# The Board of Directors approves the Draft Financial Statements of Saras S.p.A., the Consolidated Financial Statements and the Group Sustainability Report at 31st December 2023

<u>**Results 2023**</u>

- **Group reported EBITDA at EUR 662.4 million** (EUR 1,170.3 million in 2022) in light of a positive scenario with crack spreads above historical levels, although normalizing compared to last year
- **Group reported Net Income at EUR 313.9 million** (EUR 416.9 million in 2022), with lower financial charges and taxes
- **Group comparable EBITDA at EUR 669.7 million** (EUR 1,136.7 million in 2022) due to the effects described for the reported results, excluding the impacts of the scenario on inventory stock valuations
- **Group comparable Net Income at EUR 325.4 million** (EUR 709.8 million in 2022)
- **Net Financial Position, before IFRS 16, positive for EUR 202.7 million** (positive for EUR 268.6 million as of 31st December 2022)
- **Dividend proposed – for the year 2023– EUR 0.15 per share**
- **The Board of Directors granted a mandate to the Chairman to convene the Shareholders' Meeting on 29th April 2024 (first call).**

After the Board meeting, the Chairman, **Massimo Moratti**, commented**:** ”*The solid results of the fourth quarter, with a comparable EBITDA of approximately EUR 110 million, allow us to close the 2023 financial year on a very positive note. In fact, during the entire year, the Saras Group has achieved around € 670 million in comparable EBITDA, thanks to an average margin from industrial operations of over 12$/bl. The comparable Net Income of EUR 325 million (of which approximately EUR 65 million in the fourth quarter), and the positive net financial position (post IFRS 16) as of 31st December of EUR 167 million, enable us to further strengthen our financial structure, to support the investments planned for 2024 (related to maintaining full operational efficiency at the Sarroch site and developing energy transition initiatives), and also to distribute a dividend of EUR 0.15 per share, which we will propose at the next Shareholders' Meeting, in line with the Company policy.*
*Forecasts for 2024 indicate favorable margin conditions, with a global refining system still limited in terms of capacity, despite some recent refinery start-ups in the Middle East and Africa. Our IGCC plant will continue to operate on Essentiality regime in 2024, thus still providing a valuable element of integration with the refinery and reducing exposure to the electricity market. Finally, we expect a growing contribution to the Group result also in terms of renewable energy production, thanks to the beginning of commercial operations at the “Helianto” photovoltaic park, scheduled for mid-2024.*
*Lastly, I would like to highlight the important transaction announced on 11th February, with which Vitol will acquire control of the Saras Group, 62 years after its foundation by my father. It was a very difficult and emotional choice, but taken for the good of the Group. I would like to thank all the people who, with dedication and commitment, have accompanied us on this long journey, and I am confident that they will also find further opportunities for development in the new ownership structure. In fact, Vitol is a leading global player in the energy sector, and will be able to make Saras grow further, bringing great financial and commercial strength, as well as international professional expertise".*

| *EUR million* | 2023 | 2022 |
|---|---|---|
| REVENUES | 11,443 | 15,836 |
| Reported EBITDA | 662.4 | 1,170.3 |
| ***Comparable EBITDA*** | **669.7** | **1,136.7** |
| Reported EBIT | 452.9 | 965.7 |
| ***Comparable EBIT*** | **468.6** | **945.3** |
| Reported NET RESULT | 313.9 | 416.9 |
| ***Comparable NET INCOME*** | **325.4** | **709.8** |
| **NET FINANCIAL POSITION BEFORE IFRS 16** | **202.7** | **268.6** |
| **NET FINANCIAL POSITION AFTER IFRS 16** | **166.8** | **227.5** |
| **CAPEX** | **224.4** | **105.7** |

**Milan, 15th March 2024:** Saras S.p.A.'s Board of Directors met today and approved the Group Consolidated Financial Statements and Saras S.p.A.'s Draft Financial Statements as of 31st December 2023, the 2023 Group Sustainability Report including, among other disclosures, non-financial and diversity information pursuant to Legislative Decree 254/2016, and a set of ESG KPIs.

The Board of Directors resolved to propose to the General Shareholders' Meeting of Saras SpA, scheduled for 29th April 2024, a dividend of EUR 0.15 per share. The dividend will be paid on 22nd May 2024, with ex-dividend date on 20th May 2024.

In addition to the approval of the Separate Financial Statements of Saras SpA as of 31st December 2023 and the appointment of the Board of Statutory Auditors, the Shareholders' Meeting will also be called upon to resolve on the Report on the Remuneration Policy and Remuneration Paid pursuant to art. 123-ter, paragraphs 3-bis and 6 of Legislative Decree no. 58 of 24th February 1998.

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The 2023 Financial Statements have been submitted to the Board of Statutory Auditors and the Independent Auditors and, together with the other documents referred to in art. 154-ter of Legislative Decree no. 58/1998 (Consolidated Financial Act), they shall be made available to the general public at the Company's registered office and will also be published on the Company's website (www.saras.it) in due course, as set forth in the current regulations.

The designated manager in charge of preparing the corporate accounting documents, Fabio Peretti, states, pursuant to paragraph 2, art. 154-bis of the Consolidated Law on Finance, that the accounting information in this press release corresponds with the Company's documentation, ledgers and accounting entries.

Attached are comments on the results of the Group and of the individual business segments, the Business Outlook, the consolidated and separate statements of equity and financial position, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement, for the Consolidated Financial Statements of the Group as well for the Financial Statements of Saras SpA.

Regarding the estimates and forecasts contained in this document, in particular with regard to the Strategy and Outlook, it should be noted that actual results may differ, even significantly, from those indicated, because of a multitude of factors, including: future developments in the prices of crude oil and refined products, operating performance of plants, impact of regulations on the energy sector and environmental matters, other changes in business conditions and in the evolution of competition at a global level.

This press release has been prepared pursuant to the Regulation implementing Legislative Decree No. 58 of 24th February 1998, adopted by Consob with resolution No. 11971 of 14th May 1999, as amended. It is available to the public on the Company's website, in the "Investors/Financial Press Releases" section and also at the authorized storage mechanism for regulated information, "1info" (www.1info.it).

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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 1,591 employees and total revenues of about EUR 11.4 billion as at 31 December 2023.

# ANNEX

## GAAP and Non-GAAP measures

### Alternative performance indicators

To present the Group 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 calculated by measuring opening stocks (including the related derivatives) at the same unit values as closing stocks (when quantities increase in the period), and closing stocks at the same unit values as opening stocks (when quantities decrease in the period). Items that are non-recurring in terms of their nature, materiality and frequency have been excluded from both the operating profit and the comparable net income.

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

## Key Group financial and operational results

| *EUR million* | FY 2023 | FY 2022 | Change % | Q4/23 | Q4/22 | Change % |
|---|---|---|---|---|---|---|
| REVENUES | 11,443 | 15,836 | -28% | 2,975 | 3,871 | -23% |
| Reported EBITDA | 662.4 | 1,170.3 | -43% | 79.5 | 115.9 | -31% |
| ***Comparable EBITDA*** | **669.7** | **1,136.7** | **-41%** | **110.1** | **319.7** | **-66%** |
| Reported EBIT | 452.9 | 965.7 | -53% | 14.9 | 52.5 | -72% |
| ***Comparable EBIT*** | **468.6** | **945.3** | **-50%** | **53.9** | **269.5** | **-80%** |
| NET RESULT reported | 313.9 | 416.9 | -25% | 40.3 | 69.7 | -42% |
| ***Comparable NET RESULT*** | **325.4** | **709.8** | **-54%** | **64.7** | **260.0** | **-75%** |

| EUR million | FY 2023 | FY 2022 |
|---|---|---|
| **NET FINANCIAL POSITION ANTE IFRS 16** | **202.7** | **268.6** |
| **NET FINANCIAL POSITION POST IFRS 16** | **166.8** | **227.5** |
| **CAPEX** | **224.4** | **105.7** |

# COMMENTS ON THE GROUP FY 2023 RESULTS

**In 2023, Group revenues amounted to EUR 11,443 million,** compared to EUR 15,836 million last year. The significant decrease is related to both the different scenario conditions and the lower volumes produced and sold between the two periods. From a scenario perspective, the variables that had the greatest impact were the depreciation of the main oil products, the reduction in the sale price of electricity (regulated under the Essentiality Regime) and the exchange rate trend characterized by weakening US dollar compared to the Euro. Specifically, in 2023 the average diesel price was 814 $/ton (vs 1,039 $/ton in 2022), the average gasoline price was 845 $/ton (vs 991 $/ton in 2022), the single national price for the sale of electricity (PUN) was 127 €/MWh (vs an average sale price of 303 €/MWh in 2022) and the EUR/$ exchange rate was 1.08 (vs the EUR/$ exchange rate of 1.05 in 2022). As regard the industrial production, it should be noted that the main production variables were lower than the values recorded in 2022, except for renewable power generation. More specifically, refining runs in 2023 amounted to 94.1 million barrels (vs. 96.1 million barrels in 2022), non-renewable power generation amounted to 3,550 GWh (vs. 4,100 GWh in 2022), renewable power generation amounted to 298 GWh (vs. 273 GWh in 2022) and Marketing channel sales amounted to 3,213 thousand tons (vs. 3,659 thousand tons in 2022).

**The Group reported EBITDA in 2023 amounted to EUR 662.4 million**, a decrease compared to EUR 1,170.3 million in 2022, primarily attributable to the less favorable scenario conditions compared to the levels of 2022, which translated into a decrease in the diesel crack and the weakening of the dollar compared to the euro; these effects were partly offset by lower crude oil procurement costs (where the decrease in the price of the reference crude Brent Dtd was partly offset by the increase in premiums or reduction in the discounts of the different types of crude oil) and by the decrease in the cost of electricity, despite the reduction in the benefits of the TER Support Decree. The overall performance was slightly better than in the same period of the previous year. Trading and supply activities were positive, despite a market structure still in ''backwardation'' but gradually normalizing compared to 2022. Production planning was impacted by lower availability of medium/heavy sour crude oils compared to the first part of 2022, stemming from the geopolitical situation, and by a deterioration in the quality of some types of crude oil. As regards operations, 2023 was characterized by a weaker performance compared to 2022, in light of a heavier maintenance plan and unscheduled shutdowns also due to the external blackout event, not attributable to the Company. In addition, as regards the valuations of inventories at year-end, they suffered a slight depreciation of EUR 5.7 million compared to an appreciation of EUR 9.6 million in the same period of 2022. Non-recurring items in 2023 had a negative impact of EUR 1.7 million, represented by the write-down of some inventories of consumables, compared to a negative value of EUR 34.3 million in 2022.

**The Group reported Net Income amounted to EUR 313.9 million,** compared to EUR 416.9 million achieved in 2022. In addition to the effects at the EBITDA level, this difference is due to the positive contribution of financial income and charges, primarily related to the positive impact of net exchange differences. Furthermore, 2023 taxes were lower compared to 2022 on a lower tax base (as for the above-mentioned impacts) and without the effects of the "windfall tax" (Law Decree no. 21 dated 21st March 2022 as amended). Non-recurring items weighed negatively on the 2023 Net result by EUR 7.3 million, which includes the write-down of a few fixed assets under construction.

**The Group comparable EBITDA stood at EUR 669.7 million**, down from EUR 1,136.7 million recorded in 2022. This result, compared to the reported EBITDA, does not include the above-mentioned depreciation of oil inventories between the beginning and the end of the period, includes the impact of the part of forex derivatives reclassified in the operating result, and excludes non-recurring items. The lower comparable EBITDA compared to 2022 is due to a lower contribution from both the "Industrial & Marketing" and "Renewables" segments, as it will be detailed in the “Segments Review” section.

**The Group comparable Net Income in 2023 stood at EUR 325.4 million,** compared to a Net profit of EUR 709.8 million in the previous year, as a result of the same effects described for the reported Net Income. It should be noted that the non-recurring items in the Comparable Net Income for 2022 included the impact of the windfall tax.

