

## The Board of Directors of SARAS S.p.A. approves the interim Financial Report as of 31<sup>st</sup> March 2021<sup>1</sup>

- ❖ **Group reported EBITDA was positive at EUR 27.1 million** (negative at EUR -92 million in Q1/20) reflecting the positive effect of the rise of the crude oil quotation in Q1 with an appreciable improvement in the valuation of stocks
- ❖ **Reported Group comparable Net Result was negative at EUR -23.8 million** (negative at EUR -113.1 million in Q1/20)
- ❖ **Comparable EBITDA negative at EUR -11.2 million** (negative at EUR -56.7 million in Q1/20) partially recovering despite a still weak market, waiting on a substantial recovery of refining margins
- ❖ **Group comparable Net Result negative at EUR -47.1 million** (negative at EUR -0.4 million in the same period of last year)
- ❖ **Reported Group Net Financial Position as of March 31<sup>st</sup>, 2021 before IFRS 16 effect, negative at EUR -436.9 million**, slightly improved compared to the Net Debt of EUR -504.6 million as of December 31<sup>st</sup>, 2020) and Net Financial Position after IFRS 16 effect negative at EUR -474.7 million (negative at EUR -544.9 million as of December 2020)
- ❖ Following to the recent definition of the essentiality regime by the competent authorities, the framework for the reintegration of the costs associated with the power plant as well as the associated expected production have been defined
- ❖ The efficiency plan aimed at containing the operating costs continued in the quarter and confirmed, together with the contribution from the new investment plan, the expectations to mitigate the economic and financial impacts from the scenario in the year. Accordingly, the level of indebtedness at the end of 2021 is expected to be no higher than that reported at December 31<sup>st</sup>, 2020, also in light of the positive changes recorded in Q1/21 in the working capital
- ❖ **The strategy of sustainability and energy transition is proceeding according to the 2021-24 expansion Plan with the acquisition, completed in April 2021 with the subscription by the subsidiary Sardeolica, of two wind farms in the province of Cagliari, for an installed capacity of 45 MW. Thanks to the acquisition, the total installed wind capacity of Saras Group increased to 171 MW.**

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

*"In this quarter we have seen the first signs of recovery that confirm the forecasts of a 2021 of transition, with a slow improvement in the refining scenario that is expected to be more significant from the second half of the year. In this context, we consider as satisfactory the definition of the new essentiality regime for power generation activities by the competent authorities, based on the fundamental role of Sarlux in guaranteeing the stability of the power grid in Sardinia. Together with the efficiency plan started at the end of 2020, which we expect to consolidate during the year, we are confident that we will be able to achieve improved results, in line with the plan's forecasts. In this moment, I am also very pleased to announce the purchase of an important wind farm in the Cagliari area, which adds further 45MW to the Group's renewable installed capacity, which thus grows by almost 30%. This acquisition is a step towards our growth in the renewable field, with the purpose, according to the timeline and climate needs suggested by the market, of a gradual decarbonisation, still protecting and supporting our current core business. To this new wind farm, we will apply our consolidated management experience, with extensive use of the most advanced digital techniques. At the same time we are currently working to find partnership to develop our strategy and face the future with confidence and determination".*

**Milan, 11<sup>th</sup> May 2021:** 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 2021, 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> The manager in charge of preparing the corporate accounting documents, Dr. Franco Balsamo, declares, pursuant to paragraph 2 article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records of the Company.



## Covid-19 Impact

The first quarter of 2021 was characterized by a socio-economic scenario still severely impacted by the crisis on consumptions, resulting from the measures enacted to contain the coronavirus (COVID-19) pandemic, but also marked by the launch of the world's largest vaccination campaign.

Despite the persistence of the emergency, Saras continued to operate, even as a key industry for the country - supplying approximately 15% of need for hydrocarbons and an essential share of electricity requirements in Sardinia - and maintained Sarroch Refinery in full activity, adopting the necessary measures for preventing coronavirus cases, according to the protocols set by National Authorities, including the Prime Ministerial Decree and the Ordinance of the President of Regione Sardegna.

