



SARAS

Business Plan 2008-2011 and outline for 2012+
Progressing towards a zero fuel oil refinery

London
24th June 2008





Certain statements contained in this presentation are based on the belief of the Company, as well as factual assumptions made by any information available to the Company. In particular, forward-looking statements concerning the Company's future results of operations, financial condition, business strategies, plans and objectives, are forecasts and quantitative targets that involve known and unknown risks, uncertainties and other important factors that could cause the actual results and condition of the Company to differ materially from that expressed by such statements.

AGENDA

+ **Vision and Strategic goals**

Dario Scaffardi

+ **Refining market outlook**

Giuseppe Citterio

+ **Organic growth strategy**

Giuseppe Citterio, Antioco Mario Gregu
Domenico Bruzzone

+ **Financials**

Corrado Costanzo

+ **Final remarks**

Dario Scaffardi



Vision and Strategic goals

VISION

- To be a leading world class refiner through sustainable technological excellence

STRATEGIC GOALS

- Prioritize organic growth in our core business, moving towards a **“ZERO FUEL OIL”** configuration
- Selective growth in marketing & renewables
- Maintain top of the industry return on investment



AGENDA

+ **Vision and Strategic goals**

– **Refining market outlook**

- Oil products demand growth
- Middle distillates will continue to be leading fuels
- Limited growth for gasoline
- Declining demand and changing specifications for fuel oil
- Supply: high entry barriers
- Supply/demand balance
- Reference Market Scenario

+ **Organic growth strategy**

+ **Financials**

+ **Final remarks**

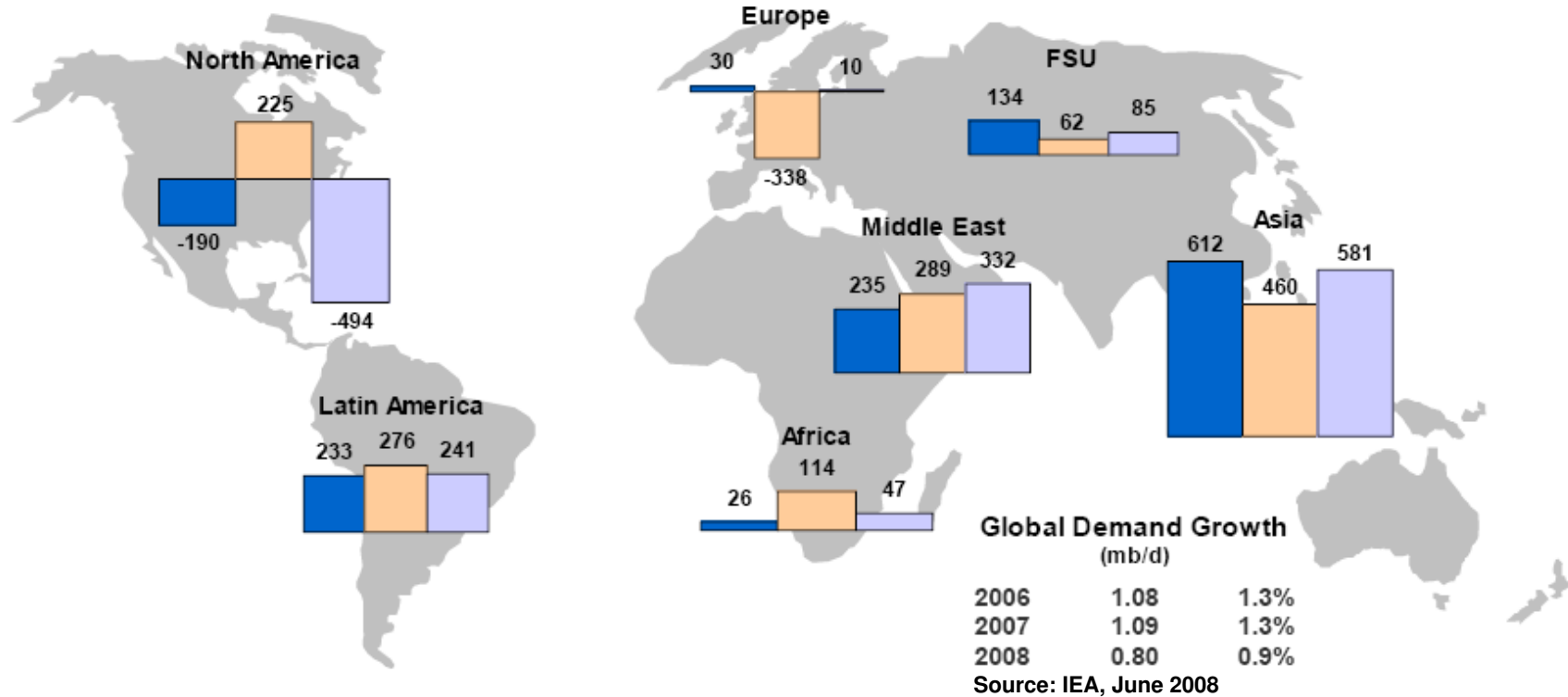


OIL PRODUCTS DEMAND GROWTH

- Developing economies currently drive growth of global product demand
- Individual products demand growth remains the key issue, due to diverging trends

Global Demand Growth 2006/2007/2008

Thousand barrels per day

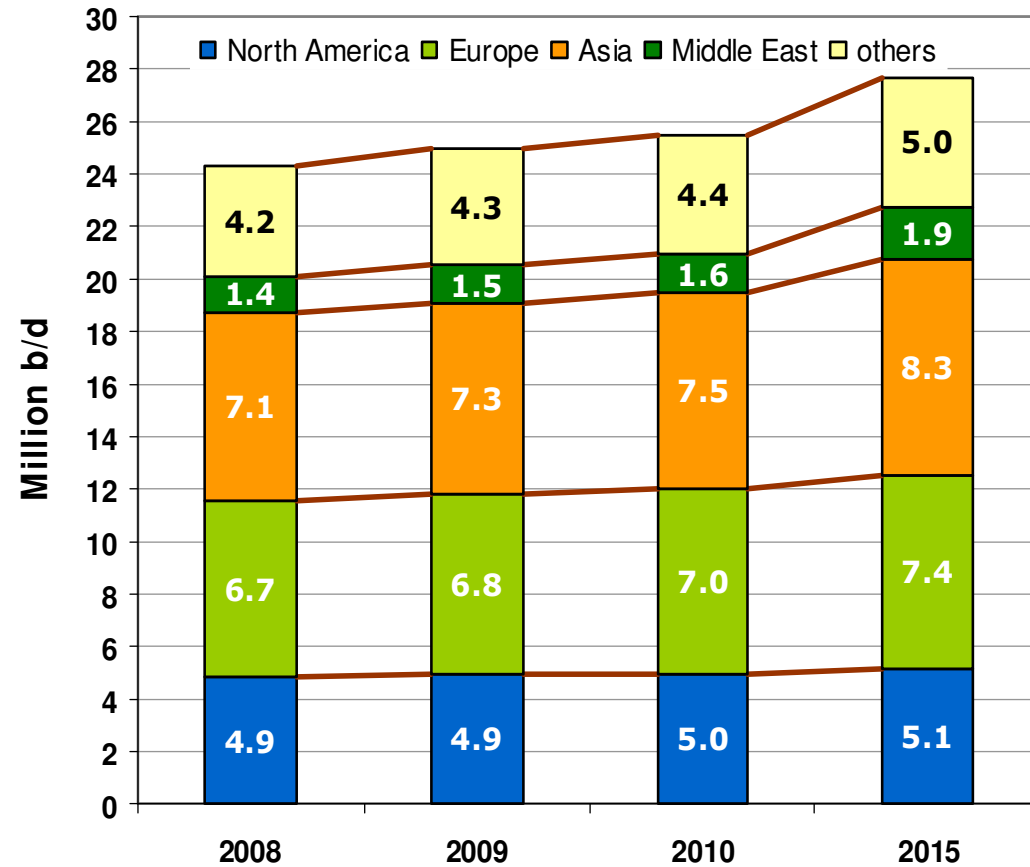




MIDDLE DISTILLATES WILL CONTINUE TO BE THE LEADING FUELS

- **Diesel is primary transportation fuel**
 - ✓ commercial use key driver
 - ✓ private cars in Europe
 - ✓ greater fuel efficiency
 - ✓ more stringent CO₂ emissions targets
- **Jet for aviation is growing**
- **Gasoil is an important power source in emerging economies**
- **Shipping industry will progressively switch from bunker fuel oil to gasoil**

