# The Board of Directors of SARAS S.p.A. approves the preliminary Full Year 2012 Financial Statements[1]

**Milan, 28th February 2013:** The Board of Directors of Saras S.p.A. met yesterday under Chairman Gian Marco Moratti and approved the preliminary Full Year 2012 Financial Statements. The results of the fourth quarter, which are not subject to audit review, are also presented here below for sake of continuity and completeness of the information provided. After the meeting, the Chairman declared:

***"The fourth quarter of 2012 was characterized by extremely tough market conditions for the south European refining industry and also for the marketing business. Consumption of the main refined oil products continued to drop, while crude oil prices were sustained by geopolitical tensions. Saras Group results reflected the state of the industry.***

***2013 started with a clearly more positive trend for the refining industry with healthy demand, outside Europe, for both diesel and gasoline. The latter, in particular, showed unexpected strength. Notwithstanding crude oil prices at a still high level, the ample availability of light sweet crude grades represents an interesting opportunity, especially for our company which, besides its well known flexibility, can also take to full fruition the increase in production efficiency and operational effectiveness achieved in recent years."***

## Saras Group key financial and operational results[2]

| EUR Million | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|
| REVENUES | 2,950 | 2,940 | 0% | 3,152 | 11,889 | 11,037 | 8% |
| EBITDA | (28.5) | 50.3 | -157% | 237.5 | 173.6 | 394.3 | -56% |
| ***Comparable EBITDA*** | **17.6** | **56.9** | **-69%** | **145.0** | **217.3** | **267.8** | **-19%** |
| EBIT | (117.5) | (4.3) | n/a | 185.1 | (70.6) | 181.0 | -139% |
| ***Comparable EBIT*** | **(35.4)** | **2.3** | **n/a** | **92.6** | **9.1** | **54.5** | **-83%** |
| NET RESULT | (82.4) | (21.3) | -287% | 110.0 | (90.1) | 58.8 | -253% |
| ***Adjusted* NET RESULT** | **(18.8)** | **11.1** | **-269%** | **49.5** | **(35.2)** | **(17.7)** | **-98%** |
| **NET FINANCIAL POSITION** | **(218)** | **(653)** | | **(130)** | **(218)** | **(653)** | |
| **CAPEX** | **19.8** | **31.0** | | **23.6** | **119.3** | **105.0** | |
| **OPERATING CASH FLOW** | **(59)** | **(69)** | | **(47)** | **534** | **(9)** | |

[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] In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the operating results (EBITDA and EBIT) and the Net Result are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, which is adopted in the Financial Statements prepared according to IFRS accounting principles). The LIFO methodology does not include revaluations and write downs and it combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, for the same reason, non recurring items and the change in "*fair value*" of the derivative instruments are also deducted, both from the operating results and from the Net Result. Operating results and Net Result calculated as above are called respectively "*comparable*" and "*adjusted*", and they are not subject to audit review, like the quarterly results.

# Programme of the conference call of Thursday 28th Feb 2013

At 15:00 (CET) of Thursday 28th February 2013, there will be a conference call for analysts and investors, during which Saras Top Management will discuss a slide presentation on Q4/12 and FY2012 Group results, and will subsequently answer all relevant questions. The presentation will be made available on the Company's website (**www.saras.it**), under "Investor Relations/Presentations" starting from 07:30 am (CET). Dial in numbers for the conference call:

**Italy:** **+39 02 805 8811**
**UK:** **+ 44 121 281 8003**
**USA:** **+1 718 705 8794**

Link for the live webcast: http://services.choruscall.eu/links/saras130228.html

Playback and transcript of the webcast will also be available on the Company's website. For further information, please contact the Investor Relations department: E-mail: **ir@saras.it**; Telephone: **+39 02 7737 642**.

This press release issued at 7.30 a.m. (CET) on 28th February 2013, has been prepared pursuant to the Regulation implementing Legislative Decree no. 58 of 24th February 1998, adopted by CONSOB under resolution number 11971 of 14th May 1999, as amended and supplemented. It is available to the public at the offices of Borsa Italiana S.p.A. and from the Company's website (**www.saras.it**), under "Investor Relations/Financial News/Press Releases".

# Comments to preliminary Full Year 2012 Group results

**Group Revenues in FY/12 were EUR 11,889 ml**, up 8% vs. FY/11. This is primarily due to the higher revenues coming from the Refining segment, in the light of higher prices for the main oil products. In particular, gasoline achieved an average of 1,021 $/ton in FY/12 vs. 979 $/ton in FY/11, while diesel traded at an average of 969 $/ton in FY/12 vs. the average of 958 $/ton in FY/11.

**Group *reported* EBITDA in FY/12 stood at EUR 173.6 ml**, down vs. EUR 394.3 ml in FY/11. This difference can be attributed mainly to the Refining segment, which was able to capture a lower refining margin than in FY/11. Besides, in FY/12 oil inventories had a lower revaluation than in the previous year.

**Group *reported* Net Result was EUR -90.1 ml**, down vs. EUR 58.8 ml in FY/11, essentially for the same reason explained at EBITDA level. Moreover, in FY/12 depreciation, write downs and amortisation stood at EUR 244.2 ml, up vs. EUR 213.3 ml FY/11, because in Q4/12 some assets of the Marketing segment were written down for approx. EUR 36 ml. Finally, net financial charges, which include also the result of the derivative instruments used for hedging purposes, in FY/12 were equal to EUR 51.9 ml, while in FY/11 they were equal to EUR 61.6 ml.

**Group *comparable* EBITDA amounted to EUR 217.3 ml in FY/12**, lower than EUR 267.8 ml achieved in FY/11. Similarly, **Group *adjusted* Net Result stood at EUR -35.2 ml**, down versus the *adjusted* Net Result of EUR -17.7 ml in FY/11. The main difference in the two periods under comparison is due to the result of the Refining segment.

**CAPEX in FY/12 was EUR 119.3 ml**, in line with the investment programme scheduled for 2012, and almost entirely attributed to the Refining segment (approx. EUR 97 ml).

**Group Net Financial Position on the 31st of December 2012 stood at EUR -218 ml**, strongly improved versus the position at the beginning of the year (EUR -653 ml), for the reasons which will be commented in detail in the chapter specifically dedicated to the Net Financial Position.

# Comments to Fourth Quarter 2012 results

**Group Revenues in Q4/12 were EUR 2,950 ml,** in line with Q4/11. In fact, in the quarters under comparison, the prices for automotive gasoil were substantially aligned (average price of 961 $/ton in Q4/12, vs. 963 $/ton in Q4/11), while the average price for gasoline increased by 4% (i.e. 968 $/ton, vs. 927 $/ton in Q4/11).

**Group *reported* EBITDA in Q4/12 was EUR -28.5 ml,** down vs. EUR 50.3 ml in Q4/11, because of the lower margin realized by the Refining segment, while the other segments achieved similar results.

**Group *reported* Net Result stood at EUR -82.4 ml**, down vs. EUR -21.3 ml achieved in Q4/11, mainly because of the difference in depreciation, write downs and amortization, which amounted to EUR 89.0 ml in Q4/12, while it stood at EUR 54.6 ml in Q4/11. In fact, as already discussed in the comments to the preliminary full year results, in Q4/12 there was a write down of some assets of the Marketing segment. Finally, in the two quarters being compared, there are no meaningful differences with regards to the net financial charges which, as it is well known, include also the result of the derivative instruments used for hedging purposes (EUR 5.3 ml in Q4/12, vs. EUR 9.5 ml in Q4/11).

**Group *comparable* EBITDA in Q4/12 amounted to EUR 17.6 ml**, down vs. EUR 56.9 ml achieved in Q4/11, due to the lower results of the Marketing and Refining segments. In a similar way, the **Group *adjusted* Net Result in Q4/12 was EUR -18.8 ml**, down vs. the *adjusted* Net Result of EUR 11.1 ml achieved in the same period of the last year.

**Finally, CAPEX in Q4/12 was EUR 19.8 ml**, of which EUR 13.5 ml dedicated to the Refining segment and EUR 4.6 ml to the Power Generation segment, coherently with the scheduled maintenance activities carried out during the period.

# Calculations of the *adjustments* for Group Net Result and EBITDA

As mentioned at the beginning of this section, *reported* and *comparable* figures differ primarily because of the different methodologies used to evaluate the oil inventories. More specifically, the *reported* (IFRS) figures evaluate oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology. Moreover, comparable figures do not include “non recurring items” and the change in “fair value” of the derivative instruments. The relevance of the various items for FY/12 and for Q4/12 is shown in the following tables.

