

Saras S.p.A

"First Quarter, 2023 Results Conference Call"

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MODERATORS: **FRANCO BALSAMO, DEPUTY CEO AND GENERAL MANAGER**
MARCO SCHIAVETTI, CHIEF COMMERCIAL OFFICER
FABIO PERETTI, CHIEF FINANCIAL OFFICER
ILARIA CANDOTTI, HEAD OF INVESTOR RELATIONS

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Saras First Quarter 2023 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Ilaria Candotti, Head of Investor Relations. Please go ahead, madam.

ILARIA CANDOTTI: Good afternoon, everybody. Thank you for joining us today for this conference call on Saras first quarter results. As usual, you should have received the latest press release, and you can find the analyst presentation on our website in the home page under the Investor Relations section. Our agenda today will start with Franco Balsamo, Deputy CEO and General Manager to introduce the headlines for the first quarter. Afterwards, Marco Schiavetti, Chief Commercial Officer will present the headlines of the refining margin in Q1 and the related outlook for the rest of the year. At this point, Fabio Peretti, CFO, will follow presenting the financials of Q1 and a review of result of each of our 2 segments. At the end, Franco will illustrate the new strategic guidance for the medium and long term that have been approved by the Board this morning. You should have received the presentation as well. Finally, we will be glad to start with the Q&A session.

And at this time, I would like to hand over to Franco.

FRANCO BALSAMO: Thank you, Ilaria, and thank you all for joining our Q1 results conference call today. Today is a great opportunity for me to present a very solid set of economic and financial results, also it is the opportunity to introduce our management, Marco Schiavetti and Fabio Peretti.

I will start the presentation, providing the main highlights of the quarter and later on Marco and Fabio will complete my presentation. I will

conclude and we will try to clarify where we stand today, our strategic vision and our effort to transition this company from a pure refiner as it is today to a sustainable, profitable and growing energy player.

But then we start with the result of this quarter, an EBITDA comparable at €285 million reflecting a very positive scenario and strong operating performance; net income comparable at €162 million, CAPEX at €41 million and a very positive cash position that reached €355 million of liquidity at the end of the quarter.

The outlook is confirmed positive albeit from a lower base for middle distillates, with a demand increase expected from the reopening in China, and recovery of international travel. The market scenario in Q1 has been favourable and our industrial marketing margin reached \$16 a barrel, securing a Premium over the EMC of \$6 dollar, slightly above our guidance, proving again the high quality of our refining asset. In particular, diesel and gasoline cracks remained solid, while the moderation of power prices reduced our refining energy cost.

Despite inflation, our fixed cost remained broadly in line with the first quarter of last year, confirming that our effort to contain cost and reduce our operating leverage is delivering a good result.

Our comparable EBITDA reached €285 million in the quarter, and we are very comfortable with our guidance of \$5 to \$6 of premium above the EMC for the full year. I take the opportunity now to stress that this operating result are not only strong, but are also a reflection of the resilient business model. Essentiality is reducing our exposure to market dynamics and the progress we are making in the development of renewable will provide a solid edge against the volatility of our prices and CO2. The combination in the quarter of our strong operating performance and the normalization of tax rate without an extra profit new tax led to €162 million of comparable net profit.

CAPEX in Q1 were related to the maintenance plant on our refinery and we had small investments Renewables but we are accelerating in order to advance the construction our 80 megawatt of solar plant that will be in full operation early next year.

Finally, our cash position as I said before was positive and reached €355 million, and Fabio will explain you better that during the first quarter we have generated €250 million of cash from the operations, and part of this has been utilized in our working capital, but Fabio will explain you better.

Now, I leave the floor to Marco to discuss the market environment.

MARCO SCHIAVETTI Thank you Franco for the introduction. Good afternoon, everyone. As Franco mentioned before, Q1 has been a very strong quarter in line with previous one and driven mainly by very strong middle and light distillate cracks. We have had the usual high volatility of crude oil pricing...as oil price is floating between \$70 and \$90 per barrel and with an average of around \$80, a very, as you can notice, a very wide range generating a very high volatility. From an economic standpoint, to be highlighted are the on-going concerns of an economic slowdown in Europe and the US with high inflation and interest rate, the rates hike by the Central banks, and then the collapse of some US banks first followed by Credit Suisse.

