SARAS

The Board of Directors of Saras S.p.A. approves the interim Financial Report as of 30th September2023[1]

- **Solid Group Reported EBITDA at EUR 582.9 million in 9M'23 (EUR 1,054.4 million in 9M'22)** with a positive scenario and crack margins above historical levels**. Group Reported EBITDA at EUR 300.9 million in Q3'23 (EUR 365.9 million in Q3'22)**
- **Group Reported Net Income and at EUR 273.6 million in 9M'23 (at EUR 347.2 million in 9M'22) and at EUR 151.2 million in Q3/23 (EUR 54.7 million in Q3'22)**
- **Group Comparable EBITDA at EUR 559.6 million in 9M'23 (EUR 817.0 million in 9M'22) at EUR 247.2 million in Q3'23 (EUR 296.4 million in Q3'22)** for the same effects described for the Reported results, not including the negative impact of the scenario on inventory stock valuations
- **Group Comparable Net Income at EUR 260.7 million in 9M'23 (at EUR 449.7 million in 9M'22) and at EUR 121.0 million in Q3'23 (EUR 149.3 million in Q3'22)**
- **Positive Net Financial Position before IFRS16 as of 30th September 2023 stood at positive EUR 194.5 million (vs. positive EUR 268.6 million as of 31st December 2022).**

Milan, November 8th, 2023: The Board of Directors of Saras SpA ("the Company") met today under Chairman Massimo Moratti and approved the Interim Financial Report as of 30th September 2023, which is not subject to audit review. It should be noted that, in accordance with EU Directive 2013/50 transposed with Italian Leg. Decree n.25 dated 15th February 2016, which repealed the obligation to prepare the Interim Financial Reports, this Interim Financial Report has been issued on a voluntary basis, in order to ensure information continuity to the financial community in line with previous quarterly disclosure.

Key Group financial and operating results

EUR million	9M 2023	9M 2022	Change %	Q3/23	Q3/22	Change %
REVENUES	8,468	11,965	-29%	3,051	4,266	-28%
Reported EBITDA	582.9	1054.4	-45%	300.9	365.9	-18%
Comparable EBITDA	**559.6**	**817.0**	**-32%**	**247.2**	**296.4**	**-17%**
Reported EBIT	438.0	913.2	-52%	250.4	317.5	-21%
Comparable EBIT	**414.7**	**675.8**	**-39%**	**196.7**	**248.0**	**-21%**
NET RESULT reported	273.6	347.2	-21%	151.2	54.7	176%
Comparable NET RESULT	**260.7**	**449.7**	**-42%**	**121.0**	**149.3**	**-19%**

EUR million	9M 2023	9M 2022	Change %	Q3/23	Q3/22	Change %
CAPEX	**187.0**	**66.4**	**181%**	**43.8**	**15.5**	**182%**

EUR million	30-set-23	30-giu-23	31-dic-22
NET FINANCIAL POSITION ANTE IFRS 16	**194.5**	**73.5**	**268.6**
NET FINANCIAL POSITION POST IFRS 16	**158.7**	**36.1**	**227.5**

[1] **The manager in charge of preparing the corporate accounting documents, Ing. Fabio Peretti**, declares, pursuant to paragraph 2 article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records of the Company.

GAAP and Non-GAAP measure (alternative performance indicators)

In order to give a representation of the Group's operating performance that better reflects 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 measuring inventories according to the FIFO methodology but excluding unrealized gains and losses on inventories resulting from changes in the scenario. These are calculated by measuring opening inventories (including their associated derivatives) at the same unit values as closing inventories (with increasing quantities in the period), and closing inventories at the same unit values as opening inventories (with decreasing quantities 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 indicators that are not defined in the International Accounting Standards (IAS/IFRS) and are not subject to audit. Non-GAAP financial measures should be read as supplementary to and not a substitute for information prepared in accordance with International Accounting Standards (IAS/IFRS).

Impacts of the Russian-Ukrainian conflict

The results for the first nine months of 2023 took place in a volatile 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 high and above 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 diesel crack spread in the first nine months of 2023 recorded an average of 26.2 USD/bbl (35.3 USD/bbl in the same period of 2022), showing a partial normalization compared to the record levels recorded in 2022. This effect was driven in the first place by a gradual increase in supply from the Asian countries that have not joined the sanctions, particularly China, India and Turkey, and secondly, by a slowdown in demand from the industrial sector in the main OECD member countries, resulting from the restrictive policies adopted by the central banks to limit the rising levels of inflation.

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".

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

In the first nine months of 2023, Group revenues came to EUR 8,468 million compared to EUR 11,965 million in the first nine months of the previous year. The change is mainly due to the significant depreciation of the main oil products and the decrease in the sales price of electricity (regulated within the Essentiality Regime agreement) compared to the same period of last year. Specifically, in the first nine months of 2023, the average diesel price was 808 USD/ton (vs 1,052 USD/ton in 2022), while the average gasoline price was 866 USD/ton (vs 1,036 USD/ton in 2022), the single national price for the sale of electricity (PUN) was 129 EUR/MWh (vs an average sale price of 323 EUR/MWh in the first nine months of 2022). In addition to the trend in the prices of the main products sold, a negative impact can be also attributed, in the first nine months of 2023, to lower refining runs, fewer volumes sold and lower electricity production, resulting both from the increased maintenance work scheduled for the first half of the year and from unexpected production inefficiencies, also caused by external factors that affected production in the second and third quarters. In the third quarter, a double power outage, which was outside of the Company's responsibility, resulted in a complete shutdown of the plants at the production site. Some critical issues became progressively apparent during the plant start-up phases, leading to significant economic impacts also considering the available margins on the market.