**Investments in 2023 stood at EUR 224.4 million,** higher than in 2022 (EUR 105.7 million); this increase is attributable to both higher capex in the Industrial & Marketing segment and to increased development activities in the Renewables segment.

# COMMENTS ON Q4 2023 GROUP RESULTS

**In the fourth quarter of 2023, Group revenues amounted to EUR 2,975 million,** compared to EUR 3,871 million in the fourth quarter last year. The change is mainly due to the depreciation of the main oil products and the weakening of the US dollar compared to the euro. Considering of the main operational results: refining runs amounted to 25.2 million barrels (+4% vs 2022), power generation amounted to 984 GWh (-9% vs 2022), renewable power production amounted to 105.9 GWh (+56% vs 2022) and Marketing channel sales amounted to 796 thousand tons (-13% vs 2022).

**The Group reported EBITDA in the fourth quarter of 2023 amounted to EUR 79.5 million,** lower compared to the EUR 115.9 million in the fourth quarter of 2022, primarily due to the less favorable scenario conditions resulting in lower diesel and gasoline cracks,in the weakening of US dollar compared to the euro, and in an increase in crude oil supply costs (higher premiums/lower discounts on the different types of crude oil, partially offset by a decrease in the reference crude oil price - Brent Dtd). These effects were partly offset by lower electricity costs, despite the loss of the benefits from the TER Support Decree [Decreto Sostegno Ter]. The performance was overall slightly better than in the same period of the previous year. As regards the valuation of inventories, it should be noted that they depreciated by EUR 23.6 million in the fourth quarter of 2023 compared to a depreciation of EUR 158.0 million reported in the same period of 2022. Non-recurring items in the fourth quarter of 2023 had a negative impact of EUR 1.7 million, related to the write-down of some consumable inventories, compared to a negative value of EUR 28.9 million in the same period of 2022.

**The Group reported Net Income amounted to EUR 40.3 million,** compared to EUR 69.7 million in 2022. In addition to the EBITDA, this difference is mainly due to the effect of lower current taxes during the quarter. Non-recurring items negatively impacted the Net Income in the fourth quarter of 2023 by EUR 7.3 million and included the write-down of a few fixed assets under construction.

**The Group comparable EBITDA stood at EUR 110.1 million,** down from EUR 319.7 million in the fourth quarter of 2022. This result, compared to the reported EBITDA, does not include the above-mentioned depreciation of oil inventories between the beginning and the end of the period, includes the impact of the part of forex derivatives reclassified in the operating result, and excludes non-recurring items. The lower contribution compared to the fourth quarter 2022 results from a negative contribution of the “Industrial & Marketing” segment and a slightly positive contribution of the “Renewables” segment, as it will be better described in the “Segments Review” section.

**The Group comparable Net Income in the fourth quarter 2023 stood at EUR 64.7 million,** compared to a Net income of EUR 260.0 million in the same period of the previous year as a result of the same effects described for the Reported Net Income. It should be noted that the non-recurring items in the comparable Net Income for 2022 included the impact of the windfall tax.

**Investments in the fourth quarter of 2023 stood at EUR 37.4 million**, broadly in line with fourth quarter 2022 which stood at EUR 39.2 million, with slightly lower activities in the “Industrial & Marketing” segment and slightly higher activities in the “Renewables” segment.

The following tables show the details on the calculation of the comparable EBITDA and the comparable Net Income for the years 2023 and 2022, and for the fourth quarter of the years 2023 and 2022.

## Comparable EBITDA

| EUR million | FY 2023 | FY 2022 | Q4/23 | Q4/22 |
|---|---|---|---|---|
| ***Reported EBITDA*** | **662.4** | **1,170.3** | **79.5** | **115.9** |
| Gain / (Losses) on Inventories and on inventories hedging derivatives | 5.7 | (9.6) | 23.6 | 158.0 |
| Derivatives FOREX | (0.1) | (58.3) | 5.2 | 16.9 |
| Non-recurring items | 1.7 | 34.3 | 1.7 | 28.9 |
| ***Comparable EBITDA*** | **669.7** | **1,136.7** | **110.1** | **319.7** |

## Comparable Net Income

| EUR million | FY 2023 | FY 2022 | Q4/23 | Q4/22 |
|---|---|---|---|---|
| ***Reported NET RESULT*** | **313.9** | **416.9** | **40.3** | **69.7** |
| Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes | 4.1 | (6.9) | 17.0 | 113.9 |
| Non-recurring items net of taxes | 7.3 | 299.8 | 7.3 | 76.4 |
| ***Comparable NET RESULT*** | **325.4** | **709.8** | **64.7** | **260.0** |

# Net Financial Position

**The Net Financial Position as of 31st December 2023, before IFRS 16 effects, was positive at EUR 202.7 million, compared to the positive Net Financial Position at EUR 268.6 million on 31st December 2022.** In addition, the Net Financial Position as of 31st December 2023, post-IFRS16, was positive at EUR 166.8 million, compared to the positive Net Financial Position at EUR 227.5 million on 31st December 2022.

**A cash absorption of EUR 61 million was reported in 2023.** This absorption was due to the payment of taxes totaling EUR 384 million (including EUR 170 million as an effect of Law Decree no. 21 of 21 March 2022 – "the windfall tax"), investments cash out of EUR 224 million, payment of dividends accounting for EUR 181 million, and payment of interest and financial charges of EUR 38 million. These disbursements were partially offset by the cash generation from operations of EUR 668 million and the reduction in working capital, which released EUR 98 million. The change in working capital is attributable primarily to the decrease in trade receivables and the value of inventories, partly offset by the reimbursement dynamics linked to the Essentiality Regime agreement.

In 2023, reimbursement of bank loans amounted to EUR 119 million, reducing total bank loans to EUR 402 million, of which approximately EUR 88 million are current bank loans, which will be reimbursed by the end of 2024.

Lastly, it should be noted that cash and cash equivalents as of 31st December 2023 amounted to EUR 542.7 million.

| *EUR million* | 2023 | 2022 |
|---|---|---|
| Medium- and long-term bank loans | (313.6) | (401.4) |
| Medium- and long-term bonds | - | - |
| Other medium- and long-term financial liabilities | (3.5) | (4.4) |
| Other medium- and long-term financial assets | 3.8 | 4.1 |
| **Net medium-long term financial position** | (313.3) | (401.7) |
| | | |
| Current bank loans | (88.4) | (118.6) |
| Short-term portion of MLT bank loans | - | - |
| Payables to banks for bank overdrafts | (2.8) | (12.1) |
| Other short-term financial liabilities | (37.0) | (22.3) |
| Fair value on derivatives and realized net differentials | 53.6 | 6.6 |
| Other financial assets | 48.0 | 109.6 |
| Cash and cash equivalents | 542.7 | 707.1 |
| **Net short-term financial position** | 515.9 | 670.3 |
| | | |
| **Total Net Financial Position before lease liability pursuant to IFRS 16** | 202.7 | 268.6 |
| Financial payables for leased assets pursuant to IFRS 16 | (35.9) | (41.1) |
| **Total Net Financial Position after lease liability pursuant to IFRS 16** | 166.8 | 227.5 |

# Reference Market

The Saras Group operates in the refining sector through the Sarroch refinery, one of the largest in the Mediterranean in terms of production capacity (15 million tons/year), and is also positioned among the best in Europe in terms of plant complexity (Nelson index equal to 11.7). Its location on the coast South-West of Cagliari gives it a strategic position in the center of the Mediterranean and ensures proximity both to the various crude oil supplier countries and the main consumer markets for refined products.

**Global oil demand** in 2023[1] recorded an average of 101.7 mb/d, up compared to the average of 99.5 mb/d in 2022. The stronger-than-expected growth in China was the main contributor to this performance, with the sharp post-lockdown recovery in the first half year of the year. In this context, jet fuel/kerosene was the fastest-growing product in 2023, thanks to the particularly rapid reopening of the Chinese aviation industry at the end of the period of lockdown restrictions, which brought global aviation activity back to 2019 levels.

Gasoline consumption also benefited from growth above expectations in the services sector, which typically has a greater impact on personal mobility and therefore on gasoline demand. The increase in gasoline consumption was reported, in particular, in the United States, followed by China, Japan, Korea, the Eurozone and the United Kingdom, where there was a greater difference between the performances of the services and industrial sectors. Diesel, on the other hand, was adversely impacted by more stagnant global production, which saw little change compared to the growth forecasts for the year.

**The global supply of oil in 2023** reached an annual average of 102 mb/d, up by more than 2 mb/d, thanks to the increase in production of non-OPEC countries, and in particular of that of the United States, while the supply of OPEC+ countries fell by 390 thousand barrels per day, with production in Saudi Arabia down by more than 900 thousand barrels per day on average. The overall decline of the bloc was partially offset by Iran, exempt from supply cuts, which increased production to its highest level of the last five years.

Looking at the **refining sector**, global processing stood at an average of 82.3 mb/d, just below the 2018 record level of 82.5 mb/d.

Also taking a look at the global oil inventory figure, the IEA data for January 2024 reflect a barely balanced market at the end of 2023, showing levels that have reached their lowest point of the last 5 years. In particular, at the end of November global inventories of middle distillates stood at the lowest seasonal levels since 1988 and in OECD Europe, reached the lowest level recorded in the last 16 years.

A brief analysis is provided below on the trends in crude oil prices, in the crack spreads of the main refined oil products, and also in the reference refining margin ("Reference margin") in the European market, which is the most relevant geographical context in which the Saras Group conducts its operations.

| Average annual values [1] | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Crude oil price and differential ($/bl)** | | | |
| Price of Brent Dated | 82.6 | 101.5 | 70.9 |
| Diff. Basrah Medium (CIF Med) vs. Brent Dtd | -3.0 | -4.5 | -1.7 |
| Diff. Azeri Light (CIF Med) vs. Brent Dtd | 5.4 | 5.3 | 1.7 |
| **Refined Products ($/ton)** | | | |
| ULSD price | 813.5 | 1,038.8 | 579.4 |
| Gasoline price 10ppm | 845.1 | 990.5 | 670.7 |
| HSFO price | 422.2 | 451.6 | 375.3 |
| **Crack spreads ($/bl)** | | | |
| *Crack spread* ULSD | 26.4 | 37.7 | 6.8 |
| *Crack spread* Gasoline | 18.6 | 17.1 | 9.5 |
| *Crack spread* HSFO | -15.6 | -29.8 | -11.3 |
| **Other indicators of profitability** | | | |
| EMC Reference Margin ($/bl) | 8.2 | 9.6 | -2.0 |
| $/EUR exchange | 1.082 | 1.053 | 1.183 |

Sources: "Platts" for prices and crack spreads, and "EMC – Energy Market Consultants" regarding the benchmark "Reference Margin".

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

**In 2023, Brent Dtd recorded an average price of 82.6 $/bl (compared to an average price of 101.5 $/bl in 2022).**

In the first half of the year, Brent Dtd prices fluctuated between 70 and 90 $/bl, held back on one hand by fears of a slowdown in global economic growth, but on the other hand supported by new production cuts by OPEC+countries and Russia. In April, the latter added new cuts to those announced in previous months, bringing the overall reduction to 1.7 Mbl/d starting from May

[1] IEA estimates, Oil Market Report January 2024

until the end of 2023. At the beginning of June, the cartel therefore announced that it wanted to extend the cuts to the whole of 2024, while Saudi Arabia decided on a further unexpected cut of 1Mbl/d, starting from July and extendable from month to month based on market conditions. These interventions have been instrumental in stemming the bearish pressures of the market, stabilizing Brent Dtd prices, which averaged 81.3 $/bl in the first quarter and 78.4 $/bl in the second quarter.

In the third quarter, prices rose to an average of 86.8 $/bl as a result of OPEC+ cuts and, in particular, due to Saudi Arabia's decision to extend its additional cuts until the end of 2023, as well as to a further cut by Russia of about 0.3 Mbl/d, also expected until the end of the year. In addition to the reduced supply, prices were also pushed up by greater consumption in China, in particular due to the recovery of air traffic and in the petrochemical sector, while in the summer period demand increased as a result of greater oil consumption in power generation. Lastly, in the second half of September, prices recorded a further rise, exceeding 97 $/bl, in the wake of unexpected decreases in US stocks.

