# SARAS announces Q1/10 results[1]

## Q1/10 Highlights

- **Group *reported* EBITDA** at EUR 50.7 ml, down 65% vs. EUR 144.6 ml in Q1/09
- **Group *comparable*[2] EBITDA** at EUR 13.8 ml, down 85% vs. EUR 91.1 ml in Q1/09
- **Group *reported* Net Income (Loss)** at EUR (9.3) ml, down 116% vs. EUR 58.2 ml in Q1/09
- **Group *adjusted*[3] Net Income (Loss)** at EUR (29.9) ml, down 218% vs. EUR 25.3 ml in Q1/09
- **Saras refining margin at 0.9 $/bl,** down 82% compared to Q1/09
  - In Q1/10, Saras premium above the EMC benchmark margin was 0.4 $/bl, vs. 1.7 $/bl in Q1/09, penalised by weak conversion spread and tight "heavy-light" differentials, which eroded part of the "complexity advantage" of top class refineries
- **On 31st March 2010, Net Financial Position was negative for EUR 643 ml,** primarily due to an increase in working capital

**Milan, 14th May 2010:** The Board of Directors of Saras S.p.A. met yesterday under Chairman Gian Marco Moratti and approved Q1/10 results. The Chairman declared: ***"After the first two months still in contraction, in March consumption of oil products gave signals of recovery, specifically concerning gasoline. Coherently, also refining margins had a rebound, from the exceptionally low levels recorded at the end of 2009. Looking forward, margins are predicted to gradually continue rising, along with the progression in the industrial and economic recovery. Notwithstanding a still difficult first quarter, the market conditions expected to materialize, together with the rationalization process the company is undertaking, allow Saras to look positively to the future."***

[1] Pursuant to the provisions of article 154 bis, paragraph 2, of the Consolidated Finance Act, **Mr. Corrado Costanzo,** the Executive Director responsible for the preparation of the company's financial reporting, states that the financial information set out in this press release corresponds to the company's documents, books and accounting records

[2] ***Comparable* EBITDA:** calculated evaluating inventories based on LIFO methodology (which does not include revaluations and write downs), and adjusting for non recurring items and change of the derivatives' fair value

[3] ***Adjusted* Net Income (Loss):** Net income adjusted for the differences between LIFO and FIFO inventories after taxes, non recurring items after taxes and change in the derivatives' fair value after taxes. Quarterly, *comparable* and *adjusted* figures are un-audited.

# Programme of the conference call organized for today 14th May 2010

At **16:30 C.E.T.** of today, Friday 14th May 2010, there will be a conference call for analysts and investors, during which Saras top management will discuss a slide presentation on Q1/10 results, and answer relevant questions. The presentation will be available on our website (www.saras.it) starting from 07:30 am C.E.T..

Dial in numbers:

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Link for the live webcast: https://services.choruscall.eu/links/saras100514.html

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 started by Angelo Moratti in 1962, has approximately 2,200 employees and total revenues of about 5.3 billion Euros, as of 31st December 2009. The Group is active in the energy sector, 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 subsidiaries Sarlux S.r.l. and Parchi Eolici Ulassai S.r.l. (PEU). 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 it operates in the information services sector through the subsidiary Akhela S.r.l..

More in details, Saras refinery operations take place in the Sarroch refinery (near Cagliari), on the southern coast of Sardinia. The capacity of Sarroch refinery is approximately 15 million tonnes per year (110 million barrels), representing about 15% of the total refining capacity in Italy. Indeed, Sarroch is regarded as one of the main refineries in the Mediterranean area, in terms of production capacity and asset complexity. Sarlux owns an IGCC (Integrated Gasification Combined Cycle) plant, with installed capacity of 575MW, and electricity production exceeding 4 billion kWh per year, all of which is sold to the GSE (Gestore dei Servizi Energetici - the Italian entity who plays a central role in promotion, support and development of renewable energy sources in Italy, and is also the parent company of "Gestore dei Mercati Energetici S.p.A." (GME), the Italian national Power Grid manager, and of "Acquirente Unico S.p.A." (AU), the company vested with the task of purchasing electricity in the market on the most favourable terms, and subsequently selling it to distributors for supply to captive customers). The wind farm owned by PEU is situated in Ulassai (Sardinia), and has an installed capacity of 72MW (upgradeable to 96MW). Finally, the Marketing segment sells approximately 4 million tons of oil products through the subsidiaries Arcola Petrolifera and Saras Energia, and it also manages two coastal tank farms owned by the Group (Arcola (Italy) – capacity of 200,000 cubic metres, and Cartagena (Spain) – capacity of 112,000 cubic metres), a biodiesel plant with 200,000 tons/year capacity, located in Cartagena, and a retail network of 124 service stations primarily located along the Spanish Mediterranean Coast.

# Key Consolidated financial figures

Below are key consolidated economic and financial figures, shown in comparison with the data related to the same period last year. Quarterly, *comparable* and *adjusted* figures are unaudited.

## Saras Group income statement figures

| EUR Million | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|
| REVENUES | 1,882 | 1,228 | 53% | 1,564 |
| EBITDA | 50.7 | 144.6 | -65% | 70.1 |
| ***Comparable EBITDA*** | **13.8** | **91.1** | **-85%** | **24.6** |
| EBIT | 0.1 | 100.0 | -100% | 15.6 |
| ***Comparable EBIT*** | **(36.8)** | **46.5** | **-179%** | **(29.9)** |
| NET INCOME / (LOSS) | (9.3) | 58.2 | -116% | 5.2 |
| ***Adjusted* NET INCOME / (LOSS)** | **(29.9)** | **25.3** | **-218%** | **(24.0)** |

## Other Group figures

| EUR Million | Q1/10 | Q1/09 | Q4/09 |
|---|---|---|---|
| **NET FINANCIAL POSITION** | **(643)** | **(223)** | **(533)** |
| **CAPEX** | **23** | **61** | **65** |
| **OPERATING CASH FLOW** | **(87)** | **170** | **(5)** |

## Comments on Q1/10 results

Refining margins improved quite rapidly in March 2010, on the back of strong gasoline crack spreads, deriving from the "spring maintenance" season of several refineries both in Europe and in the USA. Saras was capable of capturing a part of the margin improvement, because the results of our Refining segment were affected by maintenance activities being carried out in our Sarroch production site.

