



Second Quarter and First Half 2013 Results

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Welcome

Massimo Vacca

Head of Investor Relations and Financial Comms, SARAS

Hello thank you good evening to everybody. Thank you for joining us today for SARAS' conference call on the results for the Second Quarter 2013 and the First Half of 2013. Hopefully you will have all received the analysts' presentation which we discuss today. However if you don't have it yet you can download it from our website as usual directly either in the homepage or in the section dedicated to the investor relations.

Our agenda today will be the usual one. We will start with Mr. Dario Scaffardi, Executive Vice President and General Manager of the SARAS Group who will start with the overview of the results and he will also cover the highlights of the period. Subsequently Mr. Corrado Costanzo, Chief Financial Officer, will provide a review of the results of each business segment and later he will discuss the group key financial figures. Finally back to Mr. Scaffardi for the market outlook and the group strategy. And afterwards of course we will be delighted to take your questions. Dario please you may start.

2013 Overview

Dario Scaffardi

Executive Vice President and General Manager, SARAS

I. Highlights

Thank you Massimo. Good afternoon ladies and gentlemen and thank you very much for joining us this afternoon. The second quarter of 2013 has been dense of significant events for our company, most importantly Rosneft has finalised its acquisition of 21% of the capital of SARAS during the month of June and of course we are delighted of having such a prestigious company amongst our shareholders, one of the second largest shareholders after the Moratti Family which now owns



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slightly more than 50% of the company while the free float is roughly 29%. Of course this is something that acknowledges Saras value, as a refining company and within the framework of a large, integrated oil company.

Another very important event was that finalisation in St. Petersburg with the president of Rosneft, Sechin, of the JV agreement between SARAS and Rosneft to promote and develop commercial activities in the trading of oil products and crude oil and feed stocks which is a project which is very important for Rosneft and also for us. Rosneft is devoting quite a lot of energy and commitment to this project which is proceeding expeditiously. Of course it's taking maybe a little bit more time than what we expected because the bureaucracy of both our company and of Rosneft and putting together different cultures and different systems is proving slightly more difficult than we had anticipated in terms of IT, in terms of HR, in terms of the reporting, but we are getting there and we hope to have some significant developments in the autumn.

Thirdly we have completed by July 1st the transition of all our industrial assets in a newly formed group, Sarlux Refining and Power, which owns both the Refining and the Power assets of the SARAS Group. This we already announced the constitution of this entity. Now it is fully operational. The president and the CEO of the company is Alberto Alberti who joined our group at the end of last year and the transition has gone quite smoothly which is not always the case when you have a complex system that needs to reassess itself but things have gone quite well.

From a market point of view this quarter instead has been disappointing. Refining margins have been unfortunately quite low. Corrado will comment when we get to the Refining Segment. This, notwithstanding the fact that there has been a loss compared to the same quarter of last year of over \$1.5 per barrel, EBITDA has moved from 33 to 6 so we have been able to provide a very good performance notwithstanding the quite poor market condition and also very importantly the debt is firmly under control so I would say that these are the highlights of the period.

In terms of oil markets, again markets as usual have the capacity of surprising those who make forecasts but there will be the unlucky job of trying to be a forecaster. Gasoline cracks have been rather strong and this has enabled us to maximise certain throughputs on our live ends, on the FCC so we have tried to maximise gasoline production trying to take advantage of the high cracks. Let me just remember then the forward margin last year for gasoline cracks was just barely positive and instead they've been in excess of \$10.

Large disappointment from diesel that has gone below \$15 per barrel which is of course extremely disappointing for refineries that have all maximised diesel production. Some light is coming from the fact that there has been changes in the structure of the market, particularly on the differential between WTI and Brent so there is less pressure from diesel coming from the US. At the same time though consumption in Europe continues to be stagnant.

