



## The Board of Directors of Saras S.p.A. approves the Half-Year Financial Report as of 30th June 2023<sup>1</sup>

- **Group reported EBITDA at EUR 282.0 million in H1'23 (EUR 688.5 million in H1'22)** in light of a positive scenario and crack margins above historical levels. **Group reported EBITDA at EUR 35.6 million in Q2'23 (EUR 532.2 million in Q2'22)** reflecting the impact of scheduled maintenance in the period (including the multi-year Turn-Around of the IGCC plant)
- **Group reported Net Income and at EUR 122.3 million in H1'23 (at EUR 292.5 million in H1'22) and at EUR -16.8 million in Q2'23 (EUR 215.9 million in Q2'22)**
- **Group's Comparable EBITDA at EUR 312.4 million in H1'23 (EUR 520.6 million in H1'22) at EUR 27.1 million in Q2'23 (EUR 458.6 million in Q2'22)** for the effects described for the reported results, not including the negative impact of the scenario on inventory stock valuations.
- **Group's Comparable Net Income at EUR 139.7 million in H1'23 (at EUR 300.5 million in H1'22) and at EUR -22.3 million in Q2'23 (EUR 287.1 million in Q2'22)**
- **Positive Net Financial Position before IFRS16 at EUR 73.5 million (EUR 268.6 million as at December 31<sup>st</sup> 2022)**
- **Guidance for FY23 confirmed with an expected average annual premium on the EMC Reference margin between 5 and 6 \$/bbl.**

After the Board meeting, **Saras' Chairman, Massimo Moratti**, commented: *"The good results achieved by the Group in the first half of the year reflect a positive oil scenario, with diesel and gasoline crack spreads above historical levels - even if partially rebalanced versus the record levels reached in 2022 - and a second quarter which saw the conclusion of the ten-year turnaround of the IGCC power plant, which will allow us to guarantee the continuous supply of energy, and to substantially contribute to the stability of the Sardinian power grid. Having concluded the heavy maintenance scheduled in the first half of the year, we will be able to seize the opportunities of a market that is expected to be positive in the second half of the year. In addition, we highlight how the first half of the year ended with a positive net financial position, notwithstanding the significant disbursements in the second quarter, which included the payment of the windfall taxes and dividends".*

**Milan, July 31<sup>st</sup>, 2023:** The Board of Directors of Saras S.p.A. met today under Chairman Massimo Moratti and approved the Half-Year Consolidated Financial Report as of 30<sup>th</sup> June 2023. The results of the second quarter, which are unaudited, are also presented here below for sake of continuity and completeness of information.

### Key Group financial and operating results

| EUR million                  | H1 2023      | H1 2022      | Change %    | Q2/23         | Q2/22        | Change %    |
|------------------------------|--------------|--------------|-------------|---------------|--------------|-------------|
| REVENUES                     | 5,417        | 7,699        | -30%        | 1,951         | 4,749        | -59%        |
| Reported EBITDA              | 282.0        | 688.5        | -59%        | 35.6          | 532.2        | -93%        |
| <b>Comparable EBITDA</b>     | <b>312.4</b> | <b>520.6</b> | <b>-40%</b> | <b>27.1</b>   | <b>458.6</b> | <b>-94%</b> |
| Reported EBIT                | 187.6        | 595.7        | -69%        | (12.4)        | 485.0        | n.s.        |
| <b>Comparable EBIT</b>       | <b>218.0</b> | <b>427.8</b> | <b>-49%</b> | <b>(20.9)</b> | <b>411.4</b> | <b>n.s.</b> |
| NET RESULT reported          | 122.3        | 292.5        | -58%        | (16.8)        | 215.9        | n.s.        |
| <b>Comparable NET RESULT</b> | <b>139.7</b> | <b>300.5</b> | <b>-54%</b> | <b>(22.3)</b> | <b>287.1</b> | <b>n.s.</b> |

| EUR million                         | H1 2023 | H1 2022 | FY 2022 |
|-------------------------------------|---------|---------|---------|
| NET FINANCIAL POSITION ANTE IFRS 16 | 73.5    | 64.9    | 268.6   |
| NET FINANCIAL POSITION POST IFRS 16 | 36.1    | 23.1    | 227.5   |
| CAPEX                               | 143.2   | 50.9    | 105.7   |

<sup>1</sup> 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)

To present the Group's operating performance in a way that best reflects the most recent market trends, in line with generally accepted practices in the oil sector, the operating profit and comparable net 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. These are calculated by measuring initial inventories (including derivatives associated with them) at the same unit values as closing inventories (with increasing quantities in the period) and closing inventories at the same unit values as initial 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 not indicators defined by the International Accounting 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 of the first half of 2023 are part of an oil market context still influenced - albeit to a lesser extent than in 2022 - by the consequences of the Russian-Ukrainian conflict. The margins of the main distilled products remained on average higher than the 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 being the most affected by the reduction in imports from Russia, with an effect on prices and margins that recorded unprecedented levels in 2022, showed starting from the end of 2022 and in the first half of 2023 a partial normalization, determined in the first place by a progressive increase in supply from Asian countries, and in particular China, India and Turkey, which did not adhere to the sanctions, and secondly, by a slowdown in demand from the industrial sector in the main countries of the OECD area. In particular, the diesel crack spread, which in the first quarter, although down compared to 2022, still maintained extremely high levels on average (+ 30.6 USD/bbl), recorded a significant decline between the end of April and the beginning of May, when it reached values in line with those pre-Covid (approximately +10 USD/bbl). This trend is mainly due to the non-materialization of the "short" of product in Europe after the entry into force of the embargo at the beginning of February on Russian products: the high stocks accumulated by European countries before that date, also favored by the increasing volumes of imports from countries not adhering to the embargo, have maintained a more than adequate supply. At the same time, demand from the industrial sector also slowed down, caused by the restrictive monetary policies of the central banks.