The Power Generation segment, owing to the IFRS linearisation procedure, achieved results in line with expectations in Q1/10, despite the scheduled maintenance cycle which caused a reduction in electricity production.

The reduction in oil products consumption both in Spain and in Italy, together with some seasonality effects, forced our Marketing segment to post a negative performance during the first quarter of 2010, with a drop in margins in our Italian wholesale business, and a contraction in sale volumes in our Spanish subsidiary.

Finally, the Wind segment had a strong performance in Q1/10, thanks to very favourable wind conditions, which pushed electricity production beyond 61 GWh (setting the quarterly production record, since the wind park became operational in late 2005). The record production more than compensated the 9% drop in power tariff, related to the economic recession.

**Group Revenues in Q1/10 were EUR 1,882 ml**, up 53% compared to Q1/09. The substantially higher revenues came primarily from the Refining and Marketing segments, in the light of significantly higher oil products' prices (for quick reference, in Q1/10 diesel traded at an average of 638.6 $/ton vs. 436.4 $/ton in

Q1/09, and gasoline priced at 717.0 $/ton vs. 419.9 $/ton in Q1/09). The higher prices more than offset the decline in volumes sold.

**Group *comparable* EBITDA in Q1/10 amounted to EUR 13.8 ml**, down 85% vs. EUR 91.1 ml posted in Q1/09. The large difference versus same quarter last year can be explained almost entirely with the weaker performance of the Refining segment, which experienced smaller margins and lower refinery runs in Q1/10, versus same period last year (In Q1/10 Saras margin was down 82%, and runs were down 7% vs. Q1/09).

**Group *reported* EBITDA in Q1/10 was EUR 50.7 ml**, down 65% vs. Q1/09. This result can be almost entirely explained with the combination of lower refining margins and lower refinery runs in Q1/10 versus same period last year. However, an important role was played also by inventory evaluations, considering their changes both in terms of prices and quantities.

At the bottom line level, **in Q1/10 Saras posted a Group *adjusted* Loss for EUR 29.9 ml**, which compares with the Group *adjusted* Net Income of EUR 25.3 ml in Q1/09. This sharp difference can be explained primarily by the lower *comparable* EBITDA, and the higher depreciation and amortization charges (EUR 50.6 ml in Q1/10 vs. EUR 44.6 ml in Q1/09). Moreover, the financial charges in Q1/10 were negative for EUR 12.8 ml, made of approx. EUR 4.3 ml of interest expense, plus other EUR 8 ml of losses on derivative instruments, in part realized and in part due to changes of fair value. In Q1/09 instead, the financial charges were negative for EUR 3.4 ml, with interest expense worth EUR 4.1 ml, and gains on derivative instruments worth EUR 0.7 ml.

Similarly, when looking at IFRS results, **Saras made a Group *reported* Loss for EUR 9.3 ml in Q1/10**, down 116% vs. the Group *reported* Net Income of EUR 58.2 ml Q1/09, for the same reasons explained at *reported* EBITDA level. However, at the bottom line level the difference quarter on quarter is larger in percentage terms than the difference observed at EBITDA level. This depends on the higher depreciation and amortization charges and also on the higher financial charges in Q1/10 vs. Q1/09.

## Detail of Consolidated Net Income Adjustments

| EUR Million | Q1/10 | Q1/09 |
|---|---|---|
| ***Group reported* NET INCOME / (LOSS)** | **(9.3)** | **58.2** |
| (inventories at LIFO - inventories at FIFO) net of taxes | (24.2) | (34.0) |
| non recurring items net of taxes | 0.0 | 0.0 |
| change in derivatives fair value net of taxes | 3.6 | 1.1 |
| ***Group adjusted* NET INCOME / (LOSS)** | **(29.9)** | **25.3** |

## Detail of Consolidated Comparable EBITDA

| EUR Million | Q1/10 | Q1/09 |
|---|---|---|
| ***Group reported* EBITDA** | **50.7** | **144.6** |
| inventories at LIFO - inventories at FIFO | (36.9) | (53.5) |
| non recurring items | 0.0 | 0.0 |
| ***Group comparable* EBITDA** | **13.8** | **91.1** |

As it can be observed in the previous tables, in Q1/10 the difference between *comparable* and *reported* figures is almost entirely justified by the different methodologies used to evaluate the oil inventories. Indeed, as it has been explained in all previous occasions, the *reported* (IFRS) figures evaluate oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology.

