CONSOLIDATED FINANCIAL STATEMENTS OF SARAS GROUP AND SEPARATE FINANCIAL STATEMENTS OF SARAS S.P.A. FOR THE YEAR ENDING 31ST DECEMBER 2011

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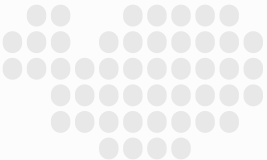

An independent heart in the middle of the Mediterranean

The Saras Group

The Saras Group operates in the energy sector and is one of the leading independent oil refiners in Europe. With a production capacity of 15 million tons per year (or 300,000 barrels per day), the Saras refinery situated in Sarroch, on the South-Western coast of Sardinia, accounts for about 15% of Italy's total refining capacity. It is also one of the biggest and most complex sites in the Mediterranean area, and it enjoys a strategic location at the heart of the main oil routes. Moreover, Saras' refinery is regarded as a model of efficiency and environmental sustainability, thanks to a wealth of know-how, technology and human resources accrued in almost 50 years of business.

Both directly and through its subsidiaries Arcola Petrolifera S.p.A. and Deposito di Arcola S.r.l. in Italy, and Saras Energia S.A. in Spain, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European and international markets. In particular, in 2011 approximately 2.4 million tons of oil products were sold in Italy, through our subsidiary Arcola Petrolifera, which operates exclusively in the wholesale market. Arcola Petrolifera relies on several logistic basis spread all over Italy, and it also uses a storage deposit with a capacity of 200,000 cubic metres of petroleum products, owned by the Group, managed by the subsidiary Deposito di Arcola S.r.l. and located in Arcola (La Spezia). A further 1.8 million tons of oil products were sold in the Spanish market through Saras Energia, which is active both in the wholesale and in the retail market. More in details, Saras Energia manages an oil products storage deposit with a capacity of 112,000 cubic metres, owned by the Group and located in Cartagena (Spain). It also uses other storage deposits owned by other major logistic operators (CLH, Decal, Tepsa, etc.), located all over the Spanish territory. Saras Energia also manages a retail network of 124 service stations, mainly positioned along the Spanish Mediterranean Coast, and a biodiesel plant in Cartagena, with a capacity of 200.000 tons per year.

During the past decade, the Saras Group expanded from oil refining and marketing into the power generation sector. More specifically, the subsidiary Sarlux S.r.l. produces electricity with an IGCC plant (Integrated Gasification plant with Combined Cycle power generation turbines), with a total installed capacity of 575MW. The feedstock used by the IGCC plant is the heavy residue of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to more than 30% of the electricity requirements in Sardinia.

Moreover, also in the island of Sardinia, the Group is also involved in the production of electricity from renewable sources, through a wind park situated in Ulassai, with an installed capacity of 96MW, managed by the subsidiary Sardeolica S.r.l.. Saras Group provides also industrial engineering and scientific research services to the oil, energy and environment industry via its subsidiary Sartec S.p.A.. Lastly, in July 2011, Saras S.p.A. created the company Sargas S.r.l., which operates in the sector of gas, hydrocarbons and natural steam, through activities such as exploration and development, as well as the transport, storage, purchase and sale of gaseous hydrocarbons.

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Milestones

Start of operations

1962: Saras is founded by Mr. Angelo Moratti

1965: the Sarroch refinery begins operations

1968: start up of a new Crude Distillation Unit (Topping) and of the Fluid Catalytic Cracking plant (FCC)

Refining for third parties

1970: start up of the Alkylation Unit (ALKY) and of a waste water treatment plant

Early ‘70s: refining services are offered to third parties for the first time (tolling agreements)

Increase in conversion capacity

1983: start up of the Visbreaking Unit (VSB) and of a Vacuum plant (Vacuum)

1984: start up of the Continuous Catalytic Reforming Unit (CCR)

Late 1980s: revamping of the FCC Unit, with capacity increased up to 94,000 bl/day

Environment, new technologies, and expansion into the wholesale market

1992: start up of the first MildHydroCracking Unit (MHC1)

Mid ‘90s: Saras begins to operate in the wholesale market in Spain (Saras Energia) and Italy (Arcola Petrolifera)

IPO and further investments in high technology and environment

2001:
- Start up of the Integrated Gasification Combined Cycle plant (IGCC)
- Start up of a second MildHydroCracking Unit (MHC2), and also of an Etherification Unit (TAME)

2005: the Ulassai wind park starts operations, with an installed capacity of 72MW

2006: IPO to grow the business and explore new opportunities

2007: increase in conversion capacity, leading to significant improvements in the production of automotive diesel

2008:
- Achievement of EMAS environmental registration (Eco Management Audit Scheme)
- Start up of the Tail Gas Treatment Unit and Sulphur recovery (TGTU), and of the gasoline desulphurisation unit (U800)

2009:
- Sales of gasoline and diesel with 10ppm (parts per million) sulphur content begins, thus contributing to a meaningful reduction of the

indirect emissions of SO_2
- Saras is the first refinery in Italy to obtain the AIA authorization (Integrated Environmental Authorization), which represents part of a journey to improve the technical and structural characteristics of the plant, in order to minimize the environmental impact of the production activities
- Extension of the retail network in the southern areas of Spain, through the integration of 71 new service stations acquired from ERG
- Inauguration of the artwork “La cattura dell'Ala del Vento” created by the artist Maria Lai, and dedicated to the Ulassai wind park
- Completion of an important cycle of maintenance and investments, critical for the future growth of the company, on the following Units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2, and VSB

Focus on safety, environment, efficiency and improvements in profitability

2010:
- “Project Focus” starts, in the first part of the year, with the specific aim of improving production efficiency and operations effectiveness. The project involves directly all Saras' personnel, and sets specific targets to be achieved within all the industrial operation aspects
- Saras becomes a certified member of the OCIMF (Oil Companies International Marine Forum), which is a voluntary association, active in the sector of safe transportation at sea of oil products, and which represents more than 40 oil companies from all over the world. This certification allows Saras to make “vetting” operations within the SIRE programme managed by OCIMF. This is a global database, with more than 12,000 inspections on a yearly basis, covering a fleet of approximately 4,400 oil carriers, made by certified OCIMF inspectors, according to international standards
- Emission of Eurobonds restricted to institutional investors, with a total principal amount of EUR 250 million and a maturity of 5 years. The bonds are listed in the Luxembourg Stock Exchange, have a coupon of 5.583%, shall mature on 21st July 2015, and do not involve collateral or covenants

2011:
- “Project focus” achieves extremely positive results in the area of “cost rationalization” (more than EUR 20 ml of savings in FY2011), and also in the area of “operational effectiveness”. Its scope is further extended to include also the areas of “Planning” and “Supply & Trading”. The approach to refinery planning, previously asset driven, is now mainly commercially driven, in order to capture more value from opportunities arising from high volatility in oil prices, within a context of strong oil markets
- The Group relies on its commercial and operational flexibility to overcome the shortage of Libyan crude oils, as a consequence of the civil war and the restrictive measures imposed by the United Nations and the European Union on commercial transactions. Before the beginning of the Libyan crisis, the Sarroch refinery used approximately 35% of Libyan crude oils for its total refinery runs. Thanks to all the appropriate remedial actions undertaken, the refinery continues to work practically at full capacity, minimising also the effects on profitability
- An important 10-year scheduled maintenance cycle is carried out on the entire IGCC plant. These activities are necessary to inspect and bring back to full efficiency all units of the plant, including those which do not have a “spare” unit in parallel, hence can be maintained only when the entire plant is shut down
- Sardeolica completes the repowering of the Ulassai wind park, bringing the installed capacity up from 72 to 96 MW, taking full benefit from the 48 aero-generators model “Vestas V80”, with a height to the hub of 67 metres and 80 metres rotor's diameter
- The Group launches a corporate restructuring programme intended to combine specific and clearly identified activities into separate legal entities, in order to make the necessary enhancements to its organisational, managerial and financial structures. In this regard, on 6th July 2011, the meeting of the shareholders of Arcola Petrolifera S.p.A. approved the plan prepared by the Board of Directors for the partial de-merger of the Company. This led to the creation of a new company, on 1st October 2011, called “Deposito di Arcola Petrolifera S.r.l.”.
  All the assets, liabilities and employees of the Arcola facility in Liguria have been transferred into the new company, involving a total of 24 employees.
  In addition, the meetings of the shareholders of Ensar S.r.l. and its subsidiaries Eolica Italiana S.r.l. and Nova Eolica S.r.l., which were also held on 6th July 2011, approved the merger plans drawn up by their respective Boards of Directors.
  The merger of the two subsidiaries into Ensar S.r.l. took place on 30th September 2001. Lastly, on 15th July 2011, Saras S.p.A. created the company Sargas S.r.l., which operates in the field of gas, hydrocarbons and natural steam, through activities such as exploration and development, as well as the transport, storage, purchase and sale of gaseous hydrocarbons

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Letter to Shareholders

In 2011 the crisis of the European refining sector continued, with margins remaining under strong pressure, because of several factors penalising both demand and supply.

Indeed, on the demand side, it is now more than three years since Europe began to register a structural drop in consumption, due primarily to the economic crisis, but further worsened by the growing use of biodiesel in the gasoil blend, with the declared purpose of reducing production of smog and CO_2 emissions. However, recent studies have demonstrated that huge surfaces of land are needed for the cultivation of the vegetables from which the biofuels are extracted. This leads to higher costs in the food chain, and it also increases deforestation, hence offsetting any benefit in the production and release of CO_2.