And we do face problems in crude supply for the well-known political reasons. Libya has been going through a very turbulent period which exports have been severely limited because of strikes and other civil unrest. Supplies from Iraq, although production is steadily increasing, are still unfortunately erratic and quite prone to delays which of course for somebody who tries to keep a



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very lean inventory can create some problems. This is the basic reason why margins have been so poor and you can see that in the graph which reports the EMC margin. What I would like to underline then understanding this very, very negative scenario SARAS has been able to add \$1.6 per barrel on the Refining margin.

I would leave to Corrado to comment on the significant developments that we've had also in terms of Power which there are some important developments that Corrado will explain in detail.

Corrado Costanzo

CFO, SARAS

I. Segment Reviews

1. Refining

Thank you Dario. So a few quick words on Refining but obviously margins have been so disappointing it would have been impossible for us to post a positive comparable EBITDA. Nonetheless I'd like to remark that as Dario was saying the operational performance was fairly good and in spite of some turnaround maintenance we were still able to add \$1.6 per barrel vis-à-vis the EMC benchmark margin. These metrics also make even more sense when looked at on a longer period of time. So if we look at the first half of the year we were roughly able to add \$2 per barrel vis-à-vis the EMC benchmark margin compared to roughly zero in the first half of 2012 which yes had a somewhat heavier maintenance factor but at the same time I can certainly state that our Project Focus programme is delivering some positive outcomes and our operational performance is slowly but surely improving and I would say that this is pretty much it for Refining, well one last word derivatives did not play a significant role during the last quarter and we had a positive about €4m which clearly does not change the order of magnitude of the numbers that we are discussing today.

Refining – Fixed and Variable Costs

Looking at costs on Page 9 certainly fixed costs were quite heavy during last quarter and that also contributed to the disappointing EBITDA figure but as usual bear in mind that our fixed costs are front ended because not all our maintenance activities are being capitalised and therefore since in the heavier maintenance cycles are performed during the first half of the year we're still in a position to maintain our guidance about fixed costs of about €220m per year.



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2. Power Generation

Now the somewhat complicated issues. I am sure that you're all aware of the fact that the Italian Government took some action towards, amongst many other things, the structure of the CIP6 tariff and this law was introduced first as a decree about a couple of months ago and it was definitively passed a few hours ago and the relevant part for Sarlux is that the avoided cost of fuel component, the so called CEC, was switched from an indexation to basically oil prices to basically spot gas prices. So we're still talking about complicated formulas here but that's the bottom line and this will come in full force and effect at the beginning of next year. This year there's like a ramp down for oil indexation and a ramp up for gas indexation so the effect is virtually nil for the first half of 2013 and workers start seeing some effects however not particularly significant during the second half. So this whole thing will come in effect at the beginning of next year.

Then clearly whatever changes we made to our reported financials are based more on projections of spot gas prices and also projections made by independent consultants. So we don't really know and we don't even know whether this is going to be a significant problem because today clearly we are seeing a certain trend of somewhat stubbornly resilient oil prices and on the other hand somewhat falling spot gas prices. However since the real impact will start next year we're all just guessing and as you might imagine most projections from independent consultants tend to reflect current quotations. It's human nature, okay we start from today quotations and we slightly change like 10% more, 10% less for the next ten years and naturally things will be radically different, we can already bet on that.

So the IFRS numbers which involve an equalisation process already have to take all this, all these projections for prices between 2014 and 2021 which is a quite bold exercise I would say into account already starting in Q2 of 2013 and that's why we're seeing €27.7m EBITDA and that was necessary in order to achieve a steady state, quote/unquote, type EBITDA under IFRS rules and the EBITDA should be around €165m per year. So we had to adjust our Q2 numbers accordingly in order to obtain about €82m for the first half and we'll be reporting something similar, plus or minus a few millions, for the second half of 2013 and will go on from there reporting about €165m, provided that in the coming years there is no revision, material changes, not revisions material changes in spot gas prices. Trends change and then at that point the tariff might also change. But anyway everything is largely based as I said on projections. But oil prices projections were driving our EBITDA towards €220m per year and spot gas prices projections since then are pointing towards 165m. That's on an IFRS basis.

