



# Investor presentation

May 2018



# Important Notice

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

In order to give a representation of the Group's operating performance and in line with the standard practice in the oil industry, the operating results and the Net Result are displayed excluding inventories gain and losses and non-recurring items and reclassifying derivatives. Such figures, called "comparable", are financial measures not defined by the International Accounting Standards (IAS/IFRS) and they are not subject to audit. 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.

From H1/17, with the aim to more analytically reflect such effects and align the calculation of "comparable" results to the sector best and more recent practices, the operating results and the Net Result, are displayed valuing inventories with FIFO methodology, excluding unrealised 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 realised and unrealised 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 review, are excluded by the operating results and the Net Result Comparable.

## 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.



# Geographical footprint



# Saras investment thesis: our value proposition



## Refining

## Power Generation

## Other activities

### Supply & Trading



- ~150 crude cargoes every year from wide range of suppliers
- Supply & Trading company operating in Geneva since Jan 2016
- Balanced and differentiated sales portfolio...
- ... with world class oil supply chain knowledge

Exploit market opportunities for both crude oils & products

### Sarroch Industrial Operations (strictly integrated refinery and power plant)



- Largest single-site refinery in the Mediterranean basin (300 kbl/d, ~17% of Italy's refining capacity)
- Top-tier large & complex Med refinery, according to Nelson and Wood MacKenzie Indexes
- Yields of medium and light distillates approx 85% of the production output (net of C&L)<sup>1</sup>
- Fuel Oil yield approx. 7%
- Petrochemical integration

Top-tier performance, thanks to high complexity and flexible configuration

- Largest liquid fuel gasification plant in the world (IGCC)
- Conversion of heavy refining fractions (TAR) to clean gas
- 575 MW of installed capacity
- Electricity production of approx. 4.2 - 4.4 TWh
- CIP6 tariff until 2021
- From 2022 to be fully integrated in the refining

Transform heavy refining fractions (TAR) into electricity

### Marketing



- Marketing activities in Italy and Spain:
  - ~4% MS<sup>2</sup> in Italian market
  - ~ 3% MS in Spanish wholesale market and presence also in retail (with 95 stations)

Stabilize refining margins with downstream presence

### Wind Energy

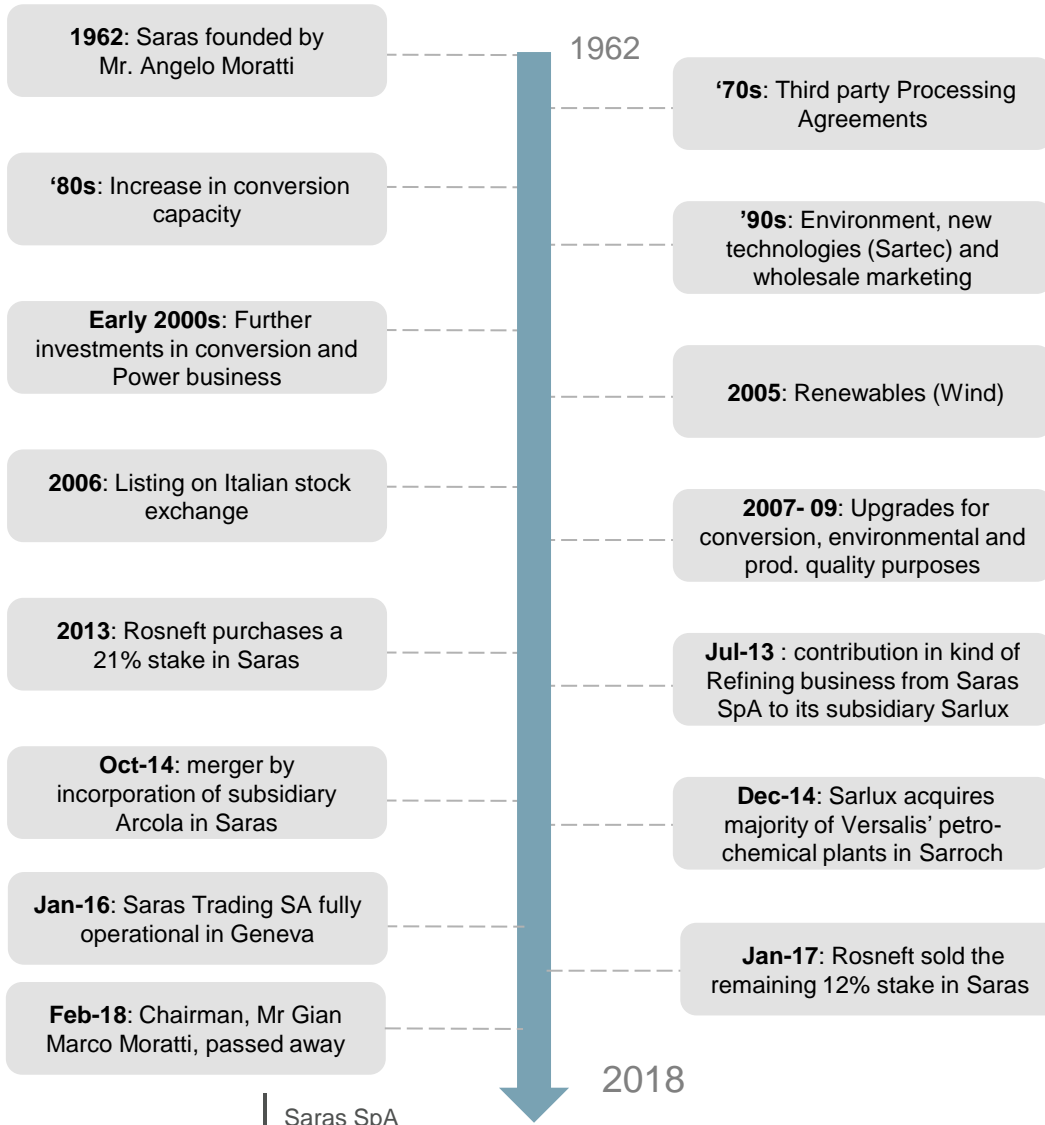


- Wind farm with capacity of 96 MW in Ulassai (Sardinia)
- Utilization factor higher than Italian average

Further stabilize Group results, with incentivized scheme for renewable energy

1. C&L = Consumption & Losses  
2. Market Share

## Saras history...

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

**MOBRO SpA** 25,011%

**Massimo Moratti Sapa** 25,011%

**Stock in Treasury** 1,576%

**Others** 48,402%



1. As of May 2018



## Favourable refining economics expected to continue

**Starting in 2015, structural changes strengthened the EU refining, and favourable economics are expected to continue in 2018 and beyond**

- More balanced oil prices, robust supply
- Improving product demand
- Rationalization of EU refining capacity
- Correction of market distortions
- Robust product differentials

## Benefits for typical EU refiners

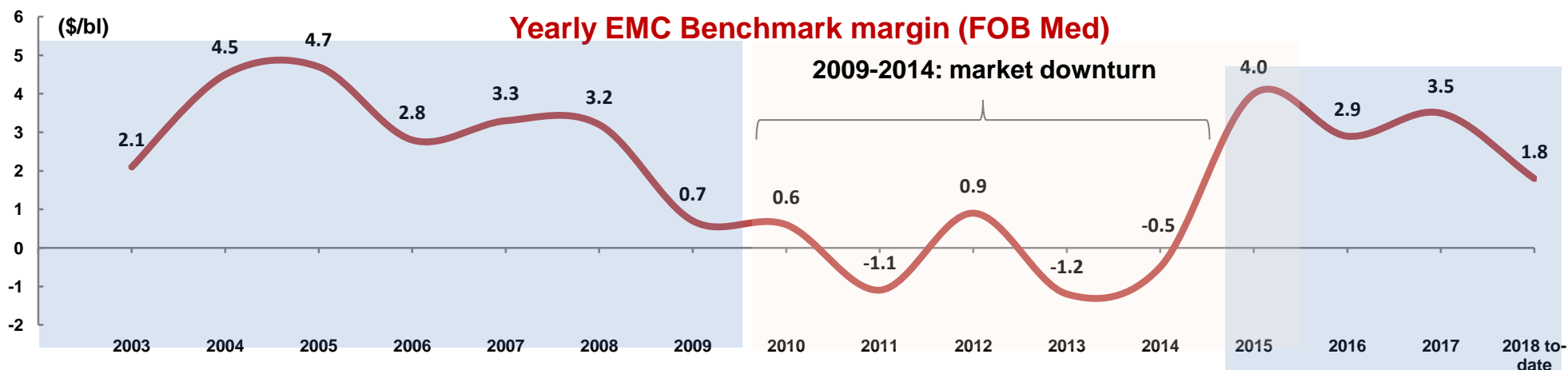
- Healthy refining margins
- EU refineries essential to regional supply chain



## Saras' differentiating factors

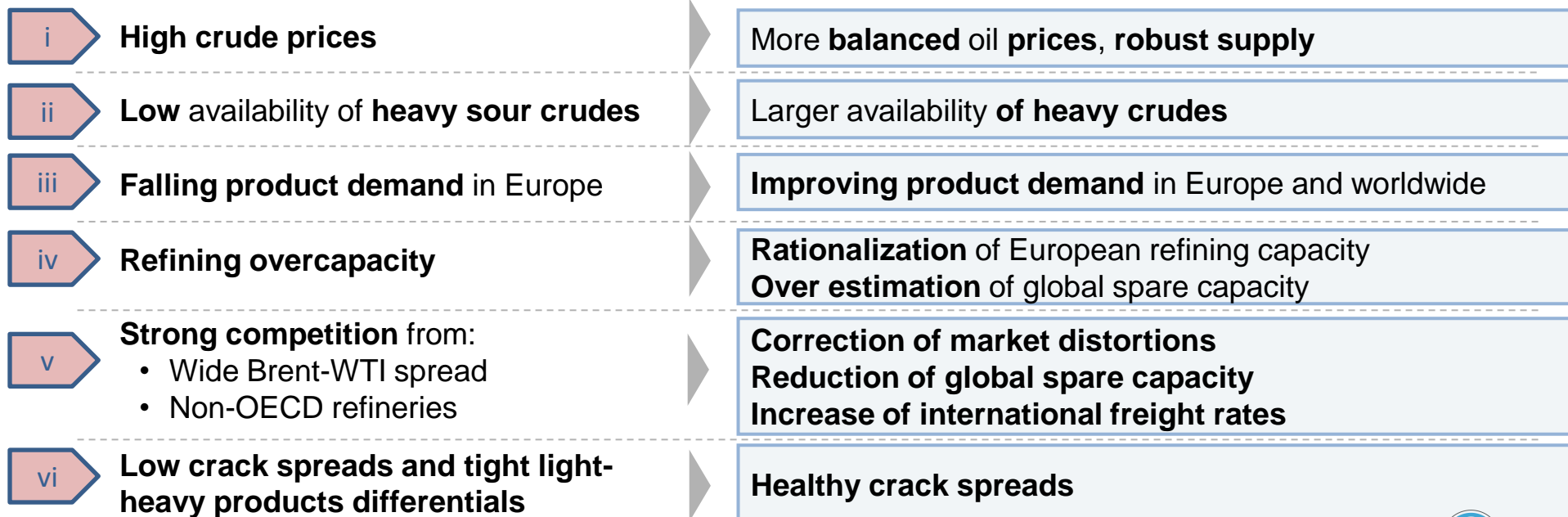
- Flexibility to source the most profitable crudes
- Asset capability to process multiple types of crudes
- Conversion to high-value product mix
- Track record in delivery of improvement initiatives

# The new market cycle derives from 6 key structural changes



## Market Downturn from 2009 to 2014

## New Market Cycle from 2015 onwards

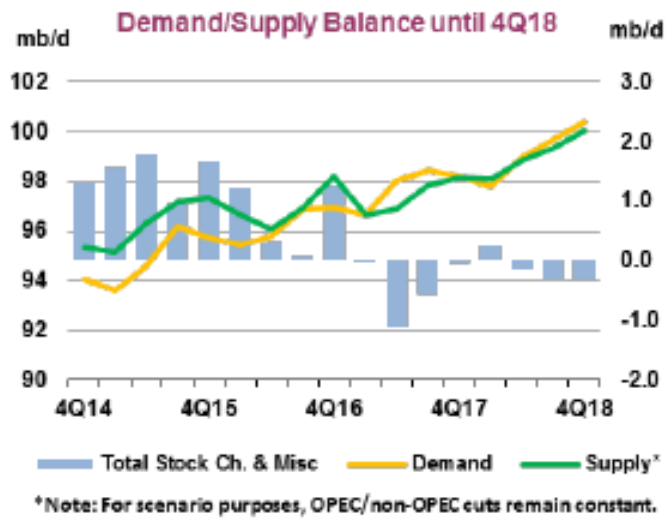






# Global oil demand continues to grow.

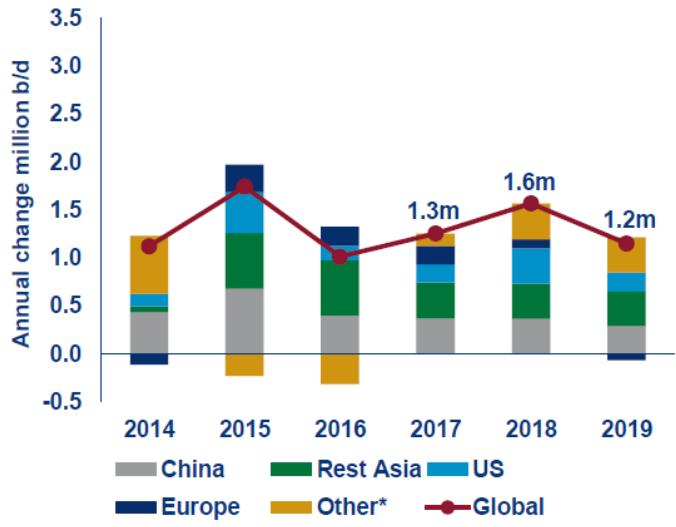
## Despite OPEC cuts in 2018 the market should remain well supplied



- OPEC cuts extended in 2018...
- ...and demand set to continue to grow
- But the market is expected to remain well supplied mainly thanks to increasing US production

Source:IEA

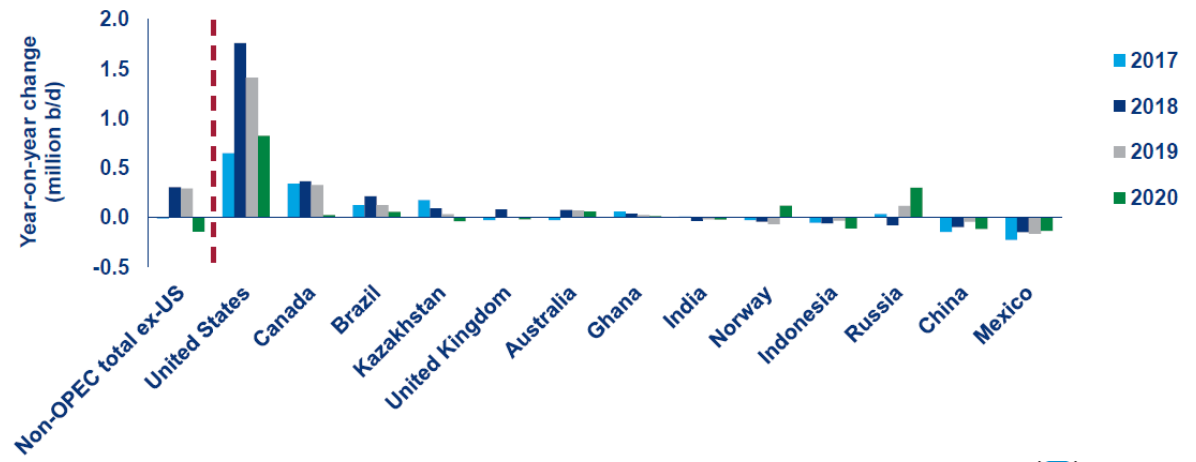
### Global demand



Saras SpA

### Supply

#### Key non-OPEC country growth/decline

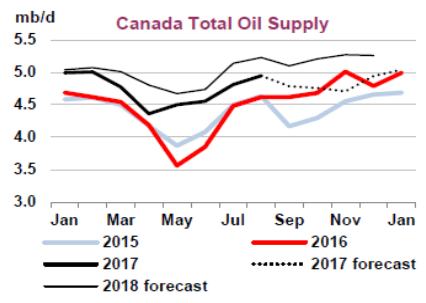


Source: Wood Mackenzie



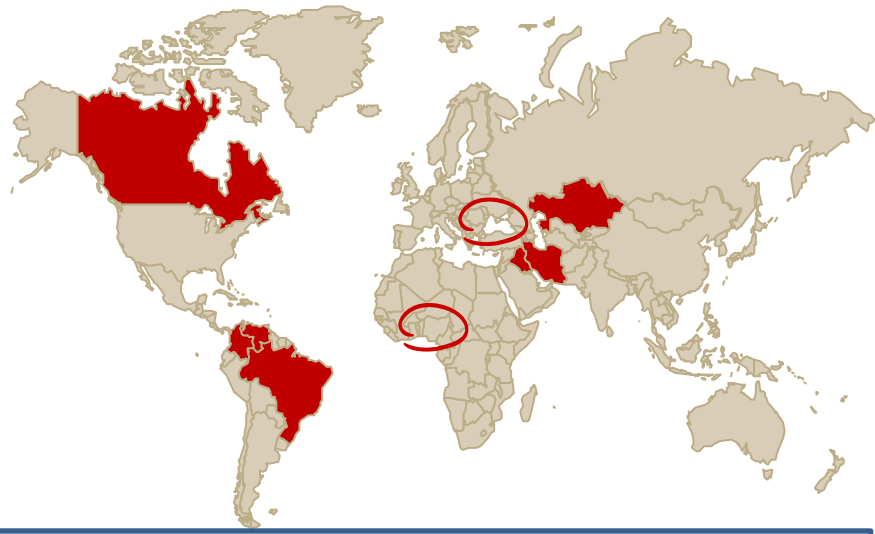
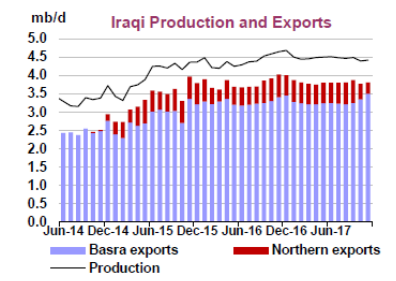
## Canada

- **New pipelines:**
  - 1.1 mb/d (Alberta-Montreal)
  - 1.5 mb/d (Alberta-USGC)



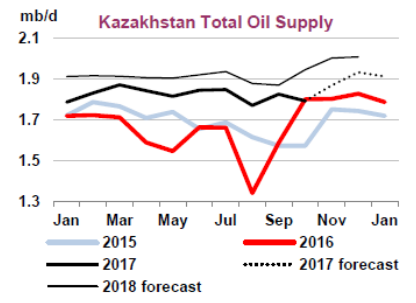
## Iraq

- **New pipelines** from Kurdistan to Med
- **New Basrah heavy oil** available since 2016



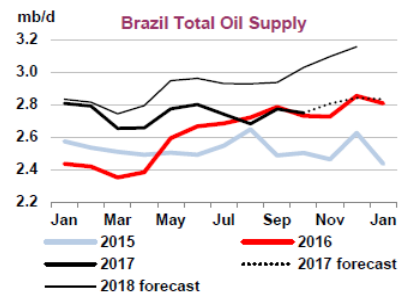
## Caspian region

- Increased **CPC** production
- Development of **Kazakh and Turkmenistan** crudes (Kashagan, condensates)



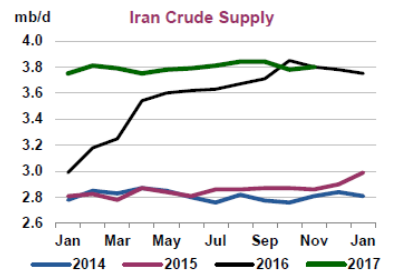
## Brazil

- 2017 volumes well above 2016 despite maintenance
- Heavy crudes ~50% of reserves



## Iran

- Back to pre-sanction levels (~3.8mb/d)
- Potential risks deriving from the US withdrawal from the nuclear agreement