Looking at the supply side, instead, there appears to be evident distortions in the competitive framework, with European refiners standing in a clearly disadvantaged position. The most disruptive element is represented by the incentives and the various forms of subsidies, which Far Eastern countries offer to their local refineries. Moreover, in these countries, safety and environmental regulations are far less stringent than in Europe. Consequently, production costs are significantly lower, making it possible to export refined products (mainly gasoil) at distorted prices, into the Mediterranean Basin and towards Northern European countries. Competition, however, comes also from the other side of the planet. In fact, in the USA, the price of WTI crude oil (Western Texas Intermediate) has been strongly discounted versus the European Brent crude oil for more than one year. This situation allows the refineries located in the Mid-West of the United States and on the Gulf of Mexico to benefit from a lower cost of the feedstock. It follows that also those refineries can export gasoil to Europe, thanks to the cheaper cost of the feedstock offsetting all their transportation charges.

In such a Darwinian market scenario, there is the need for a progressive process of rationalization of the refining capacity, which will involve mainly obsolete and inefficient plants. In contrast, the most forward-looking operators took the opportunity presented by the current crisis in order to start various programmes aimed at increasing their energy efficiency and production effectiveness, and optimising all operating costs.

In this regard, during 2011, the Saras Group continued with renewed energy the implementation of "Project Focus", thanks to the professional capabilities, the efforts and the discipline of all its employees. The results achieved so far are very interesting, and they deserve to be summarised here below, also mentioning the specific areas and the rationale behind each one of them.

In the area of **operating cost optimisation**, in 2011 there have been savings for approx. EUR 23 ml across the entire industrial site, intended as the refinery and the IGCC plant. In particular, looking at our maintenance operations, we completed several reviews of generic contracts, avoiding rework, and also taking back control of various activities which had been outsourced over the past years.

In the **area of production effectiveness**, the greatest efforts were aimed at improving the way we run the refinery units, in order to minimise down-time, increase operational availability and production yields. Among the various objectives, one of the most relevant is the integration between the planning of our refinery runs, and the

management of supply.
This will enable us to take full advantage of the operational flexibility of the refinery, to capture margins available in the markets at any given moment in time, and to leverage our large storage space for trading operations which use market volatility and arbitrage opportunities. For those reasons, “Project Focus” has been extended to the “Planning” and “Supply & Trading” departments.

Finally, in the **area of energy efficiency**, numerous daily activities have been launched in order to reduce consumption and losses. Indeed, electricity has become one of the main operational costs for every refinery, as a consequence of the increases in crude oil prices. Any action directed to minimise consumption and losses is, therefore, capable of bringing very relevant benefits to the refinery margins.

Moreover, in 2011, besides all the above mentioned actions aimed at improving the economics, the Saras Group intensified also the efforts directed at increasing sustainability (which implies minimising our environmental impact and increasing our social responsibility), and improving safety (intended as mindset and rules to further protect our health).

On this last topic, the need to continue a strong action at 360 degrees, involving both the Group employees and also the workers of our contractors, appeared painfully evident after the tragic accident on 11th April, when Pierpaolo Pulvirenti, a technician of the contracting company Star Service S.r.l., lost his life during some maintenance activities on the DEA3 unit of the Sarroch refinery.

Preventing any form of accident or injury, and preserving the health of our people has always been a core value for Saras, as it can also be demonstrated by more than EUR 60m of Capex, during the period 2008 – 2011, aimed at increasing safety in our industrial site. Changing the mindset of our employees and spreading the “culture of safety”, is for Saras a moral requirements, as well as one of the fundamental pillars on which our entire business model is based.

Therefore, notwithstanding the disappointing refinery margins, thanks to the strong-willed implementation of the cost rationalization and efficiency improvement processes, but thanks also to our dynamic and proactive behaviour on the oil markets, the Saras Group managed to close FY2011 with good economic results, especially when compared with our main competitors in Europe, while preserving also a very solid net financial position.

Group *comparable* EBITDA stood at EUR 267,8m, up from EUR 149,2m in FY2010, mainly thanks to the better results achieved by the Refining, Marketing and Power Generation segments.

Similarly, **Group *adjusted* Net Result was EUR -17.7m**, significantly better than EUR -43.9m in FY2010, for the same reasons mentioned at EBITDA level.

Looking at the future, at the beginning of 2012, the diesel *crack spread* and the premium for the conversion of fuel oil into middle distillates seemed to be moving along fundamentally favourable trends. This created the premises for an improvement in margins, in particular for complex refineries. However, it should be noted that the recent confrontation between Iran and the western world is creating strong tensions on crude oil prices, with evident consequences also on refinery margins. Our Group has a minimal exposure to Iran, with imports of crude for approx. 10% of the total refinery runs. Besides, in previous situations, we have already demonstrated the capability to leverage our commercial and operational flexibility. Therefore, we maintain a positive outlook, even in the case that Iranian crude oils should become unavailable in the European market.

The Chief Executive Officer
Massimo Moratti

The Chairman
Gian Marco Moratti

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Saras Group Report on Operations

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Main financial and operating figures

EUR Million		2011	2010	Var%
REVENUES		11,037	8,615	28%
EBITDA		394.3	223.5	76%
***Comparable* EBITDA**[1]		**267.8**	**149.2**	**79%**
EBIT		181.0	16.1	1.025%
***Comparable* EBIT** [1]		**54.5**	**(58.1)**	**194%**
NET INCOME		58.8	(9.5)	718%
***Adjusted* Net Income**[1]		**(17.7)**	**(43.9)**	**60%**
Outstanding shares, '000,000 (avg. nr.)		928	928	
***Adjusted* EPS, (EUR)**		**(0.02)**	**(0.05)**	
NET FINANCIAL POSITION		**(653)**	**(560)**	
CAPEX		**105**	**129**	
OPERATING CASH FLOW [2]		**12**	**102**	
REFINERY RUNS	Thousand tons	14,006	14,340	-2%
	Million bl	102.2	104.7	-2%
	Thousand bl/day	280	287	-2%
of which:				
Processing for own account	Thousand tons	14,006	13,284	5%
Processing on behalf of third parties	Thousand tons	0	1,056	n/a
EXCHANGE RATE	EUR/USD	1.392	1.326	5%
EMC BENCHMARK MARGIN	$/bl	(1.1)	0.6	
SARAS REFINERY MARGIN	$/bl	2.8	1.8	
ELECTRICITY PRODUCTION IGCC	MWh/1000	4,012	4,337	-7%
POWER TARIFF IGCC	Eurocent/KWh	10.6	9.5	11%
MARGIN IGCC	$/bl	4.3	3.8	13%
TOTAL MARKETING SALES	Thousand tons	4,58	4,266	-3%
of which in Italy	Thousand tons	2,367	1,731	37%
of which in Spain	Thousand tons	1,791	2,535	-29%

1. ***Comparable* EBITDA/EBIT** calculated with inventories measured according to the LIFO methodology and adjusted for non-recurring items.

2. ***Adjusted* net profit**: *adjusted* for differences between LIFO and FIFO inventory calculations after tax, non-recurring items after tax and changes in the fair value of derivatives after tax.

3. **Cash Flow** reclassified to highlight change in net financial position.

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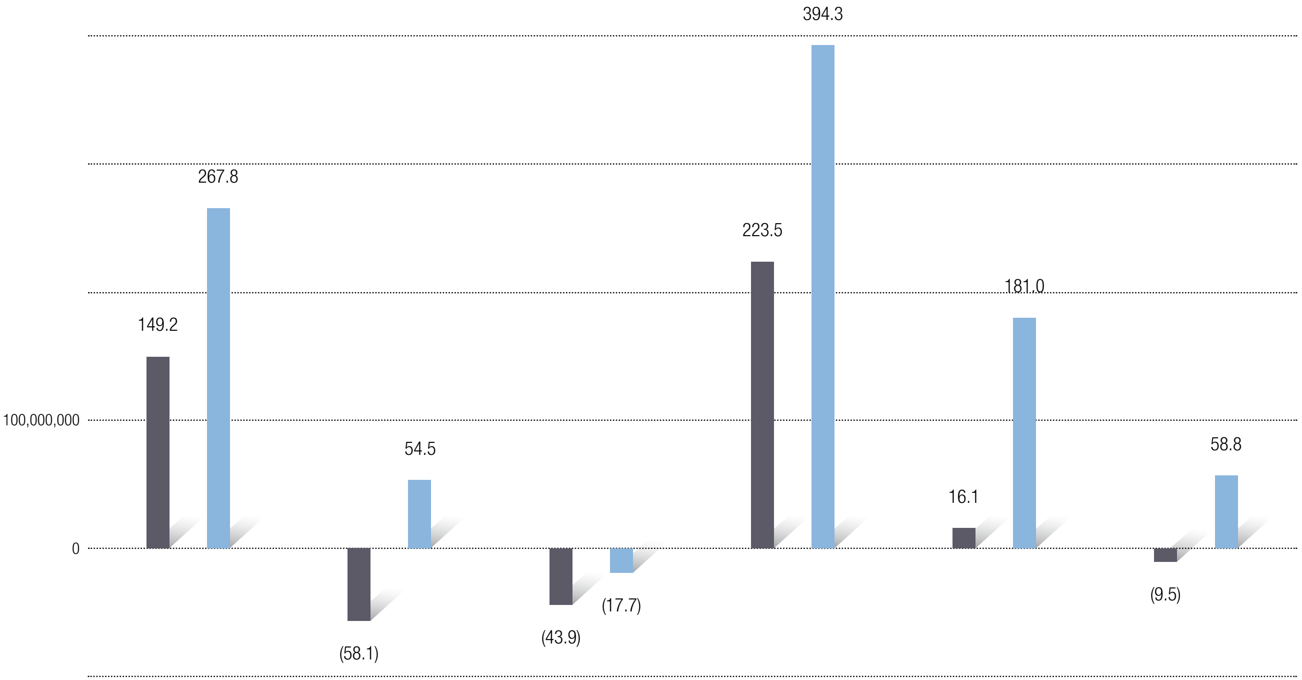
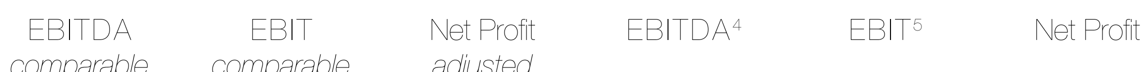
Key financial and non financial indicators