Middle Distillates demand forecast
source EMC World Refining Outlook, 2007



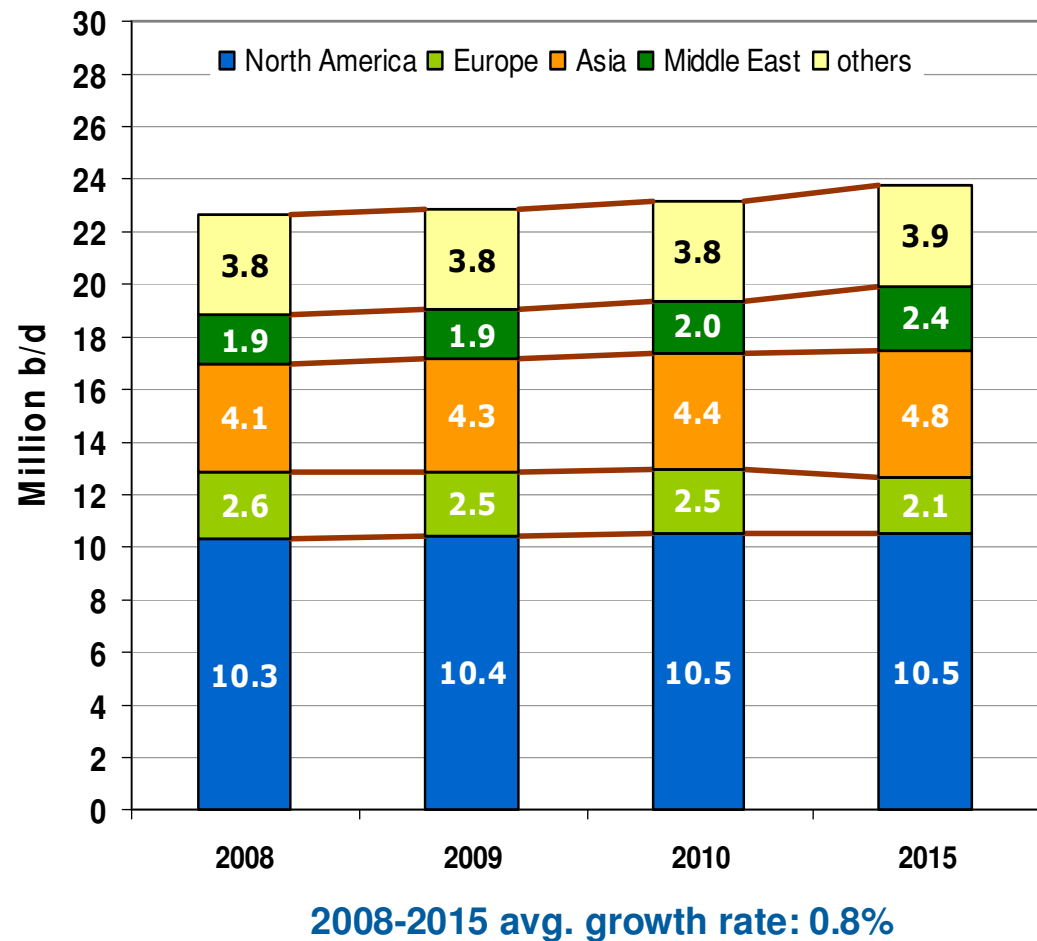
2008-2015 avg. growth rate: 1.9%



LIMITED GROWTH FOR GASOLINE

- **North America remains main market for gasoline, without growth:**
 - ✓ slowing US consumption
 - ✓ political pressure for higher fuel efficiency
 - ✓ impact of bio-ethanol
- **Significant growth expected from North Africa, Middle East and Asia**

Gasoline demand forecast
source EMC World Refining Outlook, 2007





DECLINING DEMAND AND CHANGING SPECS FOR FUEL OIL

- **Declining power generation demand due to fuel switch (gas, coal) and renewables**
- **Increasing consumption of higher quality bunker fuel, but in a changing environment:**
 - ✓ cap of 4.5% sulphur in marine bunker oil reduced to 3.5% from 2012, then down to 0.5% from 2020
 - ✓ in the SECAs(*) current 1.5% sulphur cap reduced to 1% from 2010, and then down to 0.1% from 2015
- **Ship owners will have two options:**
 - ✓ use gasoil (more likely and practical)
 - ✓ install “scrubbers” to reduce sulphur content in exhaust gas (complex and environmentally unfriendly)

(*) Currently there are only two Sulphur Emission Control Areas (SECAs) - in the Baltic Sea and the North Sea – more are expected to be imposed in due course, particularly off the coasts of North America and Med Europe





SUPPLY: HIGH ENTRY BARRIERS

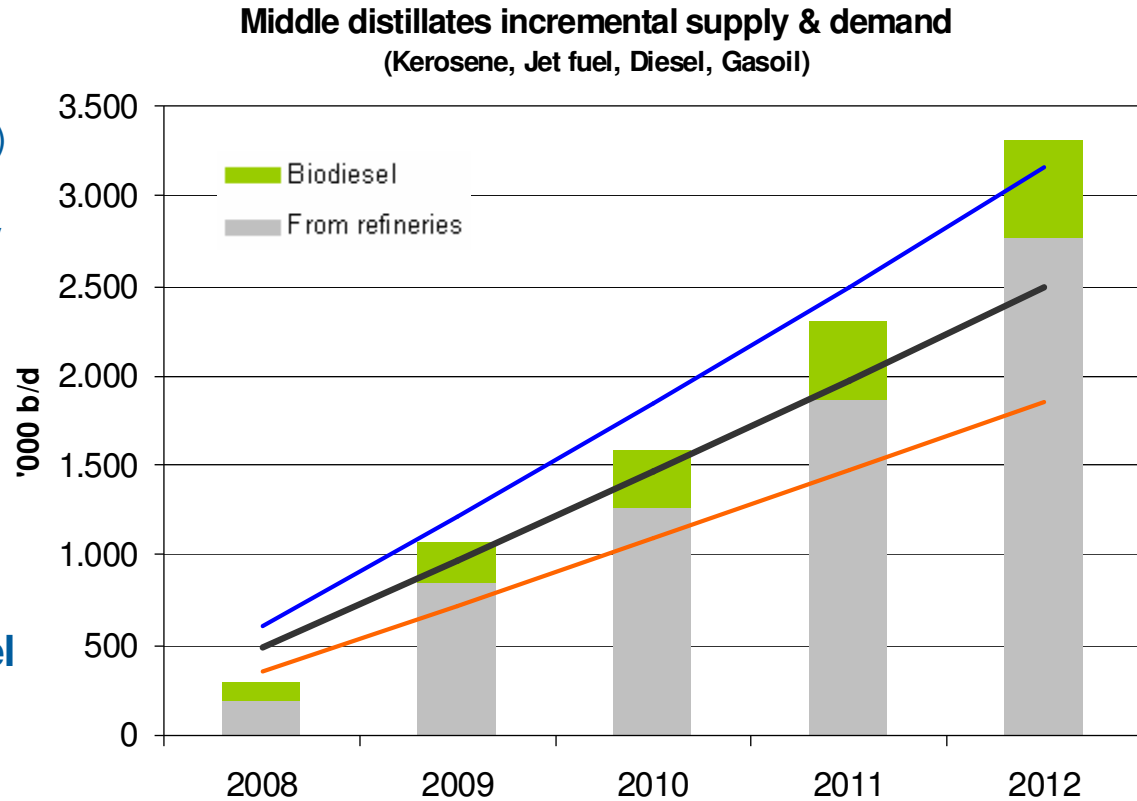
- Construction costs of 25,000 - 35,000 USD/bpd estimated for a state of the art refinery
- “NIMBY” and environmental issues make new refining sites unlikely in OECD countries
- Many announced greenfield refineries unlikely to materialise since very high long term margins required to achieve reasonable returns



