

SARAS
Preliminary Full Year 2007 and Fourth Quarter
2007 Results
2008

Welcome

Marco Schiavetti

IR Manager, SARAS

Good afternoon to everyone and welcome to SARAS' preliminary 2007 results and fourth quarter 2007 results. Together with me there are Dario Scaffardi, SARAS General Manager, and Corrado Costanzo, SARAS CFO. We have the usual agenda today. Dario Scaffardi will start with the introduction, then Corrado Costanzo will go through the various segments. We will then go back to Dario for the conclusions and outlook.

2007 Overview

Dario Scaffardi

General Manager, SARAS

I. Background

Thank you, Marco. Good afternoon ladies and gentlemen and thank you for joining us.

2007 has been a better year than an already quite robust 2006. We had a good performance in all our divisions. Overall the market scenario has been basically unchanged compared to 2006 because we had stronger refining margin, but this has partially been offset by a much weaker US dollar compared to the euro.

II. Performance

1. Upgrade Impact

We saw an increase for 2007 in our refining and a marketing-comparable EBITDA vis-a-vis 2006. This is fully attributable to our upgrade programme and to our higher performance. We will go into a little more detail on this towards the end of our presentation. The positive impact of these upgrades has more than offset the negative impact from the ruling on the CIP6 tariff, which adversely affects us by about €30 million.

2. Indexation

As you are aware, in January, the Italian energy authority introduced a new indexation methodology for the power plants that are governed by the CIP6 law. It has been applied retroactively to 1 January 2007. SARAS had made an appeal against this law and won the first ruling in May of 2007. However, the highest administrative courts in Italy overturned this ruling and decided against us.

3. Shares

We are pleased to announce that the dividend we are going to propose to the General Assembly in April is going to be 17 cents per share, which puts us in the range of a 65% payout ratio and is slightly above our indicated range of 40-60%.

4. Balance Sheet

We continue to have a reasonably strong balance sheet. Our debt is practically nil. This offers us some opportunities. We have been keeping a close eye on the market and in this moment of turmoil we feel there are quite a few opportunities. Internal and external growth both remain at the top of our priorities.

III. Market

In 2007, we had an increase of almost \$20 in the average price of Brent. In the beginning of this year, it has already averaged around \$92 per barrel.

Q4 started on a very positive note. Margins were interesting in October and November; they peaked in November. In December, we had a sharp downturn in margins, mainly due to an overhang in diesel stocks worldwide, which negatively affected the crack spread of diesel. This has also been brought into the first month of the year, in January. But already stocks have been eroded and February has started on a much more positive note. The crack is back to a level of \$24 per barrel, which confirms our basic long-term view that there is a very tight diesel market.

We also feel that the bearish mood with which this year has started, mainly related to probably overblown fears regarding the US economy and, therefore, the economic slowdown that would adversely affect consumption, was probably overdone. It is more realistic to imagine that there will continue to be a worldwide increase in consumption, of between 1% and 1.5%, depending on the more pessimistic or optimistic view. Overall, the long-term trend remains quite healthy.

Looking at our margins, 2007 has a record of our overall site margin, which is \$11 per barrel. You are familiar with this representation. The Energy Market Consultants (EMC) benchmark in Q4 was \$2.4 per barrel. We have added in excess of \$4.5 per barrel to this, taking the refining part to almost \$7 per barrel, notwithstanding the adverse refining environment in the latter part of the year and also the fact that in Q4 we have had the last of the major maintenance programme, which involved a third of our topping units. Now all of our three topping units have been completely overhauled, as planned.

Corrado will now go into detail on the various segments of our business. Then, I will talk a little on our future outlook.

Financial Results

Corrado Costanzo
CFO, SARAS

I. Annual Performance

Thank you, Dario. Hello to everybody.

Overall, 2007 was a good year in our refining segment. The operational performance of the refinery was in line with our expectations and we have also achieved another milestone of our organic growth strategy. We had promised that the premium over the EMC benchmark would increase by about \$0.5 year-on-year, with an impact on EBITDA in excess of \$60 million, which is exactly what happened. We also had higher runs (2% more than last year), contributing to the increase in EBITDA.

