SARAS

Second Quarter 2010

&

First Half 2010 Results

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Welcome

Massimo Vacca

Head of Investor Relations

Ladies and gentlemen, good afternoon. Thank you for joining us today for this conference call on SARAS results for Second Quarter 2010 and First Half 2010. As usual today we have an agenda which will start with Dario Scaffardi, General Manager, who will give an overview on company results and he will discuss the highlights of the period. We will then move to Corrado Costanzo, Chief Financial Officer, who will provide a detailed review of the results for each business segment and will also subsequently discuss the group financials. Afterwards back to Mr Scaffardi for the market outlook and the group strategy and finally we will take your questions. So Dario please you may start.

2010 Overview

Dario Scaffardi

General Manager, SARAS

I. Highlights

Thank you Massimo. Good afternoon ladies and gentlemen thank you for joining us for our quarterly results. The second quarter 2010 saw a return to profitability of our group mainly due to the power and marketing segments. The refining environment unfortunately is still extremely challenging although during the quarter there have been definite signs of improvement. Unfortunately we have not been able to take full advantage of these market conditions because we had, as you are aware, a scheduled maintenance during Q1 and the beginning of Q2.

In recent quarters we have been disappointed by our industrial performance which has not been up to our usual standards. We have consequently taken strong and immediate action through an asset management programme of which I will go into more detail later on during the presentation. We have also embarked on a programme to further focus our attention towards issues regarding safety. The group comparable EBITDA in Q2 amounted to almost €28m, up 16% versus Q2 ’09. This is due also to the fact that in Q2 ’09 we had a rather weak performance because of an extensive maintenance in our refinery.

In terms of net financial results our situation has improved with the debt of €567m compared to €643m at the end of Q1 thanks to the cap positive cash from operations.

Market Overview

1. Diesel and Gasoline Crack Spreads

If we look at the main market indicators for this quarter we can see that due to the maintenance in the latter part of Q1 we've seen an improvement in the crack spreads. The year started off on a rather negative tone similarly to Q4 ’09 but then during the months we have seen a definite improvement. First of all we have, on the middle distillate side, we have seen the crack for Mediterranean diesel compared to Brent move from the range between $10 - $12 per barrel at the beginning of the year and has progressively moved up to a range of $14 - $16 in May/June of this year. It has subsequently moved back to a rather more conservative level of $12 per barrel in July but it is showing some signs of an improvement in these days, having moved back to $14 per barrel.

Gasoline instead has been rather positive at the beginning of the period but then due to many refineries coming back on line it has weakened in the second quarter. Part of the strength in middle distillates in this period has been thankful to the fact that floating storage of gasoil has diminished significantly. It was almost in the range of 190m barrels at the beginning of the year and the latest statistics show that it should be in the range of about 140m barrels, so an almost 30% reduction in floating storage is a definite sign of improvement of the market also showing that there is less contango so there is less incentive for storage place.

Fuel oil cracks instead which play an important part in our conversion margins started the year at about $4 per barrel difference to Brent moving almost to the range of about -10, -12 in the first part of Q2 and subsequently have remained in an area between -10 and -8 roughly speaking and today it’s around -8.

2. Refining and Power Margin

In terms of margins Q2 has seen a definite improvement in the EMC benchmark which has moved from an average of 0.5 $/bl to 1.2 $/bl. Our refining results are a relatively modest 1.2 $/bl but this result is actually misleading because we have had a large gain resulting from our risk management activities in oil products which contributed €23m to the results and should be included in the margin results. Corrado in the next slide will explain in detail this effect which is extremely important and provides some misleading effects on the usual graph that we show on this page.

Corrado Costanzo

CFO, SARAS

I. Segment Reviews

1. Refining

Thank you Dario. So let's get into the different segments' financials. Let's start with refining. Clearly compared to Q2 of last year things were radically different last year with a major turnaround maintenance at the cracking unit. This year maintenance was definitely lighter although still significant and so crude runs were 23% higher than last year but still could not be optimised because of the scheduled maintenance which had already been discussed and disclosed to markets anyway as we usually do. It must be said that this scheduled maintenance anyway lasted a little bit longer than we anticipated and this fact took away roughly €6m or €7m from our EBITDA and this clearly adds to the disappointment that Dario was talking about and which is prompting action on our part.