The Group's reported EBITDA amounted to EUR 582.9 million in the first nine months of 2023, down from EUR 1,054.4 million in the first nine months of 2022. The negative change is primarily attributable to the worsening scenario between the two periods due mainly to the significant decrease in diesel cracks and the weakening of the dollar, which were partly offset by lower crude procurement costs and the decrease in the cost of electricity required to operate the industrial plants, net of the amount reimbursed under the Essentiality Regime agreement. Overall performance was substantially in line with the same period of the previous year, despite the negative impact of a more costly maintenance plan and the fewer optimizations available in terms of procurement of crude oil. In addition, as regards the price dynamics of commodities on oil inventories (net of the related hedging derivatives) in the first nine months of 2023, they appreciated by EUR 17.9 million compared to an appreciation of EUR 167.6 million in the same period of 2022. Finally, there are no non-recurring items pertaining to the period compared with a positive figure of EUR 5.4 million in 2022. It should also be noted that the reported EBITDA for the first nine months of 2023 reflects the positive effects of the TER Support Decree, as amended, i.e. a reduction in energy costs by EUR 31.7 million (vs EUR 83.2 million in 2022) and the negative effects of a decrease in sales revenues for electricity generated from renewable sources (wind power) by EUR 4.9 million (vs EUR 23.1 million in 2022) due to a limitation of sales tariffs.

The Group's reported Net Income in the first nine months of 2023 was EUR 273.6 million, compared to EUR 347.2 million achieved in the first nine months of 2022. In addition to what is shown at the EBITDA level, this deviation is mainly attributable to lower taxes for the first nine months of 2023 compared to 2022, which was impacted by the effect of Decree Law no. 21 of 21 March 2022, as amended, known as the windfall tax.

The Group's comparable EBITDA for the first nine months of 2023 amounted to EUR 559.6 million, down from EUR 817.0 million recorded in the first nine months of 2022. With respect to reported EBITDA, this result does not include the above-mentioned appreciation of oil inventories between the beginning and the end of the period, includes the impact of exchange rate derivatives and excludes non-recurring items. The lower result compared to the first nine months of 2022 is made up of a negative deviation in both the Industrial & Marketing and Renewables segments, as will be described in more detail in the "Segment Review" section.

The **Group's comparable Net Income for the first nine months of 2023 was EUR 260.7 million**, down from EUR 449.7 million in the same period of last year as a result of the same factors described for reported Net Income. It should be noted that the non-recurring items in the comparable Net Income for 2022 did not include the impact of the windfall tax.

Investments in the first nine months of 2023 stood at EUR 187.0 million higher than in the first nine months of 2022 (EUR 66.4 million); this increase is attributable to the Industrial & Marketing segment and the Renewables segment.

Comments on the Group's third quarter of 2023 results

In the third quarter of 2023, Group revenues amounted to EUR 3,051 million, down from EUR 4,266 million reported in the same period last year. The significant decrease is mainly due to lower prices of the main oil products and the sale price of electricity (regulated within the Essentiality Regime agreement). Specifically, in the third quarter of 2023, the average diesel price was 881 USD/ton (vs 1,065 USD/ton in the third quarter of 2022), the average gasoline price was 933 USD/ton (vs 957 USD/ton in the third quarter of 2022), the single national price for the sale of electricity (PUN) was 113 EUR/MWh (vs 472 EUR/MWh in the third quarter of 2022).

In addition to the price effect, the revenues of the third quarter of 2023 were affected by lower volumes produced and sold: specifically, refining runs amounted to 24.4 million barrels (vs 25.4 million barrels in the third quarter of 2022) and non-renewable electricity production amounted to 958 GWh (vs 1,145 GWh in the third quarter of 2022). These reductions are attributable to the effects of the double power outage, which was outside of the Company's responsibility, that resulted in the complete shutdown of the site's facilities and the subsequent malfunctions described above.

The Group's reported EBITDA for the third quarter of 2023 was EUR 300.9 million, down from EUR 365.9 million in the third quarter of 2022. This negative change is mainly due to a worse scenario characterized by a decrease in diesel cracks, partially offset by the positive effects of the increase in gasoline crack and the decrease in energy costs due to the reduction in the single national price. Performance was better overall than last year, mainly due to a better trading and supply activities, which was not impacted by the high backwardation recorded in 2022, which more than offset the worse production performance. The price trend of commodities on oil inventories (net of the related hedging derivatives) benefited from an increase of EUR 41.9 million compared to an increase of EUR 44.2 million in the same period of 2022. In the third quarter of 2023, there are no non-recurring items pertaining to the period compared with a positive figure of EUR 2.0 million in 2022. Finally, it should be noted that the reported EBITDA of 2023 does not include effects related to the TER Support Decree, as amended, and to the 2023 Budget Law as they are no longer active. It should be noted that, in the third quarter of 2022, the TER Support Decree had reduced energy costs by EUR 43.1 million and revenues from the sale of electricity produced from renewable sources (wind) by EUR 8.3 million.

The Group's reported Net Income for the third quarter of 2023 was EUR 151.2 million, compared to EUR 54.7 million achieved in the third quarter of 2022. In addition to what is shown at the EBITDA level, this deviation is mainly attributable to lower taxes for the third quarter of 2023 compared to 2022, which was impacted by the effect of Decree Law no. 21 of 21 March 2022, as amended, known as the windfall tax.

