Saras SpA

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Press Release **Milan, 3rd May 2006**

Saras's Board of Directors approves 1Q 2006 results

Growth in revenues and profit
Decreasing operating margin due to volatility of crude oil prices
Margins recovered to previous levels from March

The Board of Directors of Saras Spa, under the chairmanship of Gian Marco Moratti, approved the Group's consolidated results for the first quarter of 2006 and adopted several corporate governance measures.

Saras, a leading company in the energy industry and one of the largest refiners of crude oil in Europe, reported the following consolidated results:

Financial results *

	1st quarter 2005 € million	1st quarter 2006 € million	Difference
• Revenues	1,070	1,430	+34%
• Ebitda [1]	110	75	-32%
• Operating profit	90	58	-36%
• Net profit	28	56	+100%
• Total assets	1,771	1,733	-2%
• Net financial position	(192)	(277)	-44%
• Shareholders' equity	405	414	+2%

[1] EBITDA is defined as the net result, gross of depreciation/amortisation of tangible and intangible fixed assets, financial charges and income, and income tax. Since EBITDA is not recognised as an accounting measure by either Italian accounting standards or the IFRS standards approved by the European Commission, the amounts presented may differ from financial measures calculated in accordance with such standards. EBITDA is a measure that the Group's management uses to monitor and assess the operational evolution of the Group. Management believes that EBITDA is an important parameter to use in order to measure the operational performance of the Group, since it is not influenced by the effects of the various criteria adopted to calculate taxable income, the amount and characteristics of the capital used or by depreciation policies. Since EBITDA is not a measure regulated by the Group's reference accounting standards, the criteria adopted by the Group to calculate this measure may not be the same as those applied by other groups.

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* These results have been calculated by applying the IFRS standards. Sarlux (joint-venture 55% held by Saras) and Parchi Eolici Ulassai (joint-venture 70% held by Saras) have been consolidated according to the equity method. The total contribution of the two companies to consolidated net profit of the Group amounted to € 19 million in the first quarter of 2006 and € 14 million in the first quarter of 2005. Sarlux' Ebitda amounted to € 63 million in the first quarter of 2006 and € 59 million in the first quarter of 2005. Parchi Eolici Ulassai's Ebitda amounted to € 8 million in the first quarter of 2006. (for the EBITDA definition please refer to the note at page 1).

Resutls of Operations

- 3.7 million tonnes of crude oil processed in the first quarter of 2006 (3.5 million in the first quarter of 2005)
- 21% decrease in refining margin compared to the first quarter of 2005 (from $ 7.2 down to $ 5.7 per barrel)
- 0.80 million tonnes of crude oil sold by the Marketing activities (+5% compared to 0.76 million tonnes in the first quarter of 2005)
- 1.15 billion KW/h of electricity produced by the Sarlux joint-venture (-3% compared to 1.19 billion KW/h of electricity in the first quarter of 2005)
- 53 million KW/h of electricity produced by the Parchi Eolici di Ulassai joint-venture (operational since the last months of 2005)

In the first quarter of 2006, the global oil market was characterised by the high volatility of petroleum products prices, mainly due to strong geopolitical tensions in the Middle-East.

Furthermore, a temporary decrease in refining margins in the Mediterranean area continued from the end of 2005 into the first two months of 2006. In March the trend reversed and margins started to increase again and were close to those of last year.

The positive evolution of the industrial operations of the Group partially compensated for this negative scenario. Total refining margins decreased by 21% compared to the first quarter of 2005, against a benchmark trend estimated by EMC[2] of a 50% decrease, going from 3.7 $/bbl in the first quarter of 2005 down to 1.9 $/bbl in the first quarter of 2006.

The company believes the prospects of the refining industry are still good, since fundamentals have not changed, especially with demand growth of finished products outstripping refining capacity additions. It also should be noted that the Sarlux joint-venture increased margins. Finally, the wind division i.e. the Parchi Eolici Ulassai joint-venture, recorded its first completely operational quarter and delivered the company's return expectations.

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[2] EMC: Energy Market Consultants

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Consolidated financial results in the first quarter of 2006

Revenues increased by 34% as a result of both the increase in oil prices and the change in the mix of products sold.

