# The Board of Directors of Saras S.p.A. approves the Interim Financial Report as of 31st March 2022[1]

- **The Group' reported EBITDA is positive by EUR 156.3 million (positive by EUR 27.1 million in Q1/21)** and **Group' reported Net INCOME positive by EUR 76.6 million** (negative by 23.8 in Q1/2021) strong increase despite the low throughputs in the quarter, against the high oil prices and diesel refining margins recorded starting from the end of February
- **Group's Comparable EBITDA is positive by EUR 62 million (negative by EUR 11.2 million in Q1/21) and Comparable Net INCOME is positive by EUR 13.3 million (negative by EUR 47.0 million in Q1/21)**, for the effects described at the level of reported results, net of the impacts on inventory valuations
- **Net financial position before IFRS16 negative for EUR 445 million substantially in line with 31 December 2021 (negative 453 million euros),** due to the dynamics of working capital in the quarter which offset the positive effect of the scenario. **The positive impact of the scenario on NFP is expected in the second quarter of 2022**
- **A new refining benchmark adopted, the "EMC Reference margin" in order to overcome the critical issues highlighted by the previous EMC benchmark** (ie to take into account the variability of energy costs and remove the distorting effect of the Russian crude "Ural" in the slate of crudes)
- **Although the current scenario maintains elements of uncertainty linked in particular to the risk of inflation and to a lower growth in consumption, as well as to the supply of crude oils, it is foreseeable that in the course of 2022 - in the presence of a lower supply from Russia - the demand for products, and with it the refining margins, in particular for diesel, remain high**
- **Compared to the EMC Reference margin, Saras expects to be able to achieve an average refining premium on an annual basis of 6 ÷ 7 $/bl in 2022.**

**Milan, May 16th 2022:** Saras S.p.A.'s Board of Directors met today and approved the Interim Financial Report as of 31st March 2022, 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 Decree n.25 dated 15th February 2016, which repealed the obligation to prepare the Interim Financial Reports, this Interim Financial Report has been issued on a voluntary basis, in order to ensure information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 financial and operational Group Results

| *EUR Million* | Q1/22 | Q1/21 | Change % |
|---|---|---|---|
| REVENUES | 2,950 | 1629.4 | 81% |
| Reported EBITDA | 156.3 | 27.1 | 477% |
| ***Comparable EBITDA*** | **62.0** | **(11.2)** | **n.s.** |
| Reported EBIT | 110.7 | (20.0) | n.s. |
| ***Comparable EBIT*** | **16.4** | **(58.3)** | **n.s.** |
| NET RESULT reported | 76.6 | (23.8) | n.s. |
| ***Comparable NET RESULT*** | **13.3** | **(47.0)** | **n.s.** |

| EUR Million | Q1/22 | Q1/21 | Year 2021 |
|---|---|---|---|
| **NET FINANCIAL POSITION ANTE IFRS 16** | **(445.2)** | **(436.9)** | **(453.1)** |
| **NET FINANCIAL POSITION POST IFRS 16** | **(488.8)** | **(474.7)** | **(494.5)** |
| **CAPEX** | **24.1** | **21.7** | **84.0** |

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

# GAAP and Non-GAAP measure

To present the Group's operating performance in a way that best reflects the most recent market trends, in line with generally accepted practices in the oil sector, the operating profit and comparable net profit, non-accounting values processed in this report on operations, have been stated with the measurement of stocks using the FIFO method, but excluding unrealised gains and losses on stocks resulting from scenario changes calculated by measuring opening stocks (including the related derivatives) at the same unit values as closing stocks (when quantities increase in the period), and closing stocks at the same unit values as opening stocks (when quantities decrease in the period). Items that are non-recurring in terms of their nature, materiality and frequency have been excluded from both the operating profit and the comparable net profit.
The results thus calculated, which are referred to as "comparable", are not indicators defined by the International 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.

