



# Investor presentation

February 2016



## Important Notice

Saras Group's Annual Financial Results and information are audited.

In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the operating results (EBITDA and EBIT) and the Net Result are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology adopted by IFRS). The LIFO methodology does not include revaluations and write downs and it combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, the non-recurring items and the "fair value" of the open positions of the derivative instruments are also excluded, both from the operating results and from the Net Result. Operating results and Net Result calculated as above are called respectively "comparable" and "adjusted" and they are not subject to audit or limited review.

## DISCLAIMER

Certain statements contained in this presentation are based on the belief of the Company, as well as factual assumptions made by any information available to the Company. In particular, forward-looking statements concerning the Company's future results of operations, financial condition, business strategies, plans and objectives, are forecasts and quantitative targets that involve known and unknown risks, uncertainties and other important factors that could cause the actual results and condition of the Company to differ materially from that expressed by such statements. This presentation has been prepared solely by the company.

# Saras investment thesis: **our value proposition**



## Refining

## Power Generation

## Other activities

### Supply & Trading

### Sarroch Industrial Operations

### Marketing

### Wind Energy



- ~150 crude cargoes every year from wide range of suppliers
- Creation of dedicated S&T company in progress
- Balanced and differentiated sales portfolio...
- ... with world class oil supply chain knowledge

Exploit crude differential opportunities

- Largest single-site refinery in the Mediterranean basin (300 kbl/d, ~16% of Italy's refining capacity)
- Top-tier large complex Med refinery according to the Wood Mackenzie Complexity Index
- Yields of medium and light distillates equal 86% of the production output<sup>1</sup>
- Fuel Oil yield approx. 3%
- Petrochemical integration from Versalis acquisition

Top-tier performance and highly flexible configuration

- The largest liquid fuel gasification plant in the world (IGCC)
- Conversion of heavy refining residues (TAR) from the Refinery into clean gas
- 575 MW of installed capacity
- Electricity production of approx. 4.3 - 4.4 TWh
- CIP6 tariff until 2021

Transform heavy residues from refining into electricity, sold at incentivized tariff

- Marketing activities in Italy and Spain:
  - ~11% MS<sup>2</sup> in Italian wholesale market
  - ~ 7% MS in Spanish wholesale market , and presence also in retail (with 106 stations)

Stabilize refining margins with downstream presence

- Wind farm with capacity of 96 MW in Ulassai (Sardinia)
- Utilization factor higher than Italian average

Further stabilize Group results from incentivized scheme for renewable energy

## Favorable refining economics expected to stay

### Structural changes strengthened the EU refining market in the mid term

- More balanced oil prices, robust supply
- Increase in heavy crude production
- Improving product demand
- Rationalization of EU refining capacity
- Correction of market distortions
- Widening of product differentials
- Stronger US Dollar

## Benefits for typical EU refiners

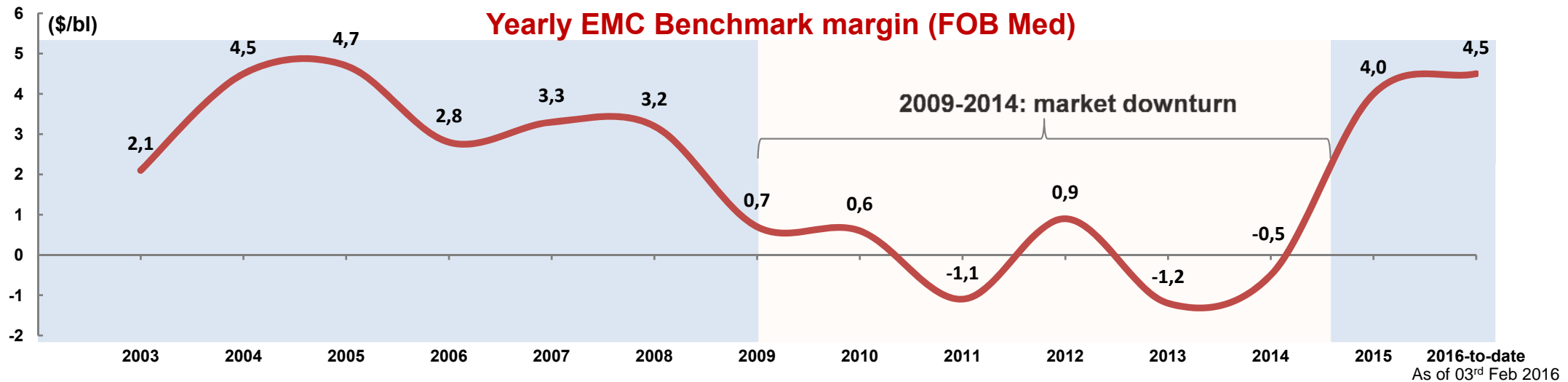
- Higher refining margins
- EU refineries essential to regional supply chain
- Lower impact of fixed costs in EUR



## Saras' differentiating factors

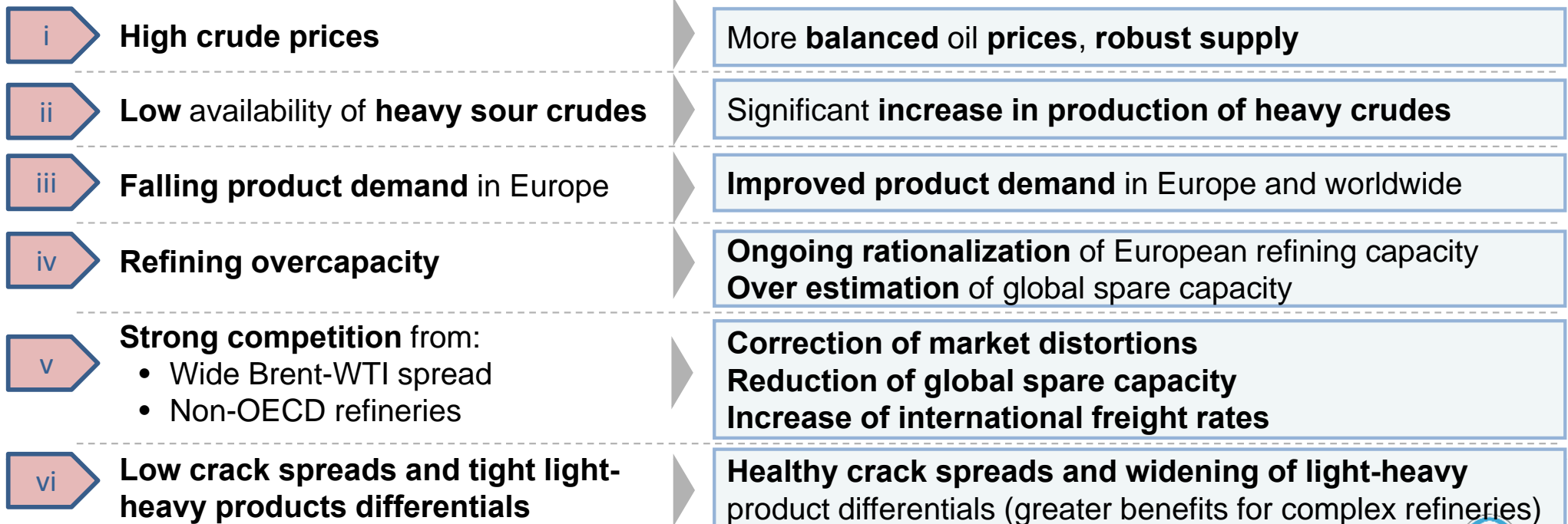
- Flexibility to source the most profitable crudes
- Asset capability to process multiple types of crudes
- Conversion to high-value product mix
- Steeper decrease of "consumption & loss" costs
- Track record in delivery of improvement initiatives

# The new market cycle derives from 6 key structural changes



## Market Downturn from 2009 to 2014

## New Market Cycle from 2015 onwards

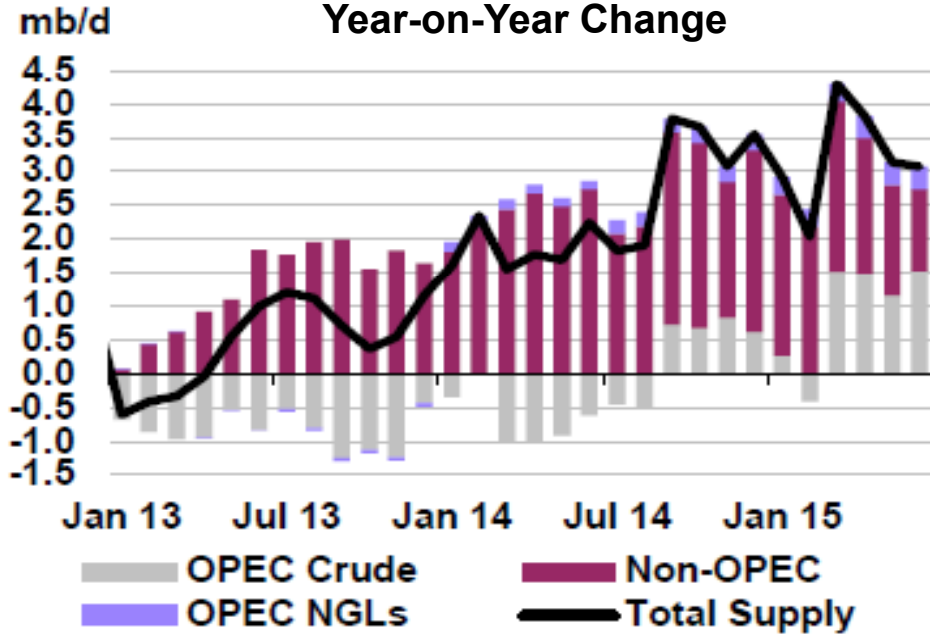


# i More balanced oil prices driven by a robust oil supply

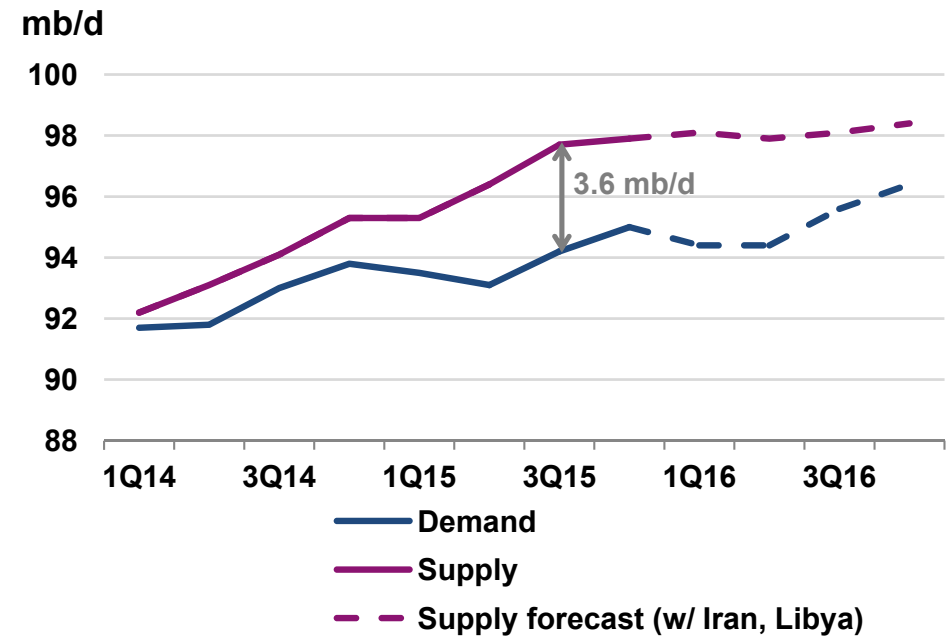
Strong supply growth came from both OPEC and non-OPEC producers...

...and the robust supply is expected to persist, due to production growth and mitigating disruptions

OPEC and Non-OPEC Oil Supply Year-on-Year Change



Total Oil Supply and Demand



Forecasts indicated >1 mb/d oversupply in 2016, even before the announcement of Iran agreement



# Significant increase of non-standard grades (heavy sour, heavy acidic, etc.)

## Canada

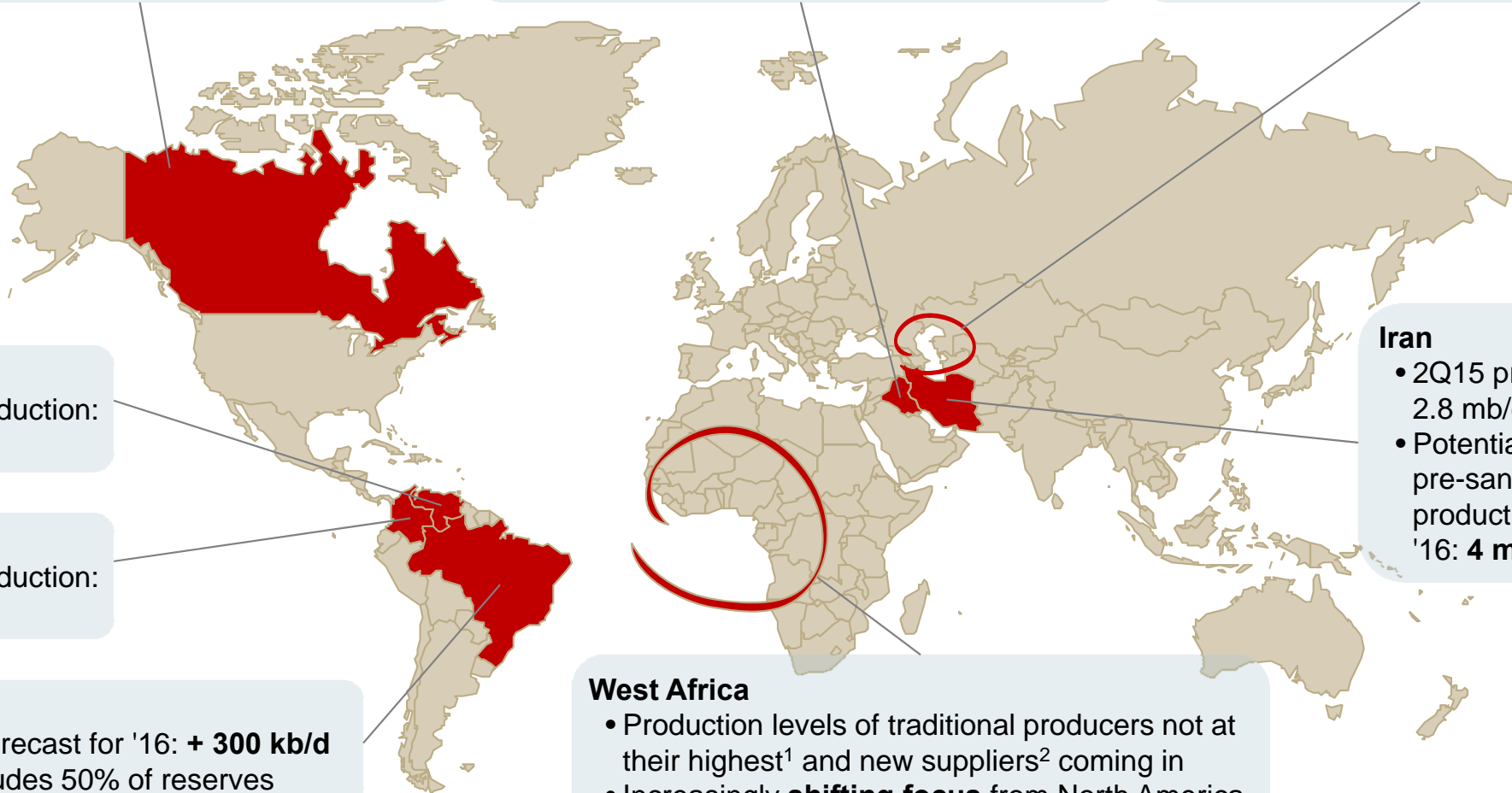
- Growth forecast for '16: **+ 200 kb/d**
- **New pipelines** to enter in operation:
  - 1.1 mb/d from Alberta to Montreal
  - 1.5 mb/d from Alberta to USGC

## Iraq

- Growth forecast for '16: **+ 300 kb/d**
- **New pipelines** from Kurdistan to Med **active**
- New **Basrah heavy** production on stream

## Caspian region

- Increase in **CPC production**
- Development of **Kazak crudes** (e.g. Kashagan and condensates)
- Increase of **Turkmenistan** production



## Venezuela

- 2Q15 production: 2.4 mb/d

## Colombia

- 2Q15 production: 1.0 mb/d

## Brazil

- Growth forecast for '16: **+ 300 kb/d**
- Heavy crudes 50% of reserves

## Iran

- 2Q15 production: 2.8 mb/d
- Potential **return to pre-sanction production level** by '16: **4 mb/d**

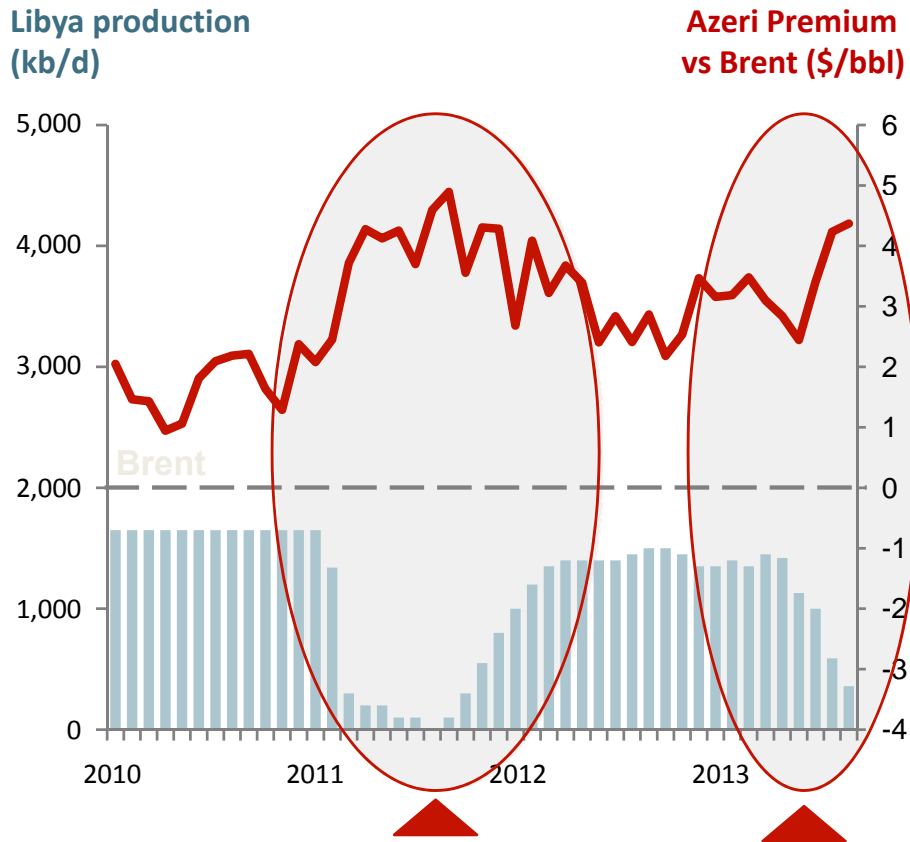
## West Africa

- Production levels of traditional producers not at their highest<sup>1</sup> and new suppliers<sup>2</sup> coming in
- Increasingly **shifting focus** from North America to **Europe and Asia**

1. E.g. Nigeria, Angola  
 2. E.g. Congo, Gabon and Mauritania  
 Source: IEA

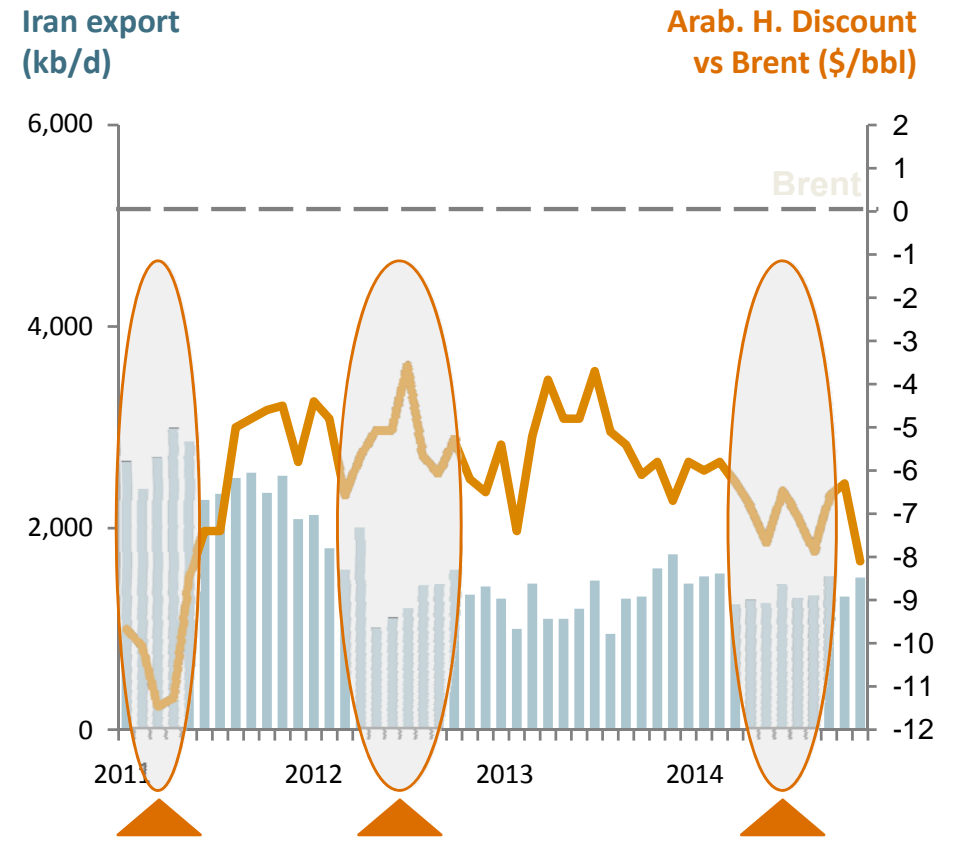


## Azeri premium vs Libyan production



*Azeri Light premium increasing when alternative Libyan grades not available in the Med market*

## Arabian Heavy discount vs Iranian export

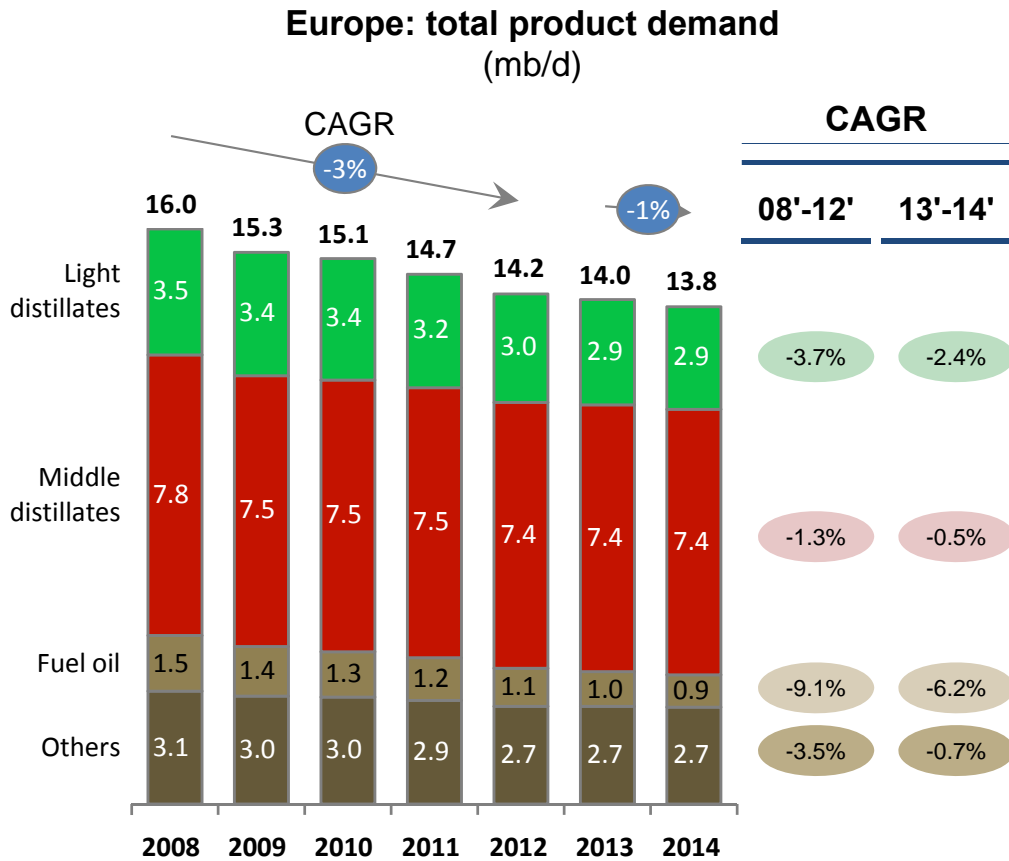


*Arabian Heavy discounts intensify as alternative Iranian grades become more abundant*

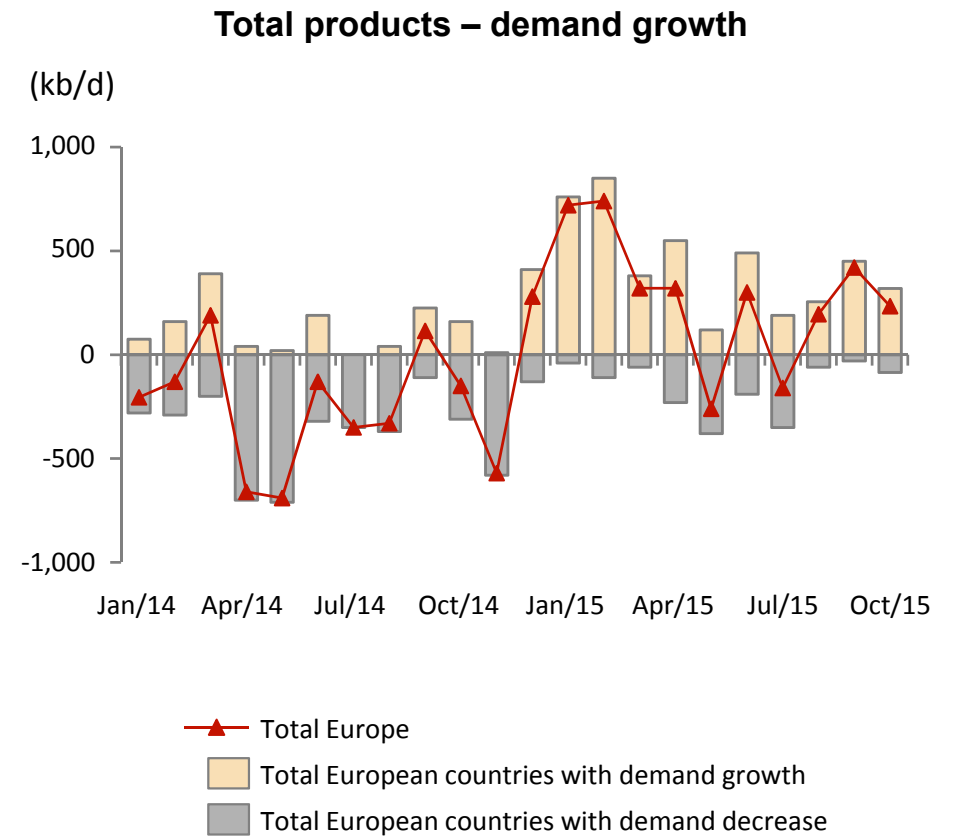
Source: IEA, Platts

# iii 2015 is appearing as the inflection point of product demand

## Sharp drop in Europe's total demand until 2012, stabilization in 2013-2014...



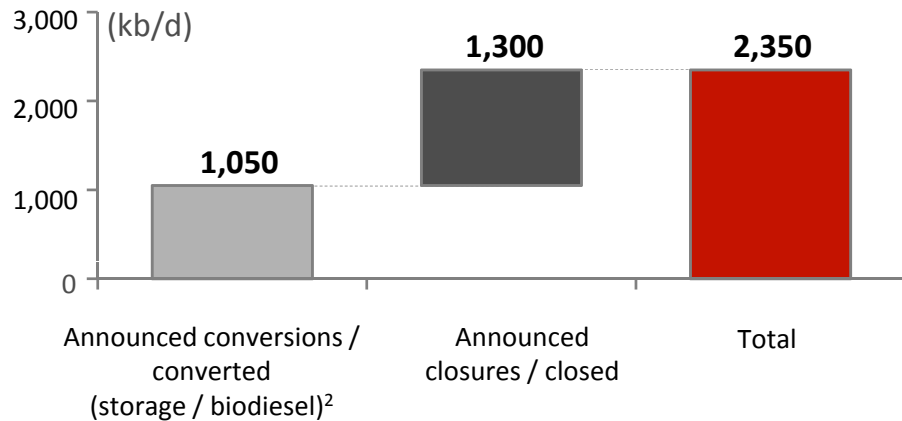
## ... and clear growth trends began in 2015



