# The Board of Directors of SARAS SpA

# approves the Half-Year Financial Report as of 30th June 2018[1]

**Results for the first half of 2018:**

- **Revenues at EUR 5,591 million** (+42% versus H1/17 mainly due to higher oil prices)
- **Group reported EBITDA at EUR 271 million** (EUR 141 million in H1/17) underpinned by the scenario effect on inventories
- **Group comparable EBITDA at EUR 150 million** (EUR 253 million in H1/17) mainly due to lower unitary refining margin versus previous year
- **Group reported Net Result at EUR 81 million** (EUR 55 million in H1/17). **Group comparable Net Result equal to EUR 15 million** (EUR 110 million in H1/17).
- **Net Financial Position at 30th June 2018 turn positive** (versus Net Financial Position of EUR -1 million on 31st March 2018) **and equal to EUR 42 million**

**Milan, 30th July 2018:** The Board of Directors of Saras SpA met today under Chairman Massimo Moratti and approved the Half-Year Consolidated Financial Report as of 30th June 2018, audited. The results of the second quarter, which are unaudited, are also presented here below for sake of continuity and completeness of the information provided.

## Saras Group key financial and operational results [2]

| EUR Million | H1/18 | H1 /17 | Change % | Q2/18 | Q2/17 | Change % |
|---|---|---|---|---|---|---|
| REVENUES | 5,591 | 3,929 | 42% | 3,172 | 2,032 | 56% |
| EBITDA | 271.4 | 141.3 | 92% | 199.2 | (19.1) | 1143% |
| ***Comparable* EBITDA** | **150.4** | **252.5** | **-40%** | **78.8** | **128.5** | **-39%** |
| EBIT | 186.5 | 34.3 | 443% | 156.1 | (73.2) | 313% |
| ***Comparable* EBIT** | **65.5** | **145.1** | **-55%** | **35.7** | **73.9** | **-52%** |
| NET RESULT | 81.4 | 54.5 | 49% | 58.9 | (37.6) | 257% |
| ***Comparable* NET RESULT** | **14.9** | **109.9** | **-86%** | **6.3** | **57.4** | **-89%** |

| EUR Million | H1/18 | H1 /17 | | Q2/18 | Q2/17 | |
|---|---|---|---|---|---|---|
| **NET FINANCIAL POSITION** | **42** | **(28)** | | **42** | **(28)** | |
| **CAPEX** | **85** | **100** | | **36** | **54** | |

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

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

After the meeting, the Chairman declared:

***"The second quarter 2018 results were influenced by scheduled maintenance activities, now completed, and high crude prices also driven by geopolitical factors. Diesel crack spread reached very satisfactory level thanks to the continuous growth in global demand, while that of gasoline, although improving compared to the first quarter, was lower than previous year. Cash flow generated in the first part of the year made it possible to pay the dividend in May while maintaining a positive net financial position.***

***In the second part of the year, the refinery will be able to operate at full capacity, in the absence of significant planned maintenance activities, and to obtain higher results compared to first half of the year. With regard to electricity generation, we expect the consolidation of the good results achieved in the first half, also thanks to the increase in volumes produced ".***

# Comments to First Half 2018 Group Results

**The Groups revenues in H1/18 were EUR 5,591 million.** The difference compared to EUR 3,929 million in the first half of last year is due to the higher average oil prices and rising oil and products trading activity of the subsidiary Saras Trading SA. In particular, in H1/18 the price of gasoline averaged at 669 $/ton (compared to the average of 531 $/ton in H1/17), while the price of diesel averaged out to 623 $/ton (compared to the average of 464 $/ton in H1/17). This increase in the prices resulted in higher revenues of approximately EUR 1,460 million in the Refining segment and approximately EUR 170 million in the Marketing segment. Finally, the revenues from the Power Generation segment were higher by approximately EUR 35 million compared to first half of last year also thanks to higher CIP6/92 tariff.

**The Group's reported EBITDA in H1/18 was EUR 271.4 million,** strongly above the EUR 141.3 million in H1/17. This difference was almost entirely attributable to the Refining segment, which even if operated in a less favourable market environment in H1/18 and achieved lower volumes compared to the same period last year, enjoyed a strong positive scenario effect on inventories. On the opposite such effect was negative in H1/17.

**The reported Group Net Result, equal to EUR 81.4 million**, compared to EUR 54.5 million in H1/17, is essentially due to the reason displayed at EBITDA level. In H1/18, amortisation and depreciation charges were lower (EUR 84.9 million as compared to EUR 107.0 million in H1/17) following changes to the amortisation plan for the IGCC plant, which took place in Q4/17, in view of the extension of its useful life until 2031 instead of the previous limit set in 2021 in correspondence with the expiry of the CIP6/92 contract. The financial charges (of EUR 6.7 million) were essentially in line with the same period of last year, while other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative by approximately EUR 66 million in H1/18 compared to a positive amount of approximately EUR 55 million in H1/17.

**The comparable Group EBITDA was EUR 150.4 million in H1/18**, down from EUR 252.5 million achieved in H1/17. This result was mainly due to the Refining segment which operated in a less favourable market scenario and achieved lower runs also due to a lesser operating performance. **The comparable Group Net Result in H1/18 was EUR 14.9 million,** versus EUR 109.9 million in H1/17.

**Investments in H1/18 were EUR 85.0 million**, in line with the budget, mainly focused on the Refining segment (EUR 75.3 million).

**Net Financial Position as at 30th June 2018 was positive by EUR 42 million**, compared to the positive amount of EUR 87 million as at 31 December 2017. The cash flow generated by operations was absorbed by the investments, the dividend payment on May 2018 and the increase in oil inventories in the period.