Main Income Statements [2010 and 2011]

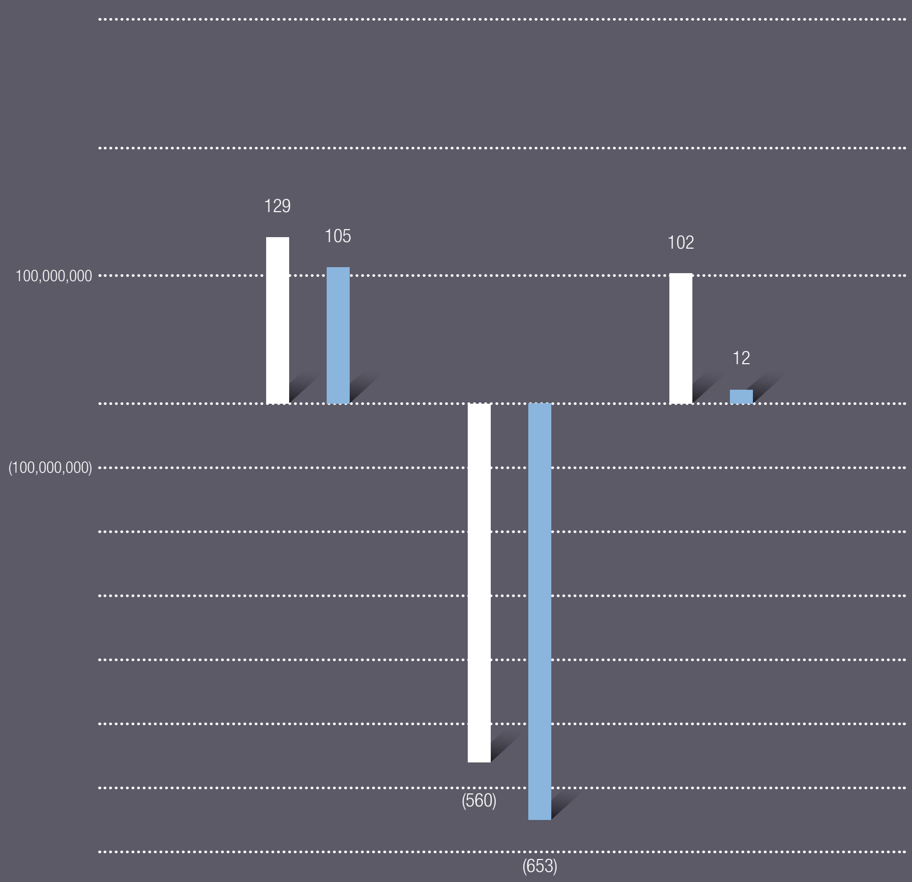




4. **EBITDA** Operating result before Depreciation&Amortization.

5. **EBIT** Operating result.

Financial Position and Cash Flow figures [2010 and 2011]



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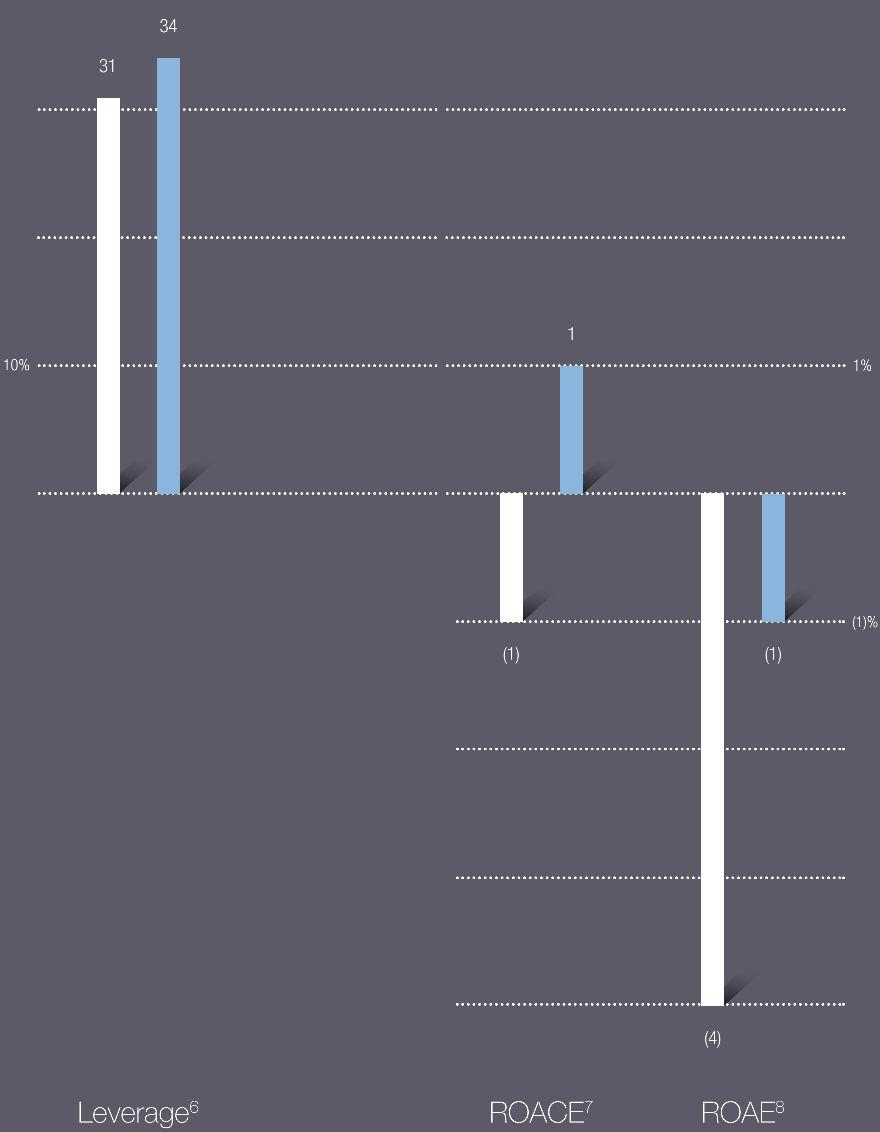
Key financial indicators [2010 and 2011]

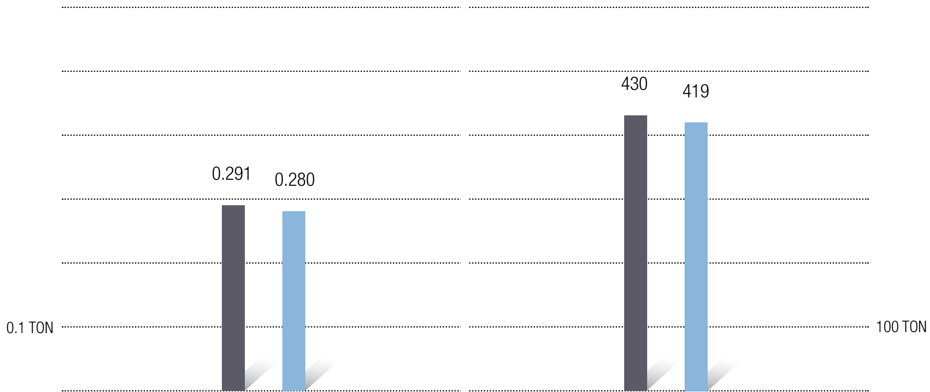


6. Leverage: net debt/(net debt+equity) target: 25-50%.

7. ROACE: return on average capital employed. Target: at least 15%.

8. ROAE: return on average equity. Target: at least 15%.

Environmental indicators [2010 and 2011]



SO_2 Production rate
(tons of SO_2 / thousand tons of refinery runs)

CO_2 Production rate
(tons of CO_2 / thousand tons of refinery runs)

