

SARAS

**Preliminary FY 2009 and
Fourth Quarter 2009 Results
26 February 2010**

Welcome

Massimo Vacca

Head of Investor Relations

Ladies and gentlemen good evening and thank you for joining us this evening for our fourth Quarter and preliminary full year 2009 results. Today we have as usual an agenda which will open up with Dario Scaffardi, our General Manager, who will give a market overview and then discuss the highlights of the fourth quarter 2009 and full year preliminary. We will then move on to Mr Corrado Costanzo, our CFO who will go into a detailed review of the various segments and subsequently will discuss the group financials. Afterwards we will go back to Mr Scaffardi for the outlook and strategy and at the end as usual we will take your questions. Should you not have a copy of the presentation please be aware it's on our website. Thank you very much and Dario please you may start.

2009 Overview

Dario Scaffardi

General Manager, SARAS

I. Highlights

Thank you Massimo. Good afternoon ladies and gentlemen and thank you for joining us this afternoon for our quarterly conference call. It's been a difficult quarter and a difficult year mainly due to exceptionally adverse market conditions. Refining margins have been at their historical low in Q4. The EMC benchmark margin has been -0.9 \$/bl compared to +3.6\$/bl in the same quarter of last year. On a full year basis the EMC refining margin has been less than a quarter in 2009 of what it has been in 2008, 0.7\$/bl versus 3.2\$/bl in 2008. At the same time the very peculiar market structure we will discuss slightly later on has been further eroding our premium which traditionally

we have been able to add on top of the EMC benchmark since it's strongly influenced by certain factors. These are the main reasons why we've had a 79% drop in comparable EBITDA on a yearly basis. Together with the market which has been the main factor we have had also a disappointing operational performance in Q2 and Q3 where we had our big turnaround and investment programme on some of our most important units. I'm glad to say that in Q4 we've been able to get totally back into synch and the plant now is fully up and running in a very good manner.

We have seen also strong performance from our marketing sector which has posted strong results throughout the year and particularly has been able to maintain its positions in Spain, notwithstanding the very severe economic crisis in that country.

Power has been stable and also we had some interesting results from the wind sector.

The reported figures compared to the comparable ones are much more positive, basically due to LIFO, FIFO effects that Corrado will be able to explain in detail. The debt level is fully under control and is a little bit over €500m, €200m above for the €330m posted at the end of 2008 but with an intense CAPEX programme in 2009 that was in excess of \$50m of CAPEX more than in 2008. The board of directors last night will propose to the AGM a policy of no dividend to be issued in line with our stated policy.

Market Overview

1. Diesel and Gasoline Crack Spreads

The oil market has been extraordinary to say the least in 2009. We've seen a surprising rebound from gasoline which showed very, very weak cracks in 2008, basically at parity with crude instead the cracks went up to a level of five at the beginning of the year, climbing up to 10 dollar in Q2 in sync with partially driving season but also with strong demand from emerging markets, from the Middle East and North Africa in particular. I think that today the effect of the US market on that is slightly overrated. On the contrary we've had an extremely disappointing crack from diesel which has been extremely low throughout the year and is showing some recovery only at the beginning of this year, hit its lowest levels right at the end of Q4 that we're talking about and this, of course, is due for the well known factors of the economic crisis and the slowdown in industrial activity which directly affects diesel consumption.

One new element that we've added to the presentation is a little bit more analysis on the relationship between diesel and fuel oil since this is a key factor behind the profitability of SARAS. The absolute values of the difference between diesel and fuel oil have been relatively low but this type of difference doesn't give the full picture since the underlining price is relatively high so if you want to make a historical comparison it's more accurate to look at the ratio between the price of fuel oil and gasoil. As you can see from the graph this ratio is above 70% and it's been above this level for almost a year now and it's at its historical high. Even if you look back on a 20 years basis you see that this level of 70% has been touched only on spikes due to some very specific circumstances. This affects us negatively of course because a complex refinery such as SARAS is predicated upon being able to transform fuel oil into diesel which we do so in a very efficient manner, unfortunately it's also predicated on the fact that fuel oil is worth much less than diesel. If this does not happen our upgrading premium gets eroded which is the reason why basically we have been able to add only slightly \$1 on the EMC benchmark.