## Group *adjusted* Net Result

| EUR Million | Q4/12 | Q4/11 | FY 2012 | FY 2011 |
|---|---|---|---|---|
| ***Reported* NET RESULT** | **(82.4)** | **(21.3)** | **(90.1)** | **58.8** |
| (inventories at LIFO - inventories at FIFO) net of taxes | 27.1 | 5.4 | 27.0 | (72.6) |
| non recurring items net of taxes | 25.3 | 4.4 | 25.3 | 4.4 |
| change in derivatives fair value net of taxes | 11.2 | 22.6 | 2.6 | (8.3) |
| ***Adjusted* NET RESULT** | **(18.8)** | **11.1** | **(35.2)** | **(17.7)** |

## Group *comparable* EBITDA

| EUR Million | Q4/12 | Q4/11 | FY 2012 | FY 2011 |
|---|---|---|---|---|
| ***Reported* EBITDA** | **(28.5)** | **50.3** | **173.6** | **394.3** |
| inventories at LIFO - inventories at FIFO | 46.1 | 6.6 | 43.7 | (126.5) |
| non recurring items | 0.0 | 0.0 | 0.0 | 0.0 |
| ***Comparable* EBITDA** | **17.6** | **56.9** | **217.3** | **267.8** |

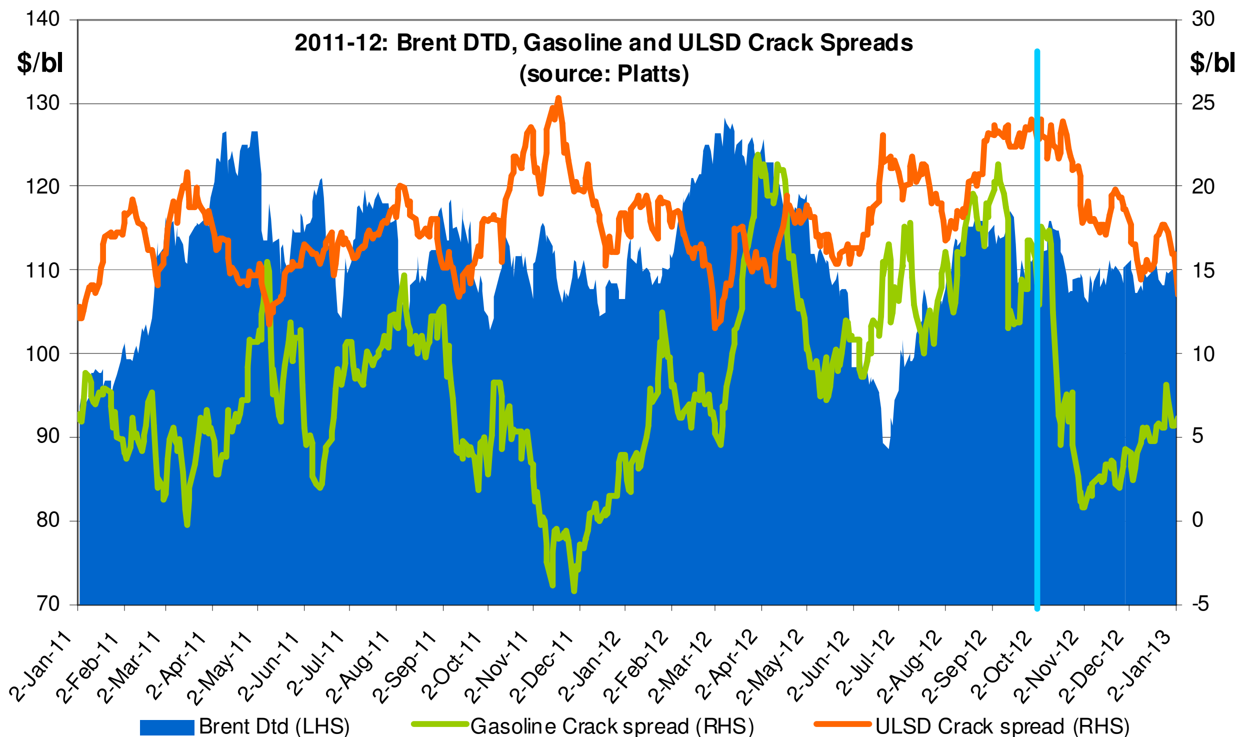
## Net Financial Position

| EUR Million | 31-Dec-12 | 31-Dec-11 |
|---|---|---|
| Medium/long term bank loans | (176) | (37) |
| Bonds | (249) | (248) |
| Other financial assets | 6 | 0 |
| **Total long term net financial position** | **(419)** | **(285)** |
| Short term loans | (33) | (198) |
| Short term bank loans | (82) | (327) |
| Other short term financial liabilities | (6) | (6) |
| Fair value on derivatives | (14) | (10) |
| Other marketable financial assets | 20 | 11 |
| Cash and cash equivalents | 303 | 139 |
| Warranty deposits for derivative instruments | 14 | 23 |
| **Total short term net financial position** | **201** | **(369)** |
| **Total net financial position** | **(218)** | **(653)** |

The Net Financial Position at 31st December 2012 stood at EUR -218 ml, strongly improved versus the position at the beginning of the year (EUR -653 ml). The main contribution comes from the positive cashflow from Operations, which benefited from a reduction in working capital due to the optimisation of oil inventories, as well as some delays in the payments of crude oil, related to the Iranian embargo. Furthermore, self-financing from provisions for depreciation, write downs and amortisation (approx. EUR 244 ml), more than compensated CAPEX of the period (approx. EUR 119 ml).

Finally, it should be reminded that, on the 25th of June 2012, it expired and it was therefore reimbursed by Saras S.p.A. a loan for a total amount of EUR 190 ml, originally signed in 2009. Subsequently, on the 27th of June 2012, Saras S.p.A signed a new loan agreement with a pool of major international and Italian banks, with Banca IMI and BNP Paribas acting as "*Mandated Lead Arrangers*" and "*Bookrunners*", for a total amount of EUR 170 ml, with a maturity of five years, to be reimbursed in nine semi-annual instalments (of which the first, equal to 5% of the capital, on the 27th of June 2013). The facility is senior and unsecured. This financing operation confirmed the confidence of the credit markets in the mid and long term outlook for the Saras Group.

# Oil Market and Refining Margins




**Crude oil prices (Source: Platts):**

In the first quarter of 2012, crude oil prices registered a strong progression, because supply concerns prevailed on the downward pressures exerted by the deteriorating macro economic conditions. Brent Dated started the period at 106.5 $/bl, and it progressively climbed, closing the first quarter at 123.5 $/bl. Among the main events which caused concerns to supply we can mention the following: the worsening tensions between Iran and the Western World; the outbreak of riots in Nigeria, due to the removal of subsidies on fuel prices; and finally, the geopolitical crisis in Syria, Sudan and Yemen, which removed from the markets a combined production of approximately 600 thousand barrels per day.

In the second quarter of 2012, notwithstanding the continuing pressure on the supply side, crude oil prices moved sharply downwards, driven by worsening economical and financial conditions, especially in Europe. Indeed, Brent Dated opened the second quarter at 124.6 $/bl and closed it at 94.5 $/bl, down by 30 dollars, after touching a minimum of 88.6 $/bl on the 25th of June. Behind this remarkable price drop there was, on the one hand, the temporary closures of numerous European and American refineries, in order to carry out the traditional spring maintenance between April and May; on the other hand, the increase of Saudi Arabia's oil production, aimed at reassuring the markets on the availability of crude oil, even after the implementation of the embargo against Iran.

