SARAS

The Board of Directors of SARAS SpA approves the Half-Year Financial Report as of 30th June 2019[1]

- ❖ H1/19 results influenced by the great volatility of the oil market and by a relevant maintenance activity carried out on the plants Topping “T2”, Vacuum “V2”, CCR and MHC1 that, in the first months of 2019, were stopped for about 60 days due to one of the main turnaround of last 5 years.
- ❖ After successfully completing an important multi-year turnaround in the first quarter, the refinery in the second quarter operated at full capacity and achieved an excellent operating and commercial performance that offset the unfavorable scenario (EMC benchmark margin close to zero in Q2/19).
- ❖ Net Financial Position at 30th June 2019 positive at EUR 77 million (versus Net Financial Position of EUR 46 million on 31st December 2018) before the effect of IFRS16. Equal to EUR 28 million post the effect of IFRS16.
- ❖ Having received all the authorization, from August it will be started the bunkering activity in Cagliari area.
- ❖ EMC benchmark strongly recovered from the end of the second quarter, thanks to the stabilization of oil prices, the seasonal strengthening of the gasoline crack and the improvement in the diesel crack spread. The refinery is ready to seize the opportunities deriving from the introduction of the IMO regulation on marine engine emissions which is expected to determine, starting from the second half of 2019, favorable conditions for high conversion and integrated refineries such as the Saras Group’s one.

Milan, 30th July 2019: The Board of Directors of Saras SpA met today under Chairman Massimo Moratti and approved the Half-Year Consolidated Financial Report as of 30th June 2019, audited. The results of the second quarter, which are unaudited, are also presented here below for sake of continuity and completeness of the information provided.

Saras Group key financial and operational results [2]

EUR Million	H1 2019	H1 2018	Change %	Q2/19	Q2/18	Change %
REVENUES	4,684	5,591	-16%	2,590	3,172	-18%
EBITDA reported	195.7	271.4	-28%	87.2	199.2	-56%
Comparable EBITDA	**99.7**	**150.4**	**-34%**	**76.9**	**78.8**	**-2%**
EBIT reported	101.7	186.5	-45%	39.4	156.1	-75%
Comparable EBIT	**5.8**	**65.5**	**-91%**	**29.2**	**35.7**	**-18%**
NET RESULT reported	24.0	81.4	-70%	28.2	58.9	-52%
***Comparable* NET RESULT**	**(36.6)**	**14.9**	**-346%**	**4.2**	**6.3**	**-34%**

EUR Million	H1 2019	H1 2018		Q2/19	Q2/18	FY 2018
NET FINANCIAL POSITION ANTE IFRS 16	**76.5**	**42.0**		**76.5**	**42.0**	**46.0**
NET FINANCIAL POSITION POST IFRS 16	**28.0**			**28.0**		
CAPEX	**204.2**	**85.0**		**89.2**	**35.9**	**242.9**

After the meeting, the Chairman Massimo Moratti declared:

"The results of the first half were influenced by the great volatility of the oil market, high prices of heavy crude and by a significant planned maintenance cycle that we have completed successfully and on time. We are ready, starting from the second half of the year, to fully benefit from a scenario that is expected to be more favourable,

[1] Pursuant to the provisions of article 154 bis, paragraph 2, of the Consolidated Finance Act, **Mr. Franco Balsamo, the Executive Director responsible for the preparation of the company’s financial reporting,** states that the financial information set out in this press release corresponds to the company’s documents, books and accounting records.

[2] In order to give a better representation of the Group’s operating performance better reflecting the more recent market dynamic, and in line with the standard practice in the oil industry, the operating results and the Net Result are displayed valuing inventories with FIFO methodology but, compared to reported results, excluding unrealized inventories gain and losses due to changes in the scenario by valuing beginning-of-period inventories at the same unitary value of the end-of-period ones. Moreover the realized and unrealized differentials on oil and exchange rate derivatives with hedging nature which involve the exchange of physical quantities, are reclassified in the operating results, as they are related to the Group industrial performance, even if non accounted under the hedge accounting principles. Non-recurring items by nature, relevance and frequency and derivatives related to physical deals not of the period under analysis, are excluded by the operating results and the Net Result Comparable. Results calculated as above, called “comparable”, are performance indicators not defined by the International Accounting Standards (IAS/IFRS) and they are not subject to audit.

also thanks to improving refining margins and the first effects of the IMO legislation that will come into force on 1st January 2020, resulting in positive market conditions for high-conversion and integrated refineries like ours.

We are proceeding swiftly in the implementation of the business plan: we sold service stations in Spain to Kuwait Petroleum on 25 July. We have obtained all the authorizations and we will soon start the direct sale of bunker fuels in the Cagliari area. We are also installing 9 new turbines at the Ulassai wind farm to expand its capacity by 30 MW, increasing our presence in renewable sources."

