



# **Saras**

## **Second Quarter and First Half 2021 Results**

### **Welcome**

### **Operator**

Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Saras first half 2021 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 star and zero on their telephone. At this time, I would like to turn the conference over to Ms Ilaria Candotti, Head of Investor Relations of Saras. Please go ahead, madam.

### **Ilaria Candotti Head of Investor Relations, Saras**

Hello, good afternoon, everybody. Apologies for the short delay. Thank you for joining us today for this conference call on Saras' first half and second quarter 2021 results. As usual, our analyst presentation is available on our website on the home page under the Investor Relations section. Our agenda today will be the usual: Mr Dario Scaffardi, CEO and General Manager of the Saras Group will start with the highlights of the period followed by a review of the results of each business segment.

Mr Franco Balsamo, CFO of the Saras Group is here, available for a review of our financial items. Then we go back to Dario and present the outlook and finally we will be delighted to take your questions.

At this time, I would like to hand over to Dario.



**Dario Scaffardi**  
**CEO & General Manager, Saras**

**Highlights**

Thank you, Ilaria. Good afternoon ladies and gentlemen, thank you for being here with us today. In this first half of 2021 we've had a positive EBITDA of €108.7 million at the reported level compared to a negative of 114 of the same period during last year. The main difference in this change is due to the impact of commodity prices in oil and inventory stocks. You will all remember that in the same period of last year, we had some incredible and exceptional swings in the price of oil commodities that created a depreciation of €191 million in this period. This year, instead, we've had an appreciation of €101 million. That is the main effect underlying this change in EBITDA at a reported level.

Furthermore, in this part of the year in 2021 we've had a higher Brent price which impacted negatively and a lower crack for the diesel which certainly was not supportive for refining margins. This, combined with higher electricity prices and the CO<sub>2</sub> effect, negatively affected variable cost.

At the net result, this was equal to €0.5 million compared to -180.7 million of last year, mainly due to the fact of the same dynamics as what we have explained before.

If we look at the comparable level, we've had four consecutive negative quarters and this quarter, instead, is positive 8.3 million compared to 71.7 of the first half of 2020. The difference between, as we've explained many times, between the reported and the comparable level is that in the comparable level we do not include the positive effects or negative effects due to the change of inventories and non-recurring items such as CO<sub>2</sub> or duties or other one-off effects.

So, the change compared to the first half of 2020 is mainly attributable, entirely, to the industrial and marketing segment. Let me remind you that this year we have changed, and we will look into it in a little bit more detail later, our accounting system where we have grouped together industrial and marketing.

The net result in 2021 was negative, equal to -70.8 compared to -41.5 in the same period of the previous year. The investments in 2021 have been sharply lower. They have been €58 million compared to a much higher number of close to almost €200 million in the same period of last year due to the fact that we have a very tough cost containment policy and also that last year was a year of an important planned turnarounds.

If we look at the oil markets, I don't have too much to add to what you already know, but Brent has been steadily on the rise since the summer of last year, I'd say constantly. OPEC has been extraordinarily successful in being able to manage price. What I would like to point out as key factors for Saras is that some positives and some negatives. The negative is that we were sort of hoping that Iran would be able to come back quickly on stream. At the moment this looks, the process of further negotiations between



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Iran and the US seem to be stalled and there's slightly more negative sentiment. This is probably good for the underlying crude oil prices, certainly helping OPEC being able to maintain stability in the market that nobody was thinking they'd be able to do. It is sort of negative for us, because we were hoping that an important supplier would be back on the market and take off a little bit of pressure from sour crudes.

A positive element is what is happening in China – always mysterious. But China teapots refineries seem to have received much less crude allocations, so this is taking a little bit of pressure out from the crude oil market and I would say particularly from certain heavy crudes that were the staple of the teapots. But more important than that is the fact that when we had a gas oil crisis back in 2018/2019, that was mainly due to the overproduction of these teapots that put a lot of diesel on the market and that does not seem to be happening, at least for the time being.