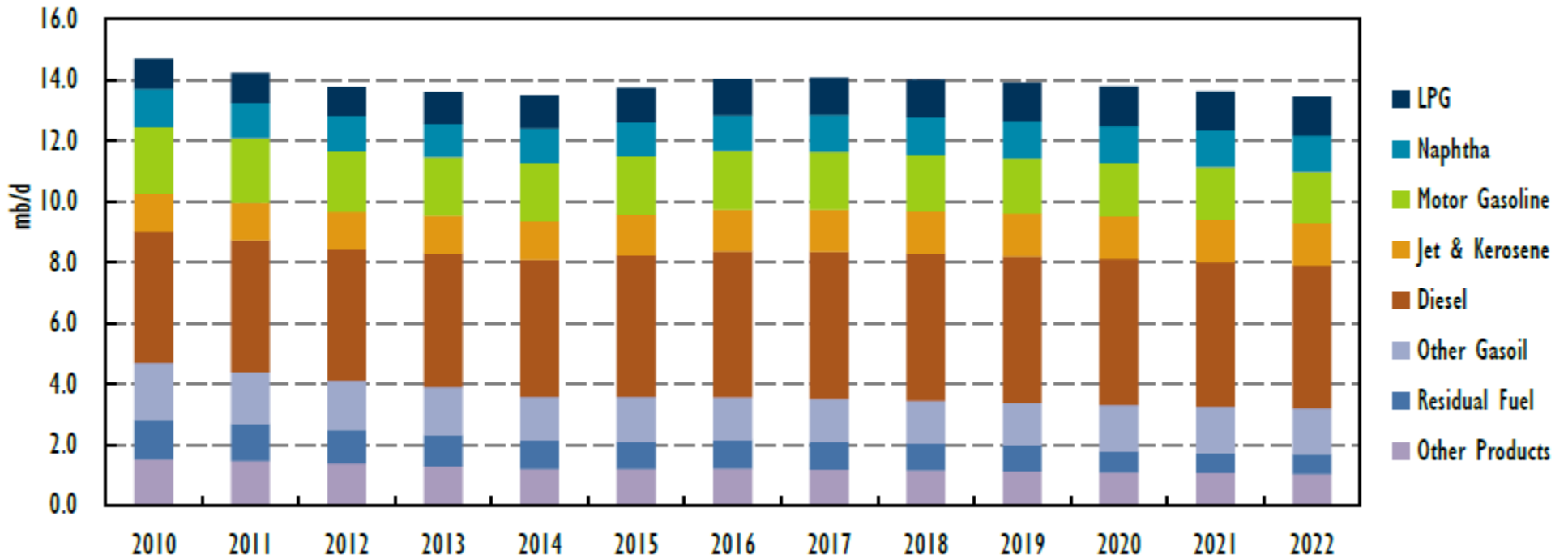


Source: IEA



**Sharp drop in Europe's total demand until 2014 followed by growth in 2015-16, and stable mid term outlook**

### OECD Europe oil demand, 2010-22



Source: IEA

# Robust diesel demand growth driven by freight transport

## Gasoline and diesel demand 2017 ['000 b/d]

|  | EU28  | USA   | Africa | Asia  | Middle East | FSU and Eastern Europe | Americas excl. USA | World         |
|--|-------|-------|--------|-------|-------------|------------------------|--------------------|---------------|
| <b>Gasoline Demand</b>                     | 1,829 | 9,007 | 1,073  | 6,929 | 1,762       | 1,082                  | 3,462              | <b>25,145</b> |
| <b>Total Gasoil/Diesel Demand</b>          | 5,608 | 4,006 | 1,592  | 9,366 | 1,891       | 2,214                  | 3,297              | <b>27,973</b> |
| Total Transport Diesel Demand              | 5,608 | 4,006 | 1,592  | 9,366 | 1,891       | 2,214                  | 3,297              | <b>27,973</b> |
| <i>Transport Diesel Demand (Passenger)</i> | 1,576 | 131   | 424    | 1,428 | 146         | 325                    | 106                | <b>4,136</b>  |
| <i>Transport Diesel Demand (Freight)</i>   | 2,364 | 2,308 | 636    | 4,283 | 830         | 976                    | 1,868              | <b>13,264</b> |
| <i>Other Gasoil Demand</i>                 | 1,667 | 1,567 | 532    | 3,656 | 915         | 913                    | 1,322              | <b>10,572</b> |

## Gasoline and diesel demand in 2025 ['000 b/d] - Base Case

|  | EU28  | USA   | Africa | Asia   | Middle East | FSU and Eastern Europe | Americas excl. USA | World         |
|--|-------|-------|--------|--------|-------------|------------------------|--------------------|---------------|
| <b>Gasoline Demand</b>                     | 1,724 | 8,294 | 1,339  | 8,573  | 2,100       | 1,089                  | 3,754              | <b>26,873</b> |
| <b>Total Gasoil/Diesel Demand</b>          | 5,093 | 4,016 | 1,925  | 10,357 | 1,975       | 2,367                  | 3,569              | <b>29,302</b> |
| Total Transport Diesel Demand              | 5,093 | 4,016 | 1,925  | 10,357 | 1,975       | 2,367                  | 3,569              | <b>29,302</b> |
| <i>Transport Diesel Demand (Passenger)</i> | 1,253 | 137   | 556    | 1,711  | 177         | 373                    | 122                | <b>4,330</b>  |
| <i>Transport Diesel Demand (Freight)</i>   | 2,439 | 2,449 | 834    | 5,134  | 1,003       | 1,120                  | 2,171              | <b>15,149</b> |
| <i>Other Gasoil Demand</i>                 | 1,400 | 1,430 | 535    | 3,512  | 795         | 873                    | 1,276              | <b>9,823</b>  |

(1) Assuming EU diesel car sales' share decreasing from approx. 50% in 2016 to 13% in 2025

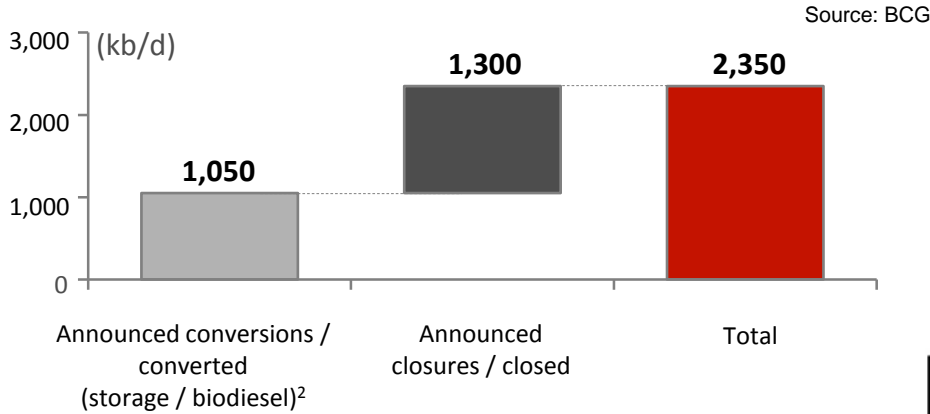
Source: JBC Energy SuDeP



**Transport Diesel passenger representing a small portion of total demand, set to stay strong on the basis of a robust diesel car fleet**

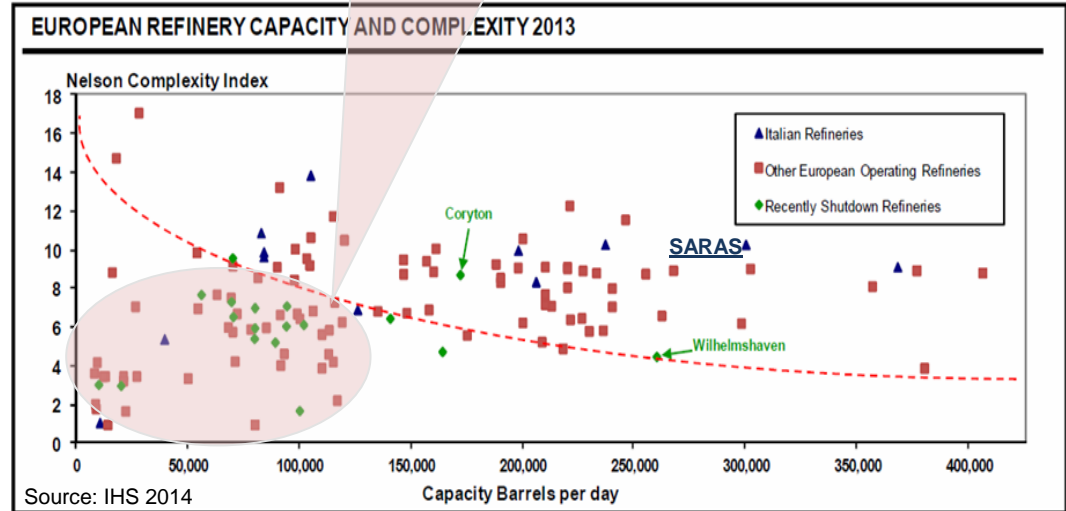
**Total gasoil /diesel demand underpinned by freight demand growth**

## Closures and conversions in OECD Europe (2009-15)



- Majority of 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

|  |                            |  |                              |
|--|----------------------------|--|------------------------------|
|  | Teesside (Petroplus)       |  | Arpechim (Petroplus)         |
|  | Dunkirk (Total)            |  | Harburg (Shell)              |
|  | Reichstett (Petroplus)     |  | Berre (LyondellBasell)       |
|  | Cremona (Tamoil)           |  | Petit-Couronne (Petroplus)   |
|  | Roma (TotalERG)            |  | Coryton (Petroplus)          |
|  | Milford Haven (Murphy Oil) |  | Stanlow (Essar) <sup>1</sup> |
|  | Wilhelmsh. (Hestya)        |  | Paramo (Unipetrol/PKN)       |
|  | Mantova (MOL)              |  | Collombey (Tamoil)           |
|  | Venezia (Eni)              |  | Lischansk (Rosneft)          |
|  | La Mede (Total)            |  | Lindsey (Total) <sup>1</sup> |
|  | Gela (Eni)                 |  |                              |

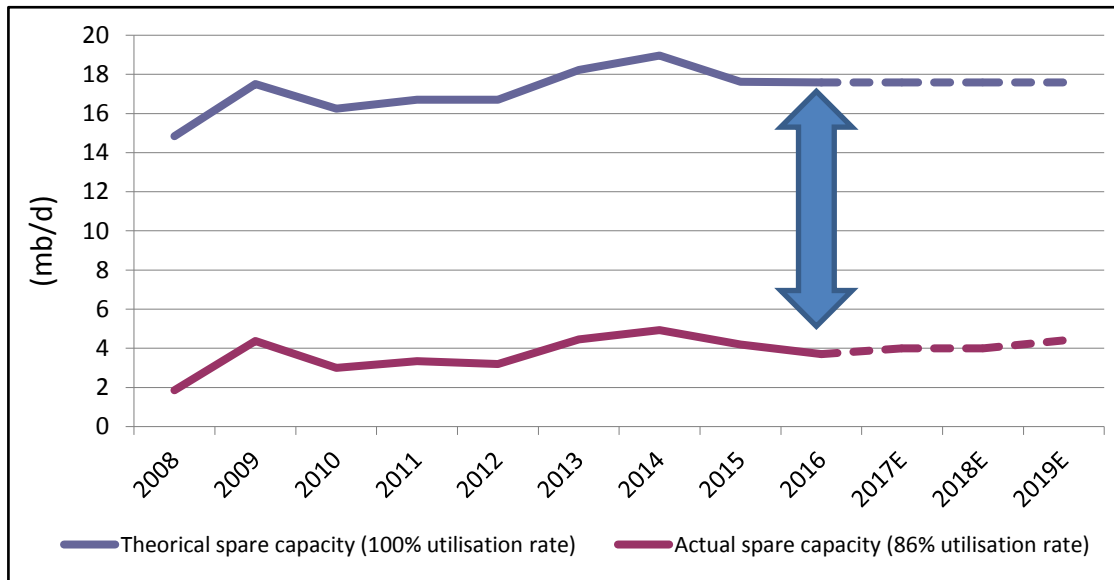


**Large and complex refineries are the best positioned in the European competitive context**

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

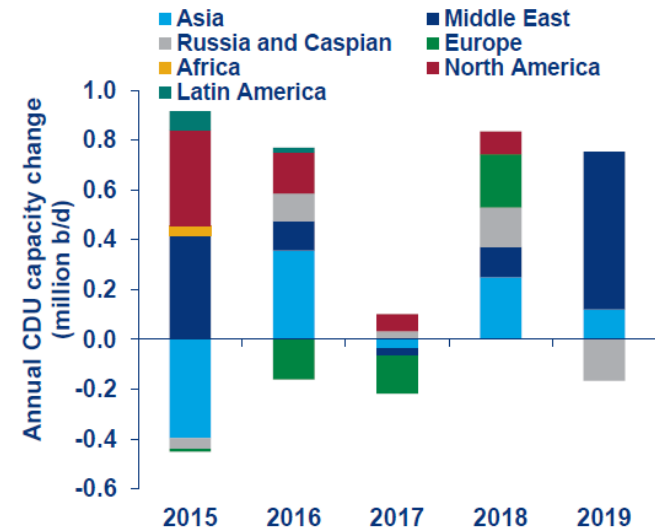
# Actual spare capacity largely over-rated and refinery additions lagging behind demand growth

Actual spare capacity is significantly lower than theoretical one, when factoring in planned and unplanned maintenance, seasonality, as well as other non-operability issues



Refinery capacity additions lag behind product demand growth

Global CDU capacity changes



Source: Wood Mackenzie Product Markets Service

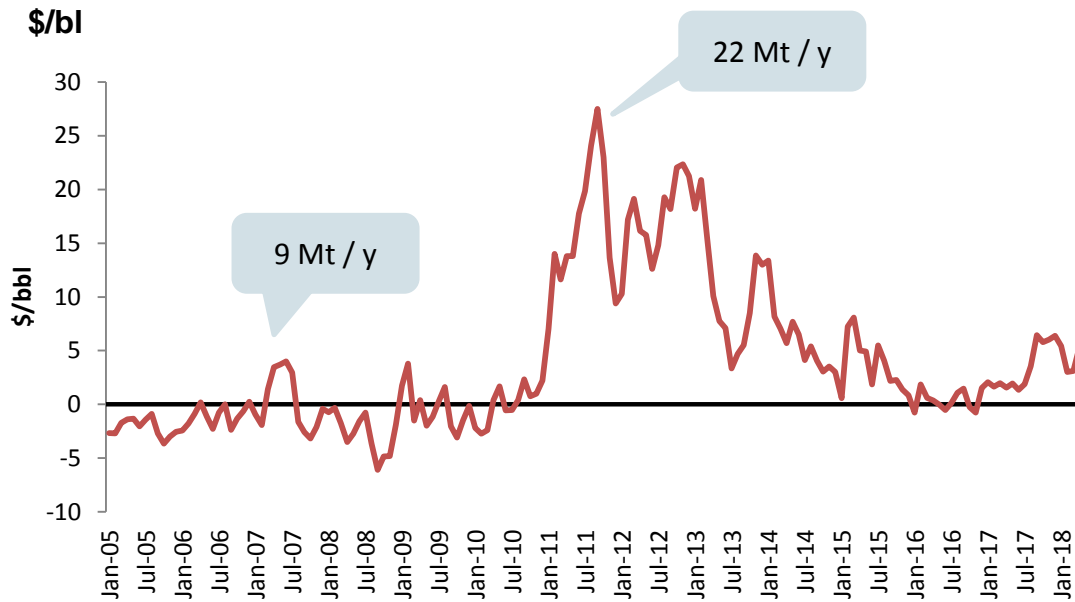
- The IEA in its 2016 Medium-Term Oil Market Report stated: “Nearly two thirds of of global spare capacity is now in non-OECD countries where refineries are under-utilised for various reasons, ranging from war and conflict to poor state equipment making profitable operations impossible”.
- In the next years the refinery capacity additions are expected to be lower than the demand growth, therefore supply/demand balance is set to remain tight

Sources:  
 IEA “2016 Medium-Term Oil Market Report”,  
 BP Statistics and Credit Suisse Research and  
 Wood Mackenzie



# US refineries advantaged by WTI price distortions, which have faded

## Brent-WTI spread



Legend:

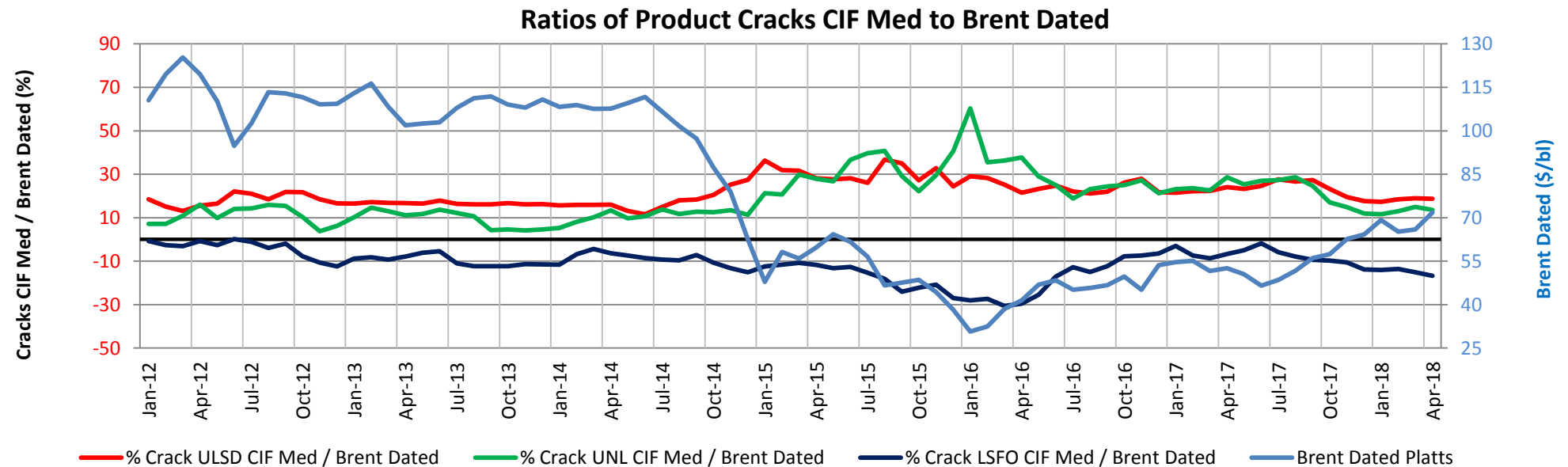
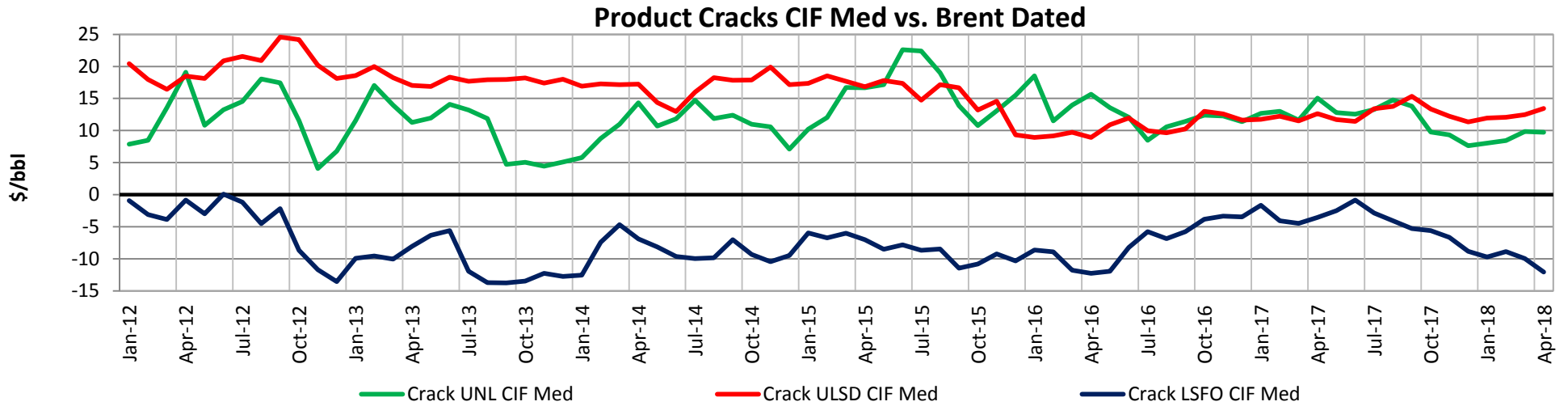
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# Mt of middle distillates exported from USA towards Europe, on yearly basis