In the **fourth quarter of 2023,** Brent prices instead followed a declining trend, recording an average of 84.1 $/bl and falling to 73 $/bl in mid-December, in an uncertain macroeconomic and geopolitical context burdened by fears of a recession owing to the still high levels of inflation and the tensions stemming from the fresh conflict in the Middle East, as well as the persistence of the Russian-Ukrainian war. These phenomena reduced the effect of OPEC+ Russia production cuts.

As regards *sour* crude oils (i.e. those with a high sulfur content), in 2023 **Basrah Medium CIF Med recorded an average discount compared to Brent Dated of -3.0 $/bl (vs. -4.5 $/bl in 2022),** gradually decreasing over the course of the year, due to the cuts of the OPEC+ producing countries and Russia that typically affect mainly crude oils with a high sulfur content.

Although in the first quarter of 2023, in continuity with a trend that took hold in the second half of 2022, the discount was extensive and equal on average to -7.1 $/bl as a consequence of the decline in purchases by traditional Asian buyers (in particular, China and India), which after the outbreak of the Russian-Ukrainian conflict preferred heavily discounted Russian crude oils, starting from the second quarter of 2023, the production cuts implemented by OPEC+ Russia led to a narrowing of the discount, which was gradually reduced, respectively recording an average of -3.7 $/bl in the second quarter and -1.4 $/bl in the third quarter, reaching an average premium of +0.1 $/bl in the fourth quarter of 2023.

With regard to "sweet" crude oils (low sulfur content), **the premium of Azeri Light CIF Med compared to Brent Dated in 2023 averaged +5.4 $/bl (+5.3 $/bl in 2022).**

In particular, in the first quarter, crude oils with a low sulfur content recorded a robust premium, on average equal to +6.2 $/bl, in continuity with a trend that had already emerged in 2022, thanks to the support of high gasoline and diesel margins. In the second quarter, the premium for low-sulfur materials was affected by the downturn in middle distillates and, despite the resilient performance of gasoline, recorded an average of +4.6 $/bl, moving closer to historical averages again. In the second half of the year, the premium on Azeri Light CIF Med rose again with an average of +4.9 $/bl in the third quarter and +5.8 $/bl in the fourth quarter, supported primarily by the strength of middle distillates and the recovery of naphtha prices. In addition, the CIF prices of cross-Med freight were affected between October and November by the rally in freight rates in the Mediterranean area.

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

**In 2023, the gasoline crack recorded an average of 18.6 $/bl** compared to the average of 17.1 $/bl in 2022, showing significant strength compared to historical averages.

In the first quarter, the gasoline crack was extremely high, averaging +19.2 $/bl, thanks to a highly resilient level of consumption despite the uncertain macroeconomic scenario. This strength was confirmed in the second quarter, with an average of +20.5 $/bl, and peaks of over 26 $/bl in mid-June: the *driving season* in the Atlantic basin, together with the lower production for spring maintenance in Europe and in the US helped keep inventories at much lower levels than historical averages. The gasoline crack also benefited from a generalized shortage of high-octane components on the market, despite several attempts at balancing through record flows of Indian alkylate to the Atlantic coast of the United States.

In the third quarter the gasoline crack recorded a further increase, averaging 24.9 $/bl**,** influenced by the persistence of production limitations due to both planned and unexpected shutdowns, and also to the high summer temperatures, which in the Mediterranean basin prevented some refineries from working at full capacity. In the fourth quarter, the gasoline crack returned to values more in line with historical averages, down sharply with an average of +9.7 $/bl, due to the end of the "driving season" and the transition to winter specifications which allow the collection of cheaper components such as naphtha and butane, and therefore increase the volumes of gasoline available.

**In 2023, the diesel crack (ULSD) recorded an average of 26.4 $/bl** compared to an average of 37.7 $/bl in 2022.

In particular, in the first quarter, the average stood at +30.6 $/bl, high, albeit down compared to the values of 2022, mainly due to a slowdown in demand in the industrial sector, held back by inflationary pressures, and due to the supply of middle distillates which has proven to be particularly robust. Milder winter temperatures also reduced the consumption of diesel fuel for heating purposes. Product availability was therefore sufficient to avoid the feared "short" of the market stemming from the embargo on

Russia: European countries managed to guarantee high levels of inventory, also thanks to huge flows of imports from the main Asian countries not adhering to the embargo (India, China and Turkey). During the second quarter, the diesel crack fell again, with an average of +16.8 $/bl, reaching pre-conflict levels (around 10 $/bl) in April, adversely impacted by both high import volumes and the weakening of demand.

It was not until June that the restart of the Chinese economy and the consequent reduction in exports to Europe allowed the European market to clear excess stocks, and the ULSD crack went back to around 20 $/bl. In the third quarter of 2023, the diesel crack strengthened again, recording a very high average of 31.3 $/bl. The strong recovery from the previous quarter (+86%) was followed by a reduction in production levels: as in the case of gasoline, a series of unplanned shutdowns in Europe, and a reduction in the operating performance of refineries in the Mediterranean area struggling with the high temperatures in the summer months reduced the available inventory levels. In addition to this there were the OPEC+ Russia production cuts that limited the availability of high sulfur content crude oils used in the production of diesel. Furthermore, in mid-September, the Russian government halted exports of petroleum products to calm prices in the domestic market, adding upward pressure on the ULSD crack in Europe, which rose above 40 $/bl. Finally, the recovery in international air traffic and jet fuel consumption supported middle distillates over the summer period, particularly following the reopening of China after the long period of Covid restrictions. In the fourth quarter, the normalization of production levels and lower than expected consumption of diesel for heating use slightly reduced the crack, which averaged 27.0 $/bl.

**In 2023, the VLSFO crack recorded an average discount of -1.8 $/bl** (compared to an average premium of +2.5 $/bl in 2022), with a highly variable trend during the year, remaining on average at negative levels due to a general slowdown in maritime traffic compared to the previous year.

In the first quarter, the average was -0.2 $/bl, up compared to the end of 2022, due to lower imports from the Middle East, (in particular because of the prolonged suspension of production at the Al Zour refinery in Kuwait). Furthermore, the strong margins of gasoline prompted many refineries to allocate the Light Sweet residue to the cracking cycle (FCC) and to light distillate production, rather than using it in VLSFO formulations. Although this phenomenon was also confirmed in the second and third quarters, in April the VLSFO crack weakened again, bringing the average for the second quarter to -2.4 $/bl and continuing to $ -2.3/bl for the third quarter. Also in the fourth quarter, the average crack was similar and stood at -2.2 $/ton. Despite the constant average, the crack performance fluctuated significantly during the year, and reached values of around zero in July and August until returning to positive values between November and December, also due to the decline in Brent and the greater inertia of the VLSFO market in adapting. Despite the volatility, the average of the crack during the year remained in negative territory, due to the general slowdown in maritime traffic with a consequent drop in demand.

**The high-sulfur fuel oil (HSFO) crack in 2023 recorded an average of -15.6 $/bl,** (vs. -30.0 $/bl in 2022), with significant differences in the various quarters. Specifically, in a depressed context for ATZ crude oils, the HSFO crack recorded an average of -25.3 $/bl in the first quarter, despite resilient demand from ships equipped with *scrubbers* (which allows the use of HSFO at the expense of the more expensive VLSFO) in the "East of Suez" naval trades. In the second quarter, however, the HSFO crack recorded a significant appreciation, marking an average of -13.5 $/bl, due to the OPEC+ Russia production cuts aimed specifically at high sulfur crude oils. Additional support has come from increased demand for fuel oil for electric power generation in the Middle East and some parts of Asia. In the third quarter, the HSFO crack appreciated further, marking an average of -6.5 $/bl, given the intensification of the OPEC+Russia cuts, the continued use of fuel oil for power generation in the Middle East and Asia, and also the reduction in operational capacity of refineries (approximately -20%) due to extremely high temperatures. In the fourth quarter, the HS fuel oil crack suffered a marked decline, recording an average of -17.1 $/bl, principally due to the greater use of VLSFO, to the detriment of HSFO, for power generation in some Middle Eastern regions. This circumstance, combined with an increase in production in Canada, has given rise to a “long” market of HSFO and a consequent increase in inventories.

# Marketing

In Italy, according to data analyzed by Unione Energie per la Mobilità (UNEM) from the source "Ministry of the Environment and Energy Security - DGI", in 2023 total consumption fell by 1.5% compared to 2022, largely due to the sharp decline in petrochemicals (-488 Kton) and despite the support deriving from road mobility and the recovery of air transport, which together exceeded the volumes of last year by almost 650 Kton.

The consumption of automotive fuels (gasoline + diesel) in 2023 amounted to 31.5 Mton, down slightly (-0.5%) compared to 2022, but approximately 350 Kton higher than the pre-pandemic level. In particular, compared to 2022, gasoline showed an increase of 3.8%, while automotive diesel showed a decline of 1.9%. The gap between the trends of the two fuels, in addition to economic aspects, including slowing economic developments and the price effect, also reflects a structural factor - namely, the gradual shift in private car consumption from diesel to gasoline, to the advantage of gasoline-powered hybrid cars. In addition, gasoline volumes benefit from an increasingly wide range of users, including professional operators (taxis, sales agents, etc.). On the other hand, when compared to 2022, there was a significant increase in the consumption of aviation jet fuel in 2023, which continued its recovery towards pre-pandemic levels with an increase of 21.2% compared to the same period of 2022.

In Spain, the data compiled by CORES show, in 2023, the consumption of motorway fuels generally decreased by -1.1% compared to 2022, with significant growth in demand for gasoline (+5.4%) and a reduction of that for automotive diesel (-2.8%). These trends are mainly explained by the current direction of the Spanish market where, like in Italy, the number of hybrid cars with internal combustion engine running on gasoline is growing, and where the replacement of fossil diesel with a product of plant origin (HVO, biodiesel) is more evident – a development which, however, is not currently occurring with gasoline.

# Electricity and CO2

**In 2023, the PUN recorded an average price of 127 €/MWh compared to an average of 303 €/MWh in 2022.**

More specifically, the average price of the PUN in the first six months of 2023 was equal to 136 EUR/MWh, with a gradually decreasing trend in the wake of the trend recorded by natural gas, which recorded a clear decline compared to the average registered in the second part of last year. In fact, the average price in the first quarter was 157 EUR/MWh, while in the second quarter it fell further to 115 EUR/MWh. Overall, the decline in natural gas prices compared to last year's levels can be traced back to the high imports of liquefied natural gas (LNG) to replace the reduced flows via pipeline from Russia, and to lower consumption compared to historical seasonal averages in the first part of the year, given the particularly mild winter and the greater attention to energy savings by both private individuals and industrial users in Europe (which led to an effective reduction in demand, estimated at around 20%). In the third quarter of 2023 the PUN maintained a stable trend with an average of 113 EUR/MWh. Also in this quarter, the trend aligned with that of natural gas prices, which was reasonably stable thanks to production increases in Norway and Algeria. In the last quarter of the year, in line with the performance in natural gas prices, the demand for which also increased for heating use, the PUN recorded an increase of approximately 9%. The average was therefore 124 EUR/MWh.

**Moving on to EUA quotations for European carbon dioxide permits, in 2023 the average price stood at 84 EUR/ton (vs. approximately 81 EUR/ton in 2022).** While in the first nine months prices remained stable at around 85 EUR/ton, in the fourth quarter they dropped by around 10%, reaching around 76 EUR/ton, mainly due to the economic slowdown recorded in the Eurozone.