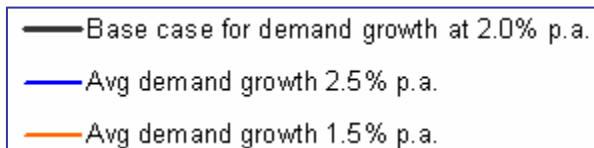


MIDDLE DISTILLATES SUPPLY/DEMAND BALANCE

- **Market tight in next few years**
 - ✓ strong demand
 - ✓ change of specs (10ppm sulphur)
- **Upgrading projects affected by**
 - ✓ high engineering, materials & construction costs
 - ✓ increasing lead times in project delivery
 - ✓ lack of skilled manpower
- **Uncertain outlook for bio-diesel**



Source: Saras elaboration on Wood Mackenzie, EMC, Oil & Gas journal and other industry data

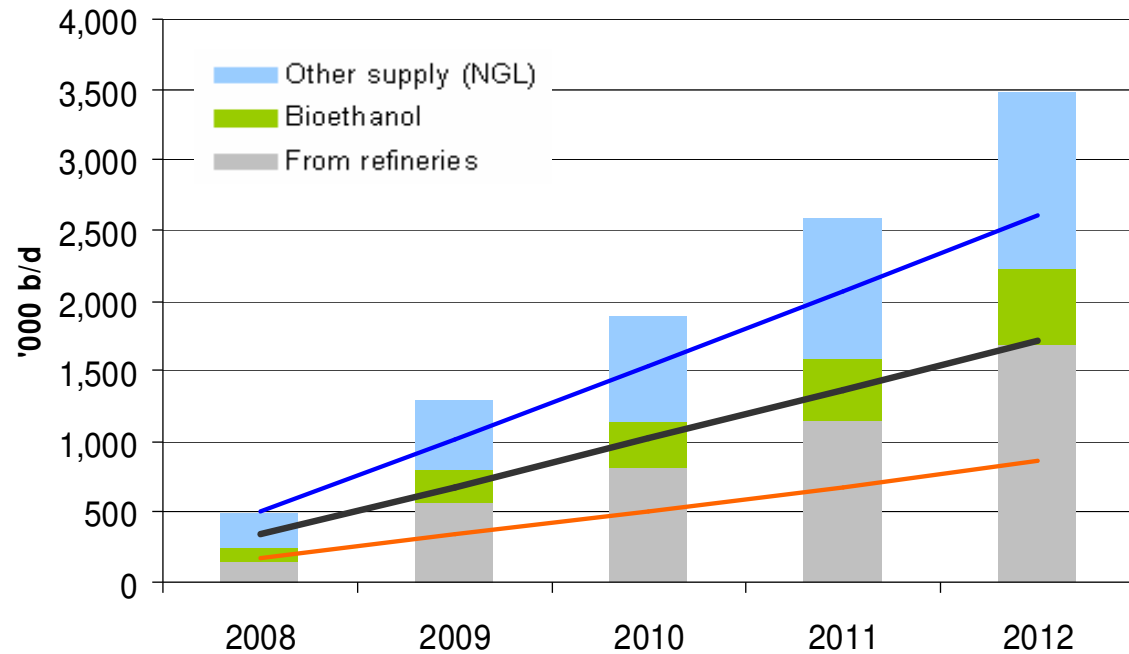




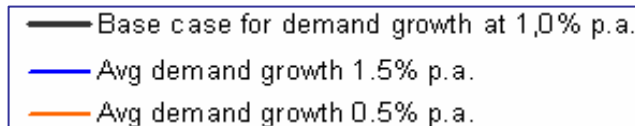
LIGHT DISTILLATES SUPPLY/DEMAND BALANCE

- **Potential for gasoline oversupply in future years**
 - ✓ mostly affecting inland refineries in low growth markets
- **Difficult for gasoline refineries to switch to diesel**
- **Additional supply of NGL to balance petrochemical demand (Middle and Far East)**

Light distillates incremental supply & demand
(LPG, Naphtha, Gasoline)



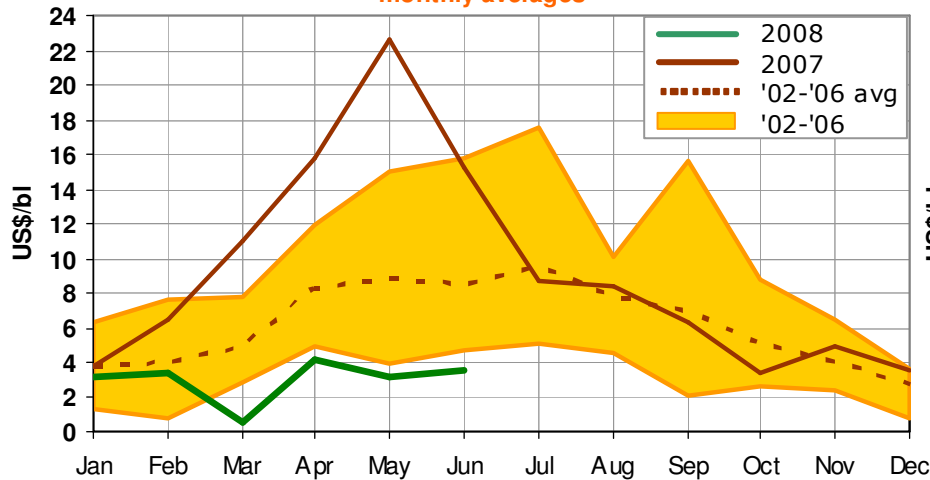
Source: Saras elaboration on Wood Mackenzie, EMC, Oil&Gas journal and other industry data