Italian GAAP is different and that's why the impact on our tariff for Q2 2013 is minimum as you can see still around 12 Euro/cents per kilowatt hour. As I was saying it's hardly an impact on H1 of this year will have a little bit of an impact on H2 but the cashflow for this year will be substantially close to what we were expecting regardless of this new decree.



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3. Fixed and Variable Costs

Other than that operational performance also for the Power Division was good during the last quarter and costs are largely under control.

II. Marketing

Switching quickly to Marketing as usual the Italian division is doing quite well both in terms of the volumes and margins although market conditions are certainly challenging.

Things are certainly more complicated in Spain so our sales are continuing to fall also because we are extremely focused on the most profitable clients and we are willing to give up unprofitable sales, if anything because it does not really make any sense to push unprofitable sales which also involve some working capital investment. So we are slowly but surely releasing working capital from Spain.

This release of working capital which also involves releasing compulsory storage also has an influence unfortunately or fortunately on the comparable EBITDA because comparable EBITDA based on like flow works well when quantities are somewhat stable and large, large stable quantities which is the case for the Refining division. Here we're talking about small and declining quantities and every so often a permanent reduction in the level of compulsory storage will also somewhat influence like flow based EBITDAs. So I would strongly suggest to look at our financial performance in the Marketing sector on a longer period of time. I would look at semesters rather than quarters and if you look at Marketing in that way we're broadly in line with our guidance about €30m per year.

III. Wind Power

Then Wind. Wind is easy. The tariff is broadly in line with last year's because green certificates went up and more than compensated for the base Power tariff and wind conditions were extremely good so Wind is doing really, really well this year. So at least one bright spot.

IV. Financials

1. Key Income Statement Figures

Then going back to the effects of the decree that was actually comported into law this morning, if you look at the Key Income Statement figures which usually we skip but this time unfortunately we have to spend a few words on this, there is a disproportionately high amount of depreciation and amortisation for Q2, €281m, well that amount includes the effects of the write off of the long term value of the CIP6 contract with the National Grid Company or GSE let's say. In fact, well first of all, this is a purely accounting measure, has no cashflow impact, has no tax impact, however when



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in 2006 we acquired the 45% from Enron we had to book for consolidated accounts level a sort of goodwill let's say and that was based on certain tariffs that we were estimating back then for a long term. So in essence it's like we took the €50m - €60m hit that we are now projecting for the next six or seven years and this can do that and the result was that we had to basically write off this goodwill that was actually most appropriately looked as value of the contract.

As I said it's a huge number but in essence it's an anticipation of future events. We might have to tinker with this value again in the future if those projections prove to be wrong, for the better or for the worse, we might have to revalue or further devalue. And then it might be somewhat confusing but the essence of it it's an anticipation of future events and has no tax impact and no cashflow impact.

2. Net Financial Position

A few final words on our financial position on Page 19. In spite of the extremely challenging market conditions as you can see we are able to keep our debt level definitely in check and it's largely unchanged for the last few quarters give or take €50m which given our revenues is quite, not controllable to that level. So a lot of work and a lot of emphasis also on tight working capital management.

Finally the Iranian debt is still on our books. This issue is proving to be a very sticky one in spite of all our good faith efforts the rules and regulations imposed with this embargo by Italy, the EU and the US, are extremely tight and there are some serious legal issues that are proving difficult to solve. So that is still on our books.

3. CAPEX

Sorry I was overlooking CAPEX. CAPEX still absolutely in line with our guidance at €120m per year and by the way around the end of last quarter we have completed the upgrade of our mild hydrocracking II and so the improvement in yield diesel, and the other effects on our yields will kick in gradually during Q3. Of course any new major upgrade requires some time before it becomes fully beneficial, before you can reap the full benefits but this will happen gradually in Q3 and then certainly in Q4 we'll see the full benefits.