# Saras' Industrial & Marketing margins and EMC Reference Margin

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

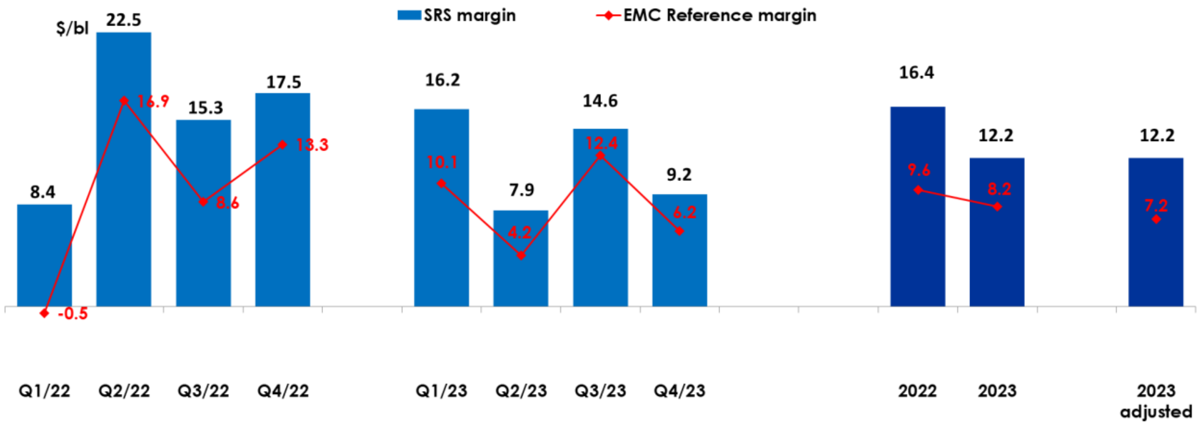
Following the market conditions described in the previous paragraph, **in 2023 the EMC Reference Margin stood at an average of 8.2 $/bl** (vs an average of 9.6 $/bl in 2022). **Saras' margin was 12.2 $/bl** (16.4 $/bl in the previous year), **with a premium of 4.0 $/bl** (vs +6.8 $/bl in 2022).

To understand the changes on Saras premium the following impacts have to be highlighted:

1. The EMC Reference Margin is calculated with a slate price at 100% Brent Dtd. On the contrary, Saras purchases a large variety of crudes, with different premiums or discounts vs Brent. Each quarter, spreads of each quality of crude vs Brent may change. The combined effect of the fluctuations of all the spreads of the crude oil purchased by Saras, weighted with the respective purchase volumes, therefore affects the margin actually realized by Saras in the period, while it has no influence on the EMC Reference Margin, which depends solely on the Brent price.
2. Secondly, the yield of refined products present in the EMC Reference Margin represents the typical balance between light, middle, and heavy distillates of a Mediterranean coastal refinery of medium complexity, and therefore also includes a non-negligible share of high sulfur fuel oil (HSFO); they do not include any power generation. On the contrary, the Saras margin includes the sale of electricity of the IGCC, which currently takes place under the Essentiality Regime, and does not include a significant contribution from the HSFO, as it is generally not produced by the Sarroch refinery (except in temporary situations such as, for example, during shutdowns for maintenance).

For the above, the Saras premium compared to the EMC Reference achieved in 2023 was lower than the premium achieved in 2022, as in 2023 there was an appreciation of the HSFO (which benefited only the EMC Reference margin, but not the Saras margin ), and during the year there was a progressive and significant appreciation of high sulfur material (which, as mentioned above, had no effect on the EMC References, but penalized all complex high-conversion refineries, such as that of the Saras Group). In addition, in 2023 the Saras premium was impacted by a poorer production performance compared to 2022, also due to the external blackout event not attributable to the Company. Finally, the premium was affected by the termination of the TER Support Decree as of 1 July 2023. This decree had reduced Saras' variable costs for the entire year 2022, while its extension (and the consequent reduction in costs) only affected the first half year of 2023.

**If an "adjusted" EMC reference margin were to be calculated, adjusted only by market effects relating to the spreads and crude oil spreads described above, it would be worth 7.2 $/bl for the whole of 2023; in this case, the Saras premium would be 5.0 $/bl,** as shown in the following chart**.**




**With regard to the last quarter of 2023, the EMC Reference Margin stood at an average of 6.2 $/bl** (vs an average of 13.3 $/bl in Q4/22)**. Saras' margin was 9.2 $/bl** (17.5 $/bl in the same period of the previous year), showing a premium of +3.0 $/bl (4.2 $/bl in Q4 2022**).** The premium in the fourth quarter was lower than in the fourth quarter of 2022 mainly due to the same phenomena mentioned above.

# SEGMENT REVIEW

The "Industrial & Marketing" segment includes all refining and power generation activities as well as "Marketing" activities. The "Renewables" segment includes activities previously included in the "Wind" segment, which was renamed in view of the potential developments in photovoltaic power and green hydrogen.

## INDUSTRIAL & MARKETING

The Sarroch production site, located on the coast south-west of Cagliari, consists of one of the largest refineries in the Mediterranean in terms of production capacity and plant complexity, perfectly integrated with an IGCC (combined cycle gasification) plant. The site is strategically located in the center of the Mediterranean and has a nominal processing capacity of 15 million tons/year, and an installed power generation capacity of 575 MW. It should be noted that, with regard to power generation activities in 2023, following resolution 740/2022 of 30 December 2022, ARERA accepted the request for admission to the cost reimbursement regime for the Sarlux plant, entered by TERNA in the list of essential plants for the electricity system for 2023.

| *EUR million* | FY 2023 | FY 2022 | Change % | Q4/23 | Q4/22 | Change % |
|---|---|---|---|---|---|---|
| Reported EBITDA | 638.9 | 1,132.5 | -44% | 68.0 | 105.1 | -35% |
| ***Comparable EBITDA*** | **646.2** | **1,098.9** | **-41%** | **98.6** | **308.9** | **-68%** |
| *of which relative to Marketing sales* | 60.4 | 55.0 | 10% | 15.5 | 13.8 | 12% |
| Reported EBIT | 438.2 | 935.8 | -53% | 5.7 | 43.1 | -87% |
| ***Comparable EBIT*** | **453.9** | **915.4** | **-50%** | **44.7** | **260.1** | **-83%** |
| **CAPEX** | **178.4** | **86.8** | **106%** | **22.0** | **26.3** | **-17%** |

## Margins and refinery runs

| | | FY 2023 | FY 2022 | Change % | Q4/23 | Q4/22 | Change % |
|---|---|---|---|---|---|---|---|
| **CRUDE RUNS** | *Tons (thousand)* | 12,885 | 13,168 | -2% | 3,456 | 3,339 | 4% |
| | *Barrels (million)* | 94.1 | 96.1 | -2% | 25.2 | 24.4 | 4% |
| | *Bl/day (thousand)* | 258 | 263 | -2% | 274 | 265 | 4% |
| **COMPLEMENTARY FEEDSTOCK** | *Tons (thousand)* | 630 | 1040 | -39% | 123 | 247 | -50% |
| **ELECTRICITY PRODUCTION** | *GWh* | 3,550 | 4,100 | -13% | 984 | 1,081 | -9% |
| **TOTAL SALES** | *Tons (thousand)* | 3,213 | 3,659 | -12% | 796 | 910 | -13% |
| of which: in Italy | *Tons (thousand)* | 2,227 | 2,412 | -8% | 566 | 604 | -6% |
| of which: in Spain | *Tons (thousand)* | 986 | 1,247 | -21% | 230 | 306 | -25% |
| **EXCHANGE RATE** | *EUR/USD* | 1.082 | 1.053 | 3% | 1.076 | 1.021 | 5% |
| **EMC Reference Margin** | *$/bbl* | 8.2 | 9.6 | -14% | 6.2 | 13.3 | -53% |
| **SARAS IND & MKTG MARGIN** | *$/bbl* | 12.2 | 16.4 | -26% | 9.2 | 17.5 | -48% |

# Comments on FY 2023 results

**Crude oil runs in 2023 were 12.89 million tons** (94.1 million barrels, equal to 258 thousand barrels per day), down compared with the total runs in 2022. Refining runs were penalized by a heavier maintenance plan and by events also generated by external causes, not attributable to the Company, which negatively affected production in the second and third quarters.

**Electricity production amounted to 3,550 GWh**, down 13% compared to 2022, mainly due to the same reasons that penalized the refining runs, also considering the multi-year shutdown of the IGCC plant carried out in the second quarter.

**Comparable EBITDA in 2023 stood at EUR 646.2 million,** with a Saras Industrial & Marketing margin of +12.2 $/bl (as usual, already net of the impact of the maintenance work carried out in the period); the Marketing channel contributed to this margin by 0.9 $/bl. This result compares to a comparable EBITDA of EUR 1,098.9 million and a Saras Industrial & Marketing margin of +16.4 $/bl (including a contribution of the Marketing channel of 0.8 $/bl) in the previous year.

As regards the market conditions, in a context of high and stronger than historical averages refining margins, the impact of the scenario was less favorable compared to 2022, with a negative impact of about EUR 571 million; this negative result was mainly attributable to the significant reduction in the diesel crack, the increase in the premiums of different crude qualities and the weakening of the US dollar, which were only partially offset by the increase in the gasoline crack and the reduction in the Brent Dtd reference price.

Overall operating performances in 2023, if compared with 2022, were better by approximately EUR 47 million. In particular:

- Trading & supply activities (which include the procurement of crude oils and complementary raw materials, the sale of finished products, chartering, and the management of inventories, including compulsory stocks) provided a higher contribution of EUR 92 million compared to 2022. This result is attributable to the lower negative impact of derivatives entered into on purchases and on inventory hedges, which in 2022 had suffered from the effects of significant backwardation of the market structure;
- Production planning (consisting of the optimization of the mix of crude oils brought in for processing, management of semi-finished products and production of finished products, including those with special formulations) made a lower contribution of approximately EUR 26 million compared to the previous year. This difference is due to the changed market conditions that resulted in lower availability of crude oils as a consequence of the Russian-Ukrainian conflict and OPEC+Russia production cuts, and the lower quality recorded in some types of crudes;
- The execution of production activities (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some "utilities" such as fuel oil, steam, electricity and fuel gas, as well as reimbursements under the Essentiality Regime agreement) net of the effects of the different levels of unit margins between the two periods, made a lower contribution of approximately EUR 19 million compared to the same period of the prior year. This impact can be attributed, on the one hand, to the effects of increased scheduled maintenance work compared to the previous year and, on the other hand, to the impacts of events also caused by external factors that affected the site, particularly in the second and third quarters of the year.

**Variable industrial costs,** net of the contribution related to the Essentiality Regime agreement, were EUR 76 million lower in 2023 than in 2022. Electricity contributed with a cost reduction of EUR 51 million, attributable to the sharp reduction in the electricity price which more than offset the reduction in benefits from the TER Support Decree, whose contribution in 2023 was roughly EUR 32 million. CO2 emissions contributed with a cost reduction of EUR 24 million, due to a decrease in emissions as a result of the multi-year shutdown of power generation plants carried out in the second quarter and an increase in the assigned free allocations. The remaining difference is due to the lower cost of nitrogen, whose tariff benefited from the sharp reduction in electricity prices, offset by a higher cost of demurrage.

**In 2023, fixed industrial costs,** net of the contribution related to the Essentiality Regime agreement, recorded an increase of around EUR 11 million compared to the previous year**.** Costs increased mainly due to a heavier maintenance plan and unplanned maintenance activities as well as higher personnel costs (linked to the National Collective Labor Agreement and new contractual arrangements), insurance cost and inflation effects.

**In 2023, the contribution of the Marketing channel to the comparable EBITDA amounted to EUR 60.4 million,** versus EUR 55.0 million in 2022. This change is mainly due to higher sales margins in Italy and, to a lesser extent, in Spain, despite the reduction in volumes sold in both countries. It should be noted that this contribution should be considered together with the Industrial contribution because of the strong coordination between technical and commercial expertise on which the Group business model is based.

## Comments on Fourth Quarter 2023 Results

**Crude oil runs in the fourth quarter of 2023 were 3.46 million tons** (25.2 million barrels, corresponding to 274 thousand barrels per day), 4% higher than in the fourth quarter 2022, mainly due to the lighter maintenance activities carried out during the period.