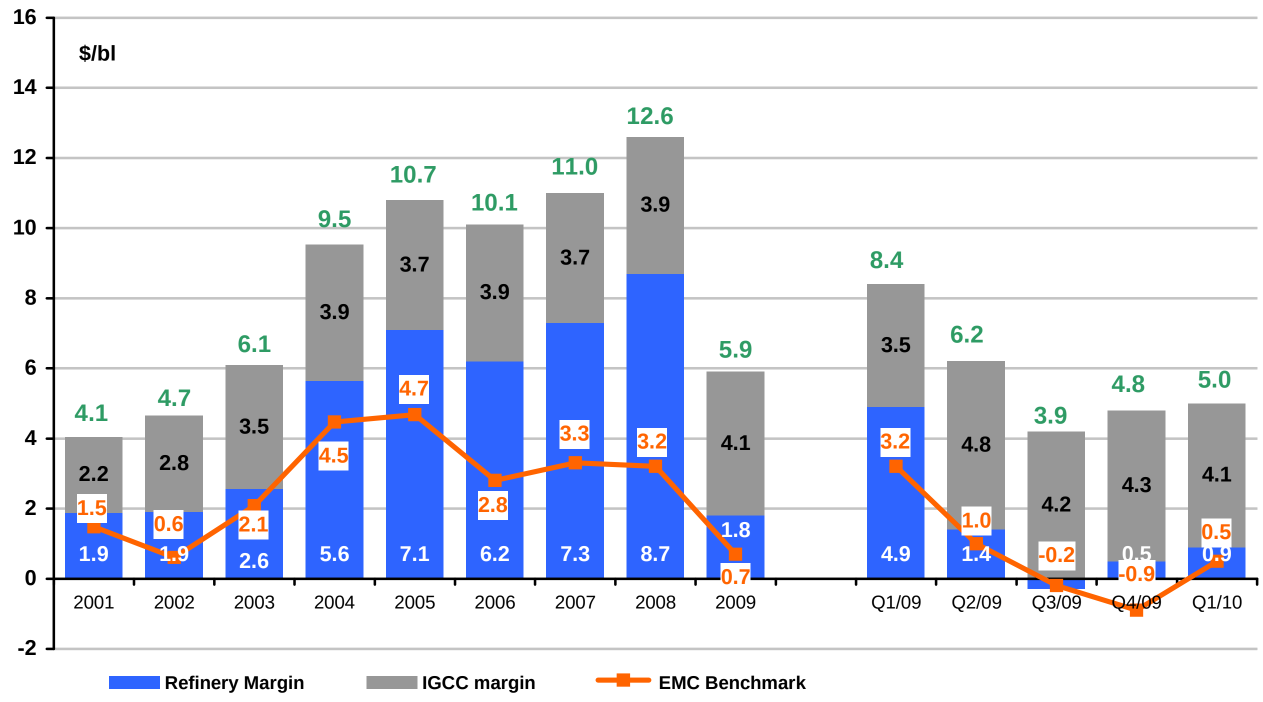
In Q1/10, the above mentioned LIFO/FIFO difference after-tax was equal to EUR -24.2 ml, due to the afore mentioned increase in crude oil and petroleum products prices. Such inventory appreciation is reflected only in the FIFO evaluation, while it is not included in the inventory evaluation based on LIFO methodology.

**CAPEX in Q1/10, amounted to EUR 23.1 ml**, in line with the announced investment programme to be carried out during 2010.

**Net Financial Position on 31st March 2010 was negative by EUR 643 ml**, compared to a negative figure of EUR 533 ml at the end of 2009. The change can be primarily explained with capital expenditures (EUR 23.1 ml), and an increase in working capital.

# EMC benchmark margin and Saras premium

The graph below shows a comparison between Saras refining margin after variable costs, and the corresponding margin calculated by EMC (Energy Market Consultants), which represents the performance of a middle complexity refinery located in the Mediterranean sea, and it is used by Saras as a benchmark.




**Refinery margins:** (*comparable* Refining EBITDA + Fixed Costs) / Refinery Crude Runs in the period
**IGCC margin:** (Power Gen. EBITDA + Fixed Costs) / Refinery Crude Runs in the period
**EMC benchmark:** margin calculated by EMC (Energy Market Consultants) based on a crude slate made of 50% Urals and 50% Brent

The negative effects of the global recession on the refining industry can be easily observed when looking at the EMC benchmark. In fact, the **EMC refining margin averaged at 0.5 $/bl in Q1/10** (down 84% vs. 3.2 $/bl in Q1/09).

The above mentioned drop in refining margins can be explained when comparing Q1/10 crack spreads for the main oil products, with the corresponding crack spreads in Q1/09. More specifically, it can be observed that in Q1/10 diesel crack spread registered a quarterly average at 9.4 $/bl, significantly lower than the 13.7 $/bl which was the average in Q1/09. This drop is due to the very tight connection between the consumption of diesel, and the intensity of industrial activity and subsequent shipments via trucks of finished goods along the supply chain. The latter have been severely reduced by the recession which swept the global economy in 2009, and the macro-economic scenario showed only slow signs of recovering in the first months of 2010.

It should be noted that diesel is the main contributor to refinery margins in Europe. In particular, the average refinery used in the EMC profitability model, has a yield in middle distillates close to 45%, whereas the yield in gasoline is approx. 25%, and the yield in fuel oil is around 15%.

Therefore, the drop in middle distillates crack spread weighted significantly more than the increases in the gasoline crack spreads (average of 9.5 $/bl in Q1/10, vs. 5.5 $/bl in Q1/09), and also in the High Sulphur Fuel Oil crack spread (average at -7.4 $/bl in Q1/10, vs. -8.8 $/bl in Q1/09).

When looking at the Saras quarterly performance, it can be noted that our premium above the EMC benchmark stood at 0.4 $/bl in Q1/10, and it was significantly lower than in the same period last year (the

Q1/09 average was 1.7 $/bl). This is the consequence of a combination of factors. Firstly, the Saras complexity premium above the EMC benchmark is strongly linked to the diesel-fuel oil price differential ("conversion spread"), which in Q1/10 was still very weak, with an average of 193 $/ton.

However, the "conversion spread" is not the only factor influencing the performance of our complex and integrated system. Indeed, "Heavy-Light" crude oil price differentials also have a significant role in our "complexity advantage". Consequently, the narrow "Heavy-Light" differential in Q1/10 also contributed to penalise Saras performance.

Finally, it should be noted that the improvement in refining margins experienced by the oil industry in Q1/10 was achieved as a result of a spike of the gasoline crack spread in March, while margins were pretty disappointing in the entire months of January and February. In this context, Saras could not capture in full the above mentioned margin rebound, due to the scheduled maintenance activities which we carried out in March, both in the refinery and in the IGCC power plant.

# Segments Review

Below is the main information relating to the various business segments within the Saras Group.