Source: BP Statistical Review, JBC Energy, IEA, JODI, SuDeP

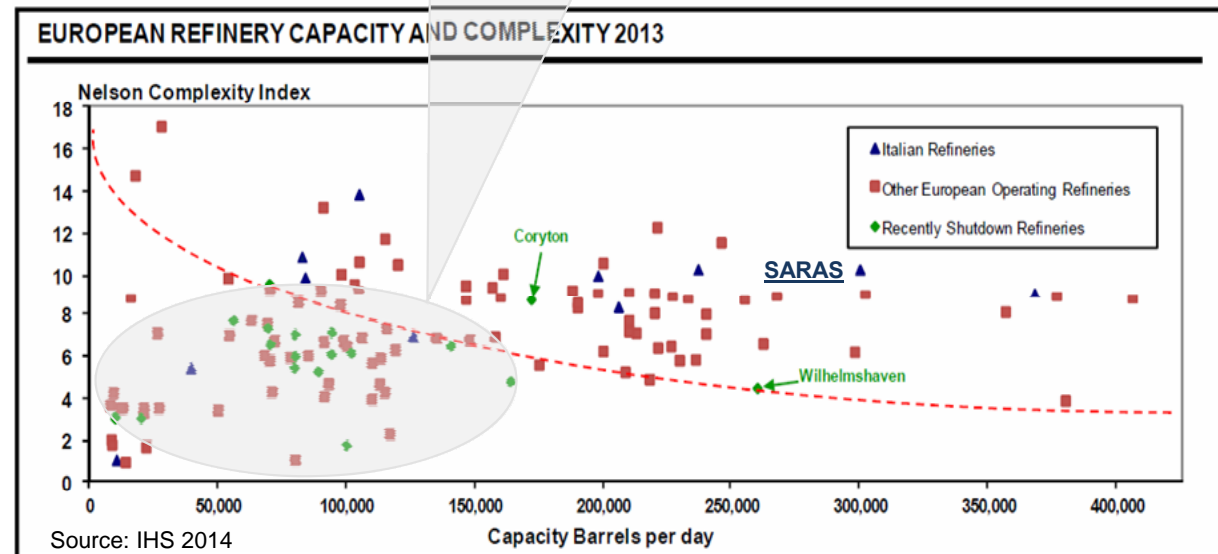
## Closures and conversions in OECD Europe (2009-2015)

Source: BCG



1. Shutdown of 1 CDU only
2. Includes conversion to oil storage terminal or logistic hub for oil products

- Majority of recently shutdown refineries had low complexity and small distillation capacity (less than 100,000 bl/day)
- Refineries under the red spotted line will continue to face the hardest competitive pressure

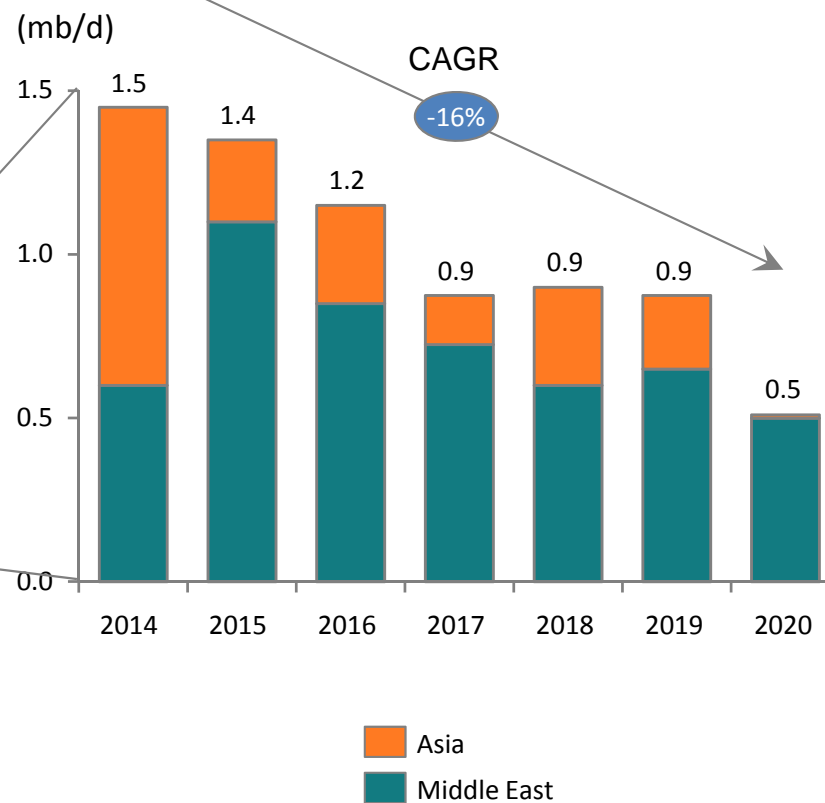
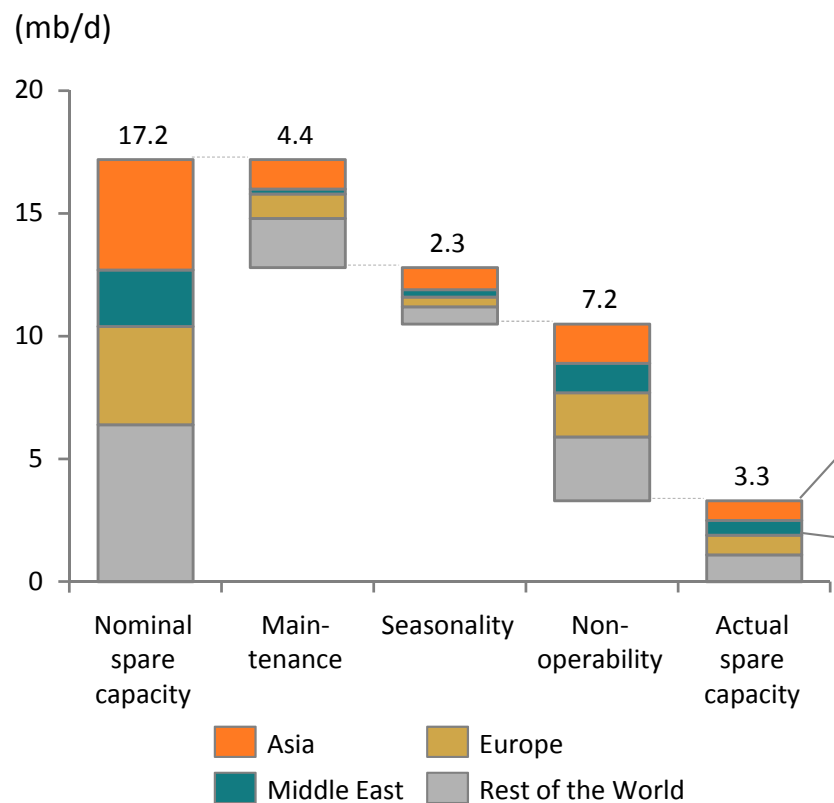


**Large and complex refineries are the best positioned in the European competitive context**

# Spare capacity over-rated, and expected to decrease in the mid-term

## Actual spare capacity significantly lower than nominal spare capacity (2014)

## Local demand growth to outpace capacity additions in Asia & Middle East

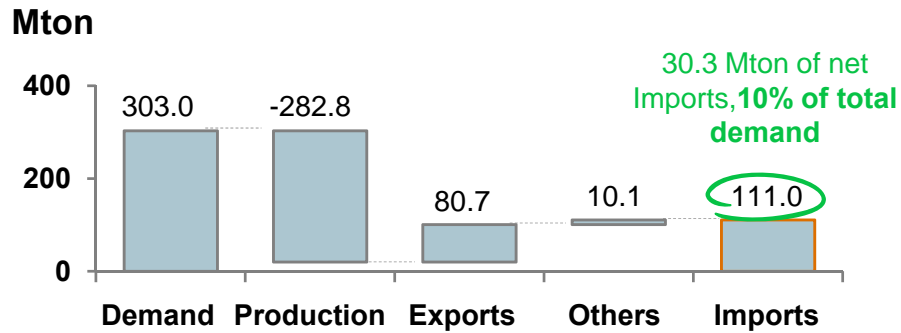


**Additions of refinery capacity in Asia and Middle East dedicated to meet local demand**

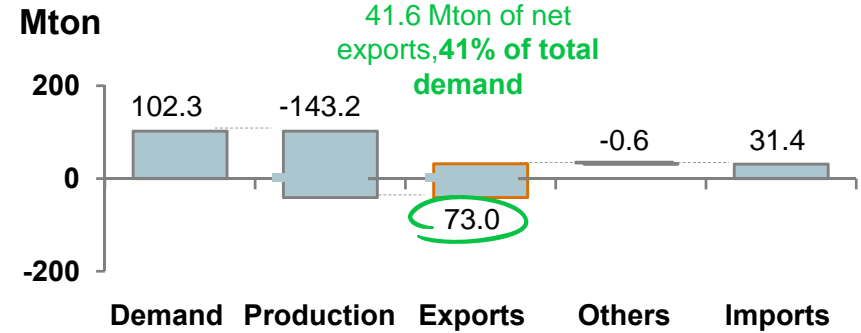
# EU historically unable to meet regional demand for diesel/gasoil

## Europe is short of Gasoil/Diesel...

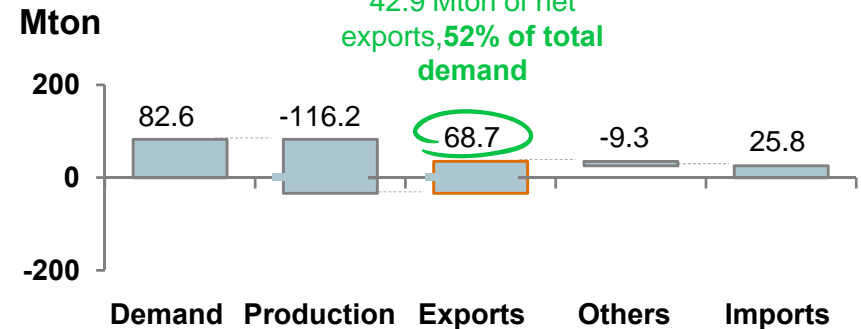
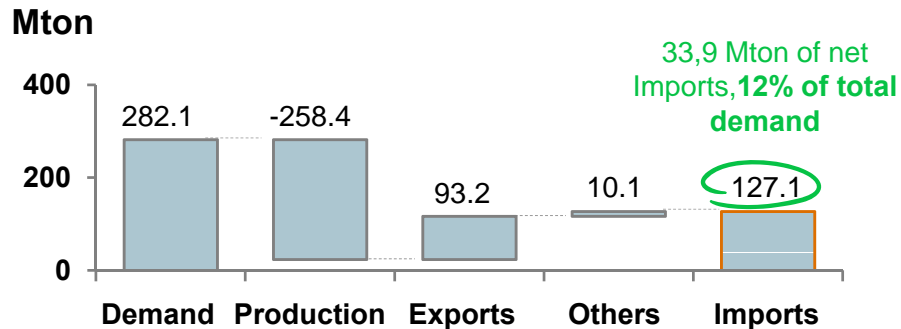
2008



## ... and long in Gasoline<sup>1</sup>



2014

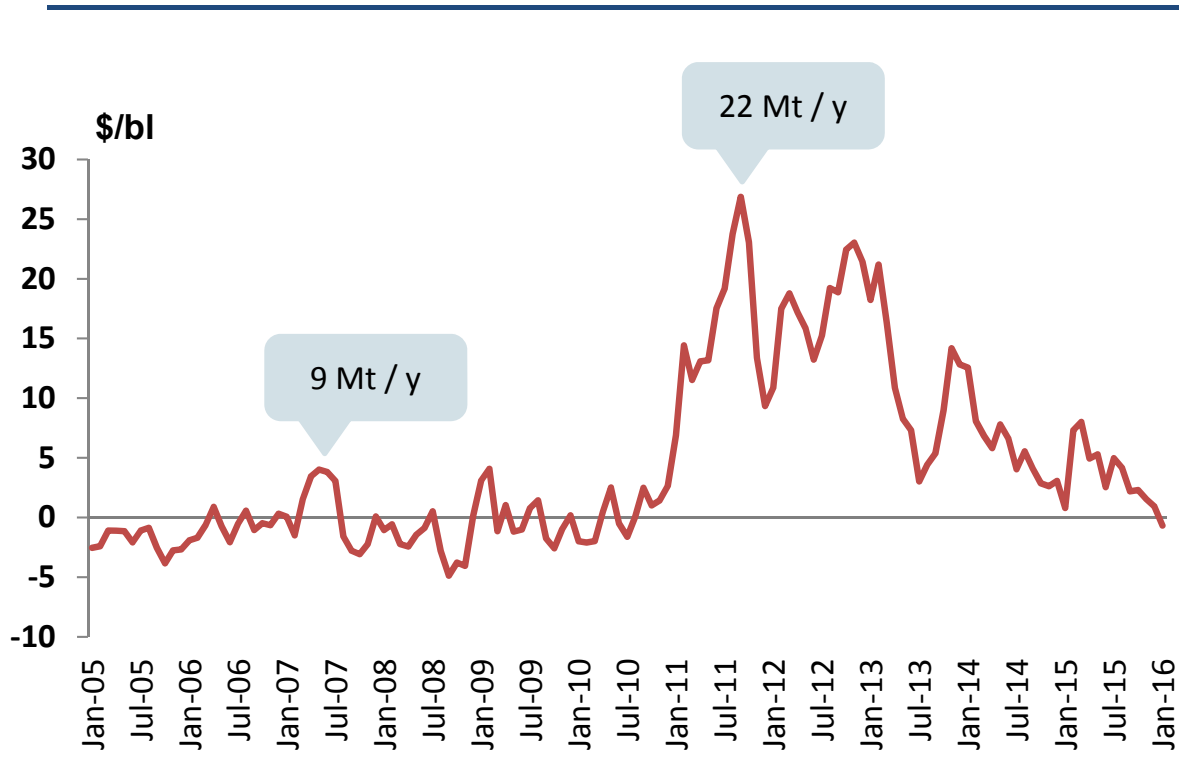


1. Total gasoline: motor gasoline + aviation gasoline + gasoline type jet fuel  
 2. Includes Transfers, Stock change, Intl. Marine bunkers, Statistical difference  
 Source: "IEA Oil Information" August 2015



# US refineries advantaged by WTI price distortions, which are now fading

## Brent-WTI spread

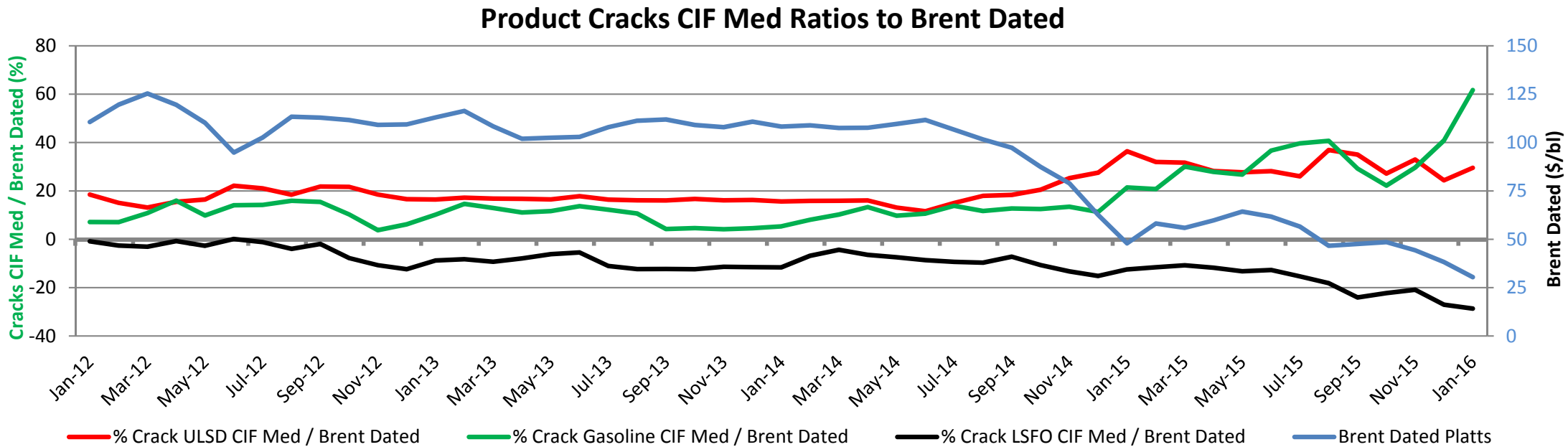
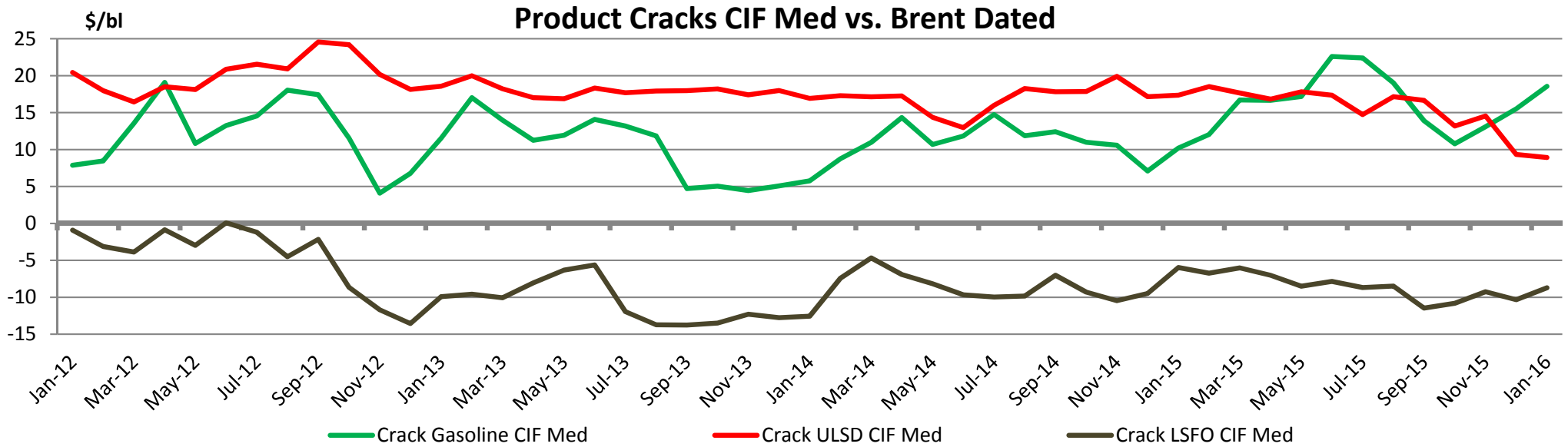


## Factors which contributed to correct the distortion

- Debottlenecking of logistics in US & Canada
- Increasing US internal demand
- Lifting of US crude exports ban

Legend: xx # Mt of middle distillates exported from USA towards Europe, on yearly basis

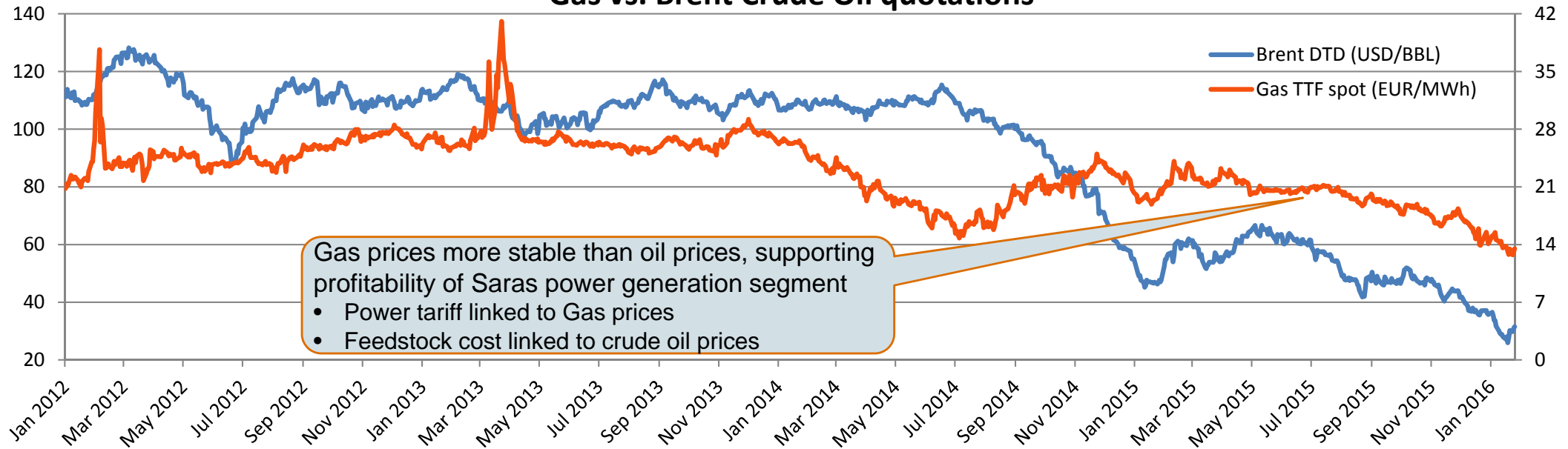
# vi Healthy crack spreads and wider light-heavy product differentials