Then the really big new fact this quarter is the 22 point something million Euros net gains on our hedges on crude oil and oil products during the quarter. This is part of a structural hedging policy where in fact we buy crude oil and sell refined oil products under various terms and conditions but we try and match, as much as possible, the pricing of both our purchases and our sales to a monthly average price in order to have a minimum impact from the fairly wild short term fluctuations of oil markets. So this is a structural hedging policy which we believe is absolutely reasonable. We're in the middle and we want to achieve average margins not impacted by daily fluctuations as much as possible. Usually the effects of this hedging policy were limited to a few million Euros, either net gains or net losses which were always recorded in the financial income and expense line this year and so we never really got into any detail regarding that policy. Last quarter, indeed, the number was quite significant, I mean more than quite and that's why we want to point out this is a structural policy. In particular the number was very significant because there was a normal inventory built up before the scheduled maintenance and in order to match the cost of crude with the price of products once we would be ready to sell the products we enter into the usual hedges but there was a dip in the price of crude oil which went from $87 to roughly $70 per barrel and therefore the hedges yielded particularly significant net gains. However this is all, as I said, part of a structural policy which tries to achieve average monthly pricing for both purchases and sales under any condition.

2. Fixed & Variable Costs

A few words on variable and fixed costs. Variable costs as usual are included in the EMC benchmark. The fixed costs are lower than last year again because of the usual reason like the maintenance costs and although part of that maintenance is ultimately capitalised a still significant part is expense and therefore the last quarter of this maintenance being lighter we have lower fixed costs. Variable costs are a bit more random and I think we have to stick to yearly figures rather than quarterly which can become quite difficult to explain in detail.

II. Power Generation

Power generation From a production standpoint here too we had some scheduled maintenance so production was down 4%. You don't see that in the IFRS numbers, as usual, which are equalised over the duration of the long term contract with the National Grid Company although there you do have a difference and it's a positive difference due to higher sales of hydrogen and steam to the refinery. Those sales are not equalised, everything else is. I think we have to take a look more in detail at the Italian GAAP numbers because those numbers fluctuate more in synch with what happened really during the quarter and last quarter we had a one off gain of €23m pre-tax so at EBITDA level under Italian GAAP which I'd like to stress that became €1m for the first half of 2010 at IFRS level, I repeat and at €½m for Q2 under IFRS and €23m for Q2 under Italian GAAP accounting standards and that gain is due today a decision by the energy authorities to finalise the price for part of the CIP/6 tariff. On the other hand it must be said the last year we still had under Italian GAAP higher results than we can post now on an average quarter because we were still enjoying in April the incentive component of the CIP/6 tariff which now has expired. So €51m let's say is more in line with €30m - €35m which would be a typical EBITDA, €35m more than €30m would be a typical EBITDA for SARLUX without the incentive component and under Italian GAAP accounting standards.

Fixed and variable costs

Again fixed costs in line with the guidance and tightly under control. Variable costs are very difficult to explain on a quarterly basis once momentarily a location is switched from tariff feed stock to non- tariff feed stock you immediately have swings in the variable cost line but that doesn't really mean much what is really important is the EBITDA overall which is certainly in line heavily accounted for this one-off item.

III. Marketing

A few words on marketing. Let's say that we held our own in Spain in spite of the notorious economic situation in the country. I mean sales were slightly down I would say compared to last quarter and also compared to the same quarter last year. Margins also but nothing dramatic so our policy of skipping or reducing opportunistic sales to other operators is paying off. The encouraging part however is coming from the Italian side of our wholesale marketing business. There was a sharp increase in sales compared to last year during the same period, 34%, almost entirely due to the fact that we have replaced ENI in Sardinia and that's definitely good news because those sales being sales that are done in our own backyard are much more profitable than any other sale that we are doing in marketing and therefore profits are still remarkable particularly in light of the overall demand and economic situation but the Sardinian part is certainly sustainable.