So overall very difficult market conditions and certainly some additional challenges posed by the government although these challenges do not involve, I want to possibly anticipate some of your questions, do not involve any radical change in the structure of the debt.

Basically the energy authorities already took a similar stance a few months ago and introduced this indexation to gas spot prices also in general for utilities operating in Italy. So it would be basically in line. The effects of this alignment remains to be seen over time quite frankly. Today they are certainly unpleasant then the future will tell. It's just a different indexation. It's not as if the tariff was cut permanently and it's not as if the government simply shaved of X Euros per kilowatt hour. It's not that case, it's a much more subtle move and I would say it's a general move. It was not



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pointed at CIP6 projects. So we are reasonably relaxed about it although of course we have to bear in mind that under current market conditions this might have in 2014 a significant negative effect.

Outlook and Strategy

Dario Scaffardi

I. Outlook & Strategy

1. 2013 Maintenance Schedule

Thank you Corrado. Well in terms of outlook there is nothing particularly new. The only thing I would like to point out is that previously we had informed the markets that the maintenance and the revamp of our largest hydrocracking unit, the unit that is called MHC2, would have been performed in Q2. Instead we decided to postpone this slightly instead of starting maintenance and overhauls between the end of April and beginning of May we decided to, since that period the margins were fairly decent, we decided to run it for one month more and start work in the beginning of June. Work has been completed in these days so the revamping of the unit has been successfully completed. We have added basically a new reactor to the unit so it's a brand new unit, new technology, it will be able to produce about 600,000 tonnes per year of ultralow sulphur diesel in lieu of higher sulphur diesels like heating oil and so forth and it will be able also to increase, if convenient, refinery runs by about 600,000 tonnes per year.

So the guidance that Massimo has given you on EBITDA has just been shifted slightly partly from Q2 into Q3 but overall the project has remained broadly on time and broadly within its budget. So it's been quite well and we're going to start experimenting with this new toy in these days.

On the rest there is not much to say. There's usual maintenance during the rest of the year.

2. Strategy & Outlook

In terms of strategy and outlook I think I already mentioned the things that we are concentrating on at the beginning of this call. On the industrial side the whole organisation has concentrated on its new structure with the activities of the Refining and Power totally integrated amongst them.

With the new management in place we are pursuing our projects of operational excellence that have proved to be extremely successful. As a matter of fact the positive results, notwithstanding the very adverse market conditions we've had, are largely due to this.

We are putting a lot of effort into the JV with Rosneft to which of course we attribute extreme importance because it's something very, very important for us, extremely prestigious and we think that we will be able to complement the two companies quite well.



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On the other projects that we have there is nothing new to announce. Relative to our last conference call on the gas exploration we are waiting for the authorities to examine fully our plan and we expect to have something back in the last part of the year basically.

So thank you very much for staying with us and we'd pleased to answer any questions you might have.

Questions and Answers

Jeremy Aston, Exane BNP Paribas

Yes good afternoon gentlemen thank you for taking my questions. Firstly a quick question on Power, what level of tax yield do you have available within the group which could be applied to disposal of the CIP6 contract should you decide to exercise your option to exit?

Dario Scaffardi

Well I think Corrado's the best person to answer here. Well first of all just let me say one thing we have the possibility of exiting this contract either in January 2014 up to July 2016 in our option and we have to declare whether we want to adhere to this opt out scheme by the 30th September. Of course we will analyse very carefully our options and we will announce to the markets when we are ready but certainly at the earliest towards the end of September.

Corrado Costanzo

Well they are appropriate forward because the level of tax yields that might be available really depends also on the date that we pick for exiting this CIP6 scheme in case we decide to exit. So it's hard for me to say how much it's going to be because if we were to decide to exit in 2015 or 16 quite frankly I would not be able to give you the full guidance.