## Factors which contributed to correct the distortion

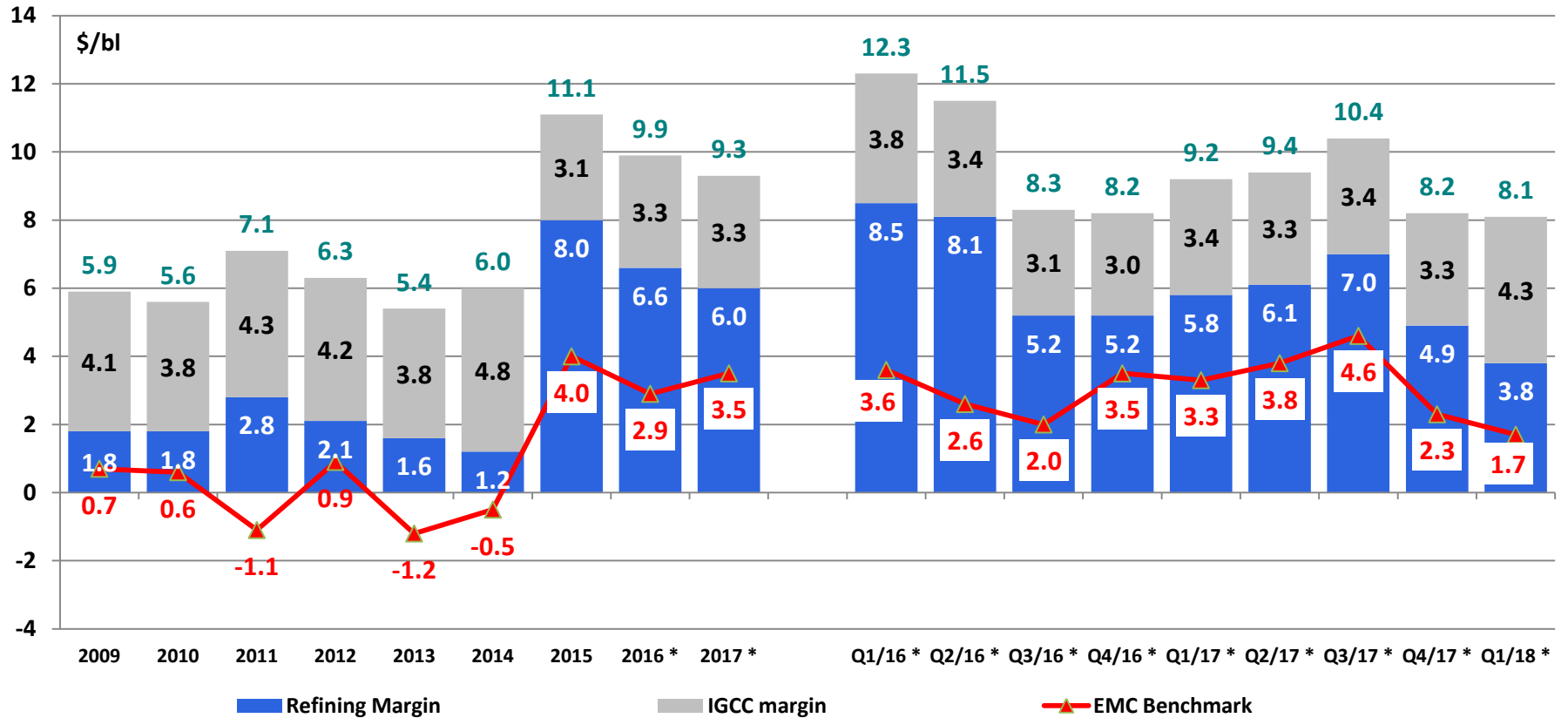
- Debottlenecking of logistics in US & Canada
- Growing US domestic demand
- Lifting of crude exports ban

Sources: Bloomberg and Platts, Apr 30<sup>th</sup> 2018





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

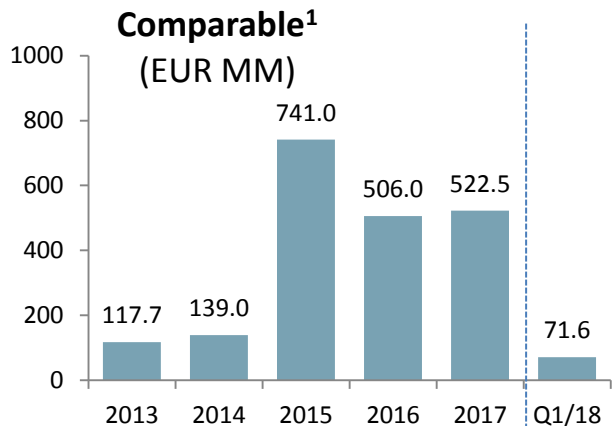
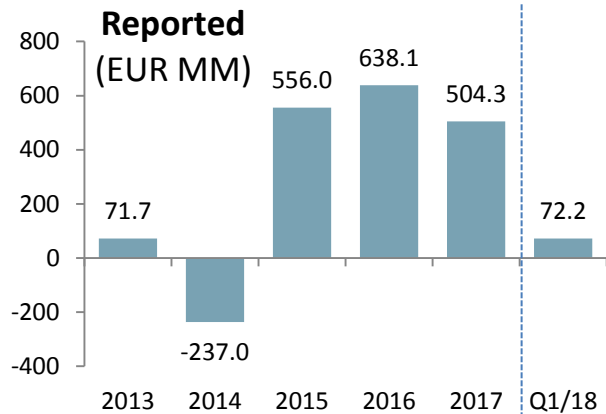


EMC benchmark: margin calculated by EMC (Energy Market Consultants) based on a crude slate made of 50% Urals and 50% Brent

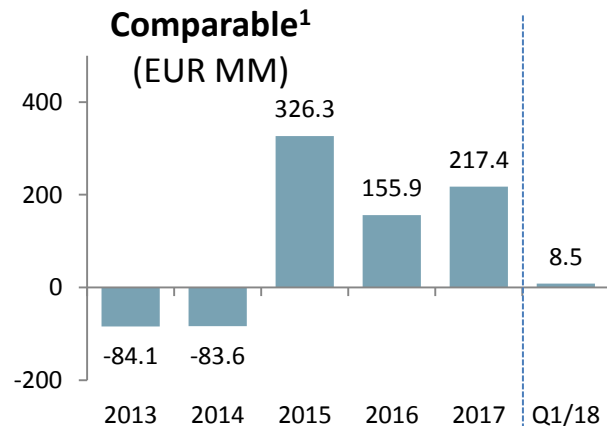
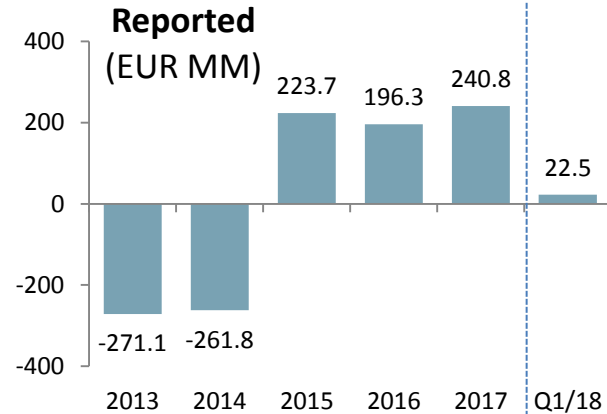
**Saras' margin has a significant premium over the EMC Benchmark**

(\*) Refining margins for 2016 and 2017 refer to Refining comparable EBITDA calculated with the new criteria of determination of the comparable figures

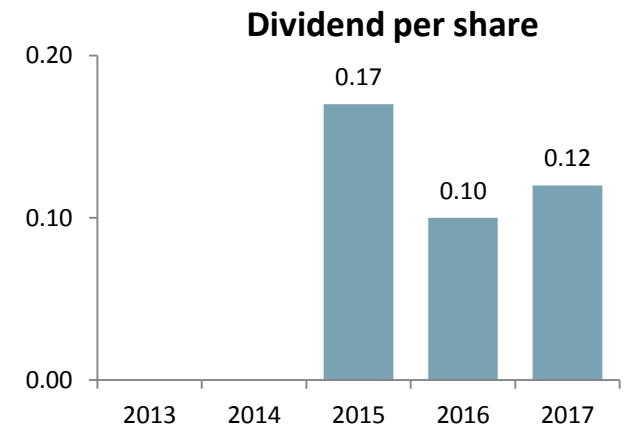
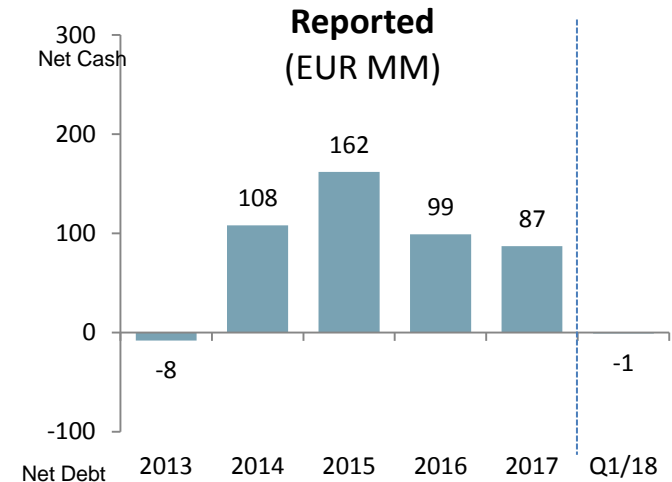
## EBITDA



## Net Result



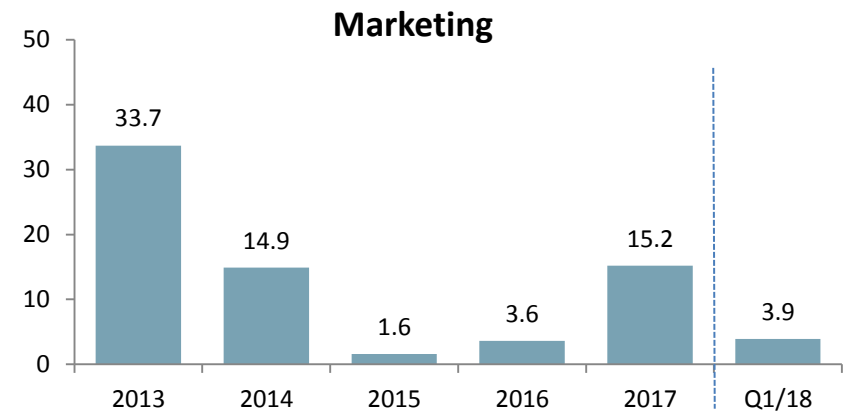
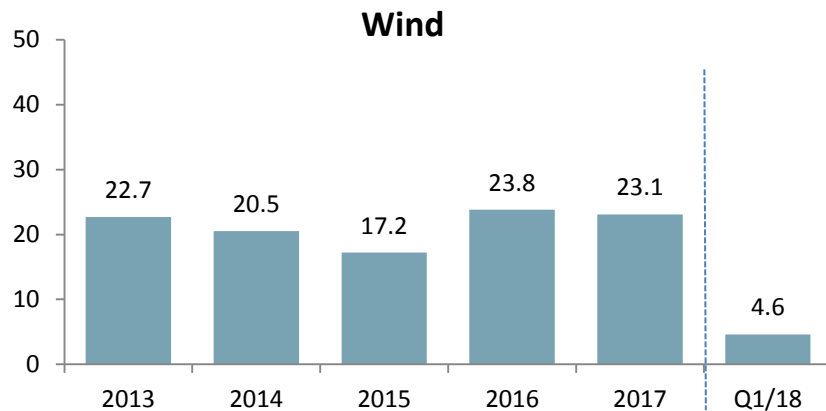
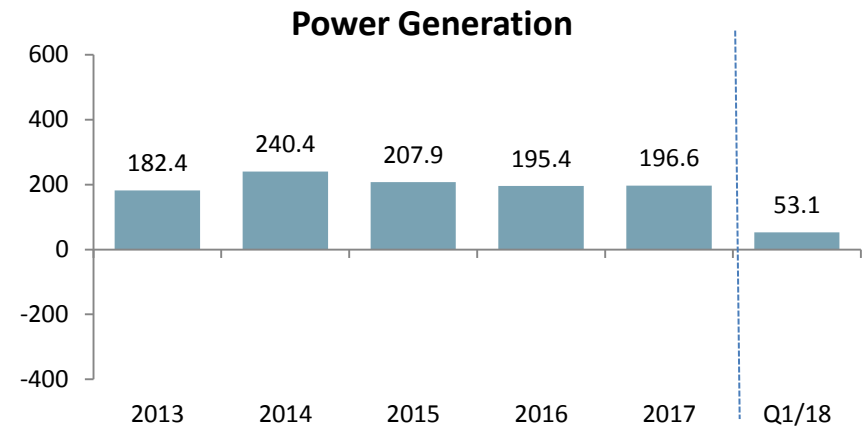
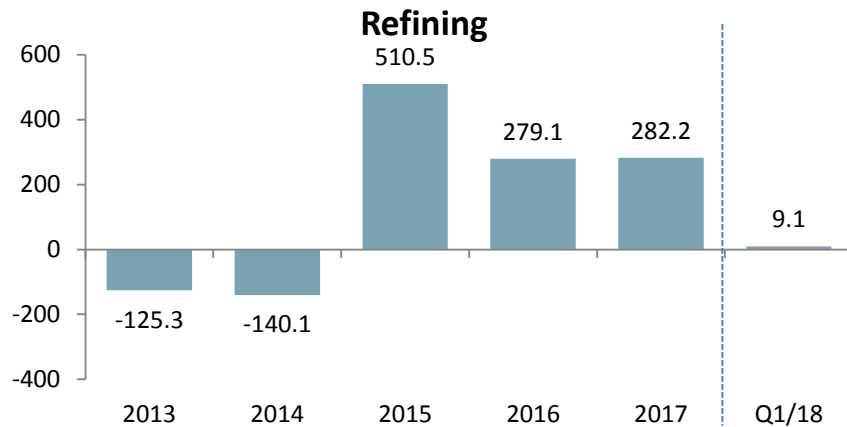
## Net Financial Position



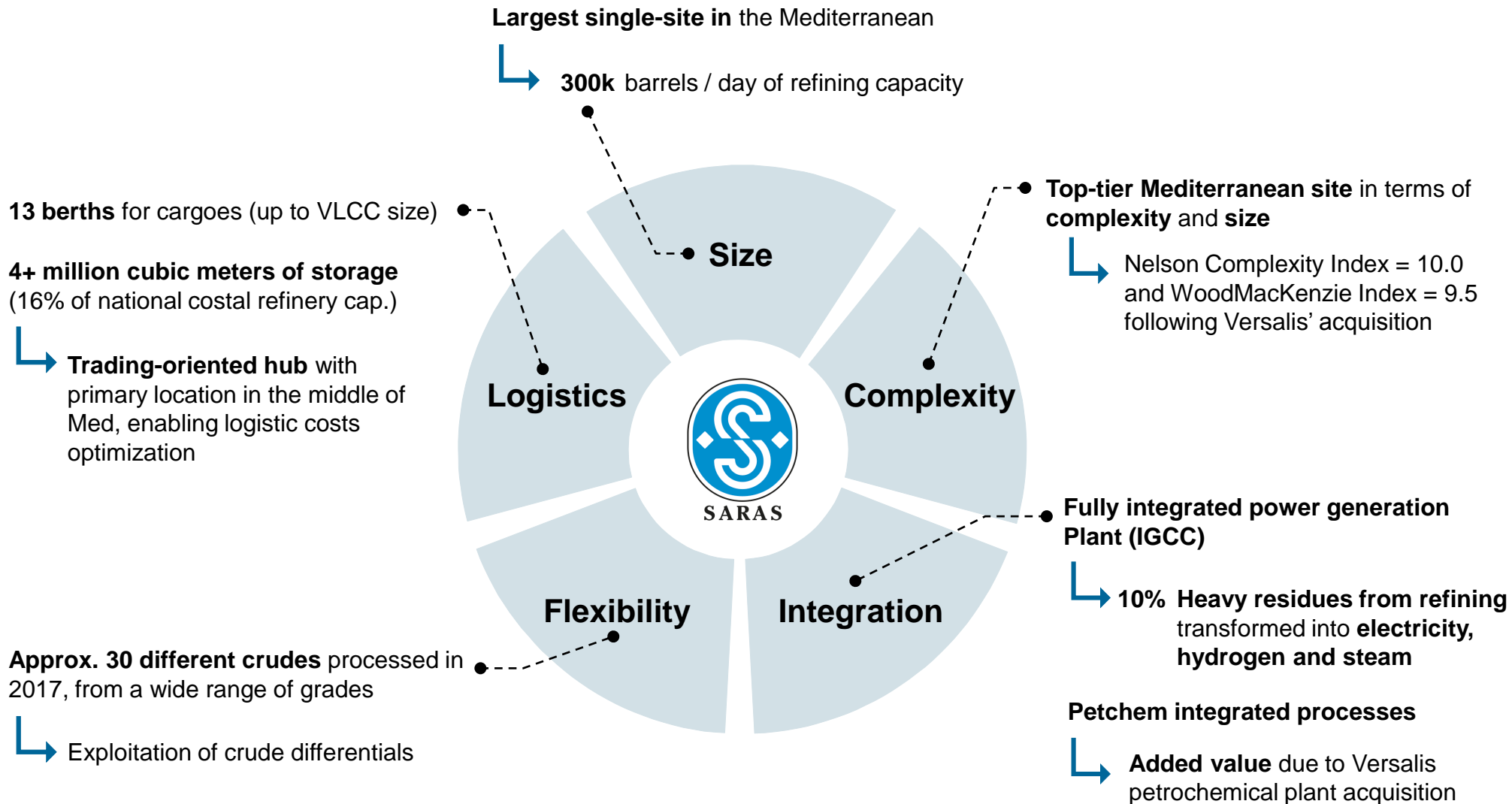
1. Until 2015 "Comparable" results evaluated oil inventories based on LIFO methodology (while IFRS accounting principles adopt FIFO methodology) and did not include non-recurring items and "fair value" of the open positions of the derivative instruments on oil and Forex. From 2016 "comparable" EBITDA and the Net Result are displayed valuing inventories with FIFO methodology, excluding unrealised 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 realised and unrealised differentials on oil and exchange rate derivatives with hedging nature which involve the exchange of physical quantities, are reclassified in the operating results. 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 (for more details please refer to slide 57).

