



Preliminary FY 2010 and Fourth Quarter 2010 Results

25 February 2011

Welcome

Massimo Vacca
Head of Investor Relations

Ladies and gentlemen, good afternoon. Thanks for joining us today for this conference call on SARAS Preliminary Full Year 2010 and Fourth Quarter 2010 Results. As usual today the agenda we will start with Mr Scaffardi, General Manager, who will give an overview on company results and will also discuss the highlights of the period. We will then move to Mr Costanzo, Chief Financial Officer, who will provide a detailed review of the results of each business segment and subsequently will discuss the group financials. Afterwards back to Mr Scaffardi for the market outlook and the group strategy and at the end we will take all your questions. So, thank you Dario. Please, you may start.

2010 Overview

Dario Scaffardi
General Manager, SARAS

I. Highlights

Grazie, Massimo. Thank you ladies and gentlemen for joining us today. This quarter has finally started to show some important improvement in the refining sector. All during last year we had maintained our position that we would see definite signs of improvement towards the end of the year. This has happened maybe a little bit later than what we had hoped and with a little bit less intensity than what we had hoped but nonetheless the signs are definite and are there and we can see them in our refining results.

I would like to point out our net financial position which is extremely strong given the environment in which we are operating and Corrado will be able to provide much more detail on this. Our asset improvement programme, which was started at the beginning of last summer and has come into full



effect right after the summer, is starting to give its first positive results and we are on track and meeting our targets in this respect and you can see also a very good operational performance of the refinery in Q4.

Our programmes, particularly in terms of energy efficiency, have started to show some very, very interesting and promising results, particularly toward the end of the year since these programmes do take a while for their full effect to be felt.

Our safety indexes likewise are showing improvement. We have an important safety review programme which is starting to give its results. These positive results have been partially offset by a suboptimal performance of our marketing sector, due mainly to two effects, one is a write off on which Corrado will provide more detail, and the other is an inventory effect but this effect is reversible since it was due to operational reasons because of logistics and the transport arrangements that we had.

In terms of the overall market we have always maintained that one of the most significant drivers in refining margins is the actual overall consumption of oil and 2010 has been positive in this respect and the projections for 2011 are equally bullish. All three of the major agencies IEA, EAI and OPEC project something in the range of 1.4% increase in overall consumption. So we're probably going to hit something in the range between 89 and 90 million barrels a day in 2011 and this is mainly driven by diesel demand and we can see this effect also because there is a direct correlation between the spread of sour crudes with the variation of world overall consumption compared versus to the year before. So in 2008 and 2009 we've had negative growth and this has been reflected in the differentials of sour crudes and in 2010, a year of positive growth as the year before 2008, the differential has widened and this is a factor we can see and this is to the advantage of a complex refinery such as SARAS which takes advantage mainly on the differential between high value light products, diesel and gasoline, and low value fuel oil. This differential is widening and we expect it to widen further during 2011. So we are confident that we shall see a better market outlook for the coming year, disregarding at least for the time being, current events which of course are creating a big turmoil in the market. Corrado.

Corrado Costanzo

CFO, SARAS

I. Segment Reviews

1. Refining

Thank you Dario. Let's start with a review of the refining segment. Q4 was a reasonably acceptable quarter after many difficult ones both for external reasons and especially in 2009 also because of the extraordinarily heavy maintenance schedule that we incurred. So we have finally seen a decent margin. The margin per barrel in fact was \$4.1 and even after taking into consideration the losses, net losses incurred on hedging activities we still came up with \$3.2 which compares to something around zero, again after taking into account the hedging for the same quarter of last year. So it's a healthy \$3 increase, net:net, which compares to about \$1.5 in terms of EMC benchmark margin. So we were able to add an extra \$1.5 approximately and there was a consequence of both better



demand for middle distillates and also improved operational performance, also linked to our efforts in our asset management programme.

Overall the crude slate and also product slate was not surprising so I will not spend too much time on that.