So far we do not have any significant tax shield, so far. But we're talking about something that could happen in several years also, not only on January 1st 2014. Also remember that the decision certainly is a complex one because the significant one-off payment on the part of the government on the one hand and on the other hand there's a significantly attractive CIP6 tariff even after the recent moves on the part of the government.

Jeremy Aston

Okay thank you that's very clear. And then the second question just on the JV with Rosneft you mentioned at the beginning of the call that you were encountering certain integration challenges do you still expect the newly formed company to start operations in 2014 and if so when can we start to expect seeing some synergies between them?



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Dario Scaffardi

Thank you for the question. Well I certainly expect to start by 2014. The difficulties there is nothing major because there is a very strong commitment from the very top of Rosneft so that is helping to smooth out any difficulties within their company and likewise from SARAS, of course the two organisations are hugely different so it's easier to hammer out bureaucratic problems with our organisation because we're much smaller than Rosneft. These are the only difficulties.

I mean minor difficulties regarding procedures and levels of authorities and things that need to be changed from what are usual practices. So there's nothing which is particularly overwhelming just annoyances along the way that will be resolved easily.

Jeremy Aston

Okay thank you. And just one last very quick question if I may, what uplift in refining margins like let's say, *ceteris paribus*, all things being equal, are you expecting as a result of your upgrade of your hydrocracking unit that's going to come online in Q3? Thank you very much.

Dario Scaffardi

Thank you that is also a challenging question. We can try working out the numbers together, if we assume at the moment that we're able to transform roughly 600,000 tonnes a year of high sulphur or lower quality diesel into ultralow sulphur diesel and off the top of my head I may be giving the wrong numbers but let me say that there's a differential in the range of \$30 - \$40, I think you could use that as a sort of guidance between low sulphur gasoil and ultralow sulphur diesel so you can use that as a rough guidance on an EBITDA level.

Of course I forgot to mention also the fact that we have the possibility of increasing runs but this is a little bit more of a difficult one to assess because in this environment in which margins are very poor it depends if we really want to increase runs and increase runs on what types of crude so it's not an easy question to study to give a meaningful answer sorry.

Corrado Costanzo

So it's not an insignificant number and clearly it is very much dependent on scenarios. We're talking about several tens of millions of dollars per year in terms of EBITDA, depending on scenarios. It's not insignificant.

Niccolò Storer - Mediobanca

Good afternoon gentlemen I have a couple of questions on Power Gen, the first is which should be the negative impact on 2013 Italian GAAP EBITDA from the revision of the CIP6 tariffs provided that if I understand well you said that the expected cashflow should be in line with your previous projections?



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The second one is regarding which could be for you a breakeven power tariff, I mean I think I was wondering if something around the 7.5 - 8 Euro/cent per kilowatt hour could be a reasonable estimate with the power production at around 4.1 kilowatt hour per year?

And then something related to early withdrawal from CIP6 scheme, my question was related to the tax rate you could effectively pay. I mean provided that you said that so far you don't have any significant tax shield, if you exited early 2014 I should assume the IRES taxation on that 600 and something million you should get?

And my very last question is if for you from a theoretical point of view it could be possible to exit the CIP6 agreement, get the money and then the day after shut down the plant? Thank you.

Dario Scaffardi

Well just going for the last question so what do we have, we exit the CIP6, we get the money and then we run away? We plan to be in operation for many years to come. I think cars will still need gasoline and diesel so that's frankly not a very likely scenario. Exiting or not the CIP6 tariff is clearly another matter and it might be the most convenient thing to do, it might be a way to raise front end capital and then decide to make investments in the refinery or decide to reconfigure the refinery in a different manner so that we will look at it from all possible angles and we will present our recommendations to the Board in September to make a final decision. So it's certainly a challenging and also an interesting opportunity. Closing out frankly is not on the radar scheme at the moment.

