

Saras S.p.A.

"Second Quarter and First Half 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 Second Quarter and First Half 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: Thank you. Good afternoon, ladies and gentlemen, and thank you for joining us today for this conference call of Saras first half and second quarter results. You should have received the press release together with the analyst presentation a few hours ago. You can also find them both on our website either on the home page or in the investor relations section.

Our agenda today will be the following. Mr. Franco Balsamo, Deputy CEO and General Manager of Saras Group will start with the highlights of the second quarter, afterwards, Marco Schiavetti, Chief Commercial Officer will provide an overview on the refining market and the scenario expected for the rest of the year, then Fabio Peretti, CFO, will follow with the financial of Q2 followed by the presentation of the results by segment and the guidance for 2023. At this point, Franco will be back with an update on the strategy of the group including a description of the renewable expansion plan that we announced in May. Finally, we will be happy to take your questions.

At this time, I would like to hand over to Franco, please.

FRANCO BALSAMO: Ilaria, thank you very much. Good afternoon to everybody. We start the presentation providing the main highlights of the quarter and then I will leave the floor to Marco Schiavetti, our Chief Commercial Officer to

discuss the oil market and the evolution of refining market. Fabio Peretti, our CFO will follow and will take go through the divisional result and the key points of our balance sheet. At the end we will conclude the presentation providing an update of the pillars of our strategy. Now let's start with the result of the second quarter and the first half of the year.

The first half of the year was very positive, with an EBITDA comparable at €312 million and €140 million of net results. It's a very remarkable result achieved in a very positive market scenario mainly in the first quarter. In the second quarter, market conditions became less favourable, and the EMC which set a quarterly average of \$4.2 barrel, almost 60% lower than the \$10 per barrel recorded in the first quarter. And in the middle distillate, we can add that in the second quarter a combination of factors affected both demand and supply.

On the demand side, the industrial consumption ...we see the countries suffer from deteriorating macroeconomic conditions and in term of supply, notwithstanding the official start of the embargo against Russian product that started February, the 5th, the European market continued to receive inflows mostly coming from Asia. These countries continued to buy Russian product, and at the same times boosted their export volumes towards Europe. In May, export to Europe started to decrease allowing inventories to normalize and the middle distillate cracks started to recover. Certain analysts expect this positive trend to become even stronger in the second half of this year.

What about our profitability drivers? We previously announced that heavy scheduled maintenance was going to take place in the second quarter, including various important refinery units and the multi-year turnaround of the power plant, which I remember, is essential to guarantee stability to the Sardinian power network. In addition to those scheduled activity was for example the impact on our operating performance due to unplanned upset and external factors that is more

important in this quarter with lower runs. In any case, the margin on the industrial marketing segment stood at \$7.9 per barrel with a premium of \$3.7 a barrel above the EMC benchmark, it's in any case slightly below our expectation for the quarter, but still on track with the full year guidance.

Looking at the CAPEX, in the second quarter they accounted to about €100 million, of which €80 million were dedicated to the industrial & marketing segment mostly for the turnaround and scheduled maintenance mentioned before, while €23 million was the investment for our solar plant under construction, that is a construction of 80 megawatt solar is going ahead for which we expect commercial operations to start in the first half of next year. Finally, another positive information regarding our net financial positions, that notwithstanding approximately €590 million of cash out in the second quarter, for the payment of the windfall taxes, current taxes, dividends and CAPEX, remained positive at about €74 million.

Now, I leave the floor to Marco to discuss about the evolution of the oil market. Marco, please.

MARCO SCHIAVETTI: Good afternoon, everyone, and thank you, Franco, for the introduction. During Q2, the market found a new equilibrium after the effects on absolute prices in cracks due to the war between Ukraine and Russia. On the crude side, if you look at the chart of Brent, it's been trading in the normal range between \$75 and \$80 per barrel throughout the quarter due to the effect 2 opposite forces, on one hand, there was the base effect due to uncertain macroeconomic condition on a global basis...on a global scale, Europe as usual, then also USA is going down and also Chinese recovery was slower than market expectations.