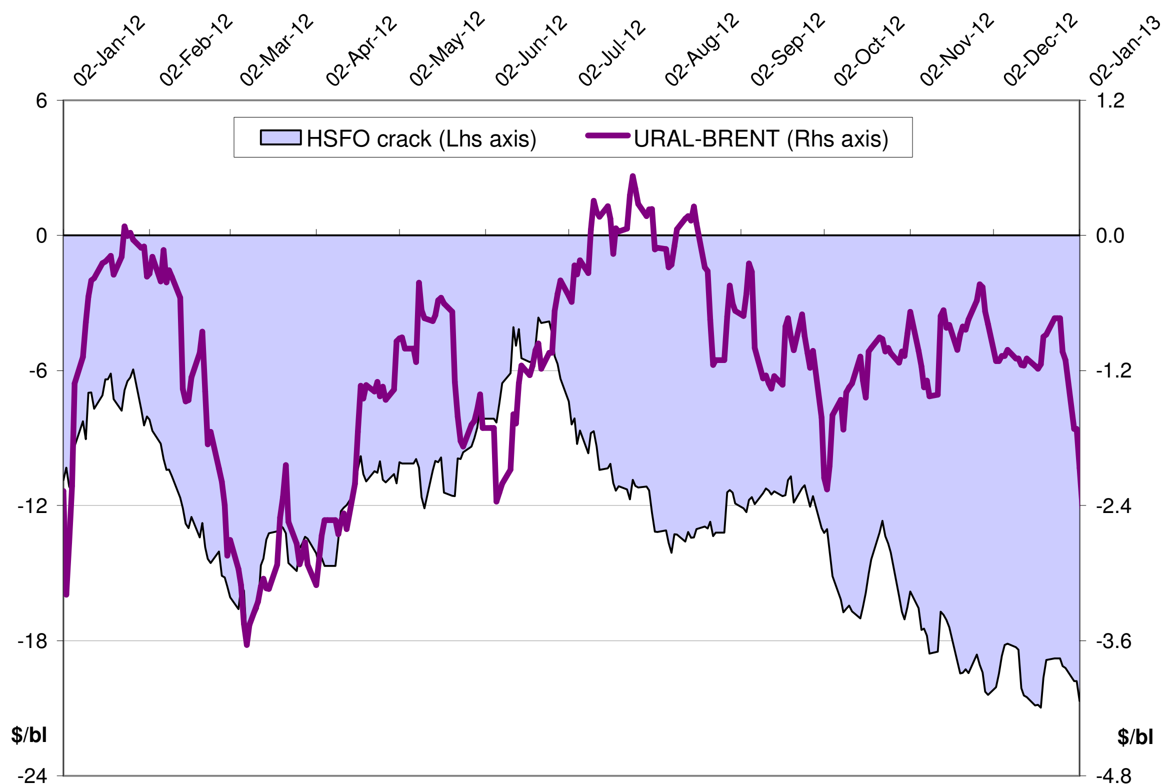
In the third quarter of 2012 crude oil prices inverted their trend, recovering most of the ground lost in the past quarter. Indeed, notwithstanding increased production from Saudi Arabia and more regular exports from Iraq, geopolitical tensions prevailed. The embargo against Iran became effective on the 1st of July, causing a shortage of "heavy-sour" crude oils in the European market. At the same time, tensions in Syria and Yemen remained extremely high, while conflicts in Sudan and Nigeria escalated. In Colombia a bomb attack damaged the Cano Limon's pipeline. Finally, crude production problems affected the North Sea, Brazil and Angola. Brent Dated posted a sequence of daily rises that pushed it up to 117.5 $/bl on the 23rd of August. Afterwards, quotations stabilized in the narrow range between 110 and 115 $/bl, due to a reduction in demand from several American refineries, which suffered unexpected outages due to accidents and extreme weather conditions (Hurricane Isaac). Dated Brent closed the third quarter at 111 $/bl.

Finally, in the last quarter of 2012, crude oil prices remained stable, reflecting a substantial balance among the factors supporting the prices (geopolitical risks linked to the escalating tensions between Israel and Gaza, and the civil war in Syria) and the concerns related to the European macroeconomic framework, the slowdown of China's growth, as well as the difficulties of the American Congress to achieve an agreement aimed at preventing the imminent "fiscal cliff". Brent Dated opened at 112.3 $/bl on the 1st of October and then fluctuated in a rather narrow band between a maximum of 116 $/bl on 11th of October, and a minimum of 106 $/bl on 5th of November. It finally closed the year at 110 $/bl.

**Price differential between “heavy” and “light” crude oil grades (i.e. “Urals” and “Brent” respectively):**

During the first quarter of 2012 the “heavy-light” crude oil price differential was extremely volatile. At the beginning of the period it stood at -3 $/bl. However, during January the differential rapidly shrunk, due to strong pressures on the “heavy sour” complex, as a consequence of the escalating confrontation between the Western countries and Iran, whose production is primarily made of heavy sour crude oils. Later, on the 23rd of January, Europe declared a total embargo on Iranian crude oil and the markets immediately reacted, causing actually a reversal of the “heavy-light” differential (+0.1 $/bl on the 24th of January). Subsequently, in mid February, several European and Russian refineries started their traditional spring maintenance, drastically reducing demand for Urals and other heavy sour crudes. At the same time, Saudi Arabia formally committed to increase its production, in order to make up for any potential shortage of the heavy sour Iranian crude oils. The combination of these two events managed to calm the markets, and the “heavy-light” differential widened again, closing the quarter at -2.9 $/bl, hence leading to an average for the period equal to -1.6 $/bl.

During the second quarter of 2012, the “heavy-light” differential started to shrink again, and it reached a relative minimum of -0.6 $/bl on the 18th of May. In fact, in a market of decreasing oil prices, “Urals” crude oil found resilient support thanks to the progressively reduced availability of heavy and medium sour grades in the Mediterranean. This came as a consequence of the progressively lower volumes of Iranian crude oil purchased by the European refineries, in the light of the impending embargo. Simultaneously, several technical problems affected the pipeline system which brings Iraq crude oil to the Mediterranean Sea, and also tensions between Baghdad and the Kurdistan authorities increased. These two events forced SOMO to reduce its export volumes to Europe. Finally, further pressure on “Urals” quotations in the Mediterranean originated also from the choice of Russian producers, which prioritised loading schedules from the Baltic Sea (thanks also to the availability of a new hub in the port of Ust-Luga), while reducing the number of available cargoes from the ports of the Black Sea. Only for a short period of time, between May and the beginning of June, the “heavy-light” differential reopened, thanks to a reduction in demand for heavy crude oils, during refineries’ spring maintenance, and thanks also to the increase of Iraqi’s volumes (particularly Basrah Light). However, during the last weeks of June, the price of Urals found renewed support (with the upcoming implementation of the embargo on Iranian crude oil), and the “heavy-light” differential closed the period at -0.4 $/bl, with a quarterly average of -1.5 $/bl.

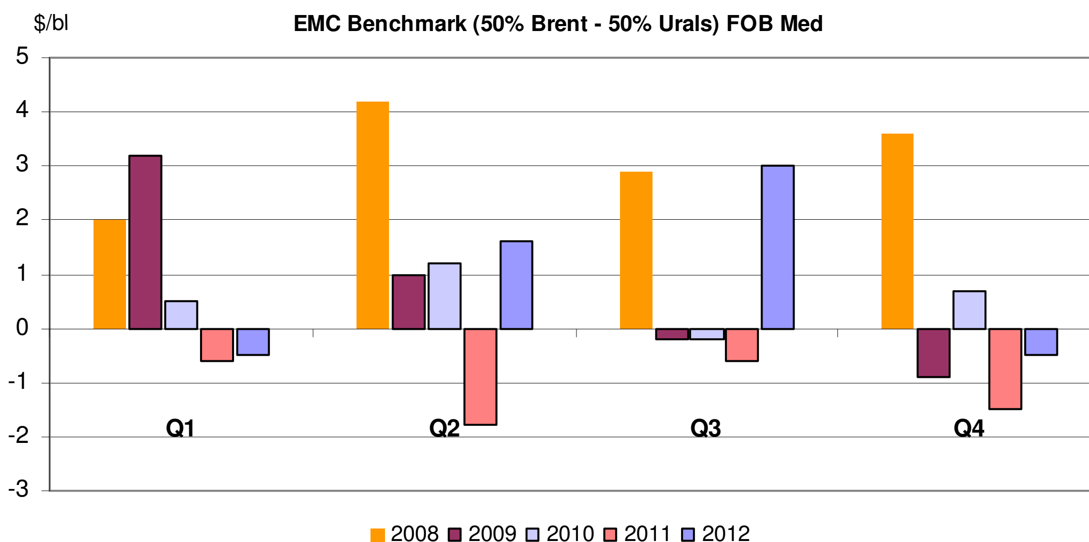



During the third quarter, the “heavy-light” differential was initially affected by the Iranian embargo: for the whole month of July and up until the 20th of August, heavy crudes were under pressure, with frequent inversion periods during which the “Urals” crude oil was exchanged at a premium vs. Dated Brent. Afterwards, the production problems in the oilfields of the North Sea, the attacks to the Nigerian oil installations, and the escalating tensions in the Kufra district (a region in the south-eastern part of the Cyrenaica, close to many oil fields), focused market’s interest again on the “light” crude oils. The “heavy-light” differential widened, reaching approx. -1.0 $/bl at the end of the quarter. Furthermore, demand for Urals decreased in September, because of maintenance shut-downs in several Russian refineries. This event reduced speculation on the heavy crude oils complex.