In the first quarter of 2021, concerning the economic impact, the Refining industry, in line with market expectations, kept suffering from a significant drop in margins. In particular, looking at the supply side, the quarter was characterized by an increase in raw material prices, supported by optimism on the possible recovery of oil consumption now that vaccination campaigns have begun and given a context of confirmed OPEC+ output cuts.

Regarding oil products, refining margins remained highly below the historical pre-pandemic levels, especially for diesel and jet fuel, that are among the products most affected by the pandemic, while a first improvement was recorded for gasoline crack. In such a context, the benchmark refining margin (EMC) settled at an average value of -1.4 \$/bl, substantially in line with "Guidance" expectations (for further details, please refer to section "Oil Market and Refining Margins").

About the Group's activities, Saras has implemented various operational and financial measures, started in March 2020, and already described in the 2020 Report, to contain the impact of the crisis. In particular, Saras is carrying on its costs and investments efficiency plan, started in October 2020, while maintaining the refinery operating, according to the economics of the main refined products and ensuring the production of the electricity essential for the Sardinian grid. In addition, starting from October 2020, the Company has made use of the redundancy fund, partially adopted for all employees of the group and of a voluntary incentive termination plan for the employment relationship. Therefore, in the first quarter of 2021, despite the context characterized by low margins, the "Industrial & Marketing" segment (\*) achieved an average premium, compared to the EMC margin, equal to 4.8 \$/bl (of which 0.2 \$/bl related to the Marketing activities), substantially in line with "Guidance" expectations, that projected an annual premium of approx. 3.8 - 4.3 \$/bl (of which 0.3 \$/bbl related to Marketing activities).

Price dynamics of crudes and finished products, increased in the quarter, led to an improvement in working capital, that, combined with a control of investments, involved an improvement in the Group's Net Financial Position, equal to a net debt of EUR 437 million before IFRS 16 (negative for EUR 475 million post IFRS16), as at March 31<sup>st</sup> 2021, compared to a negative Net Financial Position of EUR 505 million before IFRS16 (negative for EUR 545 million post IFRS16) as at December 31<sup>st</sup> 2020.

Given the persistence of COVID-19 emergency, the Group revised the potential impacts on the main economic figures. Details are disclosed in the notes to the financial statements (the "Notes").

In the quarter, no new credit lines were subscribed and adjustments to specific financial parameters are being discussed with the lending banks to properly reflect current market conditions.

<sup>1</sup> For the sake of consistency, the information related to each company of the Group is attributed to the business segment identified as described here below.

By way of resolution 598/2020/R/eel of December 29th, 2020, ARERA (Autorità di Regolazione per Energia Reti e Ambiente) has agreed that TERNI registers the combined cycle power plant of Sarlux Srl, named IGCC (Integrated Gasification Combined Cycle), in the list of essential plants for the safety of the electricity system for the current year. On April 13th, 2021, ARERA approved the application for admission to the cost reintegration scheme, thus registering Sarlux in the list of essential plants. The list is drawn up annually and the regime becomes effective from the expiry of the CIP6/92 agreement (i.e., April 20th, 2021).

The transition from the CIP6/92 convention to the essentiality regime will lead to a significant change in the functioning of Sarlux plant, since the technical and economic parameters to be considered for its functioning will be those under the essentiality discipline and since the very high level of integration between the power plant and the refinery will be taken into account. Therefore, starting from January 1st, 2021, the activities of the IGCC plant, related to the electricity generation and previously represented in the "Power" segment, are integrated in a single segment, from now on called "Industrial & Marketing", that combines refining and electricity generation activities. The new segment also includes the activities that, up to 2020, were reported as "Marketing", i.e., those related to the Spanish service stations and the depots used as intermediate logistics. The sale of the Spanish service stations, started in 2019 and finalized in 2020, that were representing the relevant activity of "Marketing", resulted in the disappearance of the segment, since the residual assets (the depots of Arcola (IT) and Cartagena (ES)) are now at the service of the refinery logistics.