However, starting from May, a drop in Asian exports to Europe contributed to reduce the levels of stocks of middle distillates; the diesel crack was therefore back to about \$ 20 USD/bbl - a level higher than the historical averages.

For more details on the impacts of the Russian-Ukrainian conflict, please refer to the chapters on the Reference Market and Risk Analysis, paragraph "Risk of price changes".

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

**In the first half of 2023, Group revenues amounted to EUR 5,417 million**, compared to EUR 7,699 million in the first six months of last 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 half of 2023, the average diesel price was 772 USD/ton (vs 1,045 USD/ton in 2022), while the average gasoline price was 832 USD/ton (vs 1,076 USD/ton in 2022), the single national price for the sale of electricity (PUN) was 136 EUR/MWh (vs an average sale price of 249 EUR/MWh in the first half of 2022). In addition to the trend in the prices of the main products sold, the lower refining runs and lower electricity production, as a result of increased maintenance work and lower industrial performance, also due to external factors, had a negative impact in the first half of 2023. More specifically, in the first half of 2023, maintenance work was carried out on catalytic reforming, both Mild HydroCracking plants, some distillation units, and most importantly the multi-year turnaround of the Integrated Gasification Combined Cycle plant (IGCC).

**The Group's reported EBITDA amounted to EUR 282.0 million in the first six months of 2023**, down from EUR 688.5 million in the first six months of 2022. The negative change is to be primarily attributed to the worsening of core business between the two periods, mainly due to the decrease in the cracks of the main products, which was 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. Moreover, the price trend of commodities on oil inventories (net of the related hedging derivatives) decreased by EUR 24.0 million in the first half of 2023 compared to an increase of EUR 123.4 million in the same period of 2022. Lastly, there are no non-recurring items pertaining to the period compared with a negative item of EUR 3.8 million in 2022. Finally, it should be noted that the reported EBITDA for the first half of 2023 reflects the effects of the TER Support Decree, i.e. a reduction in energy costs by EUR 31.7 million (vs EUR 39.9 million in 2022) and a decrease in sales revenues for electricity generated from renewable sources (wind power) by EUR 4.9 million (vs EUR 12.4 million in 2022) due to a limitation of sales tariffs.

**The Group's reported Net Income in the first six months of 2023 was EUR 122.3 million**, compared to EUR 292.5 million achieved in the first six months of 2022. In addition to what is shown at the EBITDA level, this deviation is mainly attributable to lower financial expenses and lower taxes for the first half 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 six months of 2023 amounted to EUR 312.4 million**, down from EUR 520.6 million recorded in the first six months of 2022. With respect to reported EBITDA, this result does not include the above-mentioned negative effect of the scenario on inventory changes between the beginning and the end of the period, includes the impact of exchange rate derivatives (reclassified under core business) and excludes non-recurring items. The lower result compared to the first six 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 six months of 2023 was EUR 139.7 million**, down from EUR 300.5 million in the same period of last year as a result of the same reasons described for reported Net Income. It should be noted that the comparable reclassification of 2022 did not include the impact of the windfall tax.

**Investments in the first six months of 2023 stood at EUR 143.2 million** higher than in the first half of 2022 (EUR 50.9 million); this increase is attributable to the Industrial & Marketing segment and the Renewables segment as will be better described in the "Segment Review" section.

## Comments on the Group's second quarter of 2023 results

**In the second quarter of 2023, Group revenues amounted to EUR 1,951 million**, down from EUR 4,749 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 second quarter of 2023, the average diesel price was 710 USD/ton (vs 1,184 USD/ton in the second quarter of 2022), the average gasoline price was 825 USD/ton (vs 1,218 USD/ton in the second quarter of 2022), the single national price for the sale of electricity (PUN) was 115 EUR/MWh (vs 249 EUR/MWh in the second quarter of 2022).

In addition to the price effect, the revenues of the second quarter of 2023 were affected by lower volumes produced and sold: specifically, refining runs amounted to 19.5 million barrels (vs 25.9 million barrels in the second quarter of 2022) and non-renewable electricity production amounted to 519 GWh (vs 1,034 GWh in the second quarter of 2022). These significant

reductions are due to the aforementioned more costly maintenance plan (which also included a general shutdown of the IGCC plant), and to lower industrial performance, due both to the longer than expected duration of some maintenance work and to external factors.