However, we must say that higher benchmark refining margins were unfortunately more than offset by a weaker dollar exchange rate vis-à-vis the euro. This was common for all of the refiners in Europe. No European refiner would have been able to improve on their 2006 euro margins this year.

II. Q4 Performance

There was a shutdown of one crude oil distillation unit, and two desulphurisation units with a marginal impact on diesel production, because we had stocked intermediate products in advance, and we had also obviously programmed the use of every other unit at the refinery in an efficient way. In spite of these two shutdowns, the refinery was still able to earn a premium over the EMC benchmark of \$4.6 per barrel.

However, as we will see, the EBITDA was affected by higher costs and we will be commenting on that in more detail.

The refining production in crude oil table clearly shows that the operational improvements were real during 2007. There was a 0.6% higher yield of high-value products 81.5% vis-à-vis 80.9% at the expense of fuel oil, so we were able to catch the differential between gas oil and fuel oil, which was stably above \$300 last year, and which is around \$400 today.

Diesel yield is approaching 52% on a full-year basis, which is more significant than any quarterly basis. It is probably the highest among our peers in Europe. Q4 data were clearly less significant. Every quarter has a different profile in terms of yields, which is heavily influenced by shutdowns of single units. Progress is nonetheless very evident, even if you look at the quarterly data.

III. Costs

On a yearly basis, costs were overall under control during 2007. Total costs were virtually unchanged in Euro terms, versus the previous year, despite higher utility prices. Q4 was a little more 'complicated'. The shutdowns of the aforementioned units were not considered a major

turnaround, from an accounting standpoint, so fixed costs related to the shutdowns and catalyst costs were charged to the quarter. Therefore, EBITDA for the refining segment suffered, in Q4. However, again, the yearly figure is more significant, from our point of view.

For 2008, fixed costs will be stable at about 200 million Euro on a yearly basis. There will clearly be quarterly variations, so it will be approximately 200 but not necessarily fixed at 50 per quarter. It also depends on capitalisation of different costs during particular quarters.

Variable costs are expected to increase by at least €30 million, due to the high oil price scenario, but this increase in variable cost is already reflected in the EMC benchmark, which is net of variable costs. Therefore, our guidance on the premium is unaffected.

IV. Indexation Changes

1. Ruling

Power generation was very effective during the year, and in Q4 from an operational standpoint. However, we were very disappointed when the Council of State ruled against us on 22 January, after we had prevailed before the lower court last May.

2. Accounting Standards

In brief, the new indexation methodology for the fuel component of the CIP6 tariff has changed. The energy authority came up with a formula which is still largely based on oil prices and aligned to Brent, but with a greater time delay than the previous indexation. The total impact for 2007 was 29 million from an International Financial Reporting Standards (IFRS) EBITDA standpoint and 47 from an Italian generally accepted accounting principles (GAAP) standpoint. There is no gimmick here; it is only the mechanics of these two accounting standards. The IFRS long-term linearisation implies the use of a forward curve for oil prices, to determine the average long-term tariff, which is then adopted for every year.

3. Impact

We have adopted, with the help of certain consultants and under the supervision of our external accountants, an \$80 Brent price scenario on a long-term basis. This is why there is an impact of 29 million, from an IFRS standpoint.

The Italian GAAP is more simple: if we have an \$80-85 Brent price scenario for 2008, you will see the same impact for both IFRS and Italian GAAP purposes.

Clearly, this is a little obscure for outsiders, but Marco and his team are at your disposal if you wish to have any further detail on these subjects.

V. Operational Performance of the Plant

Production was slightly lower in 2007 than in 2006, by 1%, due to a general inspection on one turbine, which is performed every six years. Financials have already been discussed.

Fixed and variable costs were in line with the previous year. Also, next year is expected to be largely in line with 2007.