2. Fixed & Variable Costs

One word on costs. Fixed costs came in at €228m which is slightly higher than our guidance, I'm sorry €233m which is slightly higher than our guidance. There was also, linked to the fact that we performed some maintenance activities which were different from what was originally planned and those activities were not of the kind which is capitalised. So there was a slight difference in capitalisation which was probably the reason for a difference vis-à-vis the guidance. However in terms of longer term trends we are also focusing on putting fixed costs under tight control. If you look at 2008 which is a year which is somewhat comparable to 2010, 2009 was a very different year with very heavy turn on maintenance expenditure which was almost entirely capitalised not because we chose to but just because IFRS rules required capitalisation in those cases and therefore I would skip 2009 and would focus on 2008 and as you can see there's already a positive trend in 2010 and we believe that our efforts will pay off in the future to keep fixed costs under tight control.

II. Power Generation

Switching to Power Generation, good performance there too. Production was up vis-à-vis the last quarter of last year and also the electricity tariff was up as a consequence of the nine month time lag which is embedded in the tariff. So the combination of those two factors from an Italian... and also hydrogen and steam production but primarily those factors from an Italian GAAP EBITDA point of view added up to a quite satisfactory quarter.

Fixed and variable costs

Variable and fixed costs are absolutely under control and also very predictable. Certainly we must admit that the power generation sector is, from this standpoint, easier also to predict on a quarter by quarter basis.

III. Marketing

Marketing was, without doubt, more problematic. Clearly we're not satisfied about this, the outcome of Q4, but on the other hand there's quite a few one offs which can let us look at the future with some confidence. It is true that the Spanish market somehow contracted as a consequence of the recession and also the Italian market, however it must be said that in Spain most of the contraction was in gasoline while middle distillates were up 1.2% and Italy was somewhat similar. So since we're exporting primarily middle distillates to Spain we believe that in spite of a difficult Q4 overall there is still ample room for successfully selling significant quantities of products in that area.



The performance of the Italian side was boosted by the sales of Arcola Petrolifera, our 100% owned subsidiary, which increased significantly its direct sales in the Sardinian market.

Then the one offs, I mean as a consequence again of the recession we have experienced a few problems in recovering our receivables and in the end we opted for writing off €4.5m worth of bad debt. We have tightened our credit controls and we have somewhat stepped up our focus in that area and aligned this focus with the current state of the economy and we are also very well insured in that respect at this point. So we can consider that a one off and inventory against losses are by definition one offs. So overall we believe that next year will still offer the opportunity for satisfactory performances in the marketing sector.

IV. Wind

Wind, as usual Q4 is a good quarter and Q4 2010 was no exception. The combined space tariff plus green certificate sale price for electricity is more or less unchanged since last year so overall good production and sustained prices ended with a good performance also this year.

V. Financial Overview

1. Key Income Statement Figures

Let's move on to the details of the financials. From the Income Statement I would only draw your attention on the financial income and expense line. Interest expense as you can see was absolutely in line and under control as much as debt is in line and under control. Then we have already commented against the losses on oil derivatives and FX derivatives which are strictly linked to our commercial operations and finally there's a significant of fair value this year. Fair value of hedging instruments, however, is something that basically could change or it usually changes even significantly before it comes to maturity so it's more of an accounting provision than anything else.

2. Key Cashflow Figures

Cashflow, as Dario already pointed out we worked hard on keeping net debt under control and the focus was in particular on working capital management and we believe we have been fairly successful there so overall even if the cashflow from operation was modest last year also the focus on working capital combined with the reduction on CAPEX enabled us to keep debt under control and we firmly intend to continue to focus on these different variables and adopting the same policies that we adopted last year. Also we have significantly lengthened, during the year, the duration of our debt and so most of our debt is long term and we are therefore quite comfortable on that side too.

On CAPEX the guidance for last year was €100m - €140m. We fell right into the middle of the range and for next year Dario will comment further on that but the guidance is somewhere between €100m - €120m.

At this point I would switch to Dario again for the outlook and strategy section.



Outlook and Strategy

Dario Scaffardi

I. Outlook & Strategy

1. Summary of 2010 Maintenance Schedule

Thank you Corrado. On the 2010 maintenance schedule there is not much to say apart from the fact that overall during the year we have executed what we had planned at the beginning and we have maintained reasonably all the costs and actual production.

