Saras S.p.A

"First Quarter 2022 Results Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Saras First Quarter 2022 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 Ilaria Candotti, Head of Investor Relations. Please go ahead, madam.

ILARIA CANDOTTI: Good afternoon, everybody, and thank you for joining us today for this conference call. Before starting with the agenda, I would like to remind you that as usual, the investor presentation and the press release on Q1, 2022 results are available on the IR section of our website.

I am here with Dario Scaffardi, CEO and General Manager, and the CFO of Saras Group, Mr. Franco Balsamo.

Today, the agenda will mainly cover the Q1, 2022 results. Dario will start the presentation with the highlight of the quarter including an overview on the current world scenario. Afterwards we will provide a description of the new refining benchmark that's starting by today replace the previous one, which has become no longer representative in particular from the end of February this year. Like the old EMC Benchmark, the new one name is EMC Reference Margin is calculated by EMC energy market consultant and will be published on a weekly basis on the Saras website.

At this point, we will have the usual slides dedicated to the segment results. To conclude, Dario will explain the outlook of the group for the year. At the end, there will be the usual Q&A session.

At this time, I would like to handover to Dario.

DARIO SCAFFARDI: Good afternoon, Ilaria, good afternoon, ladies and gentlemen. Thank you for joining us today. It's been a exceptional quarter for the oil markets in general, and a very positive quarter for Saras in particular. The reported EBITDA is up from €27 million in Q1, '21 to €156 million and comparable EBITDA is something similar. I think that the main reasons between the differences between reported and comparable all due to inventory accounting and we will explain a little bit more in detail what happened to the inventory with the wide swing in prices during the Q&A which Franco can answer your questions in a little bit more detail.

The net financial position is more or less similar. This quarter has been really exceptional for a variety of reasons, first of all, for the political events which we all know, for the extreme volatility in prices and I would say, from the extreme volatility in market differentials which has touched levels never seen before in history. And also…for Saras, this has been a challenging quarter, because the Port of Sarroch where we are based, has been closed for almost 20 days during the month of March, something that has been basically unprecedented, and this has contributed creating a buildup of inventory which has been offloaded during the first part of April, though even the beginning of April was still challenging, but then we were able to normalize during the month.

If we go directly into the market, we have seen an extreme volatility in the price of Brent, which has touched $130, but I would like to underline that maybe the most extreme effect has been on the differentials, both the intra month differentials and the dated frontline differentials, so what is called EFL different between first line of the futures market and the dated market. This has shown some very, very extreme swings. This has also created a intense liquidity problems to all the trading activity, as a matter of fact has dampened trading because it has made extremely difficult to carry positions forward, with backwardations of $300 which have been touched during the expiry of the March contract during mid-March, which was again something absolutely unprecedented.

If you look at crude differentials, on specific grades the issue on euro, of course, stands out, euros have traded historically for years at range between, let's say, minus 2 to plus 2, it was always in this range, was considered still a lot of volatility because $4 used to be a wide volatility until the new normal came in and the euros differential collapsed to $30, $35. This has created a whole series of problems.

First of all, as Ilaria was mentioning, we had to review our benchmark, our benchmark which was based on the average between Brent and euros became meaningless in these conditions, so we used also this moment to reassess the way the benchmark is construed, in the next slides, we will explain in a little bit of more detail.

Surprisingly, one could have expected that the differentials for Sarroch could have strengthened due to the unavailability of euros, because many Europeans and Americans, of course, have decided not to use euros, although there is no specific European ban on the use of Russian oil of products, at least for the time being.

Surprisingly enough, after a moment of…in which the markets realigned, the pressure put on the Middle Eastern crudes from the entrance of Urals into the Eastern market, which was something which they were not accustomed to, has eased the sour differentials, and in reality, today the big challenge is more on the sweet crudes for a variety of reasons, one there is pressure on crudes coming out of the Black Sea. Secondly, there's been extensive issues with supplies from Libya altered a high demand of incremental sweet barrels because incremental [indiscernible] of majority refineries needs to be sweet because they cannot handle sour since the production of fuel oil would not find homes.

So, refineries are running due to the high margin scenario at maximum capacities, and so incremental was the sweet crude, so this was the reason why the premiums for sweet crude have become extremely robust, but the margins have been able to accommodate the strength of the differentials.