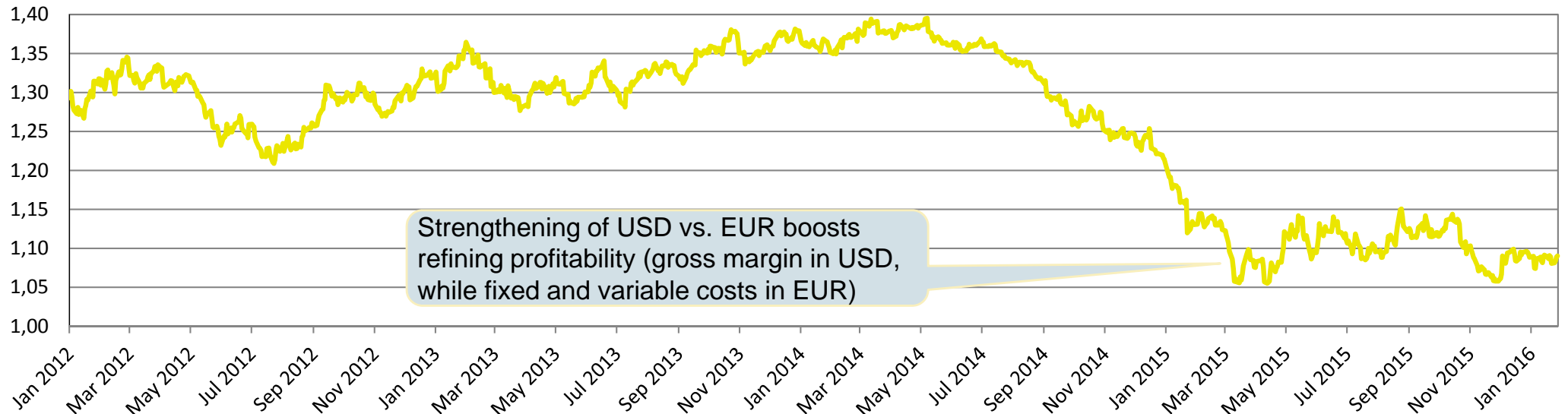


# Favourable changes in USD/EUR Forex and Gas vs. Crude oil prices

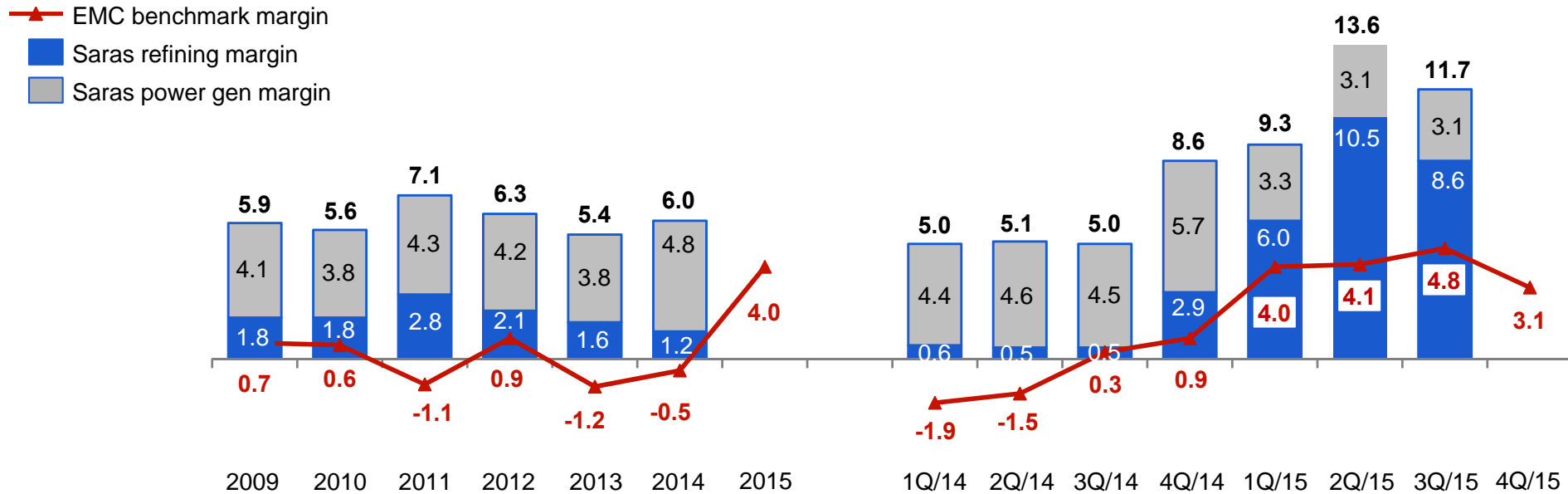
## Gas vs. Brent Crude Oil quotations



## Forex EUR vs. USD



## Saras margins and EMC benchmark (\$/bl)



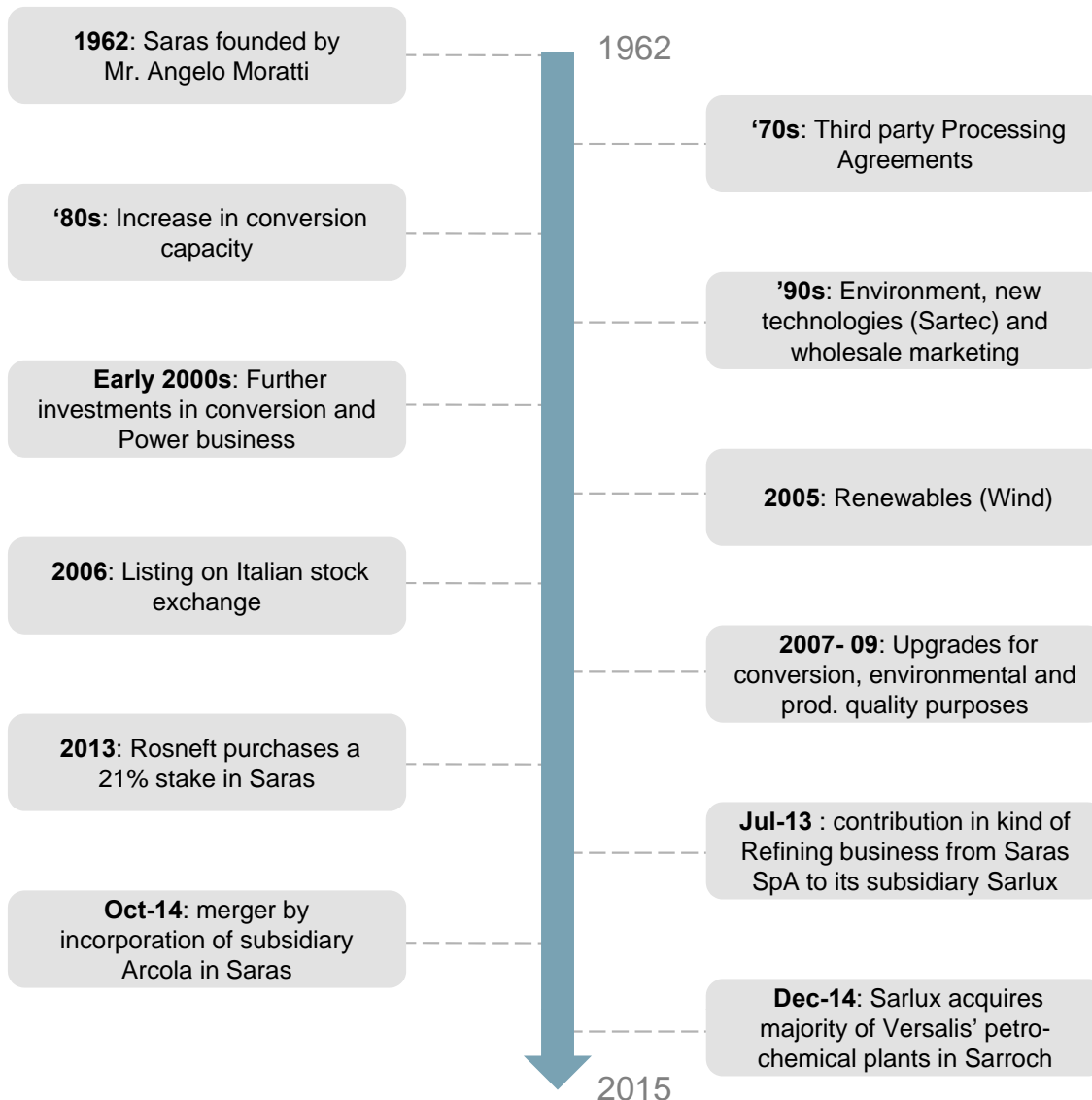
**Refinery margins:** (*comparable* Refining EBITDA + Fixed Costs) / Refinery Crude Runs in the period

**IGCC margin:** (Power Gen. EBITDA + Fixed Costs) / Refinery Crude Runs in the period

**EMC benchmark:** margin calculated by EMC (Energy Market Consultants) based on a crude slate made of 50% Urals and 50% Brent

**Saras' margin has a significant premium over the EMC Benchmark**

## Saras history...

... and shareholder structure<sup>1</sup>

GianMarco Moratti Sapa 25,011%

Massimo Moratti Sapa 25,011%

 12,000%

Stock in Treasury 2,024%

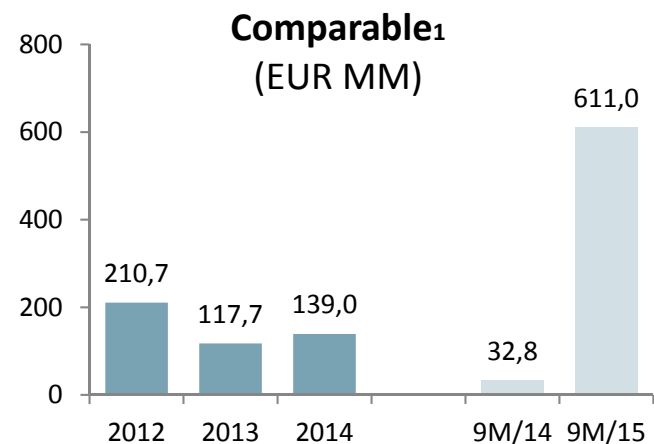
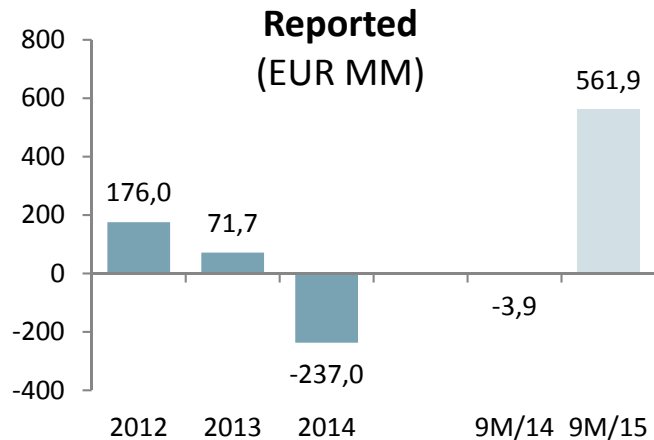
Others 35,954%



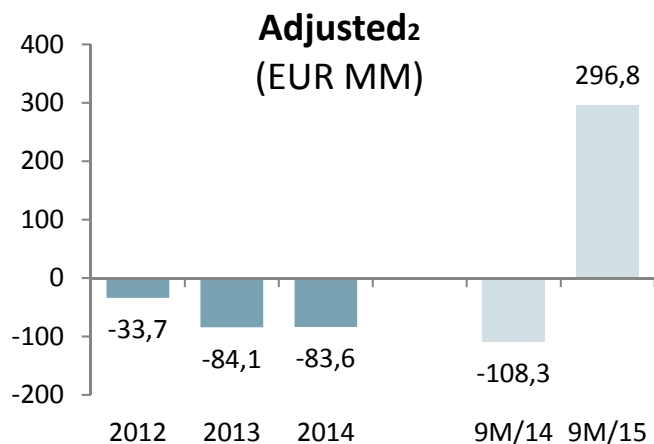
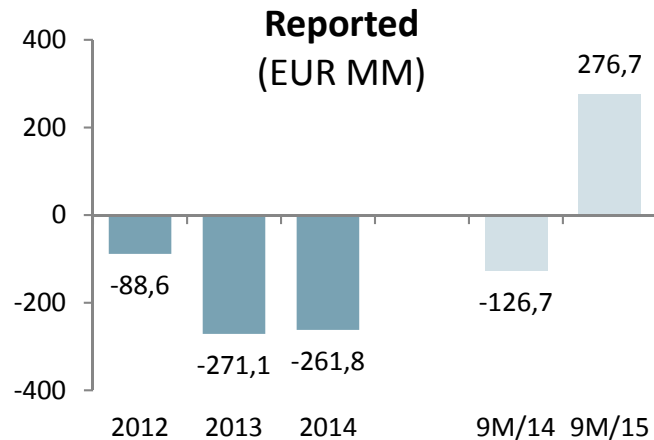
1. As of 13<sup>th</sup> Nov 2015



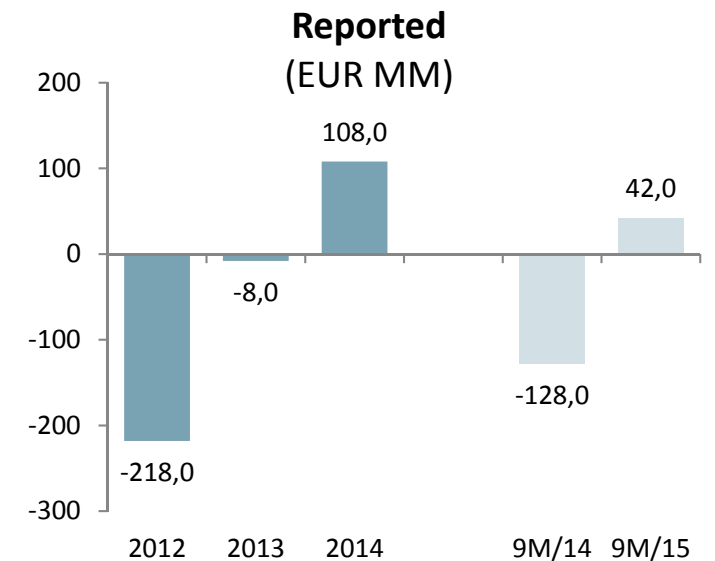
## EBITDA



## Net Result



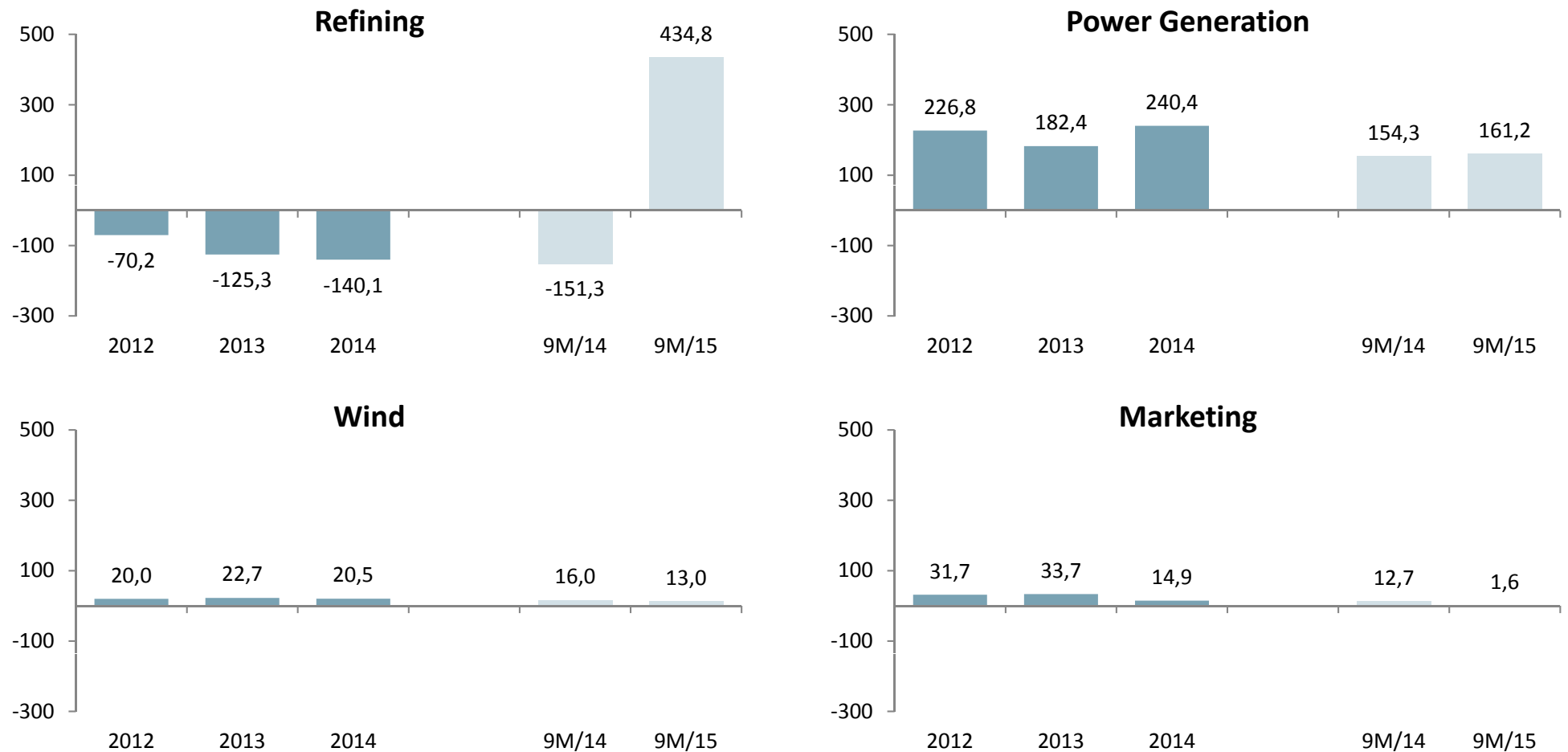
## Net Financial Position



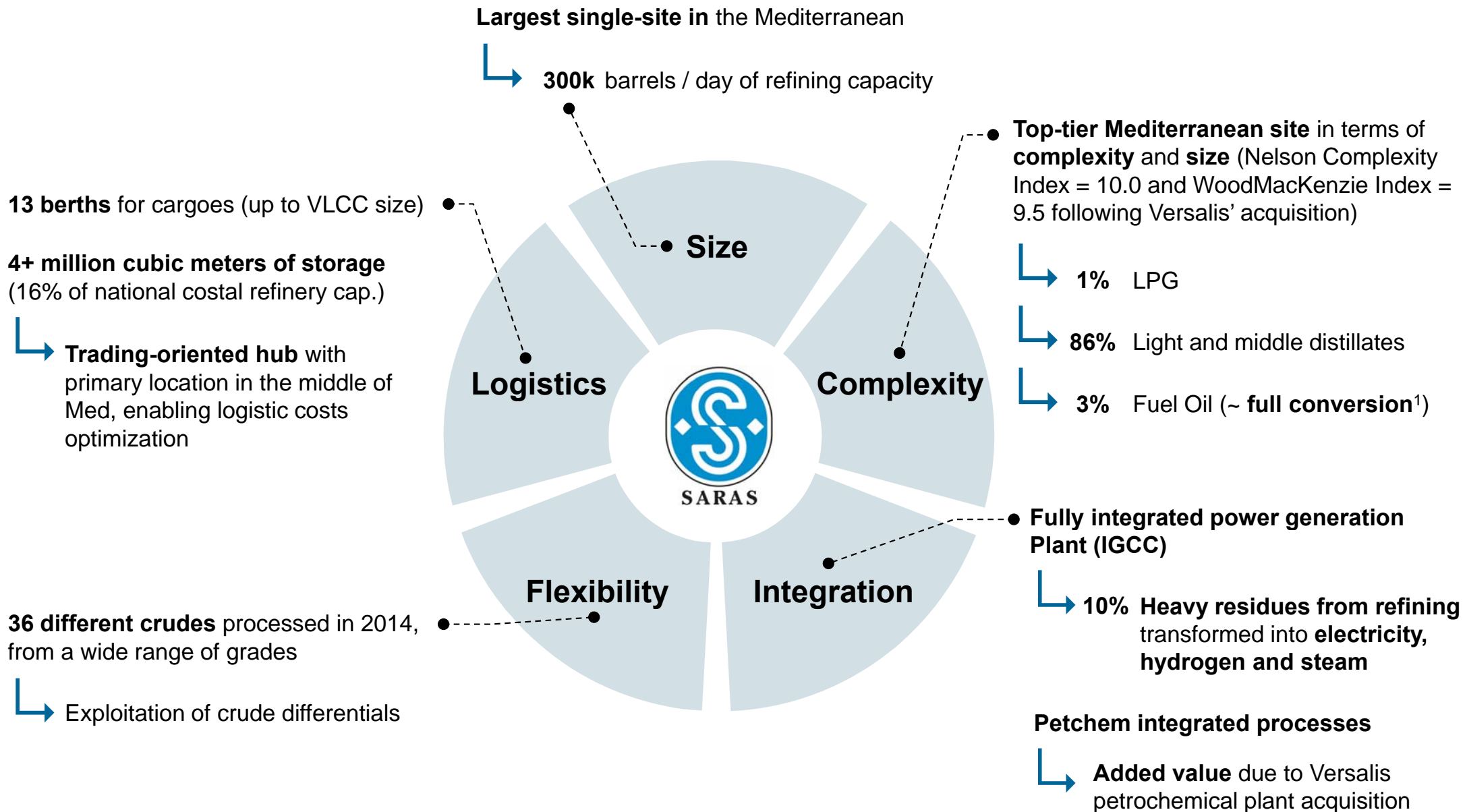
	2012	2013	2014	9M/14	9M/15
<b>Financial Gearing<sup>3</sup></b>	18%	1%	0	5%	0
<b>NFP/ EBITDA<sup>4</sup></b>	1.2x	0.1x	0x	3x	N/A

1. Calculated using IFRS principles, deducting non recurring items, fair value of open positions of the derivative instruments, and based on the LIFO methodology (which doesn't include devaluation and revaluation of oil inventories). Comparable operating results (EBITDA and EBIT) include also the realized results of derivative instruments used for hedging on crude oil and products and net Forex results
2. Adjusted for differences between LIFO and FIFO inventories net of taxes, fair value of open positions of the derivative instruments net of taxes, and non-recurring items net of taxes
3. Net financial Position / Equity
4. Reported EBITDA 1-year rolling

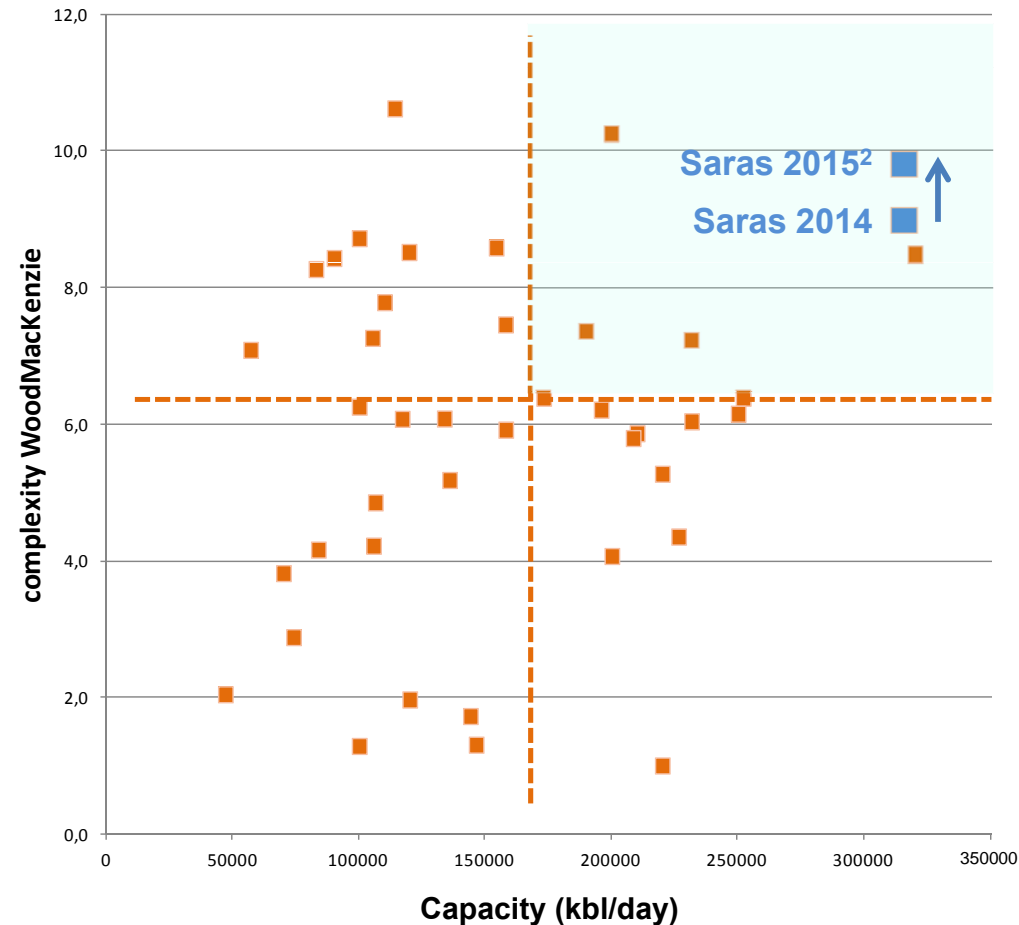
## Comparable EBITDA<sup>1</sup> (EUR MM)



1. Calculated using IFRS principles, deducting non recurring items, fair value of open positions of the derivative instruments, and based on the LIFO methodology (which doesn't include devaluation and revaluation of oil inventories). Comparable operating results (EBITDA and EBIT) include also the realized results of derivative instruments used for hedging on crude oil and products and net Forex results



1. Yields in 2014 equaled to: 1% LPG, 28% Gasoline & Petchems, 58% Middle Distillates, 10% TAR (IGCC feed) and 3% Fuel Oil

Mediterranean refineries mapped by complexity index<sup>1</sup> and capacity (2014)

Index that measures the degree to which refineries are equipped with conversion capacity to transform heavier residue streams into lighter fractions

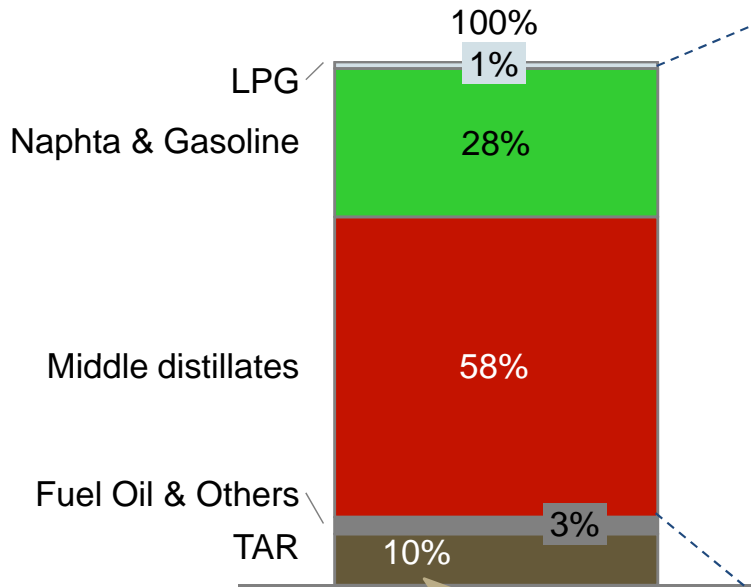
**Top-tier refineries are able to compete in global markets and are well positioned to fully capture favorable market cycles**

1. Wood Mackenzie index

2. Saras calculation based on WoodMackenzie methodology, to account for the acquisition of Versalis petrochemical plant

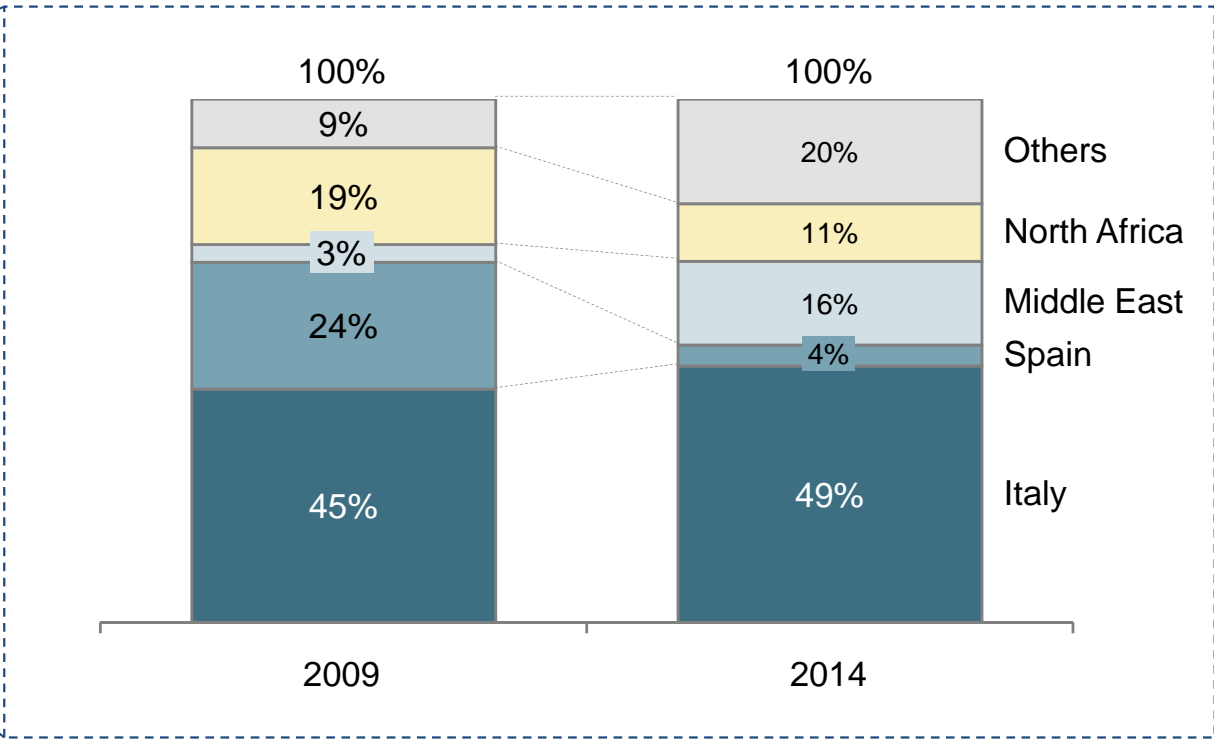


### Output yields (2014)



Heaviest stream of output sent to Power Generation unit (IGCC) for electricity production