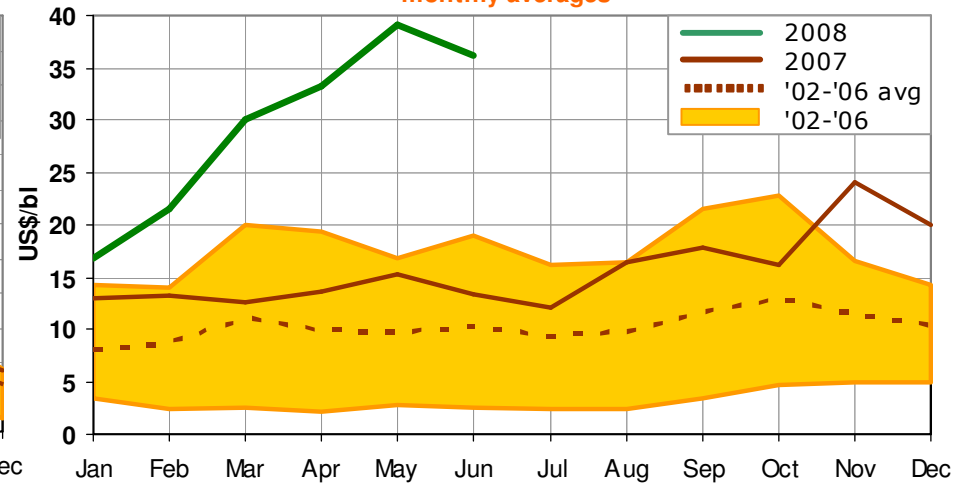


REFERENCE MARKET SCENARIO

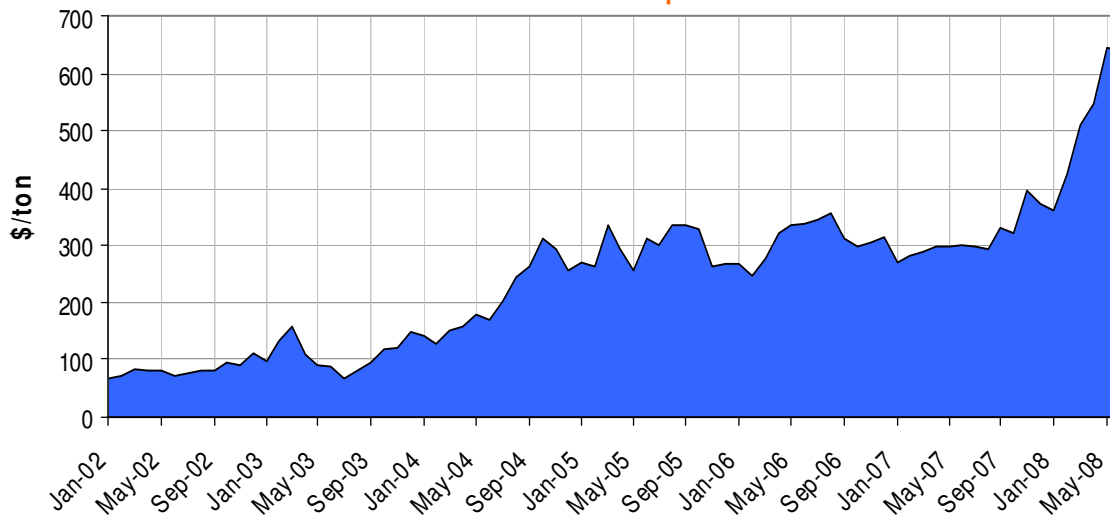
Med: Gasoline Crack spread vs Brent
monthly averages



Med: Diesel Crack spread vs Brent
monthly averages



Conversion Spread



| | | 2008-12 |
|--|---------|---------|
| Brent dtd | \$/bl | 100 |
| Urals Med | \$/bl | 96 |
| Diesel crack | \$/bl | 25 |
| Gasoline crack | \$/bl | 4 |
| Fuel Oil crack | \$/bl | -30 |
| Diesel – Avg HS/LS FO (conversion spread) | \$/ton | 500 |
| EMC benchmark | \$/bl | 3.5 |
| Exchange rate | Eur/Usd | 1.50 |

AGENDA

+ Vision and Strategic goals

+ Refining market outlook

– Organic growth strategy

- Refining
- Power Generation
- Marketing
- Wind
- Gas

+ Financials

+ Final remarks

SARROCH SITE: SIGNIFICANT GROWTH OPPORTUNITIES

In line with our long term vision, the investment plan for 2008-2011 will focus on:

- increasing conversion capacity, switching fuel oil to diesel
- improving energy efficiency
- exploiting unconventional crudes
- enhancing overall refinery performance

Our approach will remain based on:

- continuous improvement
- integrated but independent projects
- mitigated investment risk
- operational and HSE excellence





INCREASE CONVERSION CAPACITY

MildHydroCracking2 revamping & new Steam Reforming Unit

- ✓ MHC 2 increase capacity from 60,000 to 65,000 b/d
- ✓ MHC 2 increase conversion by about 5%

Visbreaking Revamping

- ✓ conversion increased by about 5%

CAPEX: EUR 190 ml
DELIVERY: H2 2010

CAPEX: EUR 155 ml
DELIVERY: H2 2011

+5,500 b/d of diesel
(270 kton/year)

+2,000 b/d of diesel
(100 kton/year)



IMPROVE ENERGY EFFICIENCY

Energy recovery projects

- ✓ Improved thermal integration
- ✓ Energy recovery from exhaust gas
- ✓ Upgrade combustion processes

CAPEX: EUR 55 ml
DELIVERY: 2009-11

**-1,300 b/d (75 kton/year)
of fuel consumptions**

ENHANCE REFINERY PERFORMANCE

Process optimisation and increase in throughput

- ✓ FCC and Alky
- ✓ Tank farm

Flexibility to further increase runs of unconventional crudes

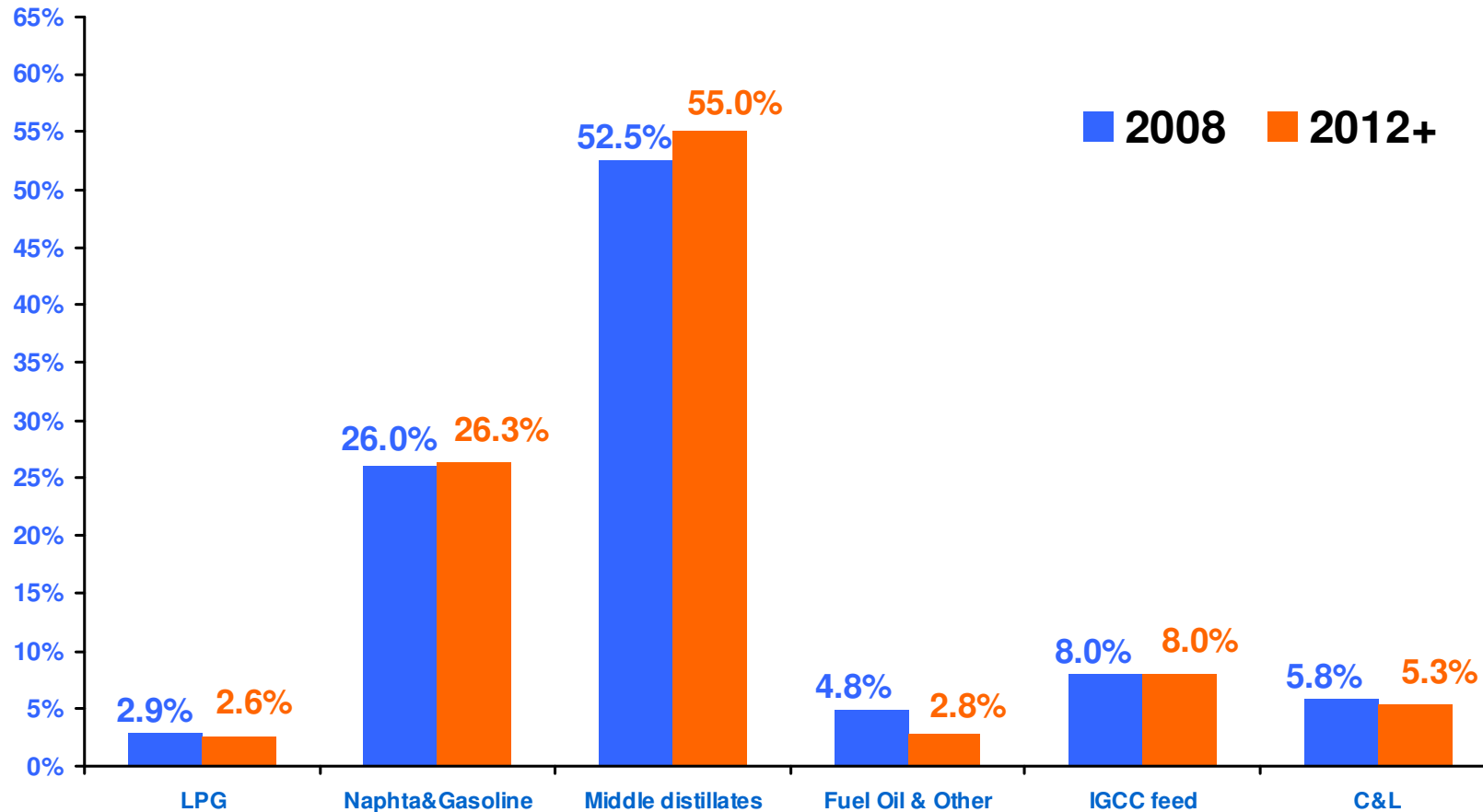
- ✓ Light waxy, Condensate, Extra heavy, etc.