2. Net financial Position / Equity

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

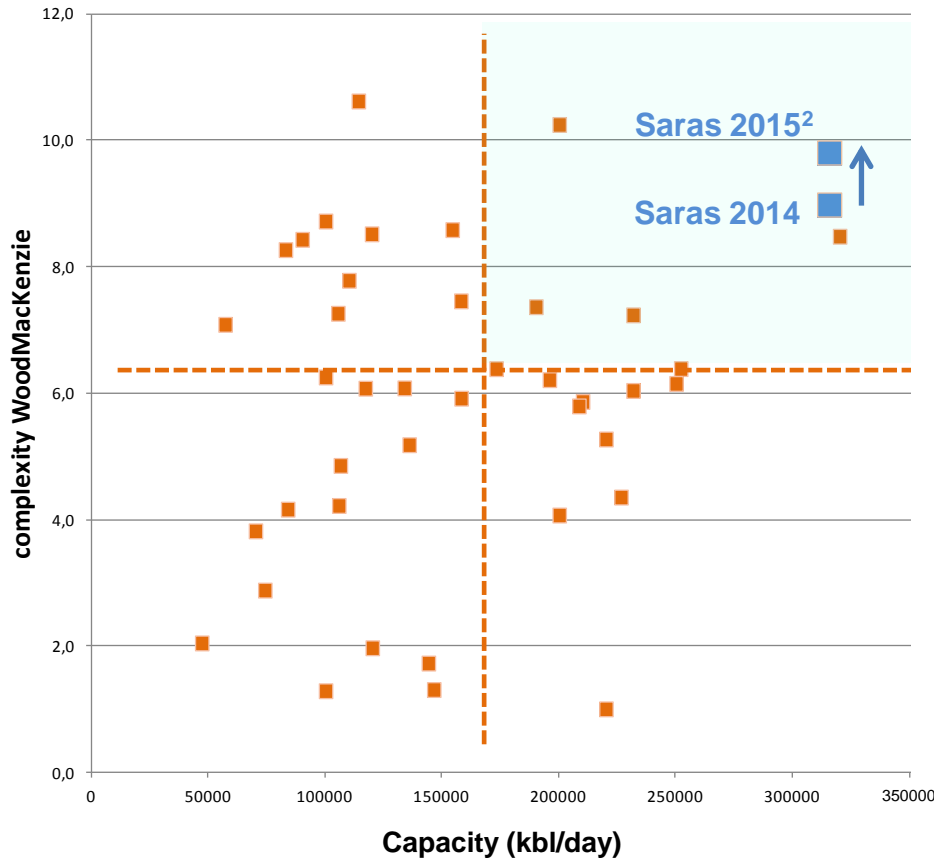


1. Until 2015 “Comparable” results evaluated oil inventories based on LIFO methodology, and did not include non-recurring items and “fair value” of the open positions of the derivative instruments on oil and Forex. From 2016 results are displayed valuing inventories with FIFO methodology, excluding unrealised 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 realised and unrealised differentials on oil and exchange rate derivatives with hedging nature which involve the exchange of physical quantities, are reclassified in the operating results. Non-recurring items by nature, relevance and frequency and derivatives related to physical deals not of the period under analysis, are excluded. (for more details please refer to slide 57)

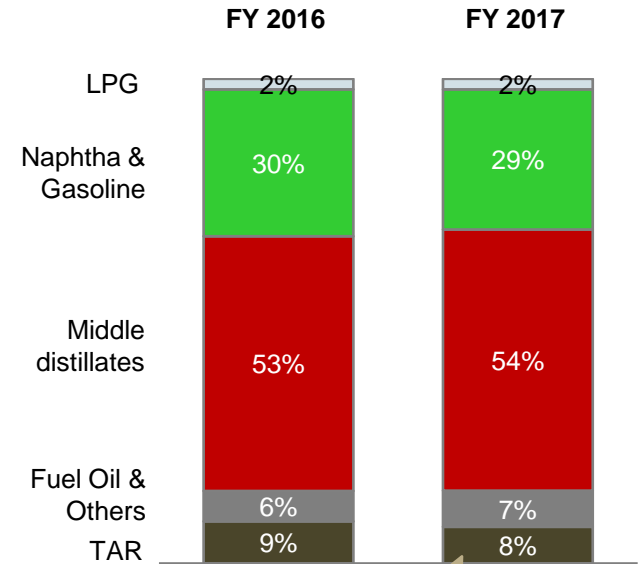


## Med refineries by complexity index<sup>1</sup> and capacity

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



## Output yields<sup>3</sup>



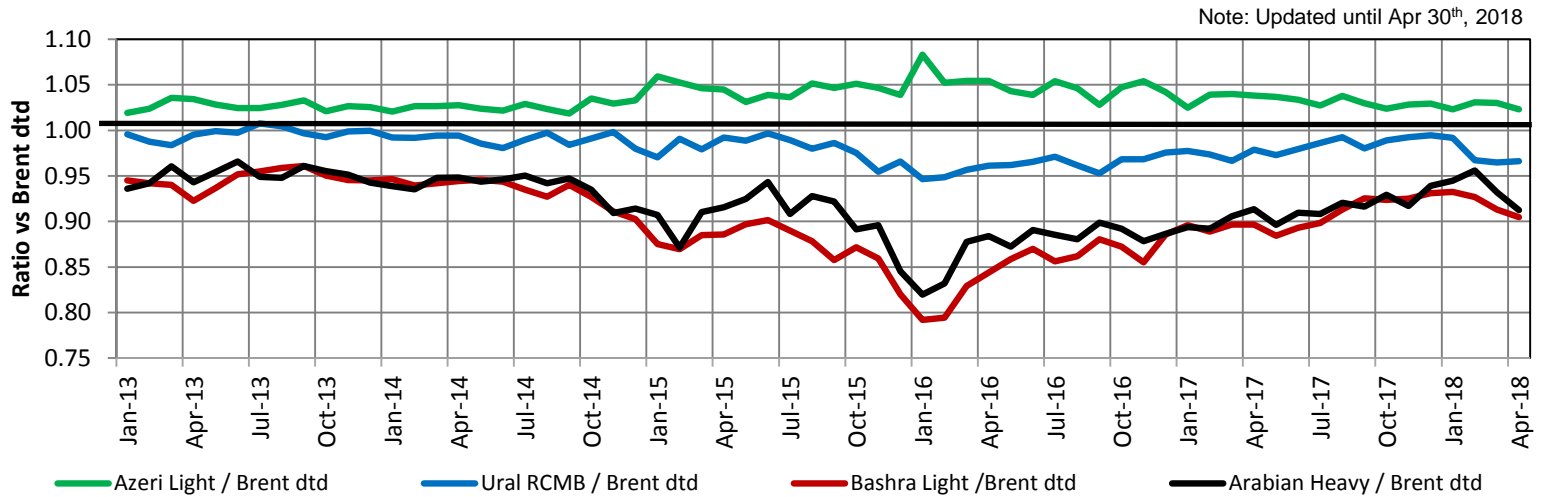
Heaviest stream of output sent to Power Generation unit (IGCC) for electricity production

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

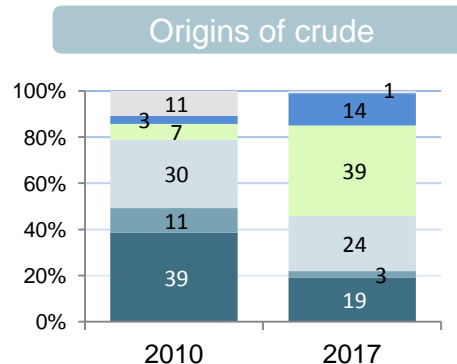
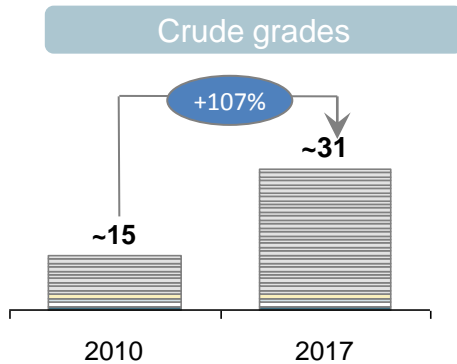
**~85% of output are light & middle distillates**

1. Wood Mackenzie index  
 2. Saras calculation based on WoodMackenzie methodology, to account for the acquisition of Versalis petrochemical plant  
 3. Product Yields are calculated net of "C&L"

**Market volatility and variations of discounts / premiums for crudes**



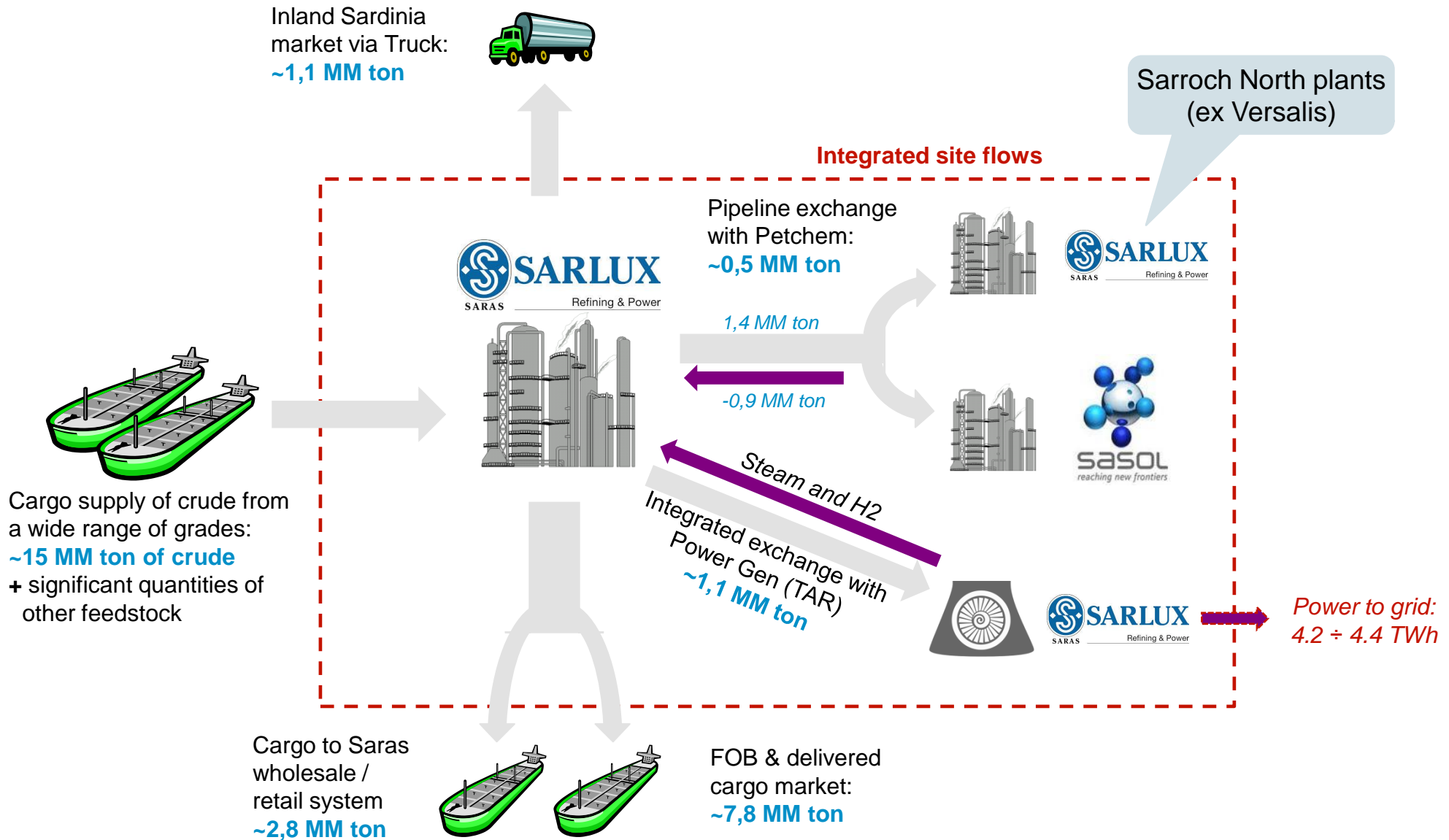
**Change in variety of crudes processed and origin of crudes purchased**

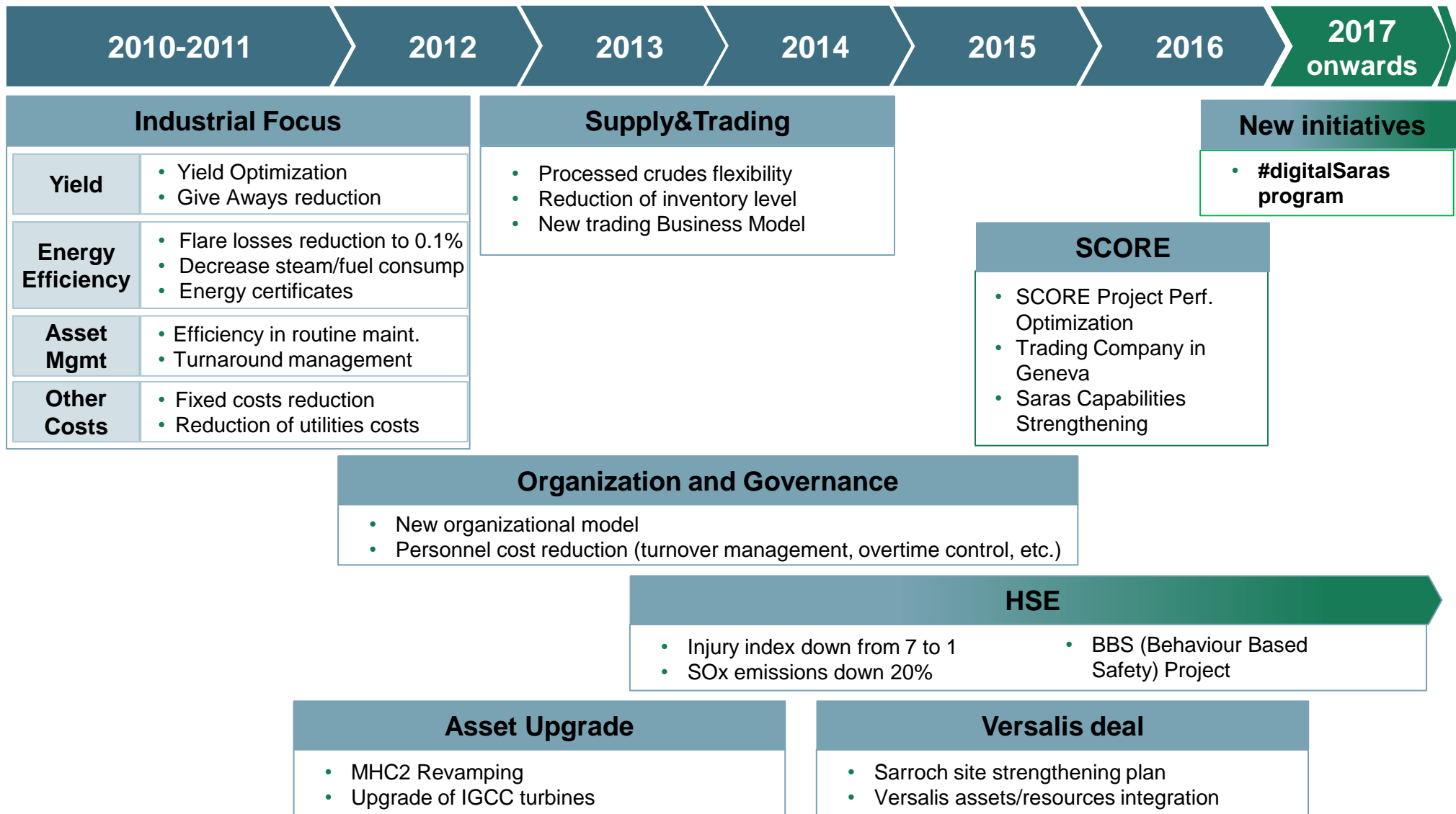


- **Saras flexible refinery is capable of processing multiple grades of crude**
  - Overcome supply disruptions
  - Exploit opportunities in differentials
- **Its central location allows for a geographically diversified supply**
  - Flexibility in crude origin
  - Supply optimization

**... which allow Saras to overcome supply disruptions and exploit market opportunities**

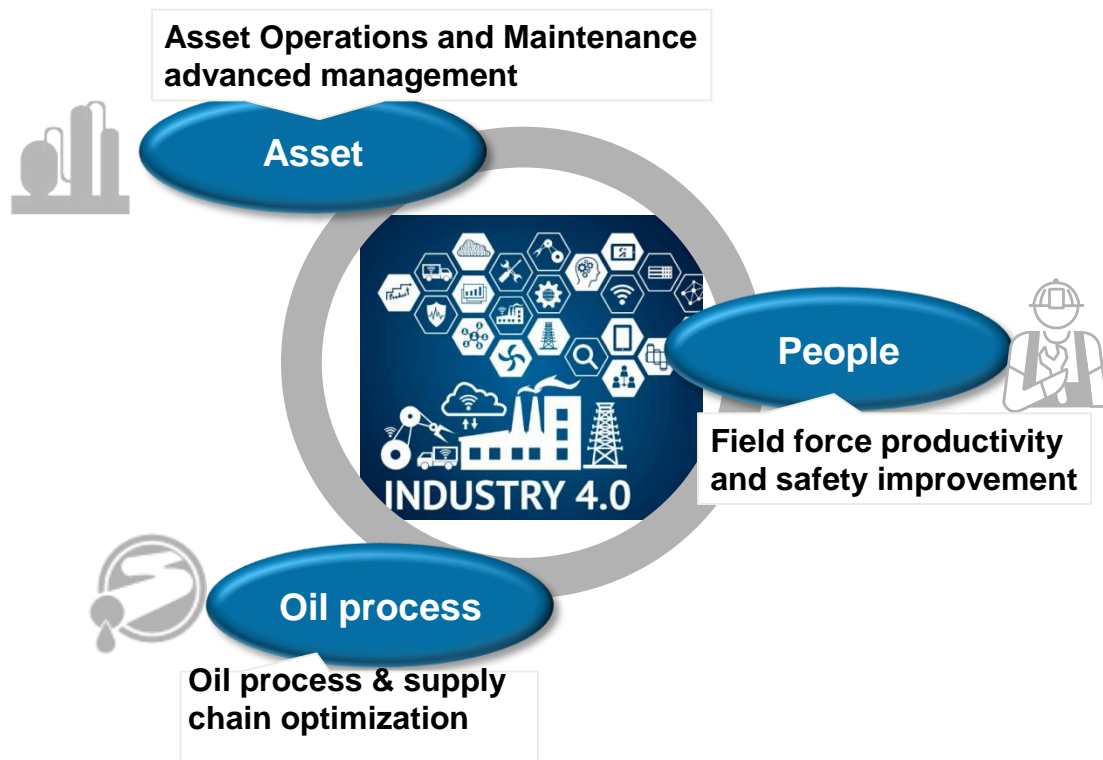
# Fully-integrated industrial site, with Power Generation & Petrochemical



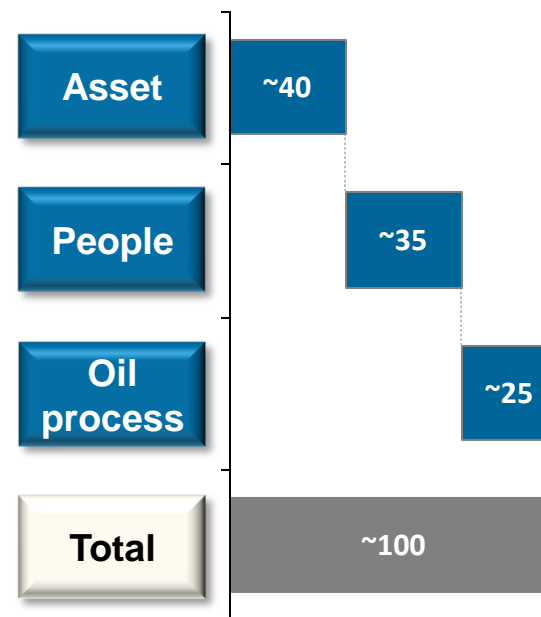




## Domains of the Saras digital transformation program



## Landscaping



10 priority pilots already developed with Agile methodology and currently in the industrialization phase: a first move towards digital transformation & cultural change

# Selected examples of developed projects, now operational



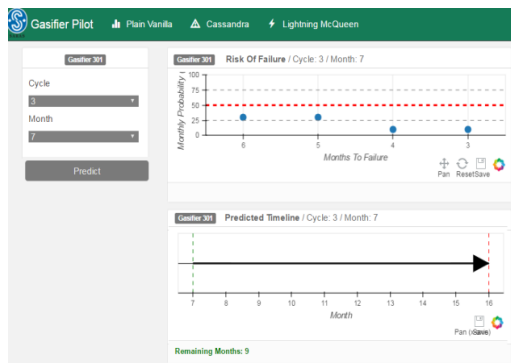
## Asset

### IGCC cycle optimization

IGCC generates ~EUR 200M of EBITDA every year...

...and the gasifier is the key equipment of the IGCC operational cycle

Machine learning algorithm to optimize and predict IGCC gasifier life-cycle length



## People

### Digitalization of field workforce

~450 workers every day within Saras refinery...

...performing manual and repetitive activities on the fields (digital checklists)

Online connection between field & control room operators and simplified process to enhance productivity



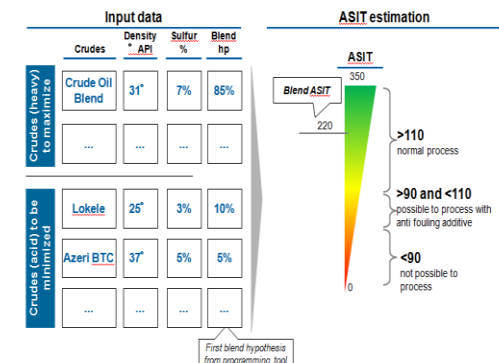
## Oil process

### Crude compatibility prediction

>30 crudes processed every year by Saras refinery...

...with crude oil blending being the key process for margin maximization

Advance analytics tool to predict blending compatibility



# 6 Saras's Sustainability approach

## Stakeholders' Engagement:

To determine the priority topics within the framework of its sustainable behavior, a dialogue has been established with those groups who have related or shared interests with the company.

