



# **Saras**

## **First Quarter 2016 Results**

### **Welcome**

**Massimo Vacca**  
**Head of Investor Relations and Financial Comms, Saras**

Thank you very much. Good morning, ladies and gentlemen, thank you everybody for joining us today for the conference call on Saras First Quarter 2016 Results. Our analyst presentation, which we are about to illustrate has been distributed few hours ago. But in case you have not received it, I would like to remind you that it is available on our website, directly on the home page, or in the section dedicated to Investor Relations. Our speakers today will be, as usual, Mr Dario Scaffardi, Executive Vice President, and General Manager of the Saras Group, and Mr Franco Balsamo, Chief Financial Officer. At this time, I would like to hand over to Dario.

**Dario Scaffardi**  
**Executive Vice President & General Manager, Saras**

### **1. Highlights**

Massimo, thank you very much. Good afternoon, thank you for joining us for our First Quarter results. This Quarter has been a good quarter for us, we've all seen some very solid results, significantly above expectations. Notwithstanding the fact that during this quarter, we had very important maintenance cycles that needed to be carried out. As we mentioned before, we postponed many of the maintenances that were due in 2015, to the first part of 2016. So, it has been a very challenging period for our colleagues, at the refinery they had quite a lot of work to perform, work that has been performed in a professional and in a timely manner. We also had conditions that have been peculiar during this quarter. The market has been extremely strong, and biased towards the light distillates. While there has been some pressure on middle distillates, we still had ample supplies of what we call non-standard crudes that have helped us perform well during this quarter. In particular, we tried to take advantage of the market conditions by maximising throughput of feedstocks to increase gasoline production, but we'll see this when we go through the various sectors, in a little bit more detail.



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CAPEX has remained in the range of about 30 million Euros, in line, and mainly concentrated on the refining segment. We have started, successfully, operations of our trading entity in Geneva, that has commenced working on the 2nd of January this year, and up to now, the results have been extremely encouraging. We have a firm financial position of 253 million Euros approved, compared to the one at end of December of last year. So we are in a strong position to face future financial commitments, particularly the payment of seventeen cent per share dividend, due on May 25th.

If we look at the comparison between results in Q1 of last year, and Q1 of this year, comparable EBITDA is broadly in line with that of the previous quarters. Notwithstanding the fact that refining conditions are not as bullish as those of last year.

I think it's interesting the way the market is developing in terms of the diesel and the gasoline crack spreads. And you can see from the graphs on page five, that the gasoline crack spreads are at an absolute historical high, and diesel is a bit lower. But this type of vision, as we mentioned in other occasions, is misleading, because you cannot compare crack levels with different absolute prices of crude. So it is clear that a \$10 crack means something when crude is at \$30, and it means something entirely different when it's \$100. So it's absolutely normal, the fact that, in a declining market, also, that the crack should decline to an extent. What we need to look at in order to safeguard the economics of our refining process is the ratio between this crack and the absolute price of crude. So, again, gasoline at extremely high level by any means. So on the basis of what I just said, it's even higher than expected, because these cracks come at \$40, \$45 environment, compared to all the previous cracks that are reported on this graph, that are at about a \$100 environment, so an entirely different picture.

Diesel is a bit disappointing. A bit disappointing, mainly due to the fact there's been quite a lot of imported diesel into the European market, coming from a variety of locations. Mainly from the Middle East, where there's been the completion of their various refinery projects in Saudi Arabia, and in the Gulf States. So, a bit of pressure on the diesel side.

If we look at, on page six, here we see exactly what I was mentioning before, the need to look at the cracks in conjunction with the ratio to Brent, and the picture here is, of course, different. Encouraging is the fact that the crack for fuel oil is at an extremely low level, and this is a positive effect for a high conversion unit, such as ours.

On page seven, we have the usual graph that outlines our refinery margin. Which is the ratio of comparable refining EBITDA and plus fixed cost, divided by refinery runs in the period and saved in per power. Again, this measure should be taken with a pinch of salt, it needs to be looked at over the longer term. Because, clearly, being a ratio between EBITDA, comparable EBITDA, and runs, it is benefited, perversely, by the fact that if you reduce runs, you increase the margins. So, what we see is a higher power margin, it's just the result of an arithmetic operation, not a clear index. This index does make sense, over a sufficiently long period of time. Notwithstanding, we have been able to add to the EMC benchmark, \$4 on the refining side.