Finally, on oil markets on February 5th as everybody know, we had the start of the embargo on oil prices out of Russia with a strong gasoil stock built anticipating a potential supply shock that in reality never materialized. In fact, diesel market managed to rebalance quite quickly with diesel cracks starting to reduce from mid of the quarter, since the market was well supplied. But I will come back later on this subject. Diesel flows from Russia have been strongly supported by some countries acting like a Laundromats in a completely legal manner like mainly Turkey and few others.

On the other side, a group of refineries mainly in India have been able to produce large quantities of diesel exported to Europe at very favourable prices thanks to a large supply of Urals at discounted prices.

Finally, on the crude side, light-heavy differential widened during the quarter reflecting high demand for light and gasoil rich crudes and lower demand from Asian buyers for middle east heavy sour crudes displaced by discounted Ural.

Moving to cracks, as you can see from the graphs, from the two charts, gasoline continued to be very strong, well above historical averages, thanks to healthy demand driven mainly by the reopening of China after COVID with very strong passenger and flight indicators and also from a persistent octane shortage due to some missing components flows out of Russia. Gasoline was also supported by a resilient demand of the private sector in the Europe, and the U.S. and also by an intense maintenance season.

As I already explained, also, diesel cracks reported values above historical average in the quarter, but with a strong decline starting from mid of February, just after the embargo. The so-feared supply shortfall in Europe after the Russian embargo has not materialized. So, the risk premium induced by this geopolitical shock has disappeared almost immediately after the start of the embargo. This coupled with some capacity additions, coming on stream during the quarter. In particular, I would like to highlight that the Al-Zour refinery in Kuwait, able to consistently increase the supply of middle distillate in Europe and Far East.

Another important point during the quarter affecting distillate cracks mainly is the additional refining capacity that increased by almost 2 million barrels per day between the end of the last year and this quarter, after a couple of years of closures and under investment in the sector.

On the demand side, a slowdown was reported in Europe, as well as in other OECD countries with lower manufacturing output, which has typically a direct impact on heavy road traffic and thus on middle distillates. But I will go again on this point during the outlook.

Moving to energy cost, in term of electricity prices, we are coming back to more normal level, still above historical averages. But obviously, the normalization of natural gas prices as well as gas storages that have been filled ahead of the winter are definitely impacting also on electricity prices, leading to lower values. In term of CO2 prices, we continue to float between \$80 to \$90 per barrel, substantially in line with the previous quarters.

And moving now to our margins, Franco already explained what happened during Q1. We have been able to deliver, again, a strong performance with a premium over the benchmark of \$6 dollars in line with the guidance and also showing a very strong performance, both in term of operations and commercial.

Moving to the outlook, I strongly believe that the current level of middle distillate cracks is totally unjustified, given actual economic cycle, and we are expecting a strong rebound, that is already materializing during this phase also, today, distillate cracks are going up by almost \$2 per barrel. So, we are quite positive on this. We are actually below pre-COVID levels which makes absolutely no sense given supply disruptions and demand patterns during 2023.

Demand prospects are very good. All reporting agencies are pointing to an increase of around 2 million barrels per day during 2023, notwithstanding all the fears of economic downturn, due to inflation mainly in the OECD countries. China will continue to drive the demand growth during the year. Passengers and flights indicator will continue to remain strong for the rest of the year, leading to additional demand, in particular for jet and gasoline. In addition, as usual, we are

approaching the summer driving season that in particular in the U.S. is very supportive for demand and gasoline cracks.

On the supply side, also the situation is quickly improving. Diesel stocks in Northwest Europe and Med are finally coming down, after the strong stock build, as I mentioned before, ahead of the Russian products embargo.

We are quickly returning to normal levels and this will give upward pressure to middle distillate cracks that is already happening in these days. Some support will also come from run cuts mainly in Asia, that will try to supply in the area, as well as from the persistent octane shortage that I explained before, which will have a positive impact on light distillate cracks.

The pace of capacity additions also will slow down during the remaining part of the year. There are also some delays expected. It is worthwhile to highlight here that the lack of the investment in the EMC sector is also materializing in the refining sector. We are in the middle of the last wave of capacity additions, mainly in Middle East and China. But then after the 2025, 2026, for several years, nothing else will materialize. There are really no other project and this will be very supportive for refining margins with all the demand that will continue to grow in the next decade.