## Refining

| EUR Million | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|
| EBITDA | (18.5) | 89.3 | -121% | (0.8) |
| **Comparable EBITDA** | **(39.0)** | **39.4** | **-199%** | **(49.6)** |
| EBIT | (44.1) | 68.2 | -165% | (30.6) |
| **Comparable EBIT** | **(64.6)** | **18.3** | **-453%** | **(79.4)** |
| | | | | |
| **CAPEX** | **19.9** | **52.6** | **-62%** | **56.9** |

### Margins and refinery runs

| | | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|---|
| **REFINERY RUNS** | thousand tons | 3,469 | 3,723 | -7% | 3,432 |
| | Million bl | 25.3 | 27.2 | -7% | 25.0 |
| | thousand bl/day | 281 | 302 | -7% | 272 |
| of which: | | | | | |
| *Processing for own account* | thousand tons | 3,235 | 2,688 | 20% | 2,373 |
| *Processing on behalf of third parties* | thousand tons | 234 | 1,035 | -77% | 1,059 |
| | | | | | |
| **EXCHANGE RATE** | EUR/USD | 1.383 | 1.303 | 6% | 1.478 |
| | | | | | |
| **EMC BENCHMARK MARGIN** | $/bl | 0.5 | 3.2 | -84% | (0.9) |
| **SARAS REFINERY MARGIN** | $/bl | 0.9 | 4.9 | -82% | 0.5 |

### Comments on Q1/10 results

**Refinery runs in Q1/10 stood at 3.47 ml tons** (25.3 ml barrels, corresponding to 281 thousand barrels per day). This operating result was 7% lower than same period last year. The main difference in refinery runs can be explained when considering that Q1/10 maintenance involved a topping unit (RT2), while in Q1/09 all primary distillation units were up and running regularly.

**Processing on behalf of third parties went down to approximately 7% of total runs** (vs. 28% in Q1/09), because we did not renew a contract due to expire at the end of 2009. Indeed, at the time of renegotiating the aforementioned contract, the prevailing market conditions were characterised by an extremely depressed refining margin. Under the circumstances, Saras choose not to lock a considerable part of its refining capacity in a processing contract with a low "base fee", in order to take benefit of the forecasted margin improvement which should take place (gradually but consistently) throughout 2010 and 2011

***Comparable* EBITDA of the Refining segment was EUR -39.0 ml in Q1/10**, down 199% versus EUR 39.4 ml in Q1/09, driven by the above mentioned lower refinery runs, as well as a narrower refining margin (for the reasons described in the following paragraphs), and also because of a weaker USD versus the EUR (the exchange rate USD to EUR averaged at 1.383 in Q1/10, vs. 1.303 in Q1/09).

Coming to a detailed profitability analysis of the Refining segment, our **EMC benchmark for refining margin in Q1/10 stood at 0.5 $/bl** (vs. 3.2 $/bl in Q1/09), and **Saras premium above the EMC margin fell to 0.4 $/bl** (vs. 1.7 $/bl in Q1/09).

The narrow premium added by Saras on top of the EMC benchmark is the consequence of various combined effects. Firstly, the tight price differential between diesel and fuel oil (the so called "conversion spread"), which suffered from the persisting weakness in middle distillates. To be more specific, in Q1/10 the average of the "conversion spread" was 193 $/ton, vs. 200 $/ton in Q1/09.

Secondly, the price differential between "Heavy" and "Light" crude oils remained at a narrow level (average 0.9 $/bl in Q1/10), hence eroding the part of our "complexity advantage" which relies on the possibility of procuring a cheaper feedstock for the refinery.

Finally, there have been losses of conversion capacity (worth approx. Eur 8 ml) related to the scheduled maintenance activities carried out in March. It should be noted that March was the only month in Q1/10 when refining margins were at an healthy level, and we could not profit in full of this rebound. Some other losses, worth Eur 12 ml, were incurred because of performance decay, due to fouling problems on conversion units ahead of their planned maintenance, and also because of penalisations on certain sales channels.

Refining CAPEX **in Q1/10 was EUR 19.9 ml,** in line with the limited investment programme planned for the year, and in line with the information previously disclosed to the financial markets.

## Crude Oil slate and Production

| | | Q1/10 | FY 2009 | FY 2008 |
|---|---|---|---|---|
| Light extra sweet | | 48% | 48% | 51% |
| Light sweet | | 2% | 0% | 0% |
| Medium sweet | | 2% | 0% | 0% |
| Light sour | | 0% | 0% | 0% |
| Medium sour | | 26% | 28% | 22% |
| Heavy Sour | | 22% | 24% | 27% |
| Average crude gravity | °API | 32.4 | 32.4 | 32.7 |

**With an average density of 32.4°API, the crude mix in Q1/10 was in line with the average of last year**. It should be noted that in the quarter the percentages of light extra sweet crude oil was in line with the average of 2009, while medium and heavy sour crude oils decreased versus 2009 values, and were replaced by light and medium sweet crude oils. This slight change of crude slate is the consequence of the maintenance activities carried out during the period, and also of the decision not to renew the processing contract which expired at the end of 2009.

The product slate obtained in Q1/10, shows a middle distillates yield at 51.7%, and the light distillates yield at 27.8%, thus bringing the percentage of high value products close to 82% (considering also 2.2% of LPG).

| | | Q1/10 | FY 2009 | FY 2008 |
|---|---|---|---|---|
| LPG | thousand tons | 77 | 221 | 337 |
| | yield | 2.2% | 1.7% | 2.2% |
| NAPHTHA + GASOLINE | thousand tons | 966 | 3,343 | 4,056 |
| | yield | 27.8% | 25.1% | 26.1% |
| MIDDLE DISTILLATES | thousand tons | 1,792 | 6,769 | 8,275 |
| | yield | 51.7% | 50.9% | 53.3% |
| FUEL OIL & OTHERS | thousand tons | 154 | 1,119 | 825 |
| | yield | 4.4% | 8.4% | 5.3% |
| TAR | thousand tons | 262 | 1,077 | 1,121 |
| | yield | 7.6% | 8.1% | 7.2% |

Balance to 100% is "Consumption & Losses"