Finally, in the last quarter of 2012, the “heavy-light” differential had relatively modest swings around the level of -1.2 $/bl. Indeed, “light” crude oils continued to stay under pressure because of production problems in the North Sea and difficulties in loading from the Nigerian ports, due to floods which created further strain on the already critical situation of the pipelines, repeatedly damaged by attacks and theft. On the other hand, lack of demand for high sulphur fuel oil in Europe during the entire quarter, dragged down the complex of the "heavy sour" crude oils. Moreover, in terms of availability, the supplies of heavy crude oils from Iraq were regular only in October and early November, thanks to smoother relationships between Baghdad and the Kurdistan regional government. From the end of November, however, bad weather limited the number of loadings of Kirkuk crude oil from Ceyhan, and even more severely, of Urals crude oil from Novorossijsk.

**Refining Margin:**

Moving to the profitability analysis of the refining industry, the graph below shows the refining margin after variable costs calculated by EMC (Energy Market Consultants) for a mid-complexity coastal refinery in the Mediterranean Sea. This margin is traditionally used by Saras as a benchmark.




The EMC Benchmark remained weak in Q1/12 (average of -0.5 $/bl vs. -0.6 $/bl in Q1/11) although, in sequential terms, there was a slight progression versus the absolutely depressed levels of late 2011 (-1.5 $/bl in Q4/11). The weakness in the EMC Benchmark margin reflected the difficulties of the European refining sector, squeezed between high prices of crude oil (supported by production problems, supply concerns and geopolitical tensions), and inadequate prices for refined products (as a consequence of the drop in consumption, due to a persistently negative economic scenario).

However, in Q2/12, the economic and financial difficulties of the Euro Zone produced a sudden drop of crude oil prices. Obviously, also the prices of the refined products started to decrease, although less rapidly than crude oil. This trend led to a good rebound of the EMC refining margin, which achieved an average of +1.6 $/bl in Q2/12 (vs. -1.9 $/bl in Q2/11).

In Q3/12, margins continued to rise driven by gasoline quotations, which posted extraordinary gains due to unexpected production problems in several American refineries (accidents and hurricane Isaac), right at the time when US demand was at its peak. Given that the United States are the world’s largest gasoline consumer, the effects of this production “squeeze” spread all over the world. In Europe, the EMC Benchmark margin climbed to the average of 3.0 $/bl (vs. -0.6 $/bl in Q3/11), a value unseen since 2008.

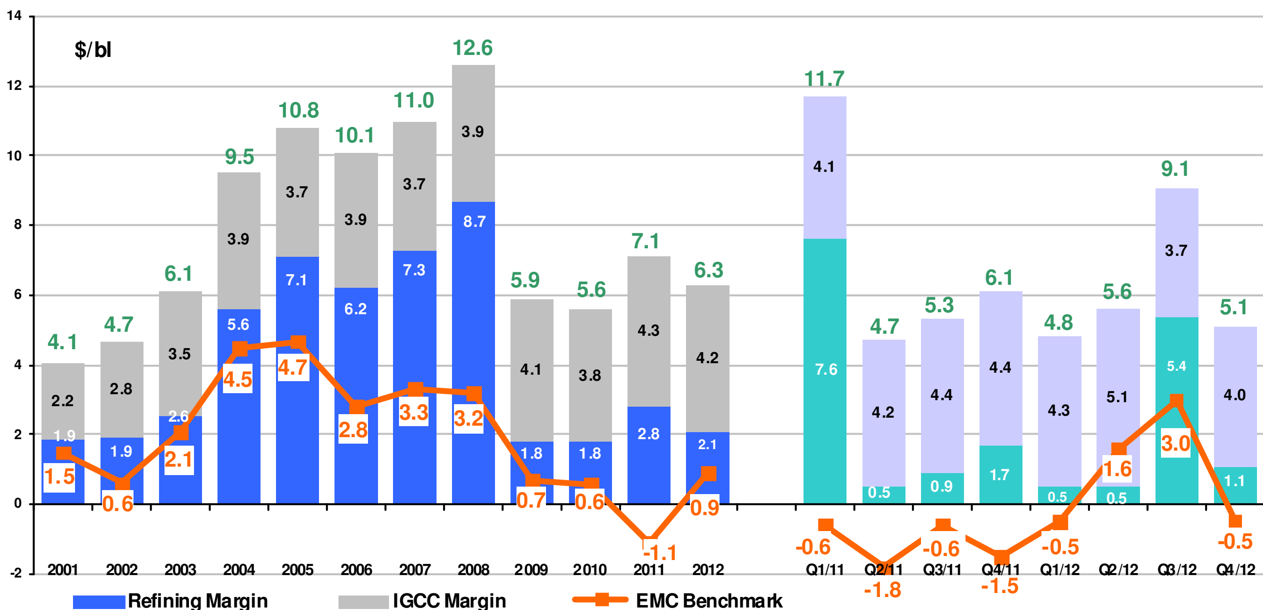
In Q4/12, however, margins did not manage to stay at the same levels recorded during summer, because the transitory factors which were previously limiting the production of the American refineries gradually dissolved. Only October was able to benefit from decent margins, due to various European refineries being idle for scheduled maintenance. Subsequently, the gradual restart of those refineries between November and December, combined with a generally mild winter and a situation of oil consumption still under pressure in most European countries, brought refining margins again into negative territory. The EMC Benchmark margin closed the fourth quarter with an average of -0.5 $/bl (vs. -1.5 $/bl in Q4/11).

***Crack spreads* of the main oil products** (i.e. difference between the value of the product and the price of the crude):

The gasoline *crack spread* followed a growing trend during the whole period. In particular, the quarterly average increased from 8.5 $/bl in Q1/12, to 13.0 $/bl in Q2/12, and it reached 15.4 $/bl in Q3/12. The main reason behind this trend is related to several factors which, time after time, caused remarkable reductions in refining capacity. Indeed, already during 2011, many refineries located in the US East Coast (PADD 1) were forced to permanently shutdown because of particularly challenging market conditions. During spring, an important cycle of maintenance took place in various refineries on both sides of the Atlantic Ocean. Later, during summer, there was an unusual sequence of unfortunate events (mainly accidents, mechanical failures and finally the hurricane Isaac), that severely reduced the processing capacity of several American refineries. However, in Q4/12, the trend of the gasoline *crack spread* suddenly reversed. In fact, the refineries affected by the above mentioned production problems gradually restarted. Moreover, in conjunction with the end of the *"driving season"*, there was the traditional shift towards winter specs. Therefore, the average of the gasoline *crack spread* in Q4/12 came down to 5.9 $/bl.

Concerning the *crack spread* of middle distillates, it remained at reasonable levels in Q1/12 (average at 16.7 $/bl), thanks to decent seasonal demand for heating oil, as it usually happens during the winter season. Subsequently, it further strengthened in Q2/12 (average at 17.6 $/bl), notwithstanding the contraction in demand due to the worsening economic crisis in the peripheral countries of the Euro Zone, mainly because of the drop in crude oil prices. Then, in summer, the production difficulties mentioned earlier allowed a further strengthening of the *crack spread* of diesel, leading its average to 20.9 $/bl in Q3/12. Finally, in Q4/12, the middle distillates *crack spread* slightly decreased. In fact, the high prices at the pump reduced diesel consumption, while a not particularly cold winter limited consumption of heating oil. The *crack spread* of diesel closed Q4/12 with an average of 19.1 $/bl.

Finally, the following graph illustrates Saras refining margin, net of variable costs.