Also, an element which is important to underline is the structure of the market. We have a crude oil market which is strongly in backwardation. If we compare October to February – so a five-month period – on the ICE Brent there is almost a \$3 per barrel backwardation which is a significant amount of money, while if we look at the same mark on the ICE gasoline, there is actually a modest contango in the first three months and then a little bit of a drop in the forward curve going forward, but a very modest drop. So, there seems to be a definite market consensus. I'm imagining that there's going to be a rebound on the crack spreads, as has been largely anticipated by the market. So, we expect that the diesel cracks will be able to improve over the second part of the year.

Another element to keep in mind is very low freight rates. So, after the crazy things happening over the past months, I would say that freight is pretty low and this allows arbitragers and also is in the long term an advantage for a company like Saras, which is based in the middle of the Mediterranean. So, low freight rates tend to work positively for us.

If you look at the various crude grades, the picture also here looks pretty constructive. Without going into too much detail on the various graphs, if we look at Urals, which once again, I remind is the standard benchmark for medium sour grades in the Mediterranean. This has been firmly in the last six months in the area of a \$2 discount, which on a historical basis is a high discount because in 2017/18/19, it was more hovering around the zero level, going from plus 50 cents to minus 50 cents. So, this certainly is advantageous for us as being large sour buyers.

You can see this also reflected in the official selling price of Basrah, which is crude produced by Iraq. We use this also as just an indication. There was a very, very bullish attitude in the same period of last year that sent the OSP – the official selling price – of Basrah into positive territory, which had never happened before, wrecking margins during the summer of last year. And I would say also the autumn, in which we had a very, very negative period, and one of the reasons was the very high prices of these crudes – the relatively high prices of these crudes. These premiums have steadily been corrected by zonal. And we can say that probably now we are sort of back to a more normal type of scenario.



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Instead, if we look at the sweet crudes, and let's forget the Dalia for a moment, which is a niche crude. If we concentrate on Azeri, which is a very good benchmark, Azeri also has experienced periods of high volatility; so, with big swings from zero to one dollar still has maintained itself in a range which is much lower than the historical range, forgetting about the exceptional things happened during last year. So, if we compare it to two years ago, Azeri was trading more in the two-dollar range and today we're more in the 50 cent to one-dollar range. So, this is definitely more constructive.

And also, one item that I would underline is that as the absolute price of crude tends to inch up, this automatically brings pressure from the US grades, which are all light sweet grades. So, the light sweet grades in the Mediterranean tend to find a natural ceiling in the absolute price, which automatically calls in American grades to calm the effect of these prices.

If we look at the prices of distillates, these have steadily inched upward. The stocks of distillates have been slower to react than those of crude. So, crude has been empty. Crude stocks have been emptied much quicker than the product stocks. Remember that on products there is no OPEC that manages the market. So the market is managed by itself; therefore, it's slower to react. There has been a strong rise in the demand for automotive fuels. This has happened basically in all the developed countries. If I use the Italian data just as a benchmark: in June of 2021, automotive fuels have risen over 3% compared to the 2019 levels.

So there is higher rates of moving and this has called for, particularly for gasoline demand in Europe and the rest of the world. Of course, in order for refineries to meet the gasoline demand, there is also an implied diesel production, which comes into a negative moment in which diesel is oversupplied, particularly due to the fact that there's the overhang due to air travel – this is a negative spot. Air travel has still not rebounded anywhere near to pre-COVID levels. So this is still an area which is waiting for improvement in order to dry up a little bit of the excess middle distillate capacity. But cracks are definitely looking more supportive. And gasoline crack is at an historically high level and diesel, although disappointing, is still double compared to the same period of six months ago.

We have introduced – starting from the beginning of this year; this is the second quarter on which we present results in this manner – the new integrated Industrial and Marketing segment, which sums up all the oil-related activities of the Saras group and separates them squarely from the Renewable segment.

In the second quarter of 2021, our overall margin was \$4.5 per barrel, which implies a \$6 dollar premium to the EMC benchmark, which in this quarter was particularly negative. It was not the lowest in history, but the second lowest in history. So, a very negative quarter in terms of EMC benchmark, which also is a result of the way this benchmark is calculated. On this, we have been able to add \$6 per barrel, of which about 60 cents depend from the marketing channel, which means our activities of wholesale in Italy and Spain.