## “Materiality Matrix”:

The materiality matrix was created by merging the views of all the stakeholders involved in the engagement process. The x-axis of the matrix shows the priorities (in ascending order from left to right) assigned to the various topics by internal stakeholders, while the y-axis shows the priorities assigned by external stakeholders, in ascending order of relevance from the bottom upwards

## Priority topics:

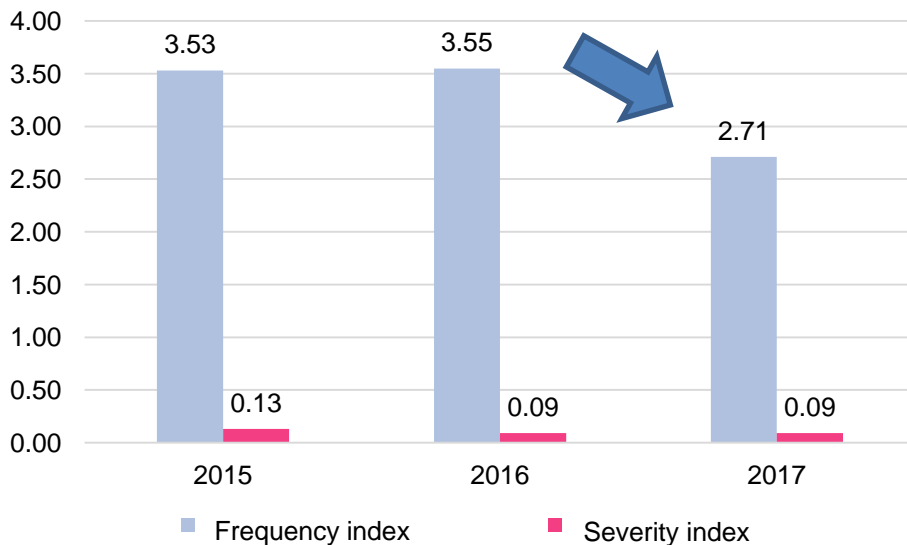
11 topics have been identified as material. For each of them clear and precise information is provided on the strategy implemented, main objective, results achieved and associated risks in the Sustainability Report 2017. In particular, the topics of “Health and safety” protection and “Air and greenhouse gas emissions” are of primary importance for both dimensions



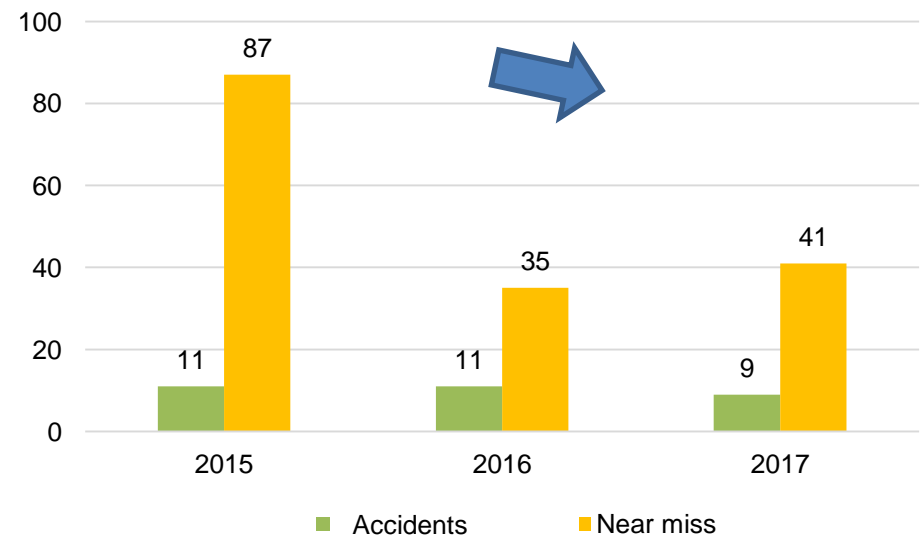
**Saras Group constantly acts to ensure compliance with the principles, the best practices and the highest national and international workplace safety standards and actively spreads safety culture, not only within his employees but also among its suppliers and contractors.**

To promote safe behaviors and with the aim to achieve “zero accidents”, the Group adopted a modern safety model based on the BBS («Behavior Based Safety») protocol, that was extended in 2017 to all the areas of the Sarroch site. The results are already noticeable in the injury rates in 2017 (Injury Rates down 24% vs. 2016)

**Saras' Group injury rates**



**Saras' Group accidents and near miss**

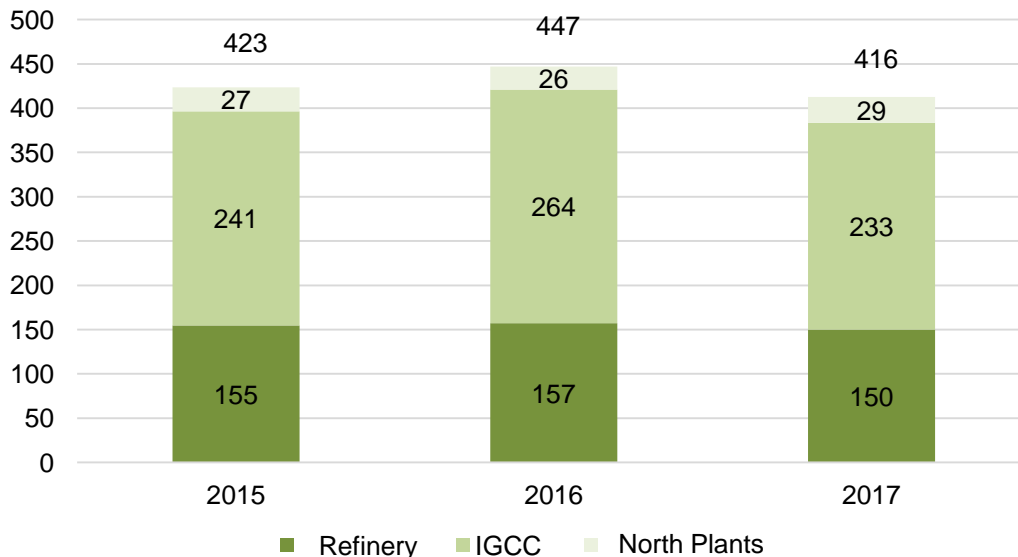


The strong increase in the BBS observations promoted in 2017 safe behavior, leading to a reduction of both accidents and near miss

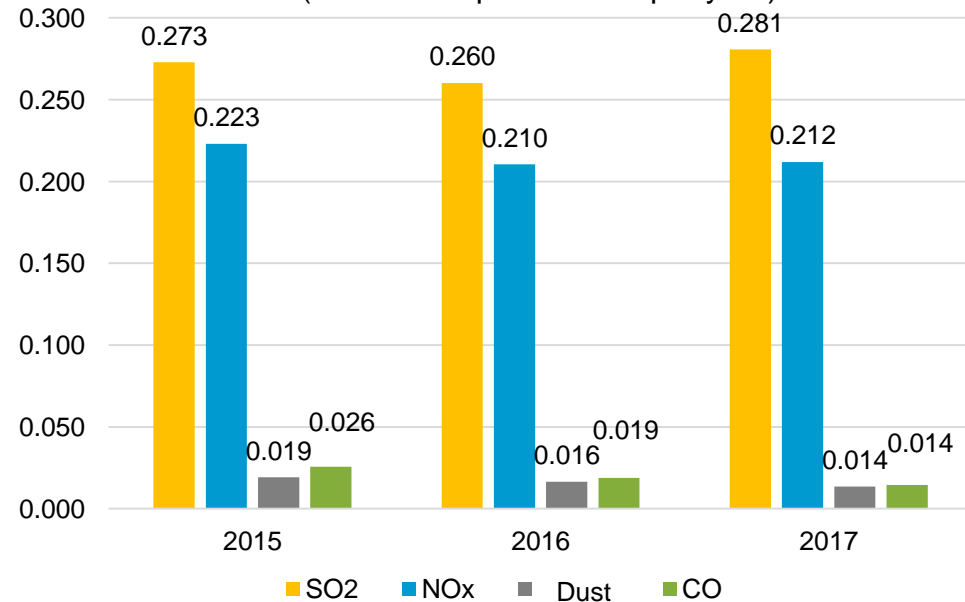
Group's emission indices, which refer to the activity of the Sarlux site, are largely below the legal limits, and show a general decrease in the 2015-2017 three-year period.

The rational use of energy, the adoption of efficient production systems and specific treatments aimed at improving combustion and reducing particulate matter, represent the path taken by the Group for the control and reduction of pollutant emissions. The numerous investments in energy efficiency led to significant reductions in greenhouse gas emissions (CO<sub>2</sub>)

**CO<sub>2</sub> Emission Index**  
(t emitted/kt processed per year)



**Conveyed emission index**  
(t emitted/kt processed per year)



SO<sub>2</sub> emission index (while still being largely within regulatory limits) increased slightly in 2017 due to the processing of crudes with higher sulphur content

**93,428 t CO<sub>2</sub>**

Lower emissions thanks to the energy efficiency investments that became operational in the period 2015 - 2017



# Business Plan 2018 – 2021

# Outlook for 2018

- **Refining:** positive scenario expected also in 2018 even if with margins slightly below previous year.
  - Maintenance broadly in line with 2017 and concentrated in H1/18
  - EMC Benchmark estimated at approx 2.5 \$/bl.
  - Saras expects to deliver a premium above the Benchmark of 2.5 ÷ 3.0 \$/bl (post maintenance)
- **Power:** Standard maintenance activities. Expected a recovery of power production compared to 2017 thanks to better operating performance

|  |                         | Q1/18A  | Q2/18E                   | Q3/18E                   | Q4/18E                   | 2018E                    |
|--|-------------------------|---|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>REFINERY</b>                                      |                         |   |                          |                          |                          |                          |
| <b>Maintenance activity on:</b>                      |                         | T2, V2,<br>North Plants                                     | T1, RT2, VSB,<br>MHC2    |                          | CCR                      |                          |
| <b>Crude runs</b>                                    | Tons (M)<br>Barrels (M) | 3.2<br>23.4   | 3.3 ÷ 3.5<br>24.0 ÷ 26.0 | 3.6 ÷ 3.8<br>26.0 ÷ 28.0 | 3.7 ÷ 3.9<br>27.0 ÷ 29.0 | 13.8 ÷ 14.4<br>100 ÷ 106 |
| <b>Complementary feedstock</b>                       | Tons (M)                | 0.3   | 0.2 ÷ 0.4                | 0.1 ÷ 0.3                | 0.1 ÷ 0.3                | 0.6 ÷ 1.3                |
| <b>EBITDA reduction due to scheduled maintenance</b> | USD (M)                 | 30  | 16 ÷ 20                  | -                        | 1 ÷ 3                    | 47 ÷ 53                  |
| <b>IGCC</b>  |                         |   |                          |                          |                          |                          |
| <b>Maintenance activity on:</b>                      |                         | 1 Gasifier,<br>1 Turbine,<br>1 H <sub>2</sub> S<br>Absorber | 1 Gasifier,<br>1 Turbine | 1 Gasifier,<br>1 Turbine |                          |                          |
| <b>Power production</b>                              | MWh (M)                 | 0.90  | 1.00 ÷ 1.10              | 1.10 ÷ 1.20              | 1.10 ÷ 1.20              | 4.10 ÷ 4.40              |





## Environmental regulation progressively tightening

- EU Fuel Quality Directive, Clean Air For Europe Regulation, etc.

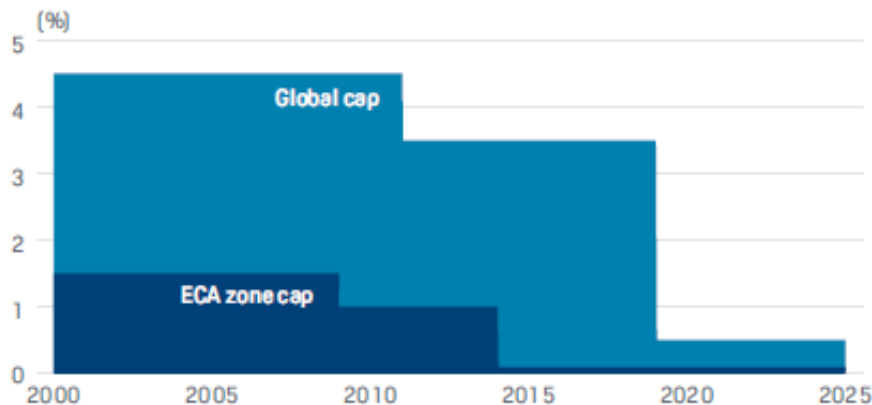
## Air quality is more and more a relevant theme for the public opinion

- Despite representing only 4% of global oil demand, marine bunker accounts for approx. 40% of sulphur emissions from oil use

**IMO decision to implement tighter limits on bunker emissions as of 1<sup>st</sup> Jan 2020, in accordance with “MARPOL Annex VI” Regulations, is the last regulatory measure aiming at reducing sulphur emissions**

## Lower bunker fuels emission cap by 2020

MARPOL ANNEX VI SULFUR LIMITS



Source: IMO

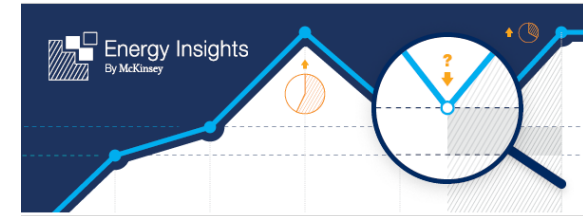
IMO has set a global limit for sulphur content of marine fumes of 0.5% from 1<sup>st</sup> January 2020, compared to current limit of 3.5%. Shippers can meet lower sulphur emission standards by:

- Using low-sulphur compliant fuel oil
- Using alternative fuels (i.e. gas or methanol)
- Installing scrubbers which clean the emissions before they are released in the atmosphere

# IMO regulation to have a material impact on the refining sector...

## According to IEA Market Report 2017:

*“Lowering the bunker fuel emissions cap from 3.5% to 0.5% is easily the most dramatic change in fuel specifications in any oil product market on such large scale. In EU, it took over a decade of gradual changes to lower road fuel sulphur limits from 500ppm (0.05%) to 10 ppm (0.001%).”*



## MARPOL implications on refining and shipping markets

In 2020, global sulfur limits for bunker fuel will be lowered from the current 3.5% to 0.5%, affecting over 3 million b/d of residual fuel oil (resid). We expect the shipping industry to react by switching to a combination of marine gasoil and low-sulfur resid bunker. This will at least initially result in higher refining margins and wider light-heavy differentials, making an array of sulfur removal investments very attractive. However, the opportunity for refiners will depend greatly on how quickly other sectors respond.

## A positive outlook in the medium term for the downstream refining industry

- **Refining to 2019 – refinery margins to remain strong**
  - » Strong growth in demand for oil products and a growing supply of US crude means that refinery margins should stay strong in the near term
  - » Net refinery capacity additions are forecast to run behind total demand lending support
- **Refining to 2020 – deep conversion refineries will benefit from IMO**
  - » A big shift takes place in 2020 when global bunker fuel specifications change
  - » The biggest windfall in 2020 is for deep conversion units with a distillate orientation
  - » The overall increase in margins in 2020 should be sufficient to incentivise refiners to increase crude throughputs enough to meet the extra distillate demand

Source: Wood Mackenzie a leading independent market consultancy

**According to many different sources, IMO regulation by lowering the allowed sulfur emissions for shippers, will have a material impact also on the refining sector**

# ...Saras ideally placed to exploit the expected market developments

## Expected impact of IMO on the refining sector

### Crack spreads

- Increase of diesel/gasoil crack spreads
- Sharp deterioration of HSFO crack spread

### Crudes differentials

- Heavy and medium sour crude oils expected to increase their discounts vs. Brent

### Refiners

- Need of conversion investments for simple refiners or risk to be displaced
- Widening competitive advantages for deep conversion refineries

## Saras is ideally placed to play this scenario

### Site size & complexity

- Top-tier refiner by complexity index and capacity
- High value output yields: 85% light & middle distillates, low production of HSFO
- Strong competitive position in producing and supplying ULSFO

### Integration

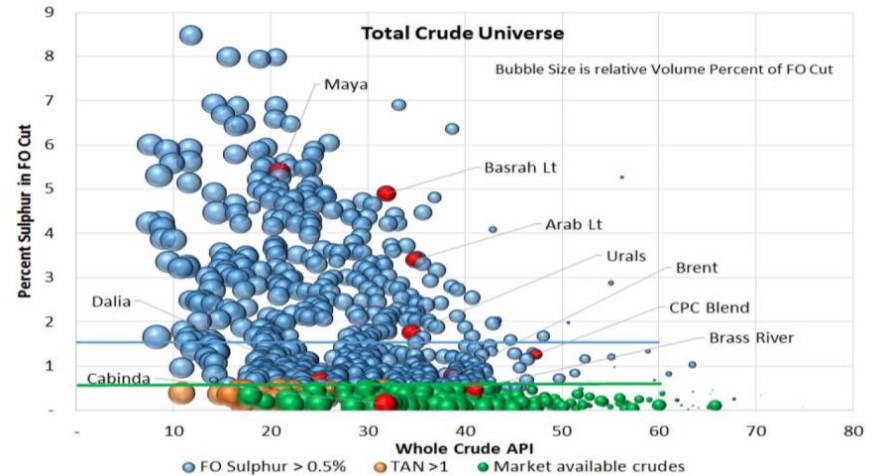
- IGCC, fully integrated with the refinery, efficiently converts heavy part of the barrel (TAR) into electricity and utilities exploiting crude differentials
- IGCC intrinsic value to be maximized in a context of high differential of GO - HSFO (i.e. IMO) that reduces TAR value compared to electricity prices

### Flexibility and business model

- Location in the middle of Med allows geographically diversified supply and sales
- Business model based on the integrated supply chain management coupled with trading skills, will enable to seize market opportunities on both crudes differential and products

# Exploiting strong competitive position in producing and supplying ULSFO

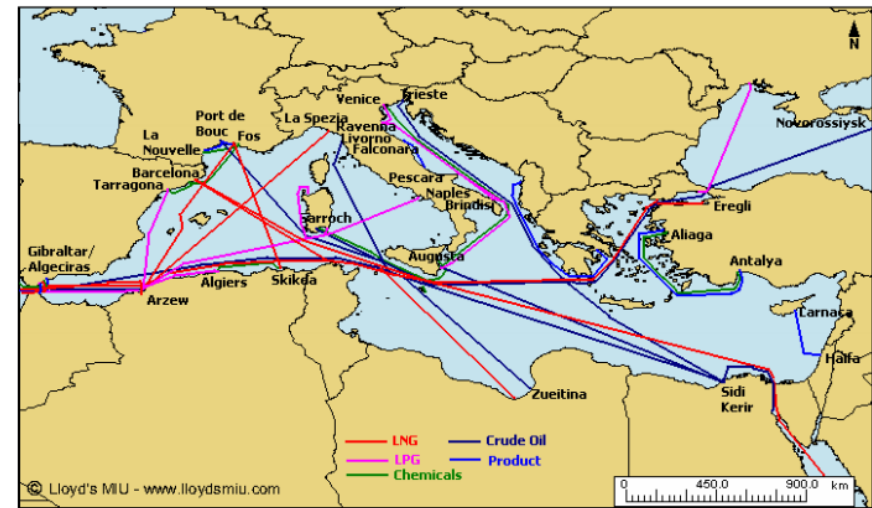
- According to Wood Mackenzie ULSFO could emerge as the lowest cost option to comply with IMO new regulation
- However the availability will likely be limited also considering that very few crude oils, within the total crude universe, are suitable for the production of ULSFO and that some of them are acidic (green and orange bubbles in the chart)



**Saras is well positioned to exploit ULSFO opportunity** due to the following advantages:

- Versatile & flexible refinery configuration allows to produce ULSFO, blending various vacuum residues with a very low sulphur fluxant
- Product specs achievable with Saras recipe in line with current bunker specs, hence avoiding any risk of damage for ship engines
- Long-standing supply positioning makes Saras a very reliable player
- Central position in the Mediterranean Sea is ideal to serve both local and “in transit” fleets

**Major tankers routes**



# Business Plan 2018-2021 main assumptions

## Business Plan Market Scenario

|                          |       | 2018E | 2019E | 2020E | 2021E |
|--------------------------|-------|-------|-------|-------|-------|
| Brent Dated              | \$/bl | 68.0  | 60.0  | 63.0  | 70.0  |
| Gasoline crack spread    | \$/bl | 10.2  | 9.2   | 7.7   | 9.2   |
| ULSD crack spread        | \$/bl | 13.0  | 13.8  | 18.0  | 16.6  |
| HS Fuel Oil crack spread | \$/bl | -9.0  | -9.0  | -18.2 | -18.4 |
| PUN                      | €/MWh | 50.0  | 45.0  | 47.0  | 50.0  |
| Exchange Rate            | €/\$  | 1.24  | 1.24  | 1.23  | 1.24  |

Market Scenario conservatively determined starting from WoodMackenzie forecasts for the oil market (published on 14/02/2018) ; (ii) Ref4e (Dec. 2017) and Poiry (Dec. 2017) for the electricity and gas market and (iii) Bloomberg for Exchange Rate

### Market Scenario:

- We have set our oil scenario starting from the most recent Wood Mackenzie estimates including some caution on the diesel/gasoil crack spreads. Moreover the impact of IMO could materialize already in H2/2019 providing upside to our 2019 forecasts. In detail we expect :
  - Heavy and medium sour crude grades to increase their discounts.** Saras able to capture widening price differentials thanks to its IGCC configuration and the integrated supply chain model
  - Material strengthening of diesel/gasoil crack spread** as the demand of bunker fuel is expected to switch to lower sulphur fuels (gasoil/diesel representing approx. 50% of Saras yield)
  - Good market opportunities for the ULSFO** that Saras is able to produce at competitive conditions
  - HSFO crack spread widening** due to the sharp decline in demand

### Operations and costs:

- In 2021 the refinery, completed the investment cycle and the planned maintenance, will operate at full capacity. It will be carried out the 10Y turnaround on the IGCC plant to extend its economic life up to 2031
- Total fixed costs equal to approx. EUR 350 ÷ 360 million per year, in line with the good level achieved in 2017, as the efficiencies will offset inflationary drift of HSE and maintenance costs and salaries. Savings to be achieved on variable costs (included in the refining margins) to compensate rising price of utilities driven by the scenario.