### Total product sales by geography

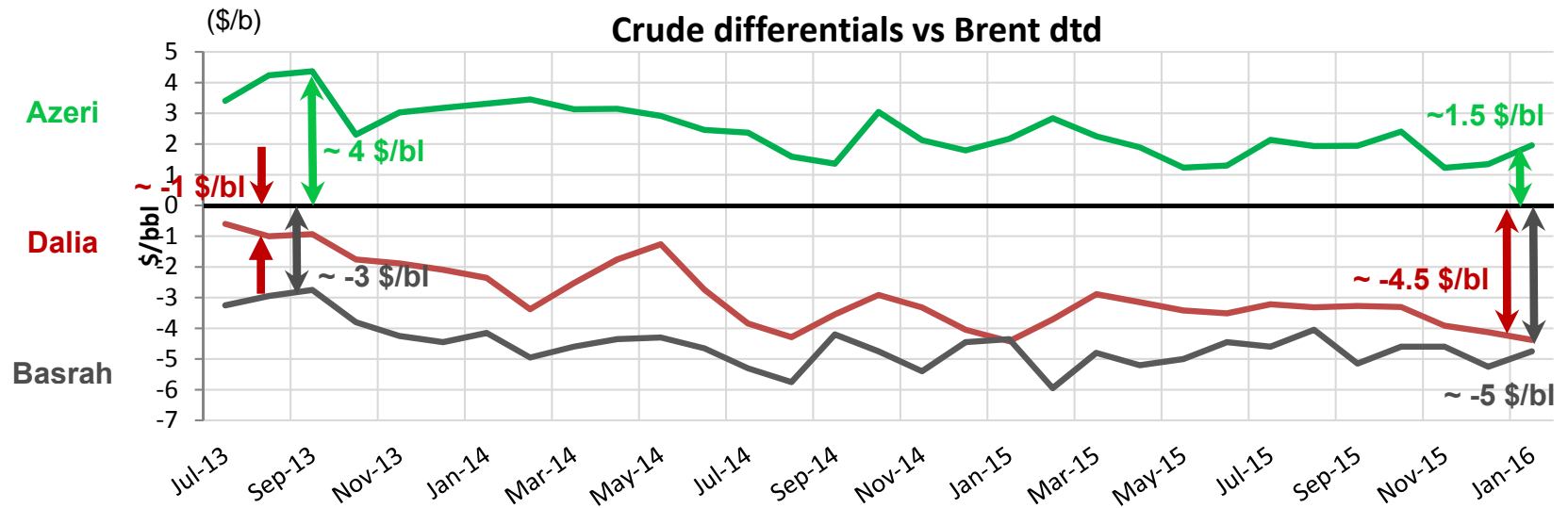


**Flexibility in blending and logistics enables access to multiple markets**

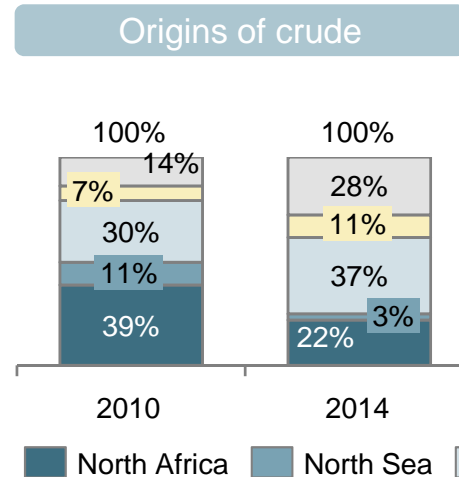
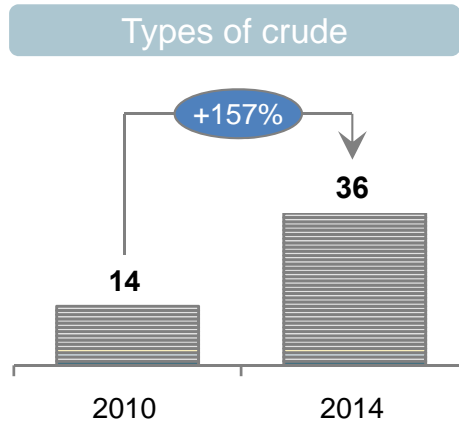
1. Product Yields are calculated net of "C&L"

# Saras' crude flexibility and integrated approach to Supply Chain Management are strong competitive advantages...

Market volatility and variations of discounts / premiums for crudes

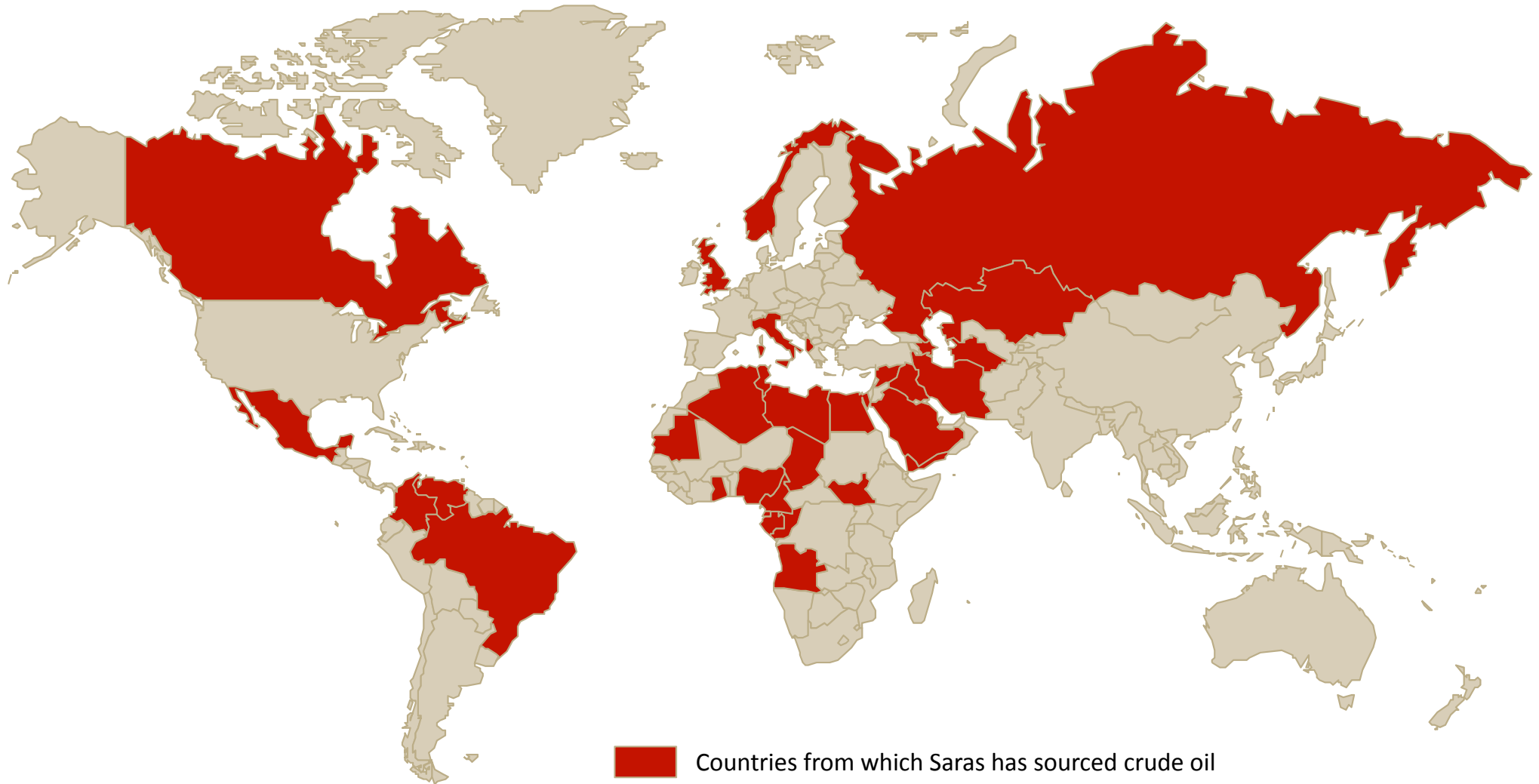


Change in variety of crudes processed and origin of crudes purchased

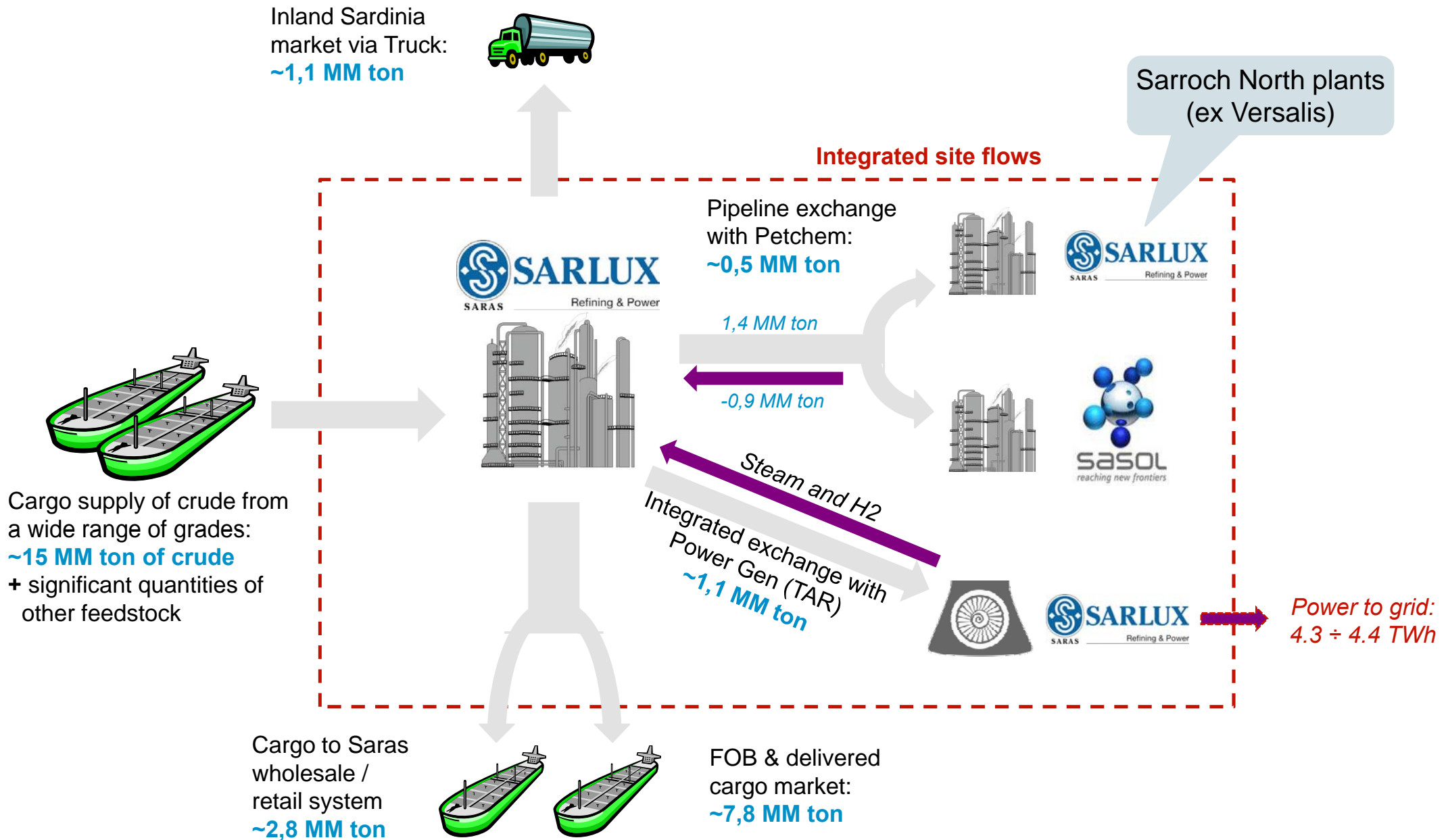


- **Flexible asset capable of processing multiple crude types**
  - Exploit opportunities in crude differentials
- **Central hub with diversified supply from all over the world**
  - Flexibility in crude origin and optimization of supply

... which allowed Saras to overcome major supply disruptions and exploit market opportunities

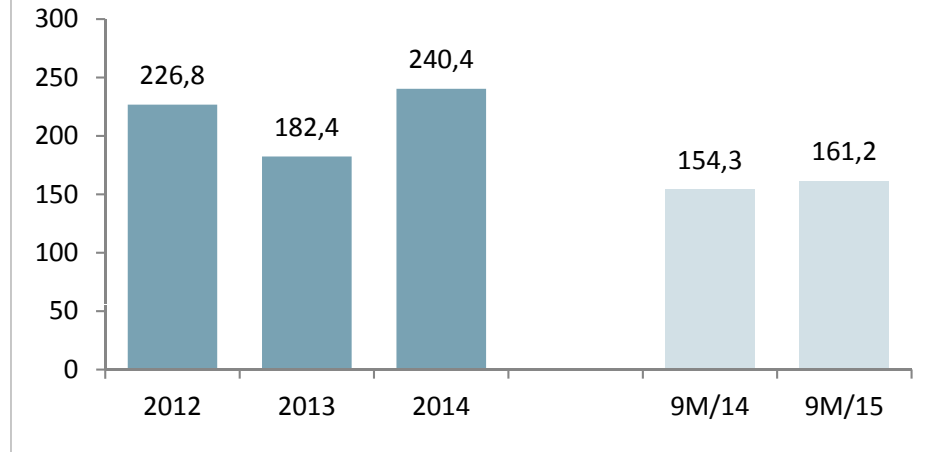


Note: Certain countries have been/are subject to embargoes. Saras always acts in full compliance with applicable regulations. Therefore, it has not/is not sourcing crude oil from embargoed countries during the relevant periods.

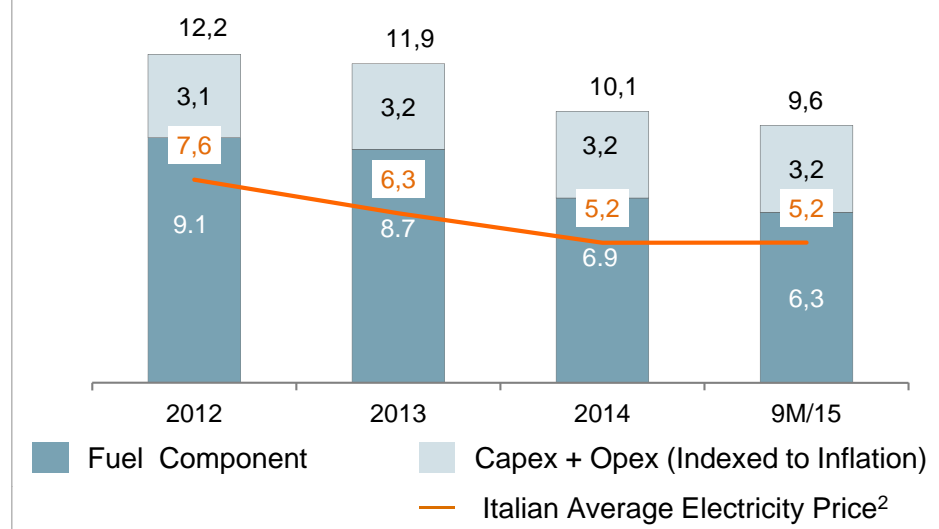


- IGCC economics are stable and based on attractive regulated contract (CIP6/92)
- The CIP6/92 contract with National Grid operator (GSE) enjoys priority of dispatching and full CO<sub>2</sub> cost reimbursement until April 2021
- **In the scenario post 2021, Saras' IGCC plant is ideally positioned to fully capture the opportunities arising from high sulfur, heavy crude productions**

**Power Generation  
Comparable EBITDA<sup>1</sup> (EUR MM)**

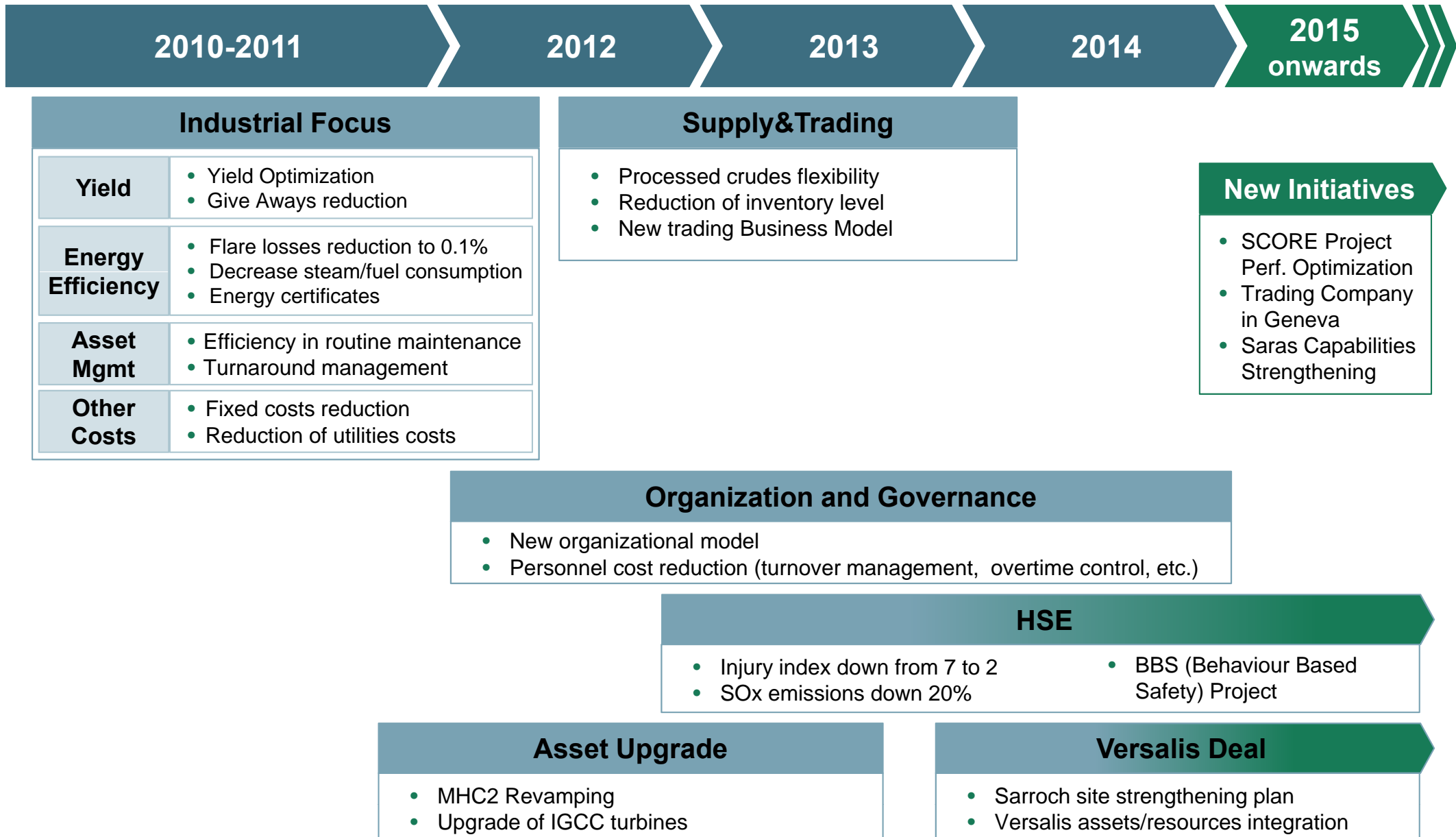


**CIP6/92 Power Tariff vs. Italian Electricity price (EUR cent / KWh)**

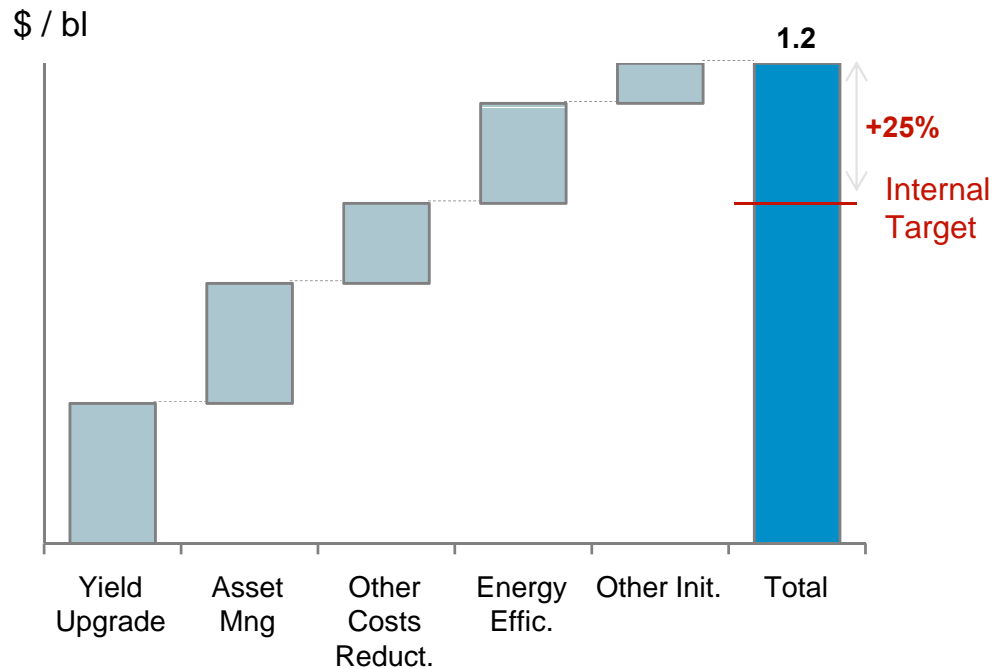


1. Comparable EBITDA for the Power Generation segment is coincident with IFRS EBITDA

2. The Italian average electricity price (PUN) can be found on the GME website: [www.mercatoelettrico.org](http://www.mercatoelettrico.org)



**2009-2014 Focus Operational Excellence:  
~25% over-achievement v.s. program target...**



**Total margin upgrading : ~1.2 \$/bl**

**... and very effective delivery of complex and large-scale projects during 2013-2014**



### **MHC2 Revamping in 2013**

- Respect of budget (time and costs)
- Performance over the target



### **FCC 5-year turnaround in 2014**

- Completion 3 days ahead of schedule and within budget
- Strong operating performance



### **Versalis Acquisition in 2014**

- Complex deal completed within schedule overcoming potential roadblocks
- Smooth transition and good operating performance



6.1

### Acquisition of Versalis petrochemical plants

- **Benefits expected from the acquisition of approx. EUR 20 ml of EBITDA/y, due to:**
  - ✓ Maximisation of naphtha runs in reforming unit, to exploit strong gasoline premium
  - ✓ ~15% increase of propylene splitter throughput to maximize yield of Polymer Grade Propylene
  - ✓ Optimisations of production cycles and energy integration
  - ✓ Cost optimisations (procurement, material management, 3<sup>rd</sup> party services, etc.)
  - ✓ Further potential from the possible direct sales of upgraded of petchem feedstock
- **No significant CAPEX required on the units acquired**

6.2

### Continuous strengthening of capabilities

- **Internal capability building program**
- **External talent sourcing for Senior / Middle Management**
- **World-class consulting**

6.3

### Improvement initiatives

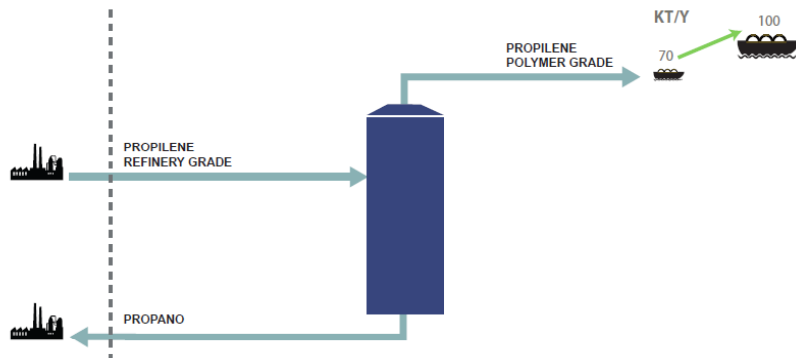
- **Development Capex: low risk investments with quick returns**
- **Energy Efficiency: combination of investment opportunities and operational improvements**

6.4

### Supply Chain Integration and Trading Company in Geneva

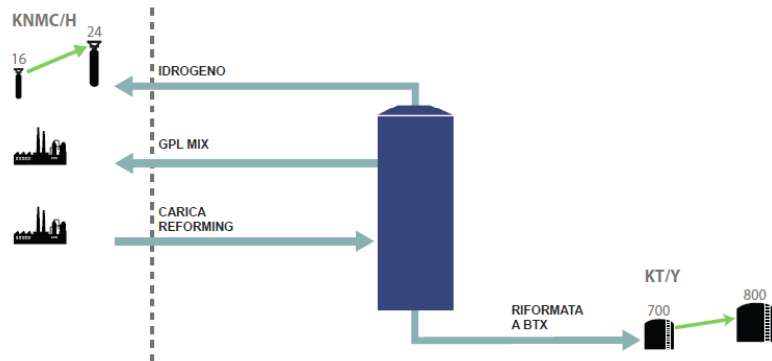
- **Higher integration and economic driven optimization of supply chain and refinery processes**
  - ✓ To boost optimization decision making and rationalisation of assets / models
- **New trading company launched in Geneva, a key European hub**
  - ✓ Proximity to the key players in oil trading / deals opportunities generators
  - ✓ Better access to specialized workforce and timely information

## PROPYLENE SPLITTER



In petroleum refining, **Propylene** is a product of the fluid catalytic cracking (FCC). It can be sold directly (as “refinery-grade”) or upgraded to “polymer-grade” specifications. In particular, in the “refinery-grade” specs, the Propylene content is usually 70-75%, while “polymer-grade” specs require a Propylene purity higher than 99.5%