# Comments on the Group Results for the first three months of 2022

In order to present the Group's business performance in a consistent manner, the information of the individual companies is attributed to the business segments identified; note that the "Industrial & Marketing" segment includes all refining and electricity generation activities as well as marketing activities, while the "Renewables" segment includes the activities previously included in the "Wind" segment, which was renamed in view of developments in the photovoltaic and green hydrogen segment. Note that, with regard to the "Industrial & Marketing" segment and the relative electricity generation activities, following resolution 630/2021 of 28 December 2021, ARERA accepted the request for admission to the cost reintegration regime for the Sarlux plant, entered by TERNA in the list of essential plants for the electricity system for 2022.

**In the first quarter of 2022, Group revenues amounted to EUR 2,950 million,** compared to EUR 1,629 million in the first three months of last year. The change is mainly due to the significant appreciation of the main oil products and the increase in the sales price of electricity compared to the same period of last year. Specifically, the average price of diesel in the first three months of 2022 was USD 906/tonne (vs USD 488/tonne in 2021), while that of gasoline was USD 934/tonne (vs USD 562/tonne in 2021), the cost of electricity (PUN - single national price) was EUR 248/MWh (compared to EUR 88.7/MWh of the CIP6 tariff recognised for the sale of electricity in 2021). In addition to the trend in the prices of the main products sold, the EUR/USD exchange rate trend, which in the first three months of 2022 was 1.12 (vs 1.21 in 2021) also had a positive effect, as did the higher electricity production (influenced in the first quarter of 2021 by significant maintenance interventions). Less processing and sales linked to higher maintenance in January and February partially offset this scenario, while in March, processing and sales were penalised by the limits in the movement of material into and out of the production site, due to the prolonged period of closure of the port as a result of adverse weather conditions.

**The Group's *reported* EBITDA amounted to EUR 156.3 million in the first three months of 2022**, up from EUR 27.1 million in the first three months of 2021. The positive change is primarily due to the increase in ordinary operations between the two periods. This increase is mainly due to the improvement in the crack spread for diesel, the effects of which were partly offset by a more costly maintenance plan, a more complex market scenario in terms of raw material procurement and the reduced optimisation induced by the port closures in March. In addition, as regards the price dynamics of commodities on oil inventories (net of the related hedging derivatives) in the first quarter of 2022, these benefited from an appreciation of EUR 87.8 million compared to an appreciation of EUR 38.2 million in the same period of 2021. Lastly, for non-recurring items, there was a negative impact of EUR 1.1 million in 2022 compared to EUR 7.0 million in 2021, with the difference attributed to the cost of CO2 emissions pertaining to 2020. It should be noted that the reported EBITDA in the first quarter of 2022 benefited from EUR 16.0 million attributable to the tax discount on the purchase cost of energy and was penalised by a reduction in revenues of EUR 7.2 million due to the limitation of the sales tariff applied to the relevant wind power generation.

**The Group's reported net profit stood at EUR 76.6 million**. The reported net result does not currently include the impacts of the taxation of "extra-profits" being defined.

***The Group's comparable* EBITDA amounted to EUR 62.0 million in the first three months of 2022,** an increase over the loss of EUR 11.2 million achieved in the first three months of 2021. With respect to reported EBITDA, this result does not include the above-mentioned positive effect of the scenario on changes in inventories between the start and end of the period, includes the impact of currency derivatives (reclassified under core business) and excludes non-recurring items. The higher result compared to the first three months of 2021 is made up of a positive variance in both the "Industrial & Marketing" and "Renewables" segments, which will be described in more detail in the "Segment Review" section.

**The Group's comparable net profit for the first three months of 2022 was EUR 13.3 million**, compared to EUR - 47.0 million in the same period last year.

**Investments in the first three months of 2022 amounted to EUR 24.1 million** compared to EUR 21.7 million in the same period of 2021. The increase is attributable to the Industrial & Marketing segment and is due to the increased maintenance activities carried out in 2022.