**Power generation amounted to 984 GWh**, 9% lower than the fourth quarter of 2022 due to heavier maintenance activities carried out on the IGCC plant in the context of similar set-ups required by the Essentiality Regime agreement.

**Comparable EBITDA in the fourth quarter 2023 stood at EUR 98.6 million,** with a Saras Industrial & Marketing margin of +9.2 $/bl (as usual, already net of the impact of the maintenance work carried out in the period), including the contribution of the Marketing channel which amounted to 0.9 $/bl. This result compares to a comparable EBITDA of EUR 308.9 million and a Saras Industrial & Marketing margin of +17.5 $/bl (including the contribution of the Marketing channel of 0.8 $/bl) in the same quarter of the previous year.

As regards the market conditions, in a context of high and stronger than historical averages refining margins, the impact of the scenario was less favorable than in the same period of the previous year, with a negative impact of about EUR 225 million; this difference is mainly attributable to the reduction in both diesel and gasoline crack, the increase in the premiums of different crude qualities and the weakening of the US dollar, which were only partly offset by the reduction in Brent Dtd reference price.

The overall performance in the fourth quarter 2023 was higher by approximately EUR 18 million compared to the same period of 2022. In particular:

- Trading & supply activities (which include the procurement of crude oil and complementary raw materials, the sale of finished products, chartering, and the management of inventories, including compulsory stocks) contributed to a greater extent for EUR 22 million compared to the same period of the previous year. This result is attributable to the lower negative impact of derivatives entered into on purchases and on inventories, which in the fourth quarter of 2022 had suffered from the effects of significant backwardation of the market structure;
- Production planning (consisting of the optimization of the mix of raw materials brought in for processing, management of semi-finished products and production of finished products, including those with special formulations) contributed by a lower EUR 6 million compared to the same period of the previous year. This difference is partly due to the changed market conditions that resulted in lower availability of crude oils as a consequence of the Russian-Ukrainian conflict and OPEC+ production cuts, and to the lower quality of some types of crude oils.
- The execution of production activities (which takes into account penalties related to maintenance, both scheduled and unscheduled, and higher consumption compared to the technical limits of some "utilities" such as fuel oil, steam, electricity and fuel gas, as well as reimbursements under the Essentiality Regime agreement) net of the effects of the different levels of unit margins between the two periods, contributed by a higher EUR 2 million compared to the same period of the previous year. This impact is mainly due to a lighter maintenance plan and to the completion of activities carried out to fix the impacts of the external factors that occurred in the second and third quarters of the year.

**Variable industrial costs,** net of components relating to the Essentiality Regime agreement in the fourth quarter of 2023, were EUR 1 million higher compared to the same period in 2022. Electricity costs increased by EUR 19 million, mainly attributable to the termination of the benefits from the TER Support Decree, offset by the sharp reduction in the electricity price. CO2 emissions costs decreased by EUR 12 million, due to lower emissions and higher free allowances. The remaining lower costs by EUR 6 million are attributable to the lower cost of catalysts and chemicals and nitrogen, whose price benefited from the afore-mentioned sharp reduction in electricity prices.

**In the fourth quarter 2023, fixed industrial costs,** net of the components relating to the Essentiality Regime agreement, increased by about EUR 4 million compared to the same period of the previous year, mainly following heavier unplanned maintenance activities as well as inflationary effects.

**In the fourth quarter 2023, the contribution of the Marketing channel within the comparable EBITDA, amounted to EUR 15.5 million,** higher than EUR 13.8 million in fourth quarter 2022. This change is mainly due to higher margins in Italy and Spain.

## Oil slate and refined products yield

The mix of crude oils that the Sarroch refinery processed in 2023 had an average density of 33.3°API, lower than the average density processed in 2022. This lighter density resulted by a higher processing of crude oils with a very low sulfur content ("light extra sweet") at the expense of those with a higher sulfur content ("medium sour"). This performance is due to the different availability of the gasification plant, which underwent the general shutdown in 2023; this led to the optimization of processing with light sweet crude oils characterized by higher yields in light and medium distillates. The change from medium sour to heavy sour crudes is instead related to the different geopolitical situation, which has led to a reduction in the availability of medium sour material (in particular of Middle Eastern origin) from the second half of 2022.

| | | FY 2023 | FY 2022 | Q4/23 |
|---|---|---|---|---|
| Light extra sweet | | 47% | 43% | 46% |
| Light sweet | | 10% | 10% | 9% |
| Medium sweet/extra sweet | | 1% | 1% | 3% |
| Medium sour | | 1% | 10% | 3% |
| Heavy sour/sweet | | 40% | 36% | 39% |
| Average crude gravity | °API | 33.3 | 32.8 | 32.9 |

**As regards the refined products yield**, in 2023, consistently with the production set-ups characterized by the shutdowns of some plants, the percentage yields in middle distillates decreased in favor of higher production of semi-finished products, fuel oil and naphtha.

| | | FY 2023 | FY 2022 | Q4/23 |
|---|---|---|---|---|
| LPG | Tons (thousand) | 266 | 269 | 55 |
| | yield (%) | 2.0% | 1.9% | 1.5% |
| NAPHTHA | Tons (thousand) | 651 | 525 | 175 |
| | yield (%) | 4.1% | 3.7% | 4.2% |
| GASOLINE | Tons (thousand) | 2,967 | 3,207 | 732 |
| | yield (%) | 22.6% | 22.6% | 21.1% |
| MIDDLE DISTILLATES | Tons (thousand) | 6,557 | 7,344 | 1,795 |
| | yield (%) | 48.5% | 51.7% | 50.1% |
| VERY LOW SULPHUR FUEL OIL | Tons (thousand) | 940 | 716 | 247 |
| | yield (%) | 7.0% | 5.0% | 6.9% |
| OTHERS | Tons (thousand) | 1,396 | 1,343 | 410 |
| | yield (%) | 10.3% | 9.5% | 11.5% |

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

# Renewables

The Saras Group has historically been active in the production and sale of electricity from renewable sources through its subsidiary Sardeolica Srl, which manages a wind farm located in Ulassai and Perdasdefogu areas (Sardinia) and, as of 2021 through the newly acquired Energia Verde Srl and Energia Alternativa Srl, owners of two wind farms located in Macchiareddu area (Cagliari).

In 2023, Saras' production from renewable sources amounted to 298,082 MWh, which corresponds to the annual electricity needs of around 208,013 people. The use of renewable wind power has therefore saved 381,791 barrels of oil and avoided CO2 emissions by around 193,158 tons. Furthermore, cumulatively, from the time it became operational until 31 December 2023, the wind farm's electricity production reached 3,499,607 MWh.

| *EUR million* | FY 2023 | FY 2022 | Change % | Q4/23 | Q4/22 | Change % |
|---|---|---|---|---|---|---|
| Reported EBITDA | 23.5 | 37.8 | -38% | 11.5 | 10.8 | 6% |
| ***Comparable EBITDA*** | **23.5** | **37.8** | **-38%** | **11.5** | **10.8** | **6%** |
| Reported EBIT | 14.7 | 29.9 | -51% | 9.2 | 9.4 | -2% |
| ***Comparable EBIT*** | **14.7** | **29.9** | **-51%** | **9.2** | **9.4** | **-2%** |
| | | | | | | |
| ***CAPEX*** | **46.0** | **18.9** | **143%** | **15.4** | **12.9** | **20%** |

| | | FY 2023 | FY 2022 | Change % | Q4/23 | Q4/22 | Change % |
|---|---|---|---|---|---|---|---|
| **ELECTRICITY PRODUCTION** | GWh | 298.1 | 273.4 | 9% | 105.9 | 67.7 | 56% |
| **POWER TARIFF** | EUR/MWh | 102.6 | 158.3 | -35% | 115.8 | 125.0 | -7% |
| **INCENTIVE TARIFF** | EUR/MWh | 0.0 | 42.8 | n.a | 0.0 | 42.8 | n.a |

# Reference Market

On 14 July 2021, the European Commission adopted the "Fit for 55" package in which the minimum target for reducing CO2 emissions by 55% by 2030 with respect to 1990 levels was set for the European Union. The "Fit for 55" package is part of the European Green Deal, which aims to put the EU on the path to climate neutrality by 2050.

A key element of the "Fit for 55" package is the revision of the Renewable Energy Directive (RED II) to help EU countries meet the new target of a 55% reduction in greenhouse gases. The objective of RED II is to promote and increase the use of renewable resources in the Union's energy mix. As part of RED II, the EU is required to ensure that at least 32% of its energy consumption comes from renewable energy sources (RES) by 2030.

On 31 October 2023, the new directive on renewable energies, RED III, was published in the European Official Gazette, amending RED II, which raised the binding target for the share of renewable energy in the EU's final energy consumption to 42.5% by 2030, with an even stricter commitment for member states to reach 45%, in line with the REPowerEU plan presented in May 2022 by Brussels. From that date, each Member State of the European Union will have 18 months to transpose the Directive and comply.

The Directive streamlines the procedures for the granting of permits for new renewable energy plants, such as solar panels and wind farms, or for the adaptation of existing ones. The Member States will have the task of defining specific "acceleration zones" for renewable energies, in which the authorization procedures will be faster, and where the national authorities will not be able to take more than 12 months to authorize the construction of new renewable energy plants. Outside these areas, the procedure cannot exceed 24 months.

The most recent Eurostat data on the penetration of renewable energies in the continental energy mix updated to 2022, with details for each EU Member State, show that the share of renewable sources in gross final energy consumption at EU level has reached 23% in 2022. Italy reached 19%. EU countries must therefore step up their efforts to collectively meet the new target for 2030, which requires an almost 20% increase in the share of renewable energy sources in the EU's gross final energy consumption.

**In 2023, there was actually a slight acceleration: according to WindEurope[2], EU countries installed 17 GW of new wind energy during the year, 14 GW onshore and 3 GW offshore, up slightly compared to the 16 GW added in 2022, and the most the EU has ever built in a single year.[2]** However, according to Brussels' estimates, at least 37 GW of new wind energy per year should be added to achieve the EU's 2030 target for renewable energy.

[2] trade association that includes the most important wind operators in Europe

## Comments on FY 2023 results

**In 2023, the Renewables segment's comparable EBITDA amounted to EUR 23.5 million,** lower than the EUR 37.8 million achieved in 2022. The lower EBITDA in 2023 is mainly due to the sharp reduction in sales electricity price, partially offset by higher production volumes. Electricity production amounted to 298.1 GWh, an increase of 24.7 GWh compared to the previous year; this increase is due primarily to the higher wind speeds recorded in the year.

With regard to the TER Support Decree, as amended, it should be noted that its application ended on 30 June 2023; the production priced at the 61 €/MWh price cap was 53% of the first half year production, with a negative impact on the EBITDA of approximately EUR 4.9 million in the year (vs a negative impact of EUR 25.4 million in the same period of the previous year).

Construction activities are proceeding on the 79 MW photovoltaic plant in the Macchiareddu industrial area, which is expected to come into operation within the first half year of 2024. In addition, it should be noted that in 2023 two authorizations were obtained for photovoltaic plants to be built at the Arcola deposit area and at the industrial plants in Sarroch for a total power of approximately 12 MW.

## Comments on fourth quarter 2023 results

**In the fourth quarter of 2023, the Renewables segment's comparable EBITDA amounted to EUR 11.5 million,** just above that recorded in the fourth quarter of 2022 (EUR 10.8 million). The change is related to the higher production volumes in the fourth quarter of 2023, offset by a reduction in the sale price. Electricity production amounted to 105.9 GWh, an increase of 38.2 GWh compared to the same period of 2022; this increase is due primarily to the higher wind speeds recorded during the quarter.

With regard to the TER Sostegni Decree and subsequent amendments, it should be noted that its application ended on 30th June 2023 and therefore had no impact in the fourth quarter of 2023 (vs a negative impact of EUR 6.1 million in the same period of the previous year).