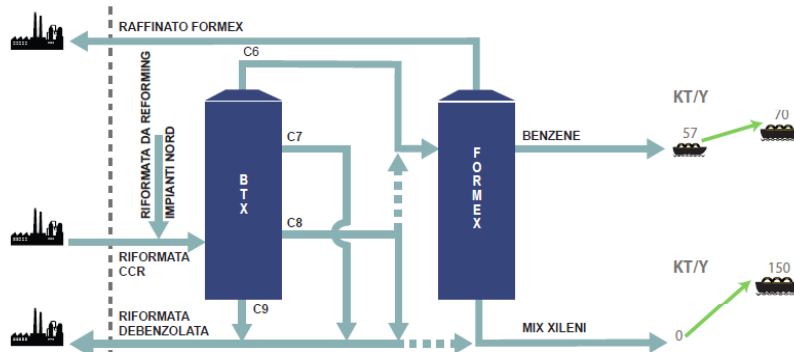
## REFORMING

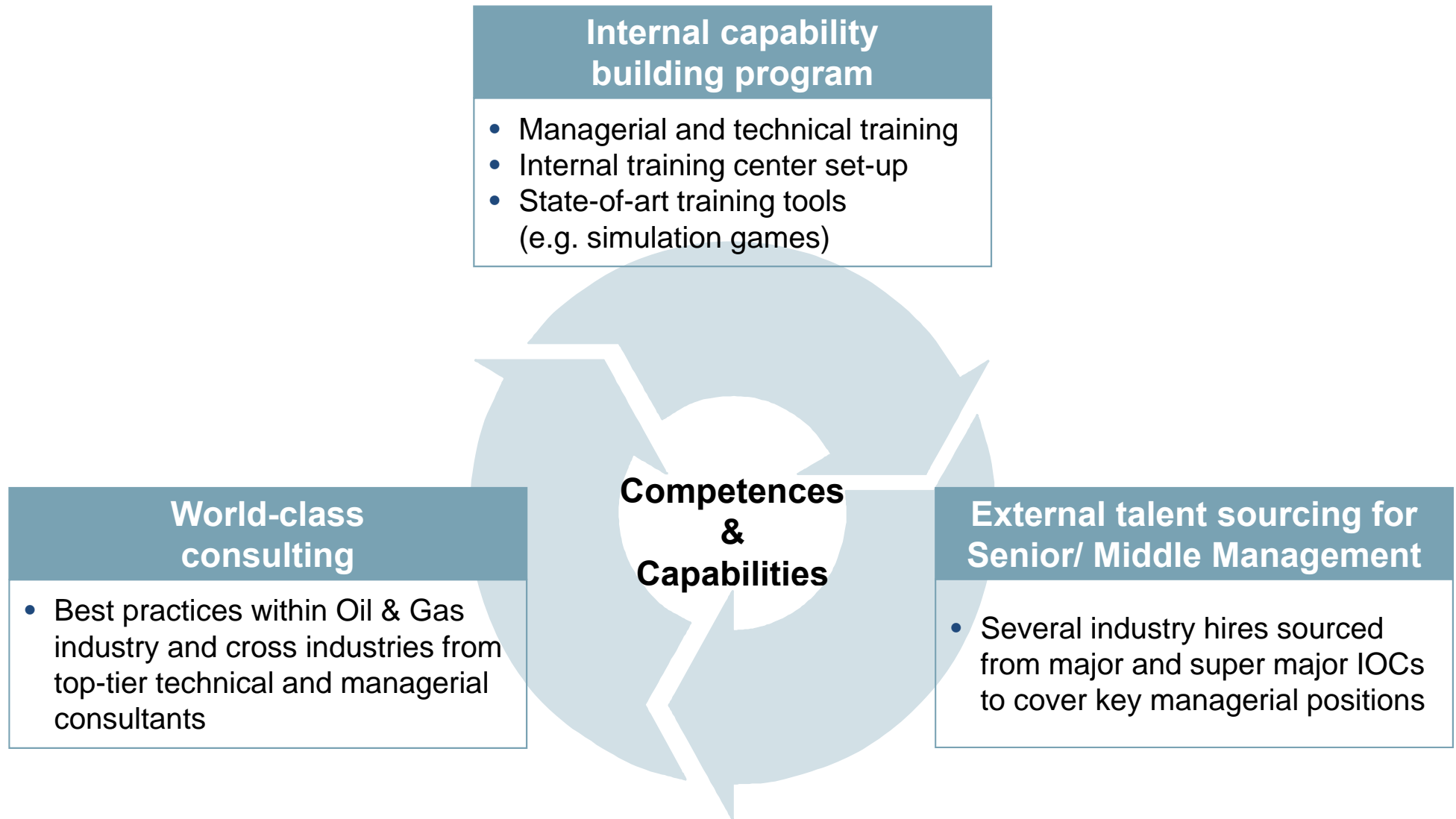


### Benzene, Toluene, and Xylene (BTX)

production is based on the recovery of aromatics derived from the catalytic reforming of naphtha. More specifically, the catalytic **reforming** process utilizes as feedstock naphtha that contains non-aromatic hydrocarbons with 6 to 9+ carbon atoms, and typically produces a “Reformate” gasoline containing C6 to C8 aromatics (Benzene, Toluene, mix-Xylene) as well as heavier aromatics containing 9 or more carbon atoms

## BTX & FORMEX





**The skills and the commitment of the resources are key factors in establishing competitive performance levels**

Initiatives	Selected examples	EBITDA (Steady state) (M€)	Capex (Total) (M€)	Payback (Simple) (years)
Logistics upgrade	<b>Initiatives to improve site flexibility</b>			
	• 2 upgrades of <u>jetty</u> to accommodate larger vessel <sup>1</sup>	5	8	1.5
	• Upgrade of crude <u>oil lines</u> to increase flexibility	4	9	2.0
	• Increased crude <u>oil storage capacity</u>	11	40	3.5
Northern plants improvement	<b>Initiatives to optimize Pet Chem units</b>			
	• Power station <u>turbine upgrade</u>	5	5	1.0
	• Increased <u>hydrogen recovery</u>	7	13	2.0
	• Revamping of main <u>petrochemical plants</u> <sup>2</sup>	12	20	1.5
Southern plants improvement	<b>Initiatives to optimize production levels and hydrogen network</b>			
	• FCC <u>oxygen enrichment</u>	2	3	1.5
	• <u>Chiller</u> for LPG recovery on fuel gas network	8	24	3.0
	• Other smaller investments	3	7	2.5
<b>Total</b>		<b>57</b>	<b>~130<sup>3</sup></b>	<b>~2.5</b>

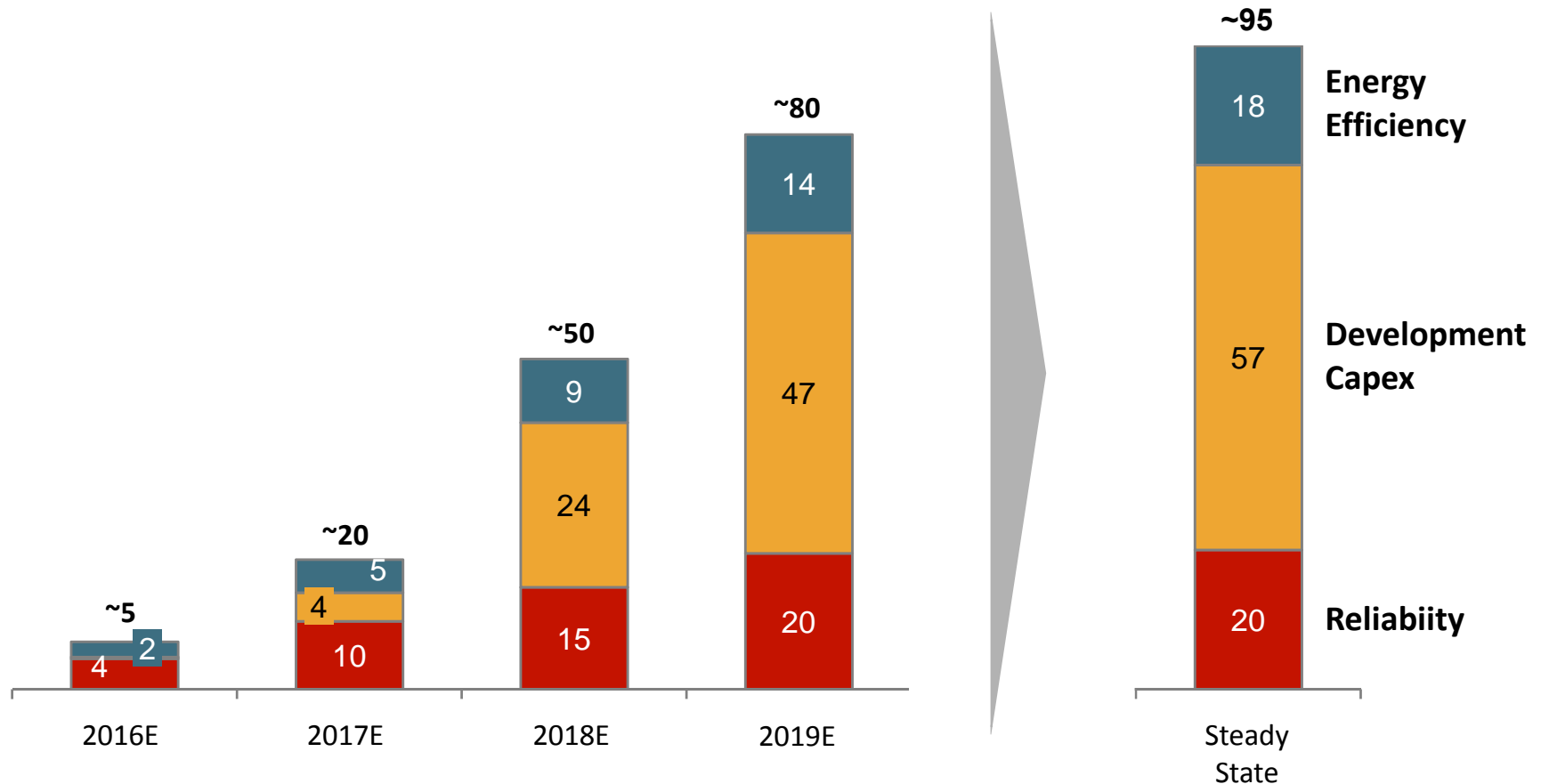
1. Including upgrade of island berth to 80k DWT diesel and P3 jetty to 75k DWT gasoline ; 2. Including BTX and splitter;

3. Total investment in business plan 16-19 ~179 M€, not included investments without additional EBITDA (e.g. backlog from previous years) and included investment post 2019





Initiatives	Selected examples	EBITDA (Steady state) (M€)	Capex (Total) (M€)	Payback (Simple) (years)
New investments	Fuel consumption decrease through hot streams recovery in Northern Plants	3	4	1.5
	Technological upgrades of air coolers	2	4	2.0
	Steam consumption reduction through integration in Southern plants: <ul style="list-style-type: none"> <li>Between Topping and Desulfurization</li> <li>Between MHC2 and TAME</li> </ul>	3	10	3.5
	Substitution of CCR heat exchanger with Packinox	1	4	4.0
<b>Sub total</b>		<b>9</b>	<b>22<sup>1</sup></b>	<b>~ 2.5</b>
Operational improvements	Improve steam management across the site: <ul style="list-style-type: none"> <li>Campaign to reduce losses and dis-optimization</li> </ul>	9	n.a.	n.a.
	Increased focus on heat exchangers' efficiency			
	Improved energy performance tracking / control <ul style="list-style-type: none"> <li>To enhance combustion efficiency in furnaces</li> </ul>			
<b>Total</b>		<b>18</b>	<b>~22<sup>1</sup></b>	<b>n.a.</b>

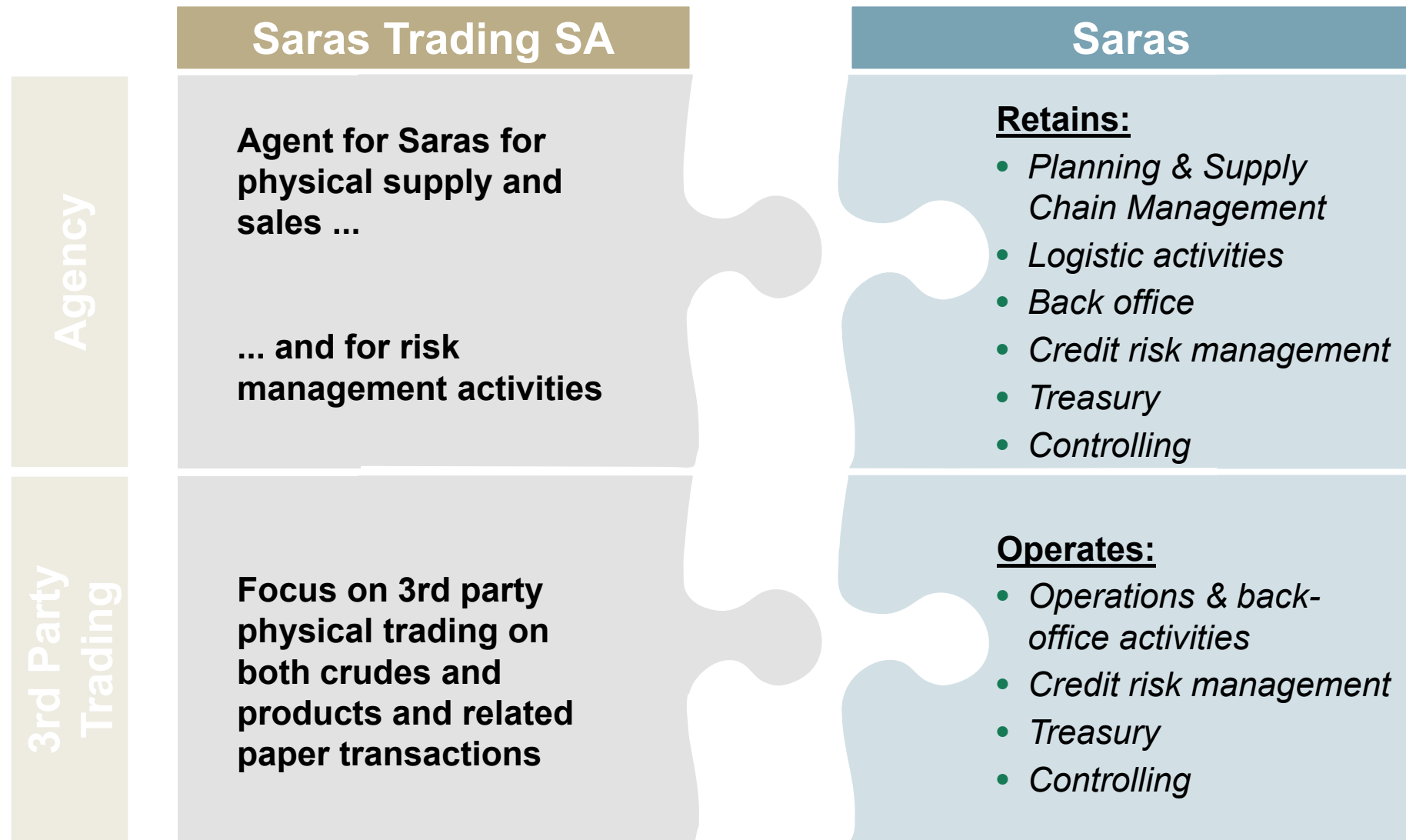
1. Total investment in business plan 2016-2019 ~23 M€; not included investments without additional EBITDA (vs current status and required in any case i.e. replacement of CCR heat exchanger of ~3M€) and included investment post 2019

### Impact of improvement initiatives on Group EBITDA (M€)



Note: Steady state reached with all the initiatives implemented

Area	Details
 <p data-bbox="454 360 779 555"><b>Blending non-standard crudes</b></p>	<p data-bbox="817 360 2056 555"><b>Exploit synergies among heavy sour, acidic and heavy condensate grades</b></p>
 <p data-bbox="454 635 779 829"><b>Continuous sourcing of new crude markets</b></p>	<p data-bbox="817 635 2056 829"><b>Increase the variety of feedstock / crudes</b> (~40 processed in the last 12 months vs ~15 in 2010)</p>
 <p data-bbox="454 909 779 1104"><b>Dynamic supply &amp; re-optimization</b></p>	<p data-bbox="817 909 2056 1104"><b>Promptly react to market changes and re-optimize crude runs</b></p>
 <p data-bbox="454 1184 779 1378"><b>Exploiting product specs variety/niches</b></p>	<p data-bbox="817 1184 2056 1378"><b>Advanced finished product blending to target specific new / niche markets</b></p>



**Saras Trading SA will have with dual role: Agent to maximize refining results and 3rd party Trader to achieve additional earnings**



## Saras' S&amp;T strengths

- 1 Broad Network of Counterparts
- 2 Solid Reputation
- 3 Flexible Physical Assets
- 4 Consolidated Know-how

The new company in Geneva is an **Enabler of the Supply Chain integration...**

... with the additional benefit of entering the **pure trading business**, leveraging on history and people

## Expected Benefits



Proximity to major oil traders



Availability of skills



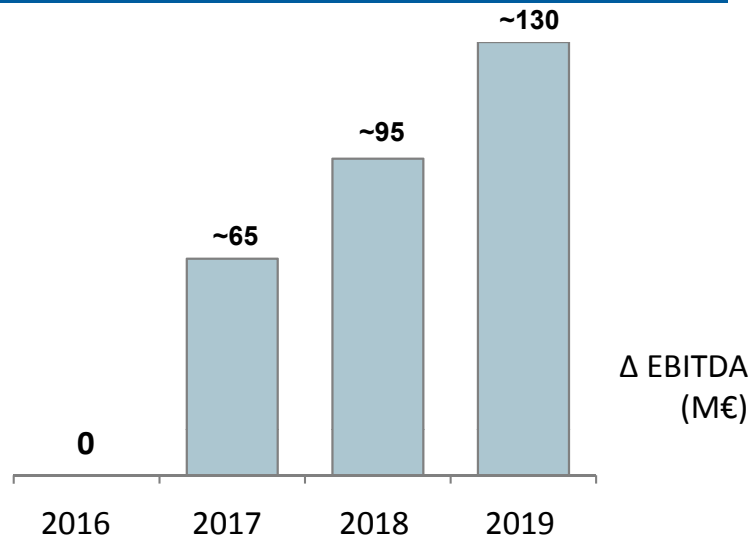
Financing advantages



Risk mitigation

**Enabler of Supply Chain integration**

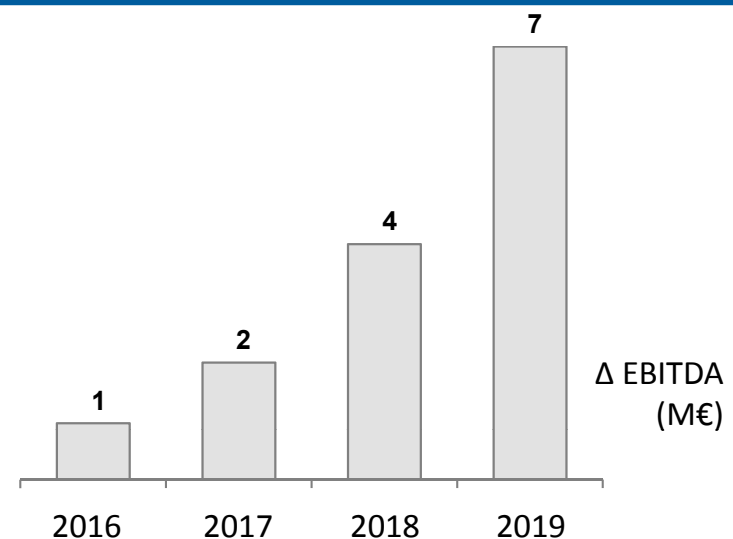
~130M€/y EBITDA in 2019



Saras SpA

**Additional contribution by pure trading**

~7M€/y EBITDA in 2019





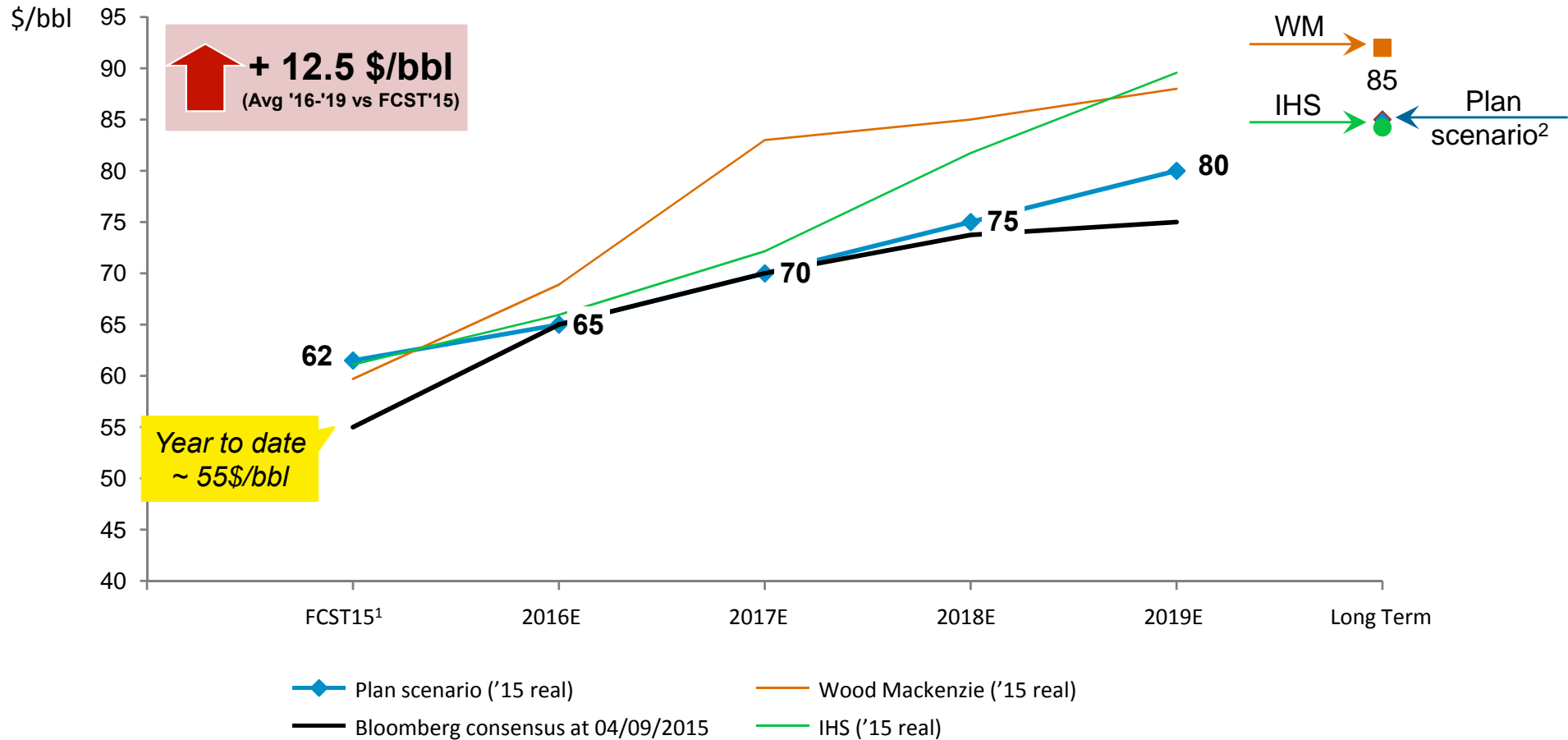
## Business Plan 2016 – 2019

*released on October 15<sup>th</sup>, 2015*



# Brent price in line with latest Bloomberg Consensus Main assumption of Business Plan Scenario (I/V)

## Brent dtd price (\$/bbl)



1. Based on document "Gruppo Saras Risultato Gestionale Confronto Forecast vs Budget 2015 C.d.A. 6 Agosto 2015"

2. Plan scenario bases on IHS, Wood Mackenzie and Bloomberg Consensus

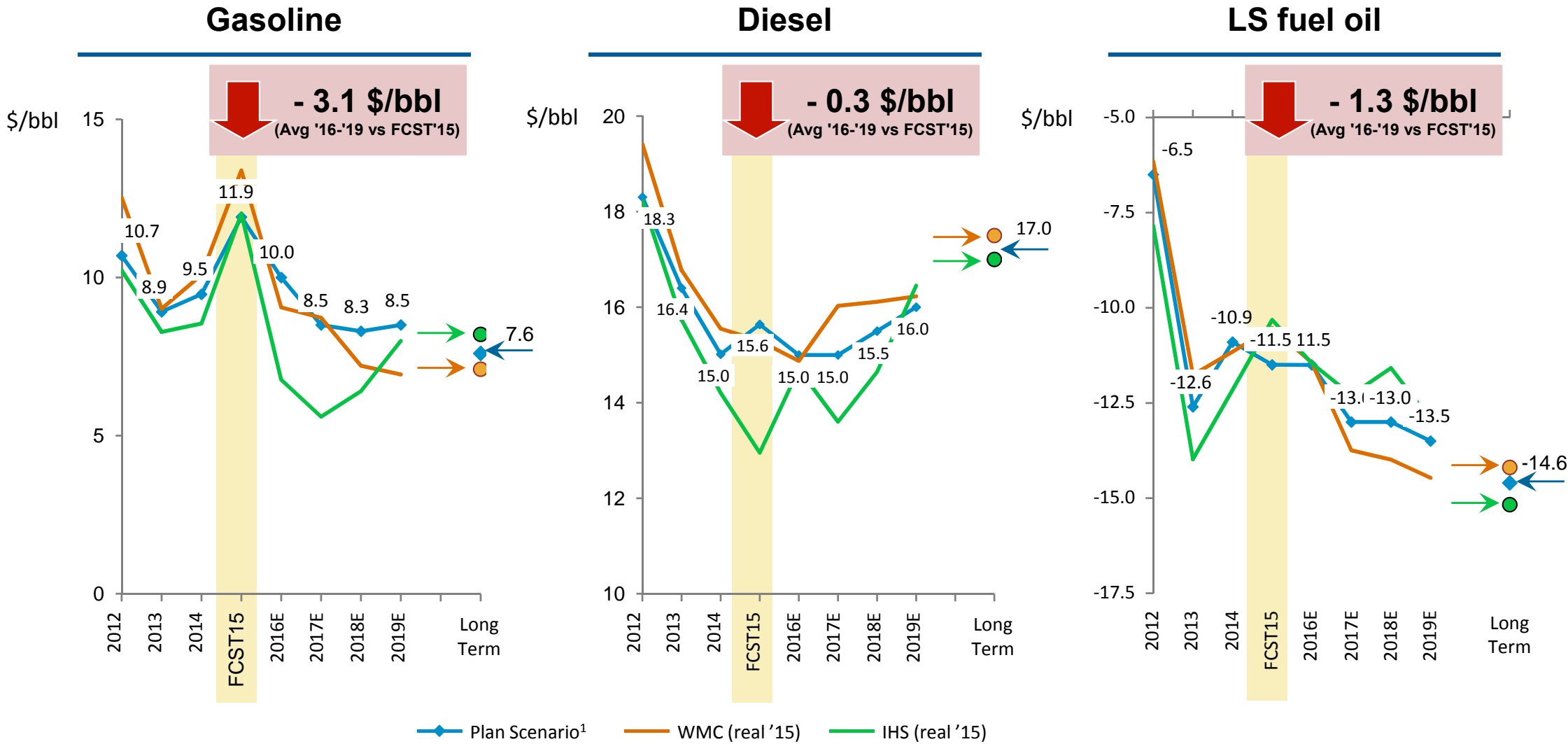
Note: All financial figures in the business plan are expressed in a comparable basis

Source: Wood Mackenzie and IHS (July 2015); Bloomberg (September 2015) for consensus

# Crack spreads in line with prevailing market forecast

## Main assumption of Business Plan Scenario (II/V)

### Crack spread FOB MED - (\$/bbl)



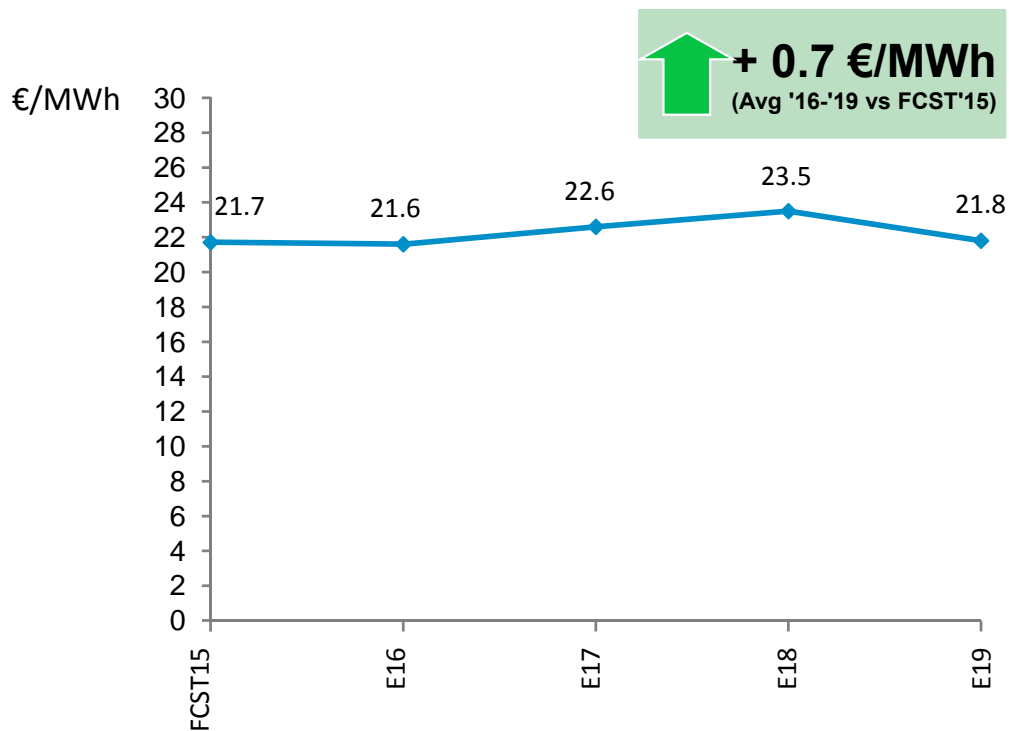
1. Plan Scenario based on IHS, Wood Mackenzie  
 Note: Real values at 2015  
 Source: Wood Mackenzie and IHS (July 2015)