2. Ratio HSFO vs Gasoil (CIF MED prices)

The reasons behind fuel oil are, the strength of fuel oil that are in my opinion temporary in nature. Basically what we've seen in this year is that, the past year, 2009, oil demand has diminished. Diminishing oil demand means basically less heavy oil on the market, therefore refineries will also run less and will run a mixture of lighter crude. So basically they will have an output of production which will be geared towards diesel and less towards fuel oil. So actually there is an increased production of diesel and less production of fuel oil on a relative basis of course. This is the reason why basically we have a very strong price of fuel oil, notwithstanding that demand for fuel oil is significant only in the Far East where it's used for power purposes and its use has not diminished in line with the economic crisis, it's been the marginal productions which have gone, or power production which has gone off, particularly those based on diesel which take in the excess power needs. Look at for instance what a country like Italy which is exemplary I think of the whole of Europe, consumption of fuel oil in Italy in 2009 has gone down by 18% compared to 2008 and I would imagine that this trend is similar in all OECD countries.

3. Refining and Power Margin

If you look at our global refining and power margin what I've just said is obvious but I think is also extremely obvious the normalising effect that we have from our power division. Overall the overall site margin of SARAS refinery, including its power division which is fully integrated has been 5.9 in 2009 which is half of the year before but compares well with years like 2002 and 2003. Again we would like to stress the stabilising effect our power division has on our figures and the fact that we like to look at, we've consistently tried to explain to the market that we must look at these two divisions together.

I would like now to hand you over to Corrado who will run through the financial details and not only the financial details

Corrado Costanzo
CFO, SARAS

I. Segment Reviews

I. Refining

Thank you Dario. Let's start as usual with the refining sector. If we focus on Q4 crude runs were slightly lower than last year during the same quarter down 13% in effect, primarily due to the fact that we scrapped certain margin on runs due to the exceptionally disappointing market conditions. So also the difference between margins in Q4 of '09 and margins in Q4 of '08 is striking, \$8.1 per barrel last year, \$0.5 per barrel this year. As Dario explained clearly, I mean on top of the disappointing overall margins we were also not able to add the usual conversion premium because of the diesel versus fuel oil differential which is again at unprecedented levels. It is all too obvious that we're heavily invested in being a leading diesel producer and therefore these market conditions are clearly the worst that we can envisage and almost everything else would be better and we believe it will be better because these market conditions, do not make sense in the long run.

Production

Moving on to production and to the product slate and the crude oil slate, well basically 2009 is not particularly significant and quarters aren't significant either because when you have a year where such a major turnaround like we had in 2009 all the different percentages are somewhat mixed up and therefore I wouldn't spend too much time on numbers which will not be a good guidance for an average year in the future.

Fixed and Variable Costs

In this August the disappointing scenario at least we were able to keep costs under control. So fixed cost ended below our guidance, 5% below our guidance in spite of all these massive maintenance programmes and also variable costs were down in absolute terms, obviously because of reduced runs but also under control in terms of dollar per barrel expense so we are putting a lot of emphasis on cost control and we will be more specific about our efficiency plans for the future.

II. Power Generation

Power generation from an IFRS point of view is extremely boring and extremely stable. Italian GAAP EBITDA is influenced clearly by the end of the incentive component of the CIP/6 tariff which clearly reduced the Euro stand per kilowatt hour tariff. As you can see we went from 14.2 in Q4 of '08 with full incentive to 8.6 in Q4 of '09. In spite of that the operational performance was satisfactory in Q4 of '09 and the Italian GAAP EBITDA was about €34m.

Fixed and variable costs

Again a quick overview of costs. Under control, in this case also and slightly lower than our guidance. Fixed costs were €103m compared to €110 which was our guidance at the beginning of the year and variable costs under control as well.