**DETAILS ON THE CALCULATION OF COMPARABLE EBITDA**

| EUR Million | Q1/22 | Q1/21 | Change % |
|---|---|---|---|
| ***Reported EBITDA*** | **156.3** | **27.1** | **477%** |
| Gain / (Losses) on Inventories and on inventories hedging derivatives | (87.8) | (38.2) | -130% |
| Derivatives FOREX | (7.7) | (7.1) | -8% |
| Non-recurring items | 1.1 | 7.0 | n.s. |
| ***Comparable EBITDA*** | **62.0** | **(11.2)** | **n.s.** |

**DETAILS ON THE CALCULATION OF COMPARABLE NET PROFIT**

| EUR Million | Q1/22 | Q1/21 | Change % |
|---|---|---|---|
| ***Reported NET RESULT*** | **76.6** | **(23.8)** | **n.s.** |
| Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes | (63.3) | (27.6) | -130% |
| Non-recurring items net of taxes | - | 4.4 | n.s. |
| ***Comparable NET RESULT*** | **13.3** | **(47.0)** | **n.s.** |

# Net Financial Position

The Net Financial Position at 31 March 2022, before the effects of applying IFRS 16, was negative by EUR 445.2 million, compared to a negative reported net financial position of EUR 453.4 million at 31 December 2021.

In the first quarter of 2022, operating management generated EUR 155.4 million, of which EUR 87.8 million attributable to price changes in inventories and relative hedging derivatives. The change in working capital absorbed EUR 121.0 million. This was mainly due to the increases in the value of inventories (attributable to the above-mentioned effect of the price trend and to the increase in quantities stored due to the closure of the port in March). The increase in inventories was only partially offset by the increase in trade payables and the impacts of advance payment of excise duties and VAT made in the fourth quarter of 2021. Investments absorbed EUR 24.1 million, and the payment of interest and financial charges and taxes absorbed EUR 4.5 million.

The SACE loan (residual at 31 December 2022) and the Unicredit loan of EUR 50 million were carried under medium-term bank loans, in light of the receipt of the waivers issued by the banks at 31 March 2022.

The Net Financial Position before the application of IFRS 16 was EUR -445.2 million and EUR -488.8 million considering the effect of application of IFRS 16.

| ***EUR Million*** | **31-Mar-22** | **31-Dec-21** |
|---|---|---|
| Medium/long-term bank loans | (230) | (6) |
| Bonds | - | - |
| Other medium/long-term financial liabilities | (5) | (5) |
| Other medium/long-term financial assets | 4 | 4 |
| **Medium-long-term net financial position** | **(230)** | **(7)** |
| | | |
| Short term loans | (330) | (385) |
| Medium/long-term bank loans (maturity date within 12 months) | - | (200) |
| Banks overdrafts | (321) | (163) |
| Other short term financial liabilities | (20) | (114) |
| Fair value on derivatives and realized net differentials | (33) | (9) |
| Other financial assets | 146 | 58 |
| Cash and Cash Equivalents | 343 | 367 |
| **Short-term net financial position** | **(215)** | **(446)** |
| | | |
| **Total net financial position ante lease liabilities ex IFRS 16** | **(445)** | **(453)** |
| Financial lease liabilities ex IFRS 16 | (44) | (41) |
| **Total net financial position post lease liabilities ex IFRS 16** | **(489)** | **(495)** |

# Market

## Oil Market

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

| | Q1/22 | Q1/21 |
|---|---|---|
| **Quotations and crude differentials ($/bl)** | | |
| Brent Dated (FOB Med) | 102.5 | 61.0 |
| Urals (CIF Med) | 91.9 | 59.7 |
| “Heavy-light" differential | -10.6 | -0.5 |
| ***Crack spreads* products ($/bl)** | | |
| *Crack spread* ULSD | 19.0 | 4.3 |
| *Crack spread* Gasoline | 9.4 | 6.2 |
| **Reference Margin ($/bl)** | | |
| Reference margin (NEW Benchmark) | -0.5 | -2.2 |

Source: “Platts” for prices and crack spreads. For the new Saras benchmark margin, refer to the next chapter “Refinery Margins and Saras Industrial & Marketing Integrated Margin".

### Crude Oil Prices

In the first quarter of 2022, Brent DTD recorded an average price of 102.5 USD/bl compared to an average price of 61.1 USD/bl in the first quarter of 2021. The comparison must take into account a profoundly changed scenario in the two periods. In particular the first quarter of 2021 was still influenced by the pandemic and by reduced oil consumption, instead the beginning of 2022 was affected by a demand at pre-Covid levels and, starting from the end of February, by the reduction of imports from Russia impacted by the Russian-Ukrainian conflict. In the first quarter of 2022, the Brent price rose from an average of 87.2 USD/bl in January to an average of 118.8 USD/bl in March.