# Marketing

Below are the financial highlights of the Marketing segment, which is primarily focused on the wholesale business, through our subsidiaries Arcola Petrolifera S.p.A. in Italy, and Saras Energia S.A. in Spain.

| EUR Million | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|
| EBITDA | 14.0 | 2.8 | 400% | 13.0 |
| ***Comparable EBITDA*** | **(2.4)** | **(0.8)** | **-200%** | **16.3** |
| EBIT | 11.0 | 1.5 | 633% | 10.1 |
| ***Comparable* EBIT** | **(5.4)** | **(2.1)** | **-157%** | **13.4** |
| **CAPEX** | **0.8** | **4.2** | | **3.9** |

## Sales

| | | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|---|
| **TOTAL SALES** | thousand tons | 1,052 | 1,013 | 4% | 1,005 |
| of which: in Italy | thousand tons | 382 | 308 | 24% | 308 |
| of which: in Spain | thousand tons | 670 | 705 | -5% | 697 |

## Comments on Q1/10 results

Q1/10 was still characterized by continued weakness in consumption of oil products, particularly acute in the developed economies (OECD), including countries like Spain and Italy, where our sales are concentrated. In addition to this already difficult scenario, the usual seasonality effects brought further weakness to the results of our Marketing segment, which, ultimately, posted a negative performance characterized by lower margins in Italy, and lower sale volumes in Spain.

From a macro perspective, in Q1/10 the Spanish market posted a 8.5% decrease in gasoline demand vs. Q1/09, and a further 5.6% contraction middle distillates (with a split of -3% for diesel, and -10.6% for heating and agricultural gasoil). In this difficult context, **Saras Energia continued its strategy of reducing opportunity sales** of gasoline and diesel towards commercial operators and other oil companies. On the contrary, Saras Energia increased sales towards more profitable channels (i.e. unbranded service stations, small retail operators, etc.). As a result of this initiative, **gross margins improved, but there was also an overall contraction in sale volumes (-5% vs. Q1/09)**, with total gasoil down by 3.9% vs. Q1/09 (-1.9% for diesel, and -9.3% for heating and agricultural gasoil), and gasoline also down by 11.7%.

Looking at the Italian market, in Q1/10 total demand for oil products decreased by 4% vs. Q1/09. Gasoline was down by 6.6%, while middle distillates were down by 2.1% (with a split of -2.1% for diesel, -8.9% for heating oil, and agricultural gasoil also down by 20.6%). In this scenario, **sales of Arcola (Italy) were 382 ktons, up 24% vs. Q1/09**, due to the take over of ENI business in Sardegna. More in details, sales for gasoline went up by 140.4%, diesel went up by 15.4%, while sales of other gasoil were down by 20.4%, vs. same period last year. However, from a profitability stand-point, the difficult market conditions caused a contraction in the gross margins of the Italian subsidiary.

Moving on to the financial analysis, **in Q1/10 *comparable* EBITDA from the Marketing segment was negative for EUR 2.4 ml**, down 200% vs. same period last year, primarily because of the lower margins, and also because of a negative contribution from the bio-diesel plant (approx. EUR -1 ml), which suffered for the high cost of the feedstock.

Finally, **CAPEX in Q1/10 were EUR 0.8 ml** in line with our plan.

# Power Generation

Below are the main financial data of the Power Generation segment related to operations by Sarlux S.r.l..

| EUR Milion | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|
| EBITDA | 47.0 | 43.8 | 7% | 48.5 |
| ***Comparable* EBITDA** | **47.0** | **43.8** | **7%** | **48.5** |
| EBIT | 27.7 | 24.6 | 13% | 29.4 |
| ***Comparable* EBIT** | **27.7** | **24.6** | **13%** | **29.4** |
| | | | | |
| **EBITDA ITALIAN GAAP** | **20.6** | **57.9** | **-64%** | **33.5** |
| **EBIT ITALIAN GAAP** | **6.4** | **43.9** | **-85%** | **19.3** |
| **NET INCOME ITALIAN GAAP** | **3.1** | **26.1** | **-88%** | **11.9** |
| | | | | |
| **CAPEX** | **1.8** | **2.7** | | **3.4** |

## Other figures

| | | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|---|
| ELECTRICITY PRODUCTION | MWh/1000 | 939 | 897 | 5% | 1,128 |
| **POWER TARIFF** | **Eurocent/KWh** | **9.2** | **14.1** | **-35%** | **8.6** |
| POWER IGCC MARGIN | $/bl | 4.1 | 3.5 | 17% | 4.3 |

## Comments on Q1/10 results

Results of the Power Generation segment in the Q1/10 were in line with guidance, with **power production at 0.939 TWh**, up 5% when compared to Q1/09. The reason for this performance is related primarily to the scheduled maintenance activities carried out in Q1/09 on one of the three parallel trains of "Gasifier - Turbine", which turned out to be heavier than originally planned, whereas the maintenance carried out in Q1/10 went as per original schedule.

**Italian GAAP EBITDA in Q1/10 was EUR 20.6 ml**, down 64% versus Q1/09, primarily because of the expiry in April 2009 of the "incentive" component of the CIP6/92 tariff, which led to a reduction of approx. EUR 40 ml at Italian GAAP EBITDA level. Indeed, the average value of the total CIP6/92 power tariff in Q1/10 stood at 9.2 EURcent/kWh, down 35% versus Q1/09. Only partial compensation came from the higher production of electricity (for the reasons explained above), and also from the higher sales of hydrogen and steam.

***Comparable* EBITDA in Q1/10 was EUR 47 ml**, up 7% vs. same period last year, due to higher sales of Hydrogen and Steam, whose revenues are not subject to the IFRS linearization procedure. Indeed, although penalised by the scheduled maintenance cycle, sales of H2 and steam in Q1/10 were still higher than in Q1/09 (up by EUR 2.6 ml), because of significantly longer maintenance last year vs. this year.

Finally, **CAPEX in Q1/10 were EUR 1.8 ml,** in line with our investment plan.