CAPEX: EUR 220 ml
DELIVERY: 2009-11

**+10,000 b/d (500 kton/year)
of total runs and unconventional crudes**



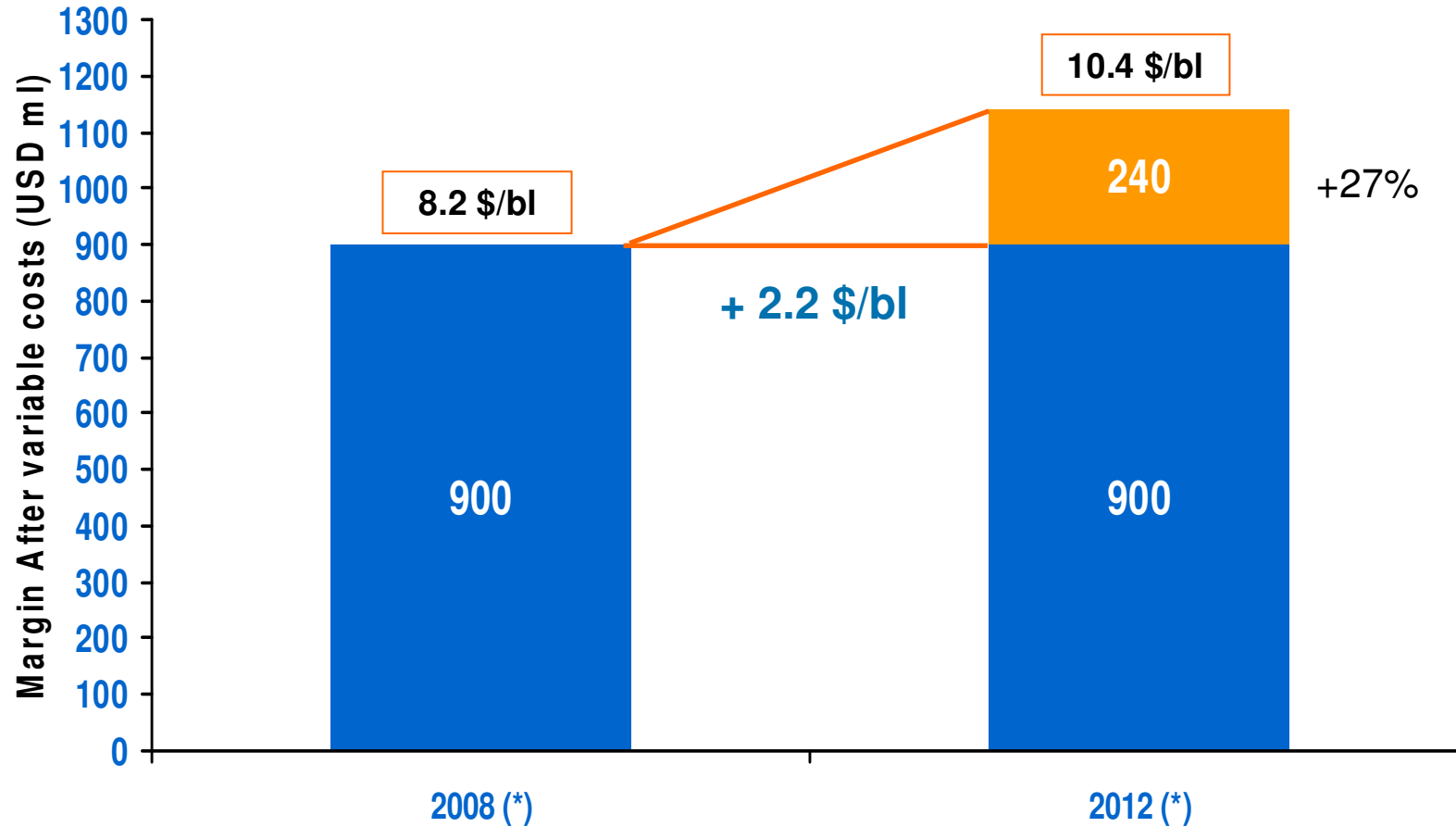
IMPACT OF GROWTH PROJECTS ON PRODUCT YIELDS



- Increased diesel production at expense of fuel oil (yield up by 2.5%)
- Reduction of C&L by 0.5%