2. 2011 Maintenance Schedule

Regarding instead 2011 we are going to face a relatively major turnaround of our gasification units in Q2. This is a planned ten year major overhaul which involves a relatively limited amount of CAPEX, something in the range of about €20m but is mainly regarding inspection of parts that have never been opened in the last ten years. So all parts of the plant, even those that have never been stopped, will stop. We'll look at the cooling towers and everything. We don't expect to find any major problems, the plant continues to operate in a very smooth manner so we expect to be able to contain the overall downtime in roughly 35 days.

During this period we will also perform the usual maintenance regarding catalyst switch of the hydrocrackers and we'll also do some work on the popping units and one of the vacuum units and the Visbreaker units that are all units that need to feed the gasifier. Since the gasifier is shut down we'll take advantage of this period of inactivity to perform work. There will be a slowdown of our CCR, catalytic continuous, reformer in Q4 which will have a relatively minor impact.

II. Strategy

1. Strategy Highlights and Implementation

Regarding our outlook we maintain what our programme has been up to now. We are concentrating on our asset improvement programme. It has showed some very good results in the first half of the year which has been really implemented. We have decided to continue the programme through 2011 and probably also in 2012 and we will further concentrate on the industrial and operational issues that we have concentrated on in the second part of 2010, namely operational efficiency, energy efficiency, these are the two key themes. We expect to be able to have gains in the range of €20m - €30m once the effect of the programmes and the improvement is fully operational.

An important development has been in our Wind sector. We have been able to complete the construction of six new generators and we have also received recently the authorisation to operate the wind farm to its full capacity which is today 96 megawatts. So the plant is fully authorised to operate up to this level.



We also have a pipeline of other projects which hopefully, I mean there will be some changes in regulations we expect that will hopefully release the products that are currently frozen.

A very encouraging development is in our gas sector. We have completed the seismic tests during 2010 and also completed all the evaluation of the results that have come out from this extensive onshore test. Some of these results are actually quite encouraging and we have decided to move forward with the project and have decided to start drilling a preliminary exploratory well. This well will probably not be drilled before the very end of this year, possibly the beginning of next year, for a variety of reasons. First being able to secure appropriate equipment which today is not easy. Secondly there is a more complex promissory bureaucracy to follow, particularly after the problems with the BP well in the Gulf of Mexico, the Italian government has tightened up the rules in general and has blocked for instance any offshore exploratory activities which we were supposed to perform and at the moment they are frozen and also it has created a little bit more paperwork in order to obtain actual permission to drill wells but all these problems will be overcome will just take a little bit more time and a little bit more paperwork to get things done but we hope that by the end of the year we'll be able to drill our first well.

I really have no further particular information to give and so will be quite pleased to answer your questions and I'm sure you will have a lot of questions regarding the current political situation.

Questions and Answers

Lydia Rainforth, Barclays Capital

Thank you and good afternoon gentlemen. I have three questions I'm afraid. Firstly can you just talk us through again the hedging programme and what you expect from next year, just how extensive that hedging programme is for next year. And then secondly the Project Focus and the cost savings that seems to have gone better than you'd planned so far can you just talk us through just some of the specific things you plan to do in 2011. And then just lastly there has obviously been talk in the press about there has obviously been talk in the press about the Gulf and I'm wondering to the extent that you can, can you explain what sort of relationship you envisage with them there? Thank you.

Dario Scaffardi

Yeah I think regarding the hedging probably Corrado can explain better than me. In the meantime I can answer regarding Project Focus. Our Project Focus is a programme mainly dedicated for the time being to improving the operational performance of our refinery. So this involves a variety of areas. One area which is extremely important is energy consumption and energy efficiency. We expect to be able to collect something in the range of € - €m in a standardised year regarding losses in the flare, regarding consumption of fuel and consumption of steam. Of course actually you know continuous increase in the energy prices and these numbers might actually go up. The main success that we have had in the last couple of months has been in the flaring, the flaring we have reduced significantly losses in our flare and this has been an extremely positive development. Reducing consumption of fuel, steam and so forth is probably a little bit more difficult and requires



a lot of continuous work based on small details because our asset is an efficient asset already so any improvement takes a lot of work but on the minutia, on the small details. So it's time-consuming also in terms of the work that we need to do with the people and the amount of time you need to dedicate to training.