In particular, the block on Russian imports announced by the United States, Canada and the UK at the beginning of March, and the European threat to adopt similar measures, have strongly affected the flow of imports from Russia which, prior to the conflict, guaranteed around 5 million barrels of crude oil per day to the global market, and 30% of crude oil imports by the European OECD countries. After the invasion of Ukraine by Russia, the majority of European operators in the sector (including Saras) have gradually decided to boycott Russian exports, also in light of the risk of introduction of sanctions, and to turn to other producing countries. The shortage of shipowners willing to carry out shipments from the Black Sea and the unwillingness of a growing number of credit institutions to issue letters of credit guaranteeing sales with Russia contributed to further reducing exports.

This scenario led to an increase in demand for crude oil as an alternative to the Russian Urals crude oil, against which Brent prices quickly exceeded 100 USD/bl, reaching peaks of over 138 USD/bl in the first week of March. The lack of Russian crude oil was added to the already pre-existing tensions for a market “short” supply, with stocks already becoming depleted before the Russian-Ukrainian crisis (at the end of January, they were at record lows for the last eight years). Despite the lack of Russian crude oil, the OPEC+ countries increased their March production only marginally, by just 40kb/day, a significantly lower increase than the previous commitments (400kb/day). Outside of the OPEC+ alliance, an increase in supply was announced by the USA, Canada, Brazil and Guyana, but with a limited potential increase in the short term.

In light of this situation, the 31 member countries of the International Energy Agency (IEA) decided between the beginning of March and the beginning of April to release over 180 million barrels of emergency stocks, to be made available in just two months, representing the biggest emergency measure adopted in the history of the Agency.

These announcements, together with a reduction in market volatility and concerns related to a resurgence of the pandemic of Covid in China and the growth in inflation in the USA and Europe, contributed to bringing the prices of ICE Brent at the end of March back to more contained values of less than 110 USD/bl.

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

The "heavy-light" spread (i.e. between "Urals" and "Brent" crude oils) in the first quarter of 2022 recorded an average discount of 10.6 USD/bl compared to the average discount of 0.5 USD/bl in the same period of the previous year. In the fourth quarter of 2021, the discount was instead at an average of -1 USD/bl. The market dynamics described above, which led to the collapse of demand for Russian crude oil, resulted in the sharp expansion of the Urals MED discount and greater demand for other raw materials, in particular alternative sour crude *oils*, whose discount on Brent fell during the period. The average Urals discount in March was -28 USD/bl.

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

The **gasoline crack** in the first quarter of 2022 recorded an average of 9.4 USD/bl. Gasoline margins remained slightly weaker at the beginning of the year compared to the first quarter of 2021, when gasoline, compared to other refined products, was already recovering from the effects of the pandemic crisis thanks to the recovery in circulation and, in particular, individual mobility. With the outbreak of the Ukrainian crisis, unlike what happened for diesel, margins remained essentially stable, as Europe is not an importer but an exporter of gasoline, with small volumes coming from Russia.

The **diesel crack** in the first quarter of 2022 recorded an average of 19.0 USD/bl. The comparison between the first quarter of 2021 and 2022 should take into account a scenario that changed significantly over the two periods, and in particular was still heavily penalised by the effects of the pandemic crisis and the slow recovery in diesel consumption at the beginning of 2021. Conversely, in the first two months of the first quarter of 2022, diesel margins were substantially in line with the levels at the end of 2019 (+11.5 USD/bl) thanks to recovering demand at pre-Covid levels, up until the last week of February, when the conflict in Ukraine generated extreme volatility in prices. Indeed, before the crisis, around 10% of the structural shortage of middle distillates in Europe was compensated with imports from Russia. In addition, many European refineries that typically used *sour* Urals crude oil, and in particular middle distillates[2] due to processing restrictions in the use of other grades of crude oil, were forced to reduce processing. This was accompanied by the pre-existing low unused capacity of hydrotreating in Europe, which did not allow an increase in processing such as to at least partially offset the shortage of supplies from Russia.