In the same period in the same quarter last year, recombining the results, we had an overall 7.3 margin with a premium on the EMC benchmark of 6.6. But this is strongly influenced by the fact since the



margin is, the EBITDA, divided by runs. In this quarter of last year, we had very low runs due to the COVID and due to the planned maintenance on FCC unit. So, this tends to push up the margin. So, I would say that the comparison is not fully appropriate.

So the result is higher than the guidance that we were giving, which was between 3.8 and 4.3. And later on, we'll make some comments on our updated guidance for the remainder of the year.

## Segment Reviews

### **1. Industrial and Marketing**

If we look at the various segments: crude runs in the first half of 2021 was 6.5 million tons, which is equal to about 28 million barrels, which means an average runs of 265,000 barrels per day, higher than what we achieved in the same period of last year, which was, as I said before, strongly affected by COVID and the turnaround of the FCC unit.

At the same time, we also said not only crude but feedstocks for about 400,000 tonnes in the same period, broadly in line with what we did last year.

Electricity production was 1.5 GW, significantly down compared to the same period of last year by about 26%. This was due to the fact that, as mentioned in other calls, we had some serious technical issues with two of our turbines – with one of our turbines and one of our gas compressors. The turbines and compressors are linked on the same. This implied a shutdown of two trains with significant maintenance work.

We were very pleased that after a lengthy analysis of the causes of this shutdown with the provider of the turbines that also provides for a maintenance contract for the last 20 years, it was recognised by the provider that the fault was a design fault in the units, for both the units. So, we will have probably a reimbursement in terms of costs, of direct costs, sustained for the repair of the units but it's unlikely that they will be able to attain anything for the indirect costs for those – so, for the loss of production.

Market conditions for the marketing have been positive. Overall, there has been a positive rebound of both the Spanish and the Italian market, which have grown with respect to pre-COVID level. Again, you have to distinguish between the automotive fuels and the overall fuel. Overall oil consumption has been down because that includes aviation fuels, while if you look at all the other fuels, there has been a positive impact. Our margin has been slightly lower this year compared to last year because the exceptionality of last year, with the wide swing in prices, created some very good conditions, particularly when the market was stronger in contango to take advantage of certain price structures in the market. So, our results were better in the last year than this year. But still, I would say, very good results considering the difficulties of the market.



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If we look at fixed cost, we've made a lot of progress in lowering fixed costs, but have been negatively offset by the increase in variable cost, which mainly are electricity and CO2. And also, the other variable costs are related to chemicals and to catalysts and other elements that are all one way or the other linked to energy and to the value of commodities, of metals and so forth, or things that have risen in a very, very significant manner over the last the last years.

Investments in the quarter were 33 million compared to 185 million in the same period of last year, which reflects the CapEx reduction plan and all the measures put in to mitigate costs.

With some of these things reflected in our slates, we have had a strong increase in – if we look at the semester – in the runs of light sweet crude. This is because we tried to maximise the runs through the FCC unit, which is our main gasoline producer, to take advantage of the structure of the market. And also, if we make the comparison with last year in which we had the FCC down, of course, we would have not been able to use a lot of light sweet crude. And at the same time, we've used much less medium and heavy crudes. And you can see that in our average API, which has moved from 33 to 34, and at the same time we see an increased percentage on the gasolines, and we are close to 30% gasoline production, which is a historical high for us. And we went down below the 50% mark on middle distillates, reflecting the weakness on the segment.

Very low sulphur fuel oil has been broadly positive, and our direct sales have increased in this segment. As a matter of fact, we had one lightering vessel when we started activities in October 2019. And now we already have two lightering vessels working full time and we think that we have been able to achieve more or less in 18 months' time, the maximum capacity currently that the port of Cagliari allows.

As a consequence, also of our different way of reporting, we – instead of reporting the TAR consumption, which is the feedstock for our power plant – we report the electricity production. And as I mentioned before, this has been lower due to these unexpected breakdowns in the past months.

If we look at costs, the same picture explained before, fixed costs have come down in an important manner. Variable costs have risen significantly because of the rise in price in Power and CO2 and all the other commodity-related prices.