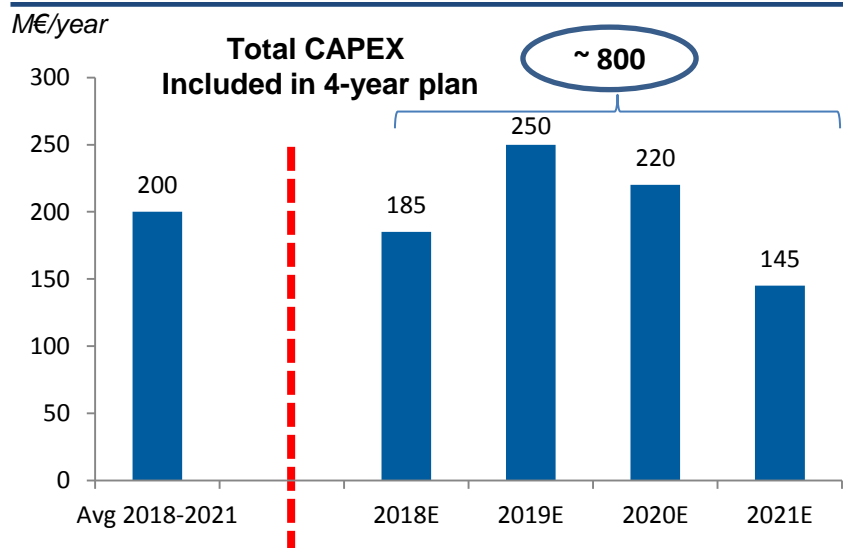
## Business Plan Operations & Fixed Costs

|                                      |       | 2018E             | 2019E | 2020E | 2021E              |
|--------------------------------------|-------|-------------------|-------|-------|--------------------|
| Refinery Crude Runs                  | Mtons | Approx. 14 ÷ 15   |       |       |                    |
| Refinery other feedstock             | Mtons | Approx. 0.8 ÷ 0.9 |       |       |                    |
| IGCC Power production                | TWh   | Approx. 4.3 ÷ 4.4 |       |       | 4.0 <sup>(1)</sup> |
| Total Fixed costs (Refining + Power) | € M   | Approx. 350 ÷ 360 |       |       |                    |

(1) It will be executed the 10Y turnaround on the IGCC plant

# CAPEX Plan to keep operational and technological excellence also in the next decade

## Business Plan Group CAPEX

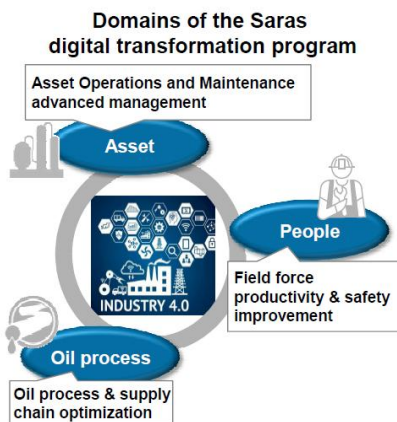


## Main development CAPEX included in Plan

- Investments in asset reliability, HSE, steam and power system reconfiguration with the aim to keep the operational and technological excellence also in the next decade
- Contribution at EBITDA level from EUR15M in 2018 to EUR65M in 2021 (i.e. energy efficiencies, operational availability improvements and digital initiatives)

Main new investments breaks down as follow: (i) EUR50M in digitalization; (ii) EUR45M turnaround of plants not included in previous plan perimeter (IGCC 10Y turnaround to extend the plant economic life to 2031) and (iii) EUR55M additional investments in assets reliability and power system reconfiguration

## Digitalization investments



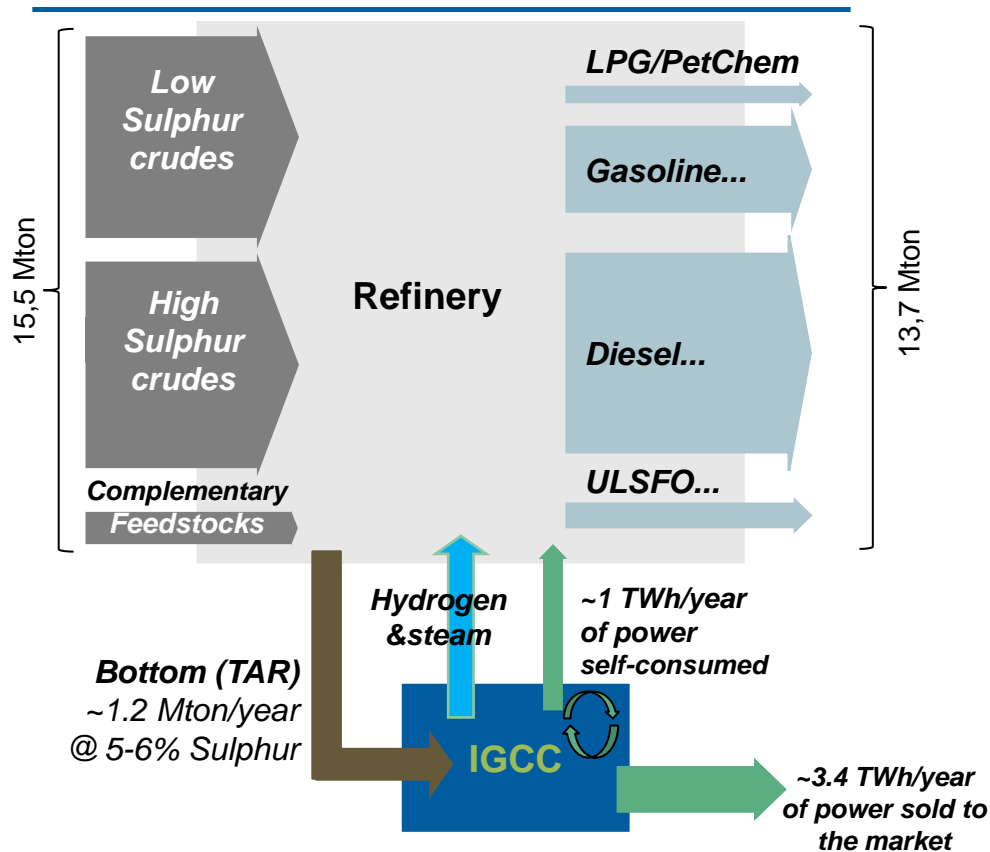
- In 2018 **industrialization of selected projects** in the field of predictive maintenance, digitalization of the operational workforce, advanced tools to optimize performance and reliability
- **Main objectives: downtime reduction, asset availability enhancement, safety and security improvements and productivity increase**
- EUR50M capex to be covered by tax benefits on Industry 4.0 investments (deriving from Iper and Super amortization) and the expected cumulated EBITDA contribution during the Business Plan period (approx. EUR30M)
- New technologies and innovation will be **paramount to remain competitive and successful in the long run**. The full potential of these investment will be exploited beyond 2021

| Segment                        | Comments   |
|--------------------------------|--|
| <p><b>Refining</b></p>         | <ul style="list-style-type: none"> <li>• <b>EMC Benchmark margin from 2.5 \$/bl in 2018 to 4.8 \$/bl in 2020</b> (based on reference scenario)</li> <li>• <b>Saras' premium to EMC Benchmark from 2.5 ÷ 3.0 \$/bl in 2018 to approx 5 \$/bl in 2020</b> (based on reference scenario, including contribution of capex and cost savings, net of maintenance)</li> </ul> |
| <p><b>Power Generation</b></p> | <p>In the period 2018 – 2020:</p> <ul style="list-style-type: none"> <li>• <b>EBITDA of approx. EUR 190 million/year</b></li> <li>• Electricity produced to be sold according to CIP6/92 tariff</li> </ul>   |
| <p><b>Marketing</b></p>        | <ul style="list-style-type: none"> <li>• <b>EBITDA of approx. EUR 10 ÷ 12 M/year</b></li> <li>• Profitability recovery coming from cost rationalization and optimization of sale channels achieved in 2017 sustainable also in next years</li> </ul>   |
| <p><b>Wind</b></p>             | <ul style="list-style-type: none"> <li>• <b>EBITDA between EUR 5 ÷ 10M</b> taking into account the expiry of incentives on ~80% of the installed capacity from 2018</li> </ul>   |

In 2021 PowerGen results (including fixed costs) will be incorporated in the Refining segment:

- **EMC at 3.5 \$/bl**
- **Saras integrated premium of approx. 7.0 \$/bl** (based on reference scenario, including contribution of capex and cost savings, net of maintenance)

## Sarlux site configuration post 2021



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

Total Input = 15,5 Mton

Total Output = 13,7 Mton + 3,4 TWh <sup>(1)</sup>

## 2021 will be a year of discontinuity for the IGCC:

- By end of Q2 CIP6/92 incentive expire
- By that date the 10Y turnaround will be executed
- Then the plant **will start to operate at market conditions**

## From 2022 IGCC will be exploited with an integrated perspective and we expect it to run at full capacity:

- ~1TWh of power production will be self-consumed allowing to save system and dispatching charges (approx. EUR 20 ÷ 25M)
- ~3.4 TWh will be sold to the market at PUN <sup>(2)</sup>
- The plant will continue to provide hydrogen and steam necessary for refinery operations
- Competitive marginal cost of production versus the expected PUN (50 EUR/MWh)

## Main benefits will be:

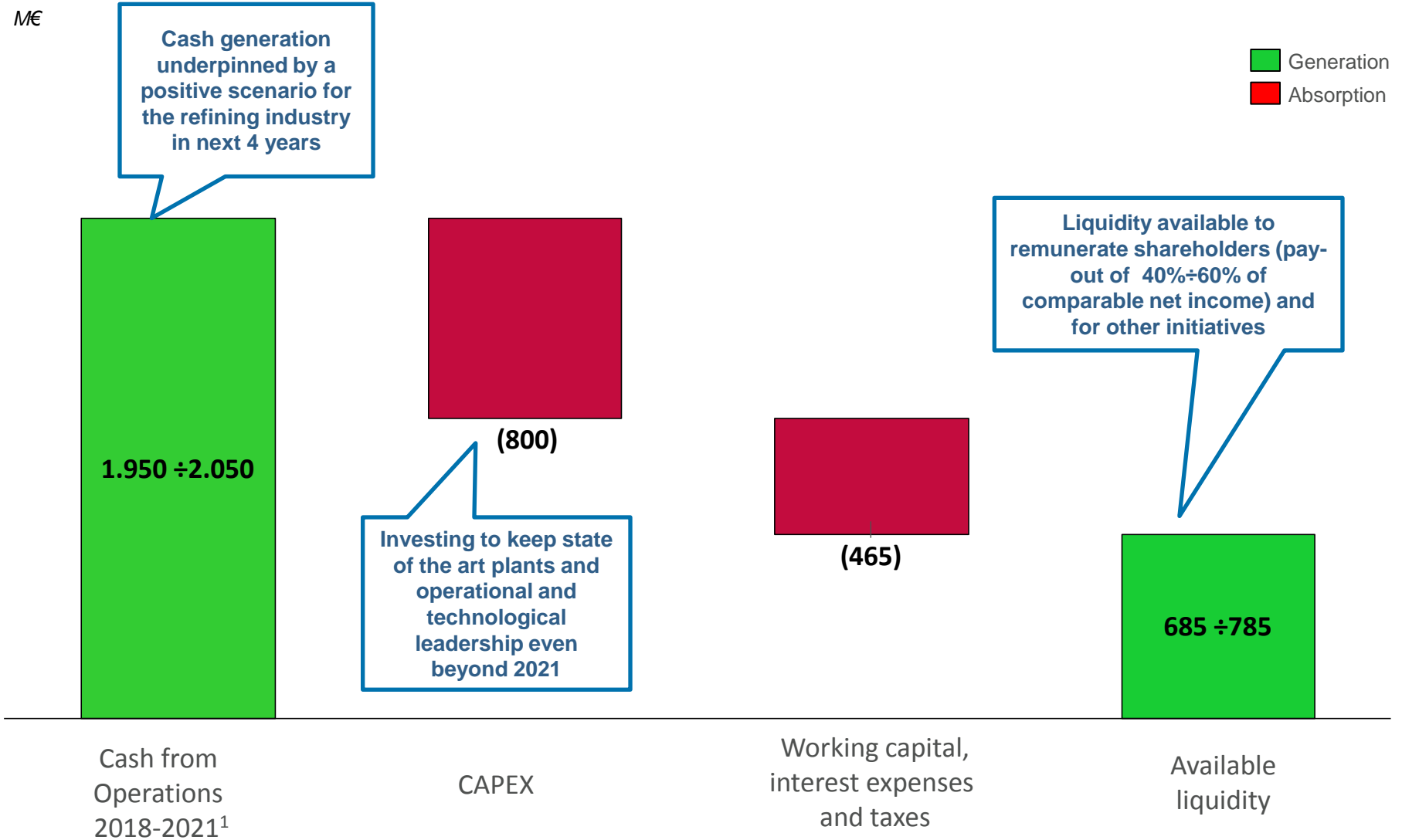
- No need of multi billion investments to convert bottom of the barrel into refined products (ie cocker or others)
- Possibility to continue to economically process HS crudes with a low fuel oil yield fully exploiting IMO opportunities
- IGCC intrinsic value will be boost in conditions of high differential between GO & HSFO (i.e. IMO) that reduces TAR value compared to electricity prices, contributing positively to the refining margin

Note: Arrow width proportional to material flow size, plant surfaces proportional to Nelson Complexity Index.

(1) Total production 4,4 TWh of which 1 TWh self-consumed  
 (2) Average purchase price for electricity in the Italian market



# Sources and uses of cash (Cumulated 2018-2021)



1. Cash Flow from operations = EBITDA – Linearization effect on Power Generation – others



## **Saras segments**

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

## **Group Financials**

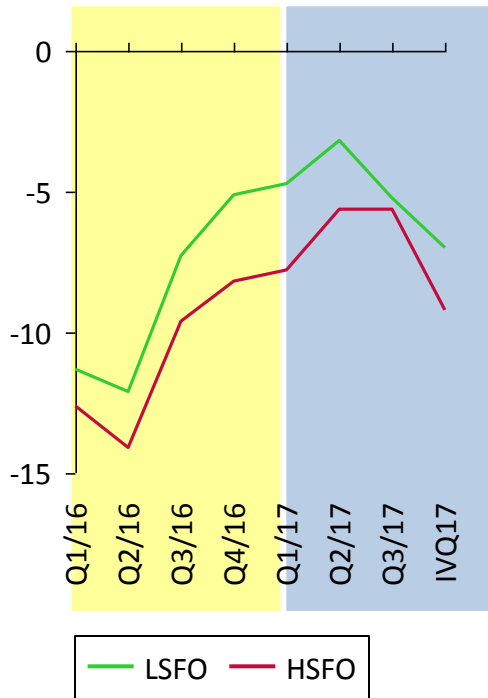
# Key financial performance of the Refining segment

| EUR million                     | 2012           | 2013           | 2014           | 2015         | 2016         | 2017                       | Q1/18                       |
|---------------------------------|----------------|----------------|----------------|--------------|--------------|----------------------------|-----------------------------|
| EBITDA                          | (91.2)         | (153.6)        | (496.3)        | 337.1        | 418.3        | 276.9                      | 19.6                        |
| <b>Comparable EBITDA</b>        | <b>(61.2)</b>  | <b>(127.5)</b> | <b>(140.1)</b> | <b>510.5</b> | <b>279.1</b> | <b>282.2<sup>(*)</sup></b> | <b>9.1<sup>(*)</sup></b>    |
| EBIT                            | (197.0)        | (261.0)        | (640.7)        | 204.8        | 281.5        | 160.3                      | (6.6)                       |
| <b>Comparable EBIT</b>          | <b>(167.0)</b> | <b>(234.9)</b> | <b>(261.8)</b> | <b>396.6</b> | <b>162.3</b> | <b>165.6<sup>(*)</sup></b> | <b>(17.1)<sup>(*)</sup></b> |
| <b>CAPEX</b>                    | <b>97.0</b>    | <b>87.1</b>    | <b>124.9</b>   | <b>75.0</b>  | <b>133.6</b> | <b>186.1</b>               | <b>41.5</b>                 |
| <b>REFINERY RUNS</b>            |                |                |                |              |              |                            |                             |
| Crude Oil (ktons)               | 13,309         | 12,980         | 12,430         | 14,550       | 12,962       | 14,060                     | 3,207                       |
| Crude Oil (Mbl)                 | 97.2           | 94.8           | 90.7           | 106.2        | 94.6         | 102.6                      | 23.4                        |
| Crude Oil (kbl/d)               | 265            | 260            | 249            | 291          | 259          | 281                        | 260                         |
| Complementary feedstock (ktons) | 431            | 390            | 548            | 1,026        | 1,598        | 1,291                      | 262                         |
| <b>EMC benchmark</b>            | <b>0.9</b>     | <b>(1.2)</b>   | <b>(0.5)</b>   | <b>4.0</b>   | <b>2.9</b>   | <b>3.5</b>                 | <b>1.7</b>                  |
| <b>Saras Refining Margin</b>    | <b>2.1</b>     | <b>1.6</b>     | <b>1.2</b>     | <b>8.0</b>   | <b>6.6</b>   | <b>6.0</b>                 | <b>3.8</b>                  |

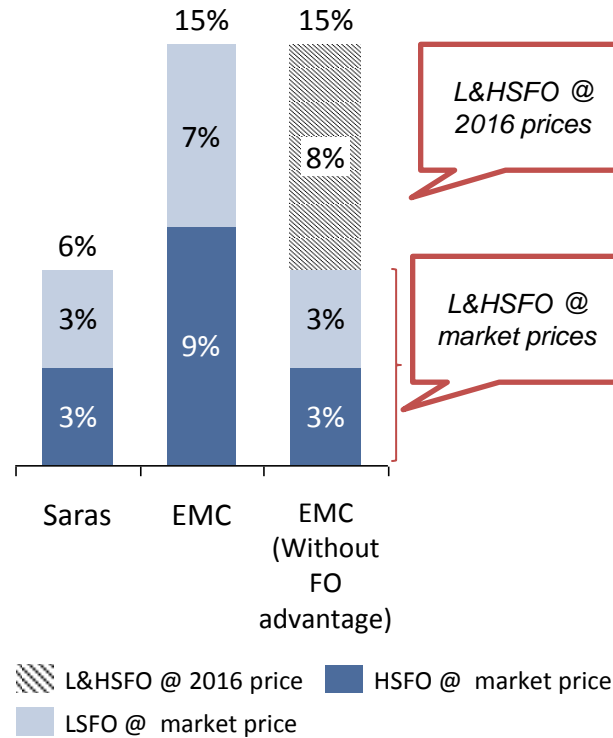
(\*) Comparable results are based on the new methodology from 2016. For more details please refer to slide 58.