## Segment Reviews

### **1. Refining**

Going into the various segment, giving a little bit more detail and flavour on the refining side, we've had a strong maintenance cycle during this quarter. The maintenance cycle then involved various units: topping units, vacuum units, and one of the MildHydroCracking units that we have. And during this normal maintenance, we have also started in our investment programme that we outlined in our capital market day, so we've performed several upgrades, to the units. That will basically enable them to run a higher ratio of what we call challenging crude, and also a higher quantity of the same crudes. So these upgrades involve methodology, and heat exchanger, and other things. We have also completed some of the energy efficiency projects, particularly in one of the topping units. We changed the pre-heat exchangers, that will yield more or less a six per cent reduction in the consumption of fuel. And also, we introduced a very innovative and challenging modification, which is a new system to clean the heat exchangers, from the normal oil fouling. So, if this new experimental work that we have carried out with the new technology proves to be successful, we will be able to increase the reliability of our units, also, with these very difficult crudes that tend to dirty and foul the units.

### **2. Production and Crude Oil Slate**

So, crude throughput has been about 22 per cent less than the same quarter of, the same period of last year, due to the maintenance. But we did increase, at the same time, by 62 per cent, the feedstocks, that we've been using. And mainly the feedstocks we've been using have been geared to produce maximum quantity of light distillates. Overall, maintenance activity is more or less penalised by the refinery margin by about 50 million Euros, compared to the same period of last year. While the activities towards core projects, the optimisation of the supply chain was able to yield a 20 million Euro increase, compared to the same period of last year. And I think that we can outline this with a little bit more clarity in the next slide. As you can see, there has been a significant increase of complementary feedstocks, quarter on quarter 150,000 tonnes more compared to the same period of last year, and with those, we partially compensated the lower crude runs.

In terms of crude quality, again, the crude quality is extremely different, and it is not meaningful to look at a single quarter, because this quarter is affected by the maintenance. So our programming people adjusted the crude diet, accordingly to the necessity of the maintenance schedule. So there is a lighter crude basket, but also, not only for the reasons that regard the maintenance, but also because of, to take advantage of the strong gasoline market. And you can see this clearly when you look at the naphtha and gasoline production. And notwithstanding almost 900,000 tonnes less of crude run, 800,000 excuse me of crude run. We had, basically, the same amount of gasoline and naphtha produced. So, actually, it was slightly more, one million 35,000 tonnes of light distillate compared to one million in the same quarter of last year. So with the yield that went from 25.5% to almost 32%. I think this clearly demonstrates the way we take advantage of the market conditions, and the way our supply chain optimisation process is working. The other yields have changed, of course, accordingly. So middle distillate has gone down, we've maintained instead TAR and fuel more or less the same levels because of the commitments that we have, and for the power generation.



### **3. Fixed and Variable Costs**

Fixed costs and variable costs are broadly in line with guidance. And again, it should be typical to look at this split into, as quarters.

### **4. Power generation**

On the power generation side, we've had a lower power production than was planned. This was due to the fact that we had an unexpected failure of one of our transformers. Each of our three power train is totally independent, and has its own high voltage transformer. The transformer is a piece of steel that weights over 220 tonnes, so quite an impressive equipment. But notwithstanding the fact that building a new transformer is something that requires over a year of work, we have a spare unit, so we were able to change the transformer. Changing the transformer involves moving 200 tonnes of steel, which is not an easy feat. But it was done within 20 days. And we stopped one of the gasification units, that was supposed to shut down in May, we anticipated a shutdown. So globally, during the year, there will be basically a very, very minimum loss of production. For the rest, the CIP6 tariff is lower, by about 60 per cent, due to the fact that the forward curves have been updated. And subsequently, also, the sales of steam and power. In terms of Italian GAAP, which is a little bit more accurate in terms of the cash flow, the decrease to the combination of the lower CIP6 tariff, and the reduction in electricity production due to the shutdown that I told you, that I mentioned before. Of course, compensated by the fact that the transfer in terms of TAR, which is linked to oil prices, compensated these two effects, partially at least.