Last thing, also this one that is very important is that some pressure is mounting in Europe between oil operators starting to complain, because at the end, huge flows of diesel are still coming into Europe indirectly, despite the embargo, as I explained before. This, in my opinion, will lead to some pressure on the authority of the various states, in order to take action and to reconsider some embargo mechanism that, in my opinion, are not really working.

At this point, let me hand over to Fabio for the financial review.

FABIO PERETTI: Thank you, Marco. So if we look at the group financial items, the reported EBITDA in Q1 2023 amounted to €246 million and by almost €156,3 million from the same quarter of last year. The positive change is primarily attributed to a completely changed scenario and to higher performances. At the comparable level, the EBITDA stood at €285 million, up from €156 million in Q1 2022. We remind you the comparable EBITDA does not include the negative effect of the scenario in change in inventories between the start and the end of the period, while increasing the impact of current deliveries.

As already mentioned by Franco, Q1 saw a reduction in our company's exposure to commodity. Exposures to CO₂ has declined to 156,000 tons in the quarter, down from 188,000 tons in the same in the quarter of last year. This year, we have benefited from higher CO₂ allocation compared to last year. In 2023, our free allocation increase to 2.1 million tons, up from 1.8 million tons of the last year, which saw a reduction due to the lower refinery throughput during the COVID period. As a consequence, our yearly net exposure will be 0.5 million tons, down from 0.8 million tons last year.

In Q1, our cost of power price was limited by the 45% tax credit on the energy cost introduced by the so called Sostegni TER decree that reduced our cost of power by €25 million. It was partially offset by the cap on renewable production price that reduced our renewable power sales by €3 million. This mechanism will remain in place in Q2, although with a reduction in the tax rate benefit from 45% to 20%.

In the second half of 2023, both the cap on the renewable and the subsidy should be lifted, and this will temporarily increase our exposure to power price that will decline again in 2024, when the expected increase in our renewable production will lower our group net consumption.

The group reported net income was €200 million, compared to €110 million achieved in Q1 last year¹.

In addition to the effect already seen at the EBITDA level, this variance is mainly attributable to higher taxes in line with the realized profit. The group comparable net income was almost €240 million, compared to €13 million in Q1 2022. As anticipated, the net financial position has improved to €355 million from €269 million of last year end. It is key to explain the dynamic, and I will speak to you in a minute.

So, if we go into the various segments and to the industrial and marketing, in Q1, the comparable EBITDA was €279 million versus €47 million in the same period of last year. Within these results, the remuneration of the power plant under the Essentiality regime accounted for €27 million, €11 million higher compared to last year, mainly due to the increase of the rate of return on invested capital. This will lead the yearly power plant remuneration at €108 million, up from €63 million in 2022. Finally, the marketing channel accounted for almost €15 million, up from €6 million achieved last year.

As mentioned, this result is mainly due to the higher cracks, both on diesel and gasoline, and to the lower cost of brent, partially offset by the higher premiums on light-sweet crudes. However, also Saras performance was stronger compared to last year. Our trading activities were able to continue to achieve very strong performances, benefiting from both favourable market conditions and the positive effects of term contracts that were negotiated last year, and will continue to support our performance also for the rest of the year.

¹ Results were subsequently corrected and commented: Q1'23 Reported net result is equal to 139€m (not 200€m), comparable net results is equal to 162€m (not 239€m).

Also, from an industrial point of view, despite the maintenance activities carried out in the quarter, we were able to achieve higher production rates compared to the same period of last year, and to our guidance.

As mentioned, the first quarter of 2023 saw a significant reduction in variable costs, benefiting from lower energy and CO2 costs that were partially compensated by inflationary effects on the cost of chemical, catalysts and demurrages. Fixed cost reduced as well, and the reduction was in line with expectations, mainly due to lower maintenance costs.

Our CAPEX stood at almost €40 million, in line with expectations, and increasing from €19 million in 2022, mainly due to the additional turnaround activities carried out in the quarter and the substitution of the catalyst on one of the 2 mild hydrocrackers.

Moving to the renewable segment, 2023 EBITDA was €6 million, down €9 million from last year's results. The EBITDA reduction was largely driven by the reduction in power tariff that was €97 per megawatt-hour, compared to €174 last year. The tariff reduction is related on one side, on the high share of production under the €61 price cap, that is 53% in Q1 2023, versus 42% in Q1 2022, when it started in February. And secondly, to the lower market price, that was €137 per megawatt-hour in Q1 2023, versus €234 in the same period of last year.