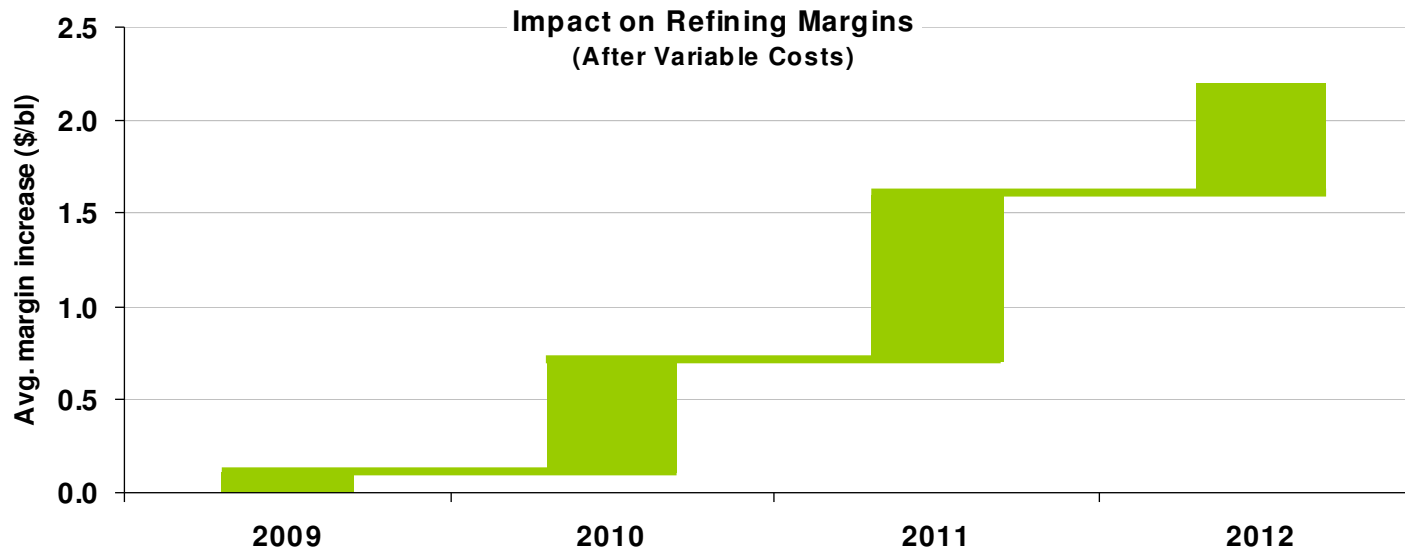
MARGIN GROWTH & RETURNS



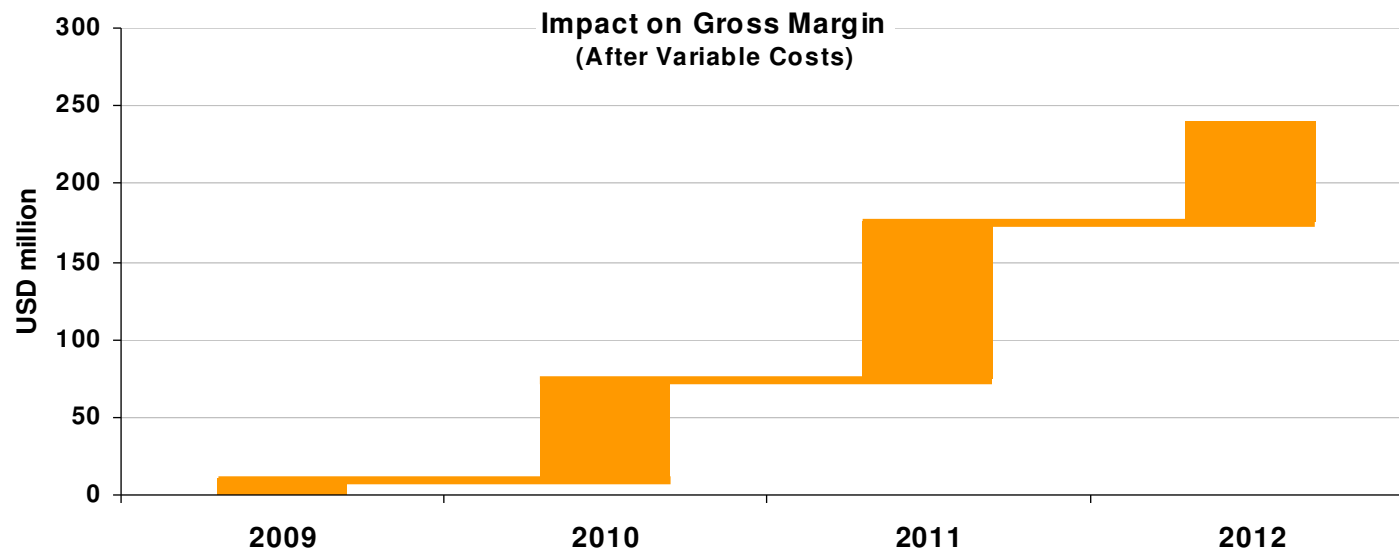
- 2012 is the first year of full contribution from all the projects
- 2008-11 *Growth Projects*: IRR after tax in excess of 15%