The Group's comparable EBITDA in the third quarter of 2023 was EUR 247.2 million, down from EUR 296.4 million in the third quarter of 2022. With respect to reported EBITDA, this result does not include the above-mentioned appreciation of oil inventories between the beginning and the end of the period, but includes the impact of exchange rate derivatives and excludes non-recurring items. The lower result compared to the third quarter of 2022 is due to a negative deviation in both the Industrial & Marketing segment and the Renewables segment, as will be described in more detail in the "Segment Review" section.

The **Group's comparable Net Income stood at EUR 121.0 million**, a decrease compared to EUR 149.3 million achieved in the third quarter of 2022, due to the same factors described for the reported Net Income, net of the positive effect of the scenario on inventory changes between the beginning and the end of the period. As already mentioned in the comments for the nine months, it should be noted that the non-recurring items of the 2022 comparable Net Income did not include the impact of the windfall tax.

In the third quarter of 2023, investment stood at EUR 43.8 million higher than in the third quarter of 2022 (EUR 15.5 million); this increase is attributable to both the Industrial & Marketing segment and the Renewables segment.

Calculation of the Group comparable EBITDA

EUR million	9M 2023	9M 2022	Q3/23	Q3/22
Reported EBITDA	**582.9**	**1,054.4**	**300.9**	**365.9**
Gain / (Losses) on Inventories and on inventories hedging derivatives	(17.9)	(167.6)	(41.9)	(44.2)
Derivatives FOREX	(5.4)	(75.2)	(11.8)	(27.0)
Non-recurring items	0	5.4	0	1.7
Comparable EBITDA	**559.6**	**817.0**	**247.2**	**296.4**

Calculation of the Group comparable Net Result

EUR million	9M 2023	9M 2022	Q3/23	Q3/22
Reported NET RESULT	**273.6**	**347.2**	**151.2**	**54.7**
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	(12.9)	(120.8)	(30.3)	(31.8)
Non-recurring items net of taxes	-	223.4	-	126.4
Comparable NET RESULT	**260.7**	**449.7**	**121.0**	**149.3**

Net Financial Position

The Net Financial Position at 30 September 2023, before the effects of the IFRS 16 application, was positive by EUR 194.5 million, compared to the positive position of EUR 268.6 million reported at 31 December 2022. In addition, the Net Financial Position at 30 September 2023, after the effects of the IFRS 16 application, was positive by EUR 158.7 million, compared to the positive position of EUR 227.5 million reported at 31 December 2022.

A cash absorption of EUR 69 million was recorded in the first nine months of 2023. This absorption is attributable to the payment of taxes totaling EUR 305 million (including EUR 170 million as an effect of Decree Law no. 21 of 21 March 2022, as amended, the so-called windfall tax), investments of EUR 187 million, the payment of dividends of EUR 181 million and interest and financial expenses of EUR 31 million. These disbursements were partly offset by the cash generation from operations of EUR 565 million and the reduction in working capital, which released EUR 70 million.

Lastly, it should be noted that cash and cash equivalents at 30 September 2023 amounted to EUR 650.4 million.

EUR million	30-Sep-23	31-Dec-22
Medium/long-term bank loans	(313.8)	(401.4)
Bonds	-	-
Other medium/long-term financial liabilities	(3.7)	(4.4)
Other medium/long-term financial assets	4.0	4.1
Medium-long-term net financial position	**(313.5)**	**(401.7)**
Short term loans	(118.5)	(118.6)
Medium/long-term bank loans (maturity date within 12 months)	-	-
Banks overdrafts	(13.3)	(12.1)
Other short term financial liabilities	(70.6)	(22.3)
Fair value on derivatives and realized net differentials	(127.8)	6.6
Other financial assets	187.7	109.6
Cash and Cash Equivalents	650.4	707.1
Short-term net financial position	**508.0**	**670.3**
Total net financial position ante lease liabilities ex IFRS 16	**194.5**	**268.6**
Financial lease liabilities ex IFRS 16	(35.8)	(41.1)
Total net financial position post lease liabilities ex IFRS 16	**158.7**	**227.5**

Reference Market

Oil market

Below is a brief analysis of crude oil price trends, crack spreads of the main refined products, and the reference refining margin (EMC Benchmark) with regard to the European market, which is the main context in which the Saras Group's Refining segment operates.

	Q1/23	Q2/23	Q3/23	9M/23	Q1/22	Q2/22	Q3/22	9M/22
Crude oil price and differential (USD/bbl)								
Brent Dated	81.3	78.4	**86.8**	**82.2**	102.5	113.9	**100.8**	**105.7**
Diff. Basrah Medium (CIF Med) vs. Brent Dtd	-7.1	-3.7	**-1.4**	**-4.1**	-3.2	-2.7	**-5.5**	**-3.8**
Diff. Azeri Light (CIF Med) vs. Brent Dtd	+6.2	+4.6	**+4.9**	**+5.2**	+4.1	+6.5	**+5.9**	**+5.5**
Crack spreads for refined oil products (USD/bbl)								
ULSD *crack spread*	30.6	16.8	**31.3**	**26.2**	19.0	44.8	**42.0**	**35.3**
Gasoline *crack spread*	19.2	20.5	**24.9**	**21.5**	9.4	31.9	**13.7**	**18.3**
Reference margin (USD/bbl)								
Reference margin (NEW Benchmark)	10.1	4.2	**12.4**	**8.9**	-0.5	16.9	**8.6**	**8.3**

Source: "Platts"

Crude oil prices (Brent Dtd, Basrah Medium, Azeri)

In the first nine months of 2023, Brent Dtd recorded an average price of 82.2 USD/bbl (compared to an average price of 105.7 USD/bbl in the same period of 2022).