Q1 production was lower, by about 13 gigawatt-hours, compared to the one of last year, with a reduction attributable to lower wind speed by 5 gigawatt-hours, grid limitation 3 gigawatt-hours, and mechanical availability 5 gigawatt-hours. For what concerns our development activities, we are continuing the realization of Helianto, for which I expect a commercial operation date in June 2024. We expect the total development CAPEX to be €59 million, of which remaining €48 million in 2023, and €13 million in 2024.

In 2023, we also expect to receive the full authorization of our 2 additional greenfield wind projects, Abbila and Boreas located in Sardinia, for an overall potential capacity of 100 megawatts. We expect these 2 new wind farms to be developed in 2024, to reach their commercial operation date in 2025.

As anticipated by Franco, renewables are a key part of our strategy, both because they are providing long-term growth prospects, but also as a hedging, a risk reduction. But it's obvious that all of this would not make any sense if we cannot deliver returns and create value. We are currently investing in projects that are entirely developed internally with a relatively quick time to market.

We are carefully assessing our capital allocation, considering the CAPEX per megawatt and the current price, power price outlook. We're extremely comfortable on our return and payback of these projects, and absolutely agree on the fact that returns are a prerequisite for our investment.

For what concerns our net financial position, we ended Q1 with a net cash position of €355 million, up from €269 million in December 2022. During Q1, we generated some €251 million of operative cash flow, of which €41 million were absorbed by CAPEX, and €114 million were temporarily allocated in our working capital.

In Q1, our working capital increased due to the increase in inventories, mainly related to the need of stockpile for maintenance activities and crude purchased from longer distances. And because of a reduction of trade payables.

Indeed, in this quarter, we have decided to temporarily leverage our excess cash to reduce the cost of financing our working capital, which is currently minimal. Without investment in our working capital, our net financial position would have exceeded €500 million, but it would

have missed the opportunity to capture solid spreads, and our performance would have been lower.

In this regard, it's worth to mention that in Q2, we will have material cash out for the dividend payment, the windfall tax, and the income tax payment. The overall amount will be in the range of €500 million.

Our working capital will evolve during the year and will depend on price, margin, and performance, but it's important that you look at our balance sheet, taking also this into consideration. We reiterate our target to maintain a positive cash position by year-end, but it is clear that this number alone has little meaning.

Turning to the 2023 result guidance for our industrial marketing segment, we started the year with a very solid first quarter. Margin has been high, and so was our performance. As anticipated by Marco, in the second quarter, the quarter in which most of our maintenance is concentrated, margins are shrinking. But market expectations are improving again for the second half of the year, when our refinery runs will be back at the highest level.

We keep our expectation of a premium versus EMC reference margin unchanged in the range between \$5 and \$6 per barrel, grounded on a first quarter which achieved a €6.1 premium that was higher than expected.

Thanks to the Q1 results, we upgraded our guidance and crude runs by 4 million barrels to an annual total throughput between 93 million and 98 million barrel. Fixed cost guidance remains unchanged, and we are trimming our CAPEX guidance by €10 million, while activities to review and optimize our investment scope of work are still ongoing.

For what concerns renewables, our first quarter production was lower than expected, and as a consequence, we expect our yearly production to be in the range of 280 gigawatt hours.

CAPEX guidance remains unchanged in the range of €60 million to €70 million, largely driven by Helianto development that, as I said, is expected to reach its commercial operation date by June 2024.

Lastly, based on the current market expectation on refining margin and the above-mentioned guidance and our performance, we confirm our target to maintain a positive cash position by year end.

I will get you to take any questions during the Q&A but now let me leave the floor to Franco.

FRANCO BALSAMO: I'd like to underline that there is a mistake in the Chart #11, Ilaria will tell you.

ILARIA CANDOTTI: Yes. Precisely, if we look at the Chart on Page 11 in the financial highlights, there is a mistake at the reported net result which in-spite of €200 million is 139, while if you look at the comparable net results for Q1 '23 it is equal to 162 in-spite of 239. I ask for your attention also at the comment on the comparable net results for Q1, '23, this just not leaves out any effect of the one-off items, which are referred to Q4 numbers.