Another important part of the programme regards actual process improvement and by process improvement we mean being able to collect a higher quota of light products. So we have identified several units that could operate in a more efficient and a more effective manner and we're dedicating resources in order to consolidate the better results that we can obtain. And of course the other two areas regards the cost of general and extraordinary maintenance we're working hard on reducing both the overall costs and the unit costs and the better use of inventory and all the other areas that we can operate upon.

Regarding your question on possible parties interested in doing business with SARAS, SARAS is a company that in its tradition has always been at the service of major oil companies. We were born as a company in the 60s actually offering refining services to the big oil companies of the time and market conditions have changed dramatically and this business model has not been very actual in the last couple of years, also because the so-called international oil companies have progressively moved away from the refining sector and concentrated on the E&P sector. Conversely instead NOCs, the national oil companies are trying to increase their presence in the downstream sector so many companies like Rosneft, Gazprom Neft, Essar, Socar have publicly expressed their interest in expanding their network of refining assets outside of their borders. So we would definitely be interested in extending further the relationship that we have with these companies if we can obtain something which is meaningful and long lasting for SARAS. So anything we can do that helps us create a major, more stability in returns because one of the difficulties of our business is, of course the very high volatility so anything that can increase stability in this business would be absolutely welcome.

Corrado Costanzo

Going back to your first question Lydia, actually our hedging programme is really geared towards sort of equalising the average cost of crude with the average price of the product yield. We try and make sure that since we have certain arrangements for pricing on crude which usually are based on averages we come up with similar averages for our product sales pricing so at the end of the day we at least, in a very volatile market, we do not incur the micro-volatility of the day to day oil trading and that's really it. It's a very conservative hedging programme but naturally, given the amounts involved and the volatility involved, we do come up occasionally in certain quarters with quite significant net losses because what we're talking about is net, net losses or net gains that come from this programme and we have started to share this with the investment community and to point out that there's a relationship between the results of our hedging programme and the margin in dollars per barrel which can be calculated at the EBITDA level.

Lydia Rainforth

Okay, that's very helpful. Thank you very much, gentlemen.



Thomas Adolff, Credit Suisse.

Good afternoon gentlemen, three questions as well please. Firstly just a clarification on your comment on Socar and Co, are you referring to JV similar to ERG-Lukoil or are referring to third party contracts and on third party contracts are there any updates on this. The second one is just if you have any guidance for fixed costs for 2011. And the last question just purely looking at January 2011, given the light/heavy spread both on the product side as well as on the crude side where do you see your premia to the benchmark margin? Thank you.

Dario Scaffardi

Hello Thomas. What we are saying I mean first of all we are ready to discuss potentially anything, our expertise is on third party contracts of course so this is the sort of preferred route because we are very familiar with this type of arrangement so a third party processing contract that is long term and beneficial to both is something that would be of our definite interest and it is basically the equivalent of a partnership. If somebody is willing to propose something different of course we are ready to listen and open minded about it like any sound business needs to be open minded about where the business can develop.

In terms of third party contracts it's curious that you should ask because as a matter of fact over the last couple of months we've had quite a number of requests for examining third party processing contracts from a variety of absolutely new players, not all of these requests are probably real but it just shows that there is a lot of interest particularly from producing countries and from producing companies. So there's been quite a lot of interest in this respect after a couple of years that were quite bearish.

Then you were asking about the light/heavy end of the EMC?

Thomas Adolff.

Yeah first the light/heavy spreads, I mean looking at January I mean Brent Euro spreads and also on the diesel fuel oil spread that have been fairly favourable in January, I'm just wondering where you see your premia to benchmark EMC just purely on January data?