In the first half of the year, Brent Dtd prices recorded an average of 79.8 USD/bbl, fluctuating between around 70 and 90 USD/bbl, held back on the one hand by fears related to a slowdown in global economic growth, and on the other supported by announcements of new production cuts by OPEC+Russia. In April, the latter added new cuts to those announced in previous months, bringing the overall reduction to 1.7 Mbbl/d, starting from May until the end of 2023. The cartel then announced in early June that it would extend the cuts through 2024 while Saudi Arabia decided on an additional unexpected 1 Mbbl/d cut, starting in July and extendable from month to month depending on market conditions. Such interventions have been instrumental in stemming the market's bearish thrusts, stabilizing the Brent Dtd price.

In the third quarter, prices rose to an average of 86.8 USD/bbl (100.8 USD/bbl in the same quarter of 2022), up 11% compared to the previous quarter as a result of OPEC+ cuts and in particular Saudi Arabia's decision to extend its additional cuts until the end of 2023, and an additional cut by Russia of about 0.3 Mbbl/d also expected until the end of the year. In addition to this reduced supply context, prices were also driven upward by China's higher consumption, particularly in the resumption of air traffic and in the petrochemical sector, while in the summer period an increase in demand also resulted from higher oil consumption in power generation. Lastly, in the second half of September, prices recorded a further rise, exceeding 97 USD/bbl, in the wake of unexpected decreases in US stocks.

With regard to sour crude oils (i.e. those with a high sulfur content), **in the first nine months of the year, the Basrah Medium CIF Med recorded an average discount compared to the Brent Dated of -4.1 USD/bbl** (vs -3.8 USD/bbl in the same period of 2022).

In particular, in the first half of 2023, the Basrah Medium CIF Med recorded an average discount compared to the Brent Dated of -5.4 USD/bbl with different trends during the two quarters. In fact, in the first quarter of 2023, in continuity with a trend that began in the second half of 2022, the discount was on average at -7.1 USD/bbl as a result of the decline in purchases by traditional Asian buyers (in particular China and India), which after the outbreak of the Russian-Ukrainian conflict had redirected their choices towards the heavily discounted Russian crude oils. On the other hand, in the second quarter of 2023, the production cuts enacted by OPEC+Russia on crude oils with a high sulfur content led to a compression of the Basrah discount, which averaged -3.7 USD/bbl. This was further accentuated **in the third quarter of 2023, when Basrah Medium CIF Med recorded an average discount of -1.4 USD/bbl** (vs -5.5 USD/bbl in Q3/22).

With regard to "sweet" crude oils (low sulfur content), **the premium of Azeri Light CIF Med over Brent Dated in the first nine months of 2023 averaged +5.2 USD/bbl (+5.5 USD/bbl in the same period of 2022).**

In the first half of 2023, the Azeri Light CIF Med premium averaged +5.4 USD/bbl. In particular, in the first quarter, crude oils with a low sulfur content recorded a robust premium, and the average for Azeri was equal to +6.2 USD/bbl, in continuity with a trend that had already emerged in 2022, thanks to the support resulting from the high margins of petrol and diesel. In the second quarter, the premium for low-sulfur materials was affected by the downturn in middle distillates and, despite the resilient performance of gasoline, averaged +4.6 USD/bbl, moving closer to historical averages again. Finally, **in the third quarter of 2023 the Azeri Light CIF Med premium rose to +4.9 USD/bbl** (+5.9 USD/bbl in Q3/22), mainly thanks to the recovery of middle distillates.

Crack spreads of the main refined products (the difference between the value of the product and the cost of crude oil; FOB Med values vs Brent Dtd)

In the first nine month of 2023, the gasoline crack averaged 21.5 USD/bbl (vs 18.3 USD/bbl in the first nine months of 2022), showing greater strength than the historical averages.

In the first half of the year, the average gasoline crack amounted to 19.8 USD/bbl, supported, in particular in the second quarter, by the high level of consumption of the so-called driving season in the Atlantic rim which, together with lower production due to maintenance in the spring period, kept inventories well below historical averages. The generalized shortage of high-octane components on the market contributed to sustaining the high levels of crack.

In the third quarter, the gasoline crack recorded a further increase and an average of 24.9 USD/bbl (vs 13.7 USD/bbl in the third quarter of 2022). This trend was mainly affected by the persistence of production limitations due to both planned shutdowns and unexpected shutdowns, and also to the high summer temperatures, which in the Mediterranean basin prevented some refineries from working at full capacity.

The diesel crack (ULSD) averaged 26.2 USD/bbl in the first nine months of 2023 compared to an average of 35.3 USD/bbl in the same period of 2022.

In the first six months, the diesel crack average stood at 23.7 USD/bbl. In particular, in the first quarter the average was +30.6 USD/bbl, down compared to the extremely high values of 2022, in the face of both a slowdown in demand and a robust supply. Specifically, demand was affected by lower consumption in the industrial sector and the lower use of heating oil (in a context of not particularly cold temperatures). On the other hand, the availability of the product was sufficient to avoid the feared "short" of the market, which could have resulted from the start of the embargo against Russia. In fact, numerous European countries had established adequate stocks. In addition, there were significant flows of imports from the main Asian countries not adhering to the embargo (India, China and Turkey). Thereafter, in the second quarter, diesel crack fell further to values in line with pre-conflict levels (around 10 USD/bbl in April), penalized by a further increase in import volumes, and by the worsening of the macro-economic climate in the Eurozone, hard hit by inflationary pressures. It was not until June that the restart of the Chinese economy (with a consequent reduction in exports to Europe) and the temporary closure of a major Indian port allowed the European market to clear excess stocks, and the ULSD crack went back to around 20 USD/bbl. Overall, the average for the second quarter of the ULSD crack was +16.8 USD/bbl.