FRANCO BALSAMO: Okay. Thank you very much. I beg your pardon but this may happen. I would like to take additional time of our time to introduce our strategic guidelines and visions, because today the board approved the medium and long-term strategic guidance of the group, which are object of a multi-year plan that we will present in the coming months.

The object is to evolve and develop the group business from a pure refiner to a sustainable energy player as our Chairman affirmed today,

the new strategic guidance with goals that are in line with the global regulation for the energy transitions and the part already started in recent years are the foundations for a new business model where we combine the world of refining with the sector of renewables. This is important because will allow us to position the group in the best possible way to seize the growing long-term opportunity offered by new technologies aimed at decarbonizations.

Indeed, over the past few years, our business as well as we were discussed over many quarters, faced automatic volatility. We came out of this with a strong balance sheet and we will turn to a solid dividend that will be paid in the coming days.

Now the decarbonization of the energy sector will keep bringing those challenges and also great opportunity to our company. Conventional and renewable business are set in the medium term to converge with renewable power productions becoming increasingly more relevant to achieve higher efficiency in decarbonizations of business like our refining which are “hard to abate” industrial activities. This will lead to a greater electrification of industrial process and will also provide a solid platform for the potential evolution of green hydrogen and e-fuels. I repeat potential evolution of green hydrogen and e-fuels.

Market conditions and regulations might change, but Saras has a strong positioning to exploit at the best these expected conversions. Indeed, I repeat: firstly, we are the best in class refining asset, which is delivering well above average margins. Secondly, we have a solid financial structure, and thirdly, we have well developed a robust renewable expansion plan.

Therefore, I would like to take the opportunity of this meeting to explain a little better our strategy and our visions. In particular, today I will provide the highlights, the vision, our strategy and in the coming meeting in July I will provide you more details and financials.

In a few words we see 4 clear strategic guidelines. Decarbonization is first, optimization, risk reduction and growth. Decarbonization as previously mentioned, carbon-free technology sooner or later in relation to the evolution of new regulations, we'll integrate our conventional business and redefine the role of refining in a decarbonized world. There is a long way to go. The regulation is not well defined and might change in the coming years. We are building now a platform that can exploit the synergies of this convergence.

Today, we can count on a very solid pipeline of renewable projects that exceed 600 megawatts. Equally, this company has been exploring biofuels. On green hydrogen, we are working together with Enel Green Power and we are assessing carbon sequestration potential in joint venture with Air Liquide. So, many initiatives are on course, they are going on.

Value optimizations: over the past few years, we proved our resilience and flexibility and we will keep working to further enhance our operational excellence to retain our competitive levels. With the same focus, we will keep optimizing our balance sheet in order to reduce the cost of capital.

Furthermore, the risk reductions: key pillar of our risk reduction is the regime of Essentiality for our power plant, as this is hedging both our CO₂ and our electricity exposure. Our market is granted on an annual basis by the regulation works in this way. We do not expect this to change in foreseeable futures, before the completion of the electric interconnection between Sardinia and the peninsula that Terna announced to be operational by 2028 – 2030.

And finally, there is the value-creative growth for these transitions, which implies we allocate our capital to increasingly more sustainable and long dated activities. Growth is important but it is not enough. We

are an energy group with a solid presence in the country, expertise in dealing with the authorities and we can tap into different and numerous opportunities, but the key challenge for us is not only the growth. Maybe a combination between growth and the capital allocation.

We are very aware that our investments will have to deliver returns to allow to maintain our current financial strength. We need to keep investing in innovations and sustainable technologies for the years to come. We therefore need to be careful in selecting our investment considering the return and risk profile, so not at any cost.

So, there are 3 actions that we are taking in place.... The first one is the efficiency. We have already identified additional actions to further enhance productivity through a progressive and continuous optimization of operating and commercial activities and the investments. It's an ongoing process to increase the flexibility and resilience to the volatility of the market. This will keep a gradually more sustainable our margin premium.

With regards on the renewable and the acceleration on growth. Following the material improvement of our balance sheet, we now have the financial power to expand our renewable activity, we want to target 1 gigawatt of install capacity by next 4 or 5 years by 2028. We are not telling on the financial resources but over the years, we have developed through our company, Sardeolica, a solid pipeline of projects.