# Gas TTF & exchange rate €/€

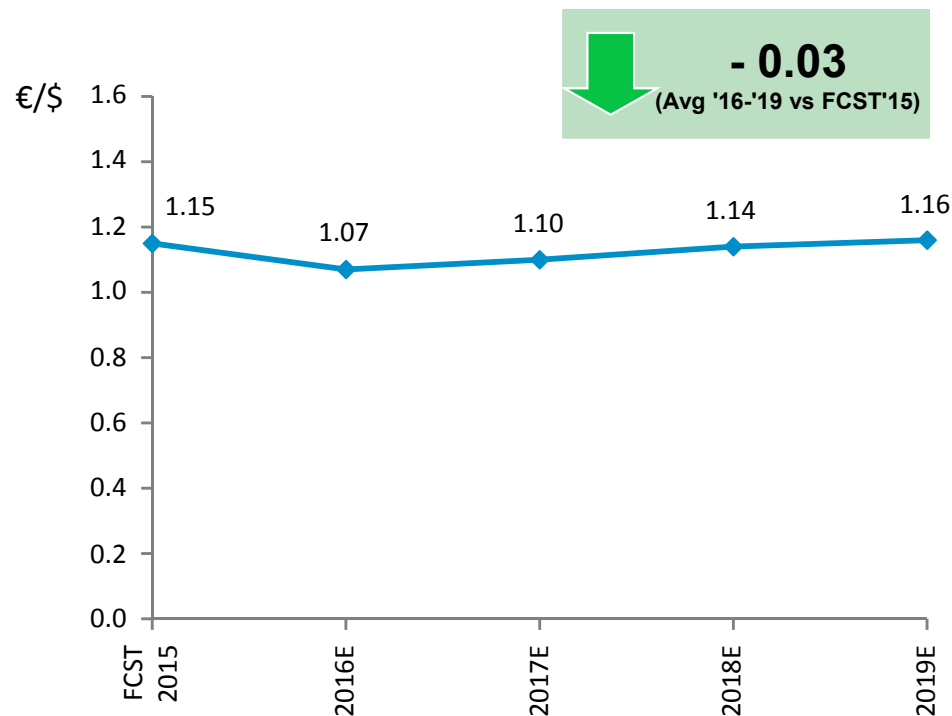
## Main assumption of Business Plan Scenario (IV/V)

### Gas TTF (€/MWh)<sup>1</sup>



Source: Pöyry (TTF)

### Exchange rate (€/€)



Source: Reuters Poll

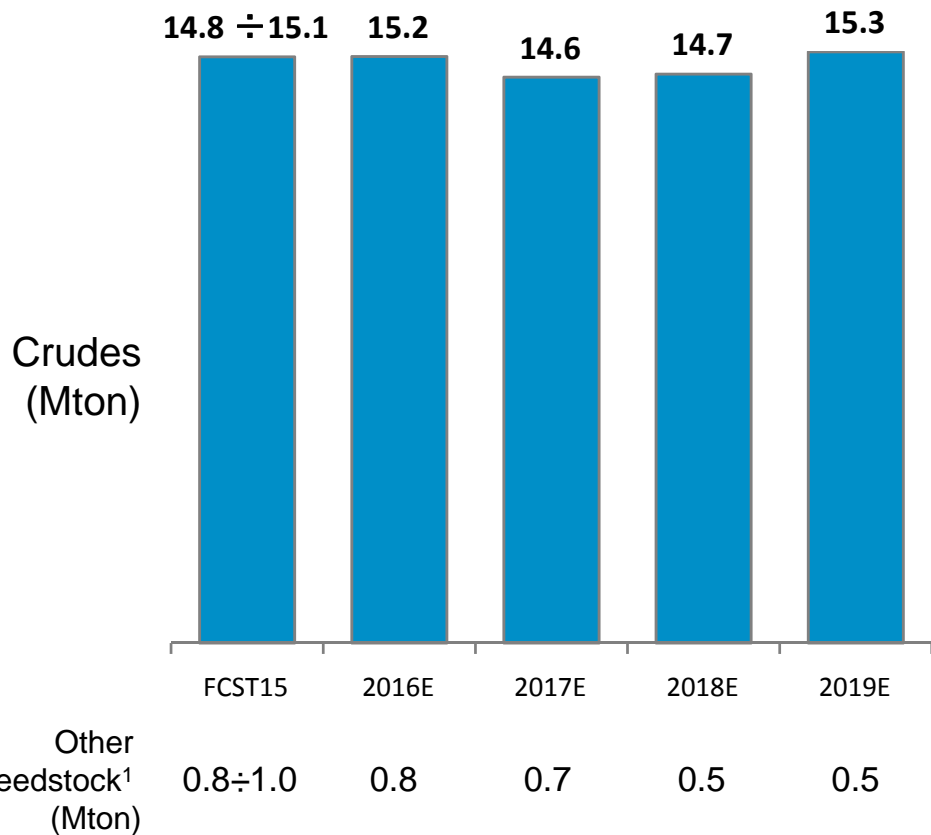
1. Real values (2015 €/MWh)



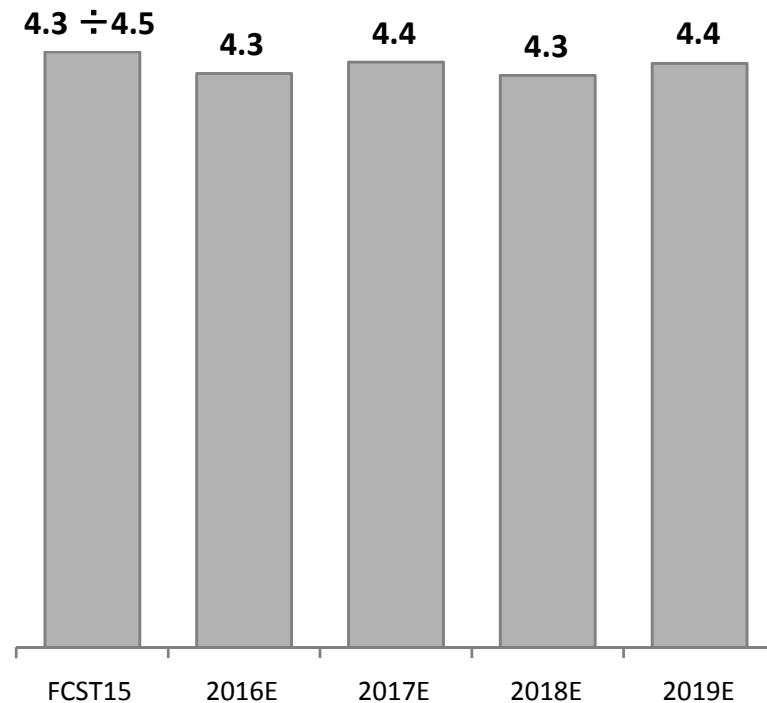
# High production levels driven by Plan' scenario

## Main assumption of Business Plan Scenario (V/V)

### Refinery crude runs (Mton)



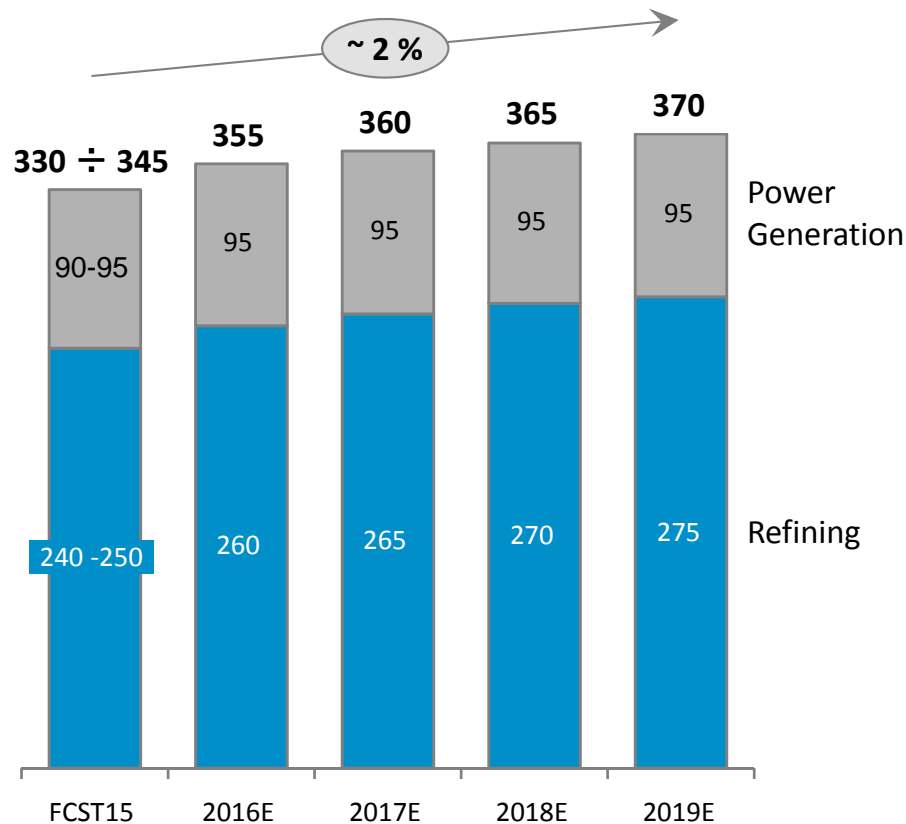
### Power generation (TWh)



**Year on year variations mainly due to maintenance**

1. Includes: HVGO HS, Straight run LS and reforming feed

## Refining & Power fixed costs (M€)



**We project a modest increase in fixed cost base ...**

**...driven by slightly higher maintenance costs to improve reliability ...**

- In a healthy margin environment, positive trade-off of gross margin vs. maintenance costs

**... by increase in environmental requirements ...**

**... and a incentive scheme for our employees**

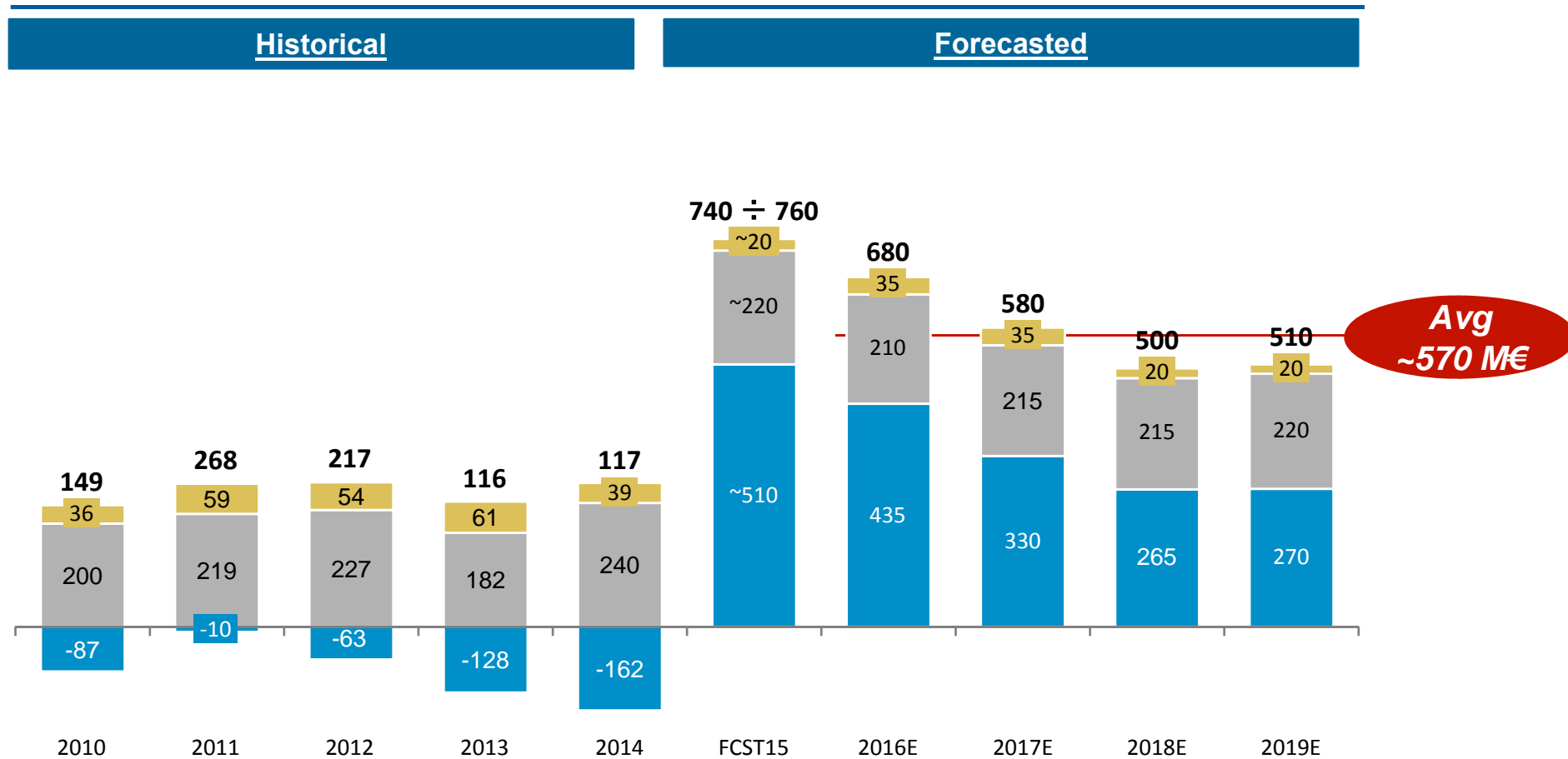
- Linked to achievement of planned targets

**Proven capability to react to scenario's changes keeping costs basically flat**

- Review of expenditure priorities
- Labor cost

# "Inertial" projection of scenario conditions lead to ~570 M€/y of EBITDA

## Group EBITDA (M€)



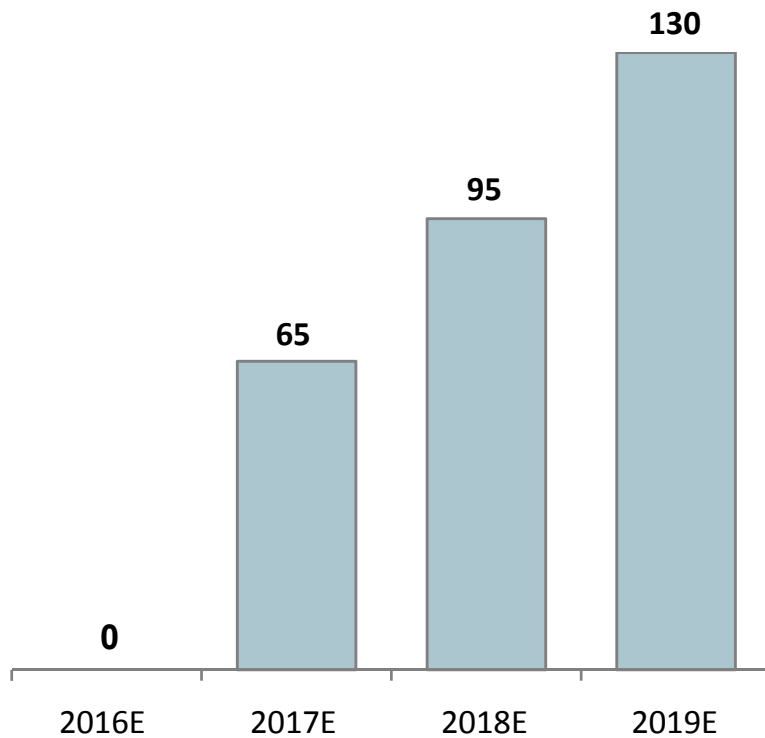
**Inertial EBITDA does not include Supply Chain Integration & Improvements Initiatives**



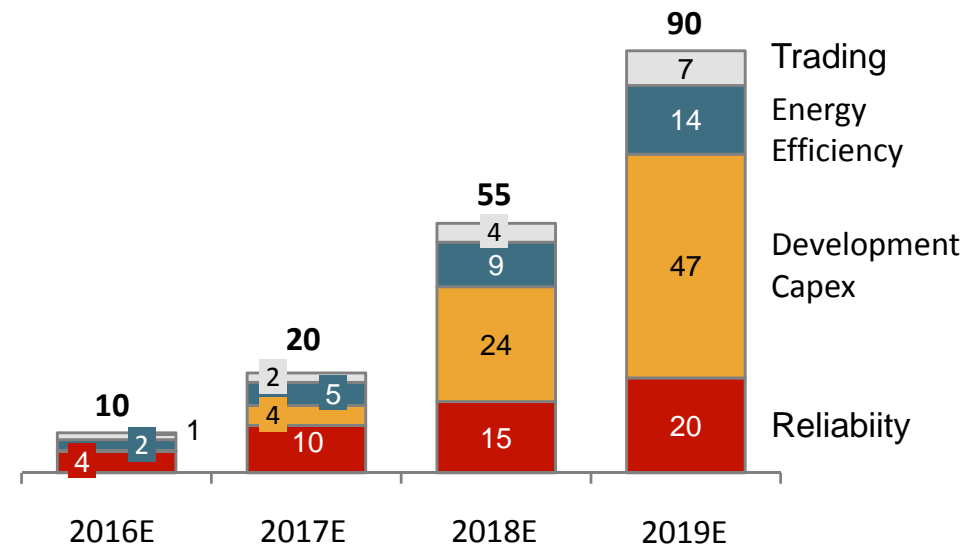


# Strong results from Supply Chain Integration & Improvements Initiatives

**~ 130 M€/y EBITDA driven by Supply Chain Integration ...**



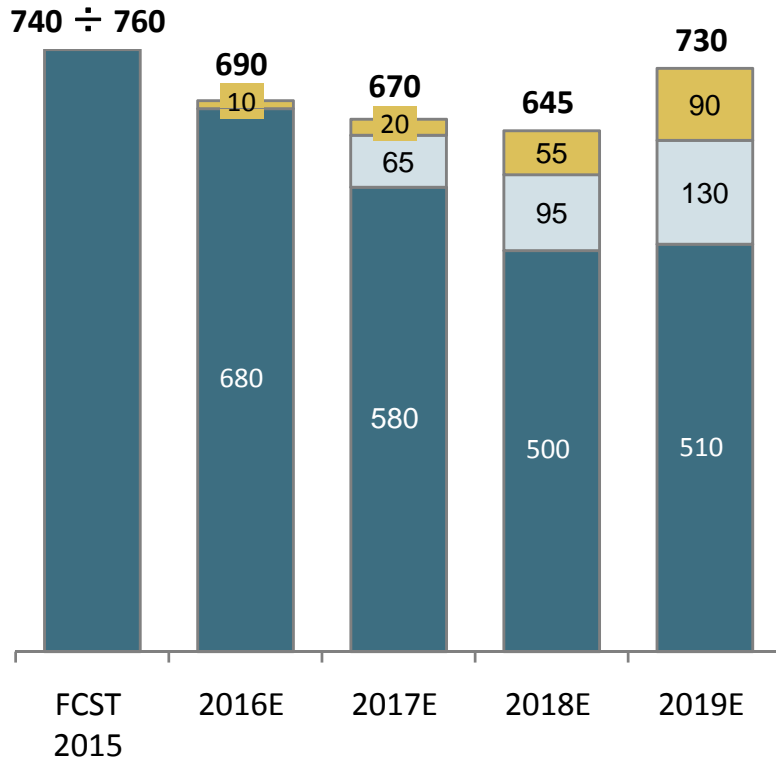
**... ~ 90 M€/y EBITDA driven by the Improvement Initiatives**



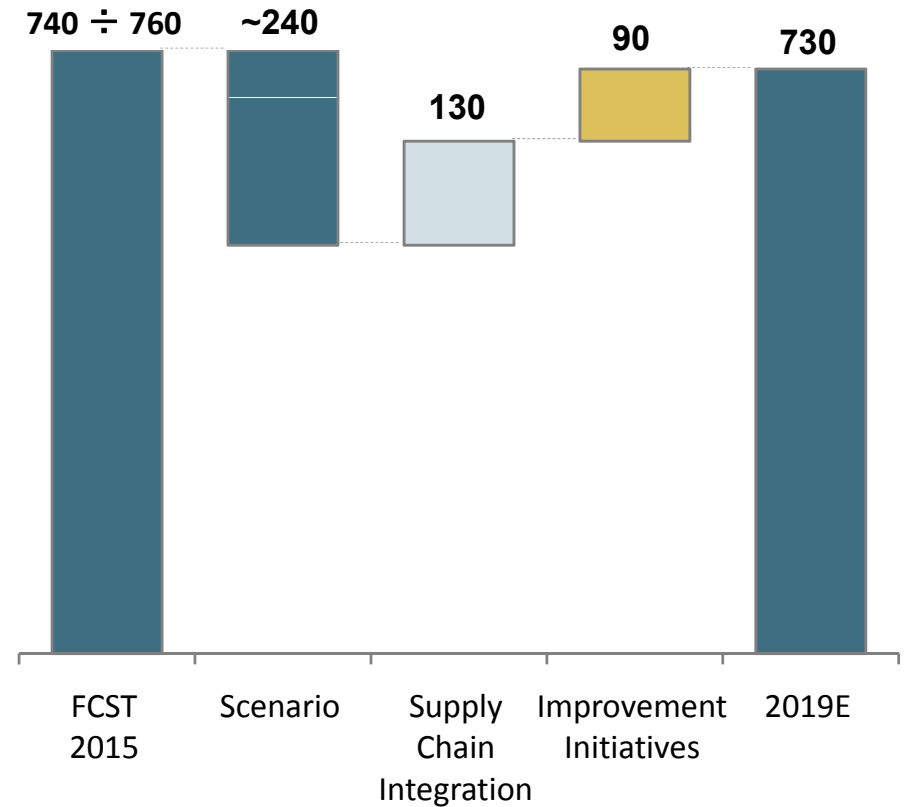


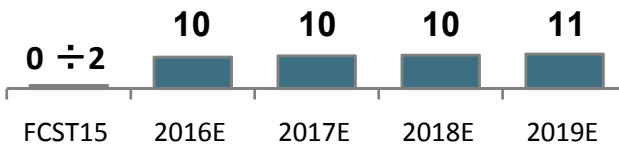
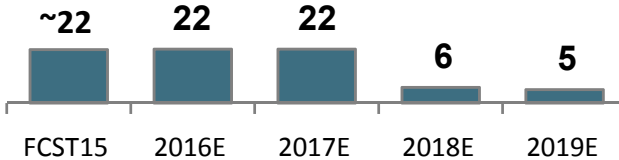
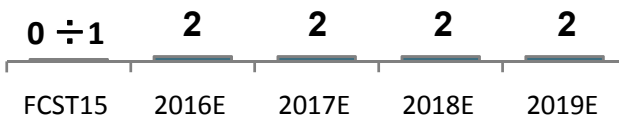
# Overall ~730 M€ of Group EBITDA in 2019

## Group EBITDA evolution with Supply Chain Integration & Improvement Initiatives



## Main components of Δ Group EBITDA '15-'19



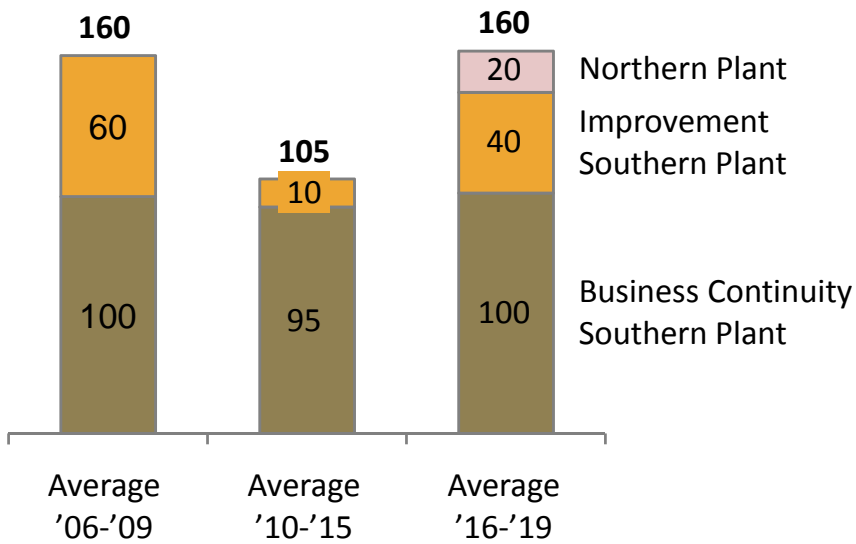
Segment	EBITDA (M€)	Comments												
Marketing	 <table border="1"> <tr><th>Year</th><td>FCST15</td><td>2016E</td><td>2017E</td><td>2018E</td><td>2019E</td></tr> <tr><th>EBITDA (M€)</th><td>0 ÷ 2</td><td>10</td><td>10</td><td>10</td><td>11</td></tr> </table>	Year	FCST15	2016E	2017E	2018E	2019E	EBITDA (M€)	0 ÷ 2	10	10	10	11	<ul style="list-style-type: none"> <li>In 2016 expected EBITDA recovery in line with 2H2015 level</li> </ul>
Year	FCST15	2016E	2017E	2018E	2019E									
EBITDA (M€)	0 ÷ 2	10	10	10	11									
Wind	 <table border="1"> <tr><th>Year</th><td>FCST15</td><td>2016E</td><td>2017E</td><td>2018E</td><td>2019E</td></tr> <tr><th>EBITDA (M€)</th><td>~22</td><td>22</td><td>22</td><td>6</td><td>5</td></tr> </table>	Year	FCST15	2016E	2017E	2018E	2019E	EBITDA (M€)	~22	22	22	6	5	<ul style="list-style-type: none"> <li>EBITDA negatively affected by expiring incentives on ~80% of production in 2018</li> <li>Assessing opportunity to develop additional ~25-45MW power in Ulassai</li> </ul>
Year	FCST15	2016E	2017E	2018E	2019E									
EBITDA (M€)	~22	22	22	6	5									
Other (Sartec)	 <table border="1"> <tr><th>Year</th><td>FCST15</td><td>2016E</td><td>2017E</td><td>2018E</td><td>2019E</td></tr> <tr><th>EBITDA (M€)</th><td>0 ÷ 1</td><td>2</td><td>2</td><td>2</td><td>2</td></tr> </table>	Year	FCST15	2016E	2017E	2018E	2019E	EBITDA (M€)	0 ÷ 1	2	2	2	2	<ul style="list-style-type: none"> <li>Stable EBITDA levels maintaining focus to guarantee high internal service levels and exploit potential non captive upsides</li> </ul>
Year	FCST15	2016E	2017E	2018E	2019E									
EBITDA (M€)	0 ÷ 1	2	2	2	2									