**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 50% Urals - 50% Brent crude slate

# Segment Review

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

# Refining

Saras' refinery is strategically positioned in Sarroch, on the South-Western coast of Sardinia, and it is one of the largest and most complex refineries in the Mediterranean area. It has a nameplate production capacity of 15 ml tons per year, which corresponds to approximately 15% of Italy's total refining capacity.

| EUR Million | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|
| EBITDA | (88.7) | (18.6) | -377% | 162.0 | (93.3) | 123.7 | -175% |
| ***Comparable* EBITDA** | **(45.5)** | **(24.8)** | **-83%** | **70.5** | **(63.3)** | **(9.9)** | **-541%** |
| EBIT | (115.9) | (46.6) | -149% | 135.1 | (199.1) | 13.4 | -1580% |
| ***Comparable* EBIT** | **(72.7)** | **(52.8)** | **-38%** | **43.6** | **(169.1)** | **(120.1)** | **-41%** |
| **CAPEX** | **13.5** | **25.5** | | **16.4** | **97.0** | **64.6** | |

## Margins and refinery runs

| | | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|---|
| **REFINERY RUNS** | thousand tons | 3,429 | 3,683 | -7% | 3,793 | 13,309 | 14,006 | -5% |
| | Million bl | 25.0 | 26.9 | -7% | 27.7 | 97.2 | 102.2 | -5% |
| | thousand bl/day | 272 | 292 | -7% | 301 | 265 | 280 | -5% |
| **EXCHANGE RATE** | EUR/USD | 1.297 | 1.348 | -4% | 1.250 | 1.285 | 1.392 | -8% |
| **EMC BENCHMARK MARGIN** | $/bl | (0.5) | (1.5) | | 3.0 | 0.9 | (1.1) | |
| **SARAS REFINERY MARGIN** | $/bl | 1.1 | 1.7 | | 5.4 | 2.1 | 2.8 | |

## Comments to preliminary Full Year 2012 results

**Refinery runs in FY/12 stood at 13.3 ml tons** (97.2 ml barrels, corresponding to 265 thousand barrels per calendar day), down 5% versus FY/11. ***Comparable* EBITDA of the Refining segment was EUR -63.3 ml in FY/12** (down from EUR -9.9 ml in FY/11), **and Saras refining margin stood at 2.1 $/bl** (vs. 2.8 $/bl in the previous year), while the EMC Benchmark margin had a yearly average of 0.9 $/bl (vs. -1.1 $/bl in FY/11).

The result of Saras Refining segment in the year 2012 was influenced by the important scheduled maintenance activities carried out on various refinery units, in particular during the first half of the year. These activities, indeed, reduced both the refinery runs and the conversion capacity, with an impact of approx. EUR 70 ml for the entire year. Further difficulties took place in the second half of the year because of the temporary disoptimisation on the heavy crude oil markets, deriving from the oil embargo established by the European Union against Iran. Conversely, an excellent contribution to the results came during Q3/12, when refining margins registered a robust rebound.

When comparing with the previous year, the result of the Refining segment in Q1/11 benefited from important trading profits, linked to the time differences between purchases and sales, in a market characterized by oil prices on a steep rising trend. On the other hand, the Libyan crisis during the central part of 2011 caused some limitations on the profitability of the Sarroch refinery, due to the unavailability of some Libyan crude oils, whose peculiar characteristics made them hardly replaceable.

Finally, it should be noted that the Saras Group normally uses derivative instruments to hedge its commercial activities. The result of such hedging operations is included in the Income Statement within the “Financial Income/Expense”, and it can be quantified in approx. EUR 9 ml of realized losses during the entire FY/12.

**Finally, Refining CAPEX in FY/12 was EUR 97.0 ml,** including also a relevant portion of the activities related to the “*revamping*” of the MildHydroCracking2 Unit (MHC2), which will be completed during the year 2013.

## Comments to Fourth Quarter 2012 results

**Refinery runs in Q4/12 stood at 3.4 ml tons** (25.0 ml barrels, corresponding to 272 thousand barrels per calendar day), down 7% vs. Q4/11. Indeed, scheduled maintenance carried out in Q4/12 involved also one of the three atmospheric distillation units (T1), while in Q4/11 there was no scheduled maintenance on the distillation units.

***Comparable* EBITDA of the Refining segment was EUR -45.5 ml** (vs. EUR -24.8 ml in Q4/11), and **Saras refining margin stood at 1.1 $/bl** (vs. 1.7 $/bl in Q4/11). Furthermore, the difficult market conditions were represented also by the EMC Benchmark margin, whose average stood at -0.5 $/bl (vs. -1.5 $/bl in Q4/11), because of high crude oil prices supported by various geopolitical factors, at a time when the demand for oil products was overwhelmed by the recessive macroeconomic conditions in the Euro Zone.

Similarly to the comments already made for the FY/12 results, even Q4/12 results were conditioned by some scheduled maintenance activities as well as by temporary operational disoptimisations, with an overall impact of approx. EUR 15 ml.

However, it should be noted that in Q4/12 the derivative instruments used for hedging of the commercial transactions realized gains for approx. EUR 20.5 ml, which are included in the “Financial Income/Expense” (about EUR 30 ml in Q4/11). Therefore, when considering the above realized gains coming from the hedging instruments, the corresponding **refining margin for Saras in Q4/12 rises to 2.1 $/bl.**

**Refining CAPEX in Q4/12 was EUR 13.5 ml.**

## Crude Oil slate and Production

| | | Q4/12 | FY 2012 | FY 2011 |
|---|---|---|---|---|
| Light extra sweet | | 57% | 51% | 46% |
| Light sweet | | 5% | 3% | 2% |
| Medium sweet/extra sweet | | 0% | 2% | 3% |
| Medium sour | | 22% | 29% | 30% |
| Heavy sour/sweet | | 17% | 15% | 20% |
| Average crude gravity | °API | 33.8 | 33.1 | 32.2 |

**The crude mix processed in FY/12 had an average density of 33.1°API**, up 1°API vs. the average of the previous year, because of the different market conditions in the two periods under comparison. Indeed, in FY/11, the Libyan crisis reduced the availability of “light sweet” crude oils. Conversely, in FY/12 availability of “heavy sour” crude oils was reduced by the tensions between the European Union and Iran, which brought to the unilateral declaration of a total oil embargo, effective as of July 1st.

**Moving on to the product slate**, it can be observed that the yield in middle distillates in FY/12 stood at 51.8%, about one percentage point less than in FY/11. This is mainly due to the maintenance activities carried out in Q1/12 on the MildHydroCracking2 Unit (MHC2), which reduced the conversion capacity of the refinery. On the contrary, the light distillates yield stood at 30.1%, higher than in FY/11, thanks to the use of a feedstock with a higher percentage of light crude oils. Obviously, the feedstock change also led to a corresponding reduction in the fuel oil yield. Overall, the cumulative yield of high value added products reached 83.4% in FY/12 (when including also the yield of LPG, which was equal to 1.5%). This represents an excellent performance in the European competitive framework.

| | | Q4/12 | FY 2012 | FY 2011 |
|---|---|---|---|---|
| LPG | thousand tons | 34 | 205 | 238 |
| | yield | 1.0% | 1.5% | 1.7% |
| NAPHTHA + GASOLINE | thousand tons | 1,085 | 4,002 | 3,824 |
| | yield | 31.7% | 30.1% | 27.3% |
| MIDDLE DISTILLATES | thousand tons | 1,785 | 6,891 | 7,415 |
| | yield | 52.0% | 51.8% | 52.9% |
| FUEL OIL & OTHERS | thousand tons | 59 | 272 | 623 |
| | yield | 1.7% | 2.0% | 4.4% |
| TAR | thousand tons | 267 | 1,146 | 1,075 |
| | yield | 7.8% | 8.6% | 7.7% |

**Note:** Balance to 100% of the production is “Consumption & Losses”.

# Marketing

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

| EUR Million | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|
| EBITDA | (3.0) | 3.5 | -186% | 14.1 | 17.9 | 37.4 | -52% |
| ***Comparable* EBITDA** | **(0.1)** | **16.3** | **-101%** | **13.1** | **31.6** | **44.5** | **-29%** |
| EBIT | (41.9) | 0.0 | n/a | 11.2 | (30.0) | 25.2 | -219% |
| ***Comparable* EBIT** | **(3.0)** | **12.8** | **-123%** | **10.2** | **19.7** | **32.3** | **-39%** |
| **CAPEX** | **0.4** | **2.2** | | **2.7** | **8.2** | **4.8** | |

## Sales

| | | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|---|
| **TOTAL SALES** | thousand tons | 941 | 1,031 | -9% | 947 | 3,794 | 4,158 | -9% |
| of which: in Italy | thousand tons | 557 | 615 | -9% | 556 | 2,210 | 2,367 | -7% |
| of which: in Spain | thousand tons | 384 | 416 | -8% | 391 | 1,584 | 1,791 | -12% |

## Comments to preliminary Full Year 2012 results

In FY/12, the Marketing segment posted a satisfactory performance, notwithstanding continued difficulties in the macroeconomic conditions of the Euro Zone periphery. In particular, sharp contractions in the demand for oil products took place both in Spain and in Italy, where Saras Group conducts its marketing activities in the retail and wholesale channels.