Finally, the activities of the so far called "Other Activities" segment are merged into the "Industrial & Marketing" one. The former segment was related to the activities carried out by Sartec and Reasar, that are actually dedicated to the integrated refining activities.

"Wind" segment has been renamed "Renewables", in view of potential developments in the field of photovoltaics and green hydrogen.

## Key financial and operational Group Results

EUR Million	Q1/21	Q1/20	Change %
REVENUES	1,629	1,885	-14%
Reported EBITDA	27.1	(92.0)	129%
<b>Comparable EBITDA</b>	<b>(11.2)</b>	<b>56.7</b>	<b>-120%</b>
Reported EBIT	(20.0)	(141.7)	86%
<b>Comparable EBIT</b>	<b>(58.3)</b>	<b>7.0</b>	<b>n.s.</b>
NET RESULT reported	(23.8)	(113.1)	79%
<b>Comparable NET RESULT</b>	<b>(47.0)</b>	<b>(0.4)</b>	<b>n.s.</b>

  

EUR Million	Q1/21	Q1/20	Year 2020
NET FINANCIAL POSITION ANTE IFRS 16	(436.9)	(223.2)	(504.6)
NET FINANCIAL POSITION POST IFRS 16	(474.7)	(270.8)	(544.9)
CAPEX	21.7	97.3	256.0

## Comments to first three months of 2021 Group Results

**Group revenues for the first three months of 2021 totaled EUR 1,629 million**, compared to EUR 1,885 million in the first three months of 2020. The variation is mainly due to the effects of the appreciation of the Euro, with the €/€ exchange rate of the first quarter of 2021 equal to 1.21 (compared to the average of 1.10 in first three months of 2020); to the lower sales of electricity under the CIP6 regime, with the overall production of the first quarter 2021 being equal to 615 GWh (compared to production in the first quarter 2020 equal to 1,185 GWh); and to lower volumes of oil products sold. Instead regarding the prices of the main oil products, they recorded a general increase compared to the same period of the previous year: in the first three months of 2021 diesel prices were on average equal to 488 \$/ton (compared to the average of 461 \$/ton in the first three months of 2020), while those of gasoline were on average of 562 \$/mt (compared to the average of 467 \$/mt in the first three months of 2020).

**The Group's reported EBITDA in the first three months of 2021 was EUR 27.1 million**, increasing compared to EUR -92.0 million in the first three months of 2020. The variation is due to the different impact of the dynamics of commodity prices on oil inventories: in the first quarter of 2021 the change in inventories (net of the related hedging derivatives) benefited from an appreciation of € 38.2 million (compared to a depreciation of EUR 155.2 million in the same period of 2020). This advantage more than compensates the impact of a scenario significantly worst between the two periods: the average EMC margin in the first quarter of 2021 was -1.4 \$/bl (compared to an average of +1.3 \$/bl in the first quarter of 2020). In the first quarter of 2021, despite the significant impact of the electricity production plant unplanned shutdown, and the consequent effect on production levels, the Group recorded overall better performances than those in the previous year, both considering margins (mainly due to commercial and production planning performances) and cost containment.

**The reported Group Net Result in the first three months of 2021 was EUR -23.8 million**, compared to EUR -113.1 million in the first three months of 2020, basically due to the reasons shown at EBITDA level and, in addition, due to the lower prepaid taxes, i.e., a decrease of EUR 34.4 million between the two periods. Prepaid taxes in the first quarter 2021 amounted to EUR 11.6 million (compared to EUR 46.0 million in the same period of 2020).

**The comparable Group EBITDA in the first three months of 2021 was EUR -11.2 million**, decreasing compared to EUR 56.7 million achieved in the first three months of 2020. This result, compared to reported EBITDA, does not include the positive effect of the scenario on the change in inventories, it includes the impact of derivatives on exchange rates (reclassified in the core business results) and it excludes non-recurring items arising from CO<sub>2</sub> duties of the previous year. The deviation from the first quarter 2020 is almost entirely attributable to the segment "Industrial & Marketing".