The **jet fuel crack** in the first quarter of 2022 recorded an average of +15.3 USD/bl. In the pre-conflict period, air traffic continued the recovery trend recorded in particular in the last quarter of 2021. Following the invasion of Ukraine, jet fuel received additional support from the previously described tensions that involved middle distillates. Moreover, although the cancellations of Russian flights reduced some European air traffic, the closure of Russian and Ukrainian air space increased the duration of numerous intercontinental flights between Europe and Asia, resulting in greater consumption of jet fuel.

The **VLSFO crack** in the first quarter recorded an average of +3.8 USD/bl (compared to an average of 4.5 USD/bl in the first quarter of 2021 and 1.6 USD/bl in the last quarter of 2021). The VLSFO margins had followed a rather constant trend in the pre-conflict period, compared to the recovering values recorded in the last quarter of 2021, following the increase in maritime traffic and consumption of fuel oil used for electricity generation instead of gas. After the Russian invasion of Ukraine, the prices of VLSFO increased, due to the above-mentioned reasons affecting the middle distillates, and this was also reflected in the freight costs.

The **LSFO** crack, used as a "blendstock" in the formulation of VLSFO, recorded an average value in the first quarter of -5 USD/bl (compared to +2.2 in the first quarter of 2021 and -0.5 USD/bl in the last quarter of 2021).

On the other hand, the **HSFO crack** collapsed to -32 USD/bl in the first week of the conflict, as Western operators drastically cut supplies of Russian fuel oil, bringing the crack to an average of -21.0 USD/bl in the first quarter of 2022 (compared to an average of -8.3 USD/bl in the first quarter of 2021 and -13.6 USD/bl in the fourth quarter of 2021).

Marketing

According to data from Unione Energie per la Mobilità (UNEM), oil consumption in Italy in the first quarter of 2022 was up by 13.2% compared to the first three months of 2021, still marked by increasing containment measures linked to the third wave of the pandemic. The consumption of transport fuels (gasoline and diesel) amounted to 7.3 million tonnes, an increase of 15.6% compared to 2021 (25.9% for gasoline and 12.9% for diesel).

[2] Before the Russian-Ukraine crisis, Urals crude oil represented around 20% of the crude oil processed by refineries in OECD European countries.

In the first quarter of 2022, new car registrations decreased by 24.4%. Gasoline-powered cars accounted for 27.2% of the total (vs. 33.3% in 2021), diesel-powered cars for 20.1% (vs. 25.0% in 2021), and hybrid cars for 33.3% (vs. 26.9% in 2021).

Moving on to the analysis of the Spanish market, the data compiled by CORES show that compared to the first quarter of 2021, motorway fuel consumption in the first quarter of 2022 fell by -5.1%; gasoline consumption was up by +4.6% while that of diesel fell by -7.1%.

## Energy market (electricity and CO2)

The strongly upward trend that impacted the price of natural gas and the related increase in electricity starting from the second half of 2021 continued in 2022 and culminated in the days subsequent to 24 February 2022, day in which the conflict in Ukraine began, when the spot price of natural gas on the TTF (the European reference market for natural gas) reached 208 EUR/MWh and the PUN (Single National Price of electricity) reached a record daily average of 588 EUR/MWh. In fact, the alarm has increased for a possible extension of the sanctions adopted against Russia to the energy sector, with the risk of a partial or total interruption of Russian gas supplies. In this scenario, the PUN (Single National Price) recorded an average of 308 EUR/MWh in March and 248.1 EUR/MWh in the first quarter of 2022, up further compared to the already very high values recorded in the last quarter of 2021, when the average was 241.6 EUR/MWh. In the first quarter of 2021, the PUN stood at an average of 50 EUR/MWh, to then appreciate in 2021.

The EUA prices of European permits for carbon dioxide emissions, despite a decline recorded since the beginning of the Russian-Ukrainian conflict, recorded a consistently high average in the first quarter of 84.3 EUR/tonne (+23% compared to the fourth quarter of 2021). In the first quarter of 2021, the price of CO2 stood at an average of 37.6 EUR/tonne.