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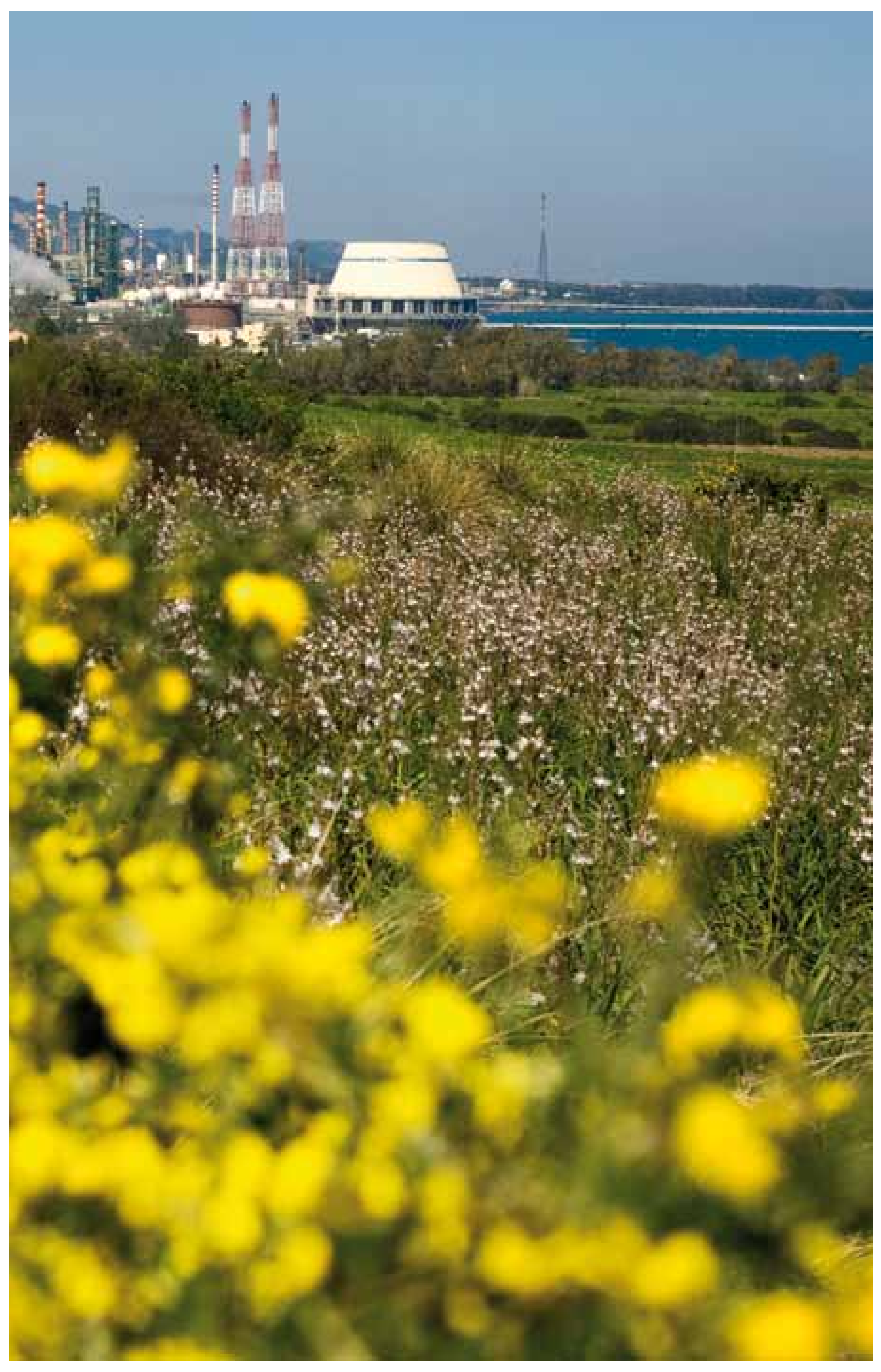

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Board of Directors

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	CEO and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	General Manager and Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
GABRIELE PREVIATI	Director
GILBERTO CALLERA	Independent Director
GIANCARLO CERUTTI*	Independent Director
MARIO GRECO	Independent Director

Board of Statutory Auditors

FERDINANDO SUPERTI FURGA	Chairman
GIOVANNI LUIGI CAMERA	Permanent Auditor
MICHELE DI MARTINO	Permanent Auditor
MARCO VISENTIN	Stand-in Auditor
LUIGI BORRÈ	Stand-in Auditor

Executive Director responsible for all financials

CORRADO COSTANZO	Chief Financial Officer

Independent Auditing Firm

PRICEWATERHOUSECOOPERS S.p.A.

* Independent Director elected by the list of Minority Shareholders

Board of Directors and Top Management

Gian Marco Moratti
Chairman and Director

Massimo Moratti
CEO and Director

Angelo Moratti
Vice Chairman and Director

Angelomario Moratti
Chairman of Saras Energia and Director

Gabriele Moratti
Director

Gabriele Previati
Director

Gilberto Callera
Indipendent Director

Mario Greco
Indipendent Director

Giancarlo Cerutti
Indipendent Director

Dario Scaffardi
General Manager and Director

Corrado Costanzo
Chief Financial Officer

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Corporate Governance

The Company adheres to the Code of Conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana S.p.A. in March 2006, as set out in the annual report on corporate governance drawn up by the Board of Directors and published within 15 days of the General Meeting of Shareholders called to approve the 2011 financial statements.

The report describes the main features of Saras' corporate governance system and how its various component parts function in practice, with a particular focus on compliance with the recommendations contained in the Code of Conduct.

The corporate organisation of Saras S.p.A. complies with the provisions of the Civil Code and other regulations specific to corporations, and in particular the provisions of Legislative Decree 58 of 24th February 1998 (the Consolidated Finance Act). The Company is structured in accordance with the traditional model for administration and control, with a Board of Directors tasked with company management, below which is a Remuneration Committee and an Internal Audit Committee, and a Board of Statutory Auditors, whose tasks include monitoring compliance with legislation and the articles of association, and controlling the adequacy of the Company's organisational structure, internal audit system and administrative and accounting systems.

The Company has entrusted the task of auditing its annual and consolidated financial statements for the financial years 2006-2014, as well as the limited auditing of half-year reports in the same period, to the audit firm PricewaterhouseCoopers S.p.A. ("PwC").

The report provides details of the role and tasks of the Board of Directors, listing the functions that can and cannot be delegated and providing up-to-date information on its composition and the meetings held in 2011 and 2012.

Specifically, the Board comprises three independent non-executive directors – Gilberto Callera, Giancarlo Cerutti and Mario Greco – who, together with another non-executive director, Gabriele Previati, make up the Company's Internal Audit Committee. Mr. Callera, Mr. Cerutti and Mr. Greco are also members of the Remuneration Committee.

Both committees have the consultative and advisory functions laid down in the Code of Conduct, and met regularly during 2011 and in the first quarter of 2012, as indicated in the Corporate Governance report.

The report also describes the Company's internal audit system. Responsibility for this lies with the Board of Directors, which establishes guidelines and regularly checks its suitability and effective operation, drawing on the services of the Internal Audit Committee, the Head of Internal Audit, and the Internal Audit department. The Board has appointed the Chairman of the Board of Directors as the executive director responsible for supervising the operation of the internal audit system.

The Company has also appointed the Chief Financial Officer, Corrado Costanzo, as the director in charge of financial reporting, within the meaning of Article 154-bis of the Consolidated Finance Act. The Company has also appointed Massimo Vacca as the manager responsible for relations with shareholders and institutional investors.

The internal audit system forms the basis of the Company's Code of Ethics, which sets out the principles and values adopted by Saras that must be complied with by all employees, partners and persons with whom Saras has relationships, as well as detailing the organisational, management and control model, adopted to implement the rules on corporate administrative liability laid down in Legislative Decree 231/2001, which is monitored by an appropriate oversight body.

Following adoption by the Consob of the "Regulation on related-party transactions" (Resolution 17221 of 12th March 2010 – hereinafter the "Regulation"), the Board of Directors, with the approval of the Committee for Related Party Transactions constituted pursuant to the Regulation, adopted procedures for related party transactions. These are available on the Company's website.

Lastly, the report describes the contents of the internal rules for managing inside information and the creation of a register of persons with access to such information, as well as the code of conduct on internal dealing, procedures for related party transactions, and the code of conduct for directors of the Saras Group which was adopted by the Company's Board of Directors.

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Regulatory Framework

The most significant measures in 2011 relating to the environment, energy and health and safety at work are as follows:

- Ministerial Decree 52 of 18th February 2011. The decree contains the regulation on the establishment of a control system for the tracking of waste (SISTRI), pursuant to Art. 189 of Legislative Decree 152 of 3rd April 2006 and Art. 14 of the Decree Law of 1st July 2009.

- Legislative Decree no. 28 of 3rd March 2011. This decree establishes the tools, mechanisms, incentives and institutional, financial and legal framework necessary to achieve the targets for 2020 on the overall share of energy from renewable sources in gross final energy consumption and the share of energy from renewable sources in transport. It also contains further provisions regarding the authorization procedures for the development of renewables and the related authorization for generation and the operation of generation facilities. The Decree also regulates support measures for renewable source generation plants.

- Legislative Decree no. 55 of 31st March 2011 implementing Directive 2009/30/EC as regards the specification of petrol and diesel. This Decree, in connection with certain provisions of the aforementioned Legislative Decree no. 28/2011, establishes a mandatory 5% blending quota for biofuels based on 2014 energy targets and rules for verifying the sustainability criteria of biofuels; with respect to the latter, it is necessary to await publication of the implementing decrees provided for in both decrees.

- Decision of the European Commission 2011/278/EU of 27th April 2011, determining rules to harmonise free allocation of emission allowances (pursuant to Article 10a of Directive 2003/87/EC on emission trading) with effect from 2013. The Decision applies to the free allocation of emission allowances, in particular for stationary, existing installations (which obtained a permit to emit greenhouse gases before 30th June 2011), from 2013 onwards. With reference to installations in the thermoelectric sector, the Decision confirms, as stated in the Directive, that there are no free allocations for the production of electricity, except in specific cases, while provisions and methods of assignment are shown in relation to installations in the refinery sector.