Looking forward, the very important major maintenance schedule is reported here. A heavier than expected shutdown, in the nearby petrochemical plant owned by Eni was announced not long ago. This implies a reduction of hydrogen supply, so we have concluded that concentrating several routine shutdowns, which previously had been spread through the year, would optimise production. We will therefore concentrate the shutdowns of one MHC unit with a catalyst substitution, the Akylation Unit and the Visbreaking Unit cleaning. The shutdown will happen at the end of Q1 and beginning of Q2.

VI. Marketing

Marketing performed impressively last year. We were able to increase both volumes and margins, with a significant positive result on EBITDA. For the future, clearly we do not expect to keep up with this pace, but we are very satisfied with the performance for last year, nonetheless.

In terms of volumes and margins, we have benefited from the 37 retail service stations network in operation and fully consolidated from day one. We acquired this network from Caprabo, a Spanish grocery chain, in mid 2006, so this was the first full year.

VII. Wind

Wind, in production terms, was broadly in line with expectations. However, it must be said that green certificates are becoming problematic. There is a overflow of certificates on the market, and probably the government is not fulfilling its promises to continue to increase demand, which is a mandatory demand, on the part of utilities. This has created a somewhat long situation in the market and has lowered prices significantly, from about €120 to €95-100 per MWh. At this point, we had to write down the value of the certificates that our division earns on a yearly basis.

VIII. Financial Overview

1. Detail of Net Income Adjustments

There were some significant adjustments to net income this year and this quarter. There were some significant FIFO gains which we clearly took off the adjusted figure (- €95.8 million after tax); significant non-recurring items – €15.4 million – due mainly to the effect of deferred taxes and statutory corporate income tax reductions, which went from 37% to 32%, as well as the impact of the IAS 36 impairment test rule on the Sarlux long-term power purchase agreement with the Italian grid operator. However, this was a one-off, pure accounting charge as much as we had a one-off, pure accounting gain when we acquired 45% of Sarlux from Enron in Q2 2006, so there was no cash effect there.

2. Key Cashflow Figures

Cashflow was clearly very positive. Total cashflow was €623 million, so our net cash position went from about €285 million negative at the end of 2006 to €27 million negative at the end of 2007. Clearly, this is an opportunity and a problem, which we perfectly recognise.

3. Key Ratios

The return on average capital employed has been stable for the last three years, but since our equity is increasing, the return on equity is gradually diminishing. However, both our debt levels and dividends have been the subject of very careful consideration by the board, and they are what they are for good reasons.

Strategy Overview

Dario Scaffardi

I. Organic Growth

1. Overview

Our organic growth plans for the period 2006-09 is still in place. We have a capex plan of about €600 million, which will have a very positive impact on refining margins. I would like to draw your attention to the fact that we have fulfilled the first part of our programme. We stated that we would have an increase in conversion capacity in 2006-07, adding in excess of 350,000 tonnes of diesel, which we have surpassed by a significant margin. In the period 2005-07, we have added 360,000 tonnes of diesel, as well as 90,000 tonnes of light distillates – mainly gasoline – giving a total of 450,000 tonnes of light products. This is quite consistent with the increase that we have seen over the last two years in our premium over the benchmark. In 2005, it was \$2.5 and, in 2007, it was \$4. We have, then, added \$1.5 per barrel, which is in the high range of what we had indicated as an impact of our investment in the refining margin.

2. Projects

a. Improvement in energy efficiency

Going forward, we still have our projects, one of which is the improvement in energy efficiency. This has become even more important than it was when we stated our initial plan, due to the increase in energy costs and the impact of CO₂ emissions. This has taken a high priority on our agenda and we are adding investment in this respect. In the forthcoming months, we will have a more detailed version to present to the market.

b. Higher quantities of crudes

We are taking a slightly different look to our project to run higher quantities of heavier crudes, not because we have decided that this is not convenient but, compared to our expectations, a few years ago, of a gradual heavying up of the crude oil slate, quite the opposite has happened. Particularly in the Mediterranean region, there has been strong availability of very light crudes. Since the objective of our company is to maximise profits, therefore the heavying up of the crude slate is not an end but it is a means, we have slightly shifted our priorities in order to be able to run a higher percentage of these light crudes, which are very competitively priced compared to heavy barrels.