# Wind

The Group operates in the renewable electric power production and sale, through its subsidiary Parchi Eolici Ulassai S.r.l. (PEU), which has been fully consolidated starting from 30th June 2008.

| EUR million | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|
| EBITDA | 8.4 | 8.3 | 1% | 6.8 |
| ***Comparable* EBITDA** | **8.4** | **8.3** | **1%** | **6.8** |
| EBIT | 6.1 | 5.9 | 3% | 5.1 |
| ***Comparable* EBIT** | **6.1** | **5.9** | **3%** | **5.1** |

## Other figures

| | | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|---|
| **ELECTRICITY PRODUCTION** | MWh | 61,737 | 58,556 | 5% | 55,209 |
| **POWER TARIFF** | EURcent/KWh | 7.1 | 7.8 | -9% | 5.6 |
| **GREEN CERTIFICATES** | EURcent/KWh | 8.5 | 8.4 | 2% | 8.9 |

## Comments on Q1/10 results

The Ulassai wind farm posted strong results **in Q1/10, with *comparable* EBITDA at EUR 8.4 ml** (up 1% vs. Q1/09), thanks to very favourable wind conditions in the period, which boosted electricity production up to 61,737 MWh (+5% vs. Q1/09), thus setting the quarterly production record, since the park started operations in late 2005.

**Green Certificates in Q1/10 had an average price of 8.5 EURcent/kWh**, up 2% vs. Q1/09, and their sales more than compensated the reduction in electricity tariff (-9%), as a consequence of the economic downturn, which caused lower industrial activity and reduced demand for electricity.

# Other Activities

The following table shows the financial highlights of the segment related to operations by Sartec S.p.A. and Akhela S.r.l..

| EUR Million | Q1/10 | Q1/09 | Var % | Q4/09 |
|---|---|---|---|---|
| EBITDA | (0.2) | 0.4 | -150% | 2.6 |
| ***Comparable* EBITDA** | **(0.2)** | **0.4** | **-150%** | **2.6** |
| EBIT | (0.6) | (0.2) | -200% | 1.6 |
| ***Comparable* EBIT** | **(0.6)** | **(0.2)** | **-200%** | **1.6** |

# Strategy and Investments

The global recession in 2009 had a severe impact on demand for petroleum products and brought a drastic reduction of refining margins. During these challenging times, refining profitability has become progressively more dependent on introducing initiatives to reduce costs, increase operational efficiency and asset productivity.

Accordingly, at the beginning of Q1/10, we started an “asset management” programme in our Sarroch refinery, with three main pillars:

- ✓ “Asset Integrity” (enhancing both routine and turn-around maintenance procedures)
- ✓ “Asset Efficiency” (addressing consumption and losses)
- ✓ “Asset Effectiveness” (i.e. productivity)

Immediate results for the programme are expected to be worth approx. EUR 10 ml for the year, while for the mid-term the evaluations are still ongoing.

Looking beyond the Refining segment, the Group strategy in 2010 will focus on consolidating the performance achieved by the Marketing segment in the previous years. This will be achieved with the complete integration of the new retail stations acquired in Spain during 2009, and also of the 200,000 tons/year Biodiesel plant built in Cartagena at the end of 2008, and operating at stable full scale production since the second half of 2009. Moreover, we will pursue opportunities to expand in the Spanish retail business, with a "small steps" approach, considering acquisitions of stations which can generate synergies with our existing network

In the Wind segment, the Group intends to carry out a re-powering project for the Ulassai wind park, which consists in the construction of another 6 “Vestas V80” aero-generators, hence increasing the total installed capacity up to 96MW. We will also continue developing other projects in our pipeline, both in southern Italy and also abroad

Finally, regarding gas exploration activities, the studies carried out during the second half of 2009 were quite encouraging, and showed the presence of methane gas. Therefore, we are currently doing campaigns of geophysical infilling, as well as approx. 170 kilometres of deep drilling lines, in order to determine the optimal location for the exploration well.

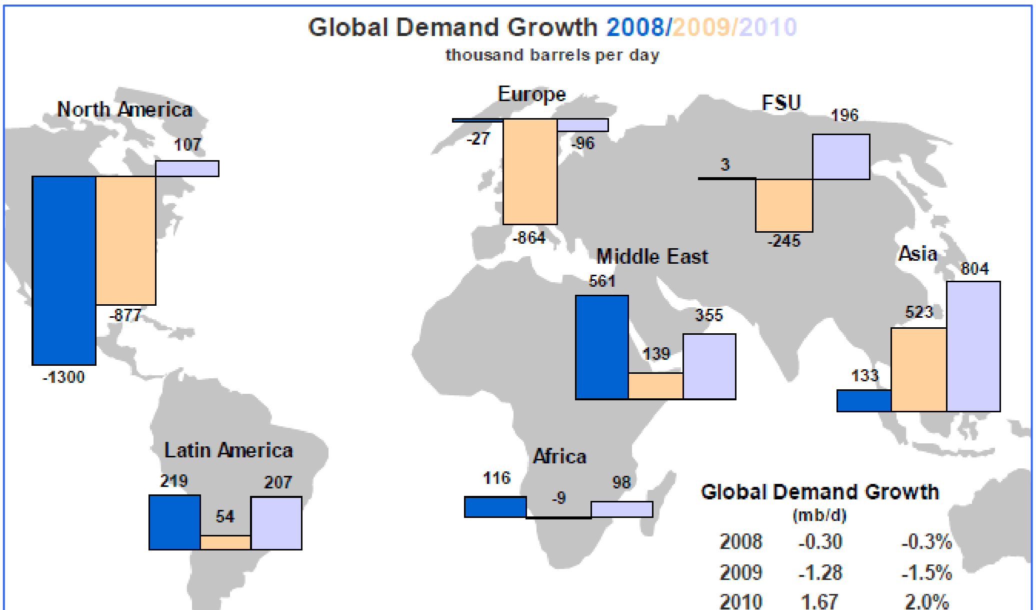
# CAPEX by segment

| EUR Million | Q1/10 | FY 2009 | FY 2008 |
|---|---|---|---|
| **REFINING** | 19.9 | 244.4 | 182.3 |
| **POWER GENERATION** | 1.8 | 12.4 | 26.5 |
| **MARKETING** | 0.8 | 56.6 | 45.9 |
| **WIND** | 0.1 | 0.3 | 0.0 |
| **OTHER** | 0.5 | 3.3 | 1.8 |
| Total | **23.1** | **317.0** | **256.5** |