IV. Wind

Wind posted good results. A bit surprising if you think that we were moving into the summertime period and wind conditions are usually not ideal you make most of your money during the wintertime. Anyway there was more wind than usual and therefore good EBITDA also for the Ulassai Wind Park which by the way is being completed and upgraded to 96 megawatts. We have spent €10m already. We are spending a few more in Q3 and we believe we're going to be in operation at 96 megawatt by the end of September, early October.

V. Financial Overview

1. Key Income Statement Figures

Moving into the financials.

2. Key Cashflow Figures

Now I would just say a few words on cashflow we paid a lot of attention, put a lot of emphasis on controlling our working capital requirements as part of our policy geared towards controlling our gearing ratios and we were able to reduce working capital by €45m through a number of actions also we believe that those actions are structural at this point and so we believe that this reduction can be sustained always having in mind that anyway working capital tends to swing quite widely €150m plus or minus at any given point in time but again a lot of emphasis on this area.

CAPEX definitely in line with guidance and definitely lower than last year and about €60m on a consolidated basis for the quarter of which about €11m are due to the upgrading of completion let me say of the Ulassai Wind Park so a sharp drop especially at refining level and again here we intend to stay around these numbers for quite some time at least until things start looking more structurally encouraging for that particular business.

3. Key Balance Sheet Figures and Net Financial Position

Also on the balance sheet current assets, well you don’t see a condensed number for current liabilities in this table but anyway current assets do that, €1,650m were current liabilities at €1,432m, so when I'm saying that these working capital optimisations can be sustained I'm also looking at these numbers there were no short cuts taken in this particular respect.

4. Key Ratios

And what’s more key ratios, leverage at 31%, perfectly in line with our company target between 25 and 50% clearly return type ratios I have to admit are slightly less in line. Now we take a look at the future.

Outlook and Strategy

Dario Scaffardi

I. Outlook

1. Refining & Power - 2010 Maintenance Schedule

Thank you Corrado. On this slide here we have our scheduled maintenance and we have completed all scheduled maintenance for this year so we expect no further disruptions during the remaining part of the year. In Q3 we have made some reduction in refinery runs due to the bad margins that we've seen mainly in the latter part of July and the beginning of August so we have slightly reduced runs. In these days we are seeing some signs of improvement so we are ready to ramp back up refinery runs up to their economical point.

So the outlook is for something between 3.3/3½m tonnes or 24 to 25.5m barrels during Q3 which should bring us for the full year to about the mark of 14/14.2 million tonnes.

2. Oil Products Global Demand - Short term View (2010)

The outlook for the refining business is a little bit healthier than what it was in the last quarter. The first and the most important sign in my opinion is the fact that we have seen almost a 3% increase in world oil product demand which is back up to 86.5m barrels per day and this, in my opinion, is extremely important because it brings back oil product consumption levels to those that we had before the crisis and this is definitely the single most important driver. Of course this increase in product demand is not evenly spread. It is extremely strong as everybody knows in the Far East and it's been stagnant in Europe although we are seeing some signs of improvement also in Europe. Initial results for Europe's leading economies, France and Germany show an increase in diesel demand by a couple of percentage points, the use of fuel oil has almost disappeared in Europe and again this is a positive sign because we strongly believe that fuel oil, particularly high sulphur fuel oil, will be slowly phased out all to the advantage of high conversion refineries such as ours. Also in economies which are struggling more than the others such as Spain and Italy they are starting to see some signs of improvement in diesel demand. So therefore we are relatively cautiously optimistic about the outlook. This is also supported by the fact that the forward crack curves in Q4 and in Q1 of 2011 are in the range of $13 - $15 per barrel which is a healthy sign therefore we believe that we should see an improvement in the refining margins towards the end of the year and in the beginning of next year.