**The Group's reported EBITDA for the second quarter of 2023 was EUR 35.6 million**, down sharply from EUR 532.2 million in the second quarter of 2022. This negative change is mainly due to a worse scenario characterized by a sharp decrease in diesel and gasoline cracks, partially offset by a decrease in energy costs due to the reduction in the single national price. Overall performance was lower than last year, mainly due to the impact of the aforementioned production factors, but also due to a normalization of sales margins, which although high by historical standards, are gradually returning to normal levels from the exceptionally high levels of last year. The price trend of commodities on oil inventories (net of the related hedging derivatives) benefited from an increase of EUR 7.8 million compared to an increase of EUR 35.7 million in the same period of 2022. In the second quarter of 2023, there are no non-recurring items pertaining to the period compared with a negative item of EUR 2.6 million in 2022. Lastly, it should be noted that the reported EBITDA of 2023 reflects the effects of the TER Support Decree and the 2023 Budget Law, i.e. a reduction in energy costs by EUR 6.9 million (vs EUR 24.0 million in 2022) and a decrease in sales revenues for electricity generated from renewable sources (wind power) by EUR 1.6 million (vs EUR 6.4 million in 2022) due to the limitation of sales tariffs.

**The Group's reported Net Result for the second quarter of 2023 was negative by EUR 16.8 million**, compared to a positive value of EUR 215.9 million achieved in the second quarter of 2022. In addition to what is shown at the EBITDA level, this deviation is mainly attributable to lower taxes for the second 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 second quarter of 2023 amounted to EUR 27.1 million**, down from EUR 458.6 million in the second quarter of 2022. With respect to reported EBITDA, this result does not include the above-mentioned positive effect of the scenario on inventory changes between the beginning and the end of the period, includes the impact of exchange rate derivatives (reclassified under core business) and excludes non-recurring items. The lower result compared to the second 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 Result was negative by EUR 22.3 million**, a decrease compared to the positive value of EUR 287.1 million achieved in the second quarter of 2022, due to the same reasons described for the Reported Net Result, 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 half-year, it should be noted that the comparable reclassification of 2022 did not include the impact of the windfall tax.

**Investments in Q2/23 2023 stood at EUR 102.0 million** higher than in the second quarter of 2022 (EUR 26.8 million); this increase is attributable to both the Industrial & Marketing segment and the Renewables segment as will be better described in the "Segment Review" section.

## Calculation of the Group comparable EBITDA

| EUR million   | H1 2023      | H1 2022      | Q2/23       | Q2/22        |
|---|--------------|--------------|-------------|--------------|
| <b>Reported EBITDA</b>  | <b>282.0</b> | <b>688.5</b> | <b>35.6</b> | <b>532.2</b> |
| Gain / (Losses) on Inventories and on inventories hedging derivatives | 24.0         | -123.4       | (7.8)       | (35.7)       |
| Derivatives FOREX   | 6.4          | -48.2        | (0.7)       | (40.5)       |
| Non-recurring items   | 0.0          | 3.8          | 0.0         | 2.6          |
| <b>Comparable EBITDA</b>  | <b>312.4</b> | <b>520.6</b> | <b>27.1</b> | <b>458.6</b> |

## Calculation of the Group comparable Net Result

| EUR million  | H1 2023      | H1 2022      | Q2/23         | Q2/22        |
|--|--------------|--------------|---------------|--------------|
| <b>Reported NET RESULT</b>   | <b>122.3</b> | <b>292.5</b> | <b>(16.8)</b> | <b>215.9</b> |
| Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes | 17.4         | (89.0)       | (5.5)         | (25.7)       |
| Non-recurring items net of taxes   | 0.0          | 97.0         | -             | 97.0         |
| <b>Comparable NET RESULT</b>   | <b>139.7</b> | <b>300.5</b> | <b>(22.3)</b> | <b>287.1</b> |

## Net Financial Position

The Net Financial Position at 30 June 2023, before the effects of applying IFRS 16, was positive by EUR 73.5 million, compared to the positive position of EUR 268.6 million reported at 31 December 2022.

A cash absorption of EUR 191 million was recorded in the first half of 2023. This absorption is due to the payment of taxes totaling EUR 305 million (including EUR 170 million effect of Decree Law no. 21 of 21 March 2022, as amended, the windfall tax), investments of EUR 143 million, the payment of dividends of EUR 181 million, and the payment of financial charges of approximately EUR 10 million.

These disbursements were partly offset by the generation of cash from operations of EUR 277 million and the reduction in working capital, which generated EUR 170 million, due to the decrease in inventories, the reduction in trade receivables, and the dynamics of VAT and excise duty payments, partly offset by the reduction in trade payables.

Lastly, it should be noted that cash and cash equivalents at 30 June 2023 amounted to EUR 497.0 million.

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

| EUR million   | 30-Jun-23      | 31-Dec-22      |
|---|----------------|----------------|
| Medium/long-term bank loans   | (344.4)        | (401.4)        |
| Bonds   | -              | -              |
| Other medium/long-term financial liabilities                          | (4.1)          | (4.4)          |
| Other medium/long-term financial assets                               | 3.8            | 4.1            |
| <b>Medium-long-term net financial position</b>                        | <b>(344.7)</b> | <b>(401.7)</b> |
| Short term loans  | (122.2)        | (118.6)        |
| Medium/long-term bank loans (maturity date within 12 months)          | -              | -              |
| Banks overdrafts  | (13.0)         | (12.1)         |
| Other short term financial liabilities                                | (19.1)         | (22.3)         |
| Fair value on derivatives and realized net differentials              | (0.9)          | 6.6            |
| Other financial assets  | 76.4           | 109.6          |
| Cash and Cash Equivalents   | 497.0          | 707.1          |
| <b>Short-term net financial position</b>                              | <b>418.2</b>   | <b>670.3</b>   |
| <b>Total net financial position ante lease liabilities ex IFRS 16</b> | <b>73.5</b>    | <b>268.6</b>   |
| Financial lease liabilities ex IFRS 16                                | (37.5)         | (41.1)         |
| <b>Total net financial position post lease liabilities ex IFRS 16</b> | <b>36.1</b>    | <b>227.5</b>   |

