

## The Board of Directors of SARAS S.p.A. approves the Interim Financial Report as of 31<sup>st</sup> March 2020<sup>1</sup>

- ❖ Comparable Group EBITDA was EUR 56.7 million in Q1/20 (EUR 53.7 million in Q1/19). Comparable Group Net Result was negative and equal to EUR -0.4 million (negative and equal to EUR -2 million in Q1/19).
- ❖ Reported Group EBITDA was negative at EUR -92 million (positive and equal to EUR 48.9 million in Q1/19). Reported Group Net Result was negative and equal to EUR -113.1 million (negative and equal to EUR -4.1 million in Q1/19).
- ❖ Net Financial Position before IFRS 16 effect was negative and equal to EUR 223.2 million as at 31 March 2020 (+EUR 79 million as at 31st December 2019). Net Financial Position post IFRS 16 effect at 31 March 2020 was negative and equal to EUR -270.8 million.

After the Board meeting, the Chairman, Massimo Moratti, commented:

*"The first quarter of the year was characterized by the highly critical macroeconomic environment generated by the Covid-19 pandemic, with an unprecedented impact on the global economy which led to a sharp change in growth expectations for 2020, as the International Monetary Fund estimated the global GDP to drop in the year by 3%, with Italy, one of the countries most affected by the crisis, seeing its GDP fall 9.1%, and Eurozone and United States contracting their economies respectively by 7.5% and 5.9%.*

*In this extremely deteriorated scenario, the Saras Group promptly adopted all the necessary measures to prevent and contain the risk of contagion, allowing the continuity of all the activities in its production sites, and limiting the negative impact of the emergency, despite unavoidable effects are already reflected in the financial results of the first quarter. This confirms the high resilience that has always distinguished the Group, and which allowed us to successfully face other important turmoil in the past. In order to mitigate the financial impact of Covid 19, the Company also started a plan of cost saving and a review of the investment plan. Therefore, looking to the next months of the year, and despite the strong uncertainty that still characterizes the global macroeconomic context, we are confident to be able of taking full advantage of the first signs of recovery, expected from the second half of the year".*

**Milan, 14<sup>th</sup> May 2020:** The Board of Directors of Saras S.p.A. met today under Chairman Massimo Moratti and approved the Interim Financial Report as of 31<sup>st</sup> March 2020, which is not subject to audit review. It should be noted that, in accordance with EU Directive 2013/50 transposed with Italian Leg. Decree n.25 dated 15th February 2016, which repealed the obligation to prepare the Interim Financial Reports, this Interim Financial Report has been issued on a voluntary basis, in order to ensure information continuity to the financial community in line with previous quarterly disclosure.

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<sup>1</sup> 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.

## Saras Group key financial and operational results

EUR Million	Q1/20	Q1/19	Change %
REVENUES	1,885	2,094	-10%
EBITDA reported	(92.0)	48.9	n.a.
<b>Comparable EBITDA</b>	<b>56.7</b>	<b>53.7</b>	<b>6%</b>
EBIT reported	(141.6)	2.7	n.a.
<b>Comparable EBIT</b>	<b>7.0</b>	<b>7.5</b>	<b>-6%</b>
NET RESULT reported	(113.1)	(4.1)	n.a.
<b>Comparable NET RESULT</b>	<b>(0.4)</b>	<b>(2.0)</b>	<b>81%</b>
EUR Million	Q1/20	Q1/19	FY 2019
NET FINANCIAL POSITION ANTE IFRS 16	(223.2)	48.4	79.0
NET FINANCIAL POSITION POST IFRS 16	(270.8)	(4.0)	30.3
<b>CAPEX</b>	<b>97.3</b>	<b>115.0</b>	<b>344.6</b>

Starting from Q4/19, in order to continuously improve the methodologies used to measure operating performance and results, the methods used to calculate “reported” and “comparable” results were updated. To ensure comparability with previous periods, Q1/19 results have been reclassified in line with the criteria adopted from Q4/19.

## Comments to First Three Months of 2020 Group Results

**Group revenue for the first three months of 2020 totalled EUR 1,885 million**, compared with EUR 2,094 million in the first three months of the previous year. This change reflects the decline in average oil prices: in the first three months of 2020, the price of gasoline averaged \$464/ton (compared with the average of \$550/ton in the first three months of 2019), while the price of diesel averaged out to \$458/ton (compared with the average of \$585/ton in the first three months of 2019). The Refining segment posted a roughly EUR 116 million decline in revenue, while the Marketing segment saw an approx. EUR 127 million decrease, the latter also due to lower volumes sold (18% less than in the same period of last year).