On the other hand, we had a bullish effect due to the production cuts by OPEC plus the additional unilateral cut by Saudi Arabia of 1 additional 1 million barrel starting from July '23 and extendable from month-to-

month based on market conditions. So, overall, this strong action by OPEC coupled with the additional cuts by Saudi Arabia has been able to set the floor on oil prices, and we see also in this case that the bullish forces prevailing over the bearish with Brent moving towards \$90 per barrel. In term of crude differentials, the graph on the right side, OPEC cuts coupled with the missing barrels from Kurdistan, created a shortage of sour grades in the Med area, with a big reduction of the discounts. So, as you can see in the graph, Basrah Medium discount in the Med was around \$4 per barrel in Q2, decreasing significantly from minus 7 in Q1 2023. So almost \$3 per barrel of price increase.

Moving to the light sweet grades, we saw a return to values more in line with historical averages, in particular Azeri light which is one of the main grades. Trading in the Med, we saw premiums around \$4.6 per barrel in Q2 down from \$6 per barrel during the first quarter of this year, mainly due to middle distillate cracks returning to more normal levels.

All in all, the combined effect of these changes in premium and discount affected negatively Saras refining margin, reducing our premium versus the EMC. But we will further discuss later on more detail the effects on our premium over the benchmark.

Moving to next slide, talking about cracks. Middle distillates during the quarter moved back to pre-COVID levels in the range between \$15 to \$20 per barrel, which is still a good and profitable level, but obviously below the highs around \$40 per barrel that we saw during the war.

Gasoline continued to be instead very strong, well above historical averages. More specifically, diesel crack average stood around \$ 17 per barrel in Q2 2023, its premium induced by the war basically completely disappeared during the quarter and because the market managed to find a new equilibrium, and at the end, Russian production of diesel has not been affected, basically, the volumes are pretty much the same, there's been just a reshuffle of volumes all around the world. And this is the

reason because basically, cracks are back to around historically averages.

Moving to gasoline, it continued to be very strong during the quarter, well above historically averages. We had a very healthy demand in Europe and also in the U.S., coupled with to an intense spring maintenance season at European and American refineries. And furthermore, there is a persistent global shortage of high-octane components, also due to some missing components from Russian, which is strongly supporting the gasoline cracks services really a positive news for European refineries.

Quickly on energy cost, moving to next slide, power and CO2 are the 2 main components for our variable costs. Italian electricity price was around €115 per megawatt hours compared to almost €250 in the same quarter last year. There is a continuation of the downward trend that started at the end of last year and progressing also during the beginning of the first half of this year. Thanks to the normalization of natural gas prices.

The trend on natural gas prices can be mainly explained with the successful replacement of Russian flows, with high volumes of the LNG imports. And on top floating, regasification terminals has been moored in various European parts, including Italy. And also, availability of gas in Europe proved to be sufficient even without the Russian volumes. In addition to that, Europe reduces its consumptions. Thanks to a particularly mild winter and a greater attention to energy saving by both the private industrial users, which led to a reduction in demand around 20%. CO2 quotations are roughly in line with the previous quarter around slightly below \$90 per ton.

Moving to the outlook, we confirm our positive view for the second half of the year and also for 2024. Cracks of the main product expected to strengthen and stabilize at higher levels, so well above historical and

seasonal averages. In term of demand, prospects for the second quarter are extremely good. We have slow inflation data both in Europe and in the U.S. And so, this is generating a positive market sentiment and expectations. And with the hope that the central banks could soon complete their cycle of interest rate hikes. This will eventually provide support to the broader economy both for the businesses and for the private sector.

We saw the report for the International Energy Agency, which is one of the most reputable agencies producing forecast on oil demand. The last report published in July has been very positive with a forecast of 2% demand increase up to 102 million barrel per day in 2023 with an increase of 2.2 million per day compared to 2022, and this is very, very positive.

Middle distillate rebounded from the low levels touched in May. We are now trading above \$30 per barrel, we are around \$33 per barrel today. Basically high inventory levels, which penalized cracks in Q2, have been drawn during the last part of the quarter with further support to the cracks and strong support, I would say, came from several unplanned refinery outages all around the world and in Europe in particular.