Distillate prices and cracks again has shown incredible performances. We see in the Urals the crack hit $30bl which is something absolutely unprecedented. In the summer of 2019, in a scenario in which the market was strong and there was a stronger expectation of a robust market due to the influence of the IMO and so forth, all things that at the moment now seem…seem like ancient history, cracks were below $20 and consider they were $17, $18 and were considered to be extremely strong.

So, by any means today's cracks are absolutely unprecedented and it's created a very favorable scenario for refining, this is due to the fact that as usual and as we have seen many, many times in the past, the refining overcapacity has been over estimated. So, yes, there might have been a little bit of overcapacity, but this overcapacity has been streamlined over the years. And the fact that Russian refining capacity, which is important for

Europe is, let's say, partially offline as an effect of the political situation has had an extreme impact on a market that was also recovering and strengthening due to the economic rebound post-COVID-19.

So, the outlook remains strong also, gasoline has benefited from this situation. There has been an extreme demand in the United States, for instance the United States has tried to take full advantage of the scenario and has run flat out on refining capacity. Now they have become sort of short of products and we see a reverse of the US market trying to buy diesel to restock its system.

The sour point, which started in the second part of 2021 is the high cost of power directly linked to the gas prices. This has soured the results for us in the second part of 2021, which from an oil point of view would have been a relatively decent period where would it not have been for the very high gas and subsequent power prices and, of course, also the very high CO2 prices, the current scenario of very high cracks and compensates for the higher cost of electricity, which…what must be remembered is still lower than the spikes that we had in the autumn of 2021, well before the war. So the high gas price and the high electricity price has nothing to do directly with the current scenario between Ukraine and Russia.

The new EMC reference margin is basically an upgrade of the existing benchmark. We have modified the yields in order to taking into account basically an average of the Saras's average yields for a 5-year period, excluding, of course, 2020 because it was a very abnormal year. So, the current yield pattern that we are using for the new EMC reference margin are in line with Saras's average yields.

We have updated the margin to take into account the price…the variable price for the electricity and CO2. This was not accounted for before because the price of power was…tended to be extremely stable and it was accounted in the fixed cost. So, it was not accounted as a variable cost, although it was a variable cost. But since the fluctuations were relatively modest, compared at least to the oil quotations, it had been considered as fixed. In today's market, this is no longer actual, so it needed to be updated, and at the same time CO2 would need to be taken in accounts as it has become so relevant. And of course, it uses 100% Brent as a feedstock. We believe that this margin has the advantage of being simple and immediate, hopefully, it will be able to operate for the next couple of years without needing any significant correction and provide an adequate benchmark on which we could measure the performances, of our company.

Here, we have a little bit of historic analysis on the 2 benchmarks. Clearly, if you look at from 2017 to 2021, the differences were extremely modest and had mainly to do with the relative value of products as the yields changed. And where we start to see a divergence is in 2021 with…mainly with the power prices. And then, of course, we've seen in the very last period due to the exceptional occurrences on the Urals market.

This is the usual graph that we've always presented with Saras's performance relative to the benchmark. In this quarter, it's 8.4 considering all the affects. If we look into the various segments, look at, first of all, industrial marketing, the scenario contributed positively by €136 million. This effect was offset partially by the refinery maintenance that had been programmed, in the first part of the year we had the maintenance for 2022 was frontloaded.

So, it was concentrated mainly in February, March, and April. And this is proving to be a good choice. But it has impact partially in the quarter, since we were not able to capture all the market that was present in March. Significant effect has been the weather, this has created extreme inventory build ups and which we can see, and which Franco will explain. The steep backwardation in the market, so the difference between first and second month has created big challenges, you know in the trading environment in general and in all of the structures too for hedging due to the extreme occurrences during the roll over between months when the future's contracts expire.

Also, the volatility on the supply side, the shock coming from not being able having our company chosen not to rely anymore on the Russian market, which was not particularly important for us even in the past, since whenever purchased much Urals, but still the indirect domino effects coming from this have been significant.