# Reference 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 | Q2/23 | H1/23       | Q1/22 | Q2/22 | H1/22        |
|---|-------|-------|-------------|-------|-------|--------------|
| <b>Crude oil price and differential (USD/bbl)</b>       |       |       |             |       |       |              |
| Brent Dated   | 81.3  | 78.4  | <b>79.8</b> | 102.5 | 113.9 | <b>108.2</b> |
| Diff. Basrah Medium (CIF Med) vs. Brent Dtd             | -7.1  | -3.7  | <b>-5.4</b> | -3.2  | -2.7  | <b>-2.9</b>  |
| Diff. Azeri Light (CIF Med) vs. Brent Dtd               | +6.2  | +4.6  | <b>+5.4</b> | +4.1  | +6.5  | <b>+5.3</b>  |
| <b>Crack spreads for refined oil products (USD/bbl)</b> |       |       |             |       |       |              |
| ULSD crack spread                                       | 30.6  | 16.8  | <b>23.7</b> | 19.0  | 44.8  | <b>31.9</b>  |
| Gasoline crack spread                                   | 19.2  | 20.5  | <b>19.8</b> | 9.4   | 31.9  | <b>20.7</b>  |
| <b>Reference margin (USD/bbl)</b>                       |       |       |             |       |       |              |
| Reference margin (NEW Benchmark)                        | 10.1  | 4.2   | <b>7.1</b>  | -0.5  | 16.9  | <b>8.2</b>   |

Source: "Platts"

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

**In the first six months of 2023, Brent Dtd recorded an average price of 79.8 USD/bbl compared to an average price of 108.2 USD/bbl in the same period of 2022.**

In the first few months of the year, growth forecasts in global oil demand - mainly linked to the restart of China after the period of restrictions against the pandemic - were offset by fears of a slowdown in global economic growth, against the tightening of the restrictive policies of Western central banks to combat 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 a recessive impact on the economy has further affected Brent prices, which, in the third week of March, reached 71 USD/bbl. At the end of the quarter, both the intervention of the banking authorities, aimed at avoiding a crisis in the credit system, and macroeconomic data that showed a slowdown in inflation in some European countries and in the USA, restored confidence in the markets. Brent therefore quickly returned to around 80 USD/bbl.

Against these factors, in the first quarter 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, when prices saw an increasing trend, driven by oil demand recovering to pre-Covid levels and, since the end of February, by the shock due to the reduction in Russian imports, following the outbreak of the conflict with Ukraine.

At the beginning of the second quarter, as a result of disappointing data on the recovery of the Chinese economy - especially the manufacturing sector - and on the performance of the main economies of the Eurozone, the prices of Brent Dtd followed a declining trend (from over 85 USD/bbl at the beginning of April to around 75 USD/bbl at the beginning of May), then found a support "floor" at those levels thanks to the production cuts of the OPEC + Russia countries. More specifically, from May '23 until December '24, Saudi Arabia, Iraq, UAE, Kuwait, Algeria, Oman, Kazakhstan and Russia have in fact agreed to cut production by a total of 1.7 Mbb/d. In June, Saudi Arabia unexpectedly decided to introduce a further unilateral cut of 1 Mbb/d to be effective from July '23, which can be extended from month to month, based on market conditions. These interventions were decisive in stemming downward pressures, and stabilizing the prices of Brent Dtd, which therefore recorded an average of 78.4 USD/bbl in the quarter.

With regard to the effects of the embargo against Russia, it should be noted that, during the half-year, the total volumes of exports from the country did not change significantly compared to the period before the conflict. Russian crude oil, in fact, found new destinations, redirecting itself from the European market towards Asia (in particular China, India and Turkey).

In this regard, it should be noted that, given the permanent embargo situation, and the impossibility of supplying Russian crude oils, starting from 2023, Saras has chosen to no longer indicate the Russian crude "Urals" as a reference for the type of crude oil with high sulphur content, and has replaced it with the Iraqi crude "Basrah Medium", which is regularly marketed both in Europe and in Asian countries and therefore represents a valid alternative reference.

**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 (vs. -2.9 USD / bbl in H1 2022)** with different trends over the two quarters. In particular, in the first quarter of 2023, and in line with a trend already recorded in the second half of 2022, the discount averaged -7.1 USD / bbl (vs. an average discount of -3.2 USD / bbl) bbl in the first quarter of 2022). This was determined by a decline in purchases by traditional Asian buyers, in particular China and India, which, after the outbreak of the Russian-Ukrainian conflict, redirected their choices towards heavily discounted Russian crude oils, thus bringing the prices of the Basrah to a level clearly lower than historical ones. In the second quarter of 2023, the production cuts implemented by OPEC + Russia, which typically affect crude oils with a high sulphur content, caused a compression of the average discount of the Basrah, which recorded an average of -3.7 USD/bbl (-2.7 USD / bbl in the second quarter of last year).