# 2016-19 investments plan

## Capex in line with '06-'09 average...

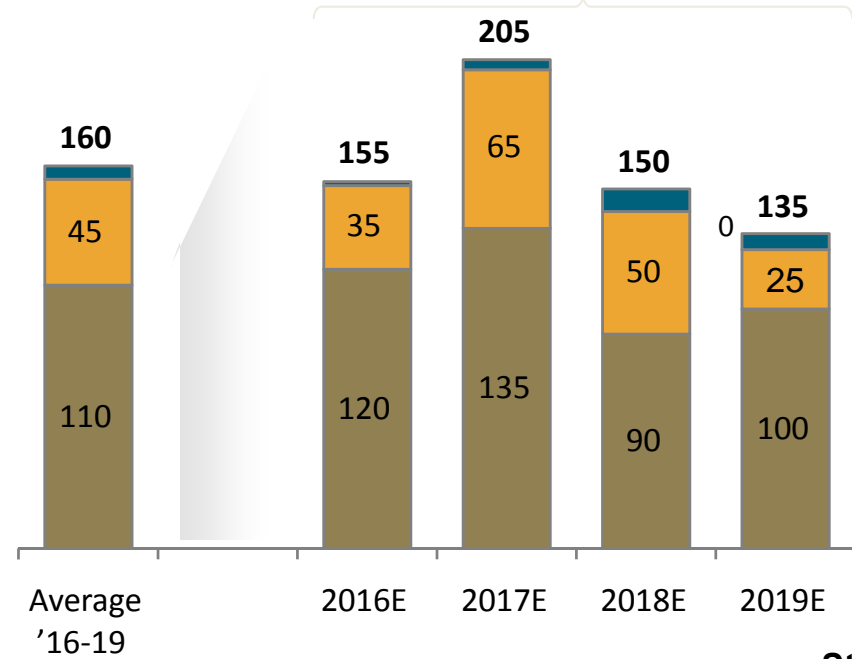
Capital expenditure, M€/year



## ...to support business continuity and high return development initiatives

Capital expenditure, M€/year

Tot. included within 4-year plan (M€) ~645

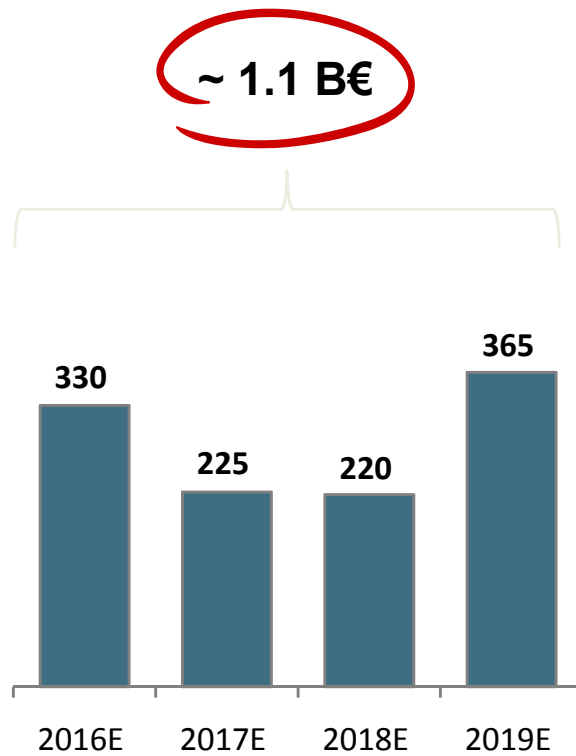


Expected  $\Delta$  Ebitda from new Development and En. Efficiency (M€)

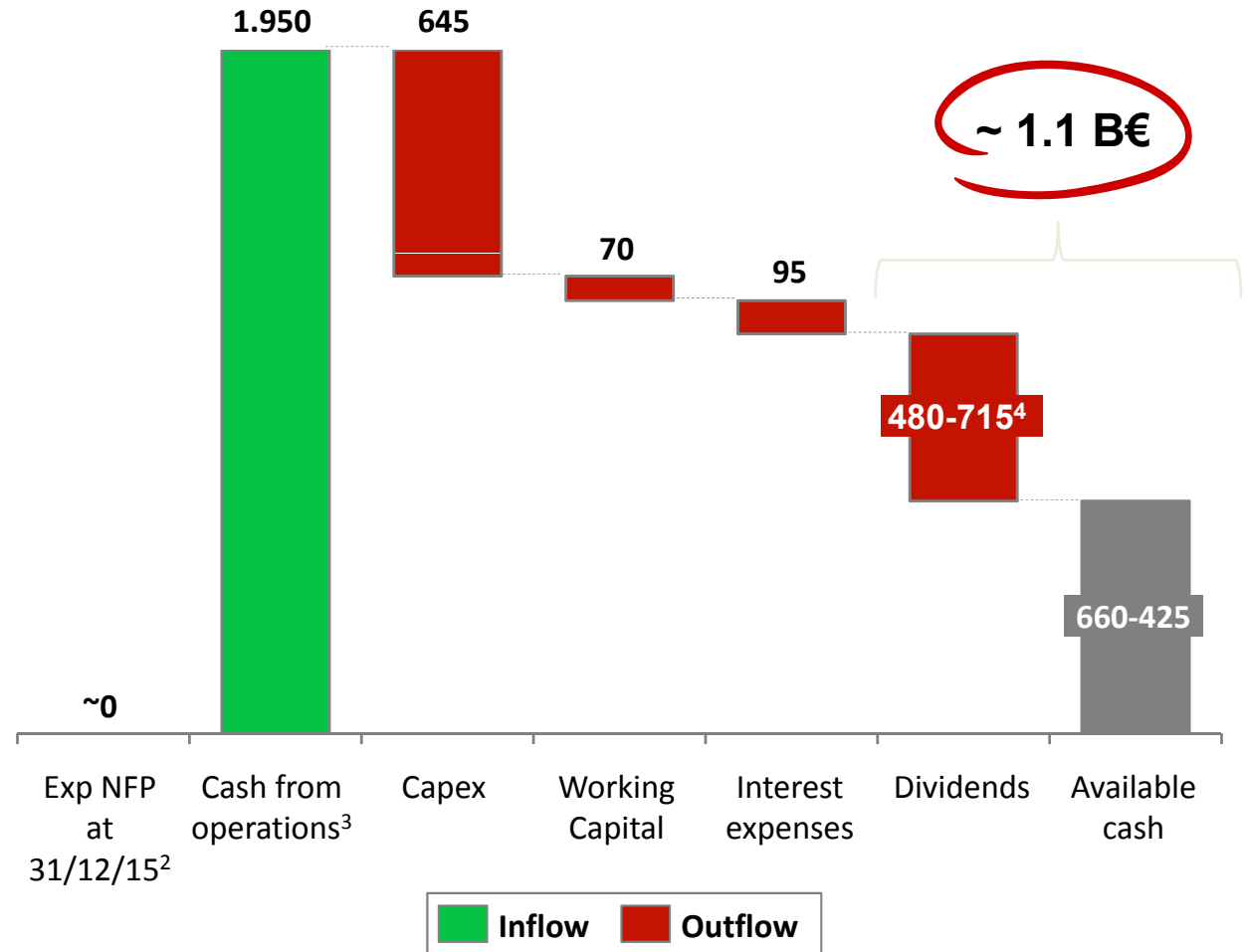


# ~1.1 B€ of cash generated between 2016 and 2019

## Annual cash flow<sup>1</sup> (M€)



## Sources and usage of cash – cumulative '15-'19 (M€)



Year	EBITDA (M€)
2016E	690
2017E	670
2018E	645
2019E	730

1. Cash flow after investments and interest payments, before dividend distribution;
2. Based on conservative assumptions, after reduction of Trade Payables related to Iran;
3. Cash flow from operations = EBITDA – Linearization effect on Power Generation – cash taxes;
4. 40%-60% of estimated Adjusted Net Income based on current policy



## Updated forecast

February, 2016



# FY 2015 forecast in line with CMD guidance

	<u>Business Plan</u>	<u>Update</u>	<u>Update and comment</u>
<b>Group EBITDA</b>	<b>740 ÷ 760 M€</b>		Group EBITDA in line with the range communicated during Capital Markets Day
<b>Net Financial Position</b>	<b>~ 0 M€</b>	 Cash positive	NFP expected to be cash positive, due to trade payable to Iran still pending

## Changes in FY 2016 assumptions

		Business Plan	Updated Scenario
Brent Dated	\$/bl	65	45
Gasoline crack spread	\$/bl	10.0	11.5
ULSD crack spread	\$/bl	15.0	11.0
LS Fuel Oil crack spread	\$/bl	-11.5	-12.0
Natural Gas TTF	€/mWh	21.6	17.3
Exchange Rate	€/\$	1.07	1.07

**Note:** Data sources of main parameters are from: WoodMackenzie (Jan'16), FGE (Dec'15) and HIS (Nov'15) Mitsui Bank for forward quotations, and Poiry for gas market

## Changes in FY 2016 maintenance plan, production levels and costs

**Maintenance plan concentrated in Q1/16 (both for refinery and IGCC), and slightly increased vs. Business Plan, due to activities initially scheduled for 2015**

- Refinery crude runs at 14.8 Mton (vs. 15.2 Mton in Business Plan), with a further 1.0 Mton of other feedstock (vs. 0.8 Mton)
- Power Generation at 4.3 TWh/y (unchanged vs. Business Plan)

**Refining fixed costs slightly up at 270M€ (vs. 260 M€ in business Plan) owing primarily to Maintenance and Personnel**

**Group Capex at 155M€ (unchanged vs. Business Plan)**

## FY 2016 Group EBITDA

**In the Refining segment, value creation will derive from:**

- dynamic supply chain management (promptly reacting to market changes and re-optimizing runs)
- crude sourcing optimization (increased availability of high sulphur grades from Middle East and extra sweet grades from West Africa)

**In the Power segment, lower revenues (gas related) will be fully offset by lower cost of TAR feedstock (crude related)**

**Overall, Group EBITDA in line with Business Plan**

## Cash flow

**Cash flow from operations forecasted to cover WC changes (including repayment of trade payables to Iran), Capex, Taxes and Financial Expense**

**Payment of dividends**, related to positive results in FY 2015, subject to BoD proposal (in March 2016) and AGM approval (in April 2016)





## **Deep dive on Saras segments**

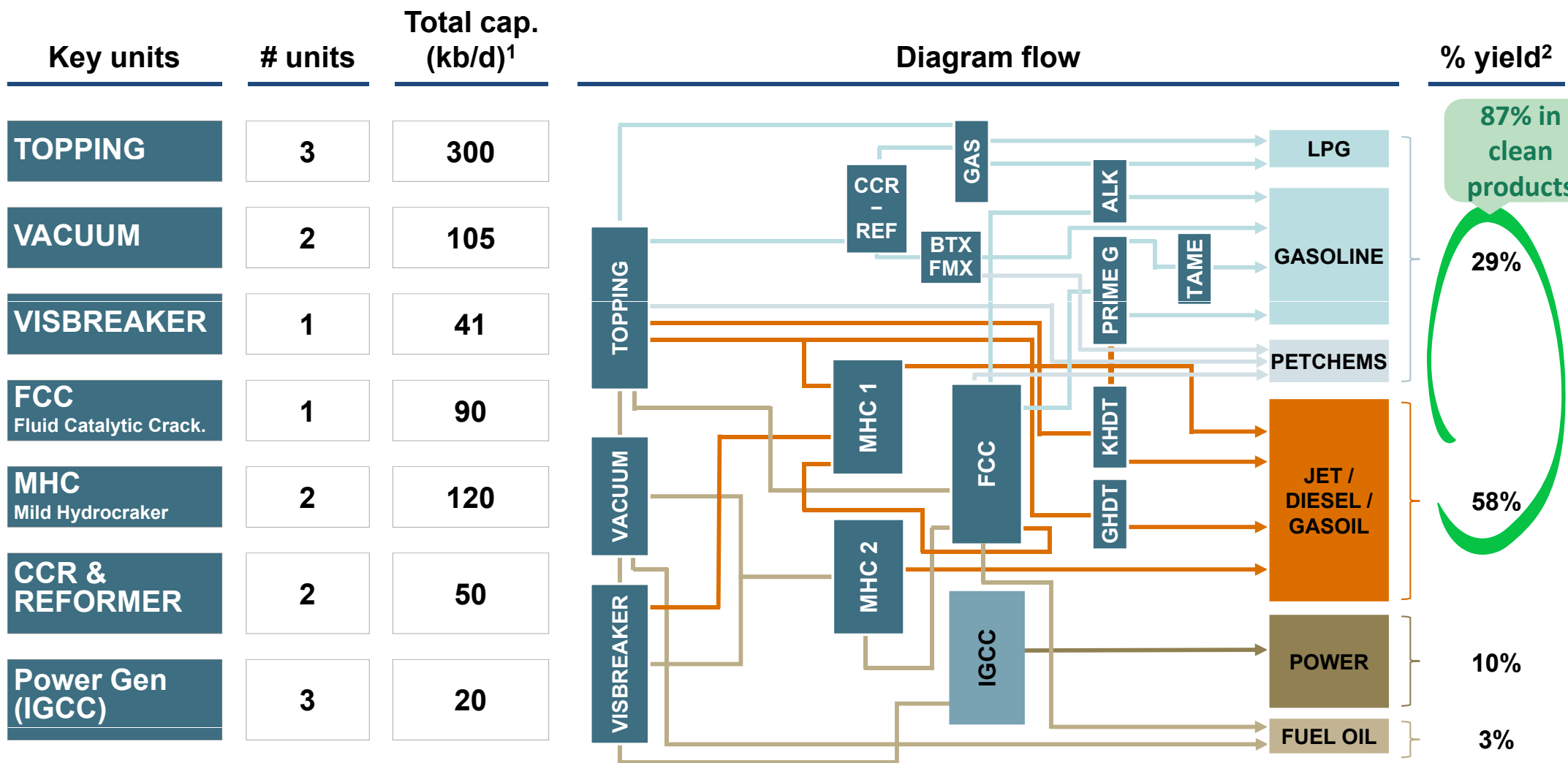
- **Refining**
- Power Generation
- Marketing
- Wind Energy

## **Group Financials**

## Key financial performance of the Refining segment

EUR million	2012	2013	2014	1Q/15	2Q/15	3Q/15
EBITDA	(91.2)	(153.6)	(496.3)	68.3	280.3	37.1
<b>Comparable EBITDA</b>	<b>(61.2)</b>	<b>(127.5)</b>	<b>(140.1)</b>	<b>83.3</b>	<b>196.2</b>	<b>155.4</b>
EBIT	(197.0)	(261.0)	(640.7)	38.2	233.9	9.0
<b>Comparable EBIT</b>	<b>(167.0)</b>	<b>(234.9)</b>	<b>(261.8)</b>	<b>53.1</b>	<b>167.7</b>	<b>127.3</b>
<b>CAPEX</b>	<b>97.0</b>	<b>87.1</b>	<b>124.9</b>	<b>19.1</b>	<b>18.9</b>	<b>18.7</b>
<b>REFINERY RUNS</b>						
Thousand tons	13,309	12,980	12,430	3,705	3,712	3,672
Million barrels	97.2	94.8	90.7	27.0	27.1	26.8
Thousand barrels/day	265	260	249	301	298	291
<b>EMC benchmark</b>	<b>0.9</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>4.0</b>	<b>4.1</b>	<b>4.8</b>
<b>Saras Refining Margin</b>	<b>2.1</b>	<b>1.6</b>	<b>1.2</b>	<b>6.0</b>	<b>10.5</b>	<b>8.6</b>

# Complex and well balanced refinery configuration



**High conversion to high-value products: Petrochemicals, Gasoline, Diesel and Power**

1. Calculated using calendar days  
 Note: Product Yields are calculated net of consumptions & losses

# ~4M cm of tank farm capacity and 13 berths



## Tank Farm

	#	k cm	k bl
Crude	13	1,290	8,127
Gasoline	60	1,000	6,300
Kerosene	11	114	718
Gasoil	35	694	4,372
Fuel Oil & feedstock	33	885	5,575
LPGs	47	72	454
<b>Total</b>	<b>199</b>	<b>4,055</b>	<b>25, 546</b>



## Marine Terminal

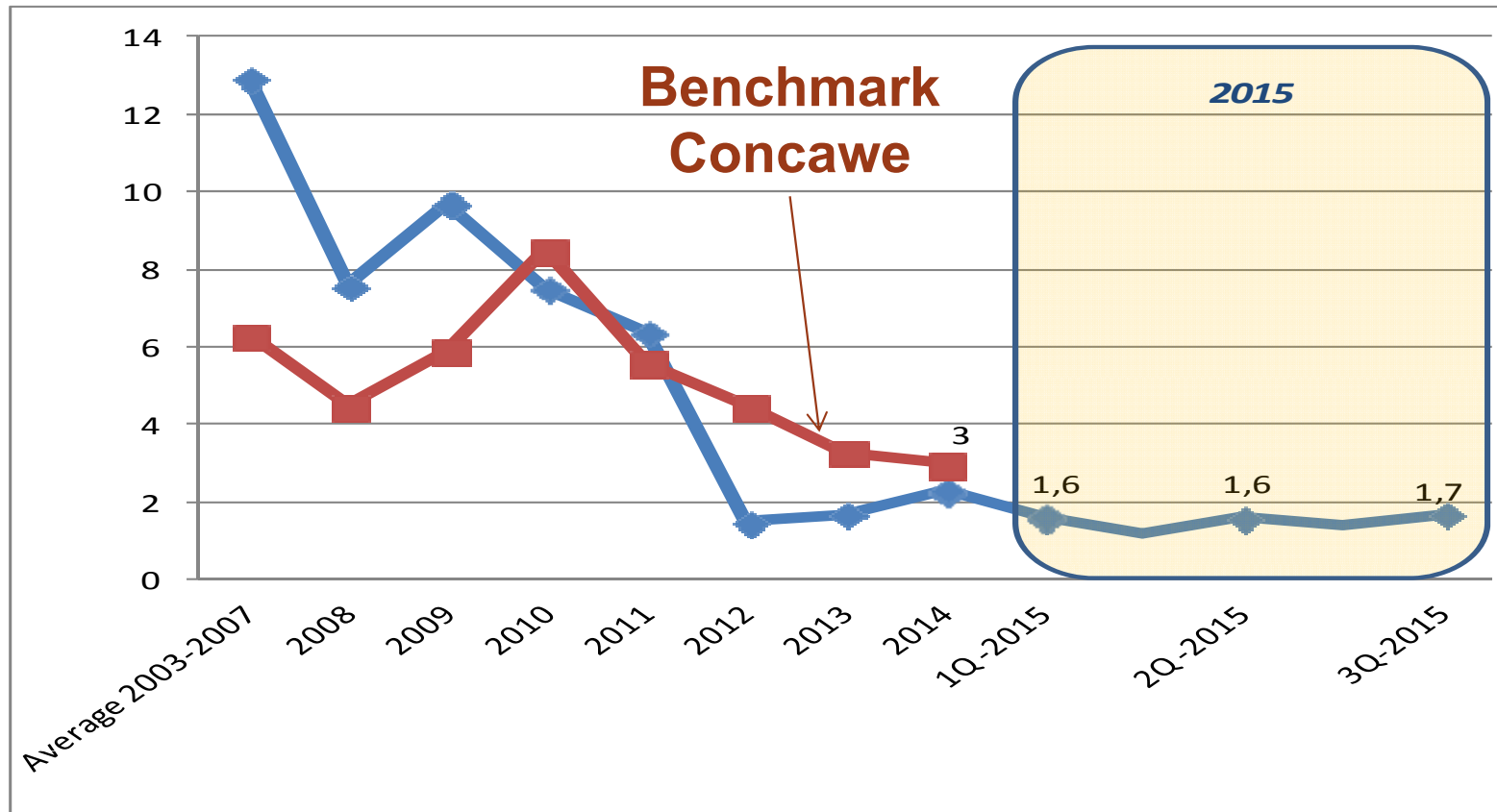
	#	Dwt	m Draft
Deep sea berths for VLCC	2	up to 300,000	20.7
Berths for Products	9	up to 65,000	12
	1	up to 40,000	9.5
	1	up to 6,000	7
<b>Total</b>	<b>13</b>		

**Opportunity of expansion in the storage capacity (gasoil/crude)**

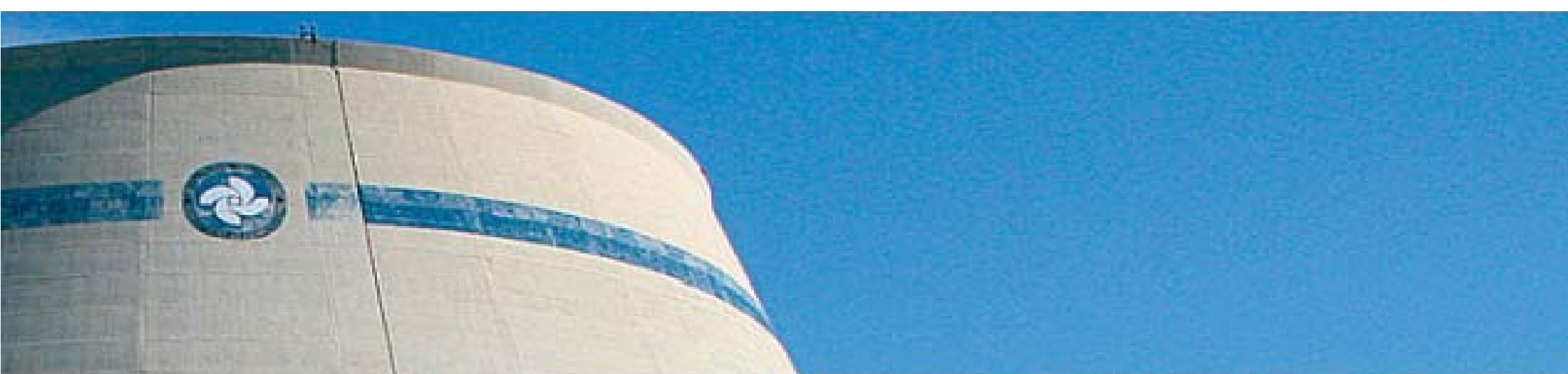
**Flexibility for simultaneous loadings of multiple products**



## Total Frequency Index\* Sarlux and Contractors



Note: Total Frequency Index: ratio between injuries and medical treatments versus total worked hours in the period



## Deep dive on Saras segments

- Refining
- **Power Generation**
- Marketing
- Wind Energy

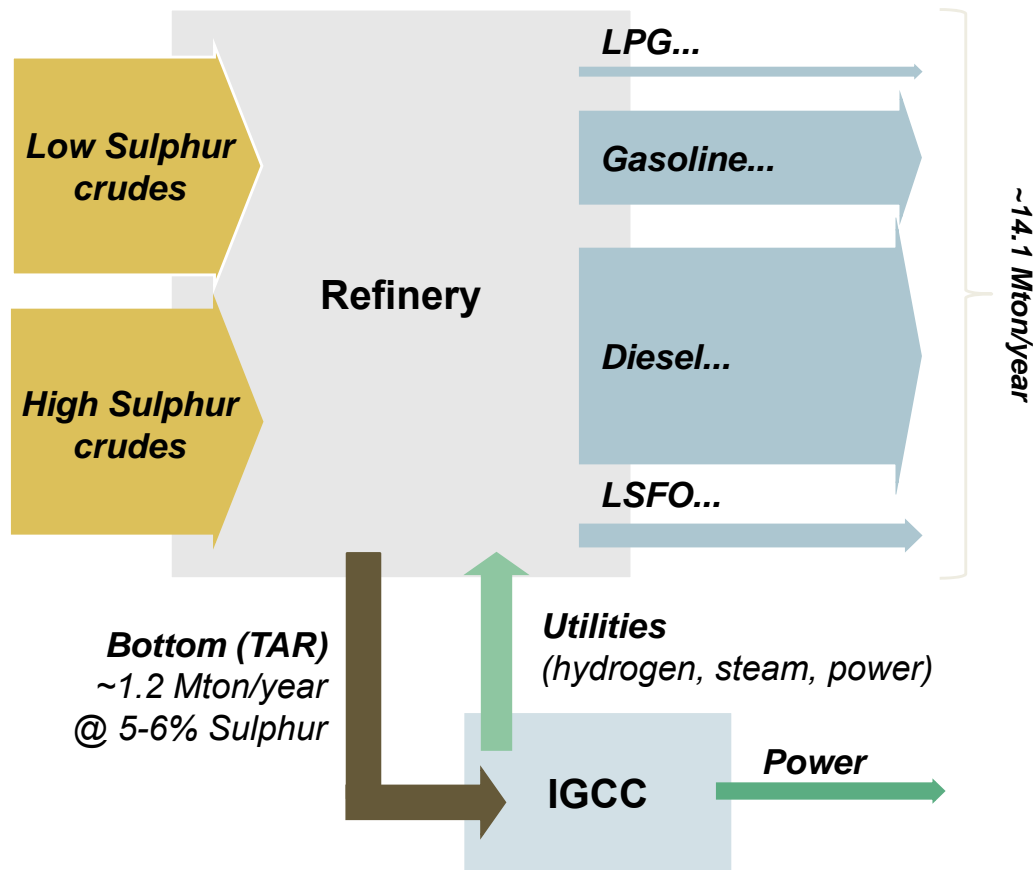
## Group Financials

# Key financial performance of the Power Generation segment

EUR million	2012	2013	2014	1Q/15	2Q/15	3Q/15
<b>Comparable EBITDA</b>	<b>226.8</b>	<b>182.4</b>	<b>240.4</b>	<b>53.9</b>	<b>55.8</b>	<b>51.5</b>
<b>Comparable EBIT</b>	<b>147.0</b>	<b>109.5</b>	<b>174.7</b>	<b>30.2</b>	<b>31.3</b>	<b>27.2</b>
EBITDA IT GAAP	178.3	184.8	147.9	35.9	52.9	42.7
EBIT IT GAAP	133.2	131.2	85.9	20.7	36.8	26.9
<b>CAPEX</b>	<b>8.7</b>	<b>16.9</b>	<b>6.8</b>	<b>3.2</b>	<b>1.9</b>	<b>1.4</b>
<b>ELECTRICITY PRODUCTION</b> <small>MWh/1000</small>	<b>4,194</b>	<b>4,217</b>	<b>4,353</b>	<b>1,017</b>	<b>1,241</b>	<b>1,150</b>
POWER TARIFF <small>€cent/kWh</small>	<b>12.2</b>	<b>11.9</b>	<b>10.1</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>
POWER IGCC MARGIN <small>\$/bl</small>	<b>4.2</b>	<b>3.8</b>	<b>4.8</b>	<b>3.3</b>	<b>3.1</b>	<b>3.1</b>

# IGCC plant is fundamental to ensure bottom-barrel conversion

## Sarlux site configuration



- Three independent trains for gasification and power production, with a total design capacity of 575 MW

## IGCC role

**IGCC processes High Sulphur (HS) crudes "bottom-of-barrel" and has 3 main outputs:**

- Power
- Hydrogen
- Steam...