If we look at crude oil slate and production, as we mentioned many times on a quarterly basis, this is something which is not particularly significant. So, if we look at Q1 compared to Q1 '21, the differences are significant, but they are mainly due to programming issues rather than choices.

Clearly, maximum throughput of middle distillates and also of light distillates because not only has gas holding strong but also gasoline has been quite strong. So, I would say that here it is more a question of reacting to the market and similar crudes were actually available and maximizing runs. There has been a paradigm shift in the way the refinery is managed from a management situation in which the focus was on cost, on finding the optimum crude has been shifted to being able to maximize runs taking maximum benefit of the market conditions. And renewables have been extremely positive, we have benefited both from the higher power prices and from the new wind farms that have been able compared quarter-against-quarter of last year to be fully operational.

In the month of March, a decree by the Italian government kept the returns on renewables at a relatively low number, that took the average power price of 2021. And so, the returns on renewables capped at €61 or €62 per megawatt. So, this was the main reason why results have been not in line with what they could have been, if the full benefits of power prices had been achieved.

The outlook for 2022 today is extremely different from what we were facing in the previous months. First of all, it needs to be noticed that the Russian, Ukrainian war has completely disrupted usual supply patterns. So there are new flows of crude unprecedented like large quantities of Russian crude that ended up in India. Larger quantities of Middle Eastern crude ending up in Europe in order to compensate this effect, but the most severe effect is on oil products. The Russian refining system was near supply mainly Europe with a high-quality diesel. And this being…this mechanism is being challenged. It cannot easily be readjusted because the main importer of diesel in the world is Europe and if Europe decides not to use Russian diesel, it will be demanding and challenging for Russian diesel to find alternative homes, not impossible, but certainly demanding. So it would be reasonable to assume that a not irrelevant quantity of Russian refining system will become offline.

One effect that we have today is already on fuel oils. The US has banned the import of Russian products and the US was the main purchaser of Russian heavy fuels meaning straight run fuels crack, fuel oils…gas oils and others feed stocks, which were used quite strongly by the American refining market. So that is a first effect. That has altered some of the usual patterns and just made the US partially short of oil products notwithstanding the fact that they've been strong exporters.

The economic recovery, which started last year and has continued and shown a strong physical demand for diesel gasoline and also for jet fuel, notwithstanding the fact that air traffic is still not back to normal, but there is a very strong demand for jet for instance, and you can see this effect that the jet prices have soared compared to diesel. We have maintained our OPEX and CAPEX program that were already announced. There will be a slight increase compared to last year's taking into account all the things that were put back in the previous 2 years. But apart from that there was no significant increase in our CAPEX plan.

Runs in 2022 will be maximized as much as physically possible to benefit fully from the scenario. We expect on average a premium of something between $6 and $7 on the new EMC reference margin, with a strong performance also from the marketing channel, $0.5 a barrel is coming from that area. Marketing margins both in Italy and Spain have been quite strong.

And we are fully committed to our renewable program. As mentioned in our previous call, we have received in February, the authorization for the installation of an 80 megawatts solar farm in the south of Sardinia using the facilities of the wind farm that we have…the electric facilities of the wind farm that we have there. The authorization process in the island of Sardinia seems to be slowly accelerating, thanks to the new decrees approved by the central government in Italy, which has committed itself to streamline the process, although the full effects of this still need to be assessed because there's been a lot of positive vibes, but the actual facts still lag a little bit, but it is reasonable to expect an acceleration of this process. So our target of 500 megawatts of installed renewable capacity for 2025 is on track. The EMC reference margin is showing a very strong performance for the balance of 2022.

And I would say that wraps it up and we are ready to accept your questions where we can clarify the various points.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their telephone, to remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time. One moment for the first question.

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

ALESSANDRO POZZI: Good afternoon. Thank you for taking my questions. I have a few. The first one is on EBITDA guidance. Clearly, it's going to be very difficult to predict what the EBITDA for Saras is going to be in 2022, given what the tax spreads have done, but probably, we can try to attempt to understand, what is going to be in Q2. When I look consensus for EBITDA for the full year, it's around €300 million but probably that is something that you can do just in Q2. So I was wondering whether €300 million to €400 million EBITDA is the right number that we can use for Q2.