### **5. Fixed and Variable Costs**

Not much to say on the fixed and variable costs, which are in line with guidance.

### **6. Marketing**

If we go now to marketing. Marketing has been disappointing in this quarter. While we've been able to maintain volume of sales in Italy, broadly speaking, the unit margin sales in Italy has been extremely disappointing. And this has been due to a variety of peculiar market factors, which would be difficult to explain right now. But, basically, Italy has suffered from the fact that there is significant import of oil products from other regions, which, thanks to some new regulations in the market, enable operators who are foreign operators to have a tax advantage. Therefore, it is extremely difficult to compete with, at the moment, with these operators. It is a sort of a loophole in the tax and VAT regulations, which we are discussing about with the authorities. So I am, I don't think that there will be any immediate respite on this front, but I am hopeful that, within time, these loopholes will be closed, and the situation will be able to become more normalised. There is a similar situation in Spain, so our marketing operations there are definitely under pressure for the time being.



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### 6. Wind Power

Wind has been extremely favourable, during this quarter, basically due to a windy first three months. So, production has been higher, by about 12 per cent compared to the same period of last year. Which compensated the lower absolute power tariff.

I would now hand over to Franco, who can maybe comment on the financials.

**Franco Balsamo**  
**Chief Financial Officer, Saras**

Thank you Dario. Some information related to the interim statement that is on page 18. The first quarter reported a EBITDA at 67.8 million Euro, and the comparable EBITDA at 124. The difference between the two is covered by the different methodologies for evaluation of inventories. That accounted for 22 million Euro, and the remaining is covered by the profit gains on derivatives, hedges on foreign exchange and commodities. The interest expenses are about 6 million Euro, much lower than the previous quarter. And this is a proxy of the cost of funds, at about 3%. In terms of other components, the hedging component of our commodity strategy is 4.6 million Euro as described before; that represents the general gains realised. And we have 6.7 million Euro of negative value on the open position on those derivatives. Taxes are about 3.7 million Euro. We can confirm that, in line of principle, our tax rate for the entire year would be in line with the previous year, very close to 30 - 31%. And in any case we have a loss carry-forward that will enable us to cover the taxes for the entire year of 2016. Going through the cash flow generated by the business, which can be found at page 21, we see that in the period, the operations were able to generate a significant amount of cash. The cash flow generated by the activity, is represented by the reported EBITDA. Moreover, we have 118 million Euro contribution driven by the working capital improvement. This is the combination of three main factors. The first one is the decline of the absolute level of inventory, that generated 95 million Euro of cash; 50 million Euro is the difference between payable and receivables, that is seasonal; and last, we have 25 million Euro negative in terms of expenses for VAT. CAPEX, as we said before, is lower than 30 million Euro, and the cost for credit for CO2 and other certificates is about 35 million Euros. So at the end of the quarter, the cash flow generated is at about 90 million Euro. And now, back to Dario for the outlook.

### Dario Scaffardi

#### Outlook

Thank you Franco. We expect the current market conditions, basically, to continue. Our strategy is to try to exploit whatever favourable conditions exist, so we are maximising, and continue to maximise gasoline production. And in particular, we are exploring new areas in which we, basically, de-plan gasoline, so that's selling Finnish gasoline, and sell various components, particularly high octane components are extremely valuable in the Asia Pacific regions. So we are shipping them to Asia, and the remaining parts going to blending stations in India, or for further reprocessing for other markets.



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This strategy has proved itself extremely profitable compared to selling bulk standard gasoline. We're also experimenting with the low sulphur bunker fuel, which traditionally is something that we were not making, but we are preparing to be able to produce full bunker spec fuel. And the market has taken this in quite a favourable manner. And we continue to experiment with any new crudes. In other occasions we mentioned that in 2015, we ran over 41 different crudes from 26 different nations. And this year, we added a couple of even newer crudes. And many new feedstocks, particularly in the range of straight runs.

We have also, as I said before, ran a very significant quota of naphtha in order to exploit fully the reforming units they have, in particular the reforming unit from the Saras north plants, which are the ones which we acquired last year, from Versalis.