III. Marketing

Marketing is, in this scenario, a bright spot at least. We are extremely satisfied and we believe that we had an outstanding performance in spite of a weak market, with weak demand, both in Italy and even lower in Spain. Spain even worse of course. We did lose some sales but we worked hard on optimising our sales channels. We were successful in quickly integrating our Spanish acquisition of 71 new stations and also we have been in production profitably at our biodiesel plant and everybody knows that biodiesel is a somewhat difficult sector as well nowadays. So everything was very positive and therefore the comparable EBITDA figure is broadly in line with last year which we believe is a notable success in these market conditions.

IV. Wind

Wind now reported figures last year were heavily influenced by a number of statements due to new provision by the government which I mean looked back rather than forward. This year the EBITDA closed at €21m which we believe is a sustainable figure based on current regulations on tariffs, green certificates and also on average wind conditions. So we believe that about €20m EBITDA is a sustainable figure and last year was more of a complicated figure to explain.

Also moving forward we believe that we will be in a position to announce good news about the completion of the site fairly soon.

V. Other

The other segments as usual, smallish numbers, although good progress which is again good news, these sectors which sort of used company resources, group resources until a few years ago are broadly profitable today.

VI. Financial Overview

1. Key Income Statement Figures

A few words on the CAPEX, 2009 saw an exceptional effort. We spent almost €250m on the refinery and we caused a middle size acquisition in Spain which used another €6m, more or less.

2. Key Cashflow Figures

So overall close to €20m were invested. We believe this is a big figure, again given market conditions, which clearly explains why our net financial position went from €330m to €33m, I mean last year to €33m at the end of 2009. However, we also believe that debt was capped broadly under control. As you can see debt levels have not deteriorated since the end of Q2 last year. Also we believe that there's further potential for working capital reductions moving forward and sort of recovering from this but from this major turnaround year.

3. Key balance sheet figures and net financial position

The guidance for 2010 on CAPEX is radically different, roughly, at least for the refining sector we would be foreseeing more or less half of what we invested last year.

4. Key Ratios

So now we're moving to outlook and strategy.

Outlook and Strategy

Dario Scaffardi

I. Outlook/1 Short Term Outlook

1. Refining & Power. Summary of 2009 Maintenance

Thank you Corrado. I will skip our summary of 2009 maintenance where you have all the details regarding the loss of EBITDA due to the various maintenance and upsets that we've had in 2009 which has been a disappointing year for us in this respect particularly with the accident that caused the loss of three lives on May 26.

2. Refining & Power - 2010 Maintenance Schedule.

Our maintenance schedule for 2009 is a very light maintenance schedule. We have some routine maintenance of various units between Q1 and Q2, mainly ordinary clean ups and exchange of catalyst of the hydrocrackers and routine clean up of Visbreaking unit and the routine maintenance on the gasifiers which will all happen between March and April of this year and the details are important on the table in terms of loss of runs and of loss of EBITDA due to conversion capacity.

3. Short Term Outlook

Talking about the short term outlook is a challenging thing to do in this period when everybody's extremely negative about refining. I think that if we try to go through the root causes of crisis of the refining sector it will be easier to understand what the outlook will be during this year. First of all the refinery sector has been hit basically by the perfect storm. On the one side we've had a reduction in worldwide oil demand. We've had the entrance of new refineries, particularly in China and in India. We've had an excessive number of ships available on the market due to all the new ship building started in the previous years and that ended up without use with the economic crisis that created both the conditions of very low transport costs that permitted arbitrages between markets that were unheard of before. Nobody has ever exported diesel from China to Europe and this has been possible for a variety of reasons and one of these is low transport cost. The availability of these ships has also created the possibility of using, of having cheap and abundant storage which has always been one of the limitations of the oil sector, not having enough storage, all of a sudden a lot of storage became available in the form of brand new vessels that would be able to store also clean products such as gasoline or diesel that would have not been possible before and the structure of the market which has been firmly in contango for basically all of 2008 due also to strong speculation which has created the conditions to create storage of selling products in the future.