Gasoline demand continue to be very healthy. Consumption in U.S. is extremely high, thanks to a strong driving season. Several outages also occurred in the U.S. to several FCC units, which are the main gasoline producers. Gasoline stocks were already below the 5-year range in June and market condition are expected to remain tight for the rest of the year. The reasons are basically the same I already mentioned before. There is a short of high octane components, which is supporting gasoline cracks both in the U.S and in Europe.

On the supply side, lower output from OPEC+ will keep the market very tight, especially for sour grades, notwithstanding some incremental

production from Iran. So, we saw official selling prices increased from the main producers including Saudi Aramco. And so, we expect sour grades increasing the premiums or lowering the discounts compared to the benchmarks.

So let me pass to Fabio for the financial report.

FABIO PERETTI: Thank you, Marco. Moving to the group financial highlights, as Franco mentioned, the first half results were solid showing a reported EBITDA of €282 million and a comparable EBITDA of €312 million notwithstanding the second quarter results that were affected by the heavy maintenance in the period.

In the second quarter, the reported EBITDA amounted to €35.6 million which cannot be compared to the exceptionally strong results of about €530 million in the same period of last year. Also, refinery runs were lower albeit still within our guidance range standing at 19.5 million barrels compared to 25.9 million barrels in the same quarter of last year.

Q2 results are mainly due to a weaker scenario especially for product cracks and crude premiums variation and to the heavy scheduled maintenance which included the multi-years turnaround of our IGCC plant that was shut down from the 10th of May for the rest of the quarter and involved also one topping and one Mild Hydrocracker. Moreover, the industrial performance was also affected by other operational upset also due to external factors.

A comparable level EBITDA stood at about €27 million which compares with the record high of €459 million in Q2 2022. We remind that the comparable EBITDA does not include the effect of the scenario in changing inventories while includes the exchange derivatives which are reclassified under the co-business. The group reported net income was negative by €16.8 million compared to €216 million achieved in Q2 of last year.

Finally, as Franco mentioned, the net financial position before the IFRS16 is positive at €73.5 million down from €355 million at the end of March even in consideration of the important cash out and in view of our working capital release that we anticipated during our previous conference call, and on which I will give you more detail in a few slides.

Going to the segment analysis and starting with the Industrial & Marketing segment, in Q2 the comparable EBITDA was €24 million. Within that, the marketing channel accounted for €12 million. The reduction compared to last year's results is primarily attributable to the scenario and in particular to the lower cracks cost, both for diesel and gasoline while the benefit for the reduction of the Brent price was almost entirely compensated by the negative impact of higher crude premiums. However, also, Saras performance were weaker from a production perspective as we just said the performance were affected by the heavy maintenance activities and some operational upsets.

But also, under a trading point of view, the achieved results that were still above historical level showed a reduction compared to the extremely high results of Q2 '22. The heavy maintenance plan was reflected also in the fixed costs which were higher by €23 million. On the other hand, we had a positive effect on variable costs which decreased by €36 million, thanks to the normalization of the electricity price and the higher allocation of free CO2 allowances.

Our CAPEX stood at almost €80 million given the maintenance activities carried out in the quarter. Finally, the remuneration of the power plant under the Essentiality Regime accounted for €27 million in line with the previous quarter and this will lead the yearly power plant remuneration at €108 million up from €63 million in 2022. If you look at the first half results, comparable EBITDA stood at €303 million compared to €499 in the same period last year with similar differences as those illustrated for the quarter although less pronounced.

Moving now to the Saras Industrial & Marketing margin, in Q2 it was \$7.9 per barrel down from \$16.2 in Q1 compared to an EMC benchmark margin that was \$4.2 down from \$10.1 per barrel in Q1. As a consequence, our premium, which was \$6.1 per barrel in Q1, reduced to \$3.7 in Q2. The Q2 premium reduction is attributable to different causes. First of all, the IGCC multi-year turnaround maintenance, which reduced our capability to process heavier and less expensive crude and increased our low sulphur fuel oil yield at the expense of gasoil.