While we are reviewing our investments, although the long-term plan remains the same. The returns could be higher than anticipated. Capex might be revised accordingly and we will give guidance to the market in this respect once we have definite numbers.

II. External Growth

1. Core Businesses

In terms of our external growth prospects, we are keeping a very close eye on the market. The market proved us right when we were prudent last year in believing that certain opportunities were excessively priced. The fact that we currently have a very strong balance sheet puts us in an ideal position to take advantage of opportunities if and when they become available. We are looking at various items but they will have to be consistent and in line with our strategies.

2. Related Sectors

a. Wind

In the wind sector, we have a pipeline of projects that are in the permitting phase.

b. Gas

In gas exploration, we have completed seismic testing on the onshore part and there has been an increase in the acreage that we are exploring. The data is in the processing phase and offshore testing will commence quite shortly.

III. Outlook

1. Corporate Tax

Corporate tax laws in Italy have changed so, in 2008, we will have a roughly 6% decrease in corporate tax.

2. Refining

a. Margins

In terms of refining, we started the year on a weak note, but margins are already climbing back to normal levels and we expect market trends not to change significantly with a positive medium-term outlook.

b. Euro 5 specifications

We believe that there will be an interesting and challenging opportunity for us because, as of 1 January 2009, the new Euro 5 specifications will come into force in Europe. Sulphur specification for gasoline and diesel will change from the current 50 ppm to 10 ppm, which is a very significant change. We believe that there will be very good market opportunities in the latter part of the year, particularly started from the summer, when operators will need to change their inventory by purchasing 10 ppm products in advance. Our refinery is completely ready to produce

it in terms of the diesel. We have investments that will be ready by this summer for the gasoline part, as previously announced.

c. Environmental safety

Also during this year, we will complete our investments regarding environmental safety, with the completion of the tail gas treatment unit that will enable us to reduce emissions by almost 10%, keeping us well below statutory regulations.

d. Reduction in hydrogen availability

There will be an unplanned shutdown of the petrochemical plant nearby, which will reduce hydrogen availability. We will minimise the impact of this by concentrating, during this period, all the catalyst changes in the desulphurisation units and hydrocrackers, and the routine cleaning which is not considered turnarounds for units such as VIS breaker, which would require cleaning roughly every 12 months.

e. Premium over EMC benchmark

We predict that the premium that we will be able to achieve over the EMC benchmark will remain in the \$4-4.5 per barrel range. Variable costs will probably increase due to this scenario, but this is fully reflected in the EMC benchmark.

f. Processing contracts

In terms of our commercial activity, processing contracts in 2008 will be in line with 2007, or slightly reduced compared to previous years. Third-party processing contracts will account for about 35% of our total capacity and will provide a minimum fee of \$5.5 per barrel.

3. Power Generation

We do not expect any surprises from power generation, which will see the usual high utilisation rates, with customary slowdowns in Q2 and Q4. We expect to achieve about 4.5 TWh of electricity production. The power tariff will be negatively affected by the CIP ruling but, on the other hand, it will benefit from the much higher energy prices.

4. Marketing

In terms of marketing, we expect to be able to consolidate the very significant increases that we have made in 2007.

Questions and Answers

Alexandre Marie, Exane BNP Paribas

My question is on the new desulphurisation capacity for gasoline. Does the start-up of this unit imply any shutdown of gasoline production at any point, or is there any risk of reducing gasoline production during the summer, when you start up this unit?

Dario Scaffardi

There will be no loss of gasoline production. This is a unit which is separate from the gasoline producer so, once it is ready in the summer, it will simply come on stream and there will be no impact at all on gasoline production.

Will Forbes, Credit Suisse

First, you increased your dividend by quite a significant amount. Does that include any special element or are you planning to increase it year-on-year? Has your dividend policy changed?

Second, on your leverage ratio of 2%, my calculations suggest that you have about €1 billion to play with to reach 40% leverage. Would you extend your leverage further and would you come back to the market should acquisitions need to fund greater than €1 billion?