Now I would like to explain a little bit how the world oil consumption I mentioned at the beginning has created this situation by which diesel is much weaker compared to fuel oil. As I said before the world reduction in crude oil has basically had the net effect of having much less heavy crudes available on the market and refineries running less crude. So when refineries don't run on a marginal basis they tend to produce a better pattern of yields so more light products and less fuel oil. At the same time they've also been using less crude so we can easily say that the average worldwide yield of refinery has been more geared, on a percentage basis, towards light products rather than heavy products. Therefore the relative strength of fuel oil compared to diesel which is counterintuitive of course because one would imagine that being the least prized product this should be the weakest in terms of price.

The outlook in the short term having been extremely bearish in all of 2009 is starting to show some signs of improvement in my opinion and I can see this from various factors. On the one hand we see that consumption in China between the first month of this year, January 2010 and January 2009 has increased by actually 17% with crude runs increasing by 29% and this is one of the reasons why we are seeing our market negatively affected. We face the competition of China but I don't think that this is a structural competition. China has probably completed its programme of investment in refineries anticipating higher internal consumption that hasn't appeared right away because of the economic crisis. We believe basically that this excess refining capacity will be absorbed by China within probably one year.

At the same time we are seeing some signs of improvement overall. OECD countries in January this year declined compared to January of last year by only 1.7% while on the full year basis it was

4.4. So the gradient of decline is diminishing. In Italy, for instance, over 2009 compared to 2008 the decline in demand for diesel has been slightly above 2%, for gasoline it has been almost 4% but for fuel oil bunkers and refinery consumption has been in excess of 10%.

So there are reasons to believe that the current crisis in the refining sector is showing some signs of easing and we can see that also from the EMC benchmark. It reached its absolute minimum in the last two months of last year with an average of -1.25 \$/bl and in the first two months of this year it's still a disappointing -0.1 \$/bl but which is still ten times better than what we had in the last two months of last year. All these things combined make us believe that we will see a rebound in the refining margins in the second part of the year although we don't expect any dramatic improvements but a situation that will be a little bit less than normal than the situation we are facing right now.

Also the situation on the market, the contango, is easing quite a bit. There are encouraging reports that many of the vessels that have been used for storage are slowly unloading their product so there is a reduced inventory overhead. Of course it will take quite some months to absorb all the excess product that has been accumulated and of course a lot rests on the fact that we see in the emerging economies a strong rebound.

We have slightly updated our refining margins to explain these effects. Here on the one side we have a graph with the differential in terms of crack spread of fuel oil relative to Brent and also our usual graph which shows the upgrading margin or the conversion margin that SARAS is able to add to the EMC benchmark which, due to the unprecedented configuration of the diesel/fuel oil market has been a lot lower than the range that we had anticipated. If you remember correctly you might recall that this graph used to stop at \$300 spread because we believed that that was a level which was difficult to break and unfortunately we've broken it big time but again it was \$160, \$170 in Q4 and today we see over \$200 so there are signs of encouragement.

In terms of SARAS' strategy we have continued to postpone our CAPEX programme. We have on our desk several important CAPEX programmes which have been put entirely on hold and we want to see some very clear signs of the market recovering before we restart them again. The focus in these challenging times is of course to improve efficiency and to reduce costs. We have started at the beginning of this year an important programme, internally, a very major overhaul and check up of our whole refining system. It's a programme of asset management improvement which we are undertaking also with the help of a world class consultant. We expect to be able to add, we have identified that there are various tens of million Euros of potential efficiency gains that we can be able to claw back if we are able to implement fully this new programme which will be able to give its full benefits in a couple of years time, in two or three years time.

In terms of the buy-back plan we have suspended any buy-back and the programme is also inspired and will be addressed in the next AGM in April and consistently with our policy we will propose to the AGM not to issue any dividend for the forthcoming year.

Thank you very much for your attention and we'll be pleased to take any questions you might have.

Questions and Answers

James Hubbard, Morgan Stanley

Hi good afternoon, thank you. Three questions if that's okay. The first is on the CAPEX outlook for 2010. I assume it's front end loaded into Q1 and Q2 simply from your maintenance programme. Could you just confirm that?