Finally, in the third quarter of 2023, the diesel crack strengthened again, averaging 31.3 USD/bbl (42 USD/bbl in the same period of 2022). The strong recovery compared to the previous quarter (+86%) was caused by a production in Europe not being able to meet demand. In fact, as already described in the comments for gasoline, there have been several unplanned shutdowns, and also a reduction in the operational performance of refineries due to the high temperatures experienced in July and August in the Mediterranean area. In addition, the OPEC+ production cuts have limited the availability of crude oils with a high sulfur content, the residues of which are used as feedstock in certain conversion plants used to produce diesel. Also, in mid-September, the Russian government halted exports of oil products to lower their prices in the domestic market (and this caused the ULSD crack to rise further in Europe, with values above 40 USD/bbl). Finally, jet fuel consumption also supported middle distillates, thanks to the recovery of international air traffic over the summer period, particularly following the reopening of China after the long period of Covid restrictions.

In the first nine months of 2023, the VLSFO crack recorded an average discount of -1.7 USD/bbl (compared to an average premium of +4.5 USD/bbl in the same period of 2022).

In the first six months of 2023, the VLSFO crack recorded an average discount of -1.3 USD/bbl. In particular, in the first quarter, the average was -0.2 USD/bbl, up compared to the end of 2022, following lower imports from the Middle East due to some operating difficulties recorded in the new Al-Zour refinery (Kuwait). Furthermore, given the strong margins of gasoline, during the first quarter many refineries preferred to allocate the Light Sweet residue to the cracking cycle (FCC) for light distillate production, rather than using it in VLSFO formulations. Although this was also confirmed in the second quarter, the month of April was marked by a sharp decline in the VLSFO crack, whose quarterly average thus stood at -2.4 USD/bbl.

Lastly, in **the third quarter the VLSFO crack recorded an average of -2.3 USD/bbl** (vs +2.4 USD/bbl in the third quarter of 2022), in continuity with the previous quarter, despite a very fluctuating trend over the period. In particular, the aforementioned preference of many refineries for the use of the LS residue in the FCC cycle led the VLSFO crack to values around 0 USD/bbl in July and August. In September, however, the crack fell by almost 5 USD/bbl compared to the previous two months, due to the sudden increase in the price of Brent and greater inertia of the market that struggled to adjust.

The crack of high-sulfur fuel oil (HSFO) in the first nine months of 2023 recorded an average of -15.1 USD/bbl (against -29.2 USD/bbl in the first nine months of 2022).

In the first six months of 2023, the HSFO crack averaged -19.4 USD/bbl showing sharp differences in the two quarters. Specifically, in a depressed context for ATZ crude oils, the HSFO crack recorded an average of -25.3 USD/bbl in the first quarter, despite resilient demand from ships equipped with scrubbers (which allows the use of HSFO at the expense of the more expensive VLSFO) in the "East of Suez" naval trades. In the second quarter, on the other hand, the HSFO crack experienced a strong appreciation, recording an average of -13.5 USD/bbl, as a result of the OPEC+ production cuts, specifically aimed at high sulfur crude oils. Additional support has come from increased demand for fuel oil for power generation in the Middle East and some parts of Asia.

Finally, **in the third quarter of 2023, the high-sulfur fuel oil crack averaged -6.5 USD/bbl** (vs -13.5 USD/bbl in Q2), as a result of the intensified OPEC+Russia cuts described above, the continued use of fuel oil for power generation in the Middle East and Asia, and also the reduction in refinery operating capacity (about -20%) due to extremely hot weather.

Marketing

In Italy, according to data analyzed by Unione Energie per la Mobilità (UNEM) from the source "Ministry of the Environment and Energy Security - DGI", in the first nine months of 2023 total consumption fell by 1.3% compared to the same period of 2022, largely due to the sharp decline in petrochemicals (-600 Kton) and despite the support deriving from road mobility and the recovery of air transport, which together exceeded the volumes of the same period of last year by almost 700 Kton.

The consumption of automotive fuels (gasoline + diesel) in the first nine months of 2023 amounted to 23.7 Mton, an increase of 0.2% compared to the first nine months of 2022. In particular, compared to the same period of 2022, gasoline showed an increase of 5.3%, while automotive diesel fuel recorded a drop of 1.5%. The gap between the trends of the two fuels, in addition to economic aspects, including slowing economic developments and the price effect, also reflects a structural factor - namely, the gradual shift in private car consumption from diesel to gasoline, to the advantage of gasoline-powered hybrid cars. In addition, gasoline volumes benefit from an increasingly wide range of users, including professional operators (taxis, sales agents, etc.). Lastly, jet fuel continues its recovery towards pre-pandemic levels with an increase of 21.7% compared to the same period in 2022.

In Spain, the data compiled by CORES available up to the month of August show that in the first eight months of 2023, the consumption of motorway fuels generally decreased by -0.9% compared to the same period of 2022, with significant growth in demand for gasoline (+6.4%) and a decrease in demand for automotive diesel (-2.8%). These trends are mainly explained by the current direction of the Spanish market, where the number of hybrid cars (with internal combustion engine running on gasoline) is growing, and where the replacement of fossil diesel with a product of plant origin (HVO, biodiesel) is more evident – a development which, by contrast, is not currently occurring with gasoline.

Electricity and CO2

In the first nine months of 2023, the PUN recorded an average price of 129 EUR/MWh compared to an average of 323 EUR/MWh in the same period of 2022.