Corrado Costanzo

In terms of the dividend, the 17-cent dividend is a reasonable increase over last year's. In broad terms, our policy is still confirmed at 40-60%, with a view to increasing the absolute amount over the years. The answer to your question is, broadly, 'yes'. Clearly, there are two variables that might play a big role in next year's dividend: first, whether we are able to finalise any acquisition or external growth opportunity; and, second, if that does not happen, we would not be completely negative vis-à-vis a buyback or extraordinary dividend. In essence, therefore, the answer is yes, but with a lot of ifs and buts.

Leverage is part of the answer. We have zero debt on our balance sheet and, if you run a few numbers, you will figure out that we should be cash positive at the end of this year. We believe that we will have our firepower intact, and our will to pursue aggressively external growth is still there. However, as Dario said, overpaying is never a good answer to growth ambitions, so we will be aggressive but we will spend your money wisely.

Will Forbes

You mentioned that, if the opportunities for external growth do not come through, you may look at a more aggressive dividend and buyback. Is there a deadline that you have set yourself by which you will make a decision in terms of either making an acquisition or returning funds to shareholders?

Second, in terms of your power generation IFRS smoothing, what assumptions are you using for the IFRS smoothing on oil price and FX rates? Given that current market and macro conditions are

extremely different to what they were even a year ago, what are your reasons for not adjusting those smoothing numbers?

Corrado Costanzo

The deadline is not firmly fixed, but I would say that we are talking about next year's dividend.

The IFRS smoothing is a very complicated mechanism. The Investor Relations team is at everyone's disposal to go into the details. Why we did not use a more aggressive oil price? This is one of the assumptions that you have to use in that model. (Others include the euro/dollar exchange rate, operational performance and maintenance costs... it is a complex, long-term evaluation model) because our accountants want us to be prudent to an extent and, despite crude oil prices being in the \$90-100 per barrel range today, the forward curves and consultant analysis do not project crude oil prices at or above \$100 in the long term. Then probably we are convinced that this will happen instead, but we are under scrutiny by our external accountants, which also plays a role.

Domenico Ghilotti, Euromobiliare

In terms of the new tariffs for power generation, I am interested in the sensitivity that you gave on the Italian GAAP EBITDA. In particular for 2009, how does a reduction of €28 per MWh on the tariff produce a €140 million reduction in Italian GAAP EBITDA?

Second, you mentioned a reduction of 6% in the corporate tax rate. Do you mean a reduction of 600 basis points or a reduction from 36% to 30%?

Corrado Costanzo

The corporate tax rate should reduce from 37.25% to 31.4%, which is almost 6%. It is a welcome move on the part of the government. We are also considering another move, which is adopting the *imposta sostitutiva* option, which would also benefit the company, but this will be decided in Q2. Moving to Italian GAAP is much more straightforward than the IFRS smoothing technique. You report what you get for the year. In 2009, the incentive component will expire around Easter. Therefore, 2009 is a somewhat blended scenario, with three or four months with an incentive and eight or nine months without.

Domenico Ghilotti

I understand the reduction in tariffs and the blended impact of the expired subsidy. I had some difficulties matching the €28 per MWh reduction with the €140 million EBITDA reduction. I thought it was applied directly to production.

Corrado Costanzo

This is very complicated and I would encourage you to talk to Investor Relations. However, we are still using tar prices that have been indexed according to the old formula. It is an inter-company sales and purchase, so SARAS sells tar to Sarlux based on the old formula, because the contract was also signed with the project finance banks. The contract was explicitly linked to the old formula. Putting everything together is not easy, but we will be as cooperative as we can.

Roberto Ranieri, Banca IMI

My first question is about your M&A activities. What kind of opportunities are you looking at? What is your debt/equity ratio target in terms of these activities?

In terms of wind power, you said that you have capacity in the permitting phase. Could you give us some details of the capacity that you have during this phase and how likely you are to obtain this authorisation?