Secondly is it possible to quantify the impact on Q4 refining EBITDA from the fact that you did destocking of semi finished products through that quarter. Was there an additional impact that we should think of over and above the fact that your throughput was slightly lower than expected.

And then finally just on the mechanics of the change to the EMC premium chart that you're giving I understand the issue about higher than expected fuel oil values suppressing the conversion spread but I don't really understand why that changes the shape of your chart. I mean if fuel oil is more valuable then the conversion spread is lower so we just move down the chart. Is it not just the case that the yield from the Sarlux refinery doesn't really match up that well with the EMC benchmark and that's why it makes a difference, or am I missing something there?

Dario Scaffardi

Thank you James. Let's start with your last question if you agree. Certainly first of all the EMC benchmark is definitely a proxy because it is a benchmark which is based on an average type of refinery which has a yield in fuel oil in the range of 20/25% and is running a blend of Urals and Brent. We have two factors here, first of all the fact that the differential between these crudes has basically disappeared so Urals is almost like Brent in a Mediterranean refinery. As a matter of fact the price has been basically the same although Brent is not used in the Mediterranean so it's slightly theoretical. So to answer your question, yes, the way the EMC is construed is certainly one part. The other part is the fact that our deep conversion unit which is inside our power division, our power division is made of a gasifier which transforms the heaviest part of the barrel into gas and normal power train which transforms the gas into electricity. So part of the upgrade in premium is inside our power division so our refining division is more negatively affected by the differential between diesel and fuel oil than it would normally be.

On the terms of the other question on the destocking in Q4 we have destocked in the sense that since margins were so negative in the last quarter that we have actually run a little bit less crude than technical capability would have been because the incremental barrel was negative. So in order to keep the secondary units at full speed we have destocked feed stocks which will then be restocked in these months. Maybe Corrado can help you on the CAPEX spread.

Corrado Costanzo

Well the answer is very simple. Yes the CAPEX expenditure for 2010 will be front ended because of the turnaround maintenance that we're planning for the Spring and it's already underway and that also includes some of the upgrades to certain units which will be obviously capitalised. But I'd like to stress that this coming maintenance programme is clearly not comparable to what we did last year.

James Hubbard

Right okay thank you.

Paulo Citi, Intermonte

Hello good afternoon everyone. Just two questions if I may, the first one is on the Sarroch Refinery and the fixed cost we saw alas €10m decline in 2009 compared to the previous year is it possible to have a sort of rough indication what you are expecting in terms of efficiency gains over the next two or three years, taking into account also your asset management programme you mentioned before.

Then the second question is on the wind division, currently you have in operation roughly 72 megawatts of capacity out of, if I'm correct, 96 megawatts of nominal capacity and I think you are working in order to obtain authorisation for running at full capacity. Is it possible to expect an improvement in terms of real operational capacity this year or in the coming months?

Corrado Costanzo

Well from the wind we believe we are close to obtaining the final permits to upgrade the Ulassai site from 72 to 96 megawatts that would involve, however, a very limited CAPEX of about 15m because only six generators would need to be installed. We do not see any effects on EBITDA in 2010 limited I would say because after we get the permit we're going to get some benefit in the second half but then some construction will need to be performed, so let's say limited. The full effects will be displayed in 2011. I don't want to be any more specific than this because we like to sell the good news when we're 110% sure.

Fixed costs involved the refining and Sarlux also we're talking about an integrated idea and we can confirm that the savings that we realised compared to the guidance last year will be sustainable in the future. We're working hard for identifying further savings. However, the efficiency programme is more complex than only straightforward cost savings. It also involves extracting those last percentages of high value products in production from the existing assets. So it's complex to say whether, I mean which line of the P & L will be impacted, although we're clearly working on cost and we're clearly working on optimising maintenance but when you optimise maintenance part of the turnaround maintenance is also capitalised. So part of that might also be seen as reduced CAPEX vis-à-vis certain regional estimates. We would like to be more specific further on during the year. For this year, for 2010, I would like to stick to the guidance of 220m max. for fixed cost at the refinery.