More specifically, **the average price of the PUN in the first six months of 2023 was 136 EUR/MWh, with a gradually declining trend** in the wake of the pattern recorded by natural gas, which had a sharp decline compared to the average recorded in the second part of last year**.** In fact, the average price in the first quarter was 157 EUR/MWh, while in the second quarter it fell further to 115 EUR/MWh. Overall, the decline in natural gas prices compared to last year's levels is due to the high imports of liquefied natural gas (LNG) to replace the reduced pipeline flows from Russia, and to lower consumption compared to the historical seasonal averages in the first part of the year, as a result of the particularly mild winter and the increased focus on energy savings by both private individuals and industrial users in Europe (which led to an actual reduction in demand, estimated at around 20%).

Finally, **in the third quarter of 2023 the PUN maintained a stable trend with an average of 113 EUR/MWh** (vs 472 EUR/MWh in the same period of 2022). Also in this quarter, the trend was in line with that of natural gas prices, which were fairly stable thanks to production increases in Norway and Algeria.

Moving on to the **EUA quotations of European carbon dioxide permits, in the first nine months of 2023 the average price recorded was 86 EUR/ton** (vs approximately 82 EUR/ton in the first nine months of 2022), **with a considerable price stability**

throughout the period under review, consistent with the decarbonization and ecological transition policies that the EU is progressively implementing. Specifically, CO_2 quotations averaged 87 EUR/ton in both the first and second quarters, and 84 EUR/ton in the third quarter.

Saras' Industrial & Marketing margins and EMC Reference Margin

With regard to the profitability analysis of the Industrial & Marketing segment, Saras uses as a baseline the refining benchmark "EMC Reference Margin", against which the Sarroch industrial site typically achieves a premium due to the to the high flexibility and complexity of its plants, as well as its industrial and commercial performance.

Depending on the market context described in the previous paragraph, **in the first nine months of 2023 the EMC Reference Margin stood at an average of 8.9 USD/bbl** (vs an average of 8.3 USD/bbl in the same period of 2022). **Saras' margin was 13.3 USD/bbl** (16.1 USD/bbl in the same period of the previous year), **showing a premium of 4.4 USD/bbl** (vs +7.8 USD/bbl in the first nine months of 2022).

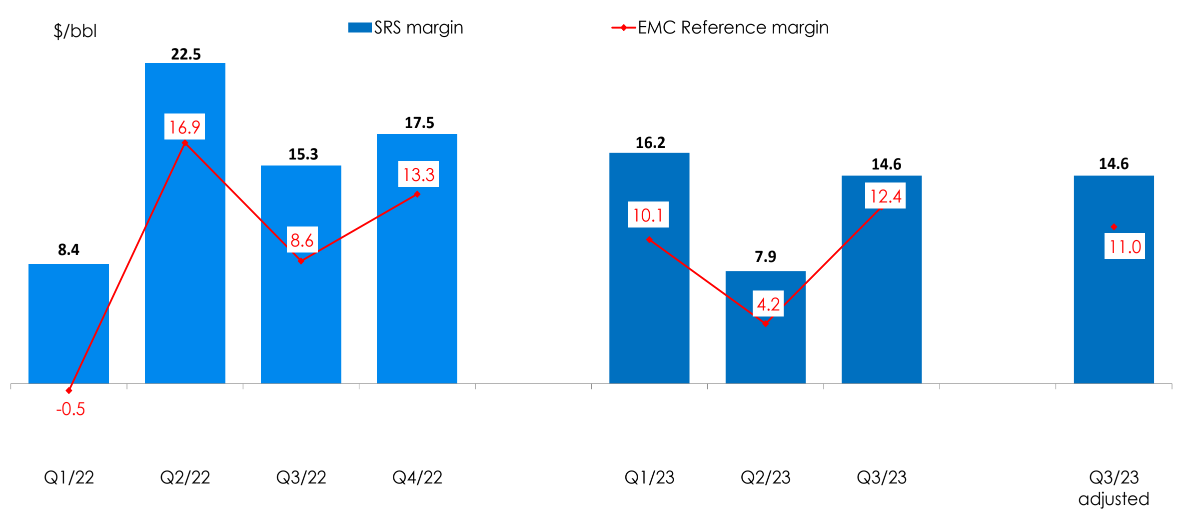
In particular, **in the third quarter of 2023 the EMC Reference Margin stood at an average of 12.4 USD/bbl** (vs an average of 8.6 USD/bbl in the third quarter of 2022), while **the Saras margin stood at 14.6 USD/bbl** (15.3 USD/bbl in the same period of the previous year), **with a premium of 2.2 USD/bbl** (6.7 USD/bbl in the third quarter of 2022).

The premium achieved by Saras with respect to the EMC Reference Margin was lower than the guidance, due to both the external blackout event, which was outside of the Company's responsibility, and the consequent reductions in performance (which had an overall impact of approximately 2 USD/bbl), and the performance of the oil market (which had an impact of approximately 1.4 USD/bbl as a result of the appreciation of the HSFO and the changes in premiums and discounts of the main crude oils, the effects of which are detailed below).

In particular, as already described in the chapter "Oil market", the appreciation of the HSFO continued in the third quarter (whose crack went from -25.3 USD/bbl in the first quarter of 2023 to -13.5 USD/bbl in the second quarter of 2023, and then averaged -6.5 USD/bbl in the third quarter of 2023). This abnormal trend only benefited the EMC benchmark margin, which has a HSFO yield of 7%, while the Saras margin was not affected, as the Group's refinery does not produce HSFO (except in temporary situations such as, for example, during slowdowns or maintenance shutdowns).