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- Ministerial Decree no. 53919 of 8th June 2011. This Decree provisionally established the avoided fuel cost adjustment value for 2010, pursuant to the provisions of CIP (Interministerial Committee on Prices) Resolution no. 6 of 29th April 1992.

- Legislative Decree no. 121 of 7th July 2011, entitled "Implementation of Directive 2008/99/EC on the protection of the environment through criminal law, and Directive 2009/123/EC (collectively referred to as "the Directives") amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties, including criminal penalties, for pollution offences". The Legislative Decree in question, which came into force on 16th August 2011, among other things extended the scope of Legislative Decree no. 231/2001 to include crimes committed in breach of environmental standards.

- Presidential Decree no. 157 of 11th July 2011. This Decree contains the implementing regulation for Regulation (EC) No 166/2006 concerning the establishment of a European Pollutant Release and Transfer Register.

- Ministerial Decree of 4th August 2011 concerning "Additions to Legislative Decree no. 20 of 8th February 2007, implementing Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC".

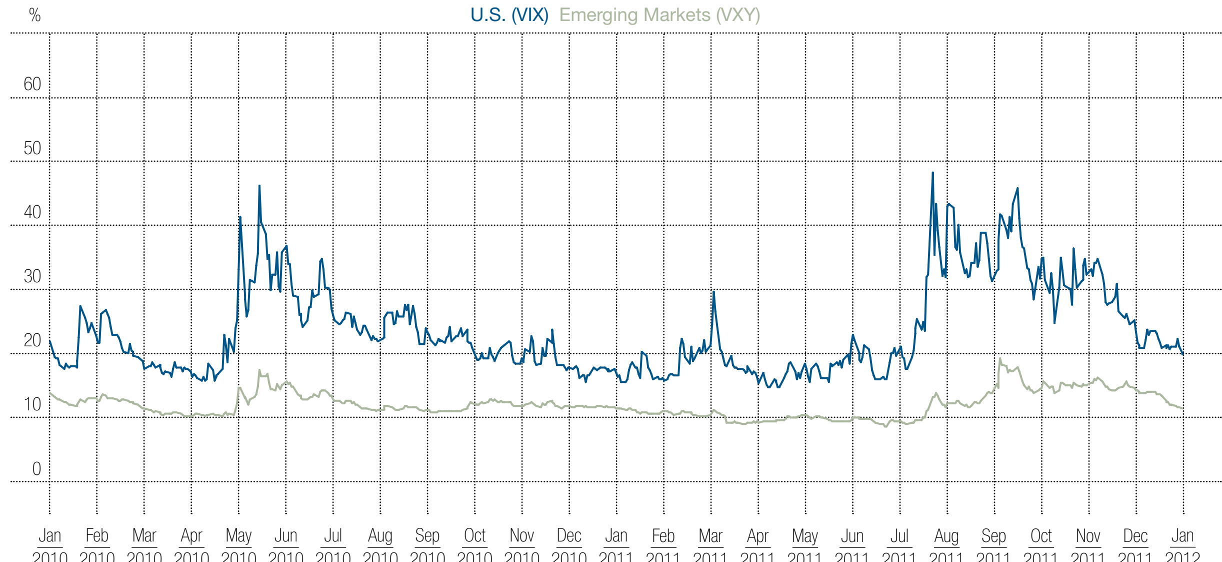
- Ministerial Decree no. of 5th September 2011. This Decree established a new support system for high-efficiency cogeneration. Among other things, the Decree lays down the methods for determining the efficiency of the cogeneration process.

- Legislative Decree no. 186 of 27th October 2011 entitled "Penalties for violation of the provisions of Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006". This Decree introduced specific sanctions for breaches of duties as regards the classification, labelling and packaging of substances and mixtures.

Equity Markets

2011 started well, with the global economy moving along an expansionary phase, sustained by a combination of strong growth in emerging countries, recovery in the United States of America, and consistent improvements in the Euro Zone. In the first few months of the year, international commercial flows resumed a growing trend, and also raw materials started to increase their prices (crude oil posting the most significant hike, also because of popular unrests in North Africa and Middle East). In such a context, the equity indices in the main markets moved upwards.

Towards the end of February, however, tensions intensified around the sovereign debt of some countries in the Euro Zone. Only partial relief came from the meeting on the 11th of March, during which Heads of State and Prime Ministers of the European countries agreed to extend the lending capabilities of the European Financial Stability Facility (EFSF), and established the characteristics of the European Stability Mechanism (ESM), which will overtake the EFSF in 2013. Therefore, since mid March, the global economy started to slow down, hindered by the European troubles,



VIX: Chicago Board Options Exchange Market Volatility Index, a measure of the implicit volatility of options on the S&P 500 index

VXY: JPMorgan emerging markets implicit volatility index, a measure of the aggregate volatility in currency markets

but also by the anaemic growth rate in the USA and by a strong contraction in Japan, following the devastating earthquake and the subsequent tsunami. Simultaneously, also in emerging economies the first signs of a slow down started to materialize, although in a local context of robust growth.

The financial markets have been characterized by high volatility, with some respite coming only towards the end of March. At that time, the losses of the previous weeks found partial compensation, and there was a short rebound which continued until the beginning of May.

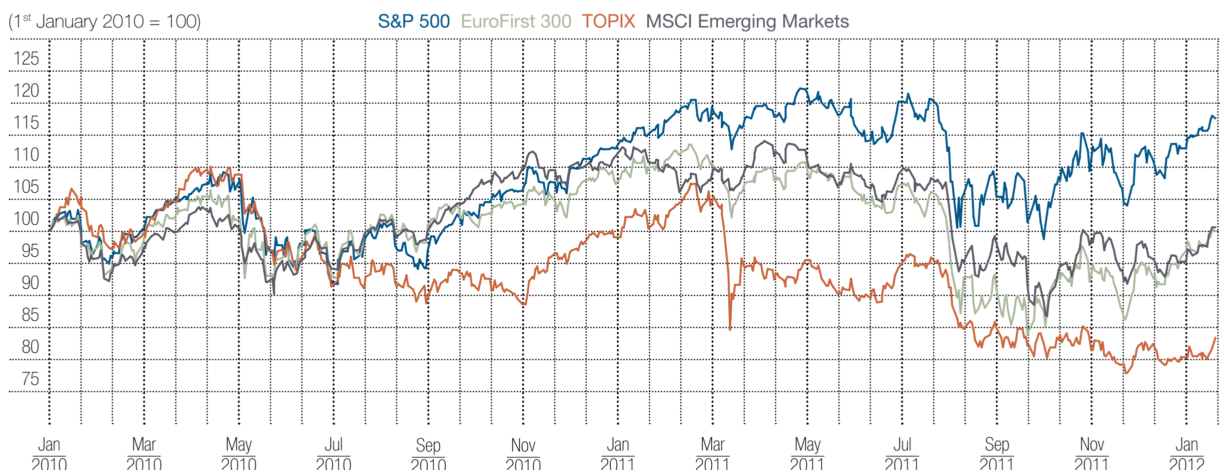
Towards the end of spring, however, the volatility in the markets started to increase once again. In fact, despite the Greek Parliament's approval of a new austerity plan and the consequent decision of the European Central Bank, on the 2nd of July, to grant a further loan to Greece, during the month of June tensions on financial markets started to intensify, due to continued uncertainties on the public debt of the peripheral countries of the Union (Greece, Portugal, Ireland, Spain and even Italy).

Moreover, at the beginning of July, the outlook for the global economy sharply worsened. Economic activity in advanced countries had a meaningful slow-down, because of temporary factors such as the rise in energy cost, but also because of permanently high levels of unemployment, and widely-spread uncertainties on the actual possibilities of rebalancing the huge public debts. Even in the emerging countries the pace of economic growth decelerated, even if they remained in the expansionary part of the cycle.

The international financial institutions made a sharp downward revision of their forecasts for global GDP growth. In turn, this led to a dramatic fall of the financial markets during the quarter July – September. Enormous tensions swept the sovereign bond markets in a growing number of countries of the Euro Zone, with consequent problems on their capability to refinance and on the stock performance of the banks in those countries, and also a steep increase in the spreads versus the German Bund. Volatility jumped to extremely high levels. A generalised "fly to quality" pushed investors to buy sovereign bonds issued by Germany (Bunds) and the United States (Treasury bills), and also "safe heaven" goods and currencies such as gold and Swiss Francs, while at the same time heavy selling took place in the Equity markets.

Towards the end of the year, finally, a slight improvement of the economic macro-indicators in the USA produced a noticeable rebound of the US Equity market, as it can be appreciated when looking at the S&P 500 Index. In Europe, the important progress achieved with the change of Governments in Greece, Italy and Spain allowed investors to regain moderate confidence, and the Euro First 300 Index posted a gain of approximately 10% in December, despite the macroeconomic context continuing to deteriorate, with a few countries entering into recession (including Italy).

Equity Indices (Source: Bloomberg, Datastream, IMF)



S&P 500: Index of the 500 most representative stocks traded in the USA Stock Exchange

EuroFirst 300: Index of the 300 most representative stocks traded in the main European Stock Exchanges

TOPIX: Tokyo Stock Exchange Price Index

MSCI Emerging Markets: Emerging Markets Stock Exchange Price Index

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Saras Share Performance

Below are some data concerning daily prices and volumes relating to the Saras share, for the period from 3rd January 2011 to 30th December 2011.