Dan Ekstein, Macquarie

Thanks. Good afternoon everyone. A question on third party processing I know some of your major agreements have come up for renegotiation in recent months and Eni has also announced that it will be using less third party processing in 2010, can you give any guidance on what proportion of your rents in 2010 will be on behalf of third parties and how margins might have changed as a result of the renegotiations? Thanks.

Dario Scaffardi

Thanks Dan. Well we haven't had exactly a line of people banging on the door in order to have prospect capacity clearly in this type of environment. We had some contracts that were expiring. We have decided not to renegotiate them at certain levels. We are cautionary optimistic on the mid term so we believe that this is a very bad moment in which to try to renegotiate a contract that would basically give away any potential upside to the processor so we have decided that we are going to run more on our own account next year we will have roughly about 10% that will be third party processing and that's the story but we're not willing to give up the upside that we will probably see in the forthcoming years when negotiating contracts right now that would be

extremely penalising. In order to have a portion of fixed income and fixed revenue we would have to give up quite a lot of upside. We're not really willing to do that.

Dan Ekstein, Macquarie

Yes I understand the trade off thanks.

Lydia Rainforth, Barclays Capital

Hi gentlemen good afternoon. A couple of questions if I could please. Just firstly on the actual numbers the interest expense looks particularly high this quarter even excluding the impact of derivatives can you just talk us through what you see as the run rates for interest expenses that we should be using for next year?

And then secondly on the gearing levels, given the margin scenario that you see where do you expect gearing to end up at the end of 2010 versus where we are now? Thanks you.

Corrado Costanzo

Well Lydia two interesting questions. Clearly the interest figures for the last two quarters are somewhat misleading because of certain accounting aspects and I would think also in respect of interest rates to figure for the whole year. I mean 2009 was a difficult year in many respects including communicating with analysts like yourself about a lot of aspects, including interest. I mean the turnaround had also a number of accounting by-products.

So let's look at the yearly figure and let's look at the end of quarter debt levels for 2009 and you will have at that point a much more reliable idea of where we stand with our gearing for next year or this year at this point. Clearly cashflow from the refining division is negative to date after CAPEX, that's too obvious but Sarlux could be considered as a cash cow and because most of its EBITDA is ultimately cashflow because we don't need to invest much and also the other divisions are doing fine, marketing is and the wind division also and we're working hard at controlling our working capital. So overall we're shooting for levels of net debt which are in line with the end of 2009. Then we'll see during the year so we might, you know, we might have variations on the team but that's what we're looking at.

Lydia Rainforth

That's perfect thank you very much.

Anish Kapadia, UBS

Good afternoon, three questions please. Firstly just on the tolling contracts I was just wondering if you could quantify what the benefit was that you got from the tolling contracts in the fourth quarter and related to that if you're not running your refinery down at lower levels than where it was in the fourth quarter because of those tolling contracts and the need for the power station.

And then secondly I was just wondering on your CAPEX plan I know you're delaying it would we expect CAPEX for 2011 to be at a similar level as 2010, so at kind of maintenance CAPEX level.

And the final thing is if you could give some guidance on the Italian GAAP EBITDA for Sarlux for 2010.

Dario Scaffardi

Well Anish thank you. I'm not quite sure I understood entirely the second part of your question on the tolling agreements.

Anish Kapadia

What I was trying to say was what was the benefit you got from the tolling agreements and then is the tolling agreements plus the need for the output for the power plant one of the reasons why you're not running the refinery lower because you were losing quite a lot of money by running the refinery I would imagine in other circumstances you would have run down the refinery at lower rates.

Dario Scaffardi

Well first of all the benefit of the tolling agreements in Q4 has been basically around zero. The tolling agreements and the processing agreements that we had were geared in any case to the market so the benefit that they brought in Q4 was relatively about this although they do have a fixed component which in this moment I'm not able to quantify entirely and I would need to look at the numbers.