# Investments by business segment

| *EUR million* | FY 2023 | FY 2022 | Q4/23 | Q4/22 |
|---|---|---|---|---|
| **INDUSTRIAL & MARKETING** | 178.4 | **86.8** | 22.0 | **26.3** |
| **RENEWABLES** | 46.0 | **18.9** | 15.4 | **12.9** |
| **Total** | **224.4** | **105.7** | **37.4** | **39.2** |

**The investments carried out by the Saras Group in 2023 amounted to EUR 224.4 million**, up from EUR 105.7 million in 2022.

**As for the Industrial & Marketing segment, investments in 2023 amounted to EUR 178.4 million,** an increase compared to EUR 86.8 million in 2022. The change compared to the previous year is attributable to the heavier maintenance and repair work to restore the useful life of a significant number of plants, in particular the multi-year shutdown of the IGCC plant (Gasification Combined Cycle Power Plant) which produces electricity under the Essentiality Regime agreement. Activities on the refinery's logistics infrastructures also resumed, in order to improve operating performance. As usual, some investments were dedicated to the continuation of activities ensuring compliance with the HSE requirements and to maintaining the operational efficiency of the plants. Lastly, it should be noted that during the year, activities were ongoing in order to allow for HVO treatment and biofuel production.

**As for the Renewables segment, investments in 2023 amounted to EUR 46.0 million,** an increase compared to EUR 18.9 million in 2022. These investments concerned the construction of the new photovoltaic plant located in the Macchiareddu industrial area.

# Outlook

In the Oil Market Report of February 2024, the International Energy Agency (IEA) confirmed the data on global oil demand growth in 2023, equal to + 2.3 Mbl/d compared to the previous year, and **estimated growth of +1.2 Mbl/d in 2024, higher than the estimates reported in last October's report, which will allow to reach an all-time record in terms of average demand of 103 Mbl/d**. In particular, global oil demand in 2024 will be supported by non-OECD economies, primarily China, India and Brazil, which alone will contribute to almost 80% of global growth. On the other hand, the OECD area will suffer a further slowdown in consumption, which already took hold at the end of 2023, as a result of the gradual pressure caused by restrictive monetary policies, combined with the generalized and growing effect of the numerous energy efficiency initiatives, and the increasing spread of electric vehicles.

From a supply perspective, 2024 began with a loss of production in North America of over 900K bbl/d, primarily as a result of the extreme weather conditions that shut down a number of oil fields in the Northwest, Texas, and in Canada. Including minor losses in other regions, total non-OPEC+ supply fell by 1Mbl/d in January 2024 compared to the previous month, while that of OPEC+ countries in the same period recorded a decline of 360k bbl/d. However, starting from the second quarter of this year, a recovery in supplies from non-OPEC+ countries (mainly the United States, Brazil, Guyana and Canada) is predicted, and the IEA expects growth to continue for the rest of the year. On the whole, despite the aforementioned losses recorded in January, according to the IEA, supply for the whole of 2024 is set to increase by 1.7 Mbl/day, up to the record average of 103.8 Mbl/d. Non-OPEC+ producers will supply 95% of the additional barrels in 2024. In stark contrast, the IEA forecasts that OPEC+ Russia production will increase by only 90k bbl/d, provided that the alliance actually decides to gradually release, starting from the second quarter, the additional cuts introduced last year.

**Looking at the refining sector, the IEA expects global processing to reach 83.3 Mbl/d in 2024, as the launch of large refineries in non-OECD countries will offset the lower production of European and US refineries, putting pressure in particular on gasoline exports from some obsolete and less competitive European sites.** Middle East (+630k bbl/d), China (+340k bbl/d) and Africa (+260k bbl/d) will drive production growth in 2024, thanks to the entry into service of the Al Zour refineries (615k bbl/d in Kuwait) and Duqm (230k bbl/d in Oman), the expected increase in production of Jizan (400k bbl/d in Saudi Arabia), as well as the 110k bbl/d expansion of the Sitra refinery in Bahrain, whose incremental production should reach the market in the second half of the year. In China, a significant increase in export shares compared to the levels reached at the end of 2023 is not expected, and however the Yulong refinery (400k bbl/d) will enter into service, which will offset some closures announced in the province of Shandong. Finally, growth in African production volumes is expected, thanks to the new refinery of Dangote (650k bbl/d in Nigeria), which should reach full operations in the second half of 2024. On the other hand, competitive analyses by experts show that some refineries in Europe will be at risk of closure or conversion into biorefineries.

Generally speaking, therefore, the IEA expects a better balance between supply and demand in 2024 when compared to 2023, with growth in refining runs which should meet global consumption.

Looking at the performance in crude oil prices in 2024, the intensification of geopolitical tensions in the Middle East (with the attacks on vessels in transit in the Red Sea), together with the aforementioned production interruptions in North America and Canada, have supported the reference crude oil prices of Brent Dtd, following the decline that had characterized the last quarter of 2023. In fact, after the low of around 76 $/bl at the beginning of the year, Brent DTD prices exceeded 85 $/bl in mid-February and, according to the main independent sector analysts, are expected to settle at around 80 $/bl also in subsequent quarters, albeit with fluctuations.

In this context, it should be recalled that the continuation of the OPEC+Russia production cuts and robust demand for this quality of crude oil in Asian countries could continue to sustain the cost of high-sulfur ("sour") crude oil, with a consequent erosion of part of the premium on the refining margin that can be obtained by the complex and high-conversion-capacity refineries (including that of the Saras Group).

Similarly, for crude oils with a low sulfur content (“sweet”), the forecasts of 2024 indicate that premiums will continue to be higher than the historical averages, due to expectations of robust levels for the crack spreads of medium and light distillates, although a gradual normalization is possible.

Moving on to the analysis of refined products, the main forecast sources consider that the current tensions along the import routes from the Middle East may be resolved, but they believe that the diesel crack spread may in any case remain high compared to historical levels, and higher than 20 $/bl , as Europe has now definitively renounced import flows via pipeline, replacing them with considerably more expensive flows by ship, mainly from refineries in the Middle and Far East. At the time of drafting this document, in the first two months of the year, the average exceeded 27 $/bl.

For the gasoline crack spread, after the seasonal decline in the last quarter of 2023, levels returned to close to 13-14 $/bl . Sector analysts believe that these values can also be confirmed as the average for the entire year, with more robust levels in the spring (coinciding with the scheduled maintenance season), and then also during the summer (in line with the seasonal dynamics of the "driving season").

Finally, electricity and CO2 prices in the first two months of 2024 averaged approximately 95 €/MWh and around 65 EUR/ton. According to sector analysts, the price of electricity, which has decreased compared to the average of the last quarter of 2023, could rise again due to the pressures that events in the Middle East have generated on the natural gas market. The prices of EUA permits on CO2 emissions declined in the first months of 2024, in continuity with the performance recorded in the last quarter of 2023. This is attributable to the slowdown in the industrial sector in the Eurozone, and to lower-than-expected winter consumption, due to mild temperatures. However, experts predict a recovery in CO2 prices with a return towards 80 EUR/ton over the next few quarters, in response to growing regulatory pressures and European decarbonization efforts.

**In light of these forecasts, still characterized by high volatility, the EMC Reference Margin in 2024 should remain higher than historical averages, albeit lower than in 2023.**

Also taking into consideration the operations of the industrial site of Sarroch, 2024 will be characterised by a lighter maintenance plan compared to 2023. The first quarter will see the turnaround of the alkylation plant used in the gasoline cycle, and of the tail gas treatment and sulfur recovery plant (Z3 and TGTU), and some minor maintenance work on a "topping" distillation unit (T1). In the second quarter, an atmospheric distillation unit, the "topping" (RT2) unit, and a vacuum distillation unit, the "vacuum" (V1) unit, will be affected by turnaround maintenance, with the simultaneous slowdown of operations of the IGCC plant. Lastly, in the third quarter no significant maintenance work is planned, while in the last quarter maintenance was planned for a cleaning of the "topping" (T2) and the "vacuum" (V2) units, and maintenance of a turbine, a washing line and two IGCC gasifiers. Overall, as regards the annual processing of crude oil, this is expected to be approximately 13.3 ÷ 13.8 million tons (or 97 ÷ 101 million barrels), which will be augmented by approximately 1 million tons of crude oil complementary plant feedstock (corresponding to roughly 7 million barrels); in addition, power generation is expected to be around 4.1 ÷ 4.3TWh, up compared to 2023 levels, consistent with the planned maintenance works and based on an assumed essential power requirement. In fact, it should also be recalled that Sarlux Srl's combined cycle power plant (IGCC) has been registered by TERNA under the "essential" plants for 2024 as well, and that it has been admitted to the related cost reimbursement regime by ARERA.

Activities started in 2023 aimed at improving the performances of the Industrial & Marketing segment will continue in 2024, with the involvement of a broad spectrum of commercial and industrial initiatives, and targeted at both margin maximization and cost optimization, with a view to maintaining the Sarroch refinery among the best assets in the sector and increasing its resilience to market volatility.

Given the expected reference scenario, as well as the operating conditions, maintenance activities, and specific efficiency initiatives described above, **the Company estimates that in 2024 it will be able to achieve an average annual premium compared to the EMC Reference margin of between 3.5 ÷ 4.5 $/bl.** Once again, it has to be noted that the Saras premium will benefit from the favorable conditions expected for product crack spreads, as will the EMC Reference margin; moreover, the Saras margin could be affected by the overall increase in the spreads of the various crude oils with respect to Brent, while this will not have an impact on the EMC Reference margin. Therefore, the combined effect of expected market developments is one of the main factors that explain the expectation of the average Saras premium indicated above.

**The forecasts relating to fixed costs of the Industrial & Marketing segment are equal to approximately EUR 380-400 million**, down compared to the year 2023 mainly due to the different maintenance plan envisaged and the impacts of the optimization initiatives in progress.

**Finally, the segment's investments are expected to amount to around EUR 170-180 million**, with the aim of continuing the process of increasing the efficiency and maintaining the competitiveness of the plants. This estimate includes approximately EUR 10 million of investments dedicated to the launch of Energy Transition projects.

**Concerning investments in the Renewables segment, the construction of the 79 MW "Helianto" photovoltaic park is expected to be completed by the first half of 2024,** which will bring the total installed and operating capacity of the Renewables segment to 250 MW in the second half year of the year. In 2024, works are expected to start on the construction of 2 additional photovoltaic plants, authorized in 2023, in the areas of Sarroch and Arcola for a total of approximately 12 MW (these plants are expected to be operational from the second half of 2025). In the first few months of 2024, the "IEA" was obtained for an additional wind power plant of approximately 25 MW ("Abbila", in the Ulassai and Perdasdefogu area), and the Single Authorizations are expected to be obtained in 2024, not only for Abbila, but also for two other wind farms called "Boreas" and "Monte Argentu" (in the Jerzu and Nurri areas), for a total installed capacity of approximately 100 MW. At the same time, activities are continuing for the development and submission of IEA applications for additional renewable projects.

The start of production of the "Helianto" photovoltaic park makes it possible to estimate a cumulative production for the whole of 2024 of approximately 350 GWh. It should also be noted that this production will be fully valued on the market in 2024 and it is estimated that the incentive component, which had been zero in 2023, will have an impact of approximately EUR 2 million.

With regard to investments in the Renewables segment, an aggregate amount of approximately EUR 40 million is expected in 2024, of which roughly EUR 13 million will be dedicated to the completion of the Helianto photovoltaic park, around EUR 11 million to the construction of new authorized wind farms and development activities, and a further EUR 14 million could be used to commence the construction of the new wind farms based on obtaining the related Single Authorizations.

Finally, with regard to the expected trend of the **Group Net Financial Position**, the forecasts of characteristic cash generation and the trend of working capital (by virtue of the scenario and performance assumptions hypothesized by the Company) allow us to hypothesize a positive end of year Net Financial Position for the Group.

The Energy Transition activities undertaken to seize the opportunities offered by new technologies will also continue in 2024: the Group actively follows the evolution of the regulatory context, **in order to seize future opportunities in the area of energy transition**.