Third, you said that 50% of the upgrade programme has been completed. The refining margins for 2007 compared to 2006 show an increase of \$1.2 per barrel, but part of this increase comes from the EMC benchmark increase. The additional refining margin is in the region of \$0.7 per barrel versus the 2006 scenario, so could you elaborate on that and remind us of the scenario that you are using for calculating this additional margin from the upgrading programme?

Dario Scaffardi

We have no comment to make in terms of M&A, other than what we have already said.

Roberto Ranieri

Could you give us an idea of your debt/equity ratio target? If you do not complete any M&A deals, you have the dividend and buyback options, but without any such actions, you will be very cash-positive.

Dario Scaffardi

We have no debt/equity ratio target. We want to analyse the opportunities and we will then use our balance sheet in the best possible way. Our target is not debt/equity, but is to find the right assets, if they are available, which are synergistic with our business. We are not looking just to spend money, which is one of the things that differentiate SARAS.

In terms of the upgrade programme, you have to look not at the absolute values but at the premiums over the benchmark. The premium over the benchmark over the last three years has increased by more than our guidance with our investment plan. In our investment plan, we said that we would increase margins to \$1.3 per barrel, and we have achieved \$1.5. If you want to go into these numbers in more detail, you can do so with the Investor Relations team at any time.

Corrado Costanzo

Debt/equity targets need to be longer-term targets. It is very difficult to balance debt and equity on a yearly basis. If you hit your target right away with a one-off distribution and then you want to pursue any acquisition, you would have to go to the market in a matter of months. Therefore, you need to be careful in the way you look at debt/equity targets which, from our point of view, have to be longer-term average targets that cannot be met each and every year. In the longer term, we believe that €1 billion of debt would make sense on our balance sheet, or possibly even more if it was a meaningful acquisition. How you then play with that target on a yearly basis is somewhat more complicated.

In terms of wind, we have several hundred million MWh under development and we would have liked to be able to announce construction at certain sites but, unfortunately, developing new sites in Italy usually takes much longer than anticipated, so we are a little behind in that respect. Defining a pipeline for wind would require a specific presentation. It depends on which point in the permitting phase you are in, how you evaluate probabilities, and how you then come up with a probability-weighted pipeline.

Lydia Rainforth, Lehman Brothers

First, going back to the external growth opportunities, what are your investment criteria and what are you looking out for in terms of opportunities for synergies in that area?

Second, you gave a fairly negative outlook for the green certificates in the wind power business. Are you reconsidering any of your projects within that outlook?

Finally, on the diesel market, how do you see Europe being positioned for the Euro 5 standards?

Dario Scaffardi

In terms of our external growth, the kinds of things that we would be interested in looking at would be developing our core business, which is refining, so possibly competitive refining assets to which we could value, either by upgrading them or by adding synergies from our existing system; logistics in general; and retail networks. Last year, we acquired a small retail network in Spain, which fits in very well with our logistics system there. As long as we can see opportunities that fit in with our system, we will take a close look at them. Our investment criteria are very stringent. We take an in-depth, analytical approach, with full financial analysis of all possible projects. We have an internal rate of return (IRR) target of 10-20%, which is quite a wide range. It would be towards the bottom end of the range for secure and stable return investment types and towards the high end of the range for more volatile investments.

Regarding diesel, we are ready to produce 100% of our diesel as Euro 5-compliant. Starting from now, all of our diesel production could be 10 ppm; it all depends on market demand. In the Mediterranean, until now, there has been a relatively small demand for 10 ppm diesel. This will, of course, pick up when it becomes compulsory, so we expect to be able to reap quite interesting benefits from this. Likewise for gasoline, we are already able to produce 60% as 10 ppm gasoline. With the new desulphuriser, which will be on stream this summer, we will be able to desulphurise 100% of our gasoline, although it is not totally necessary for market purposes. Since today, there are interesting opportunities in other markets that do not require European-type specifications.