## Refining margins and Saras Industrial & Marketing margin

With regard to analysis of the profitability of the Industrial & Marketing segment, Saras has traditionally used the refining margin "EMC benchmark" calculated by EMC (Energy Market Consultants), representing the margin of a medium complexity coastal refinery, located in the Mediterranean Basin, which processes a feedstock made up of 50% Brent and 50% Urals crude oils.[3]

Compared to this benchmark, which is a function of specific market conditions, the Industrial & Marketing segment of the Saras Group typically achieves a higher margin thanks to the high flexibility and complexity of its plants, as well as the performance of industrial and commercial operations.

In the current context, the EMC benchmark is no longer representative because: (i) the strong devaluation of the Urals crude oil following the Russian-Ukrainian crisis, which represented 50% of the crude oil slate used in the EMC, did not impact the Saras margin (as well as that of most of the Western refineries that have chosen not to purchase it); (ii) the increase in energy costs recorded from the second half of 2021 is not reflected in the EMC margin, which determines the variable costs, including those of electricity, based on a fixed percentage of the price per barrel of the LSFO. Moreover, the variable costs of EMC don't include the cost of CO2.[4]

Therefore, Saras has proceed to update with Energy Market consultants the EMC benchmark, which makes it possible to overcome the main critical issues afore mentioned. The new benchmark, called, "EMC Reference Margin", has the following characteristics:

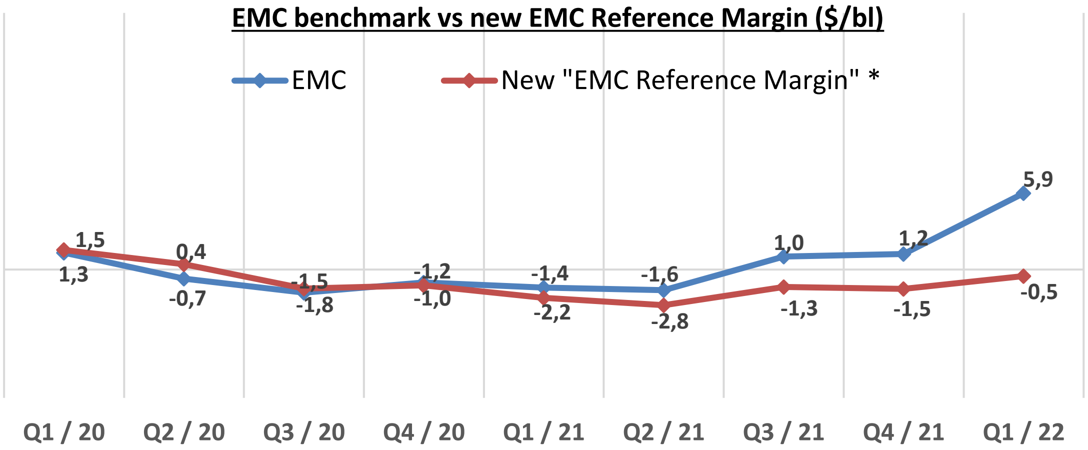
- the slate of crudes is priced at 100% at Brent Dtd (while the EMC benchmark considered a crude slate composed of 50% Brent and 50% Ural); in this way, the reference to the Ural crude is eliminated, and its prices are sharply distorted by the Russian-Ukrainian conflict;
- the yield of refined products have been updated compared to the old EMC Benchmark to better represent the balance between light, middle and heavy distillates of a coastal refinery of medium-high complexity in the Mediterranean, and to also introduce the new marine bunker VLSFO (VLSFO 0.5%);
- variable costs has been reformulated to include the electricity consumed and the CO2 emitted in excess of the free allocations in order to correctly represent the price fluctuations of these variables;

[3] The margin of the Industrial & Marketing segment of the Saras Group incorporates and adds the margins of the segments as separately represented until 31 December 2020, namely "Refining", "Power", "Marketing" and "Other activities".
[4] By way of example, consider that the average EMC in the first ten days of March recorded an extremely high value, equal to approximately 13.6 USD/bl, including about 12 USD/bl relating to the reduction in the Urals price, which recorded an average discount of 24 USD/bbl vs Brent during the period and around 2 USD/bl relative to the differential of variable costs (Saras vs EMC) mainly due to the PUN, which was 390 EUR/MWh.