# Comments to Second Quarter 2018 Group Results

**The Groups revenues in Q2/18 were EUR 3,172 million** up 56% versus the EUR 2,032 million in the second quarter of last year as effect of higher average oil prices in the period and rising trading activity of the subsidiary Saras Trading SA. In Q2/18 the price of gasoline averaged at 707 $/ton (compared to the average of 519 $/ton in Q2/17), while the price of diesel averaged out to 657 $/ton (compared to the average of 449 $/ton in Q2/17). This increase in the prices resulted in higher revenues of approximately EUR 985 million in the Refining segment and approximately EUR 130 million in the Marketing segment. The revenues from the Power Generation segment were higher by approximately EUR 22 million compared to Q2/17 mainly thanks to higher CIP6/92 tariff.

**The Group's reported EBITDA in Q2/18 was EUR 199.2 million,** well above the EUR -19.1 million in Q2/17 almost entirely due to the Refining segment. In fact, in the second quarter of 2018 the positive effect of the scenario on the inventory differences between the beginning and end of the period, due to the sharp rise in the Brent price, more than offset less favourable market scenario that led to lower unitary refining margins.

**The reported Group Net Result was equal to EUR 58.9 million**, compared to EUR -37.6 million in Q2/17, essentially due to the reason shown at EBITDA level. In Q2/18, amortisation and depreciation charges were lower (EUR 43.1 million as compared to EUR 54.1 million in Q2/17) following above mentioned changes to the amortisation plan for the IGCC which took place in Q4/17. The financial charges (of EUR 3.2 million) were essentially unchanged from the same quarter last year, while other financial items (which comprise realised and unrealised differentials on derivative instruments, net exchange rate differences and other financial income and charges) were negative at approximately EUR 69 million in Q2/18, compared to a positive amount of approximately EUR 28 million in Q2/17.

**The comparable Group EBITDA was EUR 78.8 million in Q2/18**, down from EUR 128.5 million in Q2/17. This result was mainly due to the Refining segment which operated in a less favourable market scenario, mainly featured by high Brent prices, that weighted on the refining margins. **The comparable Group Net Result in Q2/18 was EUR 6.3 million,** compared to EUR 57.4 million in the second quarter of last year.

**Investments in Q2/18 were EUR 35.9 million**, in line with the budget and mainly focused on the Refining segment (EUR 33.8 million).

## Outlook

The year 2018 opened with Brent on the maximum levels of the last 3 years at approximately 70 $/bl also thanks to the growth in demand. The supply instead was influenced by the production cuts implemented by OPEC and Russia, by some geopolitical tensions in Libya and Nigeria and by the involuntary reductions of Venezuela and Mexico, which were only partly offset by rising volumes from United States, Canada, Brazil and Kazakhstan. In mid-May, the Brent hit 80 $/bl following the announcement of the US exit from the nuclear agreement with Iran and then fall back thanks to the response of the OPEC countries (Saudi Arabia in particular) that decided to increase their supply by around 1 mbl/d. Current Brent forward curves point to approx. 75 $/bl for in the second half of the year. As far as the price differential between light and heavy crude is concerned, no particular changes are foreseen compared to the values recorded in 2017.

Moving to the main refined products, the oil market scenario expected by the experts is characterized by the persistence of robust crack spreads for middle distillates, sustained by consumption for industrial uses, notoriously related to the economic cycle, in addition to the strong demand of jet fuel. Gasoline crack spread was penalized by high crude prices and higher US refineries production, but strengthened in conjunction with the seasonal increase in demand.

**All in all, the above described market conditions should pave the way for positive refining margins, even if slightly lower than in 2017. Saras Group will aim to achieve a premium above the EMC benchmark margin of approx. 2.5 ÷ 3.0 $/bl (net of maintenance),** also taking into account that in the second half of the year no major maintenance activity is planned and the refinery will be able to operate at full regime**.**

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

## Conference call on 30th July 2018 and other information

At 15:30, CET of Monday 30th July there will be a conference call for analysts and investors, during which the Top Management will illustrate Saras Group results for Second Quarter and First Half 2018, and afterwards will answer all the relevant questions. A dedicated presentation will be available on the Company's website (www.saras.it), under the section called "Investor Relations/Presentations.

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Link for the live webcast: http://services.choruscall.eu/links/saras180730.html

Playback and transcript of the webcast will also be available on the Company's website. For enquiries, please contact the Investor Relations department.

This press release has been prepared pursuant to the Regulation implementing Legislative Decree 24th February 1998 number 58, adopted by CONSOB under resolution 14th May 1999 number 11971, as amended and supplemented. It is available to the general public on the Company's website under "Investor Relations/Financial News/Press Releases", and also on the "1Info" authorised storage mechanism (**www.1info.it**). Moreover, the Interim Financial Report as of 30th June 2018 is also available to the public at the Company's registered Office in Sarroch (CA) S.S. 195 Sulcitana Km. 19, at the administrative office in Milan, Via dell'Unione n. 1, on the Company's website under "Investor Relations/Quarterly Report", and on the "1Info" authorised storage mechanism.


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**IL GRUPPO SARAS**

The Saras Group, founded by Angelo Moratti in 1962, has approximately 1,900 employees and total revenues of about 7.7 billion Euros as of 31st December 2017. Today, the Group is a leading European crude oil refiner and it is active also in the energy sector. It sells and distributes petroleum products in the domestic and international markets, directly and through its subsidiaries. The Group also operates in the production and sale of electricity, through its subsidiaries Sarlux Srl (IGCC plant) and Sardeolica Srl (Wind plant). Moreover, the Group provides industrial engineering and research services to the oil, energy and environment sectors through its subsidiary Sartec Srl.