We will maintain, the majority of our maintenance has been completed in Q1. In Q2, we still have some important maintenance on one of the topping units which has been completed today. So we hope that over the weekend, it can restart production. We don't really have any other major maintenance for now, until the end of the year, except for the petrochemical units of the Sarlux north plant, the former petrochemical Versalis unit, towards the end of the year.

We'll continue on our programme for energy efficiency and operational reliability with the various CAPEX, and the supply chain activities continues.

Power generation is in line with previous guidance, and we expect to be able to attain something like, anything between 4.2 and 4.4 terawatts during 2016.

While the area, at the moment, that is under pressure is the marketing division.

On the maintenance schedule, I think I already mentioned before, so I really don't have anything significant to add to this.

So I thank you for listening in to us, and we'll be ready - Franco and myself - to take your questions. Thank you.

## **Questions and Answers**

### **Monika Rajoria, Societe Generale**

Yes, thank you, I would like to answer the last callers question on the product yields. I would like to understand if the current product yield of gasoline at 32 per cent is sustainable, as well as the middle distillate yield of 25 per cent?

### **Dario Scaffardi**

Yes, Monika, thank you for the question, a very interesting question. The short answer, is 32 sustainable permanently - no. In the sense that, assuming - well, not assuming, but going back to full production and maximising throughput of the units, automatically the yields of the other products will



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increase. We do aim to maximise gasoline production, but the yield will probably not be 32 per cent. More likely, something in the range of 28, 29.

### **Monika Rajoria, Societe Generale**

Okay, thank you.

### **Henri Patricot - UBS**

Yes, everyone, thank you for the presentation. A couple of questions from me. The first one, Dario, you mentioned that you have performed several upgrades, during the maintenance. I was wondering if you could give us an idea of the financial impact of these improvements in the current environment, for the rest of the year. And secondly, could you give us an update on your discussions with Iran, both on the repayment of the debt, and possible imports of Iranian crude? Thank you.

### **Dario Scaffardi**

Thank you Henri. On the financial impact, I think I mentioned that the energy efficiency that was completed on one of the topping units, basically, in terms of heat exchangers to maximise the heat recovery, should yield something in the range of about six per cent less fuel consumption. Offhand, what does that translate in terms of money? I would have to look up this, and Massimo could certainly give you a little bit more detail later on. So we need to do just a little bit of homework. The other issues that are part of the CAPEX investment plan, that is all aimed at increasing, further increasing, the flexibility of our units. So it is part of that refinery improvement programme that we outlined during our capital market day. So it's a fraction of those. Again, what part of those, we need to do a little bit of work on that.

In terms of Iran, thanks for the question, it's something that I forgot to mention. Things have opened up with Iran, so in the last couple of weeks, the banks have opened a line so it is now possible to effect financial transactions with Iran. We generally do not provide information regarding our crude suppliers, but it is public knowledge that we have visited Iran several times since the beginning of the year, and we have signed a contract with them for the supply of Iranian crude, that has traditionally been advantageous for us, in terms of flexibility, and in terms of reliability. So, of course, we're very happy, as crude buyers, to have an extra player on the market, that increases the liquidity of the market, and we hope that this will influence, positively, the overall economics of sour crudes. We will, of course, start repaying the debt that we owe to Iran, to honour our commitment, and also, that is in the process of starting. We still have to negotiate, you know, exact timings, and other issues. But I would say, that finally, the door has opened with Iran.

### **Henri Patricot - UBS**

Okay, thank you.



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### **Joshua Stone - Barclays**

Hi there, thanks for the presentation. I've got two questions, please. One is, you mentioned in the slide, the trading company contributed to market opportunities or capturing market opportunities. Are you able to quantify that at all, or give a bit more detail as to how that's going, and your expectations for this year? I guess it might be still a bit early, but if you could make a comment, that would be good. And the second question, on the working capital release, is there any contango trades being booked in the quarter, and what that relates to? Thanks.