And then just as a follow on, as I said, probably, very difficult to quantify the EBITDA, but certainly, you will have a lot more capital this year. So how should we think about capital allocation? Do you have preference to reduce debt, to increase dividend or increase CAPEX? Which one I think is the priority at the moment? Thank you.

DARIO SCAFFARDI: Thank you, Alessandro. Well, on the term of capital allocation, let me say that, as we mentioned before, we do not have any problems for capital increase in the refining sector. Our refinery is already…has all the equipment in place to face the next decade. So apart from slight increase in operational CAPEX, let me call in that way for things that were cut back in the previous years in order to straighten out certain financial issues, we will not have any significant increase. While the majority of our investments will remain in the renewable sector, of course, we have to finance the 80 megawatt solar farm, and the other projects which hopefully will find their approval in this year or the beginning of next year. So CAPEX is in this area basically.

In terms of the financial structure, this is something that, of course, needs to be assessed and once certain trends are really consolidated, and we will make an assessment. On this maybe Franco, in the meantime, of course, you probably read that we are able to secure an important financing guaranteed by SACE which has altered our debt structure, but maybe Franco can give a little bit more detail on this.

FRANCO BALSAMO: With regard to your first question on the EBITDA guidance for Q2: as you said before, it's very difficult too foresee the evolution of this high level of margins. So, our approach is to evaluate the cash flow generated by the business quarter-by-quarter. This Q2 could be extremely positive: as indicated in this chart the reference margin for the first 40 days is about 16 $/bl and if you take the current reference date, it is more or less in line. And if you add our premium on the margin that is $6, and you take into consideration that our runs are €26 million, the expectation on the Q2 EBTIDA is extremely positive, a material amount. And part of this margin should be also cash flow for the company due to the expected stability of the oil prices.

In term of finance, Dario said before, we have just obtained a 6-year loan facility, of €312 million from 3 main Italian banks which is guaranteed at 70% by SACE. The maturity is roughly 6 year and there are 3 years of grace of this period. Costs are in line with the market, nothing particular to be underlined. The new loan will be drawn in the next couple of weeks and utilization of funds will be the repayment in advance of the private placement bonds expiring in the month of December this year, plus other €50 million of another loan that is expiring in the year 2023. Having said that, the average maturity of this loan is about 5 years, and this is an important transaction to stabilize the long-term debt structure of the company.

ALESSANDRO POZZI: Okay. I guess if we think about the dividend for 2022, should we still think about a 40% to 60% potential payout?

FRANCO BALSAMO: The dividend policy is still in place…

DARIO SCAFFARDI IT HASN'T changed.

FRANCO BALSAMO: Yes.

ALESSANDRO POZZI: Doesn't change…okay. That's clear. And then maybe just a last one on your comment about diesel. I think it's probably fairly probably easier to reroute the crude oil flow from Russia to India, but it's more difficult for diesel. So that's probably likely to translate into a structural higher price for diesel in Europe, and I was wondering what you think this structural difference will be, i.e., what is the extra cost for Europe to import diesel from other geographies like Middle East and the US compared to Russia for example.

DARIO SCAFFARDI: It's an imbalance that needs to be covered; you know. As we have mentioned before, crude is easier to balance, of course, it's not that these things are free. These things are not free. So, you have Russian crude that is going to India and Middle Eastern crude is going to Europe. You're going to use up more vessels which were slightly long before the crisis and now, of course they have become short, because before vessel was used on a voyage for Russian crude from Russian port to Europe for let's say 15 days, and now it's 45 days. So you need 2 times the number of vessels to do the same amount of transportation.

So there is a structural rise in costs, which is…which the consumers in Europe basically have to have to go worldwide. Will the Middle East refiners be able to make up for the shortfall in Russian barrels? Partially yes, over time, but only partially I think, not totally, we have a market which is growing also in the Middle Eastern area. And at the time, there is only a new refinery coming on stream in Kuwait, which has been continuously postponed, but I think that in 2023, should come online, it's the newest 20,000b/d refinery.

So apart from that, there is no major investment. And there are a couple of million barrels a day of refining capacity, which has disappeared from the US and from Europe. So, there was reason to believe that the diesel crack will remain strong under these conditions, unless something different happens with Russia and some sort of agreement is found. And this I'm not able to predict of course.