(*) on the basis of the reference scenario

MARGIN GROWTH: TIMING

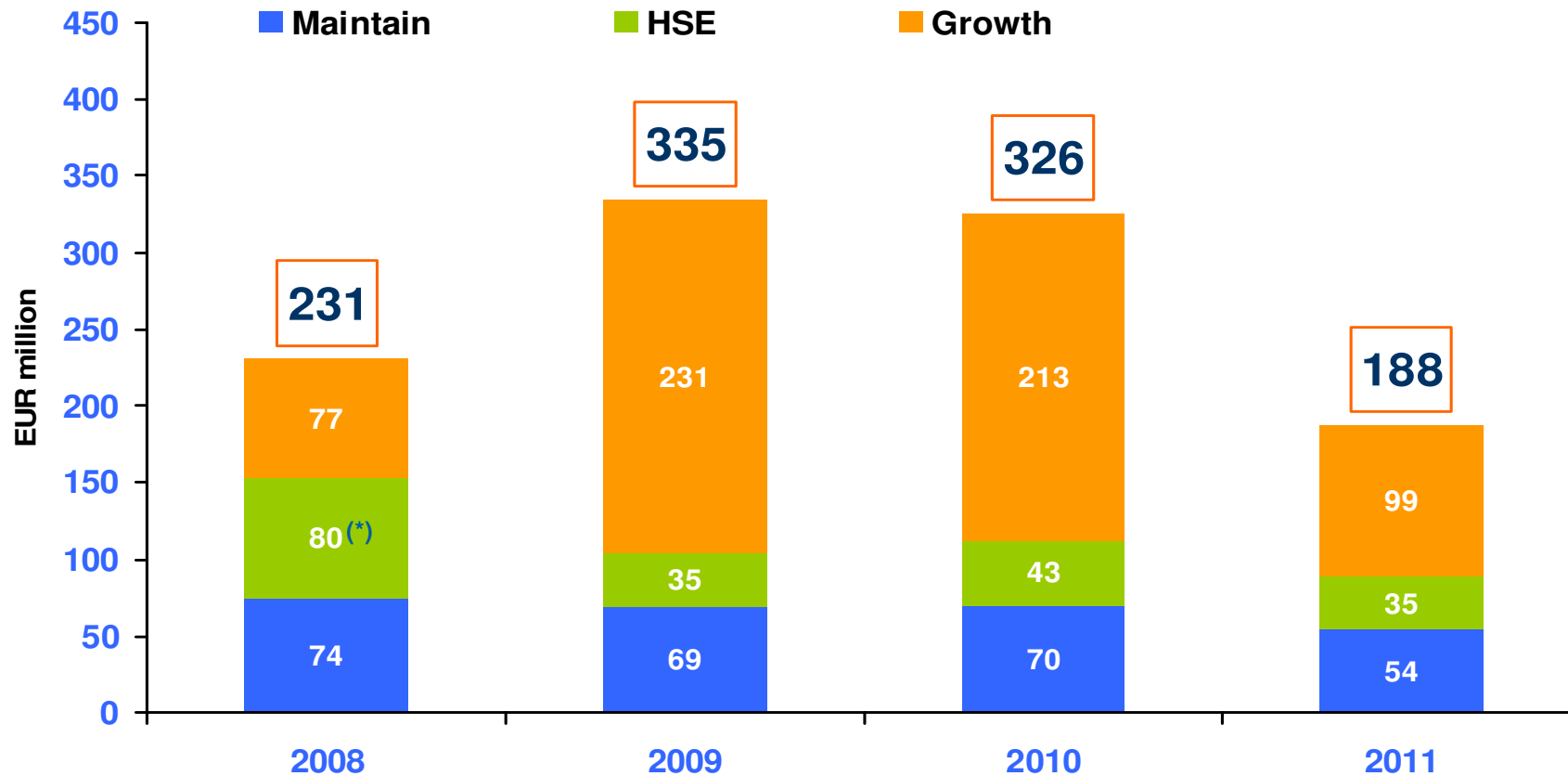


**Total
+2.2 \$/bl**



**Total
+ USD 240 ml**

TOTAL CAPEX



- **2008-2011 total CAPEX: EUR 1080 ml of which EUR 620 ml for growth projects**

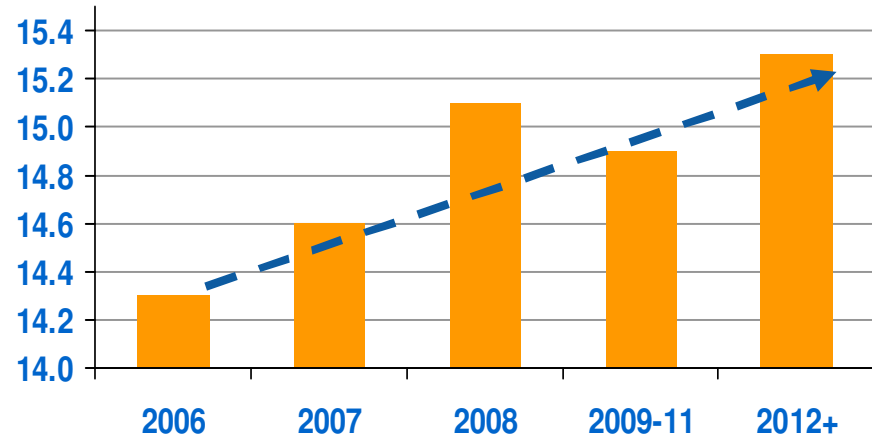
(*) 2008 HSE CAPEX mainly refers to completion of new gasoline desulphurization unit (10 ppm) and tail gas treatment unit (environmental improvement)



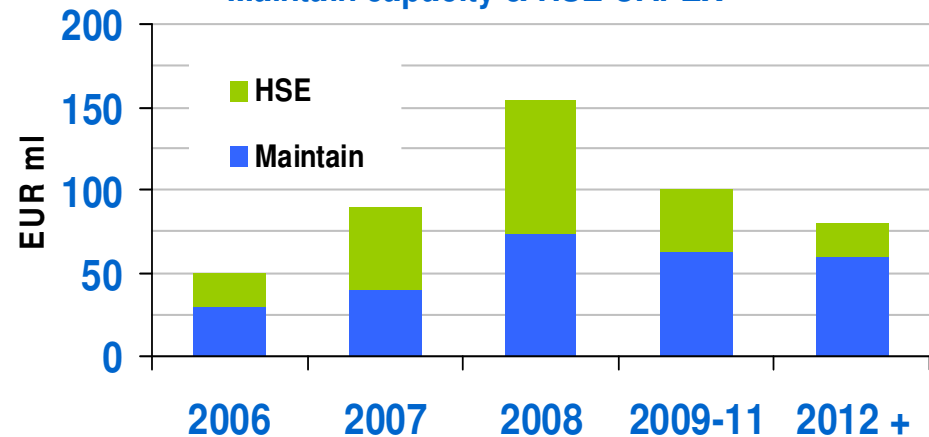
REFERENCE LONG TERM RUNS AND CAPEX

- **Refinery average throughput 2012+** about 15.3 million t/y (306,000 bpd) **up 0.5 million t/y (10,000 bpd)** when compared to the 2006-08 average
- **2009-2011: scheduled turnarounds and growth projects will reduce:**
 - ✓ average throughput
 - ✓ refining margins by 0.5-0.7 \$/bl
- **2012+: Long term CAPEX at EUR 80 ml per year (maintain & HSE)**

Refinery runs (million tons)



Maintain capacity & HSE CAPEX





KEY THEMES

- **Maintain best in class efficiency and further optimise operations**
- **CAPEX**
 - ✓ 2008: increase H2 production
 - ✓ 2010-11: upgrades for performance improvement after 10-year inspection
 - ✓ 2012+: EUR 10 million per year
- **CO₂ reimbursement confirmed**
 - ✓ full cost reimbursement for entire duration of CIP6 contract confirmed by Energy Authority(*)



| | | 2008 | 2009 | 2010 | 2011 | 2012+ |
|--------------|--------------------|-----------|----------|-----------|-----------|-----------|
| CAPEX | EUR million | 33 | 8 | 18 | 19 | 10 |

(*) Resolution n. 77/08 issued on 11th Jun 2008



KEY THEMES

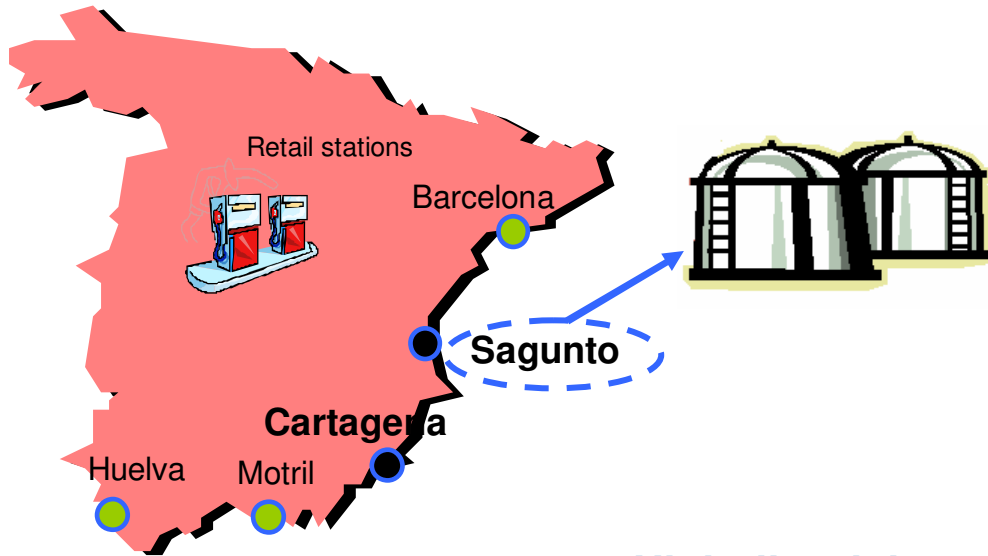
- **Focus on the Spanish market**
 - ✓ diesel consumption expected to grow faster than rest of Europe(*)
- **Organic growth:**
 - ✓ new depot of Sagunto in Spain by 2011
 - ✓ biodiesel plant fully operational by 2009
 - ✓ increase wholesale market share by 2%
- **External growth:**
 - ✓ increase logistic assets in Med Spain and West Italy
 - ✓ expand retail network in Spain



(*) 4% growth as estimated by AOP (Asociación Española de Operadores de Productos Petrolíferos)



NEW DEPOT OF SAGUNTO IN SPAIN



- Sagunto, 30 km from Valencia
- 30 years concession
- Capacity 260,000 mc, with 14 tanks

| EUR ml | 2008 | 2009 | 2010 |
|--------------|----------|-----------|-----------|
| CAPEX | 3 | 22 | 10 |

- Owned depot
- Third party depot

- **High diesel demand area (12% of Spanish consumption)**
- **Limited logistics**
- **Final construction permits by Q3/2008**
- **Start of operations by H2/2011**
- **EBITDA contribution of about EUR 5 ml on yearly basis**
- **IRR after taxes 10-15%**



BIODIESEL PLANT



- Owned depot
- Third party depot



- Integrated with existing Saras depot
- Production of 200,000 ton/year (4,500 kbd)
- Feedstock: palm, rapeseed, soy

| EUR ml | 2007 | 2008 |
|--------------|------|------|
| CAPEX | 8 | 34 |

- **Consistent to EU targets**
 - ✓ 5.75% of bio-diesel into marketed diesel by 2010
- **Start up in Q4/2008**
- **Economics still positive despite high feedstock prices**
 - ✓ favourable taxation in Spain
 - ✓ low OPEX thanks to integration with existing logistics
- **EBITDA contribution of about EUR 5 ml by 2009**