## 2. Renewables

If we look at Renewables, we have a very positive picture here. In April, we finally signed the final agreements to purchase the new wind farm. That adds about 45 MW of installed capacity in the southern part of Sardinia. The overall EBITDA has been in the first half 10.4 million – significantly higher than that of last year, which was 3.3. This number that was affected by €3.5 million, which are linked to the acquisition of the wind farm. It's a financial result, more than an operational result. There's been an increase in production of about 4% compared to the same period of 2020, and a very significant increase in the sales tariff, which has increased by €36 per megawatt compared to the same period of last year, while the incentive component has increased by about €10 per MW.



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Investments in H1 have been €2.5 million and these have been mostly for the acquisition of this new wind farm and for the completion of the re-blading activities in our existing farm. The effect of that will be to increase, not the installed capacity – installed capacity will remain the same – but the efficiency of the plant will increase. So, we should be able to move, given constant wind conditions from about 270 GW of production to about 300. So a good 10% increase through the re-blade activity. The re-blading activity will be completed in the forthcoming months. It has been delayed because of COVID issues. Last year it was supposed to be completed sooner, but last year was put on hold for many months.

### Outlook

If we look at the forward picture, as mentioned before, the global mobility data shows a very constructive picture. I would say that this constructive picture is particularly pronounced in the Western world, in the US and in Europe. Of course, this picture is slightly different in the developing world and the developing world is important for us. For some of our products, this is one of our most important markets. But we are seeing a gradual rebound also in areas which are important for us, such as Africa and South America.

Aviation is the sore spot. There has been significant improvement compared to the same period of last year in which aeroplanes were basically all grounded. So, it's sort of easy to improve from that level. Still, we are at a distance, 40%/50% lower than pre-COVID levels. So, there's still some room to go, but there is a definite uptrend also in air traffic and we would expect in the next months to start normalising. Of course, the other big variable is the sanitary situation and the resumption of more meaningful traffic between the two sides of the Atlantic and to the other side of the world.

There is ample consensus that the global oil demand will return to the pre-pandemic levels in the second half of this year, and we have all indicators— So all products are moving positively and even jet is slowly creeping up. As a matter of fact, in 2022, there's an expectation that world oil demand will surpass the 100 million level mark.

So, we see a constructive picture looking forward. There is strong demand for the petrochemical sector. Diesel is gradually improving across the board, so we confirm our expectation of seeing a more constructive picture going forward from here to the end of the year. So, our programme is, we basically are maintaining our cost-saving programmes, which are accruing important results. We are revising our investment plan in 2021 because of the extra work that we've needed to do in the refinery to make payment fully operational. So, this has been increased from 55 to about 85. The 55 mark was a very, very challenging level to achieve.

We've had a very positive result from our agreements regarding the power cost reintegration framework and the fact that we are considered an essential provider of power in the island of Sardinia. And we have continuous recognition of this fact.



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We have decided, therefore, to raise our guidance regarding the premium on the benchmark from the 3.8 to 4.3 level, from 4.7 to 5.2, which includes the marketing segment, which is in the range of about 40 cents compared to the 30 cents of the previous guidance.

In our renewable sectors, we've had, as mentioned previously, the full definition of all the contractual issues regarding the acquisition of this new windfarm. This new wind farm is extremely attractive for us, not because of the wind farm – not only the wind farm per se, which is very close to our refinery and we will be able to optimise all the maintenance activities using our personnel and our artificial intelligence technique that we apply to the predictive maintenance in the wind sector – but also because we are in a very advanced stage regarding the authorisation process to install about 80 MW of photovoltaic power in the area, being able to use effectively the existing electrical grid. So, without the need of important investments in interconnecting to the existing power grid.

I already mentioned about the re-blading activities, which is ongoing and going to be completed shortly. There is a further 20 MW of wind, which is extremely likely. Of course, these projects are in the advanced permitting phase. I expect this phase to be over by the autumn. But of course, we are dependent on the authorities on this. But there is a positive attitude, both from local authorities and from the central authorities in Italy, which are promoting more strongly the realisation of renewable projects. So, our overall investment plan to reach the 500 MW mark by 2024 seems on track and we will continue to promote this.