Helianto is 80 megawatts of solar plant, is currently under constructions and we expect additional 100 megawatt of wind project, Abbila and Boreas to be fully authorized in the next few months and up and running by 2025. On the top of it, we have developed an additional 480 megawatt of wind pipeline in Sardinia. As of today, our internal developed projects cover most of our targets over the next 4 or 5 years. But we are ready to do more.

If Italy want to reach 2030 targets, we need to install an additional 70 gigawatt of renewal capacity, considering our knowledge of the territory and our focusing of internal development, but we are also open to joint development agreements or other form of potential cooperation with other partners.

As far as growth is concerned, it's important to mention the new molecules and new technology project we are working at. Today, it is really in an early stage, but again, we are monitoring opportunities in biofuel project and we keep operating with our partners in assessing the viability of green hydrogen, carbon capture sequestrations and some other smaller projects.

And finally, the financial strength and the remuneration of shareholders. All this project will be in place. We are de-risking the company but we are still exposed to market conditions. So we need to finance our renewable growth.

So managing the financial part of our business will be key and definitely not an easy job. The reduction of the risk profile, the diversification, the expansion of our asset life will allow us to increase our balance sheet flexibility and in this project we are committed to zero leverage for our refining business. And we do believe that our renewable expansion can be financed through project finance in light with the market condition at 60% of the investment.

In conclusion. We believe this company will be in the coming years different. And now, we are ready to invest in new energy over the next few years but always according to returns and financial flexibility. We are confident that market dynamics will offer opportunity that will allow us to create value, a key for our investment decision.

This will transform our business also from a financial point of view, because in the second part of the case most of our invested capital will

be allocated to renewable and sustainable carbon free asset. All of this will be self-financed and supported by project financing. And we believe this will allow us to comfortably remunerate also our shareholder.

Closing my presentation.. in the next few months, we will update with more details and on what we are doing. Thank you for your attention and now, we are ready to answer to your questions.

Q&A

OPERATOR: Excuse me. This is the Chorus Call Conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove your question, please press "*" and "2." Please pick up the receiver when asking questions.

The first question is from Alessandro Pozzi of Mediobanca.

ALESSANDRO POZZI: Good afternoon. Thank you for taking my questions. First of all, I thank you for the presentation. I think investors will appreciate the effort in making a long term strategic view especially given the question around the future of refining in the next decade. On this transition of course it doesn't come for free and comes with a cost which is the CAPEX that you need to deploy, especially in the renewables .

And I'm trying to give a sense of what is the level of CAPEX that this transition requires.. Let's say up to 2028. Is it fair to assume that potentially the traditional business requires something around maybe €150 million of CAPEX and maybe the other another €100 million of CAPEX every year, finance through equity or project finance and we will see beating for the next few years, best probably going to go up, going forward. So that's the first question on CAPEX.

OPERATOR: Mr. Pozzi, excuse me sir, could you please speak closer to the microphone. We don't hear you very well.

ALESSANDRO POZZI: Okay. That's fine. Better now?

FRANCO BALSAMO: Yes, better.

ALESSANDRO POZZI: Yes, so the first question was on CAPEX and the level of CAPEX required over the next few years to support the transition and the level of basic CAPEX in renewables and the CAPEX in the traditional business. But that could be potentially around maybe €150 million the transition into the traditional business and maybe another €100 million in the renewable side. I was wondering if you can since check those numbers.

And the second question is on net cash, and if you can give us maybe a bit more color on how the net cash is going to evolve...I believe there is going to be €500 million of cash out flows including dividend and including the tax...and the windfall tax as well. And I think your guidance is for a small surplus by year end. If you can give maybe a bit more color on what you mean by that? Thank you very much.

FABIO PERETTI: Okay. For what concerns the cash out, we expect in Q2 to have the following payout. €180 million will be for the dividend payment. Then we will have €170 million that will be for the windfall...from the remaining part of the windfall tax, and then we will have additional €160 million for the income tax payments that will be due in relation to both the 2022 and 2023.

ALESSANDRO POZZI: And what about working capital, because I have seen that you have changed the definition as well as working capital compared to year end. The commercial stock has gone up. How should we think about the overall...commercial stock working capital over the next few quarters.

FABIO PERETTI: Yes, for what concerns the working capital, our let's say objectives and strategy isn't change and its well balanced. Of course in Q1 having a situation in which we had some excess liquidity that we will have to return in terms of tax, and then as I said dividend and so on, we have used parts of this cash to reduce the cost of our working capital, reducing a little bit our trade debt. But this will normalize along the rest of the year.