SHARE PRICE (EUR)	2011
Minimum Price (26/08/2010) *	0.849
Maximum Price (06/01/2010) *	2.023
Average Price	1.434
Closing Price on 30/12/2011	0.967

* minimum and maximum prices refer to official reference prices on the closing of each trading day.

DAILY TRADING VOLUMES	2011
Maximum volume in EUR million (07/02/2011)	40.4
Maximum volume in number of shares (million) (07/02/2011)	20.0
Minimum volume in EUR million (18/11/2011)	0.8
Minimum volume in number of shares (million) (13/06/2011)	0.5
Average Volume in EUR million	4.1
Average Volume in number of shares (million)	2.8

As of 30th December 2011 the market capitalisation was EUR 919 million and, at the same date, the number of shares outstanding were approximately 928 million.

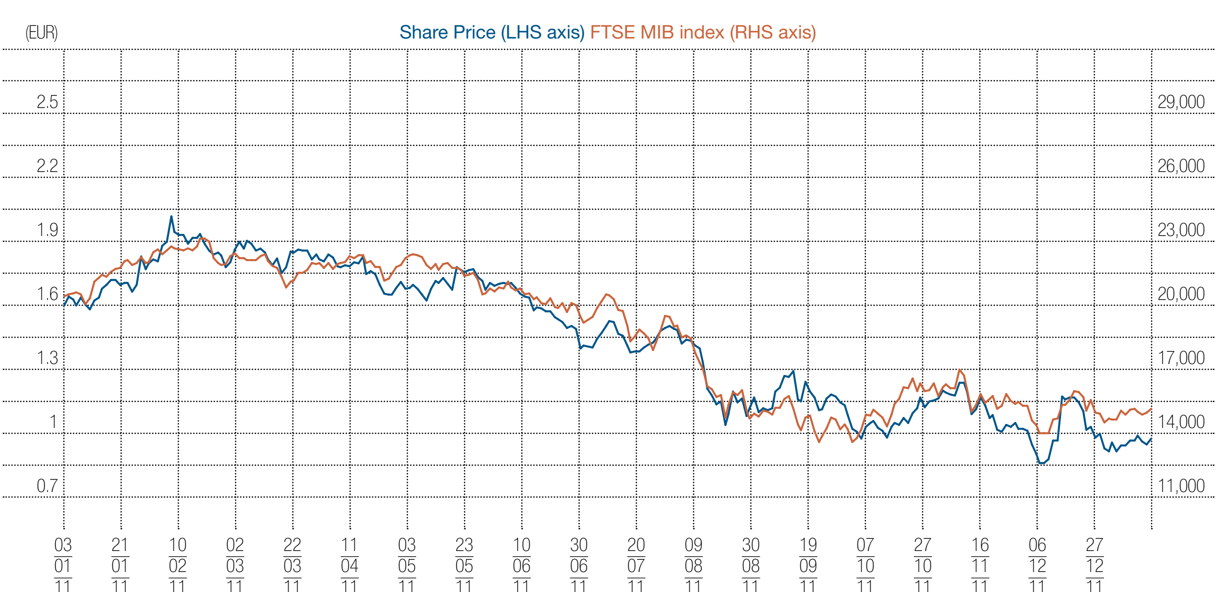
In the following graph we compare the daily performance of Saras' share price with the FTSE MIB index of the Italian Stock Exchange in Milan.

It is possible to note that, starting from a price of EUR 1.60 on the 3rd of January 2011, the Saras share moved practically in parallel with the FTSE MIB for the entire year.

There was initially a period of appreciation during the first quarter, when an optimistic view on the possibilities of expansion for the global economy prevailed. The Saras share outperformed the market, reaching a peak of EUR 2.02 on the 7th of February, up 26.4% versus the beginning of the year (while, on that same date, the FTSE MIB index was up only 11.5%).

At the end of February, however, the increase in volatility previously described pushed all equity markets down a descending path. Our share, within the general market trend, still managed to remain above the opening price at the beginning of the year until the 8th of June (EUR 1.58). Subsequently, the storm which swept the financial markets during the summer pushed Saras shares down to a minimum value of EUR 1.03 on the 10th of August, following the results for the first half of the year.

Later on, the Saras share posted a strong rebound (reaching EUR 1.29 on the 2nd of September), and it continued to outperform the equity market until the end of the month. Only towards the middle of October, Saras' share price deteriorated more than the Italian index, touching a bottom of EUR 0.85 on the 23rd of November, because of disappointing quarterly results, which missed market consensus. The year finally ended in a moderate recovery, and Saras shares closed with a price of EUR 0.97 on the 30th of December.



On the 27th of October 2011, the period of authorisation expired for the "Share Buyback" programme, up to a maximum number of 72,423,602 ordinary shares and for the duration of 18 months since the resolution of the AGM on the 27th of April 2010, announced on that same date. During the above mentioned period, Saras did not purchase own shares. Therefore, considering also the shares used to service the Share plan for the employees, and the plan of "Stock Grant" for the management of the Group, the total number of shares held in treasury by Saras on the 31st of December 2011 is 22,644,588, which corresponds to approximately 2.4% of the share capital

Finally, the AGM on the 28th of April 2011 resolved to authorise, pursuant to article 2357 of the Italian Civil Code and article 132 of the Legislative Decree n. 58/1998, the purchase plan of own shares ("Buyback Plan") and the disposal of the shares purchased under the "Buyback Plan", up to 10% of the share capital, also considering the shares already owned by the company, to be implemented also in several stages as appropriate, and to take place in the twelve months following the expiry of the "buyback programme" previously approved by the AGM on the 27th of April 2010. The beginning of Buyback operations will be eventually communicated, pursuant to article 144-bis, comma 3, of the CONSOB resolution n. 11971/1999 and its subsequent integrations and amendments.

As usual, purchased shares will not be cancelled, and they will be used to service the stock plans for managers and employees approved by the Shareholders meeting, and they may be also used for other projects related to operational management and industrial plans, or other investment opportunities, coherently with Company's strategy, as well as for sustaining the liquidity of the stock and controlling the volatility of the Company's share price.

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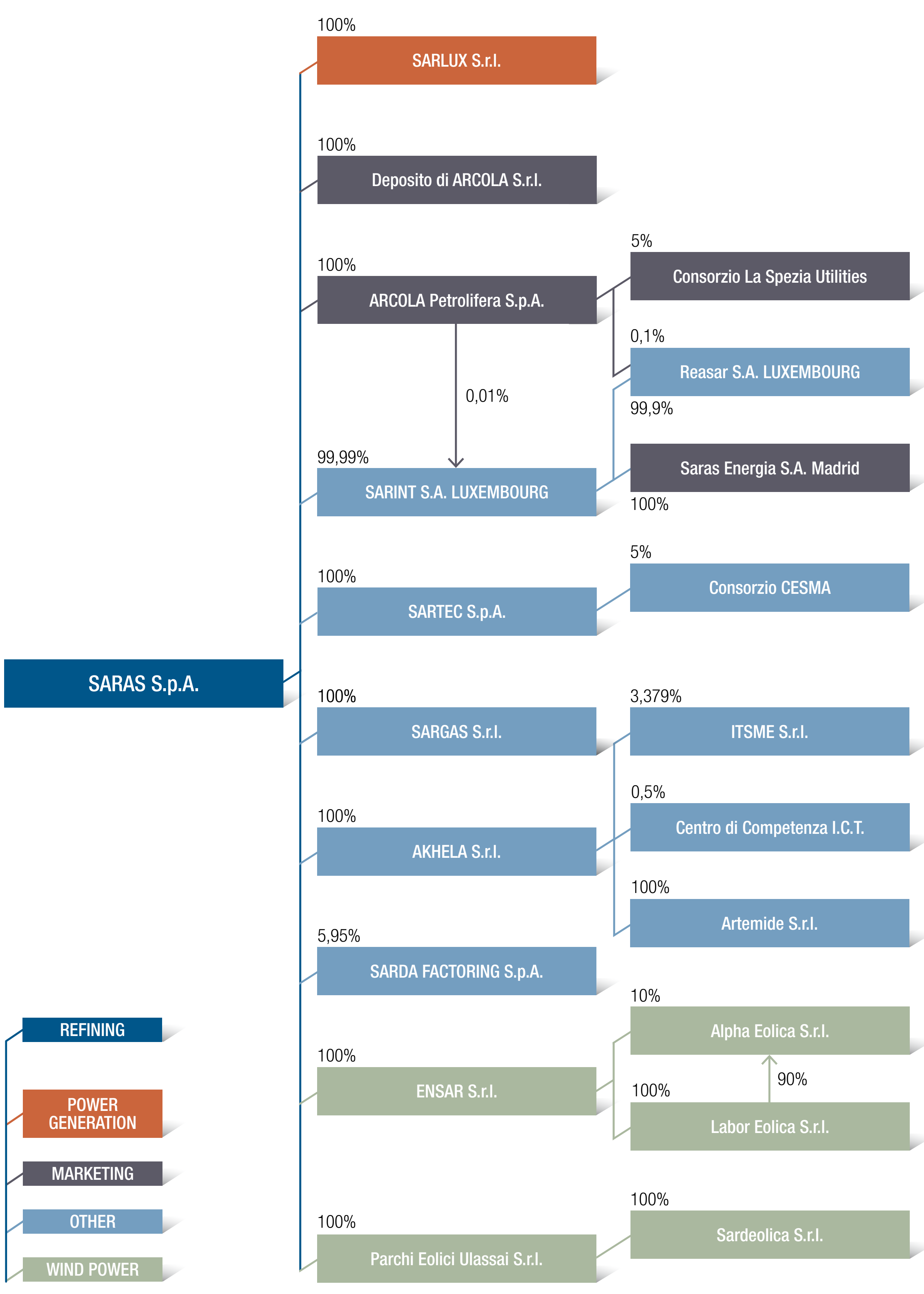
Structure of the Saras Group



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Below are key consolidated performance and financial figures, shown in comparison with the data related to the same period last year. In order to give a better presentation 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 Results are provided also with a valuation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, as reqiured by IFRS). 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 change in the derivatives' fair value are deducted both from the Operating Results and from Net Results. Operating Results and Net Results calculated as above are called respectively "*comparable*" and "*adjusted*", and they are not subject to audit.