In terms of our financial position, we are working strongly in order to be able to maintain the debt at the end of the year absolutely in line with that of the previous year and start to see significant improvements coming from next year.





## Questions and Answers

### **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 star and one on their touchtone telephone. To remove yourself from the question queue, please press star and two. Please pick up the receiver when asking questions. Anyone who has a question may press star and one at this time.

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

### **Alessandro Pozzi – Mediobanca**

Hi there. Good afternoon and thank you for taking my questions. The first one is on the EMC, clearly a big premium on the EMC, big premium in Q2. I was wondering what you think is the main increase that you've seen in the premium, which is the main factor supporting the increase in the premium in Q2 versus Q1? And as I look at the guidance, I believe the premium is likely to be coming down a bit from Q2. Is that what you're already seeing in July or are you just assuming reversions? That's my first question. Thank you.

### **Dario Scaffardi**

Thank you, Alessandro. First of all, we have always been prudent in giving guidance, so we prefer to be conservative a little bit. So, whether \$6 is going to be sustainable or not, I'm not quite sure. We would prefer to just give a more reasonable guidance. As a matter of fact, we are seeing encouraging signs, not discouraging signs. So, gasoline cracks continue to improve and diesel cracks, although disappointing, are still much better than what they were two or three months ago. And there is room to expect this trend to continue. And the market is strongly expecting, especially if I look at the forward cracks of diesel, that they are all much higher than the current levels. Whether this is going to be achieved or not, as you know very well, the oil markets have millions of variables in them. So, anything can disrupt. But the picture is looking reasonably conservative.

One of the components in the benchmark is certainly the profitability of the power production. We were probably a bit prudent in budgeting the contribution of this area. We were not entirely aware of how much the power that we produce is needed locally. And also, we underestimated how much the price would rebound. So, it has been a win/win situation for both of us and I would say also for the stability of the grid in Sardinia and the amount of compensation that we receive is basically much lower now than it was before, meaning that the power that we produce is much more in line with the power, with the average power price in the market.

### **Operator**

The next question is from Joshua Stone with Barclays. Please go ahead.



**Joshua Stone – Barclays**

Thanks, and good afternoon. I've got two questions, please. Firstly, it looks like the marketing business had a decent contribution in the quarter. Is that a volume effect or margins or both? Just if you could talk a little bit more about that and how sustainable you think it could be. And then secondly, I noticed that Russia proposed an export ban on gasoline. I was wondering if that has any impact on your business if it goes through? And just on that topic, what are you seeing in terms of competition from imports in the product market? Thank you.

**Dario Scaffardi**

Well, Josh, we didn't catch your first question. The line was a bit garbled, so let me answer to your second question, which we got, and then you will be able to repeat it. So, on the gasoline from Russia, the export ban, this is an interesting development because I think it testifies how the markets are all upside down in a way, because for years everybody has been investing money in order to convert refineries to produce middle distillates because gasoline was supposedly dead. And 10 years ago, we were saying that we have a refinery that was able to make a lot of diesel, and that's the only interesting thing; nobody wants gasoline anymore. And the picture has changed entirely.

We export from Europe the great majority of our gasoline because Europe is long on gasoline. You must remember that. So, Europe is a net exporter overall and we sell very small amounts into Europe. And we are seeing a large increase in demand and a lot of interest from all players in the market for gasoline, testifying that the majority of the traders are assuming that the gasoline market is going to be undersupplied also because all the new refineries that have been built in the Middle East are all middle distillate refineries. So, I think that the model that Saras has is a model which is very different, which is based on flexibility. And so, the fact that we are able to swing and produce 30% gasoline when the market requires it and move down, testifies that in a market that is so variable, you need to be flexible as much as possible – as much as technically possible.

Sorry about your first question – can you repeat that, please?

**Joshua Stone – Barclays**

My first question was on the marketing business; it seems to have had very good contribution in the quarter. Is that a volume effect or a margin effect? What's driving that?