ALESSANDRO POZZI: So it's going to reduce from 800 plus to a more normal level?

FRANCO BALSAMO: Yes, correct.

ALESSANDRO POZZI: Okay.

FRANCO BALSAMO: Okay. Good afternoon, Alessandro. Coming back to your question related to CAPEX. Just to make a global recap, now we have 170 megawatts of installed capacity and we are completing the 80 megawatt of solar plants, so let me say that we have 250 megawatts of installed capacity by June next year. So our strategy is to reach 1,000 megawatts or 1 gigawatt. So taking in considerations, a proxy of 1 million for single megawatt with the solar cost less, the wind cost more, we need to invest roughly €750 million in order to reach additional 750 million.

Starting from the assumption the 60% would be supported by project finance without recourse to the shareholders, the equity needed in order to support this business is in the region of €250 million - €300 million that will be invested in the course on the next 4 years. Having said that, we are developing our pipeline, we have financial flexibility in order to set our investment in line with our capability to support the new investment process. And on the other side, thanks to our internal development we have the opportunity for a reasonable good return. So, the CAPEX is...will be managed in order to mix timing and financial flexibility.

ALESSANDRO POZZI: Okay. Just a follow up on the pipeline, do you still expect to have 100% spot exposure or do you expect to have more PP&A signed at some point in the future?

FRANCO BALSAMO: Okay. The PPA as you all know is one of the topics of this development. So, we are internally setting an organization in order to negotiate the PPA with our counter-parties. As we know the PPA market is not very liquid. Now there are opportunities to create these infrastructures in order to reduce also our credit risk on the project financing and to increase potentially the financial leverage.

ALESSANDRO POZZI: Okay. So we'll see more PPA going forward basically?

FRANCO BALSAMO: Yes.

ALESSANDRO POZZI: Okay. Sounds good. Thank you. I'll turn it back.

OPERATOR: The next question is from Niccolo Storer of Kepler.

NICCOLO STORER: Hey good afternoon. Thanks for taking my question. And sorry, if this topic has already been addressed, I was able to join the conference just a few minutes ago. The question is about power generation business, I see that the EBITDA from the business is much higher compared to last year, by €27 million. So for the full year should we expect €27 million times for quarter, so over €100 million compared to the 55, 60 of previous year. And if this is right, is it a reasonable assuming that your premium or EMC of around \$6 per barrel., \$5 to \$6 per barrel, is \$2 power generation \$0.5 marketing and the remaining part coming from refining activities? Thank you.

FABIO PERETTI: For what concerns the remuneration of the power plant your assumption it is right: it is €27 million in the first quarter and we are expecting, and it will be €108 million for the whole year. And in terms of premium, I

think you're right it's just a matter of calculation with the runs that we have, but it sound a good number.

NICCOLO STORER: Thank you. And can you also confirm that the tax advantage you have been having for being an energy intensive company is also part of that premium?

FABIO PERETTI: Yes, it is, and we will remain in Q2 ...but the percentage will reduce from 45% to 20%.

NICCOLO STORER: Thank you.

FRANCO BALSAMO: I would just...would like to...in relation to your question related to the remuneration of the Essentiality. As we know our plant is by far the largest source of power generation, of electricity in Sardinia, and in the future the interconnection with Italy is expected by the end of this decade. So, the Essentiality is something that is reducing our risk profile but is in the essential point of view very stable until the connection between the peninsula and Sardinia. So let's say in the period between 2028 and 2030, so it will be a source of hedging and liquidity for the next 5, 7 years.

NICCOLO STORER: Thank you. Maybe a follow-up on this. Can you explain what drove such a sizable year-on-year improvement in the remuneration for the capital invested: it was a matter of rate, it was a matter of higher capital in the plant?

FABIO PERETTI: Really it was the reason, but the main part was the rate of return. Indeed, this year the authority has aligned the rate of return for the essential power plants that are allowed under the cost reimbursement scheme to the one utilized for the infrastructural works, the so-called TI-WACC and this has given a little bit of a change compared to the last year. Of course, our return is a nominal pre-tax level and is also impacted by the inflation that we are having this year.

NICCOLO STORER: Thank you.