Secondly, the unexpected operational upset. Additionally, the crude runs that were not equally distributed, being higher in April with lower margins and lower in June. And lastly, the increase of the HSFO cracks that moved from minus 25\$/bbl in Q1 to minus 14\$/bbl in Q2. HSFO oil represents 7% share of the EMC yield while Saras refinery typically does not produce it.

Therefore, in the first half of 2023, Saras margin was equal to \$12.6 per barrel compared to the EMC reference margin that stood at an average of 7.1, which resulted in a premium of 5.5, which is in line with our guidance of a \$5 to \$6 per barrel premium on a yearly basis.

For what concerns our Renewable segment, Q2 EBITDA was 3 million, halved compared to the 6 million in Q2' 22. Roughly 2/3rd of the EBITDA reduction was driven by the lower production that was 54 gigawatt-hour compared to 68 gigawatt-hour in the same quarter of last year. Such reduction was mainly driven by weaker wind conditions that accounted for about 10 gigawatt-hour, while mechanical availability reduced our production for the remaining part.

Also, the power tariff reduced in Q2 '23 and was €87 per megawatt-hour compared to €105 per megawatt-hour in Q2 '22. As a reminder, the lower zonal price applies to 47% of the production, while the rest was capped at €61 per megawatt-hour. It's worth to mention that both price

caps, the one at €61 and the other at €180 per megawatt-hour, were not extended to the second part of the year. Therefore, moving forward, our production will be entirely sold on market price.

Looking at CAPEX in Q2, we invested €23 million, and as Franco said, they were mainly related to the development of our photovoltaic plant called Helianto. If we move to the first half results, the EBITDA was equal to €9 million, down by €12 million compared to the results of the first half of 2022, for the same reasons which we discussed at the quarterly level, but with a higher impact of the tariff reduction that in the semester accounted for €7 million. In the first half, the tariff reduction was higher because in 2022, the price cap was applied only starting in February.

For what concerns our net financial position, as said, we ended Q2 with a net financial position before IFRS 16 effect of €74 million, down from €355 million at the end of the previous quarter. More precisely, during the second quarter, our cash flow was negative for about €280 million and was mainly driven by the payment of dividends and taxes, which in total accounted for about €490 million, plus additional €100 million for the CAPEX.

On the other hand, the quarter cash generation amounted to €310 million and was mainly due to the normalization of our working capital. The working capital variation was primarily related to the reduction of our oil inventories that in the previous quarter increased, also due to the heavy maintenance scheduled, and to the rebalancing of our trade payables.

Turning to the 2023 result guidance for our industrial and marketing segment, as anticipated by Marco in the previous slide, we expect a positive a second half of the year in terms of crack spread and healthy refining margins available on the market. Saras refinery will be fully equipped to exploit the favourable market condition because we have

already concluded the largest part of our heavy maintenance. Second half of the year, we'll have higher runs bringing our full year run at about 93 to 97 million barrel, in line with the last year performance.

In terms of margin, we keep our annual guidance for premium versus EMC reference margin unchanged in the range between \$5 and \$6 per barrel notwithstanding the weakness of the second quarter, which is now behind of us, and in line with the results of the 1st semester.

Fixed costs guidance remains unchanged, and we expect them to be in the range of €400 million, while for our CAPEX, we expect them to be in the range of €180 million at the high end of our previous indication driven by higher maintenance activity recorded in the first half.

For what concerns renewable production in the first half of the year was lower than expected mainly due to the unfavourable wind condition. As a consequence, we now forecast our full year production to reach approximately 270 gigawatts per hour. CAPEX guidance is reduced to €50 million that are largely driven by the PV Helianto farm development while the reduction is related to the delays in the additional authorization that were expected in the first half of the year.

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

Let me now handover to Franco.

FRANCO BALSAMO: Okay, thank you very much, Marco and Fabio. We see we are in a track of a very good second part of the year either in terms of profitability, cash generations and continuity in operations and CAPEX. But let me in this final part of the presentations, give you some updates about our strategic guidelines that were announced a few months ago around 3 pillars. The first one was to ensuring continuity of operations on our

refining and power activity, accelerating the development of renewable energy productions and preparing the group to seize opportunity arising from the energy transitions.