With regard to "sweet" crude oils (low sulphur content), **the premium of Azeri Light CIF Med compared to Brent Dated in the first half of 2023 stood at an average of +5.4 USD/bbl (+5.3 USD/bbl in the first half of 2022)**. In particular, in the first quarter Azeri (as well as other crude oils with a low sulphur content) recorded a robust premium, in line with the previous quarter, thanks to the support deriving from the high margins of petrol and diesel. The average for the first quarter of 2023 was + 6.2 USD/bbl (+ 4.1 USD/bbl in the same period of 2022). In the second quarter, the premium of low sulphur content materials was affected by the decline in middle distillates and, despite the resilient performance of gasoline, recorded an average of + 4.6 USD/bbl (vs. +6.5 USD/bbl in the same period of 2022), more in line with historical averages.

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

**The gasoline crack in the first six months of 2023 averaged 19.8 USD/bbl compared to an average of 20.7 USD/bbl in the first six months of 2022**, thus showing a significant strength over historical averages.

After the fluctuating trend recorded in the second half of 2022 and the marked seasonal decline recorded in December, the gasoline crack saw a significant recovery in Q1\_2023, recording a quarterly average of + 19.2 USD/bbl (+ 44% compared to the average of the last quarter of 2022, equal to + 13.4 USD/bbl). Among the reasons for this performance, it is necessary to mention mainly a resilient level of consumption, despite the uncertain macroeconomic context, and the tensions due to the upcoming spring maintenance season for European and American refineries. Inventory levels below historical averages and the generalized shortage of high-octane components were also favourable.

In the second quarter of 2023, the gasoline crack was particularly robust, with an average of + 20.5 USD/bbl, and peaks of over 26 USD/bbl in mid-June (compared to a record average of +31.9 USD/bbl in Q2\_2022, which was however characterized by the initial phases of the Russian-Ukrainian conflict). This trend is attributable to the beginning of the so-called driving season in the Atlantic basin which, together with the aforementioned spring maintenance, kept stocks at very low levels. Finally, also in the second quarter of 2023, gasoline crack benefited from the shortage of high-octane components, despite several attempts at balancing through record flows of Indian alkylate to the Atlantic coast of the United States.

**Diesel crack (ULSD) in the first six months of 2023 averaged +23.7 USD/bbl compared to an average of 31.9 USD/bbl in the same period of 2022.**

After the still very high values of January (+40.4 USD/bbl), the ULSD crack decreased between February and March around +25 USD/bbl. This decline in Europe took place in a context of particularly high inventories and lower than expected consumption. In fact, in view of the feared start of the embargo on products of Russian origin (which came into force on 5 February), many European operators began to increase purchases and accumulate stocks, relying on significant flows of middle distillates from Asian countries that had not joined the embargo (India, China and Turkey), which, by allocating the cheaper Russian product for domestic consumption, increased export flows from local refineries to Europe. Therefore, there was no lack of diesel supply in the European market; quite the contrary, it far exceeded consumption, which was instead affected by the slowdown in the industrial sector, as well as by lesser use of diesel instead of gas (due to both lowering gas prices and milder winter temperatures than the seasonal average). Overall, the average of the ULSD crack in the first quarter was +30.6 USD/bbl (+19.0 USD/bbl in Q1\_2022).

In the second quarter, the diesel crack dropped in April, reaching values in line with those prior to the conflict (roughly 10 USD/bbl), penalized by the aforementioned increase in import volumes and by a partial slowdown in industrial demand in Europe which was hit by inflationary pressures. A slowdown in Asian exports, due both to the restart of Chinese economy and resulting reduction in export and to temporary events such as the provisional closing of an important Indian port, was registered no earlier than June. This allowed the European market to dispose of excess stocks and brought the ULSD crack back to around 20 USD/bbl.



Overall, the quarterly average of the ULSD crack was + 16.8 USD/bbl in Q2, significantly lower than +44.8 USD/bbl in the second quarter of 2022.

**The VLSFO crack in the first six months of 2023 recorded an average discount of -1.3 USD/bbl (compared to an average premium of + 5.6 USD/bbl in the first half of 2022).**

Specifically, in the first quarter, the average of the VLSFO stood at -0.2 USD/bbl (compared to an average of +3.8 USD/bbl in the first quarter of 2022), recording an appreciation compared to the average of -3.7 USD/bbl in Q4 2022. The reasons for this recovery include 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 first quarter many refineries preferred to allocate the Light Sweet residue to the cracking cycle (FCC) for the production of light distillates, rather than using it in VLSFO formulations. This trend was also confirmed in the second quarter and contributed to reducing the supply of VLSFO on the market. Thus, despite a marked decline in April, the average of VLSFO crack stood at -2.4 USD/bbl in Q2\_2023 (vs. an average premium of +7.4 USD/bbl in Q2\_2022).

**The crack of high sulphur fuel oil (HSFO) recorded an average of -19.4 USD/bbl in the first six months of 2023, compared to average -24.6 USD/bbl in the first half of 2022.**

In particular, analysing the quarterly trend, even in the depressed context for ATZ crudes, the HSFO crack recorded an average of -25.3 USD/bbl in Q1\_2023 (vs. -21 USD/bbl in Q1\_2022) due to the growing trend 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. In the second quarter, the average HSFO crack stood at -13.5 USD/bbl (vs. -28.1 USD/bbl in Q2\_2022), continuing the trend of recovery which had started in the previous quarters, mainly thanks to the OPEC+ production cuts, and had specifically addressed high sulphur crude oils. Additional support came from the increased demand for high-sulphur fuel oil for electricity generation in the Middle East and in certain parts of Asia.