In the Italian market total demand for oil products dropped by 8.4% versus last year, with significant reductions in consumption of gasoline (-10.8%) and middle distillates (-9.9%). In this context, Arcola Petrolifera sold 2,210 ktons (-7% versus FY/11), reducing the volumes sold to other oil companies, while partially compensating with an increase of sales towards the white label retail stations. Finally, the high competition in a shrinking market, and the growing costs for bio-diesel blending obligations, caused a moderate reduction in gross margin.
Also in the Spanish market there was a sharp contraction in refined oil products' consumption. Indeed, total demand decreased by 6.4% compared to the year 2011, with gasoline loosing 7.1% and middle distillates declining by 6.0%. Our Spanish subsidiary Saras Energia continued its strategy of optimization in the mix of sale channels, rationalizing the volume sold (-12% vs. FY/11), but improving gross margins (+15%).

Overall, **in FY/12 *comparable* EBITDA of the Marketing segment stood at EUR 31.6 ml,** vs. EUR 44.5 ml in FY/11.

## Comments to Fourth Quarter 2012 results

In the recessionary environment discussed above, both subsidiaries continued to optimize the mix of scale channels, in order to protect their operational margins. In Italy, Arcola Petrolifera sold 557 ktons (-9% vs. Q4/11), while in Spain Saras Energia sold 384 ktons (-8%). Under the circumstances, ***comparable* EBITDA of the Marketing segment was approx. EUR 0 ml in Q4/12.**

It should be noted that, at the end of FY/12, the Cartagena biodiesel plant and the Arcola storage deposit were written down. This operation is an integral part of a restructuring program, which will be completed during H1/13, and that will lead to a structural improvement of the Marketing segment's results, estimated in approx. EUR 10 ml per year.

Noticeably, the above mentioned write down accounted for a total of about EUR 36 ml on the *reported* results of the Marketing segment but, given its extraordinary nature, it is not taken into account in the *comparable* results.

# Power Generation

Below are the main financial and operational data of the Power Generation segment, related to the subsidiary Sarlux S.r.l., which operates an IGCC (Integrated Gasification Combined Cycle) plant, with a total installed capacity of 575MW, fully integrated with the Group's refinery, and located within the same industrial complex in Sarroch (Sardinia).

| EUR Milion | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|
| EBITDA | 55.5 | 61.1 | -9% | 58.0 | 226.8 | 219.2 | 3% |
| ***Comparable* EBITDA** | **55.5** | **61.1** | **-9%** | **58.0** | **226.8** | **219.2** | **3%** |
| EBIT | 35.4 | 40.9 | -13% | 38.1 | 147.0 | 139.9 | 5% |
| ***Comparable* EBIT** | **35.4** | **40.9** | **-13%** | **38.1** | **147.0** | **139.9** | **5%** |
| **EBITDA ITALIAN GAAP** | **43.7** | **36.4** | **20%** | **41.4** | **178.3** | **115.8** | **54%** |
| **EBIT ITALIAN GAAP** | **32.2** | **24.9** | **29%** | **30.2** | **133.2** | **71.3** | **87%** |
| **NET INCOME ITALIAN GAAP** | **10.6** | **15.1** | **-30%** | **17.5** | **70.8** | **40.2** | **76%** |
| **CAPEX** | **4.6** | **1.5** | | **1.1** | **8.7** | **31.2** | |

## Other figures

| | | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|---|
| ELECTRICITY PRODUCTION | MWh/1000 | 974 | 1,038 | -6% | 1,048 | 4,194 | 4,012 | 5% |
| **POWER TARIFF** | **Eurocent/KWh** | **12.5** | **11.4** | **9%** | **12.5** | **12.2** | **10.6** | **16%** |
| POWER IGCC MARGIN | $/bl | 4.0 | 4.4 | -9% | 3.7 | 4.2 | 4.3 | -2% |

## Comments to preliminary Full Year 2012 results

The results achieved in FY/12 were very satisfactory and **power production reached 4.194 TWh**, up 5% vs. FY/11. The improvement in the operational performance is mainly due to the 10-year maintenance cycle carried out on the entire IGCC plant during the year 2011. On the contrary, only standard maintenance activities were carried out on two trains of "Gasifier – combined cycle Turbine", respectively in Q2/12 and in Q4/12.

**IFRS EBITDA (which is coincident with the *comparable* EBITDA) was EUR 226.8 ml**, up 3% versus FY/11, thanks mainly to the higher sales of hydrogen and steam (which in FY/12 were approx. EUR 9.5 ml higher than in FY/11), whose revenues are not subject to the IFRS equalization procedure.

**Italian GAAP EBITDA was EUR 178.3 ml in FY/12**, up 54% vs. FY/11, primarily because of the higher power production, as well as the higher value of the CIP6/92 power tariff, which had an average of 12.2 EURcent/kWh (up 16% vs. FY/11). Further support to the results came also from the previously mentioned higher sales of hydrogen and steam.
It should be mentioned that, on the 20th of November 2012, the Ministry for the Economic Development issued the Decree that defines the mechanism, as established in the Resolution PAS 9/10 of the Electricity and Gas Authority, for the determination of the fuel component (CEC) of the CIP6/92 tariff for the year 2011, with specific reference to the conventional efficiency of the plants, extending its applicability retroactively also to the year 2010. Such retroactive extension produced a negative impact of approx. EUR 8 ml on the Q4/12 Net Income Italian GAAP. Moreover, on the 29th of January 2013, Sarlux S.r.l. appealed against the Decree.

**CAPEX in FY/12 was EUR 8.7 ml** (of which EUR 4.6 ml in Q4/12), in line with the programme.

Finally, it should be mentioned that, on the 3rd of October 2012, it was published on the Official Bulletin of the Italian Republic (*Gazzetta Ufficiale*) the Decree of the Ministry for the Economic Development dated 28th June 2012, which extended until the 31st of March 2013, the deadline for the presentation of binding requests for voluntary early exit from the CIP6/92 contract, for the power plants fed with process fuels, residues, or energy recoveries.

## Comments to Fourth Quarter 2012 results

In Q4/12 the **power production was 0.974 TWh**, down 6% vs. Q4/11, because of the maintenance activities carried out during the period.

**IFRS EBITDA (which is coincident with the *comparable* EBITDA) was EUR 55.5 ml in Q4/12**, down 9% versus Q4/11. In fact, it should be reminded that the result of Q4/11 included a positive contribution of approx. EUR 6 ml, due to the use of the 2012 budget forecast for crude oil prices, in the calculation of the IFRS equalization procedure.

**Italian GAAP EBITDA stood at EUR 43.7 ml**, up 20% vs. Q4/11, primarily because of the higher value of the CIP/92 power tariff (average of 12.5 Eurocent/kWh, up 9% vs. the same quarter of last year), which more than compensated the effects of the lower production of electricity.

# Wind

Saras Group is active in the renewable power production and sale through its subsidiary Sardeolica S.r.l., which operates a wind park located in Ulassai (Sardinia).

| EUR million | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|
| EBITDA | 7.6 | 3.8 | 100% | 2.2 | 20.0 | 14.0 | 43% |
| ***Comparable* EBITDA** | **7.6** | **3.8** | **100%** | **2.2** | **20.0** | **14.0** | **43%** |
| EBIT | 5.0 | 1.3 | 285% | (0.5) | 9.6 | 3.8 | 153% |
| ***Comparable* EBIT** | **5.0** | **1.3** | **285%** | **(0.5)** | **9.6** | **3.8** | **153%** |
| **CAPEX** | **1.2** | **0.8** | | **2.1** | **3.8** | **2.5** | |

## Other figures

| | | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|---|
| **ELECTRICITY PRODUCTION** | MWh | 59,302 | 50,715 | 17% | 23,447 | 171,050 | 140,897 | 21% |
| **POWER TARIFF** | EURcent/KWh | 5.6 | 7.9 | -29% | 8.2 | 7.1 | 7.5 | -4% |
| **GREEN CERTIFICATES** | EURcent/KWh | 8.1 | 7.7 | 5% | 7.7 | 7.4 | 8.0 | -7% |

## Comments to preliminary Full Year 2012 results

**In FY/12 *comparable* EBITDA stood at EUR 20.0 ml**, up 43% vs. FY/11. This came as a consequence of more favourable weather conditions, which allowed a **production of electricity equal to 171,050 MWh** (+21% vs. FY/11). Moreover, it should be reminded that FY/11 results were penalised by a write off worth approx. EUR 3 ml, accounted for during Q4/11, and related to some projects in the pipeline of one of the Group' subsidiaries. Indeed, due to new regulations of the Sardinian Regional Authorities, these projects were no longer inside the so called "authorised areas", where it is permitted to build wind parks.