Dario Scaffardi

Well we would need, I mean I don't have this answer offhand, but basically what you will need to look at is that there has been an improvement in the differentials so in the crack spreads both of diesel and fuel oil but on the other hand we have had a very high increase in the absolute price of oil and this, of course, effects negatively the margins. Since from one barrel of oil you do not make 100% of diesel or gasoline but you have a part of loss basically or consumption, whatever.

As the price of oil increases, in order to compensate for this you need a similar increase in the price of the spreads. Just to give you a guidance, going from...there is something like 60-70 cents per barrel for every \$10 increase. So the spreads need to increase by 60-70 cents for every \$10 increase in a barrel. This is a very rough guidance. At today's level I would estimate that we would be able to add something like \$3 to the benchmark based on the current situation.



Thomas Adolff

Okay and finally just on the...

Dario Scaffardi

You were asking about costs I think Corrado maybe can give you a little bit more colour on that.

Corrado Costanzo

The guidance for 2011 is roughly in line with this year, maybe something less, so something around €30m, bearing in mind that it's difficult to figure out exactly what will be capitalised and what will not be capitalised so a few million here and there might either appear or disappear for accounting reasons. In terms of trend as I said just think about that in 2008 we closed the year with about €40m fixed costs for the refining sector and just if you add inflation 6% maybe you end up with something between €50m and €60m in terms of inertial trends and so €30m is quite an effort and it represents about 10% reduction over a three year period compared to not doing anything very focused on refining costs which in fact is what we're doing with our 'focus' quote/unquote, programme.

Thomas Adolff

Okay thank you very much..

Sergio Molisani, Unicredit

Good afternoon to everybody and thanks for taking my questions. Three questions if I may. The first a confirmation of the fact that you expect a fixed cost base of \$230m for 2011, probably I'm insulting because if I remember well on the occasion of the second quarter 2010 results you indicated a €40m - €45m of efficiency gains and cost reduction as part of the Project Focus out of which 90 to 95% to be achieved in 2011, is that something wrong that I caught at the time or has something changed in your guidance?

The second question is on Libya, with the 35 - 40% of crudes coming from Libya what's the disruption in supply you're experiencing at present and how do you expect to manage this?

And the third question is on the guidelines for EMC and conversion spread for 2011 on the occasion of the third quarter 2010 results you gave some guidelines on slide 23, can you update them please? Thank you very much..

Corrado Costanzo

One quick answer to your questions about fixed costs our guidance is clearly in Euros. We report in Euros so it is €30m by definition and every guidance in terms of cost is always given in Euros. Then regarding efficiency gains and this stuff we confirm what we already said it as €10 - €15m reduction in terms of cost and then you should look at that from a tramline perspective and the rest of it to be gained primarily in 2011 will show up in terms of better efficiency, better yields and in



general would come up as increased margin and that's a guidance that we confirm in our Outlook and Strategy section on page 24. And Dario can give you more colour on the other two subjects.

Dario Scaffardi

Yes just going back for a second on the part of cost I mean there is a component out there which is on fixed costs but that compensates also for a natural rise in costs and a big part is actually on the margin part where you see that on the variable costs in terms of energy efficiency and also on improved yields.

Regarding Libya, Libya is an important commercial part of SARAS. We imported in 2010 about 35 - 40% of our crude from Libya but this is mainly on an opportunistic basis. Libya of course is right in front of SARAS so it tends to be the most convenient place. We have gradually reduced our dependence from Libya because since Kazakhstan and Azerbaijan have started to export significant amounts of crude into the Mediterranean these have become also important suppliers for us. We believe that the situation in Libya, and we, of course, are worried about our business partners and our friends with which we have been working for over 40 years, we believe that this situation is relatively temporary. We have very good information and contacts inside Libya and at the moment exports are not blocked they are partially inactive just because many of the people cannot or do not want to go to work because they are either afraid to go out of their houses or whatever. So there are very few people actually in the terminals operating them. We have information that one of the terminals, which is called Es Sider terminal is actually operating. Other terminals are not. Overall we expect the situation to be something temporary and hopefully it will resolve itself in the next couple of weeks.