KEY THEMES

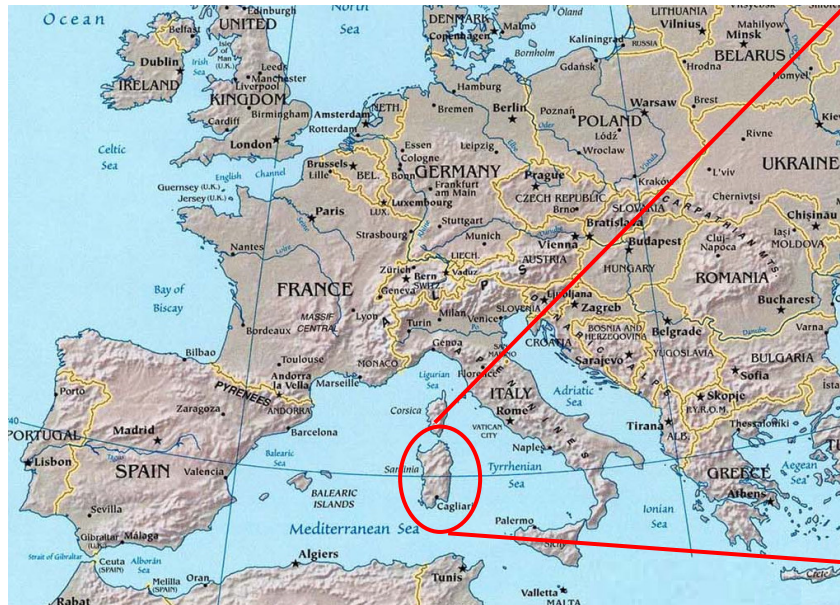
- **Strong competition has put pressure on returns**
- **Pipeline of projects in Sardinia and south of Italy in the permitting phase**
- **Considering investments in East Europe**
- **Evaluating acquisition of 30% Babcock & Brown stake in Sardeolica**





GAS EXPLORATION

- On shore seismic tests completed
- Data processed with promising results
- Off-shore seismic tests in permitting phase
- Evaluating next steps



AGENDA

- + Vision and Strategic goals
- + Refining market outlook
- + Organic growth strategy

+ Financials

- Cash allocation
- Leverage
- Costs

- + Final remarks



CASH ALLOCATION PRIORITIES

1. Capex

- Long term organic growth in core business
- Tight financial discipline (ROACE target 10-15% over the cycle)

2. Dividends

- Payout 40-60% of adjusted net income

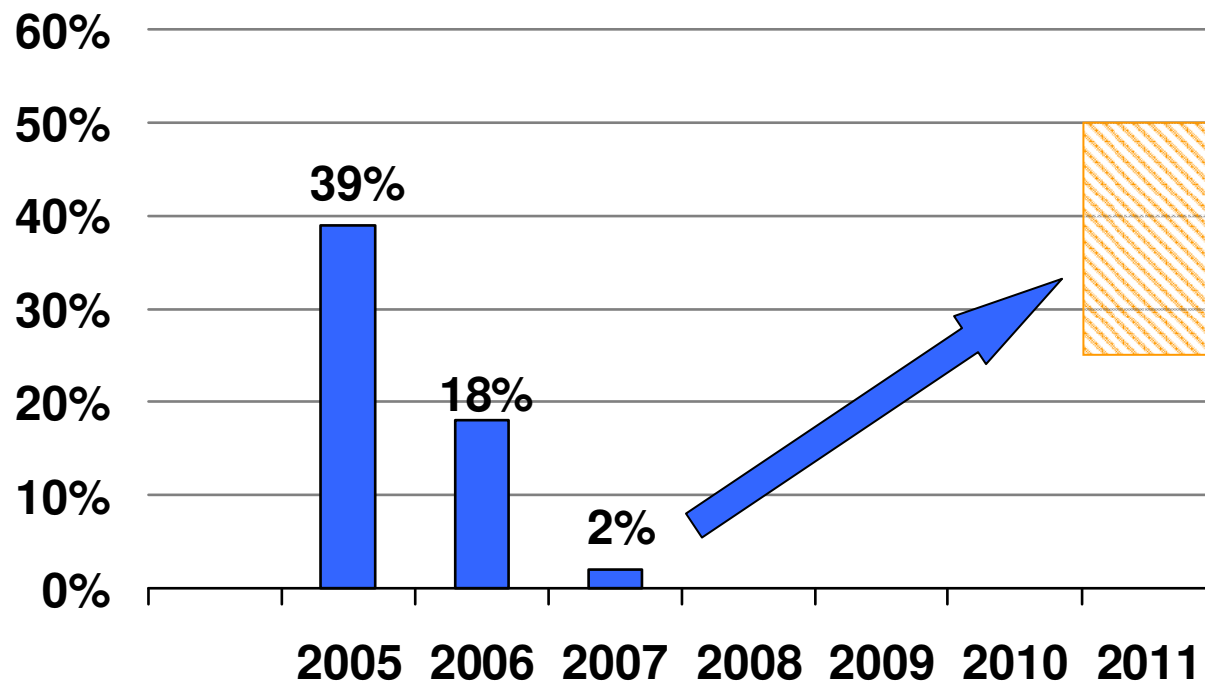
3. Buyback

- Continuing buyback programme



LEVERAGE

- Long term target 25-50% over the cycle
- Growth projects, dividends and buyback will progressively re-leverage our balance-sheet





COSTS

- **Overall fixed costs expected to be inflation related**
- **Major turnaround costs already included in CAPEX**
- **Limited risk for investment costs overruns**

CASH FLOW

- **Free Cash Flow expected to be positive throughout the planning period**
- **Almost EUR 1 billion returned to shareholders via dividends and buyback**
- **Still room for external growth**



CHANGES IN TAXATION

- **Effective from 2008 the Oil and the Power sectors are subject to a special tax regime (not yet definitive)**
- **IRES corporate income tax rate raised by 5.5% to 33%**
 - ✓ Sarlux affected based on Italian GAAP
- **Switch from LIFO to FIFO for oil inventories' taxation**
 - ✓ First step: "LIFO reserve" at end 2008 taxed at reduced 16% rate
 - ✓ Impact on Saras should not exceed EUR 40 million

AGENDA

- + Vision and Strategic goals
- + Refining market outlook
- + Organic growth strategy
- + Financials
- + **Final remarks**
 - 2012+: zero fuel oil configuration
 - Investment highlights



ZERO FUEL OIL CONFIGURATION

The following investments are under analysis for 2012+ :

- **Option 1 : maximize bottom conversion for the production of high value distillates**
 - ✓ New unit: 20 – 30 kbd high pressure Hydrocracker
 - ✓ CAPEX: EUR 500 – 600 ml
- **Option 2 : maximize bottom conversion for the production of power and utilities**
 - ✓ New Units: 4th Gasification line + new Power Generation Unit to supply the industrial site
 - ✓ CAPEX: EUR 600 – 800 ml

Both options have returns in line with our target range, final configuration will be influenced by type and availability of crudes, oil products and power prices

Evaluating also CCS (Carbon Capture and Storage) projects, to exploit IGCC CO₂ concentration



INVESTMENT HIGHLIGHTS

- **High return organic growth plan**
- **Low execution risk**
- **Pure play on rising diesel demand**
- **Strong operational performance track record**