# FY/17 Saras premium at 2.8 \$/bl when excluding by EMC FO strengthening

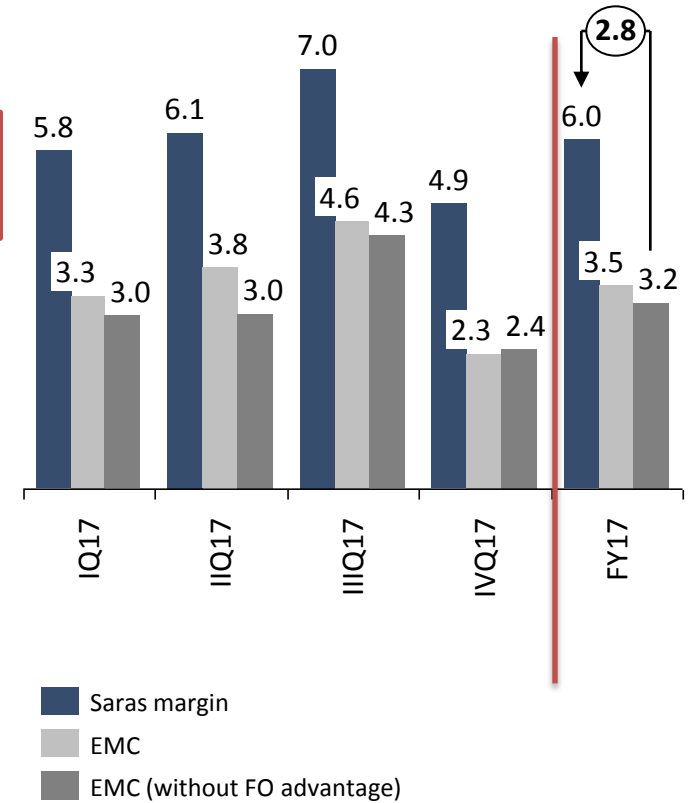
## FO crack spreads - \$/bbl



## Yields Saras vs EMC (focus on Fuel Oil)



## Saras refining margin premium (\$/bl) vs EMC without FO advantage



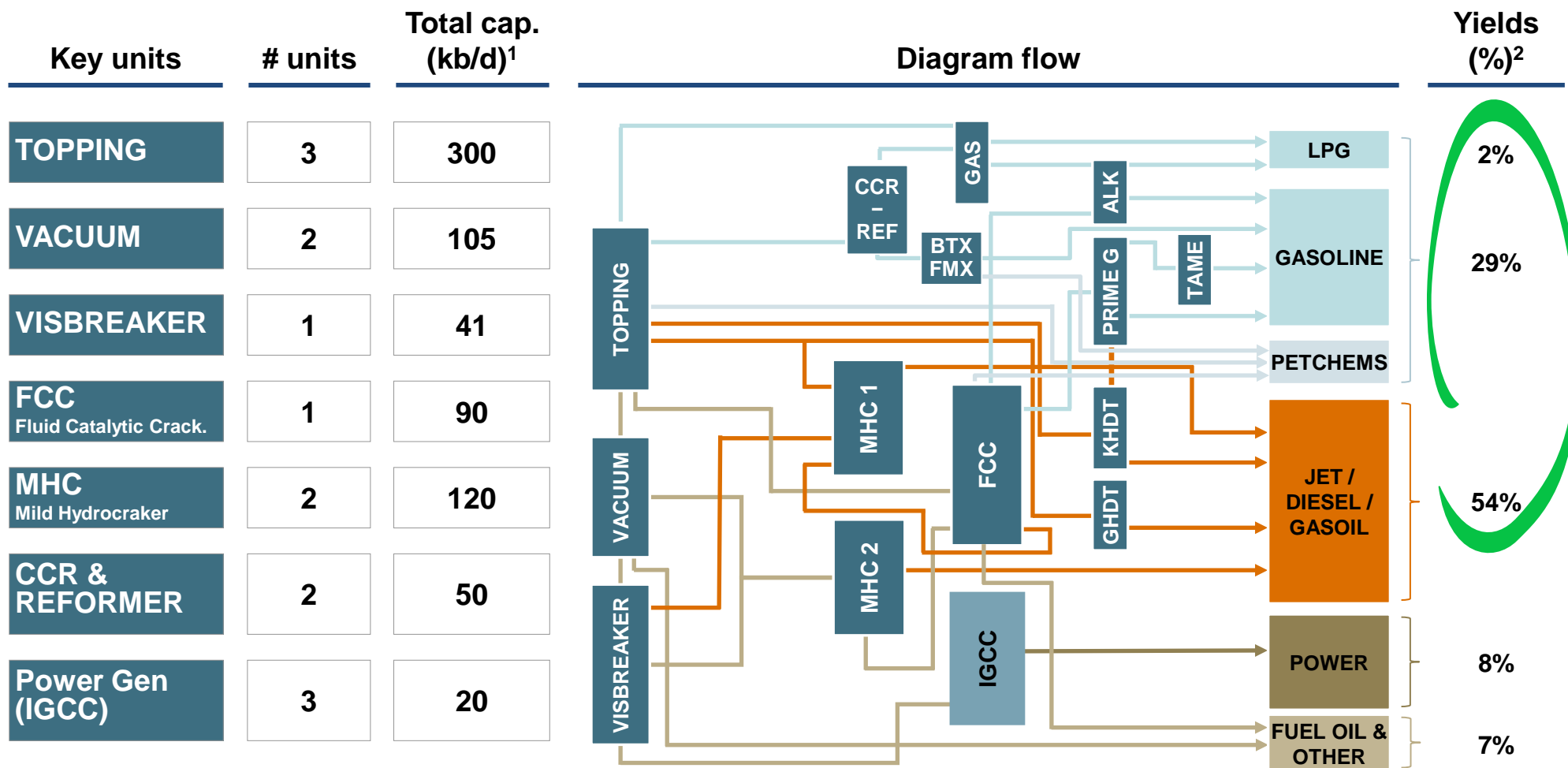
Material strengthening of FO crack spreads vs last year

EMC without FO advantage excludes the impact of FO strengthening...

...not achievable by Saras given different yields vs EMC Benchmark

Net of the distorting effect of FO strengthening in FY/17 the reference margin (EMC Benchmark) would have been 3.2 \$/bl (compared to 3.5 \$/bl) and the Saras margin premium 2.8 \$/bl (compared to 2.5 \$/bl).

# Complex and well balanced refinery configuration



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

1. Calculated using calendar days  
 2. Yields are calculated net of "C&L" – values refer to FY 2017

# ~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

Deep sea berths for VLCC

Berths for Products

| #         | Dwt           | m Draft |
|-----------|---------------|---------|
| 2         | up to 300,000 | 20.7    |
| 9         | up to 65,000  | 12      |
| 1         | up to 40,000  | 9.5     |
| 1         | up to 6,000   | 7       |
| <b>13</b> |               |         |

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

Flexibility for simultaneous loadings of multiple products



## Saras segments

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

## Group Financials

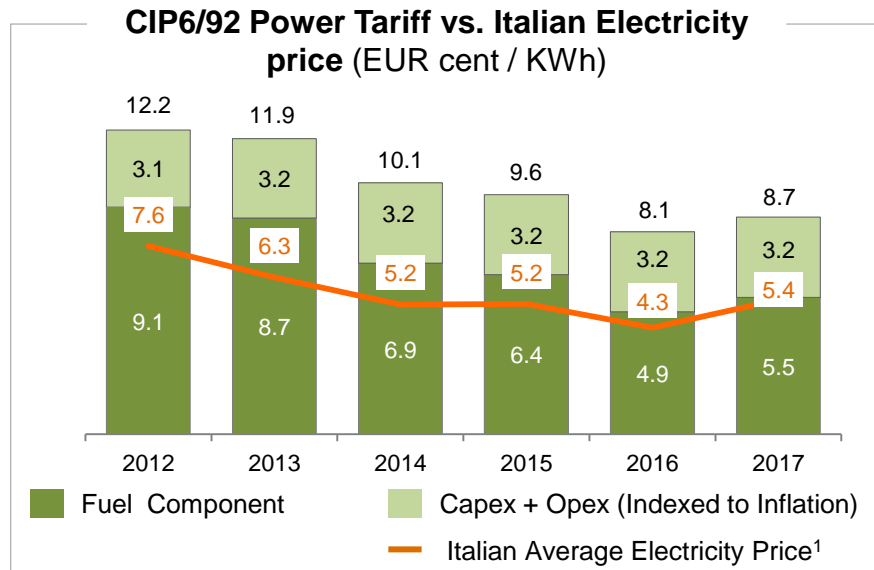
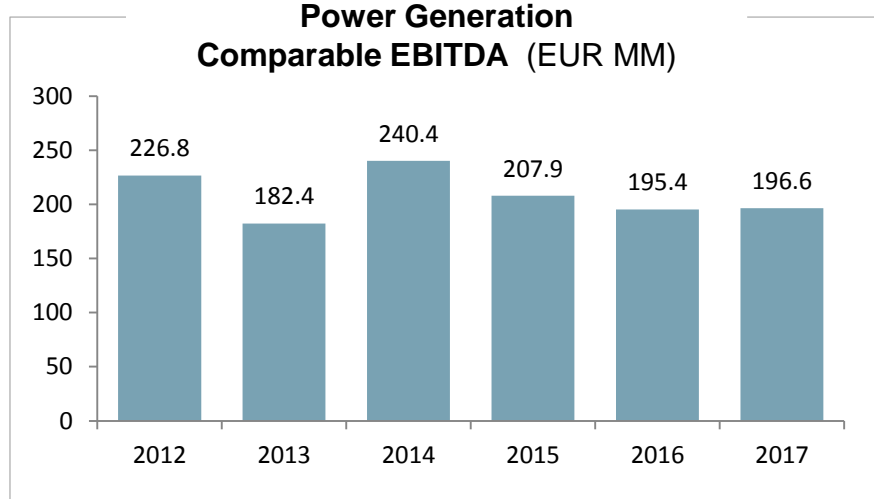
# Key financial performance of the Power Generation segment

| EUR million                                       | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | Q1/18       |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>Comparable EBITDA</b>                          | <b>226.8</b> | <b>182.4</b> | <b>240.4</b> | <b>207.9</b> | <b>195.4</b> | <b>196.6</b> | <b>53.1</b> |
| <b>Comparable EBIT</b>                            | <b>147.0</b> | <b>109.5</b> | <b>174.7</b> | <b>111.1</b> | <b>96.3</b>  | <b>145.5</b> | <b>40.2</b> |
| EBITDA IT GAAP                                    | 178.3        | 184.8        | 147.9        | 168.2        | 133.9        | 97.7         | 8.2         |
| EBIT IT GAAP                                      | 133.2        | 131.2        | 85.9         | 105.0        | 68.6         | 80.4         | 3.7         |
| <b>CAPEX</b>                                      | <b>8.7</b>   | <b>16.9</b>  | <b>6.8</b>   | <b>9.1</b>   | <b>9.6</b>   | <b>16.6</b>  | <b>7.2</b>  |
| <b>ELECTRICITY PRODUCTION</b> <sup>MWh/1000</sup> | <b>4,194</b> | <b>4,217</b> | <b>4,353</b> | <b>4,450</b> | <b>4,588</b> | <b>4,085</b> | <b>886</b>  |
| <b>POWER TARIFF</b> <sup>€cent/kWh</sup>          | <b>12.2</b>  | <b>11.9</b>  | <b>10.1</b>  | <b>9.6</b>   | <b>8.1</b>   | <b>8.7</b>   | <b>9.2</b>  |
| <b>POWER IGCC MARGIN</b> <sup>\$/bl</sup>         | <b>4.2</b>   | <b>3.8</b>   | <b>4.8</b>   | <b>3.1</b>   | <b>3.3</b>   | <b>3.3</b>   | <b>4.3</b>  |



# Power Generation: strong and stable contribution to Group EBITDA

- 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
- From 2022 the IGCC will be exploited with an integrated perspective, dedicating ~1TWh to self-consumption and ~3.4 TWh to the market while continuing to provide hydrogen and steam necessary for refinery operation. This will allow to continue to economically process HS crudes with a low fuel oil yield fully exploiting IMO opportunities



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



## **Saras segments**

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

## **Group Financials**

# Key financial performance of the Marketing segment

| EUR million                     | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | Q1/18      |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| EBITDA                          | 18.0         | 16.0         | (4.9)        | (5.1)        | 9.9          | 13.9         | 3.8        |
| <b>Comparable EBITDA</b>        | <b>31.7</b>  | <b>33.7</b>  | <b>14.9</b>  | <b>1.6</b>   | <b>3.6</b>   | <b>15.2</b>  | <b>3.9</b> |
| EBIT                            | (29.8)       | 7.6          | (14.7)       | (16.3)       | 4.2          | 8.4          | 2.5        |
| <b>Comparable EBIT</b>          | <b>19.8</b>  | <b>25.3</b>  | <b>6.4</b>   | <b>(4.7)</b> | <b>(2.1)</b> | <b>9.7</b>   | <b>2.6</b> |
| <b>CAPEX</b>                    | <b>8.2</b>   | <b>3.7</b>   | <b>3.0</b>   | <b>1.2</b>   | <b>1.4</b>   | <b>0.9</b>   | <b>0.2</b> |
| <b>SALES</b><br>(THOUSAND TONS) |              |              |              |              |              |              |            |
| ITALY                           | 2,210        | 2,342        | 2,449        | 2,573        | 2,298        | 2,169        | 499        |
| SPAIN                           | 1,584        | 1,310        | 1,234        | 1,388        | 1,787        | 1,484        | 401        |
| <b>TOTAL</b>                    | <b>3,794</b> | <b>3,652</b> | <b>3,683</b> | <b>3,961</b> | <b>4,084</b> | <b>3,653</b> | <b>901</b> |

# Overview of the Italian and Spanish Marketing businesses



## Spain: Saras Energia

### Spain wholesale

- 114kmc distillates storage in Cartagena

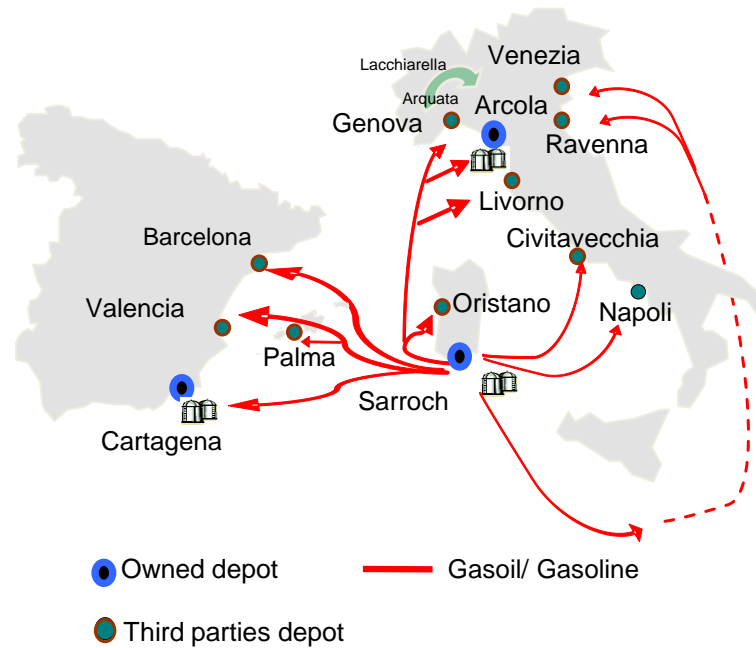


### Spain retail

- 95 service stations
  - 84 fully owned
  - 11 long term leased
- Mainly located in the Med tributary, with Decal, CLH and Esergui Depots regional support



## Main logistics flows



## Italy: Saras SpA



### Arcola La Spezia (owned)

- 200kmc storage for diesel and gasoline
- Sea Terminal for up to 50kt DWT
- Logistics available for bunkering



### Transfer depots network (3<sup>rd</sup> party)

- Logistics efficiently covers all richest northern and central regions (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  | 2015  | 2016  | 2017  |
|---------------|-------|-------|-------|-------|-------|-------|
| <b>SPAIN</b>  | 1,584 | 1,310 | 1,234 | 1,388 | 1,787 | 1,484 |

| Sales (ktons) | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
|---------------|-------|-------|-------|-------|-------|-------|
| <b>ITALY</b>  | 2,210 | 2,342 | 2,449 | 2,573 | 2,298 | 2,169 |

An Integrated MED Market Player Offering Integrated Services



## **Saras segments**

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

## **Group Financials**

# Key financial performance of the Wind segment

| EUR million  | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | Q1/18         |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| <b>Comparable EBITDA</b>   | <b>20.0</b>    | <b>22.7</b>    | <b>20.5</b>    | <b>17.2</b>    | <b>23.8</b>    | <b>23.1</b>    | <b>4.6</b>    |
| <b>Comparable EBIT</b>   | <b>9.7</b>     | <b>18.3</b>    | <b>15.9</b>    | <b>12.7</b>    | <b>19.2</b>    | <b>18.5</b>    | <b>3.4</b>    |
| <b>ELECTRICITY PRODUCTION</b> <small>MWh</small>                   | <b>171,050</b> | <b>197,042</b> | <b>171,657</b> | <b>155,101</b> | <b>195,360</b> | <b>168,473</b> | <b>67,777</b> |
| <b>POWER TARIFF</b> <small>€cent/kWh</small>                       | <b>7.1</b>     | <b>5.7</b>     | <b>4.8</b>     | <b>4.8</b>     | <b>4.0</b>     | <b>5.0</b>     | <b>5.1</b>    |
| <b>FEED-IN PREMIUM TARIFF<sup>1</sup></b> <small>€cent/kWh</small> | <b>8.0</b>     | <b>8.9</b>     | <b>9.7</b>     | <b>10.0</b>    | <b>10.0</b>    | <b>10.7</b>    | <b>9.9</b>    |

1. Feed-in Premium Tariff since 1<sup>st</sup> Jan 2016 – previously Green Certificates

## ULASSAI WIND FARM



Sardeolica



- 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 31<sup>st</sup> Dec 2015, and later feed-in premium tariff until 2018 (incentives expiring on approx 80% of the installed capacity)
- Seven more years of feed-in premium tariff (2025) on the last units installed (about 20% of the installed capacity)
- Potential enlargement of the Ulassai wind farm (additional 30 MW )



## **Saras segments**

- Refining
- Power Generation
- Marketing
- Wind Energy

## **Group Financials**



# New methodology to calculate comparable figures (applied from H1/17)

## INVENTORIES

### Previous comparable

Operating results and Net Result calculated evaluating oil inventories with **LIFO methodology** (based on historical price bands)

### New comparable

Operating results and Net Result calculated evaluating oil inventories with **FIFO methodology**, adjusted for unrealised inventories gain and losses due to changes in the scenario

## DERIVATIVES

Classification of derivatives between **closed and open positions**:

- Derivatives on oil and forex closed at the end of the period included in the operating result
- “Fair value” of the open position of derivatives excluded by the Net Result

Derivatives classified **on their strategy and link with a physical deal of the period**:

- Realised and unrealised oil and exchange rate derivatives with hedging nature which involve the exchange of physical quantities reclassified in the operating results
- Derivatives related to physical deals not referring to the period under review excluded by operating results and Net Result

|                              | Q1/16 | Q1/16<br>reclassified | Q2/16 | Q2/16<br>reclassified | Q3/16 | Q3/16<br>reclassified | Q4/16 | Q4/16<br>reclassified | 2016  | 2016<br>reclassified |
|------------------------------|-------|-----------------------|-------|-----------------------|-------|-----------------------|-------|-----------------------|-------|----------------------|
| <b>Comparable EBITDA</b>     | 124.2 | 141.9                 | 134.2 | 151.3                 | 100.5 | 118.0                 | 147.8 | 94.9                  | 506.6 | 506.0                |
| <b>Comparable Net Result</b> | 40.2  | 42.4                  | 50.0  | 62.1                  | 26.4  | 32.7                  | 52.8  | 18.7                  | 169.4 | 155.9                |