### **Dario Scaffardi**

Thanks for the question, Josh. Well the trading company, when we presented on our capital market day, we assumed that the trading company would not make any extra money in 2016. But would have been instrumental in being an enabler of a lot of opportunities. I'm very pleased to say that in the first quarter, notwithstanding all the difficulties of starting up, and you can easily imagine that setting up new communication lines between Geneva, Milan, and our refinery headquarters in Sarroch, we've been able to achieve entirely the newer and more developed access to the market. But also, do some property trading, that has more benefits. How much exactly? It's a relatively small amount, but not insignificant.

In terms of contango plans, we do not divulge specific information on this. But if there are structures in the market that we can take profit from, so we have storage in various parts of Italy, and if it's financially sound to store and sell forward, we do take advantage of this. Although, not in a huge way, because the majority of our storage need to be locked for operational reasons, more than for commercial reasons.

### **Joshua Stone - Barclays**

Okay, thanks Dario.

### **Joshua Stone - Barclays**

Hi, am I back online? It was just asking if the working capital release was related to the contango trading, or what it relates to, if you can answer that maybe.

### **Franco Balsamo**

The benefits driven by the reduction of inventories take also in considerations, the quantity for the contango activities so the benefit is included by that quantity.

### **Josh Stone - Barclays**

Okay, thanks.





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### **Franco Balsamo**

So without contango quantity, the benefit would be higher.

### **Peter Low - Redburn**

Thanks for taking my question. It's just a question on your premium over the EMC benchmark. It's very impressive in the quarter. In fact, if I add that and the maintenance impact of 48 million Euros, that actually implies it was \$6.5 a barrel premium, over the benchmark. Is that the right way to think about it, and can you talk through some of the components that have allowed you to generate such a strong premium?

### **Dario Scaffardi**

Again, in our business, it's extremely difficult to look at a quarter. Our business is not designed to look at a quarter, because you have a quarter that has maintenance, less maintenance seasonality. So the picture comes out a bit distorted. This quarter was strong because, notwithstanding the maintenance, which correctly, if we added that up, it would give a \$6 premium. We have used a lot of feedstocks that have been extremely profitable in this period, thanks to the high gasoline crack. So that was basically the added boost. But as I was saying before, we have to be careful about defining a certain quantity of EBITDA by runs. It is a little bit perverse if we increase to the max. what we do is we maximise returns. So we will run an extra barrel of crude, if it's physically possible, if it produces a positive result. What must be understood, of course, is that the first barrel of crude has a high margin, and the last barrel of crude has a low margin. So the incremental refinery runs do not produce the same benefit as the first refinery runs. So, increasing runs, not necessarily brings the same amount of benefit that you would have by dividing the current scenario by the future. So it's a slightly more complex picture. I mean, the way we look at it internally with our management accounting, and our control systems, is in a more sophisticated manner, of course, in which we try to, through a model, take into account all these effects. And if there's a positive contribution, albeit small, we will perform it.

### **Peter Low - Redburn**

Thank you, that was helpful.

### **Yulia Veselova - Bank of America Merrill Lynch**

Thank you for taking my question. I've got a couple if I may. The first one is on CAPEX. So you spent 30 million Euros in the quarter. That's just a guidance of 150 for the year, so that roughly works out as 20 per cent, whilst this quarter was relatively heavy maintenance. So could you just talk us through how that stacks up together. And then, the second question I have is just coming back to the complementary feedstocks. I was just wondering if you could help us - and you mentioned naphtha going into reformer - but I was wondering if you could help us to break down how much of that is



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actually, let's say, be due on residue, and how much of that complementary feedstock is actually naphtha? Because one will drive diesel, the other will drive gasoline. So, please, if you could talk us through the breakdown this quarter, and maybe going forward. Thank you.

### **Dario Scaffardi**

Yulia, thank you for the question. Unfortunately, we do not divulge any further information on this, it is sensitive, commercial information, in which we are, of course, our commercial people in Geneva don't want the market to know exactly what our purchases are, and of what. So exactly what is naphtha and what is VGO, what is straight run, is part of a privileged information. But let me say from a qualitative point of view, I did mention that there was a very high quantity of naphtha, of course, so we did run something like 130,000 - 140,000 tonnes of naphtha, if I remember correctly. Incremental to what we produce internally, naturally. So again, as I mentioned before, there was a balance between what we produce and what we buy. Everything is fed into the model, and whatever results come out of the model, we might decide to produce less, and buy more, and vice versa. It totally depends on the prices of the moment.