**Dario Scaffardi**

No. Our marketing business has always been quite solid. We have two areas, which is Italy and Spain. In Italy we have about 4.5% of the market. And so, we are – apart from the large oil companies – we are the largest operator. And here it's just a question of policy. A couple of years ago, we have opened an office in Rome. We have decided to concentrate all our activities in Rome instead of our headquarters in Milan, because Rome and Italy are the centre for the local oil marketing activity. So, our people are



always very aggressive in price management and volume management and in trying to cultivate niches in the market. It is not really a volume effect. We've had an increase, but the increase is in single digits. Offhand I don't remember the number, but it would probably be a 2% or 3% increase. It is more a margin effect.

The picture in Spain is slightly different. There has been an improvement in Spain as well, but the market in Spain is a little bit more of a controlled market compared to the Italian market. So it's tightly and firmly in control of the major oil players in Spain. And one has only so much room. But also, there we try to use our flexibility with geographical arbitrages and using the flexibility that our refinery gives to take advantage of the fact that many Spanish ports are in the Mediterranean are actually closer to our refineries than they are to refineries in Spain.

**Joshua Stone – Barclays**

Great, thanks, Dario.

**Operator**

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

**Massimo Bonisoli – Equita Sim**

Good afternoon, Dario, Franco and Ilaria. A couple of clarifications. One on the increase of guidance on the premiums. Is it mainly coming from Power or maybe equally split between Power and Refining or more Refining? And the second is the higher guidance on premiums implies give or take €40 million more EBITDA for the second half than the previous guidance. Why the net financial position guidance is unchanged following the upgrade in premiums?

And the third, just a curiosity, if you have any thoughts on the Fit For 55 package on the slide at the end of your presentation?

**Dario Scaffardi**

Well, let me start with the last question, and the first two questions are difficult; I'll let Franco answer them. Well, the Fit For 55 is clearly an important development, not entirely unexpected. The implications naturally are huge for our sector. They have been closely monitored by two organisations. We are members of both. In Italy there's an organisation called UNEM, which previously was called Unione Petrolifera, and at the European level, we have Fuels Europe. There has been in the last two years a lot of interactions with the commission. And I would say that the commission has rejected 100% of the suggestions – well, maybe 99%. I mean, I have a colleague here that says not exactly – maybe 99% of the suggestions.



So basically, the idea is that refineries should not have allocations. So entirely responsible for their CO<sub>2</sub> emissions. Or better, let's say that there's supposed to be a mechanism to review these allocations. And this is something which potentially is extremely worrying because it would put a European refinery, particularly a refinery which is at the export level, at an extreme and ungappable disadvantage compared to a refinery which is not based in Europe. So, let's remember that the only area that has— And already today, we are paying significant amounts for CO<sub>2</sub> allocations in Europe. And the Russian refinery, the Saudi Arabian refinery, the Egyptian refinery, the Turkish refinery or any other refinery in the world, apart from those maybe in California does not have to pay this. So, it would be a significant disadvantage.

Of course, the procedure at the moment is long in the sense the commission makes its recommendations, they are supposed to go to the parliament. And there's a process which is probably going to be completed in a couple of years' time. So many things can change. But there is no doubt that there is beneficial comments, both from Fuels Europe and from UNEM asking for in meetings with the government and underlying the fact that we would be put in a severe disadvantage compared to other operators.

So this has always been an issue with our field, with our area of business, being able to play on a level field. The only thing that we are asking for is that the rules are the same for everybody, which they are not. In this area and in other areas, which, of course, are maybe a little bit more subtle and more difficult to a pinpoint and also more difficult to address.

One of the ways that they would imagine to correct this is with this proposed mechanism of tax for the imports, which might be a good idea, I don't know. I mean, it's a question of policy. But of course, if you are mainly exporting your products, you have no interest in the fact that somebody else's imports are taxed. So, it might be beneficial to certain operators and not to others. This just means that there are very different ways to look at this, depending if you are an export refinery, if you are an internal refinery. So it might impact in a very difficult manner. I think that these issues will need to be addressed and we will be extremely vocal in addressing our issues, of course.