Corrado Costanzo

In terms of wind, we are taking a more prudent approach. You might say that we have been burned by the attitude of the authorities vis-à-vis CIP6, so it is conceivable that, in the longer term, even if most politicians are paying lip service to renewables in general, and wind power specifically, the incentives will not necessarily remain at today's levels. In practice, we have been seeing this during 2007. When you look at these projects, some prudence is necessary; it is not like buying a Treasury bill.

Anish Kapadia, UBS

Could you give any capex and depreciation guidance for 2008?

Second, are you seeing any investment opportunities from the Galsi and the high voltage electricity lines coming into Sardinia?

Dario Scaffardi

When Galsi is operational, which is predicted to be in 2011, although it is highly likely to be delayed due to steel and equipment constraints, it will open up an opportunity for possible upgrade or complete overhaul of our power generating unit, which would be a co-generative type, since we would be able to use the heat in an efficient manner. This is definitely an opportunity that we are looking at closely. We want to be certain that the Galsi pipeline is operational before committing to this type of investment.

Corrado Costanzo

In terms of capex and depreciation, they should be broadly in line with 2007 levels. Capex may possibly be slightly higher, but nothing dramatic.

Vittorio Villa, Kairos

You said that, in the fourth quarter, some exceptional maintenance costs were expensed, which led to an increase in fixed costs from €45 million to €63 million. However, you are maintaining a guidance for 2008 that is in line with 2007, so what is the issue there?

Second, in terms of the refining business, you achieved a premium of about \$4.60 per barrel in the fourth quarter. Your guidance for 2008 is \$4.00-4.50. Why is your guidance so cautious?

Finally, on CO₂, is there any update on the reimbursement of CO₂ costs related to your IGCC plants?

Dario Scaffardi

In 2005-07, we have consistently improved our margins versus the benchmark. In the refining business, which is extremely volatile, it is best to be prudent. Rather than giving a specific number, it is better to give a range, since any improvement depends significantly on the absolute prices of the various products and of crude oil, and on the differential amongst them.

In terms of CO₂, the CIP6 law provides for a reimbursement, so until the opposite is ruled, we are expecting to be reimbursed for CO₂ costs, if there are any.

Corrado Costanzo

On fixed costs, we give yearly guidance. Providing quarterly guidance is quite difficult. If you look at our full-year costs, they are in line with our guidance. There may be quarterly variations, depending on whether there is any maintenance and whether it is considered long-term turnaround maintenance and, therefore, capitalised for accounting purposes, or shorter-term maintenance. Even

if it is a unit shutdown, it might not necessarily be a long-term turnaround. For accounting purposes, you end up expensing those particular costs. These quarterly variations are rather difficult to predict and, therefore, we would not give quarterly guidance. On a yearly basis, however, you can see that everything is under control.

Anish Kapadia

You said that capex was going to be in line with or slightly higher than this year. If that is the case, you are more or less going to spend the entire €600 million that you are guiding to between 2006 and 2009. Could you clarify the position and split out where you are spending the capex between the different divisions?

Dario Scaffardi

The entire €600 million of capex is in the refining segment. We also have investments in our Spanish operation, where we are building a biodiesel plant, which will be ready in the summer, which is not included in the €600 million. There are also investments pertaining to the power generation unit, which are not part of that.

Kim Fustier, JPMorgan

How much interest are you seeing from the competition in the market currently for refining assets, especially given that you are probably not the only refiner looking to go for acquisitions?

Second, in terms of your wind power plants, do you intend to grow through organic investments or through acquisitions of existing wind farms?

Dario Scaffardi

We plan to grow organically. We have a pipeline of greenfield projects, which is what we are focusing on. Of course, should an opportunity arise in terms of an existing project, we would not necessarily disregard it. However, the price of these assets today is extremely expensive today, so we see very little upside.

In terms of your first question, all energy and refining companies tend to be relatively cash-rich, so they have problems employing their cash. For instance, US refiners have begun programmes of extensive buyback of their shares. There would probably, therefore, be stiff competition. Our approach to competition is that we do not want to win at all costs; we want to make acquisitions at a price that we believe is competitive not just acquiring assets.

Closing Comments

Marco Schiavetti

Thank you very much for being with us today. We will talk to you at the next call.