# Group Financials – Income Statements 2016 – 2018

| KEY INCOME STATEMENT<br>(EUR million) | Q1/16<br>reclassified | Q2/16<br>reclassified | Q3/16<br>reclassified | Q4/16<br>reclassified | 2016<br>reclassified | Q1/17<br>reclassified | Q2/17         | Q3/17         | Q4/17         | 2017         | Q1/18        |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|---------------|---------------|---------------|--------------|--------------|
| <b>EBITDA</b>                         | <b>67.8</b>           | <b>267.3</b>          | <b>95.7</b>           | <b>207.4</b>          | <b>638.1</b>         | <b>160.4</b>          | <b>(19.1)</b> | <b>161.8</b>  | <b>201.2</b>  | <b>504.3</b> | <b>72.2</b>  |
| <b>Comparable EBITDA (*)</b>          | <b>141.9</b>          | <b>151.3</b>          | <b>118.0</b>          | <b>94.8</b>           | <b>506.0</b>         | <b>124.0</b>          | <b>128.5</b>  | <b>160.1</b>  | <b>109.8</b>  | <b>522.5</b> | <b>71.6</b>  |
| D&A                                   | (56.3)                | (56.8)                | (57.1)                | (76.7)                | (246.7)              | (52.9)                | (54.1)        | (56.8)        | (14.7)        | (178.4)      | 41.8         |
| <b>EBIT</b>                           | <b>11.5</b>           | <b>210.5</b>          | <b>38.6</b>           | <b>130.7</b>          | <b>391.4</b>         | <b>107.5</b>          | <b>(73.2)</b> | <b>105.0</b>  | <b>186.4</b>  | <b>325.8</b> | <b>30.4</b>  |
| <b>Comparable EBIT (*)</b>            | <b>85.6</b>           | <b>94.5</b>           | <b>61.0</b>           | <b>38.2</b>           | <b>279.3</b>         | <b>71.1</b>           | <b>73.9</b>   | <b>103.8</b>  | <b>95.0</b>   | <b>344.0</b> | <b>29.8</b>  |
| Interest expense                      | (6.2)                 | (7.1)                 | (10.3)                | (6.4)                 | (30.0)               | (3.7)                 | (1.4)         | (3.2)         | (3.9)         | (12.2)       | (3.5)        |
| Other                                 | (1.8)                 | (17.7)                | (0.1)                 | (33.4)                | (53.0)               | 26.8                  | 28.2          | (26.0)        | (11.3)        | 17.7         | 3.4          |
| <b>Financial Income/Expense</b>       | <b>(8.0)</b>          | <b>(24.8)</b>         | <b>(10.4)</b>         | <b>(39.8)</b>         | <b>(83.0)</b>        | <b>23.1</b>           | <b>26.8</b>   | <b>(29.3)</b> | <b>(15.1)</b> | <b>5.6</b>   | <b>(0.1)</b> |
| <b>Profit before taxes</b>            | <b>3.5</b>            | <b>185.7</b>          | <b>28.2</b>           | <b>91.0</b>           | <b>308.4</b>         | <b>130.6</b>          | <b>(46.4)</b> | <b>75.5</b>   | <b>171.3</b>  | <b>331.4</b> | <b>30.3</b>  |
| Taxes                                 | (3.7)                 | (56.0)                | (5.8)                 | (46.6)                | (112.0)              | (38.5)                | 8.7           | (20.8)        | (39.9)        | (90.5)       | (7.8)        |
| <b>Net Result</b>                     | <b>(0.2)</b>          | <b>129.7</b>          | <b>22.4</b>           | <b>44.4</b>           | <b>196.3</b>         | <b>92.1</b>           | <b>(37.6)</b> | <b>54.9</b>   | <b>131.4</b>  | <b>240.8</b> | <b>22.5</b>  |
| Adjustments                           | 42.7                  | (67.7)                | 10.3                  | (25.7)                | (40.4)               | (39.6)                | 95.0          | (3.2)         | (75.7)        | (23.5)       | (14.0)       |
| <b>Comparable Net Result (*)</b>      | <b>42.4</b>           | <b>62.1</b>           | <b>32.7</b>           | <b>18.7</b>           | <b>155.9</b>         | <b>52.5</b>           | <b>57.4</b>   | <b>51.7</b>   | <b>55.8</b>   | <b>217.4</b> | <b>8.5</b>   |

(\*) 2016 figures reclassified on the base of the new criteria of determination of the comparable figures

# Group Financials – EBITDA and Income Statement Adjustments 2016 - 18

| EBITDA Adjustment<br>(EUR million)                        | Q1/16        | Q2/16        | Q3/16        | Q4/16        | 2016         | Q1/17        | Q2/17         | Q3/17        | Q4/17        | 2017         | Q1/18       |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|-------------|
| <b>EBITDA</b>   | <b>67.8</b>  | <b>267.3</b> | <b>95.7</b>  | <b>207.5</b> | <b>638.1</b> | <b>160.4</b> | <b>(19.1)</b> | <b>161.8</b> | <b>201.2</b> | <b>504.3</b> | <b>72.2</b> |
| Gain / (Losses) on inventories                            | 62.2         | (100.8)      | 13.2         | (99.3)       | (124.7)      | (57.3)       | 101.1         | 0.9          | (98.7)       | (54.0)       | (20.1)      |
| Non-recurring items                                       | 0.0          | 2.5          | 1.7          | 22.0         | 26.2         | (4.0)        | 16.4          | 7.8          | 3.7          | 23.8         | 9.7         |
| Realized and unrealized hedging derivatives and net Forex | 11.9         | (17.7)       | 7.3          | (35.3)       | (33.7)       | 25.0         | 30.1          | (10.5)       | 3.7          | 48.3         | 9.7         |
| <b>Comparable EBITDA (*)</b>                              | <b>141.9</b> | <b>151.3</b> | <b>118.0</b> | <b>94.8</b>  | <b>506.0</b> | <b>124.0</b> | <b>128.5</b>  | <b>160.1</b> | <b>109.8</b> | <b>522.5</b> | <b>71.6</b> |

| Net Result Adjustment<br>(EUR million)      | Q1/16        | Q2/16        | Q3/16       | Q4/16       | 2016         | Q1/17       | Q2/17         | Q3/17       | Q4/17        | 2017         | Q1/18       |
|---|--------------|--------------|-------------|-------------|--------------|-------------|---------------|-------------|--------------|--------------|-------------|
| <b>Net Result</b>                           | <b>(0.2)</b> | <b>129.7</b> | <b>22.4</b> | <b>44.4</b> | <b>196.3</b> | <b>92.1</b> | <b>(37.6)</b> | <b>54.9</b> | <b>131.4</b> | <b>240.8</b> | <b>22.5</b> |
| Gain / (Losses) on inventories net of taxes | 42.6         | (69.4)       | 9.1         | (68.3)      | (85.9)       | (41.3)      | 72.6          | 0.9         | (71.2)       | (39.0)       | (14.5)      |
| Non-recurring items net of taxes            | 0.0          | 1.7          | 1.2         | 42.6        | 45.5         | 0.0         | 19.8          | 0.0         | (5.1)        | 14.7         | 0.0         |
| Derivatives related to future deals         | 0.0          | 0.0          | 0.0         | 0.0         | 0.0          | 1.8         | 2.5           | (4.1)       | 0.5          | 0.7          | 0.5         |
| <b>Comparable Net Result(*)</b>             | <b>42.4</b>  | <b>62.1</b>  | <b>32.7</b> | <b>18.7</b> | <b>155.9</b> | <b>52.5</b> | <b>57.4</b>   | <b>51.7</b> | <b>55.8</b>  | <b>217.4</b> | <b>8.5</b>  |

(\*) Reclassified on the base of the new criteria of determination of the comparable figures

# Group Financials – Income Statements

| KEY INCOME STATEMENT (EUR ml)     | 2012           | 2013           | 2014           | 2015         | 2016          | 2017         |
|-----------------------------------|----------------|----------------|----------------|--------------|---------------|--------------|
| <b>EBITDA</b>                     | <b>176.0</b>   | <b>71.7</b>    | <b>(237.0)</b> | <b>556.0</b> | <b>638.1</b>  | <b>504.3</b> |
| <b>Comparable EBITDA</b>          | <b>210.7</b>   | <b>117.7</b>   | <b>139.0</b>   | <b>741.0</b> | <b>506.0</b>  | <b>522.5</b> |
| D&A                               | (244.2)        | (425.9)        | (47.4)         | (245.4)      | (246.7)       | (178.4)      |
| <b>EBIT</b>                       | <b>(68.1)</b>  | <b>(354.2)</b> | <b>(284.4)</b> | <b>310.6</b> | <b>391.4</b>  | <b>325.8</b> |
| <b>Comparable EBIT</b>            | <b>2.6</b>     | <b>(75.7)</b>  | <b>(61.9)</b>  | <b>518.9</b> | <b>279.3</b>  | <b>344.0</b> |
| Interest expense                  | (28.8)         | (27.8)         | (40.2)         | (34.9)       | (30.0)        | (12.2)       |
| Other                             | (23.1)         | (1.6)          | 62.8           | 68.1         | (53.0)        | 17.7         |
| <b>Financial Income/(Expense)</b> | <b>(51.9)</b>  | <b>(29.4)</b>  | <b>22.6</b>    | <b>33.2</b>  | <b>(83.0)</b> | <b>5.6</b>   |
| <b>Profit before taxes</b>        | <b>(120.0)</b> | <b>(383.6)</b> | <b>(261.8)</b> | <b>343.7</b> | <b>308.4</b>  | <b>331.4</b> |
| Taxes                             | 31.4           | 112.5          | 0.0            | (120.1)      | (112.0)       | (90.5)       |
| <b>Net Result</b>                 | <b>(88.6)</b>  | <b>(271.1)</b> | <b>(261.8)</b> | <b>223.7</b> | <b>196.3</b>  | <b>240.8</b> |
| Adjustments                       | 54.9           | 186.9          | 178.2          | 102.7        | (40.4)        | (23.5)       |
| <b>Adjusted Net Result</b>        | <b>(33.7)</b>  | <b>(84.1)</b>  | <b>(83.6)</b>  | <b>326.3</b> | <b>155.9</b>  | <b>217.4</b> |

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

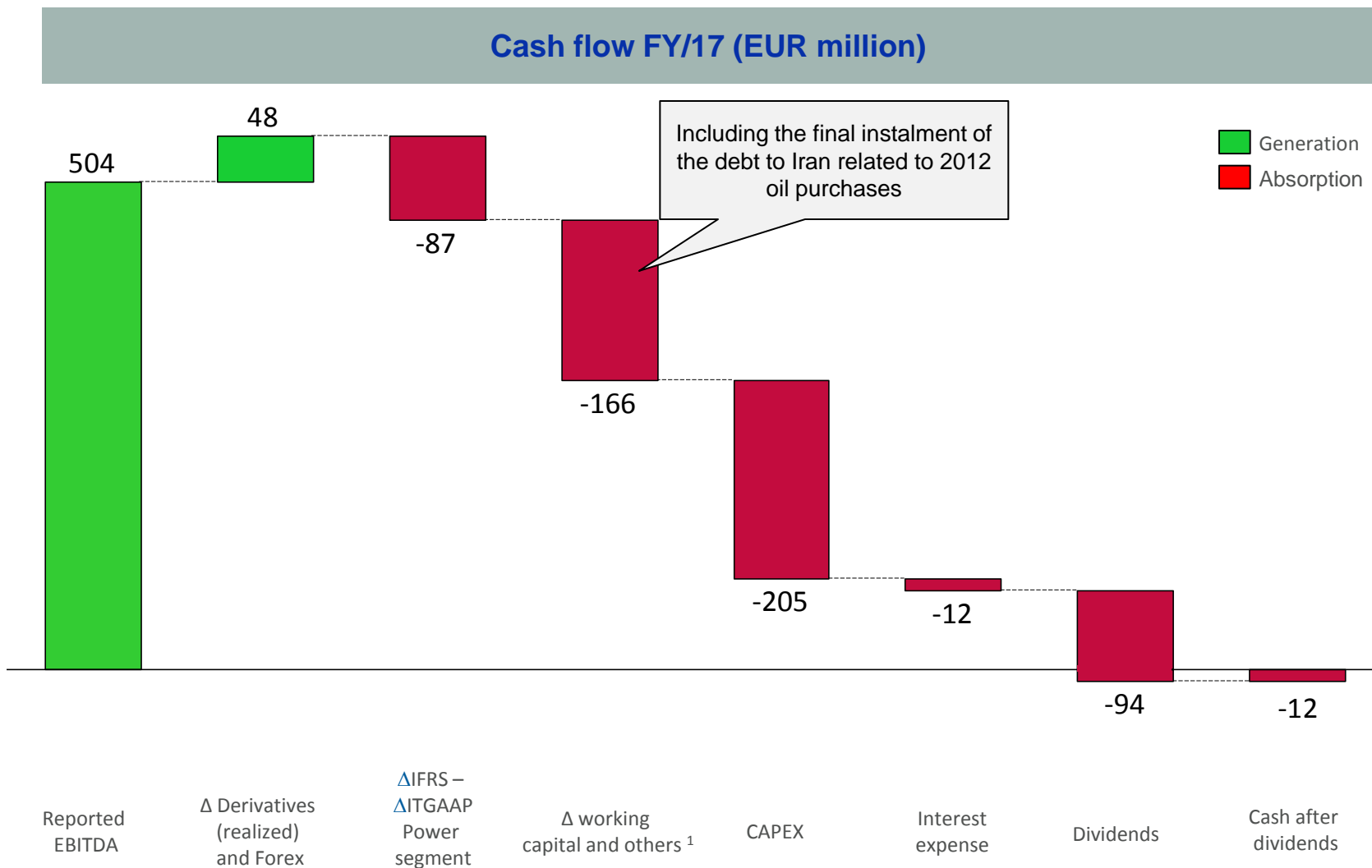
| DETAILS OF ADJUSTMENT (*) (EUR ml)  | 2012          | 2013           | 2014           | 2015         | 2016         | 2017         |
|-------------------------------------|---------------|----------------|----------------|--------------|--------------|--------------|
| <b>Net Result</b>                   | <b>(88.6)</b> | <b>(271.1)</b> | <b>(261.8)</b> | <b>223.7</b> | <b>196.3</b> | <b>240.8</b> |
| Inventories adjustment net of taxes | 27.0          | 43.4           | 293.8          | 75.8         | (85.9)       | (39.0)       |
| Non recurring items net of taxes    | 25.3          | 148.3          | (85.7)         | 29.7         | 45.5         | 14.7         |
| Derivatives net of taxes            | 2.6           | (4.7)          | (29.9)         | (2.8)        | 0.0          | 0.7          |
| <b>Comparable Net Result</b>        | <b>(33.7)</b> | <b>(84.1)</b>  | <b>(83.6)</b>  | <b>326.3</b> | <b>155.9</b> | <b>217.4</b> |

(\*) For details on the calculation of adjustments please refer to slide 58. From 2016 figures based on the new methodology

# Group Financials – Balance Sheet

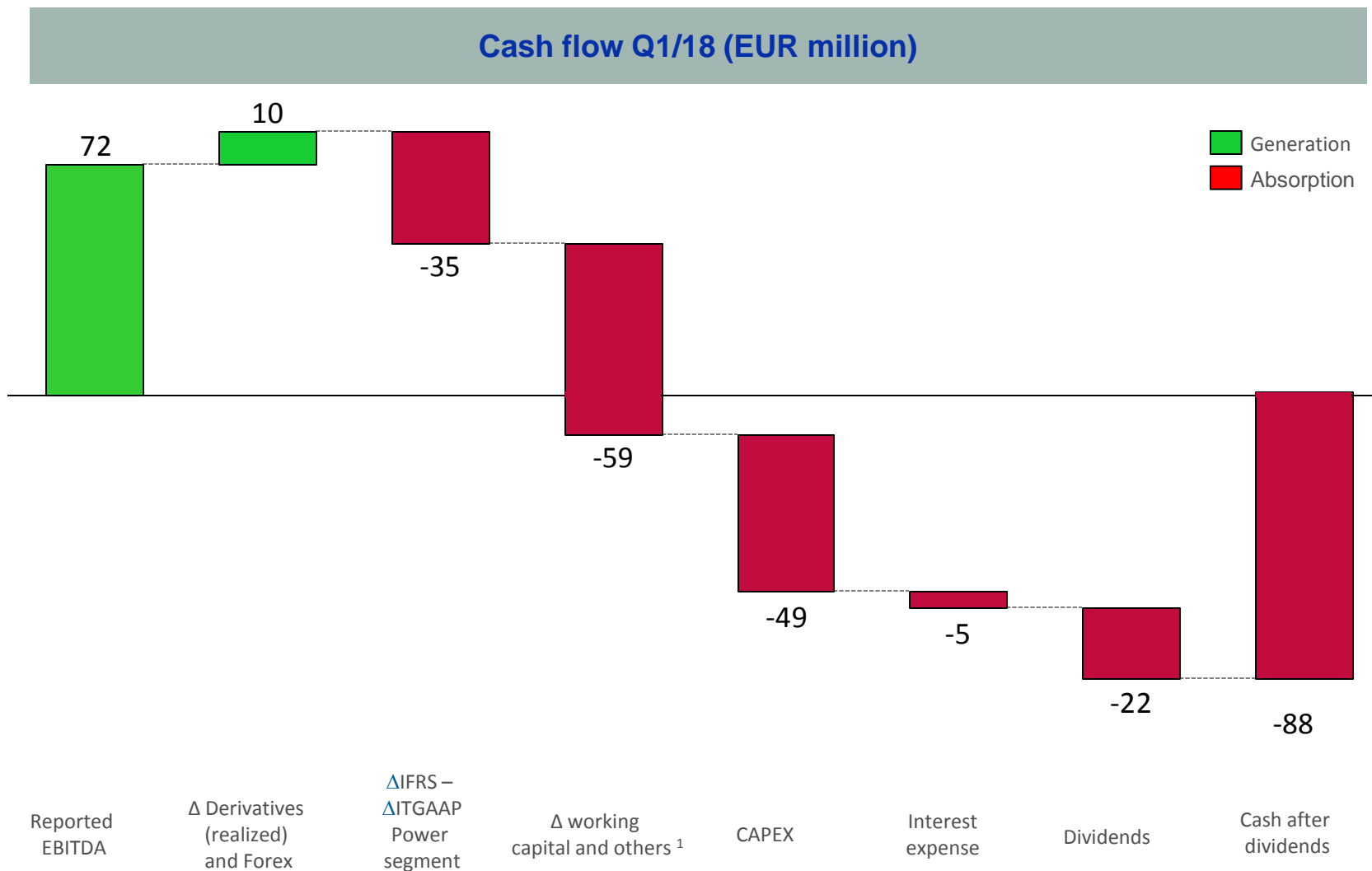
| EUR million                               | 31-Dec-12    | 31-Dec-13    | 31-Dec-14    | 31-Dec-15    | 31-Dec-16    | 31-Dec-17    | 31-Mar-18    |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Current assets</b>                     | <b>2,209</b> | <b>2,287</b> | <b>2,241</b> | <b>1,929</b> | <b>1,689</b> | <b>1,960</b> | <b>2,019</b> |
| CCE and financial assets held for trading | 342          | 545          | 669          | 883          | 449          | 470          | 307          |
| Other current assets                      | 1,867        | 1,743        | 1,571        | 1,046        | 1,241        | 1,490        | 1,712        |
| <b>Non-current assets</b>                 | <b>1,731</b> | <b>1,526</b> | <b>1,621</b> | <b>1,389</b> | <b>1,205</b> | <b>1,197</b> | <b>1,195</b> |
| <b>TOTAL ASSETS</b>                       | <b>3,940</b> | <b>3,814</b> | <b>3,862</b> | <b>3,318</b> | <b>2,894</b> | <b>3,157</b> | <b>3,214</b> |
| <b>Current Liabilities</b>                | <b>1,817</b> | <b>2,015</b> | <b>2,506</b> | <b>1,445</b> | <b>1,423</b> | <b>1,530</b> | <b>1,613</b> |
| Short-Term financial liabilities          | 167          | 181          | 550          | 203          | 203          | 183          | 109          |
| Other current liabilities                 | 1,650        | 1,834        | 1,956        | 1,242        | 1,220        | 1,347        | 1,504        |
| <b>Non-Current Liabilities</b>            | <b>926</b>   | <b>877</b>   | <b>696</b>   | <b>988</b>   | <b>548</b>   | <b>554</b>   | <b>504</b>   |
| Long-Term financial liabilities           | 425          | 386          | 277          | 586          | 183          | 257          | 256          |
| Other non-current liabilities             | 501          | 491          | 419          | 402          | 365          | 297          | 248          |
| <b>Shareholders Equity</b>                | <b>1,197</b> | <b>921</b>   | <b>660</b>   | <b>885</b>   | <b>923</b>   | <b>1,072</b> | <b>1,096</b> |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>     | <b>3,940</b> | <b>3,814</b> | <b>3,862</b> | <b>3,318</b> | <b>2,894</b> | <b>3,157</b> | <b>3,214</b> |

# Group Financials – Cash Flow 2017



1. Includes CO<sub>2</sub>, wind tariff incentives, Energy Efficiency certificates and Taxes paid in the period

# Group Financials – Cash Flow Q1/18



1. Includes CO<sub>2</sub> , wind tariff incentives, Energy Efficiency certificates and Taxes paid in the period



# Group CAPEX by segment

| <b>CAPEX BY SEGMENT</b><br>(EUR million) | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b> | <b>2016</b>  | <b>2017</b>  | <b>Q1/18</b> |
|--|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
| <b>REFINING</b>                          | 97.0         | 87.1         | 124.9        | 75.0        | 133.6        | 186.1        | 41.5         |
| <b>POWER GENERATION</b>                  | 8.7          | 16.9         | 6.8          | 9.1         | 9.6          | 16.6         | 7.2          |
| <b>MARKETING</b>                         | 8.2          | 3.7          | 3.0          | 1.2         | 1.4          | 0.9          | 0.2          |
| <b>WIND</b>                              | 3.8          | 0.2          | 0.6          | 0.3         | 0.4          | 0.5          | 0.1          |
| <b>OTHER ACTIVITIES</b>                  | 1.6          | 1.7          | 0.9          | 0.6         | 0.6          | 0.9          | 0.2          |
| <b>TOTAL CAPEX</b>                       | <b>119.3</b> | <b>109.6</b> | <b>136.3</b> | <b>86.2</b> | <b>145.6</b> | <b>205.0</b> | <b>49.1</b>  |



## 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 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.