In terms of the CAPEX, maybe Franco can help you a little bit. But just from a qualitative point of view, what I can say is that we are slightly behind schedule in terms of what we need to pay. Our CAPEX should have been slightly higher than what we reported in the quarter. And this is due to the fact, mainly, that the contractors we have were not able to perform, at the same time, with the heavy maintenance, and the new CAPEX works. So we count on being able to perform more in the following months. There is just so many people that can enter the refinery at the same moment, so, basically, a physical constraint.

### **Massimo Vacca**

Perhaps, just a very quick comment on the fact that a large part of the maintenance that was carried in this quarter has been expensed. You will see this in the increase of fixed costs. We have roughly 73 million Euros of fixed costs in the quarter, whereas the normal run rate for the rest of the year should be slightly lower, roughly 67, 68. So, yes, a lot of maintenance in Q1, not necessarily of all of it capitalised. A large part of it was expensed as well.

### **Yulia Veselova - Bank of America Merrill Lynch**

Thank you.

### **Thomas Adolff – Credit Suisse**

Hi there. Couple of questions, actually, three of them. I wanted to start off with the crude differentials, and also, a bit on the non-standard crude pricing environment. Just generally, if we look at crude



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differentials, and now, not specifically to the non-conventional crude. If I look at the recent Saudi OSP to the Med, it was quite marginal, the increases, especially on the back of the stronger Euros pricing at the end of the month, and that would have called for a larger hike. To Asia, it feels it was market to market, to the Med, it was a bit less than market to market. Maybe it's a reflection of the high crude availability in the region, and so it's a good thing for you. So maybe you can talk a little bit around the differentials, what you see in the Med, and then also maybe comment on the non-standard crude pricing, maybe quarter on quarter. And the earlier comment, the second question, the earlier comment you made on yield shift, plus the crude environment that you see in the second quarter. If I put the two together, and I look at the EMC to date, which is lower quarter on quarter. My question, I guess, is where is the premium to the EMC in the second quarter to date. And my last question, just if you can remind me, on your dividend policy. Obviously, before the share price spike? that we saw today, if we look at your dividend announced, and confirmed, and look at the yield, over 10 per cent, my question, I guess is, should I think of it as a special dividend, and that dividend, the absolute dividend in a normalised environment will be lower. Okay, thank you.

### **Dario Scaffardi**

Thank you, Thomas. What a lot of questions. So, on the crude differentials, well, in the market, I mean, there are all those crude differentials, which are quoted on the various, by the various agencies. So, I really have nothing to add to what Platts and Argus report daily. The thing that we have seen over the last two years, about, is that, I would say there are two main things that I've noticed is that the light crudes, which in you consider the benchmark as being Azeri, at least in the Mediterranean, has become the new benchmark for the light sweet grade, it has moved from an area of premiums that was in the range between three and a half to four dollars, about, to a range that has been one and a half to two dollars, today, roughly in the two dollar range. So there's been almost a two-dollar reduction. And I would say that the differentials have become slightly more stable in the last months compared to before. Because the market has found some sort of stability.

Same thing on the sour side. Euros has had, in the last year, some very, very high swings, going from minus one to zero, minus one to zero. And I would say for the last six months, it's been around the two-dollar mark, Euros as a discount, Euros as a premium, and Euros as a discount. As mentioned before, we practically never buy Urals, not because it's not an excellent crude, but it tends to be the highest price crude of its category in the market. So we aim to buy alternative feedstocks.

On the non-standard grade, again, I'm sorry, but this is proprietary knowledge, and we don't wish to make any comments on the prices of crude which are not quoted by the public agencies.

On the yield shifts, I don't think I understood entirely your question, so I would appreciate it if you could maybe repeat it. But just before you do that, on the dividend policy, we have a policy which is 40 per cent, 60 per cent of the adjusted net income. And as a matter of fact, for last year, it was exactly in the middle. The board of directors, at a general meeting, the shareholders decided for a 50 per cent



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dividend yield - a dividend, excuse me. We expect that if the current market conditions more or less continue, we would be able to pay a dividend. And the policy up to now has not been changed, and in the last AGM, it was not changed. So I have no reason to imagine that it will be. So, sorry, on the yield shift, excuse me?