## Marketing

In Italy, according to the data analyzed by the Unione Energie per la Mobilità (UNEM) from the source "Ministry of the Environment and Energy Security - DGI", in the first six months of 2023 the sales of petroleum products were in line with the same period of 2022 (-0.1%), although still 5.0% lower than pre-covid levels (first half of 2019). The consumption of automotive fuels (gasoline + diesel) amounted to 15.4 million tons, with an increase of +1.1% compared to the first six months of 2022. In particular, compared to the first half of 2022, gasoline showed an increase of +7.4%, with a similar growth of gasoline sold on the network (+7.5%); automotive diesel showed a drop of 0.9%, not so much due to sales on the network (+1.6%) as for those on the wholesale channel (-5.2%) where mainly commercial vehicles are refueled. Finally, jet fuel (jet aviation) continues its recovery towards pre-pandemic levels with an increase of 21% compared to the same period in 2022.

In Spain, the data compiled by CORES available up to the month of May, show that in the first five months of 2023, the consumption of motorway fuels in Spain generally decreased by -1.5% compared to the same period of 2022, with growth significant increase in the demand for gasoline (+5.7%) and a reduction in demand for automotive diesel (-3.3%).

## Electricity and CO2

**In the first six months of 2023, the PUN recorded an average price of 136.3 EUR/MWh compared to an average of 248.6 EUR/MWh in the first half of 2022.**

In the first quarter, the price averaged 157 EUR/MWh (248 EUR/MWh in Q1\_2022), in line with the trend experienced by natural gas, a sharp decrease compared to the average recorded in the last quarter of 2022 (244 EUR/MWh). In the second quarter, the average was 115 EUR/MWh, compared to 249 EUR/MWh in the second quarter of 2022.

Overall, the decline 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 the particularly mild winter and of the greater attention to energy savings by both private individuals and European industrial users (which led to an actual reduction in demand, estimated at around 20%).

**The EUA quotations of European permits for carbon dioxide emissions recorded an average price of 87 EUR/ton in the first six months of 2023, compared to an average of approximately 84 EUR/ton in the first half of 2022,** with substantially stable values in the first and second quarter, in line with the decarbonization and ecological transition policies that the EU is gradually implementing.

## Refining margin and Saras Industrial & Marketing margin

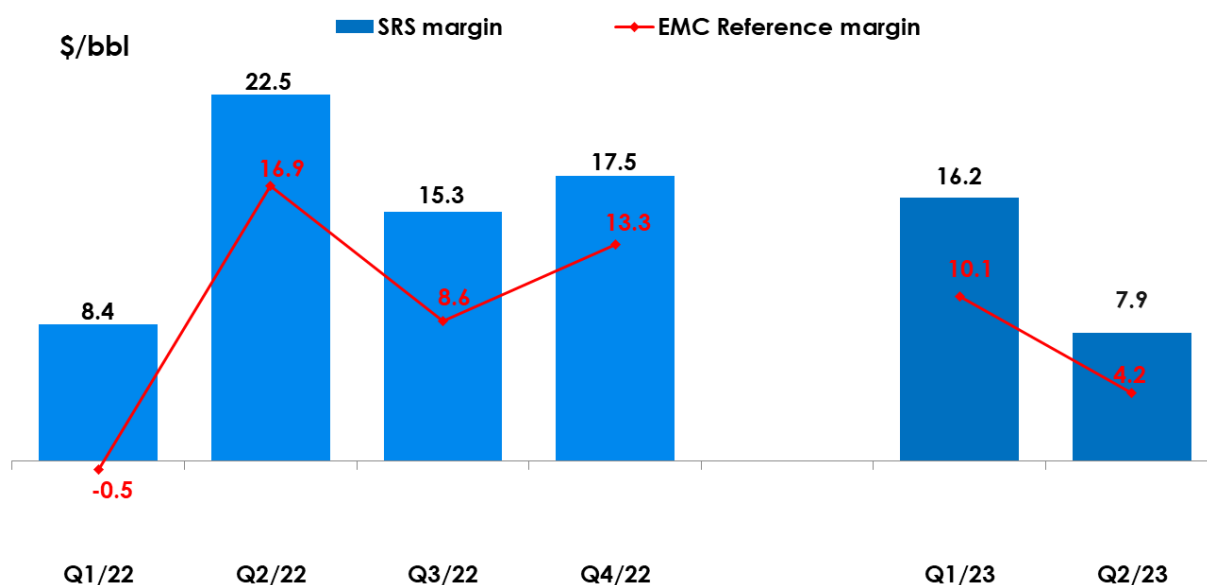
With regard to the profitability analysis of the Industrial & Marketing segment, Saras uses the "EMC Reference Margin" as a benchmark, against which the industrial site of Sarroch typically achieves a higher margin thanks to the high flexibility and complexity of its plants, as well as its industrial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

