SARAS announces 2008-2011 Strategic Plan

Progressing towards a *zero fuel oil* configuration

Highlights

- Focus on **organic growth** in the **Refining & Marketing** segment
  - further increase of already superior conversion capacity (diesel vs. fuel oil)
  - expansion in the marketing segment (bio-diesel and new depot in Spain)

- **Top returns** in the industry: **IRR in excess of 15%** for the various projects
  - Group's Gross margin[1] expected to increase **by about USD 240 ml** from 2012 (up 27% on 2008 consensus)

- **Group's CAPEX 2008-2011: about EUR 1230 ml**
  - **EUR 690 ml for growth projects** in Refining & Marketing
  - balance for maintain capacity and HSE

Milan, 24 June, 2008. - The Board of Directors of Saras S.p.A. met yesterday under Chairman GianMarco Moratti and approved the 2008-2011 strategic plan. The Chairman declared: ***"Our priority continues to be organic growth in the Refining & Marketing segments. We strongly believe in refining and its long term profitability. This plan, leveraging on a proven track record in delivering in-house projects, will allow us to achieve top returns in our industry with an after tax IRR in excess of 15%".***

[1] **Gross margin:** after variable costs

Conference call programme organized for today 24th June 2008

At **4:00 p.m. UK time at Grocer's Hall in London** the management of the company will present the 2008-2011 business plan to the financial community.

The event can also be followed by webcast or conference call, with details as follows:

Dial in numbers:

For Italy	+39 02 36 00 90 16
For U.K.	0 808 238 9072
For U.S.	+1 866 508 8020

Link for the live webcast:

http://www.thomson-webcast.net/uk/dispatching/?event_id=9d79864fd7160db8293de86433699c02&portal_id=631d32d312bb9a535ffc19ae06bbd85c

Playback and transcript of the live webcast will also be available on our website.

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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 directly and through the subsidiaries Saras Energia S.A. in Spain and Arcola Petrolifera S.p.A. in Italy. The Group also operates in the electric power production and sale through the subsidiary Sarlux S.r.l. and the Parchi Eolici di Ulassai S.r.l. joint-venture. In addition the Group provides industrial engineering and scientific research services to the oil, energy and environment sectors through the subsidiary Sartec S.p.A. and operates in the information services sector through the subsidiary Akhela S.r.l..
The Group, with about 1,900 employees, during 2007 reported total revenues of about EUR 6.7 billion, an operating profit of EUR 509 million and net profit of EUR 323 million.
Saras' operations are mainly centred at the Sarroch refinery near Cagliari on the southern coast of Sardinia. Sarroch is one of the largest refinery in the Mediterranean by production capacity and one of the most complex in Europe. The refinery's actual capacity is 15 million tonnes per year (110 million barrels), representing about 15% of Italy's total refining capacity. Sarlux owns a combined cycle power plant with gross capacity of 575 megawatts and annual production exceeding 4 billion KWhours, all of which is sold to the GSE (the Italian entity that manages renewable sources).

Market Outlook

Diesel will be the leading theme in the forthcoming years and is expected to continue leading world demand growth for transport fuels. As a consequence diesel cracks will continue to remain healthy. Fuel oil demand is projected to decrease, due to a lower demand for power generation (switch to gas, coal and renewables) and reduction in the sulphur content of bunker fuel that will gradually force the switch to gasoil.

In this context all the upgrading projects with the goal of converting fuel oil into diesel will have superior and sustainable returns, due to a widening differential between diesel and fuel oil prices.

Refining

Saras refinery is already among the most complex in Europe, but still allows for significant growth in the forthcoming years. The planned step change between 2008 – 2011 will be low risk as the investment will be split among a number of projects. HSE will also be one of the top priorities of the plan.

Main goals are as follows:

- **Increase conversion capacity**
  - further increase of diesel production at the expense of fuel oil (+365,000 tons/year of diesel production, middle distillate yield **up 2.5%**)
- **Improve energy efficiency**
  - reduce energy consumption in the refining process (consumption & losses reduced **by 0.5%**)
- **Enhance overall refinery performance**
  - process optimization and throughput increase (**+10,000 b/d of total runs**)
  - enhance capability of running unconventional crudes.

The CAPEX planned for the Refining segment will be around **EUR 1,080 ml** with the following split:

EUR ml	2008	2009	2010	2011
Maintain capacity	74	69	70	54
HSE	80	35	43	35
Upgrading	77	231	213	99
TOTAL	**231**	**335**	**326**	**188**

Gross margin (after variable costs) is expected to increase by **USD 240 ml from 2012** ($2.2/bl) with a IRR after tax **in excess of 15%** (on the basis of a reference scenario with an EMC benchmark at 3.5 $/bl, diesel crack at 25 $/bl, Diesel-Fuel Oil differential at 500 $/t).

Marketing

Diesel consumption in the Spanish market is projected to grow at around 4% p.a., faster than the rest of Europe[2]. Our growth will therefore be mainly centered on our Spanish activities.
In this respect a new depot will be built by mid 2011 in Sagunto (close to Valencia), a high demand area (accounting for about 12% of Spanish oil product consumption) with limited logistic. The estimated positive impact on EBITDA will be about EUR 5 million by 2012 with an IRR after tax in the range of 10-15%.

In addition we have the goal of increasing wholesale market share by 2%, continuing to grow profitability focusing on sales channels with higher returns (hypermarkets, retail stations) and expanding the non oil business in the existing retail stations.

The bio-diesel plant in Cartagena will start operations at the beginning of 2009. The positive impact on EBITDA is expected at about EUR 5 million for 2009.

Below is the CAPEX plan of the segment:

EUR ml	2008	2009	2010
Sagunto	3	22	10
Biodiesel	34	0	0
Total	**37**	**22**	**10**

Power

The main goal for the Sarlux IGCC plant is to maintain its best in class efficiency and further optimise operations.
As for the CO2 costs, the Italian Energy Authority confirmed full reimbursement for the entire duration of CIP6 contract (resolution n.77/08 issued on 11/06/08).
2008 CAPEX are focused on increasing hydrogen production, while 2010-2011 CAPEX will be geared towards plant performance increase after the 10 year inspection.

Below is the CAPEX plan of the segment:

EUR ml	2008	2009	2010	2011
Maintain capacity	33	8	18	19

[2] Source: Asociacion Espanola de Operadores de Productos Petroliferos

Wind

Wind has become a mature business in Europe with a stiff competition for growth between several players putting pressure on returns.
Saras will continue to focus on its pipeline of projects in Sardinia and the south of Italy, considering also investments in East Europe.
We are currently evaluating the acquisition of the 30% Backcock & Brown stake in Sardeolica.

Gas Exploration

We have successfully completed on shore seismic tests and data processing.
The results are positive and we are evaluating next steps.
Off-shore seismic tests are in the permitting phase.

In combination with the GALSI pipeline project, gas exploration could well provide an interesting additional revenue driver for Saras in the future.

Financials

In terms of allocation of capital we plan to focus our investments on organic growth of our core business. Our ROACE target remains 10-15% over the cycle.

We confirm a dividend payout ratio of 40-60% of the adjusted net income going forward and will continue our share buyback programme. Almost EUR 1 billion will be returned to shareholders during the planning period via dividends and buyback.

In combination these activities will progressively re-leverage our balance-sheet within the target of 25-50% over the cycle.

Free cash flow is expected to remain positive throughout the duration of the investment plan.