Comments to First Half 2019 Group Results

The Groups revenues in H1/19 were EUR 4,684 million compared to EUR 5,591 million in the first half of last year. The change reflects the different classification, carried out starting from Q4/18, of the revenues and costs related to the trading activity. Moreover average oil and products prices were lower and as well as refinery runs as effect of a heavier planned maintenance program. In the first months of 2019, it was carried out one of the main turnaround of the last 5 years and the Topping "T2", Vacuum "V2", CCR and MHC1 were stopped for about 60 days. In detail, in H1/19 the price of gasoline averaged at 596 $/ton (compared to the average of 669 $/ton in H1/18), while the price of diesel averaged out to 594 $/ton (compared to the average of 623 $/ton in H1/18). As a result, revenues were lower by approximately EUR 855 million in the Refining segment and by more than EUR 50 million in the Marketing segment, also as effect of lower volumes sold (-6% vs H1/18).

The Group's reported EBITDA in H1/19 was EUR 195.7 million, below the EUR 271.4 million reported in H1/18. This difference was mainly attributable to the Refining segment that, in the first half of 2019, operated in a less favourable scenario, with lower gasoline crack spread and discounts on heavy sour crudes, and achieved lower volumes compared to the same period last year due to the above mentioned heavy maintenance program. Moreover, it enjoyed a positive scenario effect on the differences between the beginning and the end of the period inventories but lower than the one registered in the same period of the previous year.

The reported Group Net Result was equal to EUR 24.0 million, compared to EUR 81.4 million in H1/18 mainly as effect of what described at EBITDA level. In H1/19, amortisation and depreciation charges were slightly ahead of the same period of previous year (EUR 94.0 million as compared to EUR 85.0 million in H1/18), as effect of the application of IFRS 16 and the entry in operation of new investments. Financial charges stood at EUR 8.8 million (EUR 6.7 million in H1/18). Finally other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative by approximately EUR 54 million in H1/19 compared to a negative contribution of about EUR 66 million in H1/18.

The comparable Group EBITDA was EUR 99.7 million in H1/19, down versus EUR 150.4 million achieved in H1/18. This result is mainly attributable to the Refining and Power Generation segments, which achieved lower volumes in the first half due to the relevant maintenance program carried out and, as already commented, operated in a less favourable scenario. **The comparable Group Net Result in H1/19 was EUR -36.6 million,** versus EUR 14.9 million in H1/18.

It is worth noting that the aforementioned turnaround, penalised EBITDA by an estimated amount of EUR 60 million.

Investments in H1/19 were EUR 204.2 million mainly focused on the Refining segment (EUR 169.9 million). Of the latter approximately EUR 70 million refers to the capitalization of costs, mainly related to the aforementioned multi-annual turnaround.

The **Net Financial Position as at 30th June 2019 ante effects of the IFRS 16 was positive by EUR 77 million**, improving versus the EUR 46 million as at 31 December 2018. The cash flow generated by operations and the working capital release were absorbed by the investments made in the period and the payment of dividend in May. The Net Financial Position as at 30th June 2019 post effects of the IFRS 16 (negative by EUR 49 million) was positive by EUR 28 million.

Comments to Second Quarter 2019 Group Results

The Groups revenues in Q2/19 were EUR 2,590 million down 18% compared to EUR 3,172 million in the second quarter of last year. Such dynamic is due to the lower average oil and products prices compared to the same period of last year and the different classification, carried out starting from Q4/18, of the revenues and costs related to the trading activity. In particular, in Q2/19 the price of gasoline averaged at 644 $/ton (compared to the average of 707 $/ton in Q2/18), while the price of diesel averaged out to 603 $/ton (compared to the average of 657 $/ton in Q2/18). Refining segment revenues were lower by approximately EUR 530 million and Marketing segment revenues declined by about EUR 60 million (also as effect of lower volumes by 8% vs Q2/18).

The Group's reported EBITDA in Q2/19 was EUR 87.2 million, down versus the EUR 199.2 million in Q2/18. The comparable results of the Refining and Marketing segments were stable, while the effect of the scenario on inventories was positive but lower than the same period of the previous year. Furthermore, the effect of hedging derivatives and net exchange differences, which are reported among financial income and charges, were positive for around EUR 24 million in Q2/19 while they were negative for around EUR 39 million in Q2/18. Finally, it should be noted that the second quarter of the previous year benefited from non-recurring items for over EUR 11 million.

The reported Group Net Result was equal to EUR 28.2 million, compared to EUR 58.9 million in Q2/18. In Q2/19, amortisation and depreciation charges were slightly above the same period of previous year (EUR 47.8 million versus EUR 43.1 million in Q2/18) for the above mentioned reasons while financial charges (equal to EUR 3.2 million) were in line with Q2/18. Finally other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were positive by approximately EUR 10 million in Q2/19 compared to a negative amount of approximately EUR 69 million in Q2/18.