### **Franco Balsamo**

Massimo, in order to answer your first question related to the increase of guidance. Of course, it's the combination of increase of profitability in the Power as well to the essentiality reimbursement of cost, and also a combination in margin of refining. We now are expecting this current full quarter to be in line with the second and the last part of the year, we will be in a position to take additional benefits. So that's the main reason the increase in guidance. Also, a part of the assumption is that part of this improvement is already consolidated into the first half account.

The reason why the working capital: so, if we compare our previous guidance with the actual, you have to consider we have an increase in CapEx as Dario explained before – it's about €40 million and in any case, we are expecting an increase in receivables to the electrical authority for the reimbursement of the cost related to the essentiality that will become cash in the first part of the next year. In addition, most part of the benefit driven by the increase of the commodities should improve in the working capital has



already been factored into the first part of the year. So, probably in the next month, we are going to realise a lower generation of cash. For the reason, the net financial position will be in line with the previous guidance and we are expecting to reach final indebtedness slightly lower than the net financial position at the beginning of the year.

Very helpful, thank you.

### **Operator**

The next question is from Henri Patricot with UBS. Please go ahead.

### **Henri Patricot – UBS**

Yes, everyone, thank you for the presentation. Three questions, please: The first one, I was wondering if there is any chance you can give us a rough split of the industrial EBITDA between Refining and PowerGen? And secondly, I wanted to follow up on comments you just made around the receivables from the essentiality regime. Can you clarify the timing of these payments and how much would you expect to get for each of these payments? And then finally, I want to check the CapEx for the Renewables segment for 2021, organic CapEx, excluding the acquisition you just closed. Thank you.

### **Franco Balsamo**

Your first question related to the split between Refining and Power, we are not now in a position to replace this segment of the presentation like last year, because last year the Power was strictly related to the CIP6 contract. Now, the Power activity is fully correlated and integrated into the Refining activities and for this reason, the split between Power and Refinery is not anymore.

### **Dario Scaffardi**

Basically, the reason why we have changed the way we are presenting. We have stressed for many, many years that Power and Refining were totally related one to the other. And finally, we have been able to fulfil a promise of giving just one representation.

### **Franco Balsamo**

In terms of credit receivables for the essentially, we can say that the variable cost are paid more or less 60 days after the calculation and the issuance of the invoice and the fixed costs are paid with a quarter of delay. So, most of that will be paid at the beginning of the new year. So that's the main reason of part of the deterioration of the net financial position we are in. But of course, will be recovered in the coming quarter at the new year.

### **Dario Scaffardi**

Henri also had a question on CapEx.



**Franco Balsamo**

The total forecast in terms of CapEx is €85 million, due to the fact that it includes six months of 50/54€M.

**Dario Scaffardi**

Also, because it's been front-loaded in terms of CapEx during the year. So, it's been more in the first part of the year than in the second.

**Franco Balsamo**

The whole year will be €85 million.

**Henri Patricot – UBS**

Okay, that is for Industrial and Marketing only if I understood correctly. I was just asking about the additional CapEx for the Renewables segment?

**Franco Balsamo**

For the Renewables, the CapEx is not included in these positions, because we expect the outflows in the next year. So, the programme is to get authorisation within this year and proceed with the outflows at the beginning of the new year.

**Dario Scaffardi**

But we'll see how to finance this, of course, because once we have the authorisation in place, it's a different game and many options exist. So, our 80 MW of SV will be in the range of €50/60 million of investment. And the wind, I would say something like 15 to 20, probably; it's generally about 800 to one million per MW. Once we have firmly in place the authorisation, we'll see how to finance that part, which we want to keep separate from the Refining business, of course.

**Henri Patricot – UBS**

Okay. Thank you.

**Operator**

As a reminder, if you wish to register for a question, please press star and one on your telephone. Once again, if you wish to ask a question, please press star and one on your telephone. Gentlemen, there are no more questions registered at this time.

**Ilaria Candotti**

If there are no more questions, we are available as usual to answer to any further questions you may have after this conference. We wish you a good rest of the day.



## First Half 2021 results

### **Dario Scaffardi**

Thank you very much and enjoy your summer, or whatever remains of the summer.

### **Operator**

The conference is now over. You may disconnect your telephones.