On the running of the refinery until we have a positive contribution we're able to cover all the variable costs and at least have a slightly positive impact on the fixed costs we will run the refinery and that has been the case both in Q4 and in the first part of this year. We have actually run less, we had less runs because incremental barrels would have been negative. So up until we were able to deliver a positive margin. Remember that we supply feed stock to the power unit which has an extremely positive return. So the overall running of our system was, and has been, positive, although albeit marginally so of course.

In terms of the CAPEX from what we can see at this moment I don't expect 2011 to be dissimilar from 2010 at this moment but of course it's a little bit too early to make any comments on this. We have to see what the next months are going to see, what the expectations of the market in 2011 are going to be. So it's really a bit early to talk about that at the moment. Possibly CAPEX could even be less maybe. So it's really a bit too early, really a bit too early. I think Corrado can help you on the Italian GAAP EBITDA.

Corrado Costanzo

Yes Anish the Italian GAAP EBITDA we expect for 2010 based on current price levels for gas and oil with are included in the CIP/6 formula is around 140m for the year.

Anish Kapadia

Okay thanks very much.

Ryan Kauppila, Nomura.

Yeah good evening. The front page of your press release highlights the hiring of consultants I was just wondering if this is primarily a cost cutting exercise or what exactly you're hoping to gain from their analysis?

Dario Scaffardi

Thanks for the question Ryan. Well what we hoping to obtain is first of all we're overiewing entirely our internal procedures, the way our organisation is working and the way we operate our plant, basically because given the current environment this is one of the few areas where we can try to make an impact. So the consultants will help us in reviewing the full scale of our operations, identify the areas of weakness, particularly in areas which are cost intensive such as maintenance so with both being able to improve meantime between overhauls on major machinery, the way we use contractors, the way we pay contractors, consumption and losses of course which are quite an important aspect. Let's say that we're going to look deeply at the entire spectrum of our operations to see, well we have identified areas where there is room for improvement. Of course this improvement is difficult because we're talking about the marginal improvement. We have always been proud of the fact that our refinery operations have always been at a high level and we want to further heighten this level and the incremental step costs a lot in terms of effort mainly, here we're talking about effort more than any cash out. I mean consultants of course are expensive but compared to our operations relatively so. The effort is going to be a strong internal effort to cut costs and to improve efficiency.

Ryan Kauppila, Nomura.

All right that's great I appreciate it Okay thanks very much.

Roberto Ranieri, Banca Imi

Yes good afternoon gentlemen, two questions please the first one is on net debt. Could you please give us the portion of the contrary debit and net debt relating to Sarlux and the wind power, if any?

The second question is on net debt as well and if you have any target on debt/EBITDA ratio in the longer term or your idea for an optimal debt to EBITDA ratio and on net debt 2009 if there are any temporary components which are expected to be cashed in, in the first months of 2010? Those are relating on net debt.

My final question is about the refining outlook. I am wondering if and it's related to the Marine Bunker environmental rules, could you please recap when the shipping will stop using Marine Bunker and if this stop will give an advantage for gasoil or for gasoil use and therefore for gasoil producers for a complex refinery like SARAS? Thank you very much.

Dario Scaffardi

Thanks Roberto for your question. On the marine bunker let me start on the marine bunker which is the easiest part, I think the other questions are a little bit more difficult so I'll leave them to Corrado. Marine Bunker is a bit of a diversified legislative environment. By 2012 if I remember correctly marine bunker should go down from 4½% sulphur which is right now to 3½% sulphur on a worldwide basis. Then you have areas of the world which are called SECA which are sulphur emission controlled areas which have regulations which are diminishing. They should start to be in 2010 1% and go down after two or three years, I don't remember offhand the details and we can provide them to you on Monday. Massimo will send you all the details but let's say that 2015/2016 these areas should go down to 0.5 and the 0.2 sulphur levels. So it will be uneconomical probably, presumably to run fuel oil and desulphurise it in vessels. It will be much more convenient thus to use diesel there are a lot of technical reasons why it's very difficult to desulphurise exhaust gases onboard a vessel arising from the fuel oil.