Regarding crude oil trends, the appreciation of the high-sulfur material continued in the third quarter, with Basrah Medium whose discount against Brent crude went from -7.1 USD/bbl in the first quarter of 2023 to -3.7 USD/bbl in the second quarter of 2023, and then averaged -1.4 USD/bbl in the third quarter of 2023. This trend penalized complex high-conversion refineries (such as those of the Saras Group), but had no impact on the EMC Reference Margin, which is calculated using a slate 100% based on Brent crude.

Therefore, it is possible to calculate an "adjusted" EMC Reference Margin, i.e. adjusted by the aforementioned market effects, which in the third quarter is worth 11.0 USD/bbl, and with respect to which the Saras premium is equal to 3.6 USD/bbl, as shown in the following table.



Outlook

In the October 2023 Oil Market Report, the International Energy Agency (IEA) has confirmed its estimates on **global oil demand in 2023, which is expected to grow by +2.3 Mbbl/d** compared to last year. This increase will make it possible to reach an all-time record of 101.9 Mbbl/d. Despite the industrial slowdown in the OECD area, which is weighed down by expectations of continuation of restrictive policies by central banks, global oil demand continues to be buoyed by emerging economies (primarily India, Brazil and China, with the latter alone contributing 77% of the total increase), thanks to the recovery in petrochemicals and jet fuel for aviation. In 2024, the IEA predicts a continuation of growth of +0.9 Mbbl/d, so at a lower pace than in 2023, as a result of widespread energy efficiency gains and further reduction in consumption in developed countries.

In terms of supply, the aforementioned production cuts by OPEC+Russia could remain in force until the end of 2024, but the IEA believes that they will be more than offset by production increases in non-OPEC+ countries. In fact, global production is expected to grow overall by +1.5 Mbbl/d in 2023 and +1.7 Mbbl/d in 2024, thus reaching new historical records (103.3 Mbbl/d average supply in 2024). Moreover, the continuation of the OPEC+Russia cuts could keep sustaining the cost of high-sulfur ("sour") crude oils, with a consequent margin penalty for the more complex and high-conversion-capacity refineries (including that of the Saras Group).

Finally, it should be noted that the dramatic events in the Middle East, for the time being, have not produced significant impacts on the physical crude oil flows, while there have been some implications on natural gas supply (and consequently also on prices). However, tension remains high as a result of the increased geopolitical risk.

Looking at the trend in crude oil prices, after the peaks of the second half of September, the Brent Dtd recorded a gradual decline to around 90 USD/bbl, under the weight of renewed macroeconomic concerns and despite increased geo-political risk in the Middle East. The main independent sector analysts[2] believe that prices may continue at similar levels to the current ones also in subsequent quarters.

As regards the cracks of refined products, gasoline and diesel averaged about 5 USD/bbl and 30 USD/bbl in October (up to the time of this Report's writing), respectively. The drop in gasoline from the high levels of the summer period reflects the characteristic seasonality of consumption, as well as the change in specification from summer to winter (the latter being easier to formulate and having more components that can be used in blending). Recovery to higher levels is expected after spring 2024. In contrast, middle distillates have entered the period of greatest support (the so-called "heating season") where, in addition to the traditional uses for road, private and commercial transportation, agriculture, and motorboats, there is also the consumption of heating oil. Therefore, despite the macroeconomic slowdown, diesel should maintain high levels above the historical seasonal averages.

Lastly, electricity and CO2 prices in October recorded an average of approx. 137 EUR/MWh and 82 EUR/ton. While CO2 is expected to continue to remain at levels in line with previous quarters, the price of electricity could further strengthen, due to the tensions triggered by the events of early October in the Middle East, which generated increases by over 50% in the price of natural gas.

Next, as for the operations of the Sarroch industrial site, the main scheduled maintenance activities have been completed in the first nine months, and the last quarter of the year involves the completion of restoration activities that became necessary downstream of the aforementioned blackout. However, this will not affect the level of processing expected in the quarter. Therefore, the forecast of cumulative refinery runs at year-end is between **94 and 95 Mbbl**, basically in line with last year's performance and with the guidance.

Based on the results achieved in the first nine months, and in line with the scenario assumptions described above, **the Company expects to achieve a premium for the full year 2023 comprised between 4 and 5 USD/bbl above the EMC Reference Margin.** This level derives from the events that characterized in particular the third quarter and which have been described in the previous chapters, i.e. the impact of the blackout, which was outside of the Company's responsibility, with the consequent production inefficiencies, as well as the performance of high-sulfur fuel oil (HSFO), and of crude oil premiums and discounts. Without these last two market effects (HSFO and crude oil premiums/discounts), the Saras premium would be greater than 5 USD/bbl.

The forecasts relating to the fixed costs of the Industrial & Marketing segment remain substantially in line with previous figures and are estimated to be approximately EUR 390 million. This level is also the result of the onerous maintenance plan completed during the year. Finally, **as for the segment's investments**, they are confirmed to be projected at about EUR 180 million, with the aim of continuing the process of making plants more efficient and maintaining their competitiveness.

1 S&P Global Platts, WoodMacKenzie, FGE and Nomisma (October 2023)

As regards the **Renewables segment**, the installed capacity in 2023 remains confirmed at 171 MW. The production levels achieved in the first nine months of the year, added to the current estimates for the fourth quarter, make it possible to forecast cumulative production for the entire year of approximately 270 GWh.

Regarding **the measurement of 2023 production**, it should be noted that the application of the measures introduced by Decree Law no. 4 of 27 January 2022, known as "TER Support" (price cap of 61 EUR/MWh) and by the 2023 Budget Law in implementation of Regulation (EU) 2022/1854 (price cap of 180 EUR/MWh) ended on 30 June. Therefore, as in the third quarter, 100% of production is valued at market also in the fourth quarter.