# Outlook

## REFINING

- The International Energy Agency (IEA) is optimistic on oil demand trends in 2010, thanks to a return to GDP growth, as detailed in the recent IMF "World Economic Outlook". More specifically, 2010 global oil demand is expected to climb back at 86.6 mb/d (+1.67 mb/d year-on-year), close to pre-crisis levels.
- However, growth will not be homogeneous. Six non-OECD countries (China, Saudi Arabia, India, Brazil, Russia and Iran) are expected to account for almost three-quarters of global oil demand growth in 2010.




**Source:** IEA "Monthly Oil Market Report" (Apr 2010)

- On the supply side, in mid-March OPEC decided again to leave output targets unchanged. This came as a signal of satisfaction with current price levels, but also of growing discord over production quotas (indeed, compliance is now less than 50%).
- The low compliance is putting back on the market increasing quantities of heavy crude oil, and the heavy-light price differential is widening again, thus restoring part of the competitive advantage of complex refineries.
- Looking at oil products' inventories, recent reports from shipbrokers and newswire sources confirm that several oil tankers used during 2009 for floating storage, have unloaded their cargoes in Q1/10. As a consequence, middle distillates stocks are moving back towards seasonal norms. If de-stocking trends continue at a similar pace, inventories could normalize by end of summer.
- Therefore, the outlook for refining margins appears to be positive, although the rebound will be only gradual during the year.

## POWER GENERATION

- Standard maintenance activities on 2 trains of "Gasifier – Turbine" of our Sarlux IGCC plant, started as planned in Q1/10, and they will be completed in Q2/10. Due to IFRS linearisation procedure, comparable EBITDA is expected at EUR 180÷190 ml per year, stable until 2021. On the contrary, Italian GAAP EBITDA will reflect oil price volatility, due to the formulas used to calculate CIP/6 tariff.
- The 9-month delay in the formula used to calculate the "fuel component", will progressively increase the CIP/6 power tariff in 2010, in line with the trend of crude oil prices during 2009 (in Jan09 Brent DTD started off at 40 $/bl, and rapidly increased during H1/09 to reach a stable range between 65 ÷ 75 $/bl for remainder of the year).

# Saras Group Q1/10 Financial Statements

## Statement of consolidated Financial Position as of 31st March 2010, and as of 31st December 2009

| EUR thousand | 31/03/2010 | 31/12/2009 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | **1,695,996** | **1,405,678** |
| Cash and cash equivalents | 87,756 | 111,372 |
| Other financial assets held for trading | 26,257 | 21,301 |
| Trade receivables | 596,354 | 396,954 |
| Inventories | 840,391 | 732,077 |
| Current tax assets | 52,049 | 39,983 |
| Other assets | 93,189 | 103,991 |
| **Non-current assets** | **2,000,738** | **2,019,986** |
| Property, plant and equipment | 1,504,022 | 1,525,547 |
| Intangible assets | 439,177 | 445,549 |
| Other equity interests | 571 | 571 |
| Deferred tax assets | 55,923 | 46,932 |
| Other financial assets | 1,045 | 1,387 |
| **Total assets** | **3,696,734** | **3,425,664** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | **1,468,609** | **1,181,771** |
| Short-term financial liabilities | 467,982 | 379,562 |
| Trade and other payables | 794,079 | 646,992 |
| Current tax liabilities | 115,242 | 67,955 |
| Other liabilities | 91,306 | 87,262 |
| **Non-current liabilities** | **1,009,338** | **1,015,853** |
| Long-term financial liabilities | 289,148 | 289,552 |
| Provisions for risks | 63,969 | 41,118 |
| Provisions for employee benefits | 35,265 | 35,420 |
| Other liabilities | 620,956 | 649,763 |
| **Total liabilities** | **2,477,947** | **2,197,624** |
| | | |
| **EQUITY** | | |
| Share capital | 54,630 | 54,630 |
| Legal reserve | 10,926 | 10,926 |
| Other reserves | 1,162,450 | 1,089,884 |
| Profit/(loss) for the year | (9,267) | 72,552 |
| **Total equity attributable to owners of the company** | **1,218,739** | **1,227,992** |
| Minority interest | 48 | 48 |
| **Total Equity** | **1,218,787** | **1,228,040** |
| **Total liabilities and equity** | **3,696,734** | **3,425,664** |

# Statement of Comprehensive Income for the period: 1st January – 31st March 2010, and for the period: 1st January – 31st March 2009

| EUR thousand | 1st January 31st March 2010 | of which non recurring | 1st January 31st March 2009 | of which non recurring |
|---|---|---|---|---|
| Revenues from ordinary operations | 1,850,729 | | 1,210,946 | |
| Other income | 31,615 | | 16,568 | |
| **Total revenues** | **1,882,344** | *0* | **1,227,514** | *0* |
| Purchases of raw materials, spare parts and consumables | (1,637,532) | | (901,797) | |
| Cost of services and sundry costs | (157,818) | | (143,283) | |
| Personnel costs | (36,299) | | (37,811) | |
| Depreciation, amortization and write-downs | (50,590) | | (44,586) | |
| **Total costs** | **(1,882,239)** | *0* | **(1,127,477)** | *0* |
| **Operating results** | **105** | *0* | **100,037** | *0* |
| Net income (charges) from equity interests | | | | |
| Financial income | 7,039 | | 8,273 | |
| Financial charges | (19,799) | | (11,680) | |
| **Profit before taxes** | **(12,655)** | *0* | **96,630** | *0* |
| Income tax | 3,388 | | (38,393) | |
| **Net profit/(loss) for the year** | **(9,267)** | *0* | **58,237** | *0* |
| **Net profit/(loss) for the year attributable to:** | | | | |
| Equity Holders of the company | (9,267) | | 58,237 | |
| Minority interest | | | | |
| **Earnings per share - basic (Euro cent)** | **(1.00)** | | **6.28** | |
| **Earnings per share - diluted (Euro cent)** | **(1.00)** | | **6.28** | |