ALESSANDRO POZZI: Do you think the new balancing price will be more likely in the 30s, 40s or lower for diesel cracks.

DARIO SCAFFARDI: Thank you. Making predictions on the oil market, as well as the extremely risky one tends to look like a fool. So, I prefer to abstain from making predictions, but one would imagine that sustained double-digit with number starting maybe with the higher than 2 are reasonable.

ALESSANDRO POZZI: Alright. Thank you very much.

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

NICCOLÒ STORER: Good afternoon. Thanks for taking my questions. So the first one is on your new EMC Benchmark, and the premium your guided for. So basically, its right to assume that considering the changes you made in the EMC Benchmark. Now, your premium net of marketing and your power gen basically reflects only the different crude slate or am I missing something?

The second one is on tax windfall. We have been reading a lot about this possibility. And apparently, you could qualify for being taxed. So what's been your understanding about that? What should we expect?

And the last one, on working capital movements in the quarter, we have had this €120 million cash absorption. I assume is due to the fact you were mentioning about difficulties to float stocks. So is that right? And should we expect the full reversal in Q2, and then stability going forward? Thank you.

DARIO SCAFFARDI: Thank you, Niccolò. On the benchmark, yes, the benchmark is a little bit more in line with Saras's performance, the main differences to the benchmark are, of course, crude slate, and the prices paid for the crudes, then, of course, you have another effect that benchmark is not accounted for, which are the premiums in which products are sold onto the market. One thing that we did not mention before is that, together with the extreme swings that we saw on the futures price on the dated front line for instance and so forth. There has been an extreme volatility also on the premium market.

So just to give an example, diesel used to be traded at transportation plus a couple of dollars, and when the market was weak it was maybe minus $1and when the market was strong, it was maybe $3 premium, we have seen premiums of $40, $45. So of course, EMC Benchmark does not take into account this effect. So I would say that these 2 things are the main drivers behind the premium over the benchmark, as you pointed out.

On the windfall tax, that's something that we are assessing, it's not easy to calculate, because there are many different assumptions. But I think that Franco here can be a little bit more precise and myself on this issue…

FRANCO BALSAMO: The impact is still under evaluation: the decree will be converted in Law the coming weeks, and this is the main reason why we didn't include these costs in our Q1 results. So, I hope to be more precise once we'll have defined the magnitude of the rat, if at 10% rather than 25%, and the perimeter of calculation, if we would be including also the month of April rather than taking consideration only the quarter ending March.

In term of working capital, you are right most of the negative effect is due to the economic effect of the bad weather conditions as Dario said before, because the port was closed for roughly 3 weeks. And this has generated a negative effect on supplies that is increased about €340 million, we had a lot of crude oil on the water, that has implied lower runs. At the same times we are €380 million of higher value of inventories. And at the same time, the lower sales generated €110 million increase in inventories. Most of these effects are captured in this quarter.

NICCOLÒ STORER: Perfect, thank you. Thank you.

FRANCO BALSAMO: Thank you.

OPERATOR: The next question is from Joshua Stone of Barclays. Please go ahead.

JOSHUA STONE: Thank you and good afternoon. I had 2 questions, please. You showed an interest in [indiscernible] your EMC Benchmark got probably about $20. I think it looks like at the end of April. So, I was wondering if you can talk about what your sort of captured rates of that has been, you know recently as we got this $7bl premium, but what's the sort of recent number than during the end of April, when you got sort of $20. So were you doing $27 or more than that or less than that?

And then, on my second question, you've talked about for the sustained double-digit refining margin. May you just comment about what you see the biggest risks to that are? Is it the supply side risks? Then there's quite a lot of refineries offline for maintenance. Or is that…is that not an issue? Or is it mostly on the demand side now? Thank you.

DARIO SCAFFARDI: Well, Joshua, thank you. On the EMC margin, I would say that we have been able to capture a large part of that number basically. We have seen sustained high margins at the EMC level, but also in terms of premium for the reasons I explained before have been sustained and quite high.