In the meantime we are able to supply easily sour crudes from other areas, Iran rather than Russian, rather than Saudi Arabia, although we do not like Saudi Arabian crude that much. Sweet crudes are a little bit more challenging but there are alternative supplies in from West Africa, from Azerbaijan, from Kazakhstan, from the North Sea, from Algeria. So really the situation is not that worrying at the moment.

What is most worrying instead is the volatility of the market. So rather than being too much preoccupied in where we are going to get crude which is not an issue is the price which we pay for it which is an issue. Yesterday we saw a swing of almost \$8 on the market and if you look at two indexes yesterday I think that Brent dated was closed and quoted at \$113 or something like that but the B-Wave which is the weighted average of the Brent quotations on the ICE in the day closed at \$24.70 so that's a \$1.70 more and there is a lot of crude which is priced on the B-Wave. Saudi Arabia and Iran use the B-Wave.

So all this to say that more than being worried about securing supplies of crude which is not that much of an issue it's not being caught and overpaying very much crude in this moment which one would pay because of the speculation and volatility and of outright panic in the market which in our opinion is not justified. So we prefer maybe to have a cargo less of crude but avoid paying \$120 for it at the moment, if that \$120 is just a spike in the market. As you know these days refining margins have come under pressure because as usual whenever you have some political event this reflects immediately very strongly on the price of crude and is not followed by products. So refining margins have once again come under pressure not for any structural reason but just because of the speculative manoeuvres.



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And regarding EMC benchmark we had given a guidance of between \$0.50 and \$1.50 a barrel over EMC imagining a conversion spread in the range between \$200-\$300. Now just before this Libyan crisis the conversion spread went almost up to \$350 so actually I mean our estimate could have been an extremely conservative estimate and hopefully we will see better numbers. I hope this answers your question Sergio?

Sergio Molisani

Yes thank you very much. May I ask a clarification, so fixed costs for 2011 is €230m yes?

Dario Scaffardi

Yes.

Sergio Molisani

Okay and the net working capital improvement experienced in the fourth quarter of 2010 is it a structural or something that could be reabsorbed in the first quarter of 2011, also considering the fact that the share of third party contracts decreased in the fourth quarter 2010? Thank you.

Corrado Costanzo

Well the decrease in third party contracts already has had its effects 100% so there would be no difference between Q4 of 2010 and the next quarters as long as we, on the other hand, do not enter into any new third party contracts which is always a possibility as we have discussed in this call but everything else being equal that fact is already accounted for. Then clearly you have wide swings in the price of crude and those wide swings can have an effect on working capital. So now who knows where we're going to be at the end of the quarter but certainly what we're seeing is an unusually or semi-unusually high price of crude so that it's going to have a bit of an impact on working capital but overall again if you take into account the price environment of the end of last year I should say, I can say, that the improvement is structured, but working capital however is a volatile animal and therefore there are many, many factors which have an impact so for the future basically it is structural but if those variables change there might be changes.

Sergio Molisani

Thank you very much.



Will Forbes, ARC

Yes good afternoon I have a number of questions as well the first one is just going back to the Libyan question, presumably you take Libyan crudes because they're advantageous in terms of the refining margin that you achieve and if you do take other crudes, however, easily they are to obtain, you're going to see a hit on your refining margin. Can you give us an idea of whether that may be a dollar a barrel or half a dollar a barrel, \$0.25 a barrel? That would be extremely useful to find out.

And the second question is with regard to the EMP activities can you give us an idea of what kind of prospect sizes you're hoping to achieve when you drill those prospects? Thank you

Dario Scaffardi

Hello. Well on Libya I think it's extremely premature to make any assumption on what could be possible losses due to the use of other crudes in replacement of Libyan crudes. I firmly believe that exports from Libya will resume normally in a matter of weeks so whatever effect this might have will be extremely marginal. Actually the effect of making purchases in sort of a panic or emergency mode could be much worse than just waiting off the effects. So I think it's really much too soon to comment on this and I don't expect any lasting or significant effect, also because we have quite a lot of Libyan crude on stock and we're able to run it for the forthcoming weeks. After that if, in the unlikely and unlucky situation this crisis should remain we'll see exactly what actions need to be taken.