### **Thomas Adolff – Credit Suisse**

Yes, just on the dividend again, the reason why I asked is, you know, refining tends to be quite a volatile market, and, you know, one year you pay a dividend of X, and then another year, it's something else. And, you know, when people look at dividend yields, you know, a somewhat more stable run rate may be a little bit more appropriate, if you see what I mean. But that's just a comment on the dividend. On the yield shift, I was just asking, you know, you have a lot of flexibility, as it seems, to shift between, from diesels to gasolines, which you've done very successfully, in one cue. And obviously gasoline should have a good summer, post Memorial Day weekend. Now, if you were to successfully do that again, which I assume you will do, plus, you know, the ability to process a greater portion of non-standard crude, following some of the upgrades you've completed in the quarter, my question, I guess, was more on the premium that you are seeing so far, to date, versus the EMC benchmark, and the premium that you would expect on average.

### **Dario Scaffardi**

Well, we, you know, we've always, in the last years, you know, we gave as an indication, \$4 on the EMC, and for the time being, I think it would be appropriate to maintain that as a guidance. Just to give a little bit of flavour on what you're saying. Please keep in mind that, you know, our aim, when we, on a monthly basis, and then on a weekly basis, and then on a bi-weekly basis, we update our programme on what we run, and what we produce in the refinery. This is only governed by economics. So it has been the case that it's been extremely profitable to produce more gasoline, so we have done so. But it could have been the case that, for instance, you might have had a crude that would have produced a lot of fuel oil. And if they gave that crude at a very competitive price, we would be producing fuel oil. Albeit, if this is a less sexy product than gasoline, then we would have tried to say that we are just governed by the economic objective of the model. So the model is construed to make as much money as possible. If we make more money with gasoline, great, but if it's fuel oil, it's fuel oil. I mean, so it really depends on the combination between the price of products, and the prices of crude. Generally, there is some sort of alignment between these two factors, of course. So, crudes that, you know, if gasoline is higher, crudes that make more gasoline will be more expensive, generally speaking. But there are sometimes peculiar situations in the market, or feedstocks that are particularly stressed, and a few companies can run them, that might present an opportunity.

### **Thomas Adolff – Credit Suisse**

That's great, thank you very much.



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### **Yulia Veselova - Bank of America Merrill Lynch**

Thanks for allowing me to ask the follow-up. So, just one more question, which I just forgot to ask. In the fourth quarter results you said that the full year EBITDA would be in line with what you presented in the business plan. And then, in the slide today, you are saying that the weaker diesel has probably about 10 million negative effect. So if I'm right in reading this, and I apologise if I've missed the black and white guidance. But if I'm right in putting this together, it means that you are now guiding effectively 680 million of EBITDA in 2016. Now the question here is, have you, in your 680, have you just looked at the first quarter, or have you already assumed that, for instance, the yields would kind of normalise through the year? Thank you.

### **Dario Scaffardi**

Yulia, hi...sorry. So, the guidance that we gave, was based on a certain market scenario, as usual. So a certain price of crude, and certain values of products. And of course, the guidance adjust automatically, with the variances in the market. So we maintain the guidance that we have given, assuming that the market conditions, globally, in 2016, will be the same as the one that we had assumed when the guidance was given.

### **Yulia Veselova - Bank of America Merrill Lynch**

Thank you. But if I could maybe just point to slide 9, where there is a sentence which says, overall scenario impact minus ten million versus Q1 15. So I was just curious whether that negative impact is just looking purely at what happened to diesel in the first quarter. And, you know, considering a higher likely yield, or have you thought about how that evolves through the year as well? Thank you.

### **Franco Balsamo.**

That ten million Euro scenario is purely a delta between the first quarter of 2015 and the first quarter of 2016. So, no, it's not a number or rather an algorithm than could be replicated going forward. So it's just the difference between the two components, in the different scenario.

### **Yulia Veselova - Bank of America Merrill Lynch**

Okay, thank you.

### **Closing Comments**

#### **Massimo Vacca**

Well in this case, I would like to thank again everybody for listening in on the call today. And we shall speak again during the next call. Thank you and a good evening.