Corrado Costanzo

Also bear in mind that one of the largest oil companies in the world recently decided to acquire 20% stake in SARAS and therefore at least one major oil company in the world has a positive view of the future of SARAS' site so this is clearly an indication.

Then going back to taxation, effective tax rates as opposed to statutory tax rates are largely dependent on your own tax position and whether you have any tax shields available but I was saying before as of today we don't have any significant tax shields available but I can't guarantee for the future really also because we might be talking 15 or 16 so it's really impossible to answer you. If margins go well we will have no tax shield. If margins continue to be disappointing we might have the tax shield.

Dario Scaffardi

We strongly hope to have a very poor tax shield.



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Corrado Costanzo

Yeah we love paying taxes and last but not least the guidance for the second half of the year of the impact of this new law, give or take, might be on an Italian GAAP basis something like €15m or around that but really that's a round figure. That's for H2.

Niccolò Storer

And therefore your breakeven power tariff?

Corrado Costanzo

Well that is an extremely complicated calculation. I mean just bear in mind that the power plant in our case is definitely integrated with the refinery and so really those breakevens are not a fact in the annual calculation and they are part of all the analogous process which is going on and will finally determine the decision that the Board of Directors will take at the end of September.

Domenico Ghilotti, Equita

Good afternoon I have two questions. The first is related to the CIP6 tariff revision I wonder if you are considering filing any legal opposition to the decree, to the law now?

And the second is still on the impact of this tariff revision so I wonder if this revision is affecting the price for the potential early withdrawal from the contract?

Dario Scaffardi

Sorry Domenico no thank you for the question. If I understand correctly you are saying if this tariff revision is going to influence...

Domenico Ghilotti

Yes the price that was based so you have a withdrawal option is the price affected by the tariff revision?

Dario Scaffardi

I would say off hand I don't think so but probably we need to review it with our legal experts and in the same way just to answer your first question we will of course, now that the decree has been passed this morning, we will review it with our lawyers and see if it's worthwhile to take any legal steps although I don't believe that is going to be very likely.



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Corrado Costanzo

The amount of the reimbursement from the government is not influenced by this revision in the index mechanisms because it's based on the fixed spot and so the opt out reimbursements will remain exactly the same, that's already confirmed.

Will this revision influence our decision? As Dario was saying maybe but maybe not because it's really an indexation and today of course it hurts but who knows about tomorrow, I mean who knows about gas prices in the long term? So it might not play a huge role.

Matt Lofting, Nomura

Good afternoon, just one question left actually, you guys bought some shares back through the buyback programme during the second quarter I think about 5½ million shares or so I just wondered if you could make any observations in terms of what you think the run rate could be going forward through the second half of the year and into 2014? Thanks.

Corrado Costanzo

The programme is open and we do have authorisation and yes we might continue to buy back shares also depending on a number of factors. So I'm not in a position to give you any firm guidance with firm numbers and timing.

Henry Patricot, UBS

Thank you for taking my questions. Just two, the first one on the financials there's been good improvement in the working capital in the second quarter how much of that is linked to the reduced activity in Spain? And do you think it's sustainable this lower level of working capital?

The second question just on the Refining margin, what is your view for the margin for the rest of the year? Thank you.

Corrado Costanzo

Well thank you Henry obviously the reduction in working capital when we talked about Marketing it's significant but overall on a consolidated basis its impact is kind of much less significant role we're always talking about reductions that can be worth like €10m or €20m depending. Then overall it still makes sense because if and when working capital is tied up because of unprofitable sales it is silly to continue to push those sales. So the net side effect if you will of our tight focus on producing profitable sales in Spain but overall for the group it's not transformational I would say for our working capital.

Is that sustainable? Well yes certainly unless and until margins don't change in Spain and we revert to higher sales levels they will stay.