We therefore predict that the EMC benchmark should average something between $1 and $1½ per barrel over the entire year with a conversion spread position some place between $200 and $250 per tonne.

II. Strategy

1. Strategy Highlights and Implementation

In terms of what SARAS is doing of course as I mentioned at the beginning we have been disappointed by our industrial performance in the latest quarters and we have immediately taken action and this action is in the terms of an asset management programme which is a complete review of the way we manage our refining system and by refining system I mean everything from the choice of crude oils to the way at the end in which we dispose of the products and with all the activities which are in the middle which is the actual operation of the refinery and the way we perform maintenance and investment activities. This is truly a major overhaul, a check up of our organisation which involves the vast majority of the people working for the company and it will and has involved already a reorganisation of our industrial areas which now has been divided into three main areas of activity which have been called oil management, asset management and operations management and the area of oil management has to do with everything regarding the management of the hydrocarbons, the choice of programming, the way it is used inside the units, the way the units should be operated. The asset management part is everything regarding the steel, so mainly activities regarding maintenance, regarding overhauls, regarding routine, extraordinary maintenance, regarding investments, regarding certain areas of the way in which we manage contractors. The third area is operations which will concentrate on the secure and reliable operations of the refinery over time. The objective here is to be able to deliver some important results. All the objectives and the initiatives that we have put in place have been measured and we have given some very precise objectives to our personnel and we expect to be able to improve our performance by €10m by the end of this year and by the end of the programme, which is going to last three years, we expect to be able to reach something in the range of €40- €45m which come mainly from about €20 - €30m of efficiency gain and asset productivity and €10 - €15m from the programme of cost reduction and optimisation of our contractors.

Once the programme is completed we should be able to add something of about 30 to 35 cents per share which has a present value of about €300m.

Apart from our refining segment we continue to consolidate our activities in marketing and we continue to pursue opportunities in Spain taking a small step approach whenever we are able to secure a certain number of retail stations that fit in with our logistic system we try to expand our business there.

In the wind segment, as Corrado mentioned before, we have just completed installation of another six generators which will bring the total installed capacity of our Ulassai Farm to 96 megawatts.

Finally regarding our activities in gas exploration which continue in Sardinia we have completed all the study of the seismic testings carried out in the latter part of 2009 and the beginning of 2010. The results have been further encouraging to the results that we already had and we have some strong evidence that there are possible geological formations associated normally with gas traps so we will do further tests in order to determine exactly the position of the test wells, the optimum location for the test wells which we expect to probably start drilling towards the latter part of 2011.

Thank you for being with us and we are now ready to take any questions which you might have.

Questions and Answers

Mr Schofield, Merrill Lynch BoA

Good afternoon. Just one question on the run cuts last week we obviously saw a very low EMC benchmark of negative $1.4 a barrel in that kind of scenario if margins were to stay around that level would you need to make further run cuts during the third quarter? Thank you.

Dario Scaffardi

Well generally we are able to have, even in the current scenario in which we have a negative margin on the EMC our actual refinery margins are positive. What might become negative is the marginal refinery runs so that those are the incremental runs which do not take 100% advantage of all the secondary conversion plans that we have. So whenever we cut back generally we cut back what we call, so called incremental runs, so I mean even if the market remains at these very depressed levels which sincerely I don’t expect I don’t think we would do any further cuts than what we have done already.

Mr Schofield, Merrill Lynch BoA

Okay thanks for that.

Mr Paolo Citi, Intermonte

Hello good afternoon everyone. Just two questions. The first one is on the refining segment is it possible to have a rough idea regarding the maintenance that you are going to manage next year, 2011? The second question is related on the power generation sector and in particular the IGGC plant, is it possible to have a rough idea of the Italian GAAP EBITDA you expect to reach for full year 2010? Thanks.