The Group's reported **EBITDA in the first three months of 2020 was EUR -92.0 million**, down compared with EUR 48.9 million in the first three months of 2019.

**In the first quarter, the EMC margin had a low average value of \$1.3/bl**, for the most part characterised by significant volatility.

Furthermore, the result in the first quarter of 2020 was penalised by the negative effect of the scenario on inventory differences between the start and the end of the period due to the collapse in crude oil and oil product quotations during the quarter, and particularly in March as a result of the Covid-19 pandemic.

From the standpoint of production, the quarter was characterised by the initiation of significant maintenance activities on the Topping T1 plants and the FCC unit, the largest gasoline production plant.

Reported EBITDA, moreover, benefitted from the release of the provision recognised for CO2 quotas for EUR 35.9 million, relating to the acquisition of the business unit from Versalis (North plants) following their definitive assignment for the period 2015-2020.

**The reported Group Net Result was equal to EUR -113.1 million**, compared with EUR -4.1 million in the first three months of 2019, essentially due to the reason shown at EBITDA level.

Amortisation and depreciation increased on the same period of the previous year (EUR 49.7 million, compared with EUR 46.2 million in the first three months of 2019) due to new investments placed in service. Financial charges totalled EUR 4.7 million (compared with EUR 5.6 million in the same period of the previous year). Other financial items (which comprise realised and unrealised differentials on speculative and financial derivative instruments, net exchange rate differences and other financial income and charges) showed a net negative balance of EUR 12.8 million in the first three months of 2020 compared with a net negative effect of about EUR 4.0 million in the first three months of the previous year.

**The comparable Group EBITDA was EUR 56.7 million in the first three months of 2020**, up from EUR 53.7 million achieved in the first three months of 2019. This result, which does not include the negative effect of the scenario on inventory differences between the start and the end of the period, is linked primarily to the Refining segment for EUR 19.5 million and the Electricity Generation segment for EUR 30.3 million.

**The comparable Group Net Result in the first three months of 2020 was EUR -0.4 million**, versus EUR -2.0 million in the same period of the previous year.

**Investments in the first three months of 2020 were EUR 97.3 million** and mainly focused on the Refining segment (EUR 95.7 million). EUR 41.5 million of these investments refer to the capitalisation of costs, primarily for the aforementioned long-term turnaround.

## Measures adopted in response to COVID-19 emergency

As anticipated to the market with the press release of 17<sup>th</sup> April 2020, the Company acknowledges the significant impact of the sanitary emergence that has been progressively breaking out, turning eventually into a global crisis and consequently impacting the global economic scenario and is following with the greatest attention the development of the situation .

The oil market experienced an unprecedented decline in demand in the wake of the lockdown measures adopted at international level. A conflict between the crude oil producers has added up; their recent agreement to cut oil production, although relevant in scope, has not had any significant impact on contrasting the decline in consumptions.

In the difficult context of the pandemic, Saras, an essential industry to the prosperity of its country, supplying a significant share of the energy demand in Sardinia, has kept its plant of the Sarroch refinery regularly running while carrying on the major maintenance activities planned on its V1 topping unit and on its main gasoline producer unit FCC. The refinery's operations, as well as that of the many suppliers working on the maintenance activities, has been made possible thanks to the safety and Covid-19 containment measures immediately put in place, in compliance with provisions prepared by the National Authorities included the Prime Minister Decree and the order of the President of Sardinia Region. This has allowed to guarantee the best control for all workers at the refinery and the full employment of our workforce in this delicate moment, along with the many people of the companies engaged in the maintenance activities. Overall, a tangible contribution to the economy of the territory we work in.

With this aim were prepared all the measures necessary to counter the virus and preserve health of employees and partners also outside the productive site, suspending the business trip, the reduction of the activities requiring aggregation of people non-functional in production process, the use of smart-working and the suspension of all training activities, temporarily effected by electronic means. At the same time the sanitation procedures in physical locations and in the internal means of transportation were increased.

The Group, has also provide support to counter the health emergency decided to donate EUR 1 million in favor of Lombardy Region, the area most affected by the emergency, and financed specific projects to strengthen the health structures of Lombardy and Sardinia, and provided to the structures coordinating the Covid-19 emergency in Cagliari the fuel required to manage the emergency services.

Following the considerable uncertainty on the stock market, the Board deems appropriate to prudentially withhold the dividend distribution proposal on the net income pertaining year 2019 and the authorization for the purchase and disposal of treasury shares approved on 2nd March, postponing the assessment in the second half of the year. This is aimed at better safeguarding the solidity of the balance sheet and the sound economic and financial balance of the company.

The Company also started a plan of cost saving and a review of the investment plan to mitigate the financial impact of Covid 19.