Concerning investments in the Renewables segment, a total amount of approximately EUR 50 million is expected in 2023, mainly aimed at advancing the construction of the 80 MW photovoltaic park "Helianto", which is scheduled to be operational by the end of the first half of 2024.

Finally, regarding the expected trend of the **Group's Net Financial Position**, the forecasts of cash flow generation and working capital performance (by virtue of the scenario and performance assumptions made by the Company) allow us to project a positive year-end Group Net Financial Position.

Update on strategic plans

As announced in previous quarterly reports, the Saras' Board of Directors has approved, in May of this year, new medium and long-term strategic objectives and guidelines that support **the Group's evolution from a pure refiner to a sustainable energy player**, accelerating the convergence of conventional and renewable energy businesses, and developing the integration of new energy sources into the refining business.

Only a few months after the approval of the new strategy, the Group has already embarked on the path laid out, capitalizing on excellence in the core business and on financial strength. Below is an update on the progress towards achieving the set-out objectives:

- **Continuing to improve the efficiency of the refining operations:** in recent months, several project initiatives aimed at improving performance have been launched; their benefits will be factored into the next business plan. These initiatives cover a wide range of business activities (from commercial to industrial) and aim for both margin maximization and cost optimization. The focus is on a progressive optimization of operational, commercial and investment leverage, seizing short-term objectives, but also launching implementations that will yield results in the medium term, keeping the Sarroch refinery among the best assets in the sector and increasing its resilience to market volatility.
- **Achieving 1 GW of installed renewable capacity in 2028:** in the pipeline of greenfield wind projects in Sardinia, the Group has currently 10 projects in different stages of progress, totaling about 600 MW. Of these, 6 have already been submitted to the competent authorities for the EIA ("Environmental Impact Assessment") application and cumulatively amount to approximately 350 MW of production capacity. The authorization process is proceeding and Saras remains confident that it will be completed soon. As for the other projects in the above pipeline, the "Soluzione Tecnica Minima Garantita" (STMG) (Minimum Guaranteed Technical Solution) has been received from Terna for all of them, and then the subsequent activities are underway. With regard to photovoltaic projects, Saras has received authorization to build a 3 MW wind farm at the depot in Arcola (Spezia). Lastly, during the quarter, the construction of the 80 MW Helianto photovoltaic park continued – one of the largest in Italy – whose COD (Commercial Operation Date) remains confirmed by June 2024. These initiatives, together with possible others that are being evaluated, thus enable the Group to aim for renewable energy production of about 2 TWh/year by 2028, with avoided CO_2 emissions of about 1.3 to 1.6 million tons/year.
- **Positioning to seize the opportunities offered by new technologies:** the Group actively follows the evolution of the regulatory context in order to seize future opportunities in the area of energy transition. Current projects include:
  - SardHy Green Hydrogen was established as a JV company with Enel Green Power, whose purpose is to produce green hydrogen for use in the Sarroch refinery through a 20 MW electrolyzer powered by renewable energy. Following the recognition of SardHy 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), talks with MIMIT (Ministry of Enterprises and Made in Italy) are underway and the application for financial relief has been submitted, based on the provisions of the Ministerial Decree for the activation of the intervention of the IPCEI fund. Preliminary activities for negotiating and finalizing contracts for the supply of materials and for works tenders continue;
  - With regard to the Carbon Capture and Storage (CCS) 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 a finalization of costs and timing. Applications were also submitted to the European Green New Deal and "Hard to Abate"

funds specifically for CCS and CCU (Carbon Capture and Utilization) projects and activities aimed at optimizing sources and potential uses of CO_2;

- In the area of biofuel production, a number of technical assessments are underway for the expansion and optimization of hydrogenated vegetable oil (HVO) production activities both in co-processing and in purity. In particular, investments and assessments are underway aimed at (i) installing a new catalyst that will allow additional production capacity of 20 Kton per year of HVO in purity by the first half of 2024; (ii) optimizing logistics by insulating some discharge lines and tanks to expand the range of vegetable oils that can be used in co-processing to include high "pour point" oils; (iii) developing a new pre-treatment plant that will expand the range of oil crudes that can be used in the production of HVO in both co-processing and purity; (iv) retrofitting and revamping some existing desulfurization units (U300 and U700) that will allow future decisions about extending the production capacity of HVO in purity up to 200 Kton per year;

- Finally, a "Waste To Fuel" project is underway, for which an application has been submitted for a European tender for a low-temperature pyrolysis plant for the production of diesel and carbon black from used tires (about 14 Kton/year).

Conference call on November 8th, 2023 and other information

On November 8th, 2023, the Board of Directors of Saras SpA will meet in order to approve the Interim Financial Report as of 30th September 2023. Subsequently a dedicated press release will be issued via SDIR and, at the same time, a slide presentation will become available on the company's website (www.saras.it).

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

Dial in numbers:

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

Link for the live webcast: https://87399.choruscall.eu/links/saras231108.html

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

For enquiries, please contact Saras' Investor Relations Department.

This press release has been prepared pursuant to the Regulation implementing Legislative Decree 24th February 1998 number 58, adopted by CONSOB under resolution 14th May 1999 number 11971, as amended and supplemented. It is available to the general public on the Company's website under "Investors / Financial Press Releases", and also on the "1Info" authorised storage mechanism (www.1info.it). Moreover, the Interim Financial Report as of 30th September 2023 is also available to the public at the Company's registered Office in Sarroch (CA) S.S. 195 Sulcitana Km. 19, on the Company's website under "Investors / Financial Reports", and on the "1Info" authorised storage mechanism.

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