Now, we would like to give you a brief overview of the progress notwithstanding the short period of time we made in each area, let's start with the first pillar regarding the continuity of our activity. In second quarter, we carried out an important set of maintenance activity as we have explained before at our industrial site in Sarroch aimed at extending the operational life of the plant and ensuring reliable and continuous operations. In particular, I'd like to underline among the various multi-year turnarounds, there was the entire power plant IGCC turnaround that is now able to guarantee our long-term power production capability until 2030 and beyond, allowing us to operate the power plant reliability within the essentiality framework for the stability of the Sardinian power grid.

Furthermore, in the quarter, progress was achieved also in the optimization of the industrial operations with initiative concerning capacity utilization, cost efficiency as well as improvements in utilizations of energy with the scope to reduce the CO2 footprint and the energy cost.

Second, on the renewable, the renewable growth accelerations, I remember with a target of 1 gigawatts of installed capacity by 2028. This will allow us to reduce the carbon intensity of our power production by 40% by 2028, indeed, we will be adding approximately two-thirds of new electricity per year of carbon free power production, in the longer term, in fact this is in a longer-term perspective.

I would also like to briefly highlight our value propositions. And first of all, our growth will be mainly organic, located in Sardinia and concerning wind project. We have a pipeline of a 600 megawatt in various stages of development and we see it in the next slide. The

Sardinia's focus for our pipelines is a plus because Sardinia load factors for wind and solar are higher than the average of Italy. Second, we are operating in these regions since more than 60 years and we are the largest corporations with the solid reputation as a reliable industrial player. So, we started relation with local authorities, municipalities have become our partners, they own the land and together we can truly optimize our positive impact on the local economies and social environment.

The renewable resources in the medium term, guarantee an internal hedge: once we reach 1 gigawatt, this full capacity will produce let's say approximately 2 terawatt hours of electricity per year and this will provide a hedge for the power consumption of our refinery.

Finally, in the long-term, the feedstock integration: increasing our renewable production will provide opportunities in terms of full potential for integrations, some examples in the use of green power are e-fuels, green hydrogen, green ammonia, etc..

In this chart, as promised last quarter, we'd like to give some more information about our pipeline. We have already requested the VIA for 6 wind projects for a total capacity of a 350 megawatt: this process is not our direct control, but we do believe that approximately 110 megawatt are well advanced and we are expecting to receive the authorizations by the end of the year. The others are in any case solid pipeline given the conditions we have described before.

For the other 244 megawatts of wind project, we have secured the land and the grid connections and we will present the various authorization requests in line with the requirements. So, in our point of view, these are very concrete initiatives, we are confident that our target will be achieved within 2028, thanks also to the development of additional project that we are looking at not only in Sardinia, but also in Italy,

where we are evaluating different opportunities in solar power generations, in order to improve the diversification of our mix.

Finally, let's talk about the opportunities stemming from the energy transition. As we see last time our projects will be developed in the next decade. But this is a very wide field that includes among others the green hydrogen and we have a project that will be approved at the beginning of September. We are still evaluating the opportunity of implementation of a carbon capture and storage project as well as other activity.

Regulations and technology development will determine which initiative will prevail in the longer-term. So we are studying different options but at this stage, the initiative with the higher degree of technological maturity and regulation support that appears to be the most interesting for us now is to start the production of biofuel, in particular HVO and SAF.

Hydro-Deoxygenation and Vegetable Oils and Fats to produce pure renewable diesel is a technologically well-established process. From a regulatory standpoint, the EU Renewable Emission Directive has a set ambitious targets for the introduction of HVO and SAF, which will be probably magnified by voluntary pledges by various users, hence creating lot of demand for this kind of biofuel.

Europe's HVO/SAF supply capacity is growing with several announcement been made in the recent past, however, currently planning capacity is still fall below 2030 expected demand. So there are room for new channels. Therefore, this appears to be valuable opportunity for us, for Saras to enter this market with very pragmatic approach.

We are studying this opportunity to upgrade some existing plant, in particular the desulphurization unit without compromising their current

operations and making a sort of no-regret investment decision. So according to the preliminary result of our study with a limited CAPEX, we can reach a production of approximately 200,000 tons per year of biofuel of which 30%, 40% of SAF with a timeframe of 2 years. But again, we can give you more details if necessary during the Q&A.