**In the first half of 2023, the EMC Reference Margin, in light of the market context described in the previous paragraph, averaged 7.1 USD/bbl (vs. an average of 8.2 USD/bbl in H1/22). Saras' margin was 12.6 USD/bbl (16.5 USD/bbl in the same period of the previous year), recording a premium of +5.5 USD/bbl (8.3 USD/bbl in H1 2022).**

In particular, as illustrated in the previous quarterly report, **the EMC Reference Margin in Q1'23 stood at an average of 10.1 USD/bbl (vs a negative average of -0.5 USD/bbl in Q1/22). The 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).**

In the second quarter, **the EMC Reference Margin stood at an average of 4.2 USD/bbl**, substantially down on the record average of 16.9 USD/bbl in Q2/22, recorded following the outbreak of the Russian-Ukrainian conflict, but also down compared to Q1'23. Much of this trend can be attributed to the decline in diesel crack which, as illustrated in the previous paragraph, lost around 14 USD/bbl in the average of Q2'23 compared to the average of Q1'23.

**The Saras margin in the second quarter of 2023 was equal to 7.9 USD/bbl (vs. 22.5 USD/bbl in the same period of the previous year)**, highlighting an impact of the scheduled maintenance (including the multi-year shutdown of TurnAround of the IGCC plant), lower operating performance resulting from external events, and higher runs in April – the month characterized by lower margins. **The premium materialized by Saras compared to the EMC Reference Margin in Q2'23 was +3.7 USD/bbl (+5.6 USD/bbl in Q2 2022)**, lower than expected due to the events mentioned above and also due to the effects caused by the appreciation of HSFO (whose crack went from -25.3 USD/bbl in Q1'23 to -13.5 USD/bbl in Q2'23). Infact, it should be remembered that HSFO is present in the yields of the EMC Reference Margin with a percentage equal to 7%, while Saras does not produce HSFO (except for temporary situations, such as during slowdowns or stops for maintenance). An appreciation of +10 USD/bbl in HSFO translates into an improvement of approximately +0.7 USD/bbl in the EMC Reference Margin.



# Outlook

The International Energy Agency (IEA) in the Oil Market Report released in mid-July 2023 revised its April estimates upward, with **global oil demand forecast** to grow +2.2 Mbbl/d this year (+2.0 Mbbl/d in the April report), with an average of 102.1 Mbbl/d, a new record high above historical levels. Despite the industrial slowdown in the OECD area, oil demand according to the IEA will be driven by China, whose growth represents more than 70% of this increase, thanks in particular to the expected recovery in the consumption of petrochemical products. According to the IEA, growth will continue in 2024, albeit at a lower rate, with expectations of +1.1 Mbbl/d.

These trends reflect expectations of an improved macroeconomic context, to which consumption of middle distillates - especially in the industrial sector - is linked in particular. Demand for middle distillates is also expected to benefit from the seasonal factor, as heating diesel consumption is added in the fall and winter. The contribution of jet fuel demand for air transport is also considered important. Thanks to the upswing in intercontinental flights, especially in Asia, jet fuel will give a further boost to the entire pool of middle distillates. In the private sector, gasoline is expected to follow the usual seasonal trend, with the decline expected after the end of the American driving season and the transition to winter characteristics. However, crack values above historical seasonal averages are also expected due to the continued shortages of high-octane components and the expected significant delay in the restart of the FCC cracking unit of an important American refinery.

**On the supply side**, the announcement at the beginning of April by the main OPEC+Russia member countries of production cuts by around 1.7 Mbbl/d starting in May 2023 and throughout the rest of 2024 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. As already noted in the chapter on the Reference market, in June, Saudi Arabia decided to introduce an additional unilateral cut of 1 Mbbl/d starting from July 2023, which can be extended from month to month, based on market conditions. These interventions are part of a tight crude oil market in which global supply is largely dependent on non-OPEC+ countries (mainly the United States and Brazil). The latest IEA estimates following the announcement of OPEC+ cuts anticipate that oil supply will increase by 1.6 Mbbl/d averaging 101.5 Mbbl/d in 2023, thus confirming a situation of supply below demand, and prices trending upward in the second half of the year. It should also be noted that production cuts typically affect high-sulfur ("sour") crude oils, resulting in a compression of discounts for this type of crude oil, which is reflected in a reduction in the margin of the more complex and high conversion capacity refineries (including that of the Saras Group).

**Looking at the market trend in July**, Brent dtd prices rose from approximately 75 USD/bbl to 80 USD/bbl at the end of July, precisely because of the OPEC+ cuts and the prospects for insufficient supply to saturate summer demand, which is somewhat stronger than expected for both gasoline and aviation fuel. The upcoming decisions of the central banks on monetary policies and interest rates will be decisive in the evolution of this trend.

With regard to refined product cracks, at the time of writing, gasoline and diesel averaged approx. 23.9 and 22.4 USD/bbl in July, respectively. Diesel was characterized by a significant recovery compared to the decline in the second quarter, reflecting a gradual reduction in the high inventory levels accumulated in previous months, partly as a result of lower export flows from Asia. Some temporary refinery shutdowns in Northern Europe provided additional support. On the other hand, the strength of gasoline, accentuated by seasonality, reflects a reduced global refining capacity and the aforementioned shortage of high-octane components, against a demand that remains particularly resilient even in OECD countries.

Electricity and CO2 prices in July averaged approx. 116 EUR/MWh, and 86 EUR/ton, respectively, which is basically in line with the average values of the second quarter.