**...making the IGCC very important even after expiry of the CIP6 scheme**

- Instrumental to economically process HS crudes and to fully exploit the site assets
- Hydrogen and steam production are necessary for refinery operations
- ~1TWh of power production will be self-consumed to further reduce exposure to power market

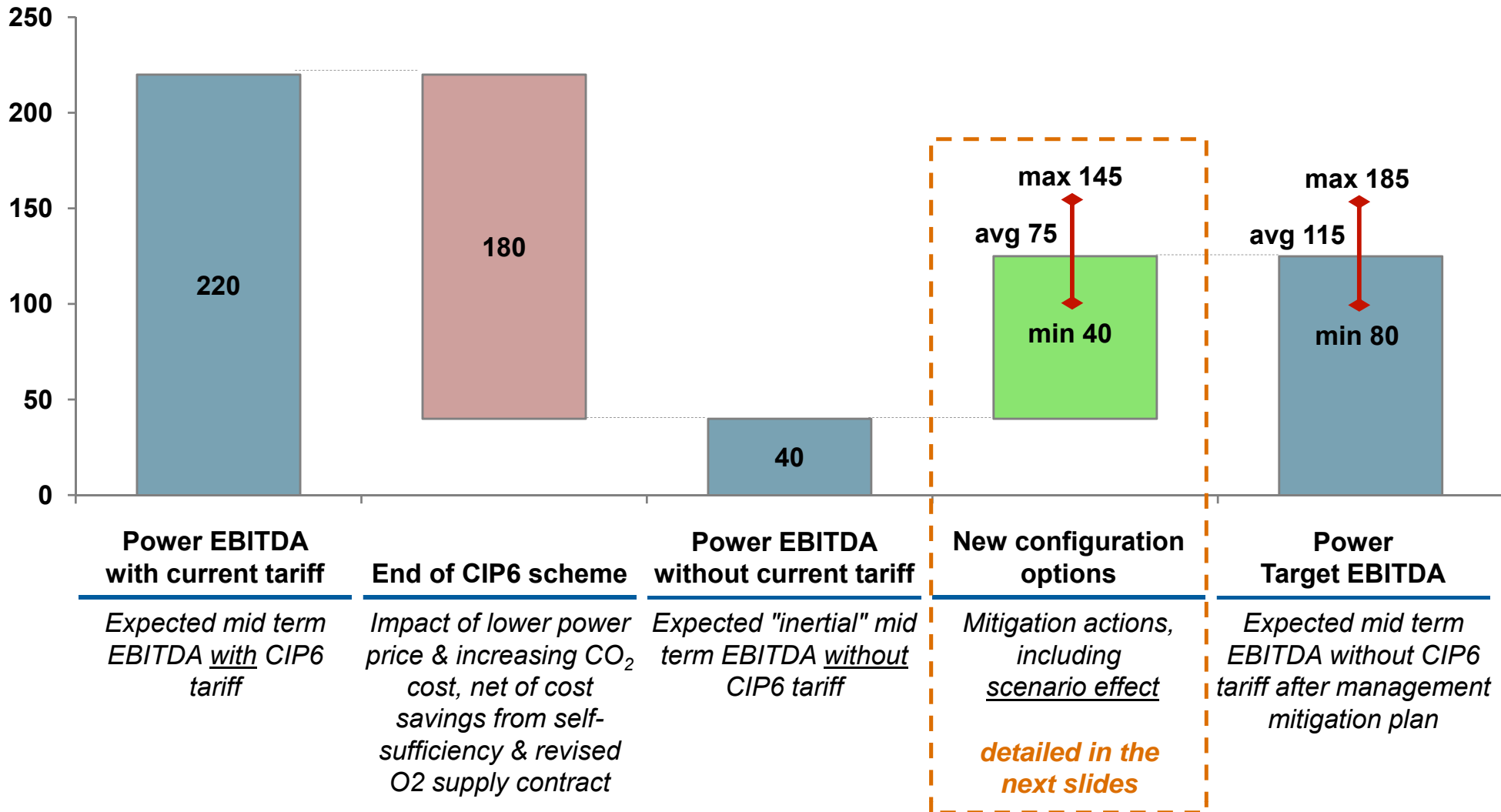
**The IGCC operational flexibility will be exploited with an integrated perspective**

Note: Arrow width proportional to material flow size, plant surfaces proportional to Nelson Complexity Index. Semifinished products not shown



# EBITDA reduction after CIP6 expiry can be significantly mitigated

## Mid term Power EBITDA (M€)



## Invest the "right" amount to ensure sustainability and maximize company evaluation

- Allow for **future flexibility** in the mid term configuration options

*Visbreaking revamp*



**170M€ CAPEX**

*Bitumen facilities*



**60M€ CAPEX**

*0.5% LSFO bunker*



**no CAPEX**

*Investment decisions to be taken in 2018*

**The current site configuration is robust under different scenarios and hence shareholders investment in a heavy conversion unit is not necessary**

# Saras can flexibly and effectively react to envisaged market scenarios



## "Oil driven"

- Lower oil price (50\$/bbl)
- Robust Cracks back
- Reduced HS<sup>3</sup> discount
- Tolerant EU CO2 policy
- Lower power tariff



## "In the Middle" (in continuity with Business Plan)

- Limited oil rebound (85\$/bbl)
- Crack in line with Plan
- Bitumen at wide discount
- CO2 policy sensitive to EU economic growth
- Power tariff at historical levels



## "Environmental Push"

- Lower HSFO price, while Bitumen price stable
- Wider discount on HS<sup>3</sup>
- New 0.5%LSFO for bunker use
- Strict EU emission policy: high CO2 cost

### Configuration

Refinery runs

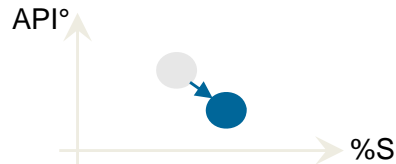
Crude slate vs. 2015

Product output (%)

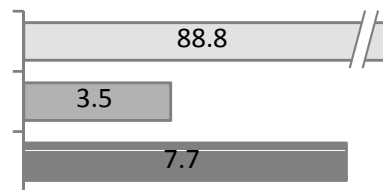
Light & Mid <sup>1</sup>
Heavy <sup>2</sup>
IGCC feed

IGCC config. (Power prod, TWh)

15.3 Mt/y

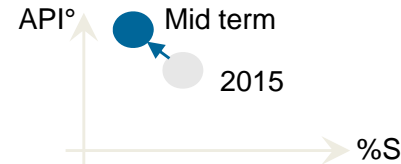


Heavier and sour slate

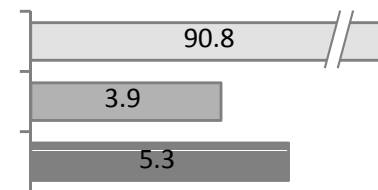


~1.0TWh self consumed  
+ ~3.6 TWh sold

15.0 Mt/y

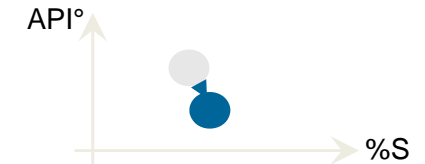


Lighter /sweeter slate

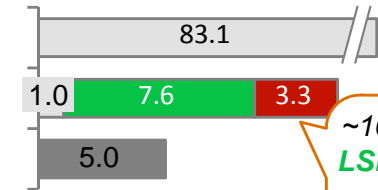


~1.0TWh self consumed  
+ ~1.8 TWh sold

15.2 Mt/y



Heavier & slightly sourer slate



~1.0TWh self consumed  
+ ~1.8 TWh sold

~1000÷1500kt/y  
LSFO 0.5% and  
up to 500kt  
Bitumen  
production

1. LPG, Gasolines, ULSD, GO 0.1%; 2. Fuel Oil, Slurry, Bitumen 3. Heavy Sour Crudes



## Deep dive on Saras segments

- Refining
- Power Generation
- **Marketing**
- Wind Energy

## Group Financials

## Key financial performance of the Marketing segment


EUR million	2012	2013	2014	1Q/15	2Q/15	3Q/15
EBITDA	18.0	16.0	(4.9)	5.1	(0.3)	(3.2)
<b>Comparable EBITDA</b>	<b>31.7</b>	<b>33.7</b>	<b>14.9</b>	<b>(1.3)</b>	<b>(3.2)</b>	<b>6.1</b>
EBIT	(29.8)	7.6	(14.7)	3.3	(6.7)	(4.7)
<b>Comparable EBIT</b>	<b>19.8</b>	<b>25.3</b>	<b>6.4</b>	<b>(3.1)</b>	<b>(4.7)</b>	<b>4.6</b>
<b>CAPEX</b>	<b>8.2</b>	<b>3.7</b>	<b>3.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>
<b>SALES</b> (THOUSAND TONS)						
ITALY	2,210	2,342	2,449	621	640	680
SPAIN	1,584	1,310	1,234	369	342	333
TOTAL	3,794	3,652	3,683	990	981	1,013

# Overview of the Italian and Spanish Marketing businesses




## Spain: Saras Energia

### Spain wholesale

- 114k m<sup>3</sup> distillates storage in Cartagena 
- ~7% share of wholesale market

### Spain retail

- 93 service stations 
  - 76 fully owned
  - 17 long term leased
- ~200k m<sup>3</sup> sold
- Mainly located in the Med tributary, with CLH Depots regional support



## Main logistics flows



## Italy: Saras SpA



### Arcola La Spezia (owned)

- 200k m<sup>3</sup> storage for diesel and gasoline 
- ~11% share of wholesale market
- Sea Terminal for up to 50kt DWT 
- Logistics available for bunkering

### Transfer depots network (3rd party)

- Logistics efficiently covers all richest northern and central regions
- Regular supply to Genova, La Spezia, Livorno, Civitavecchia, Venezia, Napoli and Ravenna
- Strong position in Livorno, Venice and Civitavecchia

### Reaching further downstream

- i.e. resellers, unbranded service stations, supermarket chains, etc...

Sales (ktons)	2012	2013	2014	9M/15
<b>SPAIN</b>	1,584	1,310	1,234	1,044

Sales (ktons)	2012	2013	2014	9M/15
<b>ITALY</b>	2,210	2,342	2,449	1,940

An Integrated MED Market Player Offering Integrated Services



## Deep dive on Saras segments

- Refining
- Power Generation
- Marketing
- **Wind Energy**

Group Financials

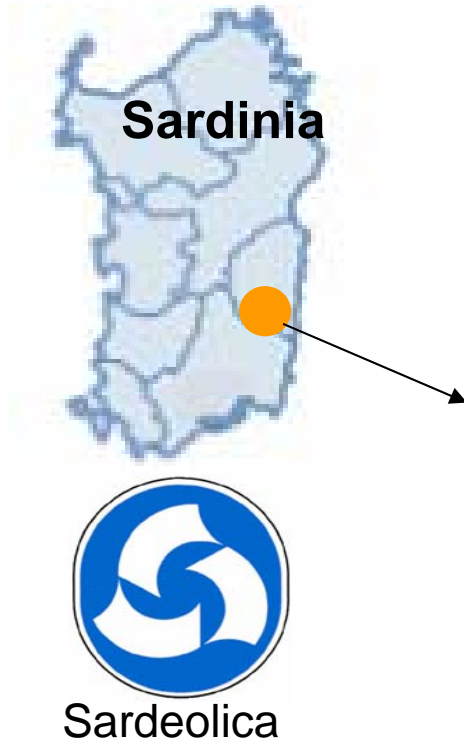
## Key financial performance of the Wind segment

EUR million	2012	2013	2014	1Q/15	2Q/15	3Q/15
<b>Comparable EBITDA</b>	<b>20.0</b>	<b>22.7</b>	<b>20.5</b>	<b>8.6</b>	<b>3.1</b>	<b>1.3</b>
<b>Comparable EBIT</b>	<b>9.7</b>	<b>18.3</b>	<b>15.9</b>	<b>7.3</b>	<b>2.2</b>	<b>0.1</b>
<b>ELECTRICITY PRODUCTION</b> <small>MWh</small>	<b>171,050</b>	<b>197,042</b>	<b>171,657</b>	<b>69,019</b>	<b>33,748</b>	<b>20,049</b>
<b>POWER TARIFF</b> <small>€cent/kWh</small>	<b>7.1</b>	<b>5.7</b>	<b>4.8</b>	<b>4.9</b>	<b>4.3</b>	<b>5.1</b>
<b>GREEN CERTIFICATES</b> <small>€cent/kWh</small>	<b>8.0</b>	<b>8.9</b>	<b>9.7</b>	<b>10.0</b>	<b>10.5</b>	<b>7.7</b>





## ULASSAI WIND FARM



### Ulassai Wind Farm



- **96 MW (48 Vestas aero-generators), with production ranging from 170 up to 200 GWh per year**
- **Operations started at the end of 2005**
- **Green Certificates granted until 2016, then feed-in premium tariff until 2018 (same value as Green Certificates)**
- **seven more years of feed-in premium tariff (2025) on the last units installed (about 10% of total production)**



## **Deep dive on Saras segments**

- Refining
- Power Generation
- Marketing
- Wind Energy

## **Group Financials**

# Group Financials – Income Statements

KEY INCOME STATEMENT	(EUR ml)	2012	2013	2014	1Q/15	2Q/15	3Q/15
EBITDA		176.0	71.7	(237.0)	135.6	339.2	87.0
<b>Comparable EBITDA</b>		<b>210.7</b>	<b>117.7</b>	<b>139.0</b>	<b>144.2</b>	<b>252.2</b>	<b>214.6</b>
D&A (*)		(244.2)	(425.9)	(47.4)	(57.0)	(78.5)	(55.0)
<b>EBIT</b>		<b>(68.1)</b>	<b>(354.2)</b>	<b>(284.4)</b>	<b>78.6</b>	<b>260.8</b>	<b>32.0</b>
<b>Comparable EBIT</b>		<b>2.6</b>	<b>(75.7)</b>	<b>(61.9)</b>	<b>87.2</b>	<b>196.6</b>	<b>159.6</b>
Interest expense		(28.8)	(27.8)	(40.2)	(8.7)	(11.5)	(7.1)
Other		(23.1)	(1.6)	62.8	35.5	(30.4)	39.5
<b>Financial Income/(Expense)</b>		<b>(51.9)</b>	<b>(29.4)</b>	<b>22.6</b>	<b>26.8</b>	<b>(41.9)</b>	<b>32.4</b>
<b>Profit before taxes</b>		<b>(120.0)</b>	<b>(383.6)</b>	<b>(261.8)</b>	<b>105.4</b>	<b>218.9</b>	<b>64.4</b>
Taxes		31.4	112.5	0.0	(31.2)	(63.0)	(17.8)
<b>Net Result</b>		<b>(88.6)</b>	<b>(271.1)</b>	<b>(261.8)</b>	<b>74.2</b>	<b>155.9</b>	<b>46.6</b>
Adjustments		54.9	186.9	178.2	(19.6)	(23.4)	63.2
<b>Adjusted Net Result</b>		<b>(33.7)</b>	<b>(84.1)</b>	<b>(83.6)</b>	<b>54.5</b>	<b>132.5</b>	<b>109.8</b>

(\*) In Q2/13 the revision of the CIP6/92 tariff structure according to Decree Law 69/13 caused a write-off (EUR -232 ml pre-tax) of the contract between Sarlux and the National Grid Operator (GSE); In Q4/14 there was the reversal of the afore-mentioned write-off (EUR +180 ml pre-tax), due to the implementation of new scenarios for the prices of gas and crude oil

DETAILS OF ADJUSTMENT	(EUR ml)	2012	2013	2014	1Q/15	2Q/15	3Q/15
<b>Net Result</b>		<b>(88.6)</b>	<b>(271.1)</b>	<b>(261.8)</b>	<b>74.2</b>	<b>155.9</b>	<b>46.6</b>
(LIFO – FIFO) inventories net of taxes		27.0	43.4	293.8	(9.7)	(44.2)	61.3
non recurring items net of taxes		25.3	148.3	(85.7)	0.0	17.3	0.0
Fair value of derivatives' open positions net of taxes		2.6	(4.7)	(29.9)	(9.9)	3.5	1.9
<b>Adjusted Net Result</b>		<b>(33.7)</b>	<b>(84.1)</b>	<b>(83.6)</b>	<b>54.5</b>	<b>132.5</b>	<b>109.8</b>



# Group Financials – Balance Sheet

EUR million	31-Dec-12	31-Dec-13	31-Dec-14	30-Sep-15
<b>Current assets</b>	<b>2,209</b>	<b>2,287</b>	<b>2,241</b>	<b>1,888</b>
CCE and financial assets held for trading	342	545	669	611
Other current assets	1,867	1,743	1,571	1,278
<b>Non-current assets</b>	<b>1,731</b>	<b>1,526</b>	<b>1,621</b>	<b>1,427</b>
<b>TOTAL ASSETS</b>	<b>3,940</b>	<b>3,814</b>	<b>3,862</b>	<b>3,315</b>
<b>Current Liabilities</b>	<b>1,817</b>	<b>2,015</b>	<b>2,506</b>	<b>1,557</b>
Short-Term financial liabilities	167	181	550	180
Other current liabilities	1,650	1,834	1,956	1,376
<b>Non-Current Liabilities</b>	<b>926</b>	<b>877</b>	<b>696</b>	<b>821</b>
Long-Term financial liabilities	425	386	277	423
Other non-current liabilities	501	491	419	397
<b>Shareholders Equity</b>	<b>1,197</b>	<b>921</b>	<b>660</b>	<b>938</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,940</b>	<b>3,814</b>	<b>3,862</b>	<b>3,315</b>

# Group Financials – Cash Flow Statement

EUR million	2012	2013	2014	Q1/15	Q2/15	Q3/15
<b>A – CCE at beginning of the period</b>	139.3	303.0	506.8	633.5	659.3	785.7
<b>B – Cash flow generated from / (used in) operating activities</b>	534.3	321.9	149.7	(67.6)	166.3	(69.3)
<i>Of which: changes in WC</i>	404.3	305.6	433.8	(261.2)	(122.1)	(186.9)
<b>C – Cash flow from / (to) investment activities</b>	(52.9)	(63.5)	(106.2)	(22.4)	(35.3)	39.4
<i>Of which: tangible and intangible assets</i>	(105.5)	(106.7)	(121.3)	(22.4)	(35.1)	(20.8)
<b>D – Cash flow generated from / (used in) financing activities</b>	(317.4)	(54.5)	83.2	115.8	(4.5)	(172.8)
<i>Incr./ (Decr.) in mid &amp; long-term borrowings</i>	172.0	0.0	173.7	141.5	(141.5)	49.6
<i>Other flows</i>	(489.4)	(54.5)	(90.5)	(25.6)	137.0	(222.4)
<b>E – Cash flow for the period (B+C+D)</b>	164.0	203.9	126.7	25.8	126.4	(202.7)
<b>F – Net Cash from disposals</b>	(0.4)	0	0	0	0	0
<b>G – CCE at the end of the period</b>	303.0	506.8	633.5	659.3	785.7	583.0

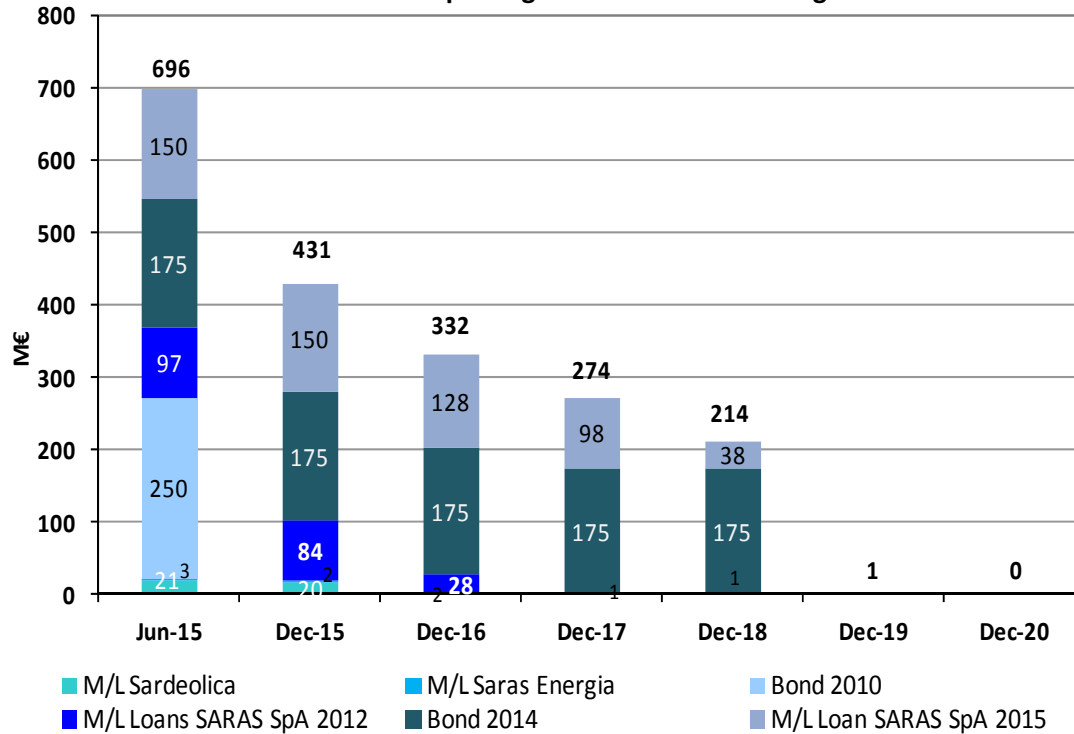


## Group CAPEX by segment

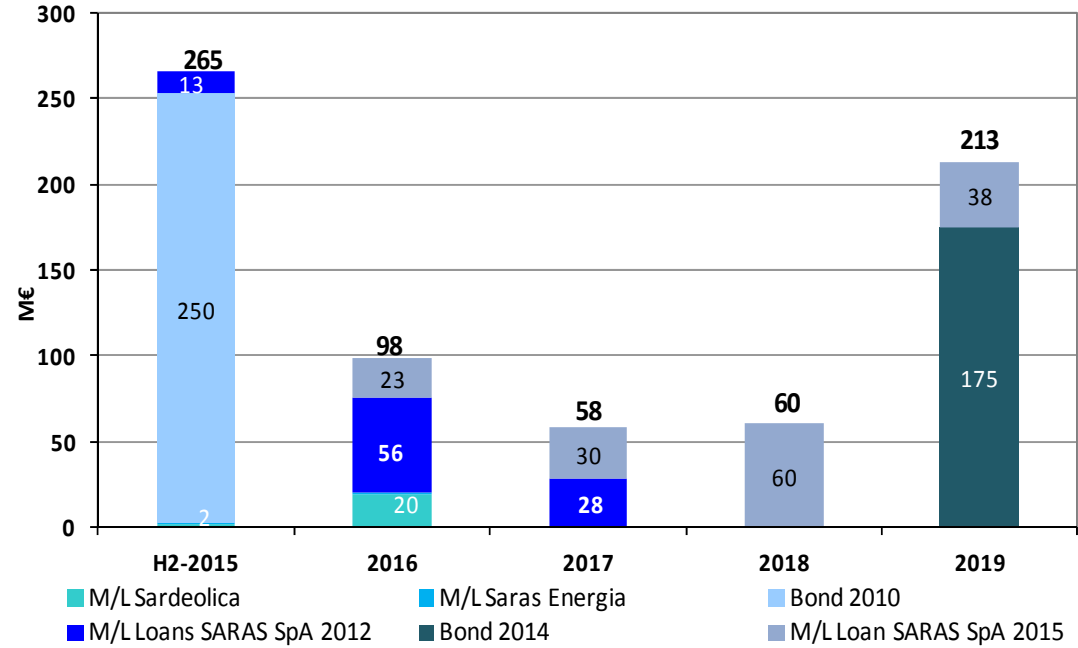
<b>CAPEX BY SEGMENT</b> (EUR million)	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>1Q/15</b>	<b>2Q/15</b>	<b>3Q/15</b>
REFINING	97.0	87.1	124.9	19.1	18.9	18.7
POWER GENERATION	8.7	16.9	6.8	3.2	1.9	1.4
MARKETING	8.2	3.7	3.0	0.2	0.3	0.4
WIND	3.8	0.2	0.6	0.0	0.0	0.1
OTHER ACTIVITIES	1.6	1.7	0.9	0.2	0.2	0.1
<b>TOTAL CAPEX</b>	<b>119.3</b>	<b>109.6</b>	<b>136.3</b>	<b>22.7</b>	<b>21.4</b>	<b>20.6</b>

## LONG-TERM DEBT MATURITY PROFILE (as of 30<sup>th</sup> June 2015)

SARAS Group: Long term Debt Outstanding

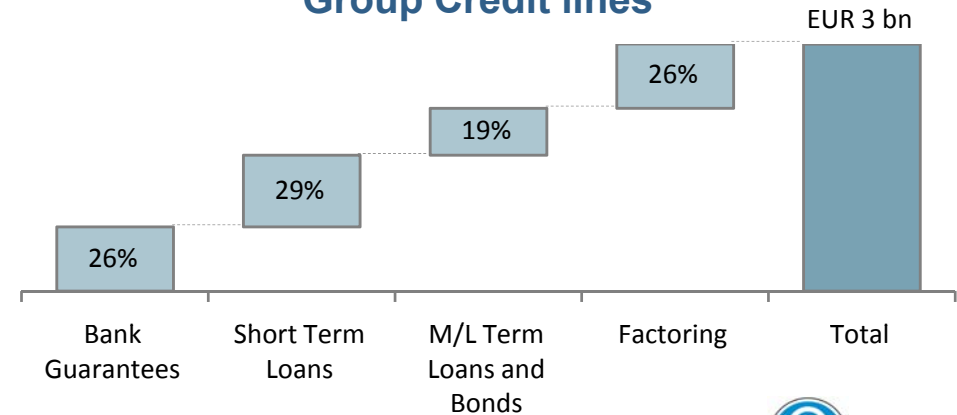


SARAS Group: Long term Debt Maturity Profile



NOTE: all debt is unsecured, except for Sardeolica's (Project Financing)

## Group Credit lines



- Total credit lines of the Group amount to about EUR 3.0 billion (of which EUR 0.7 billion committed)



## **Risk of changes in prices and cash flows**

To mitigate the risks arising from oil prices variations (which impact on the refining margins and on the oil stock value), the company enters into derivative contracts in commodities, which involve the forward buying and selling of crude oil and products.

## **Exchange rate risk**

To reduce both its exchange rate risk in future transactions and the risk inherent in assets and liabilities denominated in a different currency to the functional currency of each entity, the company sets up derivative instruments which consist of the forward buying and selling of foreign currencies (US dollars). Transactions expressed in currencies other than US dollars are not significant and could only have a very low impact on the results for the year.

## **Interest rate risk**

The risks relating to changes in cash flows caused by changes in interest rates arise from loans. The main loan agreements outstanding have been entered into at variable market rates. The company's policy is to use derivative instruments to reduce the risk of changes in interest cash flows.

## **Credit risk**

The market in which the company operates mainly consists of multinational companies operating in the oil industry. Transactions entered into are generally settled in very quickly and are often guaranteed by prime leading banks. Furthermore, loans are systematically and promptly monitored on a daily basis by the Finance department. This risk is minimal and does not constitute a significant variable in the business in which the company operates.

## **Risks of interruption of production**

The complexity and modularity of its systems limit the negative effects of unscheduled shutdowns. The safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks.