



Preliminary FY 2011 & Q4 2011 Results

28 February 2012

Welcome

Massimo Vacca

Head of Investor Relations

Thank you. Good afternoon ladies and gentlemen. Today we will discuss SARAS preliminary full year and fourth quarter 2011 results. We trust you all received a copy of the analyst presentation which we will be discussing now. However if you don't have it please go and download it from our website. And we will have the usual agendas today.

Mr Dario Scaffardi, General Manager, will open with the overview of the group results and he will cover the highlights of the period. Subsequently Corrado Costanzo, Chief Financial Officer, will provide a detailed review of the results for each business segment and then he will then discuss financial highlights. Afterwards back to Mr Scaffardi for the market outlook and the group strategy. Finally we will take your questions. Dario please.

2011 Overview

Dario Scaffardi

General Manager, SARAS

I. Highlights

Thank you Massimo. Good afternoon ladies and gentlemen. We are quite proud to present our yearly results which I think are quite a remarkable achievement considering the extremely challenging market conditions that we have seen for the refining sector in 2011. Everything that could have gone wrong in 2011 has more or less gone wrong but I think that SARAS has been able to prove that we have capability to ride out quite a few storms.

In the fourth quarter on 2011 we have seen the effect of the organisational changes that we promoted last summer mainly the desire to exploit more fully any market opportunities that present itself in an extremely volatile market through our commercial organisation and integrating also this all our marketing activities. We have seen this effect in the numbers that Corrado will illustrate to you, talking in detail about the various sectors.

In terms of overall market in Q4 we've had the resumption of Libyan exports. Unfortunately the positive effects coming from this were partly damped over the months by the Syrian crisis on the one hand and the Iranian crisis on the other hand, fully self-inflicted, that have created further tightness on the sweet/sour differential but coming from the opposite direction. When Libya



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commenced in February there was less sweet crude available on the market and this of course pushed the premium from sweet crudes and the opposite was true in the last part of the year where the tightness of the sour crude due to Syria and Iran crises obtained the same effect but pushing from the other side.

In terms of product differentials, diesel cracks were on the high side of their five year average in the last quarter so there was good demand for diesel globally, also the fact that the market has switched from a steep contango mode into a backwardation mode, helped prompt demand which overall in the Mediterranean it was healthy.

The gasoline cracks were quite poor due to sluggish demand in the US although in the last part of the year we have seen a resumption of significant imports of gasoline into Libya which has helped the scene for gasoline in the Mediterranean area. Also there's quite an amount of demand coming from the Middle East.

If we look at our graph on page 5, which reports the SARAS refinery and power margin, we've seen that the EMC benchmark in 2011 has touched its historical low at -1.1 but notwithstanding this SARAS has been able to produce a solid refining margin at 2.8 thanks to its units, where things overall in 2011 in the last quarter have run smoothly. And we were helped by the conversion spread which averaged over the year something in the range of \$330 and at the same time we were able to take full advantage of the opportunities that we have seen in the market with the volatility and with the extreme variety of new crudes that have become available in the Mediterranean region.

I think Corrado can go into a little bit more detail on all these aspects so I will gladly hand over the word to him.

Corrado Costanzo

CFO, SARAS

I. Segment Reviews

1. Refining

Thank you Dario. Well let's focus on the comparable EBITDA for the refining sector in Q4 which stood at €26m. Clearly it's still disappointing and we're still in the red in that particular segment but we are posting nonetheless encouraging progress quarter after quarter. As you can see, Q2 was €43m and Q3 was €33m. So in spite of very difficult market conditions at least during the last quarter everything worked well, so obviously within a certain scenario. Refinery was operating smoothly. We also had the trading arm of the company posting significant gains and so overall the stars were aligned favourably at least for what was under our own control. So I'd like to point out that the refinery runs although they were like 5% less than the same quarter last year were still about what was expected partly because the Libyan crude was back on the market since the mid/end of November, partly because also over the months last year we learned how to reconfigure refinery operations with alternative crudes and we have, at this point, figured how to be less dependent on Libyan crudes and that is from our perspective a very significant point, from a strategic point of view. We now know that Libyan crudes are important but not as important as we thought and the markets thought until last year. I'd like to point out that we posted €1m of realised gains from the derivative instruments, most of which are oil derivatives and if we adopted hedge accounting then most of those would be reported at our EBITDA level, in fact some peers do report



those at EBITDA levels so at that point you can clearly figure how positive the quarter was from many perspectives.

Last but not least also foreign exchange was handled positively and added to the overall results.

2. Fixed and Variable Costs

Let's focus on the fixed costs and we as you can see were fully within the guidance and fixed costs stood at €220m vis-à-vis €36m, that's about €16m reduction net of inflation of course. So we believe that the Focus programme is well on its way. It is actually yielding the results that we were expecting and also consider that part of the savings are also being done at IGCC level as we're going to see shortly.

3. Power Generation

Speaking about the IGCC since we're talking, let's go to Page 11 first, we're talking about fixed costs and as you can see there's about €10m savings vis-à-vis the previous year so overall we're close to €30m which is roughly 10% of fixed costs net of inflation. So we believe that our efforts are starting to pay off in that respect.

So now let's move back for a second to the IGCC results first of all a few words on what usually doesn't need any comments, the IFRS EBITDA, well Q4 was particularly impressive for two reasons, the same reasons like we have from time to time additional sales of hydrogen and steam but in particular Q4 every year also already takes into account any adjustments which are done to the equalised tariff and therefore equalised revenues for the whole period, for the duration of the whole contract. We have discussed this with our auditors, we have reviewed the tariff which will be applicable during 2012 and you might remember that there is a nine month delay in the calculation of the tariff. So basically in January you already know what the tariff is going to be until September and since the tariff for 2012 will be higher then also we had to recalculate the equalisation and we are giving you new guidance for 2012 on and at the same time, this is an accounting aspect, since all these facts we already knew before closing the books we had to include that "re-statement" in the Q4 results. This is going to happen also in Q4, '12, Q4, '13 and so on.

If we look at how crude prices which have a direct influence on the CIP6 tariff are developing well you might also think that probably in Q4 of 2012 there will be an upgrade of the tariff but we'll see. Anyway higher guidance and Massimo will be also more specific on that if you wish, because of higher crude prices roughly.

Moving to the Italian GAAP results Q4 was basically in line with our expectations. There was a slowdown which already anyway was scheduled but also we're starting to benefit and I'm talking about Italian GAAP, let me stress that. We were already benefiting from somewhat higher tariffs vis-à-vis last year so the nine month delay was already kicking in also from a cashflow standpoint. So it looks like the IGCC will support our cashflow also and our financials next year as well and more so than ever I would say.

II. Marketing

A few words on marketing. Overall I would say impressive results almost entirely due to the Italian arm Arcola Petrolifera is their subsidiary and well in fact in Italy we had year on year, quarter on quarter, you pick it, very, very impressive profits and very impressive sales. So you can see the



profits yourself, the sales were up about 30% vis-à-vis the same quarter last year and about 37% year on year. This happened in a market which was basically flat. So very, very positive results. We are also expanding in new geographical areas. We have access to new details, expanding our client base, so we believe that we did particularly well in that area.

Spain is somewhat a different story. We continue to rationalise our client portfolio and skimmed the least profitable clients also in an effort to control working capital. But overall Spain is a much more difficult market than Italy.

III. Wind

Wind. Disappointing wind conditions throughout the year and the last quarter was no exception. Electricity production was 50.7 GWh vis-à-vis 58 something, minus 15%. Tariffs were more or less in line or slightly better but what actually had an impact on the EBITDA of the last quarter is a write off worth €3m included in the EBITDA which pre-write off was €6.8m, write off of certain projects that we were developing in Sardinia after a certain law was passed and basically ruled out these project from being built in certain areas because those areas have been excluded from the development of wind projects. Well this is a bit of a funny story because we wrote off a few projects several years ago and two of those, as Dario will point out later, are now in the final stages of their permitting process because now the projects that we wrote off a few years ago are instead included in those areas which are eligible for wind development. Anyway every time a new law is passed if we are to take a hit we take it and that's it but the projects are not necessarily dead. Bottom line before the write off €6.8m in spite of the disappointing wind conditions.

IV. Others

The Others segment. Small numbers as usual and there are two developments about one of the subsidiaries included in this segment which will be discussed by Dario.

V. Financial Overview

1. Key Income Statement Figures

Talking about cashflow there was a certain difference in our net financial position about €140m higher than last quarter €90m higher than last year. However year on year, which is more significant there was a very significant increase in working capital, close to €300m partly due to higher prices, it's a fact of life, higher prices mean higher net working capital which needs to be financed, and partly due to instead higher quantities, close to 200,000 tonnes. The higher quantities arguably come and go and also higher prices come and go to an extent so if we kept our working capital stable instead of a higher net debt you would see a lower net debt. This is our point. So everything from that respect is pretty much under control.

Then bear in mind that leaving aside price variations just quantities can vary as much as 500,000 tonnes, month on month, quarter on quarter and just as a result of ongoing operations, commercial, industrial, whatever and at current prices that is €350m which can be added or taken out. So when you see €100m difference from our point of view it's really not that much we have seen in any particular day, much lower or much higher figures. And just as a result of working capital movements.



2. Key Cashflow Figures & CAPEX

CAPEX finally was perfectly in line with the guidance, maybe at the low end, the guidance was about 100 to 120 and it finally stood at 105 for the year. So this is pretty much it for Q4. and at this point back to Dario so we can take a look at the future.

Outlook and Strategy

Dario Scaffardi

I. Outlook & Strategy

1. 2011 Maintenance Schedule

Thank you Corrado. Maintenance schedule in 2011 has been a pretty light maintenance schedule. The units were running smoothly. We had no major hiccups so the overall EBITDA impact has been quite modest.

2. 2012 Maintenance Schedule

In 2012 we have a somewhat more intense maintenance schedule in particular as we announced a couple of quarters ago we have decided to reduce investments in one of our development projects which is the revamping of one of our mild hydrocracking units, the more sophisticated of the two, the unit that we called Mild Hydrocracker Two and the investment which is an overall investment of over €60m remaining, another €50m have already been spent in the previous years, is going to take place mainly in the Q1 of 2012 and also in Q1 of 2013 when the overall revamp should be completed.

Also in 2012 in the first quarter we have already shut down an important unit which is the CCR unit it has been running for six years now, the last major overhaul was in 2006 and we have scheduled to overhaul it in the first quarter. As a matter of fact the majority of work should have taken place between March and April but when we saw in the second part of January that the scenario for margin was deteriorating we had decided to push back the maintenance which we have actually started in the first weeks of February in order to minimise the EBITDA impact in the low margin environment. The numbers that we have reported on, or report, reflect an EMC benchmark which was prevalent at the beginning of the year so depending of course on the outcome of the market this impact can be minimalised by two factors, one by having chosen to anticipate to an extent everything to February/March when the market is expected to be, at the moment at least, that's what the majority of operators feel, the negative environment for margins. And secondly we will minimise the impact of these shutdowns through commercial operations by selling and purchasing feed stocks and intermediates as appropriate, things that we are already doing and we are in the process of doing. So I'm quite confident that this overall impact can be minimised significantly but we will see in the next quarters.

I think very important as Corrado has pointed out before looking at 2011 the fact that overnight we lost Libya as a producer but the overall runs have been maintained in line with the guidance and the budget which we had which we think is no small achievement.



3. Strategy & Outlook

In terms of strategy we are concentrating in this first quarter right now on the revamp of our Mild Hydrocracking 2 unit which will add additional diesel production. We are strongly concentrating on our Project Focus which as Corrado pointed out has shown some very tangible results in 2011 we have reduced cost by at least €30m roughly, overall between the various segments and then there's a variety of other benefits in terms of operations that are not immediately manifest in the numbers.

We have further broadened the scope of our Project, including all the commercial activities. We have already partially restructured our training side by trying to be much more proactive in the market and trying to extract full value from the volatility when you have such strong volatilities as we see now in which the price movements of both crude products are higher than the value of the margins and of course it makes a lot of sense to concentrate both on the timing of purchases and also on the optimal management of the inventory.

As Corrado pointed out we had to write off two wind farm projects due to accounting rules but we were quite confident that these two projects actually would come to fruition and we are in the final stages of permitting. So this is a very, very positive development

On our gas exploration venture there have been some bureaucratic delays due to the fact that the authorities have asked for some further environmental impact information. So we were hopeful to begin drilling prior to the summer, at this point it's more likely that actual drilling will start after the summer, assuming that it will take a couple of months to finalise the permits and then make all the appropriate acquisitions.

Furthermore in terms of, as Corrado mentioned before talking about the segment of the 'Other' where we have two companies, one involved in information technology and the other involved in technical services, the information technology company is called Akhela, it provides information technology services to SARAS and also to a variety of other major companies, both in Italy and abroad. We have reached a preliminary agreement to sell this affiliate to an Italian entity and we expect to close this transaction which will be fully disclosed in detail once it materially happens, hopefully by next week.

Corrado Costanzo

One technical detail the financial impact both at balance sheet level and P & L level it's already included in the Q4 numbers. You might be struggling to see it because the numbers are small anyway but from that respect everything is already done.

Dario Scaffardi

Thank you if you have any questions we would be pleased to answer them.

Questions and Answers

Alex Topouzoglou, Exane BNP Paribas

Hi there this is Alex Topouzoglou from Exane BNP, thanks for taking my questions. Firstly then on refining do you feel that there are any other tactical investments you could do in the mid term such as the revamp of the mild hydro cracking unit for a low cost?



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I see just on that disposal of Akhela and Artermide just roughly could you tell us how much you're expecting to sell them for. And also you said that it's almost a rounding error what was the earnings contribution?

And then finally on Project Focus what additional savings can you expect to make in 2012?
Thanks.

Corrado Costanzo

Well let's start from the easy stuff. The contribution of Akhela to the EBITDA year in year out was about minus €1m, more or less, around that figure.

Then we did take a small hit which you may find, not in this presentation but in our management discussion of the Q4 results, I think there is a reconciliation table between the reported and comparable results and I'm asking Massimo to help me here and pull the table out. Okay it's on page 3 of our management discussion and it's a €4.4m hit.

Massimo Vacca

It's among the non recurring items.

Corrado Costanzo

Non recurring items in this group net result adjustment, page 3 of the management discussion. And that's going to be it. So we basically at group levels we should be showing an improved EBITDA of roughly €1m after taking this one off hit and that's it.

Dario Scaffardi

In terms of tactical investments actually there are a variety of things that could be done. The first thing that comes to my mind is any sort of investment around energy conservation and energy optimisation with the sort of prices that we have tend to have a relatively rapid pay out and the other is to go ahead on our investment project stated a couple of years ago that involves not only the revamping of one of the hydrocrackers but also the revamping of the Visbreaker unit and various accessory unit. What is holding us back at the moment is the fact that we want to keep CAPEXs to a minimum in order to control debt levels so at least for the time being in an environment that keeps on being extremely challenging we don't want to put on any more investments on our balance sheet until we see the tide turning to an extent.

In terms of Project Focus, the additional savings, well we expect to be able to save in total when the project comes to full force something in the range of between €40 to €50m and €25 to €30m have already been achieved and furthermore there is improvement in fact instead of savings of making more money in terms of optimisation of purchases and authorisations in the use of the inventory and the commercial activities. So this is the area that we're currently strongly working on and over this year we may expect to see some results yet.

Alex Topouzoglou

Okay so you'd expect what? Shall we just say between ten and 15 then again this year?

Dario Scaffardi

That's I think a reasonable expectation.



Ioanna Exarchou Citigroup

Thank you good afternoon everyone. I have a few questions please. Firstly can you give some colour around the progress on refinancing the bullet line loan during June 2012? And what are your expectations around the cost of that going forward.

Secondly you mentioned in your press release that 10% of your crude slate is Iranian crude. In view of the favourable credit terms that Iran tends to allow its customers do you envisage an increase in your short term credit needs as and when the EU sanctions come into force?

Corrado Costanzo

Thank you. Actually this is a question I was looking forward to because definitely you guys need some clarifications. We have been in discussions with our bankers over the last couple of months. We purposely decided not to rush, we had no need to rush to refinancing, bear in mind that this line of credit expires at the end of May so we're basically still three months away from its expiration and what we saw over last winter was basically unprecedented tightness in credit markets so we were in full agreement with our bankers that it would not make any sense to rush and "pre refinance" this credit line. So we're going to take it that it's going to take as long as it needs. We have no reason to believe that it's not going to be refinanced and anyway we have more than adequate certain lines in credit that we might use as a bridge although we don't anticipate to have to use those but we might use them opportunistically if we don't like the pricing for instance but we are very relaxed about the whole thing and also, believe it or not, in the last couple of weeks we have been able to secure some new credit lines. Also single purpose type credit lines like factoring, non recourse factoring and stuff, so we are reasonably relaxed about the whole thing and we will try and refinance it at the right moment and then try and minimise the cost.

Of course we don't anticipate to have the same costs that are associated to the credit line which is expiring. The markets are different and radically different so this credit line I think is paying around 200 basis points over and that's an unrealistic level today and probably also in May. So it will cost more from that respect.

Dario Scaffardi

Thank you for the question on Iran which helps to clarify some matters. There is a lot of speculation regarding the fact that Iran is providing very favourable credit terms. Until the other day, until the sanctions were enacted weeks ago, the credit terms with Iran were the most unfavourable in the market. Iran was asking for payment at 30 days for loading from the Persian Gulf, so from Kharg Island and five days from loading from the Mediterranean port of Sidi Kerir. So payment terms for Iranian crude in the Med were worse than for instance Russian crude or Iraqi crude or Libyan crude which is all paid on a 30 day basis from loading ports in the Mediterranean. The 30 basis for Iran is in effect from loading ports in Iran and there is at least 15, 20 days extra voyage involved in the middle.

Right now there is speculation in the press that Iran is offering 90 days payment supposedly to Chinese customers, the contracts that we have still in force aren't therefore 30 days payment, so nothing has changed. There are rumours that they're trying to attract more customers by relaxing payment terms but this will actually have an effect only in the future and since in the future the sanctions will come into place the effect is basically negligible because there's opportunities to buy



crude from Iran if one has contracts still in March/April and then after April it's going to be challenging to be able to buy something.

Thomas Adolff, Credit Suisse

Good afternoon, three questions please. Firstly just on your CAPEX guidance for 2012 and also if there's anything new on third party processing contracts or any other discussions going on around the refinery? I remember sometime in the middle of last year you talked about a lot of interest from NOC and that talks are progressing nicely.

Secondly just on crude spreads, so when you look back to 2011 and you look at the effect the Libyan disruption has had to your profitability and when you now look at the effects, and possible effects from Syria and Iranian sanction as we see it today what sort of year on year negative or positive impacts do you see just from the crude side point of view?

Then finally on your gas exploration you talk about potential production numbers but you don't actually talk about pre-drill estimates of these blocks and if I remember correctly you've got both onshore and offshore and it requires a pipeline to monetise these gas resources and with that is there any update on the Galsi pipeline? Thank you.

Dario Scaffardi

I think maybe Corrado can help you a little bit on guidance on CAPEX.

Corrado Costanzo

Well yes Thomas, the guidance on CAPEX is roughly €100m to €120m on a consolidated basis for 2012.

Dario Scaffardi

Thomas thanks for your questions. Regarding third party processing as strange as it may seem with the environment that we see in February an EMC of minus 1.2 or 1.3 something like that I don't remember but definitely a negative one and a half they tell me so it's even worse than I remembered, still there is quite a lot of interest for processing, another side I have found a little bit surprising but I would say that the reason it's coming is basically that a lot of oil producing countries are starting to get a bit worried with crude production which is basically on the rise also because of all the various non-conventional crudes that are hitting the market in a big way that were not entirely anticipated there's actually a little bit of worry of not being able to place particularly the sweet barrels. So there is a lot of enquiries about processing mainly for oil producing countries. And then of course we have to tackle the realities of the market and at the moment this is probably not the best moment to negotiate such a contract.

In terms of the impact of crude spreads and the Iranian situation that it has on SARAS and SARAS' numbers well first of all I would like to point out that although we were taking almost 40% of our crude from Libya and which disappeared overnight we haven't lost the ball and maintained runs at exactly the scheduled level and the secondary units have been running at full conversion. So we've been able to switch around in an important manner.

Profitability here is another issue. The reason why we're so strongly adverse to sanctions on Iran and has been pointed out very well by Ed Morris on the Financial Times of yesterday, first of all these sanctions have, we believe, very little political impact but this is of course not our judgement to be made but the point is that the overall impact is felt by everybody because the market, thanks



to the threat of the sanction has gone up by at least \$15 to \$20 and this affects everybody, not specifically us because for us Iranian crude is an opportunity crude like any other crude so we are not strongly linked to Iranian crude but of course the spike in prices and the compression of oil margins has a lot to do with the sanctions that at the end have very small tangible effects on the parties at which they are directed which compensate with a higher price whenever they are encountering difficulties of selling.

In terms of gas exploration the licences that we have are both onshore and offshore but after the Macondo Well disaster last year the Italian government put a moratorium on all offshore exploration so that is on a standstill until something happens from a legislative point of view. Instead our onshore, we have not released any expectations on what we think we are able to find in terms of gas reserves. We will do that once the exploratory well has been drilled and more definite technical results will become available.

In terms instead of the Galsi to the best of my knowledge this project is still on course, it has not been called off, of course I guess nobody's particularly anxious to invest in such a project with the current gas demand in Europe but of course it's quite a long term project. I think they've completed the engineering phase or the front end engineering. So basically I mean the consortium who owns Galsi has to decide to go ahead with awarding the various contracts.

Thomas Adolff

Okay can I quickly just go back to the third party processing contracts? I'm assuming you've got a lot of interest as you've pointed out but I'm guessing the terms are not quite ideal for you to commit a portion of your capacity as part of this contract but when you think about working capital, your balance sheet, even if the bases may not be as attractive as your view longer term on margins, whatever that may be, simply in view of the working capital impact being able to release your working capital if you go into this contract does that not favour such a contract at this stage?

Corrado Costanzo

Well I'd like to answer from the working capital lines. It would clearly make a lot of sense if we were experiencing tight credit conditions and if we were at the limit with the use of our lines of credit. We are still way, way below the limit and we still have our bankers fully supporting us. So we don't have any incentive today to enter into any questionable commercial agreement just to release working capital.

Thomas Adolff

Perfect thank you very much.

Dan Ekstein, UBS

Thank you good afternoon everyone. On the 1st December you put out a press release saying you were in negotiations with industrial partners regarding a strategic transaction what did you mean by that please if you don't mind sharing that?

Secondly just to clarify on the CAPEX €120m it was a bit lower than I expected, 120 was the lowest that you've done in recent years I think in 2010 and it seems to be quite an active year in terms of refinery maintenance plus you seem to be spending about €60m on the mild hydrocracker revamp so I just couldn't quite square all those numbers, can you tell me where I'm making the mistake? Thanks.



Corrado Costanzo

Well first of all as Dario pointed out before, controlling CAPEX is one key measure towards controlling overall debt. We are moving forward only with projects which are either absolutely needed or have very quickly pay offs, even under the current market conditions and we intend to continue to approach CAPEX that way until markets convince us that they're about to change structurally. So this is pretty much how we approach it.

Then the mild hydrocracker the expenditure in terms of CAPEX is diluted over two years.

Dan Ekstein

Okay.

Domenico Ghilotti, Equita SIM

Good afternoon. My first question is on your inventory level at the year end I would like to understand in your opinion if this level is the normal maintenance level or if you were above or below the normal level, if there is a normal level?

And the second question is on the liberalisation in Italy on the marketing side if you have any comment or if you see any threat/opportunity from this?

Dario Scaffardi

Hi Domenico. Opportunities in Italy regarding the liberalisation of the downstream?

Domenico Ghilotti

Yes.

Dario Scaffardi

Well yes there are some opportunities. We have exploited already these opportunities this year, our wholesale division which goes by the name of Arcola has increased sales by in excess of 30% in 2011 partly because we have opened up some new logistical bases in Italy through which we sell our products and partly before actively pursuing sales on the market there are some windows of opportunity, I mean there are more unbranded retail stations to which we are able to sell. So I think there are some opportunities in the market although I don't think there is anything really huge at the moment happening, changing, at least until it is clear what is going to happen with the rules that the oil companies need to implement in the sales to their branded retail stations. There has been a lot of going forward and back between the government and the various industry associations in this respect. So the situation at the moment is not entirely clear. There is a possibility that there might be further opportunities for an independent operator such as ourselves, but I don't know if yet there are some opportunities.

Corrado Costanzo

Regarding the inventory levels, inventory levels can go up or down for different reasons. The trading opportunities of course is one of those reasons since we have been increasingly active with, I have to say, so far very good results and then operational reasons. Under normalised conditions we do think that the levels that we had at the end of last year were somewhat higher than was strictly needed from an operational standpoint so there was a certain amount, more or less 10,000



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tonnes that could be sold if needed but as I said there are trading opportunities and also bear in mind that from an operational standpoint the minimum levels are not constant over the years or even throughout the year. For instance when you have major maintenance programmes undergoing you might have a certain build up of innovated products which are subsequently released. So inventory levels are somewhat volatile in nature. There's no optimal level that can be kept quarter after quarter exactly where it is.