The projects in progress include the following in particular:

- the development of a project for the construction of a 20 MW electrolyzer, with the aim **of producing green hydrogen for use in the Sarroch refinery**, powered by renewable energy. To this end, SARDHY, the JV with Enel Green Power was selected among the Italian beneficiaries of the public grants approved by the European Commission as part of the IPCEI Hy2Use. The total amount of the loan assigned to SardHy Green Hydrogen Srl is approximately EUR 102 million, of which a first tranche subject to a Concession decree of 28 December 2023, while the remainder will be disbursed under another decree at the issue phase. Activities involving the negotiation and finalization of contracts for the supply of materials and for works tenders are continuing. The first half of 2024 is expected to see the start of construction of the hydrolyzer at the Sarroch refinery, which is expected to enter into operations in the first half of 2026;
- the Carbon Capture and Storage (CCS**) project, in collaboration with Air Liquide, for which activities are in progress to define the aspects relating to the entire development chain, including logistics and transport, and to finalize costs and timings;**
- **the project dedicated to the use of hydrogen and CO2 for the production of synthetic fuels with the aim of optimizing the potential uses of CO2 for which a loan was awarded in 2023 as part of the “Hard to Abate” NRRP call for tenders.** The completion of engineering activities and the start of construction are expected in 2024, with construction expected to be completed by the end of 2025. The overall costs expected of approximately EUR 10 million will be mostly covered by loans;
- **concerning biofuel production**, various technical assessments are underway for the expansion and optimization of hydrogenated vegetable oil (HVO) production activities both in co-processing and in purity. In particular, investments and assessments are underway aimed at (i) installing a new catalyst that will allow additional production capacity of 20 kton per year of HVO in purity by the first half of 2024; (ii) optimizing logistics by insulating some discharge lines and tanks to expand the range of vegetable oils that can be used in co-processing to include high "*pour point*" oils; (iii) developing a new *pre-treatment* plant that will expand the range of oil crudes that can be used in the production of HVO in both co-processing and purity; (iv) *retrofitting* and *revamping* some existing desulfurization units (U300 and U700) that will allow future decisions about extending the production capacity of HVO and HEFA pro SAF up to 200 kton per year;

- **a "Waste To Fuel" project,** for which a financing application has been submitted for a European tender for the construction of a low-temperature pyrolysis plant for the production of advanced fuel and carbon black from used tires (about 14 kton/year). In 2024, the application for the related funds will be submitted and test activities will be finalized on a demonstration plant to consolidate the technology. Finally, the FEED and *permitting* will be started after the eventual awarding of the financing.

# Main events after the end of the year 2023

**On 17 January 2024**, the Ordinary Shareholders' Meeting of Sardeolica S.r.l. approved the plan to demerge the Helianto business unit into the newly incorporated Company SarHelianto S.r.l., a corporate vehicle through which the new photovoltaic park with a capacity of 79 MW in the industrial area of Macchiareddu (CA) will be built and managed.

**In January 2024**, the Company Saras Energy Management S.r.l., a wholly- subsidiary of Saras S.p.A., began operating as a dispatching user of the Sarlux S.r.l. IGCC plant on regulated markets for the purchase and sale of electricity.

On 11 February 2024, Saras issued a press release disseminated upon request and on behalf of Massimo Moratti SAPA, Massimo Moratti, Angel Capital Management S.p.A., Stella Holding S.p.A. and Vitol BV, concerning the following (for the full content, please refer to the website of the Company, at the link https://www.saras.it/sites/default/files/uploads/pressreleases/press-release-shareholders-and-vitol---eng.pdf):

Massimo Moratti S.a.p.A. di Massimo Moratti, Angel Capital Management S.p.A. ("ACM"), and Stella Holding S.p.A. (collectively the "Moratti family") and Vitol B.V., a Company based in The Netherlands (or a wholly-controlled entity designated by Vitol), ("Vitol") have entered into a sale and purchase agreement (the "SPA") pursuant to which the Moratti family has undertaken to sell to Vitol, shares of Saras S.p.A. ("Saras") representing approx. 35% of Saras's corporate capital (the "Transaction"), at a price per share equal to €1.75/share (the "Price per Share"). Under the SPA and subject to fulfilment of certain circumstances set forth therein, ACM has undertaken to sell to Vitol the shares of Saras (if any) that ACM may be entitled to receive under the existing funded collar derivative contract, covering approx. 5% of Saras's corporate capital. If a dividend distribution is resolved and paid by Saras before the closing date of the Transaction, the Price per Share will be reduced accordingly. Completion of the Transaction is exclusively subject to obtaining the required regulatory approvals (i.e., the clearances under the EU foreign subsidies regulation, the EU antitrust regulation and the Golden Power framework). Upon the closing, the entire stake owned by the Moratti family in Saras will be transferred to Vitol. This will trigger a mandatory tender offer for the outstanding share capital of Saras, which will be launched by Vitol at the same Price per Share (i.e., €1.75/share), as may be adjusted in case of dividend distribution occurring before closing of the Transaction. The goal of the MTO is to achieve a delisting from the Milan Stock Exchange, which may also be achieved through delisting merger should the required conditions be met. The price of €1.75/share values the equity of Saras at approximately €1.7 billion and represents a premium of:

- Approx. 10% to the unaffected share price
- Approx. 7% to the unaffected one-month volume-weighted average share price
- Approx. 12% to the unaffected three-month volume-weighted average share price
- Approx. 21% to the unaffected six-month volume-weighted average share price
- Approx. 30% to the unaffected twelve-month volume-weighted average share price

(*) Unaffected price refers to the closing market price as of February 6, 2024 (i.e., the date before the Bloomberg press notice referring to a potential sale by the Moratti family).

With reference to the authorization process, pursuant to Decree Law 21/2012 and subsequent amendments and additions (so-called "Golden Power Regulation"), it should be noted that the related notice to the Presidency of the Council of Ministers was submitted on 23 February 2024.

As of today, Vitol B.V. holds a 10.387% stake in Saras S.p.A.

# Shareholders' Meeting

The Board of Directors has given a mandate to the Chairman to convene the Ordinary Shareholders' Meeting on first call on 29th April 2024, as also indicated in the calendar of corporate events for the 2024 financial year. The notice of call convening the meeting and the related documentation will be published within the terms and in the manner prescribed by the law and regulations in force.

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Financial Position at 31 December 2023

| Thousands of EUR | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | **2,450,542** | **3,010,759** |
| Cash and cash equivalents | 542,651 | 707,115 |
| Other financial assets | 114,535 | 187,555 |
| Trade receivables | 488,778 | 728,881 |
| *of which with related parties:* | | *97* |
| Inventories | 1,247,087 | 1,287,312 |
| Current tax assets | 27,242 | 74,929 |
| Other assets | 30,249 | 24,967 |
| **Non-current assets** | **1,314,084** | **1,253,568** |
| Property, plant and equipment | 1,172,659 | 1,147,135 |
| Intangible assets | 38,922 | 40,802 |
| Right-of-use of leased assets | 38,480 | 45,384 |
| Other equity investments | 745 | 745 |
| Deferred tax assets | 20,812 | 15,398 |
| Other financial assets | 3,812 | 4,104 |
| Other assets | 38,654 | |
| **Non-current assets held for sale** | **333** | **333** |
| **Total assets** | **3,764,959** | **4,264,660** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | **1,766,039** | **2,327,702** |
| Short-term financial liabilities | 148,993 | 224,376 |
| Trade and other payables | 1,417,706 | 1,444,441 |
| Current tax liabilities | 118,216 | 356,952 |
| Other liabilities | 81,124 | 301,933 |
| **Non-current liabilities** | **654,371** | **724,584** |
| Long-term financial liabilities | 345,245 | 446,909 |
| Provisions for risks and charges | 276,522 | 267,800 |
| Provisions for employee benefits | 5,967 | 6,002 |
| Deferred tax liabilities | 3,730 | 3,730 |
| Other liabilities | 22,907 | 143 |
| **Total liabilities** | **2,420,410** | **3,052,286** |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | 54,630 | 54,630 |
| Legal reserve | 10,926 | 10,926 |
| Other reserves | 965,056 | 729,902 |
| Net result | 313,937 | 416,916 |
| **Total parent company shareholders' equity** | **1,344,549** | **1,212,374** |
| Third-party minority interests | - | - |
| **Total shareholders' equity** | **1,344,549** | **1,212,374** |
| **Total liabilities and shareholders' equity** | **3,764,959** | **4,264,660** |

# Consolidated Income Statement and Consolidated Statement of Comprehensive Income:
# 1 January – 31 December 2023

| Thousands of EUR | 1st January 31st December 2023 | 1st January 31st December 2022 |
|---|---|---|
| Revenues from ordinary operations | 11,373,826 | 15,777,146 |
| Other income | 69,611 | 58,638 |
| *of which with related parties:* | *101* | *117* |
| **Total revenues** | **11,443,437** | **15,835,784** |
| Purchases of raw materials and consumables | (9,439,390) | (12,869,707) |
| Cost of services and sundry costs | (1,177,393) | (1,621,185) |
| *of which with related parties:* | *(1,210)* | *(954)* |
| Personnel costs | (164,252) | (174,542) |
| Depreciation/amortization and write-downs | (209,540) | (204,715) |
| **Total costs** | **(10,990,575)** | **(14,870,149)** |
| **Operating result** | **452,862** | **965,635** |
| Financial income | 199,955 | 240,087 |
| Financial charges | (231,908) | (316,552) |
| **Result before taxes** | **420,909** | **889,170** |
| Income taxes | (106,972) | (472,254) |
| **Net result** | **313,937** | **416,916** |
| **Net result attributable to:** | | |
| Shareholders of the parent company | 313,937 | 416,916 |
| Third-party minority interests | | |
| **Net earnings per share – base** (EUR cents) | **33.01** | **43.84** |
| **Net earnings per share – diluted** (EUR cents) | **33.01** | **43.84** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 st JANUARY- 31st DECEMBER 2023

| Thousands of EUR | 1st January 31st December 2023 | 1st January 31st December 2022 |
|---|---|---|
| **Net result (A)** | **313,937** | **416,916** |
| **Items of comprehensive income that may subsequently be restated to profit or loss for the year** | | |
| Effect of translation of the financial statements of foreign operations | (614) | 565 |
| Cash Flow Hedging reserve | (137) | 137 |
| **Items of comprehensive income that will not be restated to profit or loss for the year** | | |
| Actuarial effect IAS 19 on employee post-employment benefits | (321) | 1,038 |
| **Other profit/(loss), net of the fiscal effect (B)** | **(1,072)** | **1,740** |
| **Total consolidated net result (A + B)** | **312,865** | **418,656** |
| **Total consolidated net result attributable to:** | | |
| Shareholders of the parent company | 312,865 | 418,656 |
| Third-party minority interests | | |

## Consolidated Statement of Changes in Shareholders' Equity: at 31 December 2023

| Thousands of EUR | Share Capital | Legal Reserve | Other reserves | Profit (Loss) for the year | Total shareholders' equity attributable to the parent company | Third-party minority interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at 31/12/2021** | **54,630** | **10,926** | **718,828** | **9,334** | **793,718** | | **793,718** |
| Allocation of previous year result | | | 9,334 | (9,334) | | | |
| Conversion effect of financial statements in foreign currency | | | 565 | | 565 | | 565 |
| Actuarial effect IAS 19 | | | 1,038 | | 1,038 | | 1,038 |
| Cash Flow Hedging reserve | | | 137 | | 137 | | 137 |
| Net result | | | | 416,916 | 416,916 | | 416,916 |
| *Total net result* | | | *1,740* | *416,916* | *418,656* | | *418,656* |
| **Balance at 31/12/2022** | **54,630** | **10,926** | **729,902** | **416,916** | **1,212,374** | | **1,212,374** |
| Allocation of previous year result | | | 416,916 | (416,916) | | | |
| Dividend distributed | | | (180,690) | | (180,690) | | (180,690) |
| Conversion effect of financial statements in foreign currency | | | (614) | | (614) | | (614) |
| Actuarial effect IAS 19 | | | (321) | | (321) | | (321) |
| Cash Flow Hedging reserve | | | (137) | | (137) | | (137) |
| Net result | | | | 313,937 | 313,937 | | 313,937 |
| *Total net result* | | | *(1,072)* | *313,937* | *312,865* | | *312,865* |
| **Balance at 31/12/2023** | **54,630** | **10,926** | **965,056** | **313,937** | **1,344,549** | | **1,344,549** |