## Outlook

The International Monetary Fund has recently revised its global economic growth forecast, with the global economy now in recession and an expected GDP contraction of 3.0% in 2020. In January the estimate was instead for a growth of 3.3%. Italy is one of the most affected countries with a reduction in GDP over the 2020 estimated at 9.1%. For the Eurozone, a drop of 7.5% is expected and for the United States of 5.9%.

Accordingly, the current state of uncertainty does not allow to provide reliable forecasts on the impacts that can be determined on the Group's economic and financial results in the short and medium term.

In this context, in a prudential perspective, is included the proposal of the Saras Board of Directors to the Shareholders' Meeting not to distribute dividends on 2019 profits.

Saras Group's business model based on the high conversion configuration, the integration with the IGCC plant and the integrated management of the supply chain, together with the strategic position of the production site in the centre of the Mediterranean combined with the customer portfolio guaranteed by its Trading company, make the Group highly resilient to difficult market conditions, ensuring the placement of the refinery's output and at the same time allowing to seize the opportunities offered by price volatility and greater availability of crude oils.

Thanks to all these characteristics, which were designed to ensure a high level of flexibility, Saras is confident to be able of taking full advantage from the first signs of recovery expected from the second half of the year, despite the overall critical scenario, also considering the completion of the maintenance activities and full production capacity restoration.

With regards to the Refining segment, in order to mitigate the financial impact of Covid 19, the Group has also launched a cost reduction plan and a review of the investment plan. In the second half of the year, the Group will also be ready to seize the opportunities deriving from a substantial maintenance of the current abundance of crude oils on the market (which offers Saras interesting opportunities in terms of options and discounts) and from a progressive easing of restrictions that should support demand and margins of Saras' main products.

Despite the uncertainty of the scenario, and in the event of an economic recovery in the second half of the year, Saras Group confirms its objective of achieving an average premium above the EMC Benchmark margin of 2.5 - 3.0 \$ / bl (net of maintenance).

With reference to the Power Generation segment, the maintenance program includes standard interventions with production in line with previous years. The wider price dynamics triggered by the Covid 19 emergency had an impact on gas prices as well, impacting electricity prices, with a PUN (Average purchase price for electricity in the Italian market) dropped to 32.0 Euro / MWh in March (47.5 Euro / MWh in January). The CIP6 tariff, largely indexed to gas, decreased as well.

Finally, with regard the Wind Power segment, work is underway on the reblading project of the Ulassai plant which consists of replacing all the blades, with a consequent increase in production for the same installed capacity. The works will be carried out in three lots and will be completed by the fourth quarter of 2020. In the new structure, production is expected to reach a steady state of around 300 GWh / year.

Despite the uncertainty in the trend of commodity prices, an improvement in the Net Financial Position, in the first half strongly impacted by the dynamics of prices on inventories and other working capital items, is expected in the second half of the year, with a recovery in general economy and oil consumption, and also thanks to the completion of the maintenance plan which will guarantee the full production capacity and a limited impact in terms of new investments.

In order to further reinforce the Group's financial strength and contain future financial impacts, the Company has started the negotiation of the new medium / long-term credit lines.

## Conference call on 14<sup>th</sup> May 2020 and other information

On May 14th, 2020, the Board of Directors of Saras SpA will meet in order to approve the First Quarter 2020 Group's results. Subsequently a dedicated press release will be issued via SDIR and, at the same time, a slide presentation will become available on the company's website ([www.saras.it](http://www.saras.it)).



On the same day at 16:00 CET, there will be a conference call for analysts and investors, during which the management will comment the results and answer to relevant questions.

Dial in numbers:

**For Italy: +39 02 805 88 11**

**For UK: + 44 121 281 8003**

**For USA: +1 718 7058794**

Link for the live webcast: <https://87399.choruscall.eu/links/saras200514.html>

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

This press release has been prepared pursuant to the Regulation implementing Legislative Decree 24<sup>th</sup> February 1998 number 58, adopted by CONSOB under resolution 14th May 1999 number 11971, as amended and supplemented. It is available to the general public on the Company's website under "Investors/Financial Press Releases", and also on the "1Info" authorised storage mechanism ([www.1info.it](http://www.1info.it)). Moreover, the Interim Financial Report as of 31<sup>st</sup> March 2020 is also available to the public at the Company's registered Office in Sarroch (CA) S.S. 195 Sulcitana Km. 19, on the Company's website under "Investors Financial Reports", and on the "1Info" authorised storage mechanism.

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#### **THE SARAS GROUP**

The Saras Group, founded by Angelo Moratti in 1962, has about 1,750 employees and total revenues of about 9.5 billion Euros as of 31st December 2019. 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.