SARAS GROUP CONSOLIDATED INCOME STATEMENT FIGURES:

EUR Million	FY 2011	FY 2010	Change
REVENUES	11,037	8,615	28%
EBITDA	394.3	223.5	76%
***Comparable* EBITDA**	**267.8**	**149.2**	**79%**
EBIT	181.0	16.1	1,025%
***Comparable* EBIT**	**54.5**	**(58.1)**	**194%**
NET RESULT	58.8	(9.5)	718%
***Adjusted* NET RESULT**	**(17.7)**	**(43.9)**	**60%**

OTHER GROUP FIGURES:

EUR Million	FY 2011	FY 2010
NET FINANCIAL POSITION	(653)	(560)
CAPEX	105	129
OPERATING CASH FLOW[9]	12	102

9. Cash Flow reclassified to highlight change in Net Financial Position

Comments to full year 2011 results

2011 has been a difficult year for the global economy, because of continuing financial troubles in the peripheral countries of the Euro Zone, and persistently high unemployment levels in the United States. Moreover, two geopolitical events weighted heavily on the stability of the crude oil supply, causing strong tensions on oil prices: in the first part of the year, the so called “Arab spring” touched its apex with the dramatic events in Libya and Syria; later, in the last quarter, the confrontation between Iran and the Western World dramatically intensified.

Refining margins were under pressure for most of the year, putting under severe stress the resilience of the entire European refining industry, which also had to face the competition of both American and Asian refineries. In particular, the wide discount of WTI crude versus European Brent allowed the American refineries based in the Mid-West and in the Gulf of Mexico to benefit from a cheaper cost of the feedstock. This was more than sufficient to compensate for the cost of transportation, and made it possible for American refiners to export refined products to Europe at competitive prices. In Asia instead, the local refineries enjoy various forms of economic incentives and tax relief, as well as Health, Environment and Safety regulations far less severe than in Europe.

In such a challenging context, the Refining segment of the Saras Group leveraged its traditional flexibility to limit the effects related to the shortage of Libyan crude oils and it was also able to implement meaningful reductions in operating costs, as well as improvements in energy efficiency. Consequently, it achieved a good result, especially in comparative terms versus the European peers.

Also the Power Generation segment obtained an excellent performance, notwithstanding the important 10-year turnaround cycle, carried out during the second quarter of the year, to allow the scheduled maintenance activities on the IGCC plant. In the subsequent quarters indeed, the plant was again fully operational, and it achieved solid economic results, and full scale productivity.

Moving to the Marketing segment, the year 2011 was characterized by a generalized reduction in oil products’ consumption in all main European markets, including Italy and Spain where our Group activities are concentrated. Nonetheless, the segment’s results have been strong, thanks also to focused policies of optimisation in the mix of sales channels and oil product inventories.

Finally, the Wind segment’s performance was influenced by unfavourable weather conditions, especially during the second and third quarter of the year.

Group Revenues in FY2011 were EUR 11,037m, up 28% vs. FY2010, mainly because of the higher revenues coming from the Refining and Marketing segments, in the light of significantly higher prices for all the main oil products (for quick reference, in FY2011 diesel traded at an average of 958 $/ton vs. 683 $/ton in FY2010, and gasoline was priced at 979 $/ton vs. 730 $/ton in FY2010). Moreover, the higher revenues in FY2011 derive also from higher volumes of oil products sold on our own account, due to the expiry of all third parties processing contracts in the Sarroch refinery.

Group *reported* EBITDA in FY2011 was EUR 394.3m, substantially higher than EUR 223.5m in FY2010. This result came primarily as a consequence of the revaluation of the oil inventories, related to the growing trend followed by oil prices. Moreover, Group EBITDA was supported also by the higher operating performance of the Sarroch refinery, as well as the stronger results of the Power Generation segment. **Group *reported* Net Result stood at EUR 58.8m**, up vs. EUR -9.5m in FY2010, essentially for the same reason explained at EBITDA level.

Group *comparable* EBITDA amounted to EUR 267.8m in FY2011, up

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DETAIL OF GROUP NET RESULT ADJUSTMENT:

EUR Million	FY 2011	FY 2010
***Reported* NET RESULT**	**58.8**	**(9.5)**
(inventories at LIFO – inventories at FIFO) net of taxes	(72.6)	(49.5)
non recurring items net of taxes	4.4	0.0
change in derivatives fair value net of taxes	(8.3)	15.1
***Adjusted* NET RESULT**	**(17.7)**	**(43.9)**

DETAIL OF GROUP EBITDA ADJUSTMENT:

EUR Million	FY 2011	FY 2010
***Reported* EBITDA**	**394.3**	**223.5**
inventories at LIFO – inventories at FIFO	(126.5)	(74.3)
non recurring items	0.0	0.0
EBITDA *comparable*	**267.8**	**149.2**

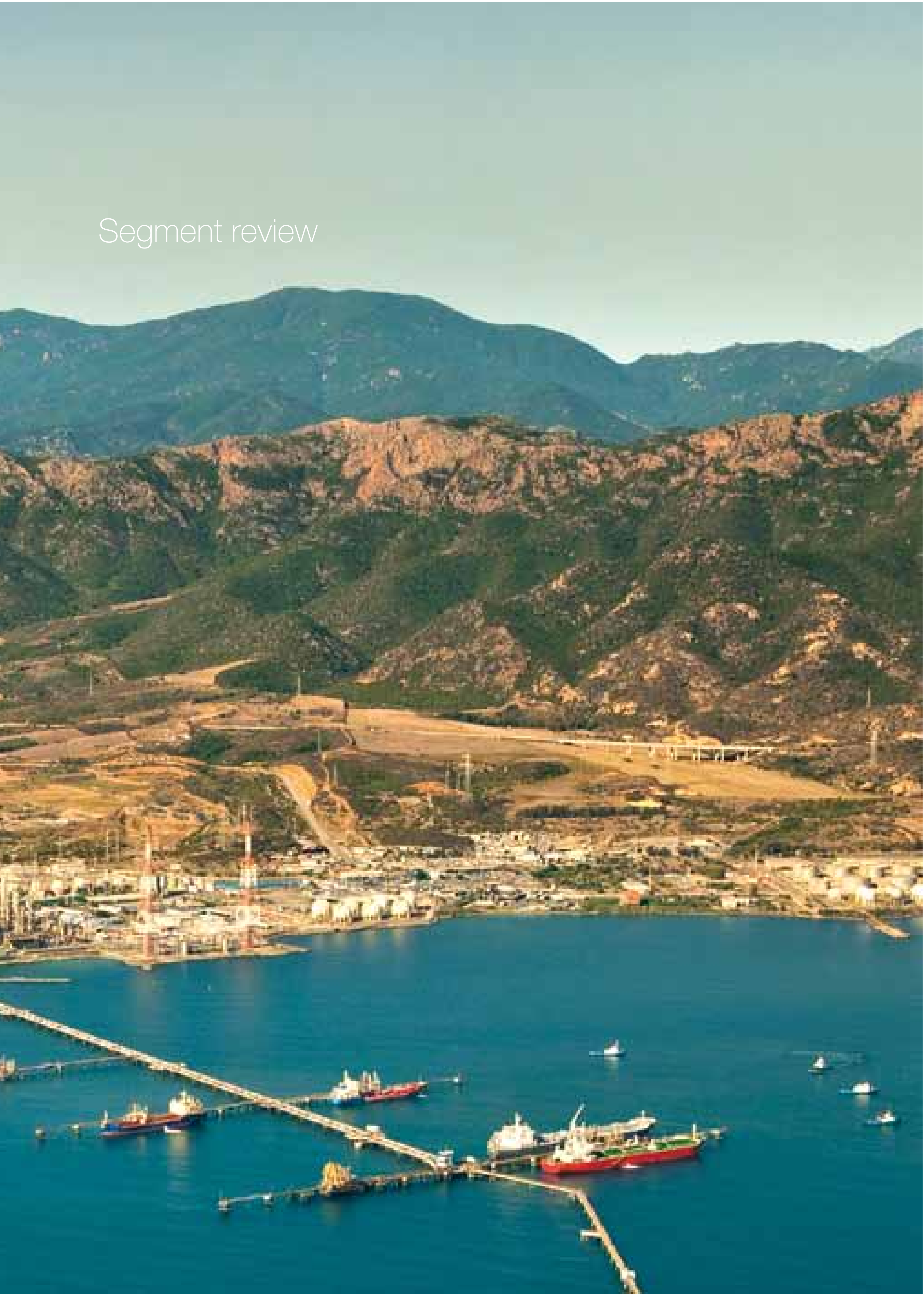
vs. EUR 149.2m in FY2010. Similarly, **Group *adjusted* Net Result stood at EUR -17.7m**, up from EUR -43.9m in FY2010. The large improvements versus the same period of last year can be primarily explained with the better results achieved by the Refining, Marketing and Power Generation segments. Moreover, it should be noted that the net financial charges, which include also the result of the derivative instruments, were negative for EUR 61.6m in FY2011, while in FY2010 they were negative for EUR 29.9m.