## Consolidated Statement of Cash Flow:
## at 31 December 2023

| Thousands of EUR | 1/1/2023-31/12/2023 | 1/1/2022-31/12/2022 |
|---|---|---|
| **A - Initial cash and cash equivalents** | **707,115** | **366,680** |
| **B - Cash flow from (for) operating activities** | | |
| Net result | 313,937 | 416,916 |
| Unrealized exchange rate differences on bank current accounts | 20,228 | 37,238 |
| Depreciation/amortization and write-downs of fixed assets | 209,540 | 204,715 |
| Net change in provisions for risks | 8,722 | 108,082 |
| Net change in provision for employee benefits | (35) | (881) |
| Net change in deferred tax liabilities and deferred tax assets | (5,414) | 81,153 |
| Net interest | 37,737 | 29,832 |
| Income taxes | 112,386 | 391,101 |
| Change in the fair value of derivatives | (53,563) | (6,633) |
| Other non-monetary components | (1,072) | 1,740 |
| **Profit (loss) of operating activities before changes in working capital** | **642,466** | **1,263,264** |
| (Increase) / Decrease in trade receivables | 240,103 | (182,370) |
| (Increase) / Decrease in inventories | 40,225 | (118,140) |
| Increase / (Decrease) in trade and other payables | (26,735) | (136,123) |
| Change in other current assets | 42,405 | (12,623) |
| Change in other current liabilities | (187,536) | 208,329 |
| Interest received | 7,539 | 1,286 |
| Interest paid | (45,276) | (31,118) |
| Taxes paid | (384,396) | (114,804) |
| Change in other non-current liabilities | (15,889) | (48) |
| **Total (B)** | **312,906** | **877,652** |
| **C - Cash flow from (for) investment activities** | | |
| Net investments in property, plant and equipment and intangible assets | (224,091) | (113,583) |
| Net investments in Right-of-use of leased assets | (2,189) | (10,963) |
| (Increase)/Decrease in other financial assets and other equity investments | 139,879 | 5,498 |
| Change in non-current assets held for sale | | (333) |
| **Total (C)** | **(86,401)** | **(119,381)** |
| **D - Cash flow from (for) financing activities** | | |
| Increase/(decrease) m/l-term financial payables | (101,664) | 395,064 |
| Increase/(decrease) in short-term financial payables | (88,387) | (775,662) |
| Dividend paid | (180,690) | |
| **Total (D)** | **(370,741)** | **(380,598)** |
| **E - Cash flows for the year (B+C+D)** | **(144,236)** | **377,673** |
| Unrealized exchange rate differences on bank current accounts | (20,227) | (37,237) |
| **F - Final cash and cash equivalents** | **542,651** | **707,115** |

# SARAS SPA FINANCIAL STATEMENTS

## Saras SpA Statement of Financial Position as at:
## at 31 December 2023

| Thousands of EUR | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | **2,563,633** | **3,344,083** |
| Cash and cash equivalents | 474,419 | 599,349 |
| Other financial assets | 461,580 | 867,916 |
| *of which with related parties:* | *401,456* | *742,695* |
| Trade receivables | 485,578 | 708,465 |
| *of which with related parties:* | *265,780* | *504,113* |
| Inventories | 1,101,571 | 1,153,882 |
| Current tax assets | 21,753 | 2,924 |
| Other assets | 18,732 | 11,547 |
| *of which with related parties:* | *8,869* | *1,810* |
| **Non-current assets** | **538,654** | **503,093** |
| Property, plant and equipment | 6,788 | 7,358 |
| Intangible assets | 2,455 | 3,014 |
| Right-of-use of leased assets | 4,104 | 5,868 |
| Equity investments measured at cost | 483,471 | 483,371 |
| Other equity investments | 738 | 738 |
| Other financial assets | 2,444 | 2,744 |
| Other assets | 38,654 | |
| **Total assets** | **3,102,287** | **3,847,176** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | **1,626,675** | **2,367,416** |
| Short-term financial liabilities | 167,340 | 251,309 |
| *of which with related parties:* | *25,565* | *55,310* |
| Trade and other payables | 1,327,346 | 1,647,517 |
| *of which with related parties:* | *391,172* | *653,489* |
| Current tax liabilities | 101,504 | 311,406 |
| Other liabilities | 30,485 | 157,184 |
| *of which with related parties:* | *3,546* | *124,311* |
| **Non-current liabilities** | **360,059** | **431,304** |
| Long-term financial liabilities | 318,497 | 409,543 |
| Provisions for risks and charges | 1,504 | 5,420 |
| Provisions for employee benefits | 1,616 | 1,524 |
| Deferred tax liabilities | 15,607 | 14,817 |
| Other liabilities | 22,835 | |
| **Total liabilities** | **1,986,734** | **2,798,720** |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | 54,630 | 54,630 |
| Legal reserve | 10,926 | 10,926 |
| Other reserves | 801,997 | 583,739 |
| Net result | 248,000 | 399,161 |
| **Total shareholders' equity** | **1,115,553** | **1,048,456** |
| **Total liabilities and shareholders' equity** | **3,102,287** | **3,847,176** |

## Saras SpA Income Statement and Statement of Comprehensive Income: 1 January – 31 December 2023

| Thousands of EUR | 1st January 31st December 2023 | 1st January 31st December 2022 |
|---|---|---|
| Revenues from ordinary operations | 10,189,488 | 13,904,945 |
| *of which with related parties:* | *712,395* | *4,182,762* |
| Other income | 79,386 | 101,750 |
| *of which with related parties:* | *47,011* | *87,151* |
| **Total revenues** | **10,268,874** | **14,006,695** |
| Purchases of raw materials and consumables | (8,723,411) | (11,724,870) |
| *of which with related parties:* | *(1,682,823)* | *(1,955,838)* |
| Cost of services and sundry costs | (1,147,872) | (1,259,315) |
| *of which with related parties:* | *(716,976)* | *(665,620)* |
| Personnel costs | (43,421) | (52,829) |
| Depreciation/amortization and write-downs | (5,087) | (5,242) |
| **Total costs** | **(9,919,791)** | **(13,042,256)** |
| **Operating result** | **349,083** | **964,439** |
| Net income (charges) from equity investments | 600 | (13,041) |
| *of which with related parties:* | *600* | *(13,041)* |
| Financial income | 229,830 | 251,071 |
| *of which with related parties:* | *33,593* | *20,413* |
| Financial charges | (228,594) | (310,540) |
| *of which with related parties:* | *(1,654)* | *(5,219)* |
| **Result before taxes** | **350,919** | **891,929** |
| Income taxes | (102,919) | (492,768) |
| **Net result** | **248,000** | **399,161** |

### SARAS S.p.A. - STATEMENT OF COMPREHENSIVE INCOME FOR 1st JANUARY- 31st December 2023

| Thousands of EUR | 1st January 31st December 2023 | 1st January 31st December 2022 |
|---|---|---|
| **Net result (A)** | **248,000** | **399,161** |
| **Items of comprehensive income that may subsequently be restated to profit or loss for the year** | | |
| Cash Flow Hedging reserve | (137) | 137 |
| **Items of comprehensive income that will not be restated to profit or loss for the year** | | |
| Actuarial effect IAS 19 on employee post-employment benefits | (76) | 219 |
| **Other profit/(loss), net of the fiscal effect (B)** | **(213)** | **357** |
| **Consolidated net result (A + B)** | **247,787** | **399,518** |

## Statement of changes in Shareholders' Equity of Saras SpA: at 31 December 2023

| Thousands of EUR | Share Capital | Legal reserve | Other reserves | Profit (Loss) for the year | Total shareholders'equity |
|---|---|---|---|---|---|
| **Balance at 31/12/2021** | **54,630** | **10,926** | **553,324** | **30,058** | **648,938** |
| Allocation of previous year result | | | 30,058 | (30,058) | |
| Actuarial effect IAS 19 | | | 219 | | 219 |
| Cash Flow Hedging reserve | | | 137 | | 137 |
| Net result | | | | 399,161 | 399,161 |
| *Total net result* | | | *357* | *399,161* | *399,518* |
| **Balance at 31/12/2022** | **54,630** | **10,926** | **583,739** | **399,161** | **1,048,456** |
| Allocation of previous year result | | | 399,161 | (399,161) | |
| Dividend distributed | | | (180,690) | | (180,690) |
| Actuarial effect IAS 19 | | | (76) | | (76) |
| Cash Flow Hedging reserve | | | (137) | | (137) |
| Net result | | | | 248,000 | 248,000 |
| *Total net result* | | | *(213)* | *248,000* | *247,787* |
| **Balance at 31/12/2023** | **54,630** | **10,926** | **801,997** | **248,000** | **1,115,553** |

# Saras SpA Statement of Cash Flow: at 31 December 2023

| Thousands of EUR | 1/1/2023 - 31/12/2023 | 1/1/2022 - 31/12/2022 |
|---|---|---|
| **A - Initial cash and cash equivalents** | **599,349** | **301,172** |
| **B - Cash flow from (for) operating activities** | | |
| Net result | 248,000 | 399,161 |
| Unrealized exchange rate differences on bank current accounts | 20,737 | (6,653) |
| Depreciation/amortization and write-downs of fixed assets | 5,087 | 5,242 |
| Net (income) charges from equity investments | (600) | 13,041 |
| *of which with related parties:* | *(600)* | *13,041* |
| Net change in provisions for risks | (3,916) | (494) |
| Net change in provision for employee benefits | 92 | (152) |
| Net change in deferred tax liabilities and deferred tax assets | 790 | 34,394 |
| Net interest | 5,339 | 10,412 |
| Income taxes | 102,129 | 458,374 |
| Change in the fair value of derivatives | (19,195) | (21,480) |
| Other non-monetary components | (213) | 357 |
| **Profit (loss) of operating activities before changes in working capital** | **358,249** | **892,202** |
| (Increase) Decrease in trade receivables | 222,887 | (122,618) |
| *of which with related parties:* | *238,333* | *(94,673)* |
| (Increase) / Decrease in inventories | 52,311 | (163,534) |
| Increase / (Decrease) in trade and other payables | (320,171) | 242,530 |
| *of which with related parties:* | *(262,317)* | *232,291* |
| Change in other current assets | (26,014) | 29,909 |
| *of which with related parties:* | *(7,058)* | *2,429* |
| Change in other current liabilities | (63,497) | (99,813) |
| *of which with related parties:* | (120,765) | (534,163) |
| Interest received | 39,973 | 17,978 |
| *of which with related parties:* | *33,593* | *20,413* |
| Interest paid | (45,312) | (28,390) |
| *of which with related parties:* | *(1,654)* | *(5,219)* |
| Taxes paid | (375,233) | (94,651) |
| Change in other non-current liabilities | (15,248) | |
| **Total (B)** | **(172,055)** | **673,614** |
| **C - Cash flow from (for) investment activities** | | |
| Net investments in property, plant and equipment and intangible assets | (2,764) | (7,035) |
| Change in equity investments | 500 | (238) |
| (Increase) / decrease in other financial assets | 438,756 | (114,271) |
| *of which with related parties:* | *341,239* | |
| **Total (C)** | **436,492** | **(121,544)** |
| **D - Cash flow from (for) financing activities** | | |
| Increase / (decrease) m/l-term financial payables | (91,046) | 398,736 |
| Increase / (decrease) short-term financial payables | (96,894) | (659,280) |
| *of which with related parties:* | *(29,744)* | *(361,442)* |
| Dividend paid | (180,690) | |
| **Total (D)** | **(368,630)** | **(260,544)** |
| **E - Cash flows for the year (B+C+D)** | **(104,193)** | **291,525** |
| Unrealized exchange rate differences on bank current accounts | (20,737) | 6,653 |
| **F - Final cash and cash equivalents** | **474,419** | **599,349** |