Domenico Ghilotti

Okay thank you.

Dario Scaffardi

Excuse me I forgot to answer I think Dan's question regarding the statement that we released on December 1st. We were forced to make that statement by the Italian Regulatory Authority since there was active speculation on our share due to rumours that we would enter into some sort of agreement with a non-disclosed party and also recently there have been a lot of rumours of possible delisting and so forth. These are all press speculations. We do of course keep contact with a variety of industrial, mainly oil producers, due to our tradition as a provider of refining services so the same way that we are talking about providing refining services and third party processing we can talk about other matters. Apart from that we have no other statement to make at this moment.

Lydia Rainforth, Barclays Capital

Thank you and good afternoon gentlemen. I have three questions if I could keep it brief. Firstly if I go back two or three years ago we were talking about going towards a zero fuel oil refinery, is that still something that you would aim for longer term or have the changes in the products and crude markets affected how you would see that?

And then secondly one for Corrado, can you just clarify on the committed versus uncommitted credit lines that you currently have and given the environment we're seeing are you looking at paying a commitment fee and turning more of those uncommitted lines into committed lines?

And then finally, I hate to ask this but on the maintenance programme it obviously is quite a big maintenance programme for this year and things haven't necessarily gone as well as you might have hoped in the last couple of years, can you just talk about how you've changed that maintenance process and also planning in order to ensure that everything gets done on time and safely?

Dario Scaffardi

Thank you Lydia. Well our long term investment programme that was announced some years ago was towards zero fuel, basically this idea was that right now we are producing something in the range of between 3% and 5% of fuel oil and by revamping one of the hydrocrackers and the Visbreaking unit adding a new vacuum flash tower and a variety of other units we would be basically able to be in a position to produce almost zero fuel. We have not changed this plan, we still believe that this plan is absolutely sound even after a certain number of years since we presented it and it is definitely the way to go forward. Of course we need to find capital resources to implement that and take it forward which we have been able to secure partially going ahead on the revamp of the hydrocracker but the revamp of the Visbreaker and a couple of new units that need to be built, that is certainly somewhere into the future at the moment so it's not something that we're going to be able to see neither this year and presumably also next year considering the lead



time before certain projects, you know the design phase and all the various preliminary work that needs to be done.

In terms of the maintenance programme yes we have implemented some organisational changes in our company. We have divided basically the responsibilities between operations and what we call asset management which is maintenance and construction work so the responsibilities within the plant have been divided by two and the attention on safety and on procedures has been strengthened significantly both changing our internal procedures and by adding to our structure some new professionals that have come from outside bringing their experience. So we're quite confident that we'll be able to carry out on time and most importantly safely all maintenance work.

Corrado Costanzo

Well Lydia the most up to date figures that we have which, bear in mind, are not based on end of year but more like mid February are about €700m committed and €1.8bn uncommitted. The €1.8bn includes also credit lines for letters of credit. Bear in mind that in Italy most short term lines of credit, almost all I would say, are uncommitted and banking is basically based on what you would call relationship banking rather than structured transactions. Structured transactions are usually medium to long term, everything else is uncommitted. So part of the short term committed lines of credit that we have are being granted by Spanish banks. We're also active in Spain and we have a few hundred million there and it's a different market but it should not be surprising to anybody that we have such a large amount in terms of short term uncommitted lines of credit this is just how the market operates in this country. Unless a line of credit has at least an 18 month maturity it is uncommitted and that's how the market operates here.

But we believe that anyway €1.8bn of uncommitted lines of credit is a huge amount of money, it's also split over a large number of banks which might, from a certain perspective, also involve say more work and higher relation to costs from our part but at the same time that reduces significantly the risk of having, one, two, three bankers pull the plug because it's split over so many different counterparts. So we feel absolutely relaxed because there's a huge cushion even if the lines of credit are uncommitted.

Lydia Rainforth

Okay that's very helpful gentlemen thank you very much.

Closing Comments

Massimo Vacca

Well in this case thank you very much ladies and gentlemen for joining us this evening and we look forward to the next call. Good evening.