Dario Scaffardi

Hello Paolo. Thank you. No we have not fully developed our maintenance schedule for 2011 yet so apart from the usual plants which have a maintenance based on a yearly basis, so our mild hydrocracking units need to change catalyst every 12 to 15 months and our Visbreaker unit undertakes a routine clean up again every nine to 12 months, depending on the type of crudes that we operate and the way that we run it. So apart from these usual maintenance we don’t really have any very big maintenances programmed and of course our gasifier units again have a routine maintenance every 18 months about, 16 - 18 months, depending on conditions but the total schedule has not been worked out yet.

Corrado Costanzo

As for the projections on Saras’ EBITDA I would add something around 65 - 70m for the remainder of the year to what we have achieved so far. So, so far the Italian GAAP EBITDA for each one is 71 and the bottom line will be around 140 roughly.

Mr Paolo Citi

If I may just another very quick question the €23m one-off again on SARLUX does it have a cash impact in the quarter?

Corrado Costanzo

Yes it already had a cash impact even before the final decision of the energy authority because the nationally agreed company already was paying us based on the final price. It’s a bit convoluted but the answer is yes the cashflow is already included too.

Mr Paolo Citi

Okay thank you very much.

Ryan Kauppila, Nomura

Yeah good afternoon. Corrado one quick question given your gearing is towards the bottom of the range and for the measures you've taken already to cut CAPEX and where the shares are how does the company view the share buy back programme? Are there any discussions on reinstituting that?

Corrado Costanzo

Well clearly we had a global authorisation from the AGM at the end of April and yes reinstating the programme is a possibility and it’s been discussed, so far it hasn’t been decided formally.

Ryan Kauppila, Nomura

Okay that's great I appreciate

Thomas Adolff, Credit Suisse.

Good afternoon gentlemen, three questions please. Firstly on the cost savings programme for 2010 how much of the €10m has already been realised? And secondly more specifically on the asset efficiency programme what exactly are you doing to reduce the refinery consumption and losses? And the third question is just more specifically on the third party processing contracts when do the remaining contracts expire? Thank you.

Dario Scaffardi

Thank you Thomas. The cost saving programme is about to generate because the total reorganisation of the refinery has been formally announced to the personnel in June. It has been formalised with all the various people by mid July I know that might seem slightly slow but there was over 600 people involved. So the full impact we'll start to see towards the end of the year. Some cost savings have already been realised of course in terms of procurement activities which in a way can be executed immediately. Those activities which involve mainly operations and the way people are working are slightly slower to be realized. In terms of asset efficiency the full benefit should be, not the full benefit but 90 - 95% of the full benefit should be operational by the end of 2011 and what we are aiming here is attention mainly to operations because one of the things that we do not want to do is make any significant investments. So we are working on the management of our fuel gas system, of the refinery gas system, the losses of steam from various areas, the use of steam in the process unit, the flaring of course, the fact that we have various boilers to produce steam we are trying to reduce total steam production in the refinery in order to incentivise the single unit operators to use less steam by providing them with less steam in the first place.

So there are a variety of actions but in the end of course very important is the way that we manage our furnaces. We have a high number of furnaces and the management of combustion is absolutely crucial. So let's say that our programme is a programme made of details, made of people, it's going to be painstaking because there is no single big action that can be taken that improves things immediately because already our standards were pretty high. So we have a lot of small actions that we are concentrating on, also because of course in this very peculiar market environment the cost of energy has become extremely important. Energy has always been important but of course today we are in a scenario very similar to the one that we had at the beginning of 2000, not that 2000, that was good but 2001, 2002, in terms of margins but the absolute price of oil at the time was in the range of $20, so clearly the cost of energy today is four times as much at least as what it was let's say a decade ago, maybe eight years ago, with similar type of margins. So of course the percentage impact on our results is much higher and this is an area in which we, as other operators, are concentrating heavily upon. Once this program will start yielding results we will take a closer look at actually making investments in terms of new furnaces, in terms of heat exchanger, heat recovery in general in order to further increase our energy efficiency.