- in analogy with the previous Benchmark, the IGCC electricity production under the Essentiality regime (which includes the reimbursement of variable costs and fixed costs incurred to produce electricity recognised as “essential” and a return on invested capital) is not represented in the new Reference Margin, and therefore constitutes a part of the final premium.

The new EMC Reference Margin, similarly to what was the case for the old EMC benchmark, will be published weekly by the Company starting from the date of publication of this quarterly report, 16 May 2022.

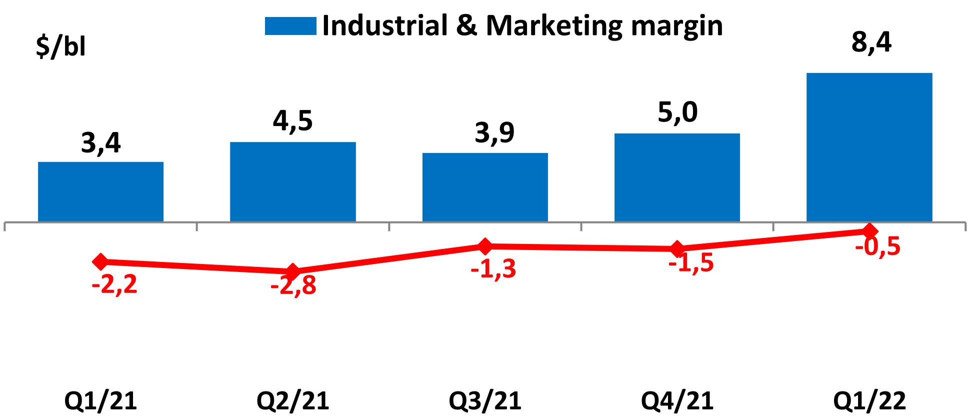
The following table compares the trend of the new EMC Reference Margin to that of the EMC benchmark from 2020 to date: it shows a substantial alignment between the two benchmarks until the first half of 2021[5], moment from which the increase in energy costs highlights a deviation between the two indicators.




In the first quarter of 2022, the EMC Reference Margin, in light of the market context described in the previous chapter, stood at an average of -0.5 USD/bl. The Saras margin was 8.4 USD/bl, with a premium of +8.9 USD/bl.

During the same period of the previous year, the EMC Reference Margin was -2.2 USD/bl, compared to a Saras margin of 3.4 USD/bl, highlighting a Saras premium of +5.5 USD/bl.

Note that this result is affected by lower processing in the first quarter of 2022 due to the more expensive maintenance program compared to the first quarter of 2021 and to the days of closure of the Cagliari port in March.




In the table in 2021, the benchmark was "restated" considering the new EMC Reference margin instead of the EMC benchmark.

[5] The average quarterly deviation from 2017 was 0.04 USD/bbl, with offsetting effects on product yields, the cost of raw materials and variable costs.

# Outlook

In updating its World Economic Outlook in mid-April, the International Monetary Fund revised global economic growth forecasts downwards, mainly due to the outbreak of the Russian-Ukrainian conflict, which led to a drastic downward revision of GDP growth in the Eurozone countries, due to their dependence on energy imports from Russia.

In particular, the IMF expects global growth of 3.6% in 2022 and 2023 (compared to previous estimates in January, which envisaged growth of 4.4% and 3.8% respectively) and in the Eurozone, 2.8% in 2022 and 2.3% in 2023.

In light of this scenario, the International Energy Agency (IEA) further reduced its forecasts for 2022 on global oil demand by 0.26 million barrels per day, compared to what had already been revised downwards in the previous report in March, when global oil demand was expected to fall by 1 million barrels per day in 2022.

For 2022, the IEA expects oil demand to grow by 1.9 million barrels per day on an annual basis for a total of 99.4 million barrels per day in oil consumption at the global level in 2022 (demand in 2019, the last year before Covid, stood at an annual average of 100.4 million barrels/day). On the supply side, the lower level of exports from Russia (-1.5 mb/day expected in April and -3 mb/day in May) should be offset by higher production from OPEC+, the USA and the introduction on the market of strategic stocks.

