990)	(5,517)	(2,473)
Result of derivative instruments, of which:	(505)	4,630	(5,135)
Realized	*(4,173)*	*613*	*(4,786)*
Fair value of open positions	*3,668*	*4,017*	*(349)*
Net exchange rate differences	5,091	(3,296)	8,387
Total	**(3,404)**	**(4,183)**	**779**

The increase in net interest was affected by the sharp rise in interest rates applied to current credit lines. Note that the item other financial charges includes interest on factors.

The entire fair value of the derivatives in place at 31 March 2023 refers to the exchange rate and interest rate hedges, as well as speculative transactions.

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

6.4 Income taxes

Income taxes are summarized below:

Income taxes	31/03/2023	31/03/2022	Change
Current taxes	55,189	21,057	34,132
Net deferred tax liabilities (assets)	2,243	8,775	(6,532)
Total	**57,432**	**29,832**	**27,600**

Current taxes consist of IRAP and IRES calculated on the taxable income of consolidated companies and were up by EUR 34,132 thousand due to the increase in taxable income for the year.

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 provision for risks.

The Company Saras S.p.A. was subjected to investigations in the context of criminal proceedings no. 9603/2021 R.G.N.R. mod. 21 D.D.A.T., pending at the Cagliari District Attorney - District Anti-Mafia and Terrorism Directorate. The claim against Saras - pursuant to Art. 25-octies of Legislative Decree no. 231/2001 - concerned the administrative offense 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 seven 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, 28/11/2022, 27/01/2023 available on the Company's website).

On 13 December 2022, the Preliminary Hearing Judge of the Court of Cagliari filed judgment no. 1162/22, declaring "case dismissed" against all Saras managers as well as against the Company itself "because there is no substance to the fact".

The criminal court's judgment was appealed by the prosecutor's office on 13 January 2023, and the hearing before the Court of Appeals was set for 5 March 2024.

The judgment was not appealed with regard to the Company's acquittal of the offense under Legislative Decree no. 231/2001.

On 8 August 2022, following the aforementioned indictment, the Tax Police served Saras S.p.A. with a Report of Findings in which it challenged the non-deductibility of the purchase cost and refining cost of crude oil of Kurdish origin for the years 2015, 2016 and 2017.

Moreover, in this context, on 9 December 2022, the Tax Authorities - Regional Directorate of Sardinia issued two invitations to be cross-examined (for IRES and IRAP) challenging the non-deductibility of the alleged criminal costs pertaining to 2016.

The tax dispute is based on the non-deductibility of criminal costs (Article 14, paragraph 4 bis of Law no. 537/1993). The regulation envisages the recovery for taxation of the cost of the goods and services used directly to commit the challenged offense, with a right to reimbursement of any taxes paid in the event of the passing - in the criminal proceedings - of a final judgment of acquittal or nonsuit for reasons other than the period of limitation. The aforementioned right to reimbursement applies not only in relation to provisional payments, but also to those made as a result of the adoption of one of the deflationary tools provided by tax regulations (acquiescence, adhesion, conciliation, etc.).

During the cross-examination, the Company and the Tax Authorities agreed to a tax assessment settlement limited to the cost of refining crude oil of Kurdish origin for the 2016 tax year, and the parties also agreed that the same settlement criteria will be applied in case of issuance of tax assessments related to 2015.

On 23 March 2023, the Company concluded a tax assessment settlement which amounts for the year 2016 to approx. EUR 38 million (in terms of tax, penalties and interest), and according to the same agreed criteria, a possible tax assessment settlement will amount for 2015 to approx. EUR 40 million (in terms of tax, penalties and interest). This settlement in the terms stated above, because of the special nature of the tax proceedings in question, provides, according to the relevant provision, as expressly interpreted by the Tax Authorities, the right to a refund of the amount paid in the event of an acquittal in a criminal trial.

Moreover, as a result of the settlement, the Company significantly reduces the overall dispute and also avoids the risk of provisional collection while the case is pending.
Moreover, by opting for an installment over 4 years of the amounts resulting from the settlement and being a provisional measure, the Company can better plan for the limited cash outflow (with a maximum quarterly installment of about EUR 4.7 million, prudentially including the amounts due for 2015 and 2016, plus legal interest) pending the conclusion of the proceedings and obtaining a refund of what has already been paid.

Based on a careful evaluation of the judgment issued in the criminal proceedings, it is considered likely that the latter will end with the final acquittal of the investigated managers.

As a result, it is believed that the circumstance that the tax risk described so far – in the amount of approximately EUR 75-80 million – may turn into a final disbursement is to be considered remote, based on the opinion of independent tax and criminal experts.

As regards the subsidiary Sarlux S.r.l., there are ongoing disputes with GSE about the non-recognition of the categorization 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 recognize any expenses or revenue with reference to these regulations.

It should be noted that on 11 November 2022, the Council of State deemed the appeal brought by the GSE inadmissible, confirming the annulment ordered by the Rome Regional Administrative Court regarding the calculation of the CEC (application of the K coefficient referred to in AEEG Resolution no. 89 of 2010). On 13 March 2023, the Company notified the GSE of the Council of State's ruling and quantified the amount related to the enforcement of the ruling. It is confirmed that there will be no potential liabilities to be included in the financial statements.

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 authorized by GSE. In 2016, the latter commenced its inspections on all projects, although they had been already preliminarily authorized. 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 settlement. The effects of these developments have been properly 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 odor emissions, as ascertained in the records covering the period from 2019 to the present. In particular, the investigation refers to the alleged offense under Article 452-bis of the Italian Criminal Code (Environmental Pollution). The investigations are still in the preliminary stage.
On 25 July, following the meeting with the Company, the Corpo Forestale (Forest Rangers) made an additional data request, which was notified to Sarlux on 1 August. This request was met by Sarlux with the new response note sent to the Corpo Forestale on 6 September.

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. In March, a new inspection decree was served by the Public Prosecutor's Office of the Court of Cagliari given the need expressed by the Board of Court Appointed Experts to carry out further investigations. The inspection activities were carried out through a request for document acquisition and on-site verification of the various parts of the plant and were completed at the end of March 2023.

The Parent Company Saras S.p.A. and the subsidiaries Sarlux S.r.l. and Sardeolica S.r.l. 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 31 March 2023 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 mainly in favor of subsidiaries and entities, such as Customs Agencies and the Ministry of Defense. The value of the commitments at 31 March 2023 does not differ from that at 31 December 2022.

7.3 Related-party transactions

The transactions carried out by the Saras 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 statement of financial position, income statement and cash flow statement is not significant and is substantially in line with previous periods.

7.4 Subsequent events

For information relating to subsequent events that occurred after the end of the period, please refer to the specific section of the Report on Operations.