Our presentation is concluded. We are ready to take your questions.

Q&A

OPERATOR: 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 yourself from the question queue, please press "*" and "2." We kindly ask to pick up your phone when asking questions. Anyone who has a question may press "*" and "1" at this time. We will pause for a moment as participants are joining the queue.

The first question is from Alessandro Pozzi from Mediobanca. Please go ahead.

ALESSANDRO POZZI: Good afternoon. I have about 3 questions. The first question is on the performance in Q2 with regards to the premium so 3.7, quite well below the full year guidance but as you explained, there were a number of reasons for that: maintenance, maybe some operational issues and the heavy-light spreads. Now, maintenance is over, those operational one-offs was over. What is the impact or can you quantify the impact of the heavy-light spreads on the premium during Q2? And if you can help us understand how that can evolve in for the rest of the year in terms of impact on the premium?

The second question is, of course, Q2 has been really weak, but the refining margins as you just printed a material rebound, and actually in terms of dividend potentially this year may not be that far off from what

you paid in 2022. And if I think about the payout, is there any reason why I should assume a high payout of 50% to 60%? Do you want to keep some resources in house, because you want to accelerate the renewables pipelines in terms of higher CAPEX there?

And final question, if parties remain the same, how do you expect working to capital to evolve during the rest of the year? Thank you.

FRANCO BALSAMO: Okay. Thank you very much. Probably Fabio can help us for this first question.

FABIO PERETTI: Okay. Yes, for what concerns the premium obviously it is quite difficult to predict how the crude premiums will go. However, we can consider that roughly 25% to 30% of the slate is done of heavy crudes. Therefore, if there is a reduction of the premium I would say of \$2, then you have an impact of about \$0.5 per barrel just to give you let's say a really rounded number. Of course, as you have seen, we have not reviewed our guidance giving a wide range of \$5 to \$6 per barrel premium, because we are also pricing into that variation the fact that the heavy sour crudes could stay. We are putting in our model at the moment minus 2.5 as a discount and also about \$10 for the HSFO. So in that case, probably we will move close to the lower bound of the guidance.

FRANCO BALSAMO: Marco on the effect on the war.

MARCO SCHIAVETTI: Effects of the war, as I mentioned during my presentation, are almost over, in the sense that the in the middle distillates that upward trend that we see now is mainly due to a tight supply and also to the fact that there is a lot of refining capacity offline due to various reasons, one of the main one is the heat wave that we have seen in south of Europe, North Africa, Middle East which is not allowing refineries to run at full speed. And also, we have all the refining industry under heavy maintenance and under heavy turnaround maintenance, because we are all coming back from 2 difficult years and not only Saras but also all our other

players in the market are trying to recover. So there is a lot of capacity offline and this is helping diesel cracks in particular.

FRANCO BALSAMO: Working capital Fabio.

FABIO PERETTI: Yes, for what concerns working capital is really a difficult question, because of course the way it moves depends on a lot of factors. What we now expect is that on the oil side, given the fact that probably prices are higher than the last quarter and also our runs are increasing, because in Q2 we had the turnaround, probably we could have an increase on the oil debt. Then, instead of what concerns the working capital related to the essentiality, we are not forecasting the payment of the outstanding debt of the last year in Q4, and we will also probably have an anticipated payment for the first half of 2023. So, all in all, this may be a cash-out of around 130 million.

The third part is related to tax. As you know, in Q4, we will have the advance payment for VAT and excise duty that should account for about €70 million. Also this with the random price fluctuation of course. And then we will have the advance payment for the...let's say, income taxes that should be around €70 million as well. These are the numbers for the next half of the year.

FRANCO BALSAMO: And finally, your question regarding the dividend. Of course, now it's only month of June. But in any case, our expectation is to have a very good EBITDA at the end of the year and the policy on payout at the time being, it's unchanged between 40% and 50% of the comparable EBITDA.