Ebitda (€ 75 million in the first quarter of 2006 compared to € 110 million in the first quarter of 2005) and operating profit (€ 58 million in the first quarter of 2006 compared to € 90 million in the first quarter of 2005) was affected by the decrease in refining margins, that was only partially compensated for by an improved industrial performance. This industrial performance made it possible to increase the volumes processed and provided a higher conversion rate of crude oil into added value products, especially automotive gasoil.

Net profit increased to € 56 million in the first quarter of 2006, compared to € 28 million in the first quarter of 2005. This was due to the hedging on refining margins in the first quarter of 2005. The 2005 negative financial impact totalled € 49 million, included in the item "Other net financial revenues (charges)", whereas the first quarter of 2006 recorded € 5 million positive effect. Furthermore, a significant contribution came from the Sarlux and Parchi Eolici di Ulassai joint-ventures.

As for investments made in the period, it should be noted that Saras Energia purchased 37 petrol stations from the Caprabo Group.

The increase in the net financial position is mainly attributable to dividend payouts for the year 2005 (totalling € 170 million) and net of the cash flow generated by the current operations of the Group.

The consolidated financial statements of the Saras Group have been prepared in accordance with IFRS international standards and audited at 31.12.05 by PricewaterhouseCoopers. The report referring to the first quarter of 2006 will be subject to limited accounting audit by PricewaterhouseCoopers.

Events since the end of the quarter

In respect of the listing of the company at the Stock-Exchange on 20th April, the prospectus (the **Prospectus**) of the offer for sale and subscription and the listing of Saras's ordinary shares at the *Mercato Telematico Azionario* (**MTA**), the electronic share market organised and managed by Borsa Italiana S.p.A., received the authorisation from CONSOB.

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On 1st April an important maintenance cycle scheduled for about 50 days was started in the refinery.

An arbitration award was issued on 18th April 2006 by an arbitration court based on the rules of the *International Chamber of Commerce* and was officially notified on 24th April 2006, in respect of the dispute between Saras and Enron Dutch Holdings about the ownership of a 45% stake in Sarlux, According to this arbitration award:

- Saras was entitled to exercise the "*call option*" according to Article 4., Section 3 of the Shareholders' Agreement;
- By exercising the "*call option*", Saras has obtained the ownership of a 45% stake of Enron Dutch Holdings in Sarlux S.r.l. since 15th January 2002 and the amount that must be paid by Saras for exercising the "call option" amounts to € 116.8 million.

The dividends referring to the 45% stake in Sarlux, recorded in payables due to shareholders for an amount of € 66.3 million, must be paid out to Saras S.p.A.; therefore, the total amount paid out by Saras amounts to about € 50 million.

According to Sarlux shareholders' agreement, the arbitration award is decisive and binding. This is also in line withthe arbitration regulations of the *International Chamber of Commerce*. They assume that the parties have renounced all the possible forms of impugnment they can renounce. For the arbitration award to be effective in Italy, the procedures regulated by the New York convention dated 10th June 1958 will be implemented along with the Italian Code of Civil Proceedings. The effectiveness of the arbitration award can only be denied based on procedural reasons expressly mentioned by the law, in compliance with the New York convention. Nevertheless, Saras cannot exclude that attempts to impugn the arbitration award may be made nor that the effectiveness of this purchase may be contested in Italy.

Adjustments to corporate by-laws and other corporate governance measures

In today's meeting, Saras's Board of Directors has adopted a series of measures referring to: the adjustment of its new corporate by-laws, that will become effective when the Italian Stock-Exchange will decide the date on which Saras's ordinary shares will start to be negotiated on the MTA; the measures taken in the so-called "Law on Savings" and, more generally, the corporate governance system of the company, partly in order to comply with that established in Law Decree no. 58 of 24th February 1998, as subsequently modified and complemented (the **Single Taxation Text)**, with reference to the regulation of market abuse and a few recommendations contained in the Code of Conduct of listed companies as published by the Italian Stock-Exchange in March 2006 (listed companies will have to comply with this Code by the end of the current year).