**The comparable Group Net Result in the first three months of 2021 was EUR -47.0 million**, compared to EUR -0.4 million in the first three months of 2020.



Investments in the first three months of 2021 were EUR 21.7 million, significantly lower than investments in the first three months of 2020, equal to EUR 97.3 million. The variation depends on both: the initiatives adopted to contain the capital expenditures and the differences between planned shutdown activities in the two periods.

### Calculation of the Group comparable EBITDA

EUR Million	Q1/21	Q1/20	Change %
<b>Reported EBITDA</b>	27.1	(92.0)	129%
Gain / (Losses) on Inventories and on inventories hedging derivatives	(38.2)	155.2	-125%
Derivatives FOREX	(7.1)	(7.6)	7%
Non-recurring items	7.0	1.1	n.s.
<b>Comparable EBITDA</b>	(11.2)	56.7	-120%

### Calculation of the Group comparable Net Result

EUR Million	Q1/21	Q1/20	Change %
<b>Reported NET RESULT</b>	(23.8)	(113.1)	79%
Gain & (Losses) on Inventories and on inventories hedging derivatives net of taxes	(27.6)	111.9	-125%
Non-recurring items net of taxes	4.3	0.8	n.s.
<b>Comparable NET RESULT</b>	(47.0)	(0.4)	n.s.



## Net Financial Position

The Net Financial Position as at March 31<sup>st</sup>, 2021, before the effects of applying IFRS 16, was negative for EUR 436.9 million, compared to the negative position of EUR 504.6 million as at December 31<sup>st</sup>, 2020. Cash generation over the quarter was recorded due to the positive result of operations, impacted by the positive price dynamics on inventories, and due to the decrease in working capital. These variations more than compensated the capital expenditures and financial charges of the period.

**The Net Financial Position before the effects of IFRS 16 was negative for EUR 436.9 million and negative for EUR 474.7 million when considering the effect of applying IFRS 16.**

In the quarter, no new credit lines were subscribed and adjustments to specific financial parameters are being discussed with the lending banks to properly reflect current market conditions

For further details, please refer to the Notes.

EUR Million	31-Mar-21	31-Dec-20
Medium/long-term bank loans	(399.0)	(399.2)
Bonds	(200.3)	(199.3)
Other medium/long-term financial liabilities	(12.9)	(13.2)
Other medium/long-term financial assets	6.0	6.0
<b>Medium-long-term net financial position</b>	<b>(606.2)</b>	<b>(605.7)</b>
Short term loans	(19.3)	(19.1)
Banks overdrafts	(294.6)	(456.1)
Other short term financial liabilities	(19.1)	(38.9)
Fair value on derivatives and realized net differentials	(2.4)	(6.2)
Other financial assets	55.3	62.4
Cash and Cash Equivalents	449.4	559.0
<b>Short-term net financial position</b>	<b>169.3</b>	<b>101.1</b>
<b>Total net financial position ante lease liabilities ex IFRS 16</b>	<b>(436.9)</b>	<b>(504.6)</b>
Financial lease liabilities ex IFRS 16	(37.8)	(40.3)
<b>Total net financial position post lease liabilities ex IFRS 16</b>	<b>(474.7)</b>	<b>(544.9)</b>



## Outlook

In its April forecasts, the International Monetary Fund revised and improved its global economic growth forecasts. After an estimated contraction of -3.3% in 2020, global growth is projected at 6% in 2021, moderating to 4.4% in 2022. The contraction for the year 2020 was 1.1% lower than in the October 2020 World Economic Outlook (WEO). The new projections for 2021 and 2022 are respectively 0.8% and 0.2% higher than in the October 2020 WEO and reflect additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of 2021. Nevertheless, despite the upward revision, a high degree of uncertainty remains, mainly due to the developments of the sanitary crisis, the effectiveness of COVID-19 vaccines even with respect to new variants of the virus, the effectiveness of policy actions to limit damages to world economies and financial developments.