Regarding third party processing we have won an important contract that is going to end at the end of this year and negotiations have not started yet about its renewal, they will probably start after the summer. At the moment with the relatively challenging market for refining margins it is not extremely likely that this contract will be renewed also because we are not willing to provide refining services at below the actual cost. So we strongly prefer to play the market autonomously with all the flexibility that this gives us in terms of crude oil choices which instead in a processing contract tend to be already decided by the client of course. So that is a lever that we would not have.

Thomas Adolff, Credit Suisse

Okay perfect just a quick follow up question if I may just on the outlook more specifically for 2011 your future curves can be quite volatile etc but can you give us just a little bit more colour on your fundamental outlook for 2011 in terms of where do you see EMC margins, where do you see convergence spreads etc for 2011? Thank you.

Dario Scaffardi

Well that's an extremely challenging question Thomas I can join all the other consultants and give my views for 2011. I think that the consensus generally is that we expect oil prices to remain relatively high so at the moment nobody is really expecting any significant decrease from the $70/ $80 range, whether this is correct or not I frankly cannot say but this is the consensus. We see an improvement in the cracks in terms of mainly diesel and this is just due to the fact that if we project economic recovery worldwide we do expect to see an increase in consumption of diesel and there are not too many new plants coming on line in 2011 so there should be a progressive tightening of the market. I also believe that the plays that have dominated at the end of 2009 and the beginning of 2010 mainly based on the structure of the market in contango which has incentivised the production of diesel in the Far East and the shipment to Europe based on cheap freight on the one hand and subsidies and incentives that certain Eastern refineries enjoy and which we do not and of course certain costs which we bear regarding the environment and regarding CO2 are situations which in my opinion cannot be sustained in the longer run so it’s extremely illogical to imagine that we can have a sustained scenario in which crude oil is shipped from one part of the world to another part of the world and then shipped back as finished products without any economic sense. So these reasons make me think that the refining environment for 2011 will be somewhat better than that of 2010 which is not that difficult after all considering how bad 2009 and the first part of 2010 have been.

Thomas Adolff, Credit Suisse

Okay perfect thank you very much.

Dario Scaffardi

You’re welcome.

Domenico Ghilotti, Equita

Good afternoon. My first question related to marketing in particular the contribution of the biodiesel plant and also some colours on the performance of your retail activities and the second question is related to your efficiency programme in particular if you can say the quantifiable bit the investments associated with the achievement of the 2013 target if I understood correctly those ten million savings for 2010 are not capital intensive but I would like to understand the additional contribution.

Dario Scaffardi

Okay thank you Domenico. Let's start from the last question first of all when I explained the efficiency programme I made a mistake saying that it will have full effect in 2013 the full effect will be, or almost the full effect 90 - 95% of the full effect already will be in 2011 we expect to be able to achieve something between €40m- €45m and the cost associated with this of course because we have undertaken this programme with a world class consultant and there is a lot of effort also on our part it will cost something between 8 -12% of the savings achieved so the benefit is in the range of €40m - €45m let's say that the cost is in the range of something like €3m - €4m about. Sorry you were asking also about our retail activities we are in the process in Spain at the moment of integrating the retail system that we have acquired from ERG in 2009 the takeover of all the stations is a relatively slow process because each station needs to be checked out and there are a series of environmental liabilities that need to be sorted. This is basically completed and we have also made a significant contribution in terms of rebranding the stations so changing the colours from the ERG colours to the SARAS Energia colours which is the red logo. We are experiencing actually some slightly higher margins than what we have budgeted from this acquisition and the fact that our stations are distributed mainly in the Mediterranean part not on highways has shielded us from the downturn in the Spanish market because the Spanish market has seen a significant contraction in terms of diesel sales and this has not happened to our network, not by some miracle of course but by the fact that we have relatively small numbers of stations based on highways and highways are the ones that have been mostly effected due to the decline in the heavy traffic between Spain and the rest of Europe. So certain highway stations have seen 15 - 25% reduction in sales while our stations, being mainly in urban or rural areas and mainly geared to the normal consumers, have been much more shielded from this effect. So on this side everything is moving smoothly and we are quite satisfied in the way things are working out. We are in the process of course of streamlining the organisation and working on streamlining the merger between ERG and the existing SARAS entity.