The comparable Group EBITDA was EUR 76.9 million in Q2/19, broadly in line with the EUR 78.8 million earned in Q2/18 thanks to the stability of Refining and Marketing combined results. The refinery in particular was able to offset the challenging market scenario, featured by lower gasoline and diesel crack spreads and tight heavy-sour crude discounts with higher runs and a sound industrial performance. **The comparable Group Net Result in Q2/19 was EUR 4.2 million,** versus EUR 6.3 million in Q2/18.

Investments in Q2/19 were EUR 89.2 million mainly focused on the Refining segment (EUR 67.2 million).

Outlook

The price of Brent, after reaching in November 2018 the maximum values of the last 4 years (over 85 $/bl), fell rapidly and the year 2019 opened around 60 $/bl, despite the agreement reached by the OPEC countries and other important producers about the implementation of production cuts of around 1.2 mbl/d. The experts anticipate a substantially balanced oil market for the current year, thanks to continuous increases in production by unconventional US shale oil players, which will offset the aforementioned production cuts. The forward curve point to a Brent of around 65 $/bl for the remaining part of the year. The price differential between light and heavy crude confirms to be tight due to the implementation of production cuts by OPEC+ producers and the US sanctions against Iran and Venezuela.

Moving to the profitability of the main refined products, the gasoline crack spread was weak in Q1/19 due to excess production and high inventory levels but it recovered from the second quarter in coincidence with the summer specifications, according to the usual seasonal pattern. As for middle distillates, experts agree to indicate a robust crack spread further strengthening in the second half of the year when the effects of the IMO regulation will start to emerge, in particular in the fourth quarter in conjunction with the preparation of the bunkering global supply logistics for the new legislation.

Completed in the first half of the year the heaviest part of the scheduled maintenance the refining is ready to seize the opportunities deriving from the new IMO regulation which is expected to begin to take effect in anticipation to the entry into force on 1st January 2020, determining awarding conditions for high-conversion refineries such as Saras' one. These market conditions should lead to **higher refining margins in the second half of the year**. The Saras group will aim to achieve an **average premium above the EMC Benchmark margin of around 2.4 ÷ 2.8 $/bl (net of maintenance).**

Having received all the authorizations required, the company will start on August the bunkering business in Cagliari area that is expected to contribute positively to the Group results.

As for the Marketing segment results, it expected the consolidation of the good results achieved in the first half of the year. The contribution of this activity must be considered jointly to that of refining due to the strong coordination between technical and commercial skills on which our business model is based.

The annual planned maintenance program on power generation plant was completed in the first half of the year and no further activity is scheduled for the rest of the year. Total electricity production in 2019 is expected broadly in line with previous year, while CIP6 tariff is influenced by lower gas prices driven by large availability of gas on the market.

Finally it is underway the 30 MW expansion of our wind farm. The new turbines are expected to enter into operation in the last quarter of the year.

Net Financial Position by year end is expected to stay positive.

Conference call on 30th July 2019 and other information

On July 30th, 2019, the Board of Directors of Saras SpA will meet in order to approve the Second Quarter and First Half 2019 Group's results. Subsequently a dedicated press release will be issued via SDIR and, at the same time, a slide presentation will become available on the company's website (www.saras.it).

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

Dial in numbers:

For Italy: +39 02 805 88 11
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Link for the live webcast: https://services.choruscall.eu/links/saras190730.html

Playback and transcript of the webcast will also be available on the company's website. For any enquiries, please contact Saras' Investor Relations Department.

This press release has been prepared pursuant to the Regulation implementing Legislative Decree 24th February 1998 number 58, adopted by CONSOB under resolution 14th May 1999 number 11971, as amended and supplemented. It is available to the general public on the Company's website under "Investors/Financial Press Releases", and also on the "1Info" authorised storage mechanism (**www.1info.it**). Moreover, the Interim Financial Report as of 30th June 2019 is also available to the public at the Company's registered Office in Sarroch (CA) S.S. 195 Sulcitana Km. 19, at the administrative office in Milan, Via dell'Unione n. 1, on the Company's website under "Investors Financial Reports", and on the "1Info" authorised storage mechanism.

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THE SARAS GROUP

The Saras Group, founded by Angelo Moratti in 1962, has about 1,950 employees and total revenues of about 10.4 billion Euros as of 31st December 2018. Today, the Group is a leading European crude oil refiner and it is active also in the energy sector. It sells and distributes petroleum products in the domestic and international markets, directly and through its subsidiaries. The Group also operates in the production and sale of electricity, through its subsidiaries Sarlux Srl (IGCC plant) and Sardeolica Srl (Wind plant). Moreover, the Group provides industrial services to the oil, energy and environment sectors through its subsidiary Sartec Srl.