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Dario Scaffardi

In terms of margins that's a tough question. The outlook at the moment of course is not particularly brilliant nobody's predicting good margins. Having said that we have been consistently of the belief that we will find support on the Refining margins mainly from the crude oil market. There is increased availability of crude oils, particularly in the Mediterranean which are available, unfortunately other political events like Iran, like things happening in Iraq and initially the beginning of Libya are offsetting the benefits of all the new availabilities there are so we have not been able up to now to capitalise really on this.

If you just look at euros differential which started the quarter at the end of Q1 it was about \$2.5 to \$3 almost discount strength and now it's \$1 premium almost. So it's at a historical high mainly due to political, geopolitical upheavals that are undermining the normal parity of crudes. I would say that this at the moment is the biggest challenge. If we're going to have some stability on this side and honestly I'm not taking this in any case as meaningful predictions. I really don't know how the situation in Libya is going to turn out in the next months and similarly another important source is Iraq and the northern part of Iraq, although things also are happening there, the Kurdish government is trying to sell crude autonomously. There is talk of pipelines being built. There's the recent weeks that the Canadians have decided to build a pipeline to export Canadian crudes to the Atlantic, via Nova Scotia.

So it's a market which is evolving. It's taking a little bit longer than what we were expecting to see the effects.

Domenico Ghilotti

A follow up on the Libyan situation is the situation as tough as it was during the war? So are you completely out of supply of the most favourable Libyan crudes?

Dario Scaffardi

Sorry Domenico I did not hear completely.

Domenico Ghilotti

So the Libyan situation I would like to understand if the current situation is as tough as it was for you in the crisis so when you were completely out of supply of the most favourable Libyan crudes?

Dario Scaffardi

At the moment that is the situation because in almost all the Libyan ports but not all the Libyan ports because some are in this situation, others are not. There's been a strike that has been going on, there has been unrest that has been going on for months with delays and particularly I would say almost in the last month they're almost always closed again. So at the moment Libya in the month of July and in the month of August Libya will export very little crude, a fraction, I don't know the



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exact number but instead of pumping 1.3, 1.4 million barrels per day I imagine it's around two or 300 something like that but please don't quote me because I'm not 100% certain.

I expect, and strongly hope that the situation since it basically involves the payment to the best of my knowledge the payment of salaries to a special police force or something like that that is guarding the oil installations one way or the other that we'll find a solution because otherwise they'll have a bigger problem.

Domenico Ghilotti

And you ran out of stock on the Libyan crudes so you are not counting on any stock, inventory I mean, available?

Dario Scaffardi

No we are sourcing from other areas fortunately and we are able to source from West Africa, Angola, but yes of course. It's not so much the fact of not having the Libyan crudes it's the impact that the availability of Libyan crude has on the market and on the margins. It's not that the Libyan crude has anything which is magical it's always a question of money.

Domenico Ghilotti

And the last question on the effect of the joint venture with Rosneft when do you think you will be in a position to give us more colour on the trading agreement and also the impact on your P&L so develop synergies and potential opportunities coming from the joint venture? Just by your analysis when you have completed all the bureaucracy let's say?

Dario Scaffardi

Well let's say first of all we want to have all the Ts crossed and all the Is dotted so the matter is delicate, it's a joint venture between international companies, we have to be absolutely sure that we are compliant with all anti-trust regulations and local regulations in Italy and in Russia of course but I would expect towards the second half of the year. We have a target of completing the business plan and the framework of the company and the majority of the details regarding the actual functioning by October. So that will be subject to some further approval by Rosneft's board because it's a big leap for a company for a state company like Rosneft to decide to do something like this with an independent oil company so it's almost more critical for Rosneft in terms of the decision making process than for SARAS but by the year end, let's say November, December I think we will have a pretty clear picture.



Closing Comments

Massimo Vacca

Okay well in that case I would like to thank everybody for joining us today and we look forward to speaking with you again for the next result call. Thank you very much to everybody and good evening.

Dario Scaffardi

And have a good summer break. Goodbye.