As regards the Industrial & Marketing segment, the volatility and uncertainty currently recorded on the commodities markets prevent a reliable quantification of the economic and financial impacts linked to the evolution of the scenario. However, with regard to 2022, the trend observed from the beginning of April, together with the estimates of the main sector analysis companies,[6] resulted in formulation of the following assumptions:

- refining margins still high in the case of diesel, due to the current unavailability of imports from Russia. Gasoline crack increased compared to the values observed at the end of March: in fact, there was a lower supply of the product on the market, due to the tendency of European refineries to maximise the yields of diesel compared to that of gasoline;
- with regard to energy costs, the PUN is expected to remain as a function of the volatility of the prices of natural gas prices

For purely explanatory purposes, it is highlighted that the EMC Reference margin from the beginning of April was 16 $/bl.

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

Note that the assumptions adopted by the Company for the 2022 budget prior to the Ukraine crisis resulted, under various conditions, in the consideration of an average EMC in 2022 of approximately 1.6 USD/bl, on the basis of which management has estimated an average annual premium for the Industrial & Marketing segment of between 4.0 and 4.5 USD/bl.

As regards the Renewables segment, starting from the month of February, the valorisation of the segment's production takes into account the provisions of Decree-Law no. 4 of 27 January 2022, the so-called "TER support", which establishes a "compensation" mechanism for non-incentivised renewable sources, under which producers must repay, up until the end of 2022, the difference between the prices that will occur on the market and "an equitable remuneration", referred to the historical average of the market area prices, from the start-up of the plant until 31 December 2020. For Sardeolica, the compensation is based on a historical average price of about 61 EUR/MWh, to be applied to the non-incentivised production sections which became operational prior to 2010 (around 85% of the installed capacity).

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

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

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

[6] Oil Sources: HIS (Mar '22); FGE, Nomisma, Energy Aspects, Platts and WMC (Apr '22); FWD curves at 12/04. Electricity and Gas Sources: AFRY-Pöyry (Dec '21); Ref4e (Mar '22); Nomisma (Apr '22).

segment, investments of EUR 27 million are planned, mainly for the execution of the 80 MW photovoltaic park in the Macchiareddu area.

With regard to the expected performance of the Group's **Net Financial Position**, it should be noted that the scenario assumptions prior to the current high volatility of the markets generated by the Russian-Ukrainian crisis allowed us to forecast a partial reduction in debt in 2022 compared to that at the end of the 2021 financial year: the reduction in electricity prices and the improvement in refining margins would have allowed a gradual reduction of debt, also due to the development plan in the Renewables area. Today, the effects of recent geopolitical events on the reference markets, albeit subject to high volatility and uncertainty that do not permit quantification of the economic and financial impacts for the year 2022, suggest an improvement in the Net Financial Position in the second quarter. In particular, despite higher energy costs, given the increase in refining margins, a positive impact on working capital is expected following the appreciation of crude oil and petroleum products.

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

In fact, the project for which Saras launched a partnership in February 2021 with Enel Green Power and comprising a project company (SardHy), is designed to supply green hydrogen to the Saras refinery through the use of an approximately 20 MW electrolyser, powered exclusively by renewable energy. The activities for the authorisation process began in the first quarter, and those for obtaining the loan requested as part of the IPCEI (Important Projects of Common European Interest) program continue.

With regard to the Carbon Capture and Storage project, after the conclusion in 2021 of the first phase aimed at evaluating different plant solutions for the capture of CO2, a second phase was launched with Air Liquide, to achieve a better definition of the aspects relating to the entire development chain including logistics and transport aspects, together with an estimate of costs and timing.

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

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## Conference call on May 16th, 2022, and other information

On May 16th, 2022, the Board of Directors of Saras SpA will meet in order to approve the First Quarter of 2022 Group's results. Subsequently a dedicated press release will be issued via SDIR and, at the same time, a slide presentation will become available on the company's website (www.saras.it).

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 02 805 88 11 |
| For UK: | + 44 121 281 8003 |
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Link for the live webcast: https://87399.choruscall.eu/links/saras220516.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 31st March 2022 is also available to the public at the Company's registered Office in Sarroch (CA) S.S. 195 Sulcitana Km. 19, on the Company's website under "Investors / Financial Reports", and on the "1Info" authorised storage mechanism.

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THE SARAS GROUP

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