In term about the opportunity to lower the dividend in order to increase the investment on the renewables, that is not an option on the table at the time being due to the fact that we have the capability to cover all the financial need in order to complete the construction of the 80 megawatt plant and that is expected to be on commercial operations by the end of

June, next year and at time being, it is included in our guidance, a trade-off between growing and capital allocation. So, I don't see the leveraging and deleveraging connected to the dividend policy.

ALESSANDRO POZZI: That's very clear. Thank you very much.

OPERATOR: The next question is from Niccolò Storer from Kepler Cheuvreux. Please go ahead.

NICCOLO' STORER: Thank you. Good afternoon, everybody. One question, it's actually a follow-up from Alessandro's on the guidance on premium. So, if you can explain again what is helping you keeping the guidance in a context where basically the premium discount structure is moving against you? And the second one is a clarification on wind business and on pricing. Basically, if I understand well, from H2 onwards, you're selling all the entire production at market price. Is this right? Thank you.

FABIO PERETTI: Thank you, Niccolò. So, for the guidance, we kept the 5 to 6, let's say, spread for our guidance. Because this first half we were closing at 5.5 and I mean, we have tried different options on market evolution on our model and as we consider the let's say, less favourable for us, which is to have really high crack of the HSFO and a really low discount on heavy crudes that is still within our guidance. So, we kept it like this and then we will see for the rest of the year, how it will evolve.

For what concerns the wind, yes you are right. We are going to see a low electricity price at market level for the rest of the year.

FRANCO BALSAMO: If I may add, ...in any case, we have completed in the second quarter, the main maintenance. So, our colleagues in the refinery now are in the full capability to run the refinery. So, that will be, in any case, one of the most important issues in our...within our management tools.

NICCOLO' STORER: Thank you. Thank you very much.

OPERATOR: The next question is from Marco Cristofori from Intesa Sanpaolo. Please go ahead.

MARCO CRISTOFORI: Good afternoon, everyone. Two questions on my side. The first one, given that you should have completed the maintenance shutdown during the second quarter and it was possibly the lowest in term of market scenario, let' say, do you agree that it's likely that you are expecting a higher comparable EBITDA in the second half of the year? That's the first one.

Then my second question is if you can give some color on what you are expecting in 2024, in terms of market trend. Thank you.

FABIO PERETTI: Marco, for what concerns the comparable EBITDA for the second part of the year, it's really difficult to predict the level of the margin for the rest of the year. As you have seen, the EMC reference margin really increased a lot in the last couple of weeks, moving up to 15, I think it's something around this value today. And so, we think there will be a solid market in the second half although we...I mean we don't put number on this...let's say, on this value. We think that our performance could be in the same range, around \$5.5 per barrel.

FRANCO BALSAMO: As far as the next year 2024, well, we don't have now a guidance of course because it's too early, but with the framework of the refining margin, now this is strong...it is solid. There is a strong demand and supply and refining capacity is declining over the period. So, based on these main pillars of our business model, we do believe that the market conditions will help our evolution of activities. Of course, as Fabio said before, it's very difficult to state in advance the precise level of any single crack. But the framework and the main fundamentals of our business now are solid. So, in spite of the absolute level of margin or margins, we see in the future such a good favourable market for us.

MARCO CRISTOFORI: Thank you.

OPERATOR: The next question is from Massimo Bonisoli from Equita. Please go ahead.

MASSIMO BONISOLI: Good afternoon. I have two qualitative questions. One on Trafigura. I would like to understand whether your level of activities and partnership with Trafigura is increased over the past few months and if you have had any additional confrontation with them. The second question is on the heat wave you mentioned before regarding the stop over few refineries and capacity in Europe and in the Mediterranean. I would like to understand if you do share the same risk on the adverse weather condition and if they may stop here operation as well.

FRANCO BALSAMO: Okay. I answer to your first question related to Trafigura. As you know, Trafigura reached now 13.5% of our share capital, the scope of their investment, the official statement is that this is purely a financial investment, our commercial operations with them are based on pure market conditions. We don't have any strategic agreement with them. Trafigura is one of the traders in the market, our relation is good as we have good relation with other brokers, nothing different. Of course, we are happy to have this important trader in our share capital that also give us the capability and the recognition of the good evolution of our business in the future.