On a broader worldwide basis there is a generalised consensus that bunker fuel by 2020 should become 1%. To the best of my knowledge this has not been entirely ratified by all the countries in the world. Therefore I'm not quite sure exactly when it will come into force. What I am sure is this is a tendency so this will advantage complex refineries such as ourselves which basically produce no fuel oil and are basically gasoil producers. So there is no doubt about the fact that slowly fuel oil will be entirely phased out. Keep in mind that bunker consumption is roughly between eight and 10% of worldwide oil consumption so of the six million barrels of consumption that you have today about eight-ish going to the bunker market and it will be slowly phased out but it will be not such a rapid process of course.

Now to the tough questions.

Corrado Costanzo

Well Roberto I hope I understood your question correctly about consolidation of debt and I looked at the long term portion as a percentage of total net debt and long term debt was, at the end of last year, roughly 350m. The balance was short term. I hope that answers your question.

Roberto Ranieri, Banca Imi

That is great.

Corrado Costanzo

And long term of course includes non recourse debt but there is also some corporate level long term debt included in that number. Then the debt targets our primary target is on leverage 25 to 50% net debt as a percentage of net debt plus equity. That is, we believe a more meaningful target because it's more controllable if you will. We are very much aware of the fact that lenders today look very closely at net debt as a multiple of EBITDA but clearly EBITDA is a much more difficult number to project so in our sectors we might have quite wild variations and yes you can see it. You can see it this year, 2008 ended with a ratio of roughly 0.5 and we shot to 3.8 at the end of 2009 so as you can see it is a ratio which is very difficult to control and yes we have endless discussions with the lenders about this fact but hopefully 2010/2011 we'll be back in line very quickly.

Alex Marie, Exane

Hi good afternoon. Two questions for Corrado I guess first of all could you please tell us at year end roughly what was the split of your debt between fixed interest and variable interest? Second question, in your refining division there was quite a hike in the depreciation so is there any exceptional element in there or is it a kind of number we should expect going forward?

Corrado Costanzo

Regarding fixed rate I would say that almost 50% of our net debt position was fixed rate and most of the fixed rate was in fact entered into recently, I mean during 2009, so at current levels, nothing came from many years ago and no 8% fixed rate for the next five years. Then well yes the depreciation rate increased in the refining division as a result of several years in a row with fairly heavy investments and at this point we have to depreciate those investments and for the foreseeable future the depreciation number will be more or less that number.

Alex Marie

Thank you.

Domenico Ghilotti, Equita

Good afternoon. My first question is on the biodiesel contribution in the 2009 results. The second question is an update on the discussion of the possible revision of the CIP/6 contract. So if you can give us an update if any.

Corrado Costanzo

Domenico the second question first. There is no update on CIP/6 because there's no discussion ongoing. Last year the government established a framework for terminating voluntarily the CIP/6 agreement but again we said that that was only a framework and more detailed provisions would be needed in order to enter into any meaningful discussion. These provisions have not been established and there's no discussion going on so far. So no news.

Dario Scaffardi

In terms of the biodiesel the contribution has been for the time being about \$4m overall and we're quite pleased that after a period in the beginning of 2009 there was a very negative outlook for biodiesel. The situation has improved, the price of the feed stock has gone down. Also our plant has become fully operational towards the latter part of the year because we started operations in May/June of 2009 and of course like any new plant you have a steep learning curve to understand how to operate it. I would say that towards the end of the year we had a fairly firm grasp on the plant and we've been able to operate it successfully.

Domenico Ghilotti, Equita

And the \$4m sorry was the contribution for the full year?

Dario Scaffardi

Yes

Domenico Ghilotti, Equita

And could you also give us some indication on Q4 so maybe as a better proxy of the...

Dario Scaffardi

Well the Q4 was basically the majority because on Q3 we were at full start up.

Domenico Ghilotti, Equita

Okay thank you.

Dario Scaffardi

And also this built up an inventory so Q4 is a little bit more meaningful than the majority of that is Q4.

Domenico Ghilotti, Equita

Okay.

Closing Comments

Massimo Vacca

Okay well thank you very much everyone for joining us this evening and we look forward to speaking with you again at the next call. Good evening.