The scenario just outlined is derived from the assumptions of various independent industry analysts<sup>2</sup> and from the trend in the forward curves of oil, gas and electricity commodities. While volatility remains high, market conditions are expected to be positive in the second half of the year, well above historical averages.

From an operational point of view, having concluded the maintenance activities of the first half of the year, 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). Therefore, cumulative refinery runs at the end of the year are expected to be between **approximately 93 and 97 Mbbl**, in line with last year's performance.

**Based on the results achieved in the first half of 2023, and in line with the scenario assumptions described above, the Company confirms the guidance on the 2023 average annual premium over the EMC Reference Margin between 5 ÷ 6 USD/bbl.**

The forecasts relating to the fixed costs of the Industrial & Marketing segment also remain substantially in line with previous indications and are estimated to be approximately EUR 400 million, including also the interventions envisaged by the costly

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<sup>2</sup> Oil Market: Platts, WMC, FGE and Nomisma estimates (Jul'23); Electricity & Gas Market: estimates by Ref4E, Nomisma and Elemens (Jul'23); Note: for Q3'23 forward curves @07/07 for Brent and Cracks.

maintenance plan for the year. Investments in the segment are expected to be around EUR 180 million, with the aim of continuing the process of increasing the efficiency and maintaining the competitiveness of the plants.

As regards the **Renewables segment**, the installed capacity in 2023 is confirmed unchanged at 171 MW. With regard to 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, in the second half of 2023, 100% of production will be measured at market value.

Production levels, which were lower than expected in the first half of the year due to unfavorable windy conditions, are forecast to improve in the second half of the year, with cumulative production expected to reach for the entire year approx. 270 GWh, according to the usual seasonality.

As regards 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. The Renewables segment's investments will amount to approximately EUR 50 million in 2023 and 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**, 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 positive year-end Group Net Financial Position.

As for the **other projects launched by the Group as part of the energy transition strategy**, 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.

Finally, 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.

## Medium and long-term strategic guidelines

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

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

- **Continuing to improve the efficiency of the refining operations to maintain the Sarroch refinery as a best-in-class asset in the sector**, through a progressive optimization of operational and commercial leverage and investments: in an ongoing process aimed at increasing the flexibility and resilience of the business to market volatility, this will allow for a progressive strengthening and stability of the Group's financial structure.
- **Reaching 1 GW of installed renewable capacity in 2028**. The new target takes into account a pipeline of greenfield projects in Sardinia amounting to approximately 600 MW in different stages of progress (approximately 350 MW of wind projects already submitted to the competent authorities for the EIA - "Environmental Impact Assessment" request; and an additional 244 MW of wind projects for which Terna granted the "Soluzione Tecnica Minima Garantita" (STMG) (Minimum Guaranteed Technical Solution), 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 added to the current installed wind capacity of 171 MW and the 80 MW Helianto photovoltaic park, which is under construction and envisages the use of project financing. This growth program is expected to increase the Group's

renewable energy production from approximately 300 GWh/year today to approximately 2 TWh/year by 2028, avoiding CO2 emissions of approximately 1.3 - 1.6 million tons/year.

- **Positioning the company to take advantage of new technologies.** As the current regulatory context and future opportunities evolve, renewable energy generation will become increasingly relevant to achieve greater efficiency and decarbonization of hard-to-abate industrial operations. In the long term, renewable energy will also be necessary in the production of new fuels (e-fuels) as well as functional in the development of a number of initiatives currently being studied by Saras in the field of "New Energies" (green hydrogen, CCS and biofuels).

## Conference call on July 31<sup>st</sup>, 2023 and other information

On July 31<sup>st</sup>, 2023, the Board of Directors of Saras S.p.A. will meet in order to approve the First Half 2023 Group's results. Subsequently a dedicated press release will be issued via SDIR and, at the same time, a slide presentation will become available on the company's website ([www.saras.it](http://www.saras.it)).

On the same day at 16:30 CEST, there will be a conference call for analysts and investors, during which the management will comment the results and answer to relevant questions.

Dial in numbers:

For Italy: +39 02 8020911  
Dal Regno Unito: +44 1 212818004  
Dagli USA: +1 718 7058796

Link for the live webcast: <https://87399.choruscall.eu/links/saras230731.html>

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

For enquiries, please contact Saras' Investor Relations Department.

This press release has been prepared pursuant to the Regulation implementing Legislative Decree 24th February 1998 number 58, adopted by CONSOB under resolution 14th May 1999 number 11971, as amended and supplemented. It is available to the general public on the Company's website under "Investors / Financial Press Releases", and also on the "1Info" authorised storage mechanism ([www.1info.it](http://www.1info.it)). Moreover, the Half-Year Financial Report as of 30<sup>th</sup> June 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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**The Saras Group**, founded by Angelo Moratti in 1962, is one of the leading players in the European energy and oil refining industry. Through the Parent Company Saras S.p.A., and its subsidiaries, Saras Trading SA, based in Geneva, and Saras Energia SAU, based in Madrid, the Group sells and distributes oil products in the domestic and international markets. The Group also operates in the production of electricity, through its subsidiaries Sarlux S.r.l. (IGCC plant) and Sardeolica S.r.l. (wind plant). The Group has about 1,576 employees and total revenues of about EUR 15.8 billion as of 31<sup>st</sup> December 2022.