MARCO SCHIAVETTI: In term of heat wave, I think everybody is affected in the same way. We are, all in South Med, North Africa and Middle East, obviously, and they are all affected the same and this is something that we need to be prepared to cope with in the forthcoming years in case they materialize again.

MASSIMO BONISOLI: Can you be a bit more specific on the heat wave, in which sense it means that above a certain..?

FRANCO BALSAMO: It means just to reduce production because the plants cannot run at the maximum capacity obviously, I cannot give specifics on the technical side but roughly the effect is you need to go slower, because obviously all the machinery cannot...the machinery emissions cannot be the same and cannot travel at the same pace, it is very simple.

MASSIMO BONISOLI: Great. Thank you.

OPERATOR: The next question is from Ram Kamath from Barclays. Please go ahead.

RAM KAMATH: Yes, hi, thanks for taking my question. I have a couple, please? First of all, thanks for the disclosure on renewable project pipeline that you have in your slides, it's very useful. So, if I am reading it correctly by end of 2025, is it safe to expect around 250 - 360 megawatt projects operational just by end of 2025 and what's your renewable power production in this year? I heard if its right say around 270 gigawatts, however the slide showing it as 300 if I am reading it correctly?

And on the refinancing front, I see that average cracks have improved in July from the lows of April. So, I want to understand from you...your view on these cracks, and if this would encourage other European refineries to increase their utilization and probably you have mentioned in the past that there are many additional capacities also coming up in Middle East and Asia. So would this increase the supply?

And finally, on the follow up of Trafigura there are increasing stake in your company? I just want to understand from you, how I mean, what it means to Saras in particularly if anything related to trading business? Thank you.

FRANCO BALSAMO: Okay. Thank you for your questions. I would answer to the evolution of our investment into the renewables. As we are seeing we are operating at the time being in Sardinia, we have various projects and most of them are in sort of joint with local authorities for the reason we do believe that

the probability to achieve the final authorization are very...are very high, it's very difficult to say precisely the timing for this, but due to the European acceleration of energy transition also Italian government will accelerate the authorizations process. So we are expecting a green light from the central government and we base our positive views on our strong relations with the territory in Sardinia, but you know, this is always a long process.

So, having said that, we do believe that at least 100 megawatt of authorization will be finally approved by year end, if you consider 18 months, 2 years for putting in the commercial operation we see 2025 could be a reasonable timeframe and so on. So, everything would be related to the length of the authorization process, but we see the government very committed to accelerate the entire process.

The second question was...

MARCO SCHIAVETTI: If we well understood, it was a question related to incremental refinancing capacity in Asia. Yes, there will be incremental capacity in Asia in the forthcoming years, mainly in China, which is the only country where there is consistent grow in demand, but what is the positive is that incremental refining capacity will be in line with the incremental demand or even less. So obviously this is the reason Franco was explaining before because we are positive on refining cracks of both gasoline and diesel in the forthcoming years: because after next 2 or 3 years when there will be additional refinancing capacity mainly in Asia then we don't see any, any additional project in the pipeline and this is even more positive for us.

FRANCO BALSAMO: So, as far as the position of Trafigura, I can't repeat what I said before that their position into the company is purely financials. We have an activity...interesting activity with Trafigura and also with other traders, at the time being it is a commercial activity at harm's length. If you want to add something..

MARCO SCHIAVETTI: Okay. Yes, Trafigura is one of the major players in the market worldwide and has being historically one of our customer both on the crude side and on the products side. And it's positive to have Trafigura as our shareholder because we can definitely say there is an appreciation of the value of our asset and our commercial activities and this is pretty much it. And then, on the transactions are flat and nothing more than the usual cooperation we had in the past.

RAM KAMATH: Okay. Thank you.

FRANCO BALSAMO: You are welcome.

OPERATOR: Gentlemen, there are no more questions registered at this time.

ILARIA CANDOTTI: Well, in this case, I would like to thank you once again everybody for listening and I wish everybody a good afternoon and we remain available for any question you might have.

FRANCO BALSAMO: Okay. Thank you very much everybody. Have a nice summer.

COMPANY REPRESENTATIVE: Thank you.

COMPANY REPRESENTATIVE: Bye, bye.