Analyzing in detail the dynamics of the oil market and looking at the supply side, prices of crudes resulted to be sustained in the first quarter, but there seems to be recent evidences that may reduce the upward pressures: the resumption of negotiations between countries of the JCPOA (Joint Comprehensive Plan of Action) that makes the resumption of Iranian exports in 2021 concrete and the increase in tight oil drilling activity in the USA, that although still moderate, has been following a clear rising trend, similar to that seen in 2017.

On the consumption side, current forecasts indicate great uncertainty for Diesel, as it is strictly related to the recovery of industrial production, which in turn is a function of the economic growth. Economic recovery, as mentioned, should accelerate globally between the third and the fourth quarter of 2021. As regards the Jet-Avio, jet consumption is expected to recover about 40% of the volumes lost in 2020. Gasoline, instead, seems the product with the best perspectives: global gasoline inventories are back to pre-covid levels, and about 15% lower than in spring 2020 and Gasoline consumption is expected to recover more than 60% of the 3.3 million barrels lost in 2020, continuing to sustain its crack spread on European, Asian and American market. Nevertheless, given the excess supply of distilled products occurred during the first three months and in the second quarter, the expected recovery in demand may not correspond to a proportional improvement in margins.

In this context, concerning the Industrial & Marketing segment, it is recalled that the management started in 2020 and confirmed for 2021, important activities to contain costs and investments. These initiatives are currently underway, and the early expected benefits have been achieved. Furthermore, with reference to the power generation activity, the definition by the competent authorities of the essentiality regime (and related expected production levels) was recently completed and the scheme for costs reintegration associated with the plant was defined.

Despite the uncertainty of the scenario, but consistently with a potential recovery taking shape in the second half of the year, Saras Group, given the settlement of the essentiality regime, the current state of the initiatives for costs containment and the actual and forecasted operational performance, confirms the target of an average premium above the EMC Benchmark margin of 3.8 - 4.3 \$/bl, including the contribution of the Marketing channel (that accounts for approximately 0.3 \$/bl).

Regarding the Renewables segment, on April 30<sup>th</sup>, 2021, Saras Group signed an agreement with GWM Renewable Energy SpA for the acquisition of 100% share of two wind farms located in Macchiareddu (CA), Sardinia, thus increasing the installed capacity by additional 45 MW and bringing Saras' total wind installed capacity to 171 MW.

Finally, concerning the forecast for the Net Financial Position, it is expected to consolidate part of the improvement (at the level of working capital) experienced in the first quarter and to achieve a level of debt throughout the rest of 2021 not exceeding that at the end of 2020.



## Conference call on 11<sup>h</sup> May 2021 and other information

On May 11th, 2021, the Board of Directors of Saras SpA will meet in order to approve the First Quarter 2021 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 16:30 CEST, 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/saras210511.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 30th March 2021 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.

### **Saras Investor Relations**

Phone + 39 02 7737642  
[ir@saras.it](mailto:ir@saras.it)

### **Media contacts**

Comin & Partners  
Lelio Alfonso  
Phone +39 334 6054090  
[lelio.alfonso@cominandpartners.com](mailto:lelio.alfonso@cominandpartners.com)

Giuseppe Stamegna  
Phone +39 392 0240063  
[giuseppe.stamegna @cominandpartners.com](mailto:giuseppe.stamegna@cominandpartners.com)

## **THE SARAS GROUP**

The Saras Group founded by Angelo Moratti in 1962 is one of the leading independent players in the European energy and refining industry. Through the parent Company Saras SpA, and its subsidiaries, Saras Trading SA, based in Geneva, and Saras Energia SAU, based in Madrid, the Group sells and distributes oil products in the domestic and international markets. 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. The Group has about 1,690 employees and total revenues of about 5.3 billion Euros as of 31st December 2020 (about 9.5 billion Euros as of 31st December 2019).