On the EMP unfortunately I really cannot be any clearer at the time being. The information is rather privileged as you can easily imagine so we don't wish to comment any more on what we have said.

Corrado Costanzo

In general we have always maintained that even if we are successful as we hope this new venture would be accretive but would not be transformational.

Will Forbes

Okay, thank you very much.

Roberto Ranieri, Banca IMI

Yes, good afternoon gentlemen. Three questions please. The first one is about the CAPEX, my question is if you are increasing your CAPEX for this year and next year possibly? The second question is about your guidance on net debt for this year please? And the third question is just a clarification, with the second quarter 2011 shut down for Sarlux do you expect any loss in the refining margin because of the stop of the gasification unit? Thanks very much.



Dario Scaffardi

Hello Roberto. In terms of CAPEX the guidance that we've given is in the range of €100 - €124m for 2011. If we see a situation that margins improve significantly and also in a sustainable long term manner we will of course revise our original investment plan and see if it is worthwhile to re-enact it and to reinstate it. We would not be able to do anything probably in 2011 if not marginally so. Any plan would start in 2012 should we decide, and of course we do not think that the conditions are such that we can make this decision just yet.

Regarding Sarlux yes it does have an effect on the refining margin. As a matter of fact we shutdown during the same period other units because of the loss mainly on the one side of hydrogen, this gasification plant feed it in and so you don't need the plants that produce the feed stock that are fed into the gasification plant and in return, apart from the electricity it uses, it also produces hydrogen and steam. So the hydrogen consuming plants, mainly the hydrocrackers, do not have the hydrogen they need. That is the reason why during the shutdowns of the gasifiers we also shut down the hydrocrackers and do the maintenance. So what we try is to overlap the maintenance. This is why we have this concentrated maintenance in order to minimise overall costs. So yes there is an effect on the refinery and this is stated in the table, the loss of EBITDA is estimated between \$5m and \$9m. Maybe on the net debt Corrado can help you.

Corrado Costanzo

Thank you, Dario. I mean overall the guidance for the end of this year is that net debt should stay around its current levels. However in this scenario it's a relatively long term guidance so there might be factors that might have an impact on that but the same focus that we put in 2010 on controlling costs and debt is still there for 2011. CAPEX is somewhat reduced compared to its average levels with no impact. I want to underline that. No impact on production and no impact on the profitability of our operations, to the contrary and the main factor probably that might have a significant impact is again working capital and we've discussed the variables that have an impact on working capital.

Roberto Ranieri

Thank you.

Paolo Citi, Intermonte

Good afternoon everyone. Just two very quick questions. The first one on your Sarlux IGCC plant. I think you should gain a slight several operating leverage in a rising oil price scenario taking into account how the fuel cost component is calculating tariff compared to your real fuel cost. Is it possible to have any indication of a potential impact on your Italian GAAP EBITDA, every \$10 per barrel oil price potential increase? And then my second question is on the CO2 cost for both your refinery and again IGCC plant, I think you should be almost entirely covered but I'm not so sure on this so my question is have you had any CO2 costs not covered not since 2010?



Dario Scaffardi

I think Corrado can help you on the Sarlux costs, I don't know if we have all that detail that you are requesting. On the CO2 the refinery is basically balanced on the current allocations. We are working to see exactly what the baseline will be for the 2013 Kyoto baseline. For the current one the refinery is relatively balanced for the very modest cost while the IGCC plant has a full reimbursement on the CO2.

Corrado Costanzo

Well yeah talking about Sarlux we clearly have a positive exposure at Sarlux level to the price of oil. As you might know, or surely know, the tariff formula is very complicated but ultimately it gives us a significant positive exposure to crude oil prices, however with a nine month delay. Then I must admit that I don't have the answer ready for you to such a specific question like every \$10 per barrel what happens and when. However but Massimo we're going to run the sensitivity and Massimo can be more specific next week.

Paolo Citi

Okay thank you very much.

Closing Comments

Massimo Vacca

Okay, then if there are no further questions we wish to thank you all for participating to our call and we wish you a nice evening. Goodbye.