Finally, in FY/12, both the power tariff (7.1 EURcent/kWh) and the Green Certificates (7.4 EURcent/kWh) had lower values compared to FY/11 (respectively -4% and -7%).

## Comments to Fourth Quarter 2012 results

**In Q4/12 *comparable* EBITDA was EUR 7.6 ml**, (up 100% vs. Q4/11). As discussed in the comments for the fully year 2012, the large difference between the two periods under comparison is mainly due to the write off of approx. EUR 3 ml which took place in Q4/11. Moreover in Q4/12 the production of electricity increased by approx. 17%, and also the value of the Green Certificates grew by 5% compared to the same period of the last year. The power tariff, instead, came down to 5.6 Eurocent/kWh (-29% versus Q4/11).

# Other Activities

The following table shows the financial highlights of the subsidiaries Sartec S.p.A., Reasar S.A., and others.

| EUR Million | Q4/12 | Q4/11 | Change % | Q3/12 | FY 2012 | FY 2011 | Change % |
|---|---|---|---|---|---|---|---|
| EBITDA | 0.1 | 0.5 | -80% | 1.2 | 2.2 | 0.0 | n/a |
| ***Comparable* EBITDA** | **0.1** | **0.5** | **-80%** | **1.2** | **2.2** | **0.0** | **n/a** |
| EBIT | (0.1) | 0.1 | -200% | 1.2 | 1.9 | (1.4) | 236% |
| ***Comparable* EBIT** | **(0.1)** | **0.1** | **-200%** | **1.2** | **1.9** | **(1.4)** | **236%** |

Note: 2011 results include also the subsidiary Akhela S.r.l., which was sold during the period.

# Strategy and Investments

In consideration of the persistent economic crisis, especially in Europe, and in a market context characterized by sluggish demand for oil products and narrow refining margins, the Saras Group chose to focus its industrial strategy on the achievement of optimal operating *performances*.

In particular, in the Refining segment, Saras continued the implementation of its asset management programme called "Project FOCUS", which is primarily aimed at reducing costs, improving production efficiency and operational effectiveness, and increasing the coordination between the refinery production scheduling and the supply and trading activities.

Furthermore, during the maintenance turnaround carried out in Q1/12, it was completed an important "step" of the revamping project of the MildHydroCracking2 Unit (MHC2). The last "steps" of the project will be completed during the turnaround scheduled in H1/2013, according to the original programme. When the revamping of the unit will become fully operational, it will deliver approx. 600 ktons/year of additional diesel production in exchange for heating gasoil, and an increase in refinery runs of approx. 650 ktons/year.

In the Wind segment, the Group continues the development of two projects in Sardinia, with a total combined capacity of approx. 100 MW. For both projects the Environmental Assessment Procedure (called V.I.A.) is currently in progress. Moreover, regarding the "*pipeline*" outside Italy, the Group recently obtained full authorisation to start construction of a wind park in Romania, with an installed capacity of approx. 100 MW.

Finally, regarding Gas Exploration, the Group is currently proceeding along the permitting path to start drilling activities in an area located in Sardinia (called the "Eleonora" exploration block), where prudentially it is estimated to obtain an annual production of 70 up to 170 million cubic meters of natural gas, for a production period of more than 20 years. Once the permitting path will be completed with the Environmental Assessment Procedure (V.I.A.), it will then take between 4 and 6 months in order to drill the exploration well.

# CAPEX by segment

| EUR Million | Q4/12 | FY 2012 | FY 2011 |
|---|---|---|---|
| **REFINING** | 13.5 | 97.0 | 64.6 |
| **POWER GENERATION** | 4.6 | 8.7 | 31.2 |
| **MARKETING** | 0.4 | 8.2 | 4.8 |
| **WIND** | 1.2 | 3.8 | 2.5 |
| **OTHER** | 0.1 | 1.6 | 1.9 |
| Total | **19.8** | **119.3** | **105.0** |

# Outlook

Notwithstanding the context of severe economic slowdown in the Euro Zone, and highly volatile financial and *commodities* markets, the International Energy Agency (IEA) still forecasts that global demand for oil products will increase in 2013. Growth, however, will come exclusively from the emerging and developing countries, whose internal oil consumption (+3%) will more than compensate the drop in demand from the OECD countries (-0.9%). More in detail, the most recent "*Monthly Oil Market Report*" published by IEA on the 13th of February 2013, expects global demand to reach 90.7 million barrels per day (mbd) in 2013 (+0.9 mbd vs. 2012), with the OECD countries in contraction (from 46.0 mb/g in 2012 to 45.6 in 2013) and non-OECD countries in strong growth (from 43.8 mb/g to 45.1 mb/g).

Looking at crude oil prices, at least for the first part of the year 2013, they should remain exposed to high volatility, due to the geopolitical tensions in many producing countries, and the economic and financial crisis in the Euro Zone.

Finally, looking at refining margins, it's expected that the largest contribution will continue to come from the middle distillates. Highly complex refineries, such as the Saras group refinery, will continue to have a good positioning within the European competitive environment.

## REFINING

- **Sarroch refinery Maintenance and Operations:** In 2013 there will be a standard programme of schedule maintenance activities, which will involve two crude distillation units (RT2 and T1), a Vacuum unit (V1), and some other conversion and desulphurisation units (MHC1, MCH2, Alky, VSB, etc.). Overall, total refinery runs are expected at 14.0 ÷ 14.5 millions tons (which corresponds to 102 ÷ 106 millions barrels), and EBITDA reduction due to maintenance worth approx. 0.3 ÷ 0.5 $/bl.
- **Crude Oil Slate:** On July 1st 2012 the oil embargo declared by the European Union against Iran became fully effective. The Saras Group used approx. 10% of Iranian grades in its refinery mix, and promptly replaced such crude oils with suitable alternatives. Is not expected a resolution of the disputes between Europe and Iran in the near future; therefore, the mix of crude oils which will be used in the Sarroch refinery during 2013 will be overall similar to the one used in 2012.

## POWER GENERATION

- **IGCC Maintenance and Operations:** there will be scheduled maintenance activities on one of the two "$H_2S$ Absorber" Units and, at the same time, standard maintenance will be carried out on one train of "Gasifier – combined cycle Turbine" during Q1/13. Subsequently during Q4/13 there will be standard maintenance on another train of "Gasifier – combined cycle Turbine". Total power production in the year 2013 is expected, as usual, between 4.05 ÷ 4.55 TWh.

## MARKETING

- Given the difficult economic conjuncture in Italy and in Spain, it is not possible to expect significant changes in the near term market scenario. For this reason, in the Marketing segment, the Group will continue to follow an operational strategy aimed at optimizing the mix of sales channels. However, during the first half of 2013, there will be also the completion of the restructuring program started at the end of 2012, whose objective is to achieve a structural improvement of the segment's results, estimated in approx. EUR 10 ml per year.

# Main events after the end of the end of FY/12

On the **27th of February 2013**, the Board of Directors resolved - in the context of a wider reconsideration of the powers relating to the Company's operating activities - to appoint its member, Mr. Dario Scaffardi, as Executive Vice President (*Vice Presidente Esecutivo*) and to vest him with wide-ranging powers in relation to the company's operating activities. The Executive Vice President has also been appointed to supervise the efficiency of the internal control system. Mr. Scaffardi will continue to serve as General Manager. The Chairman and the Chief Executive Officer will maintain, on a several basis, among others, the power to determine the Company's strategic direction, the direction, conduct and overseeing of the Group's external relations and the research, exploration, and assessment of potential opportunities for extraordinary transactions, as well as all powers relating to financings and other transactions involving holdings, businesses, business branches and real estate assets of particular significance.