On the threat, there are always threats in this market clearly. First of all, it's the demand destruction. The sustained high prices could have a negative impact on demand. In Italy, at least this has been dampened by the fact that there have been special provisions for which the windfall tax has been put in place because there has been a discount of…if I remember correctly, of€0.30, a liter on the excise, which is a very sizable amount. To my knowledge, it's the highest number in Europe. I mean, I know that in France, they did something similar. It was $0.12. So this is going to expire in the beginning of July, and if nothing happens, and the price remains the same, that means that the price per liter goes from €1.18, €2.83, which is today €2.12. The two-arrow mark tends to be a psychological level for…for consumers, after which we see a little bit of demand destruction, but every time it is different. So, that is the first worry.

The second word is crude supply. We were hoping that the situation in Libya was sort of stabilized, which instead is not happening. As a matter of fact, if anything, it has become more volatile in the last weeks with all 4 of the major ports in Libya closed for political reasons because of…not because of material fighting, but of issues on the way proceeds should be allocated and so forth. So, luckily, there is no fighting but the net effect from our point of view tends to be the same. So, we keep on hoping to see respite from Libya, which doesn't happen. We're also sort of hoping to see Iran coming back into the scene. This up to now has not happened and I wonder if it will. I have…there are some optimistic signs coming out of the Persian Gulf but I'm not sure if this is wishful thinking or hard facts.

On the other hand, of course, there is the fact that all refineries are trying to maximize their runs taken into…to profit from the situation. There will be a little bit of imbalance on the products coming out. So, I think there are limits on which this can be…can happen. I think it's going to be very interesting to see what's going to happen in the American market, because of the fact that all of a sudden, the US has needed to import significant amounts of gasoline to face it's the season, it's something which is altering the normal flows. So, you probably have two tier market in the US where there are operators who are trying to cash in on the European refining margin at the same time lowering the stocks in the US market, which is creating the situation which we have today.

And the other wildcard is China. China has prohibited the export of oil products. Refining margins in China are not particularly exciting at the moment. So, this could actually benefit us because it would put a little bit more crude available in the market. But this again is something that needs to be seen. So, as usual, a lot of uncertainties over which we try to navigate.

JOSHUA STONE: Thank you.

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

MASSIMO BONISOLI: Thank you and good afternoon. 2 questions. One is the average crack for diesel and gasoline in May. If I'm not wrong, there was a stabilization of diesel crack at very high level, whereas gasoline improved the stability over the past few days. I'm curious to understand from you your view on these effects. If this is coming, as you partly explained before, from the catch up [technical difficulty] utilization in Europe, and the rest of the world. The second question is also, I would like to understand from you how you are managing the eventual supply short…vessel shortage you mentioned earlier, so if you are booking vessels for crude and refined products on a mid-to-long-term basis?

DARIO SCAFFARDI: Well on your second question, yes, we…clearly, the way we are construing our book today is different from what's some months ago. I'm not saying that we are not…not careful, but the pressure to maximize runs and try to cash in overcomes the niceties of tweaking the program for the small amounts. So, it's more a question of just running molecules in order to cash in the high differential rather than making more subtle optimizations within the refinery slate, which we still do, of course. I'm just saying that the focus is slightly different. On the cracks, we've seen the cracks on these will have come back a little bit, but they have come back from an incredible level to be honest.

And keep in mind that what we are…we have seen…we are seeing today $38, $39, in other markets they're seeing higher levels. If you think of the Indian market, the Indians are buying Urals at extreme discounts and selling the diesel back to the Europeans at very high premium. So, their margin is actually their practice. If there was an India crack, it would be a higher crack than what we know…what we've seen. The gasoline is…the strength of gasoline is based on the fact that the US has come in, in a very significant manner to buy gasoline. So, there was a shortage of gasoline in the US. As a matter of fact, all our gasoline tends to go into the Caribbean and LATAM areas because of the shortage that there is there, to the point that there is almost a shortage of gasoline in Europe.

MASSIMO BONISOLI: Okay. Thank you.

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

ILARIA CANDOTTI: Okay. So, if there are no more questions, thank you all for being with us this afternoon and if you might have any further questions mailed-in, I mean we are able to answer anytime. So, have a good afternoon. Bye-bye.

DARIO SCAFFARDI: Good afternoon. Thanks.

FRANCO BALSAMO: Good afternoon.