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More specifically, as already said in the Prospectus, today the Board of Directors has decided as follows:

- adapt the clauses in articles 23 and 26 of the new corporate by-laws to that established by the Law on Savings (this adjustment will become effective when the Italian Stock-Exchange will decide the date on which Saras's ordinary shares will start to be negotiated on the MTA). These clauses refer to the faculty for statutory auditors to summon the meetings of the Board of Directors and to the appointment of the Chairman of the Board of Statutory Auditors (this will be the first candidate on the first minority shareholders' list, if any);
- introduce a clause in the new corporate by-laws (that will become effective when the Italian Stock-Exchange will decide the date on which Saras's ordinary shares will start to be negotiated on the MTA) to establish how the manager in charge of drafting corporate accounting documents in compliance with article 154-bis, sub-section 1, of the Single Financial Text will be appointed. This will also be useful to establish which role will be played – from the date when Saras's ordinary shares will be negotiated on the MTA - by Franco Ballerini, current Administrative Director of the Company;
- appoint Concetto Siracusa as the person in charge of internal control;
- create a registrar including people that, based either on their working or professional activity or their role, can have access to privileged information as established in article 181 of the Single Financial Text referring to the company and its financial instruments; approve in-house regulations for the management of privileged information and create a registrar of the people who can access it; give powers in order to make this document compliant with the in-house procedure to communicate corporate documents and information outside the company, with special attention to price sensitive information, as already approved by the Board on 11th January 2006. This will make it possible to create an organic and effective system of corporate rules and procedures aiming at avoiding market abuse, and this starting from the day when the Italian Stock-Exchange will decide the date on which Saras's ordinary shares will be negotiates on the MTA; and
- appoint independent director Gilberto Callera as *Lead Independent Director* in compliance with the new Code of Conduct, so that he can be a reference point and coordinate the requests and contributions from non executive directors.

Moreover, with a view to adjusting Saras's corporate governance to the best practices of listed companies, the Board of Directors has also decided, in line with that recommended in the new Code of Conduct, to:

- complement the regulations of the Internal Control Committee with new competencies that are added to it by the new Code;
- adapt the composition of the Remuneration Committee to that recommended in the new Code, thus appointing non executive director Gabriele Previati as member of the Committee, instead of Vice Chairman Angelo Moratti; with this newly appointed

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member, the Remuneration Committee now entirely consists of non executive directors, most of whom are independent;

- specify the questions that are not attributed to the Chairman, the Managing Director and the Executive Vice Chairman and establish that these profiles must report to the Board on a quarterly basis the activities they performed in the framework of their proxies.

THE SARAS GROUP

The Saras Group, whose operations were launched by Angelo Moratti in 1962, works in the energy industry and is a leading Italian and European crude oil refiner. It sells and distributes petroleum products in the domestic and international markets. The Group also operates in electric power production and sale through the Sarlux and Parchi Eolici Ulassai joint-ventures.

The Group, with around 1,600 employees, at 31/12/05 had pre-tax revenues from sales and services totalling about € 5.2 billion, with an Ebitda of € 570 million (see the note 1 on page 1 for the definition of Ebitda) and net profit of € 293 million.[3] Sarlux (joint-venture 55% held by Saras) was consolidated with the equity method. Its contribution to the consolidated net profit of the Group totalled € 49 million in 2005.

Saras' operations are mainly centred at the Sarroch refinery (Cagliari), on the southern coast of Sardinia, the largest refinery in the Mediterranean by production capacity[4], one of Western Europe's six *supersites*[5] and one of the most sophisticated refineries[6]. The actual capacity levels of refining[7] amount to approximately 15 million tonnes per year, representing about 15% of Italy's total capacity.[3] Sarlux can count on installed power of 575 megawatts with an annual production exceeding 4 billion kW/hour, subsequently transferred to GRTN (the Italian organisation managing the National Dispatching Network), which means that this plant provides an important contribution to the coverage of electric power requirements in Sardinia.

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[3] Source: 2005 consolidated financial statements of the Saras Group.
[4] Source: *Oil &Gas Journal*, December 2005.

5 The word "supersite" refers to a strategic site of large size, competitive on a major scale and integrated with petrochemical processing (Source: Wood Mackenzie)

6 Source: Wood Mackenzie

[7] Actual capacity: "technical-balanced" capacity, supported by secondary processing plants fit for the production of petrol and gas oils.
Source: Unione Petrolifera Italiana, Economic Energy and Oil Statistics, November 2005.

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