## Statement of Comprehensive Income for the periods 1st January - 31st March 2010 and 2009

| EUR thousand | 1st January 31st March 2010 | 1st January 31st March 2009 |
|---|---|---|
| **Result of the period (A)** | **(9,267)** | **58,237** |
| **Income / (loss), net of fiscal effect (B)** | **0** | **0** |
| **Consolidated Comprehensive Result (A + B)** | **(9,267)** | **58,237** |
| **Consolidated Comprehensive Result perteining to:** | | |
| Parent Company shareholding | (9,267) | 58,237 |
| Minority Interest | 0 | 0 |

# Statement of Changes in Consolidated Shareholders' Equity from 31st December 2008 to 31st March 2010

| EUR thousand | Share Capital | Legal Reserve | Other Reserves | Profit (Loss) | Total equity attributable to owners of the company | Minority interest | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 31/12/2008** | **54,630** | **10,926** | **1,183,675** | **61,822** | **1,311,053** | **0** | **1,311,053** |
| **Period 1/1/2009 - 31/3/2009** | | | | | | | |
| Allocation of previous year profit | | | 61,822 | (61,822) | 0 | | 0 |
| Reserve for employees stock plan | | | 2,024 | | 2,024 | | 2,024 |
| Profit for the period | | | | 58,237 | 58,237 | | 58,237 |
| **Balance as of 31/03/2009** | **54,630** | **10,926** | **1,247,521** | **58,237** | **1,371,314** | **0** | **1,371,314** |
| **Period 1/4/2009 - 31/12/2009** | | | | | | | |
| Reserve for employees stock plan | | | 27 | | 27 | | 27 |
| Dividends | | | (157,721) | | (157,721) | | (157,721) |
| Effect of Corporate tax rate reduction (IRES) | | | 55 | | 55 | | 55 |
| Minority on Artemide Srl acquisition | | | | | 0 | 42 | 42 |
| Effect of exchange rate on financial accounts | | | 2 | | 2 | | 2 |
| Profit for the period | | | | 14,315 | 14,315 | 6 | 14,321 |
| **Balance as of 31/12/2009** | **54,630** | **10,926** | **1,089,884** | **72,552** | **1,227,992** | **48** | **1,228,040** |
| **Period 1/1/2010 - 31/3/2010** | | | | | | | |
| Allocation of previous year profit | | | 72,552 | (72,552) | 0 | | 0 |
| Effect of Corporate tax rate reduction (IRES) | | | | | 0 | | 0 |
| Minority on Artemide Srl acquisition | | | | | 0 | | 0 |
| Effect of exchange rate on financial accounts | | | 14 | | 14 | | 14 |
| Profit (loss) for the period | | | | (9,267) | (9,267) | | (9,267) |
| **Balance as of 31/03/2010** | **54,630** | **10,926** | **1,162,450** | **(9,267)** | **1,218,739** | **48** | **1,218,787** |

# Consolidated Cash Flow Statements as of 31st March 2010, and as of 31st March 2009

| EUR thousand | 1/1/2010 - 31/03/2010 | 1/1/2009 - 31/03/2009 |
|---|---|---|
| **A - Cash and cash equivalents at the beginning of year** | **111,372** | **65,180** |
| | | |
| **B - Cash generated from/(used in) operating activities** | | |
| Profit/ (Loss) of the Group | (9,267) | 58,237 |
| Amortization, depreciation and write-down of fixed assets | 50,590 | 44,586 |
| Net change in provisions for risks and charges | 22,851 | 3,963 |
| Net change in employee benefits | (155) | (313) |
| Net Change in tax liabilities and tax assets | (8,991) | (5,987) |
| Income tax | (3,388) | 38,393 |
| Other non cash items | 14 | 2,024 |
| **Profit (Loss) from operating activities before changes in working capital** | **51,654** | **140,903** |
| (Increase)/Decrease in trade receivables | (199,400) | 143,125 |
| (Increase)/Decrease in inventory | (108,314) | (114,243) |
| Increase/(Decrease) in trade and other payables | 147,087 | (32,131) |
| Change in other current assets | (1,264) | (15,211) |
| Change in other current liabilities | 58,817 | 34,185 |
| Income tax paid | 0 | 0 |
| Change in other non-current liabilities | (28,807) | 8,672 |
| **Total (B)** | **(80,227)** | **165,300** |
| | | |
| **C - Cash flow from (to) investment activities** | | |
| (Investments) in tangible and intangible assets | (23,095) | (60,528) |
| (Investments) disinvestments in other holdings | 0 | 485 |
| Change in financial assets | (4,614) | 0 |
| Interest received | 26 | 301 |
| Other non cash items | 402 | 7,812 |
| **Total (C)** | **(27,281)** | **(51,930)** |
| | | |
| **D - Cash generated from/(used in) financing activities** | | |
| Increase/(Decrease) in medium/long term borrowings | (404) | (67,249) |
| Increase/(Decrease) in short term borrowings | 88,420 | (4,446) |
| Change in other financial assets | 0 | 1,930 |
| Interest paid | (4,124) | (4,516) |
| **Total (D)** | **83,892** | **(74,281)** |
| | | |
| **E - Cashflow for the year (B+C+D)** | **(23,616)** | **39,089** |
| | | |
| **G - Cash and cash equivalents at the end of year** | **87,756** | **104,269** |