# CONSOLIDATED FINANCIAL STATEMENTS

## Statement of consolidated Financial Position: as of 31st December 2012 and 31st December 2011

| EUR thousand | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | **2,209,352** | **2,348,332** |
| Cash and cash equivalents | 302,950 | 139,343 |
| Other financial assets held for trading | 42,326 | 42,843 |
| Trade receivables | 820,215 | 869,738 |
| Inventories | 920,891 | 1,154,350 |
| Current tax assets | 45,699 | 36,499 |
| Other assets | 77,271 | 105,559 |
| **Non-current assets** | **1,730,570** | **1,804,425** |
| Property, plant and equipment | 1,288,758 | 1,392,317 |
| Intangible assets | 348,767 | 378,258 |
| Other equity interests | 526 | 547 |
| Deferred tax assets | 86,430 | 32,407 |
| Other financial assets | 6,089 | 896 |
| **Total assets** | **3,939,922** | **4,152,757** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | **1,817,254** | **1,996,740** |
| Short-term financial liabilities | 166,997 | 573,862 |
| Trade and other payables | 1,394,342 | 1,188,503 |
| Current tax liabilities | 161,125 | 141,829 |
| Other liabilities | 94,790 | 92,546 |
| **Non-current liabilities** | **925,970** | **872,983** |
| Long-term financial liabilities | 424,891 | 284,798 |
| Provisions for risks and charges | 52,391 | 77,267 |
| Provisions for employee benefits | 22,825 | 23,299 |
| Deferred tax liabilities | 3,163 | 4,474 |
| Other liabilities | 422,700 | 483,145 |
| **Total liabilities** | **2,743,224** | **2,869,723** |
| **EQUITY** | | |
| Share capital | 54,630 | 54,630 |
| Legal reserve | 10,926 | 10,926 |
| Other reserves | 1,221,243 | 1,158,676 |
| Net profit/(loss) for the period | (90,101) | 58,802 |
| **Total equity attributable to owners of the company** | **1,196,698** | **1,283,034** |
| Minority interest | 0 | 0 |
| **Total Equity** | **1,196,698** | **1,283,034** |
| **Total liabilities and equity** | **3,939,922** | **4,152,757** |

# Consolidated Income Statement and Comprehensive Income Statement
# 1st Jan – 31st Dec 2012 and 1st Jan – 31st Dec 2011

## Consolidated Income Statements for the years: 1st January - 31st December 2012 and 2011

| EUR thousand | 1st January 31st December 2012 | of which non recurring | 1st January 31st December 2011 | of which non recurring |
|---|---|---|---|---|
| Revenues from ordinary operations | 11,810,717 | | 10,960,866 | |
| Other income | 78,532 | | 76,233 | |
| **Total revenues** | **11,889,249** | ***0*** | **11,037,099** | ***0*** |
| Purchases of raw materials, spare parts and consumables | (10,975,704) | | (9,907,367) | |
| Cost of services and sundry costs | (601,498) | | (576,649) | |
| Personnel costs | (138,460) | | (158,814) | |
| Depreciation, amortization and write-downs | (244,186) | (36,008) | (213,316) | |
| **Total costs** | **(11,959,848)** | ***(36,008)*** | **(10,856,146)** | ***0*** |
| **Operating results** | **(70,599)** | ***(36,008)*** | **180,953** | ***0*** |
| Net income (charges) from equity interests | | | | |
| Financial income | 248,233 | | 123,730 | |
| Financial charges | (300,117) | | (185,294) | (4,419) |
| **Profit before taxes** | **(122,483)** | ***(36,008)*** | **119,389** | ***(4,419)*** |
| Income tax for the year | 32,382 | 10,727 | (60,587) | |
| **Net profit/(loss) for the year** | **(90,101)** | ***(25,281)*** | **58,802** | ***(4,419)*** |
| **Net profit/(loss) for the year attributable to:** | | | | |
| Equity holders of the company | (90,101) | | 58,802 | |
| Minority interest | 0 | | 0 | |
| **Earnings per share - basic** (Euro cent) | **(9.71)** | | **6.33** | |
| **Earnings per share - diluted** (Euro cent) | **(9.71)** | | **6.33** | |

## Statement of Comprehensive Income for the years: 1st January - 31st December 2012 and 2011

| EUR thousand | 1st January 31st December 2012 | 1st January 31st December 2011 |
|---|---|---|
| **Net result of the year (A)** | **(90,101)** | **58,802** |
| Effect of translation of f/s in foreign currency | (14) | (4) |
| **Income / (loss), net of fiscal effect (B)** | **(14)** | **(4)** |
| **Consolidated Comprehensive Result of the year (A + B )** | **(90,115)** | **58,798** |
| **Net consolidated Comprehensive Result of the year attributable to :** | | |
| Equity holders of the Company | (90,115) | 58,798 |
| Minority Interest | 0 | 0 |

# Statement of Changes in Consolidated Shareholders' Equity: from 31st December 2010 to 31st December 2012

| 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 31/12/2010** | **54,630** | **10,926** | **1,164,297** | **(9,468)** | **1,220,385** | **0** | **1,220,385** |
| **Period 1/1/2011 - 31/12/2011** | | | | | | | |
| Appropriation of previous year profit | | | (9,468) | 9,468 | 0 | | 0 |
| Reserve for employees share plan | | | 3,851 | | 3,851 | | 3,851 |
| Effect of translation of f/s in foreign currency | | | (4) | | (4) | | (4) |
| Net profit/(loss) for the year | | | | 58,802 | 58,802 | | 58,802 |
| **Balance as of 31/12/2011** | **54,630** | **10,926** | **1,158,676** | **58,802** | **1,283,034** | **0** | **1,283,034** |
| **Period 1/1/2012 - 31/12/2012** | | | | | | | |
| Appropriation of previous year profit | | | 58,802 | (58,802) | 0 | | 0 |
| Reserve for employees share plan | | | 3,779 | | 3,779 | | 3,779 |
| Effect of translation of f/s in foreign currency | | | (14) | | (14) | | (14) |
| Net profit /(loss) for the year | | | | (90,101) | (90,101) | | (90,101) |
| **Balance as of 31/12/2012** | **54,630** | **10,926** | **1,221,243** | **(90,101)** | **1,196,698** | **0** | **1,196,698** |

# Consolidated Cash Flow Statements as of:
# 31st December 2012 and 31st December 2011

| EUR thousand | 1/1/2012 - 31/12/2012 | 1/1/2011 - 31/12/2011 |
|---|---|---|
| **A - Cash and cash equivalents at the beginning of the year** | **139,343** | **80,835** |
| | | |
| **B - Cash generated from/(used in) operating activities** | | |
| Net profit / (loss) for the year | (90,101) | 58,802 |
| Amortization, depreciation and write-downs of fixed assets | 244,186 | 213,316 |
| Net change in provisions for risks and charges | (24,866) | (1,266) |
| Net change in employee benefits | 810 | (7,248) |
| Net change in deferred tax liabilities and deferred tax assets | (55,571) | 39,350 |
| Net interest income (expense) | 30,815 | 32,996 |
| Income tax | 23,189 | 21,237 |
| Change in Fair Value derivatives, green certificates and white certificates | (5,431) | 11,186 |
| Other non-cash items | 5,097 | 3,801 |
| **Profit / (Loss) from operating activities before changes of working capital** | **128,128** | **372,174** |
| (Increase)/Decrease in trade receivables | 41,758 | (1,201) |
| (Increase)/Decrease in inventory | 233,459 | (342,188) |
| Increase/(Decrease) in trade and other payables | 204,342 | 65,003 |
| Change in other current assets | 18,961 | 4,602 |
| Change in other current liabilities | 26,597 | 42,573 |
| Interest received | 882 | 368 |
| Interest paid | (36,306) | (33,364) |
| Tax paid | (22,965) | (13,692) |
| Change in other non-current liabilities | (60,526) | (103,124) |
| **Total (B)** | **534,330** | **(8,849)** |
| | | |
| **C - Cash flow from (to) investment activities** | | |
| (Investments) in tangible and intangible assets | (105,452) | (105,011) |
| (Investments) disinvestments in other equity interests | 0 | 74 |
| Increase/(Decrease) in financial assets | 52,510 | 16,889 |
| Other non cash items | 0 | 8,606 |
| **Total (C)** | **(52,942)** | **(79,442)** |
| | | |
| **D - Cash generated from/(used in) financing activities** | | |
| Increase/(Decrease) in medium-/long-term borrowings | 171,954 | 0 |
| Increase/(Decrease) in short-term borrowings | (489,369) | 146,799 |
| **Total (D)** | **(317,414)** | **146,799** |
| | | |
| **E - Cashflow for the year (B+C+D)** | **163,974** | **58,508** |
| | | |
| **F - Net Cash from disposal of Akhela/Artemide** | **(366)** | **0** |
| | | |
| **G - Cash and cash equivalents at the end of the year** | **302,951** | **139,343** |