In terms of our biodiesel plant that of course is an area of disappointment. The area disappointed is mainly due to market factors totally outside of our control. Today we see an extremely strong price for vegetable oils in general and the recent surge in grain prices due to the fires in Russia have moved over also to the other vegetable oils without any apparent logic we are facing the competition of biofuels coming from mainly South America, Argentina and also Indonesia and Malaysia which are again subsidised locally and they come at the price which is much lower than the feedstock price so we are in the similar sort of situation of all other biodiesel producers in Europe which have shut runs, shut in runs because we are facing this competition from Argentina and also from the US. We expect the situation to change because the European Union is extremely aware of the situation and there are under study at the moment the best of my knowledge tariffs to limit this unfair competition. So we are at the moment in a situation of wait and see.

Domenico Ghilotti, Equita

Thank you.

Dario Scaffardi

Thank you.

Will Forbes, Arc

Good afternoon I have a few questions. The first one just on the third party contracts that you have, what margins did you achieve during the period for that? And then also if you could give us some guidance on what you think the third party volumes going forward will be? Can we expect about 10% going forward or will it die down to zero by the end of the year? And then finally just on the gas exploration can you give us some timelines on when the potential drilling will be and if you have any ideas on the prospect size? Thank you.

Dario Scaffardi

Excuse me could you repeat the last question on the gas sorry I didn't catch it.

Will Forbes, Arc

Sorry yeah if you have any ideas on the timelines when you may drill the prospect and also if you have any ideas on the prospective size of the resource?

Dario Scaffardi

No at the moment, I mean starting from the last question at the moment it's much too early we don't have any… we have some preliminary data which we do not consider as definite yet so we don't wish to make any specific statements on this side and in terms of when we're going to drill as I mentioned presumably towards the end of 2011 possibly because also of very complicated permitting issues it might become 2012. In Italy the legislation is rather complex and after what happened in the Gulf of Mexico things have become even more difficult so technically we should be in a position to start drilling assuming that we find the drill and the rigs and everything towards the end of the year. I cannot rule out the fact that… to the end of next year, excuse me, I cannot rule out the fact that it might face delays due to authorisations.

In terms of third party processing the results that we have achieved during this year are better than what are the average refinery margin because basically the protective side of the processing contracts have kicked in. As we have explained in other circumstances the processing contract is the equivalent of a put option and we were on the left hand side of the graph where we have the fixed part of the put option which has been in this part of the year higher. If I expect our current contracts to be renewed? Honestly I don't believe that the current contracts I think that there is a low possibility of renewal of the current contracts with our customers. What I do not rule out is the fact that we are receiving many enquiries for processing contracts from new prospective clients and these new prospective clients are mainly oil producing countries which have a certain amount of worry on the fact of being able to place all of their production.

So again also in this area the scenario is changing we do not have any more the traditional oil companies which enter into processing contracts. We are seeing some new players here I cannot say what the outcome will be at the moment.

Corrado Costanzo

The overall effect on our accounts anyway was minor because if you make better results however on 10% what you have embedded in the quarterly result is marginal.

Will Forbes, Arc

Okay thank you and sorry one follow up question just on the strategic review can we assume that that may lead to redundancies and what's your current situation with regards to unionisation and the possibilities of strike action by staff if redundancies occur?

Dario Scaffardi

Well first of all we do not really have a situation in which we have excess personnel. We are being extremely careful in replacing with the normal turnover but the refinery personnel that we have is needed for an effective and safe running of the unions so we don't really envisage any particular or significant reduction in the current workforce. We might have some optimisations but we have always worked very closely with our unions and I don't expect that we shall be encountering any major difficulties in whatever actions that we might take they will be taken together with the unions.

Will Forbes, Arc

Okay thank you very much.

Closing Comments

Massimo Vacca

Okay then thank you very much for being with us this evening and we look forward to the next conference call for Third Quarter results. Good evening.