OPERATOR: The next question is from Massimo Bonisoli of Equita.

MASSIMO BONISOLI: Good afternoon. A couple of questions. One regards the process volumes of the refining, you are guiding for Q1 volumes or runs from €20 million to €22 million barrel, whereas you provided €25 million barrel production in Q1 beating the expectation, Q2 are seen let's say well below the Q1 volumes, what are the likelihood that you, you will beat again those volume into Q2 or let's say you have a much stronger production. This is the first question.

And the second is the visibility of the pipeline in renewable from '25 to '28. So, you're adding 500 megawatt in capacity, if you can provide some color on the visibility of the pipeline. And so, the all the authorization in place and then let's say all the issues needed to have a clearer picture on that on that pipeline?

And also, I have a small question regarding, the increasing provision on the allowance of CO2 in Q1 increased by more than €110 million. So, just to understand why the increase is, it is of such a magnitude? Thank you.

FABIO PERETTI: Okay. For what concerns the crude runs, our expectation for the Q2 are in line with the guidance that we have just given, we have to consider that Q2 will be a quarter full of maintenance and therefore, there will be also some risk related to the execution of the maintenance activities.

In Q1 it was higher, because we have moved the shutdown of one topping that was expected in Q1, we have moved it to Q2 during the shutdown of gassification. So without impact in terms of crude run, that's why we have an higher crude run in Q1.

For what...for the CO2, as I mentioned, the reality is that we have lower free allowances last year, that they were cut because the refinery...the refinery had low runs during the 2 years of COVID, and this gave us a reduction on in terms of free allowances of about 0.3 million tons. So we are now back to usual level at 2.1 million tons per year.

FRANCO BALSAMO: As far as your question on the visibility of our pipeline, as I said before our pipeline in Sardinia is very solid and it has been developed internally, and nowadays we have 600 megawatts of a pipeline of which 80 megawatt are authorized and are under constructions, for roughly 400 megawatt, we have or the land lease or we have all the grid connections, we have all the agreement with the local municipalities, because we are not developing our pipeline through recourse to individuals or private investors, all our agreements are within the local authorities and we have already requested the VIA, some of these are under the attention of the Consiglio dei Ministri and for additional 250 megawatt we have already received approval for the grid connection. So I will be more precise in the next meeting, but our pipeline is solid, it's not a PowerPoint presentation, this are a different projects very solid and with many milestone of authorizations already received.

MASSIMO BONISOLI: Very clear. Thank you.

OPERATOR: The next question is from Marco Cristofori of Intesa Sanpaolo.

MARCO CRISTOFORI: Good afternoon, everybody, today I have one question on your pipeline renewables. It hit me that you are always starting from Greenfield and my question is, if you would consider any acquisition in renewables. And also would you also consider investment in photovoltaic apart from the Helianto or you are concentrating on wind? And finally, I didn't understand well, an answer before you mostly increase your forecast of crude run for 2023. So, if your team can give more color on this increase? Thank you.

FABIO PERETTI: Okay. So, what concerns the increase in crude runs, we actually completed the first quarter having higher crude runs of about 4 million barrels compared to the guidance. And this was due to the shift of the maintenance activities on one topping that will not affect the production on the remaining part of the year. So, the new guidance is based on the Q1 result plus the same guidance for the remaining quarter.

MARCO CRISTOFORI: Okay, very clear.

FRANCO BALSAMO: We have question on our M&A activity in renewables, at the time being we are not considering M&A as a source of developing I will it explain it better, our target is to reach 1 gigawatt of capacity as I said before in the next 4 or 5 years, and mainly by through the realization of our internally developed pipeline. Nevertheless, we could consider some opportunity to join some new partnerships through local developer, but we are ready we are considering the opportunity to buy some permits. They are deeply in the money at a reasonable price because, as I said before, for us is important to reach the quantity of installed capacity having in mind and accordingly to the return and our capital structures and our financial flexibility.

MARCO CRISTOFORI: Okay. Thank you.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your touchtone telephone. For any further questions, please press "*" and "1" on your telephone. Ms. Candotti, gentlemen, there are no more questions registered at this time.

ILARIA CANDOTTI: Okay thank you, everybody. We remain available for any other questions you might have with the investor relations department.

FRANCO BALSAMO: Thank you very much, and see you at the end of July. Bye-bye.