As previously mentioned, *reported* and *comparable* figures differ primarily because of the different methodologies used to measure oil inventories. More specifically, the *reported* (IFRS) figures measure oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology. Further differences between *reported* and *comparable* figures are represented by the changes in fair value of the derivative instruments and also by the non recurring items. The relevance of the various items for FY2011 is shown in the dedicated tables.

CAPEX in FY2011 stood at EUR 105.0m, in line with the investment programme for the year 2011, and distributed primarily between the Refining segment (EUR 64.6m) and the Power Generation segment (EUR 31.2m).

The Group Net Financial Position at 31st Dec 2011 was EUR -653m, while at 31st Dec 2010 it was EUR -560m. The difference in the **Net Financial Position** during the year can be primarily explained with the large increase in working capital (approx. EUR 280m) and the investments for the period (EUR 105m). Those cash flows were partially offset by the self-financing from provisions for depreciation and amortisation (EUR 213m).

Segment review



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Refining

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Reference market

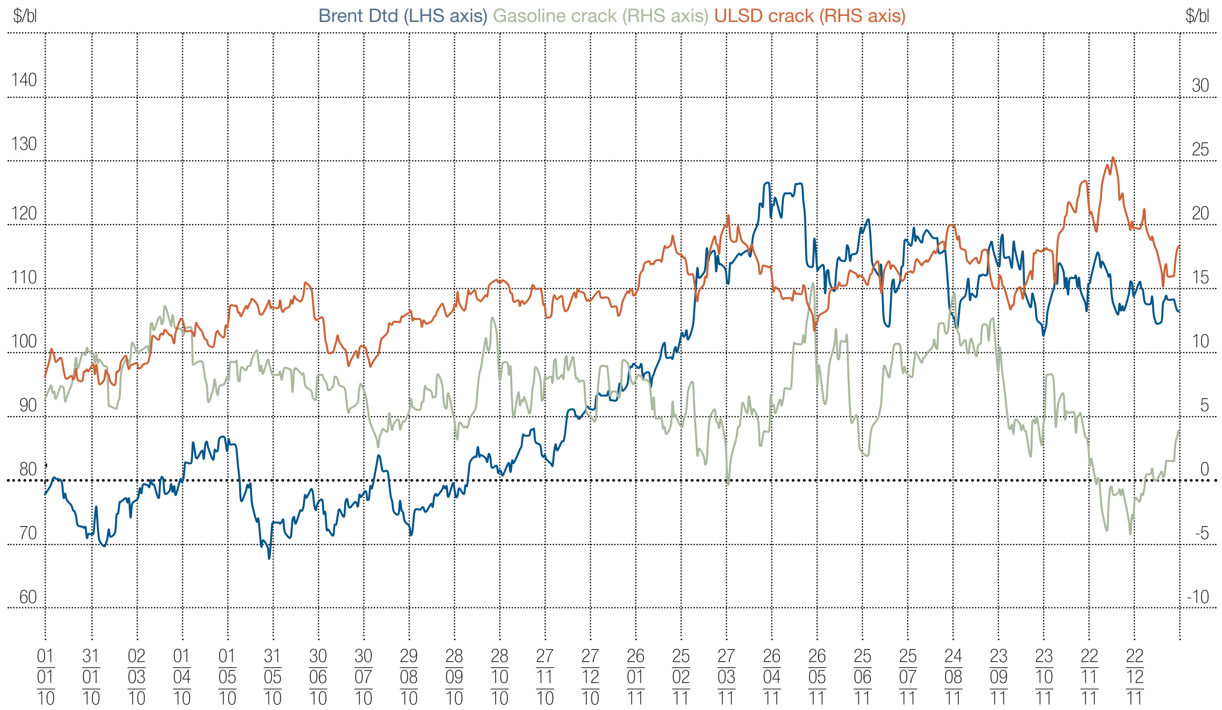
2011 was a difficult year for the global economy. Brent Dated had a yearly average price of 111.4 $/bl, strongly up from 2010 (+32 $/bl, which represents a 40% increase). Three are the main factors which conditioned the price trend: geopolitics, the Euro crisis, and the continued growth of demand for refined products in the developing economies, China being the most prominent. Speculation was also present, but its effect was quite limited, thanks to the measures adopted by the regulatory authorities of the financial markets. The different relative weight assumed by each one of these three factors during the year determined the peculiar profile of oil prices. Indeed, in the first months, the so called "Arab spring" played the main role, touching its bloodiest apex with the dramatic events in Libya and Syria, and causing an abrupt interruption in the production and supply of crude oils from those countries. Added to the problems on the supply side, there was also the effect of rosy economic growth forecasts for the developing countries and, consequently, crude oil prices reached a yearly peak. In the following months, however, the Euro crisis progressively reduced the growth expectations, particularly in Europe and in the USA, and the financial crisis had a strong impact also on the real economy. The loss of support from this side, was compensated by geopolitical tensions in Africa and Middle East, and by resilient demand in the Asian countries. Prices were volatile, but remained anyway at high levels. Towards the end of the year, finally, the confrontation between Iran and the Western World worsened significantly, sparkling market

Yearly average Values [10]	2011	2010
Crude oil ($/bl)		
Price of "Brent Dated"[11] crude oil (FOB Med)	111.4	79.6
Price of "Ural"[11] (CIF Med)	109.2	78.4
"Heavy-Light" price differential	2.2	1.2
Prices of refined products ($/ton)		
ULSD	957.8	683.0
Gasoline 10ppm	979.4	730.3
HSFO	603.7	436.8
Crack spreads for refined products ($/bl)		
ULSD	17.3	12.2
Gasoline 10ppm	5.9	7.9
HSFO	-15.6	-10.3
Other profitability indicators		
EMC Benchmark margin ($/bl)	-1.1	0.6
Forex USD/EUR	1.392	1.326

10. Sources: Platts' for prices and crack spreads, and **EMC** with specific regard to the "EMC Benchmark" refining margin

11. "Brent Dated" is the light sweet reference crude oil (Platts' FOB Med quotations), while **"Ural"** is the heavy sour reference crude oil (Platts' CIF Med quotations)

2010-2012: Brent and main crack spreads versus Brent (Source: Platt's)



Crack spread: price differential between a refined oil product (e.g. gasoline or diesel) and the benchmark crude oil (e.g. Brent DTD)

fears about a potential blockage of the Hormuz Strait, with very serious consequences on the stability of oil supply, on a global scale.

Here below is a detailed analysis of the trends followed by crude oil and refined products prices, as well as the European reference refining margin (EMC Benchmark), which is the most significant for the geographical context in which Saras Group's refining segment conducts its operations.

Crude oil prices
(Source: Platts)

In the first quarter of 2011 crude oil prices continued the growing trend they began in the previous months, boosted by robust growth in global demand for oil products (particularly strong in the Far East), as well as disruptions in crude oil supply caused by the social unrest in the Middle East and in Northern Africa (especially in Libya, an important member of OPEC, with a production capacity of 1.7 million barrels per day). Brent quotations had a gradual progression, starting from slightly above 90 $/bl in early January, and arriving as high as approx. 120 $/bl at the end of the first quarter, with only a moderate correction at the beginning of March, following the devastation caused in Japan by a terrifying earthquake and the subsequent "*tsunami*".

In the second quarter of 2011, prices continued to climb during the entire month of April, along with news of worsening conflicts in North Africa. In this context, Brent touched a peak value of 126.5 $/bl on April 29th. Subsequently, however, crude oil prices moved sharply downwards in May, in tune with a flow of depressing macroeconomic news concerning both advanced economies (with the Euro Zone chocked by the high debts of some peripheral countries, and the United States still dealing with stagnating demand and high unemployment rates), and also developing and emerging economies (slow down in the Chinese growth rates and, more in general, also in the other Asian countries). These factors compounded with the International Energy Agency (IEA) announcement of the release of strategic reserves of crude and refined products, in the second half of June, in order to contrast the bullish effects on "light-sweet" crude oils induced by the shut down of the Libyan production. As such, Brent closed the second quarter on a decreasing note, with a price of 111.5 $/bl on June 30th.

The third quarter of 2011 started with Brent quotations climbing rapidly for the entire month of July, thanks to a series of reassuring macroeconomic news, both in the USA and also in Europe, where France and Germany seemed to have finally found an agreement on the solution to adopt for the Greek debt. In August however, the agreement showed its limits, and the debt crisis extended to other countries of the Euro Zone, reaching also Italy. Fears for a new global recession rapidly spread, and investors immediately switched to

"panic selling" mode, on all financial markets, including also the "commodities" markets. Brent lost more than 15 $/bl in a few days, dropping to a minimum of 103.9 $/bl on the 9th of August. In the second half of the month there was a partial recovery, due to some interruption of supply of light sweet crude oils, in Nigeria and also in the North Sea. News of a recovery in Asian demand for oil products pushed Brent above 115 $/bl and supported it above that level until the last ten days of September. Subsequently, however, renewed fears about the worsening of the European debt crisis caused a new downturn in prices, and Brent closed the quarter at 105.2 $/bl.

The fourth quarter of 2011 started with Brent again on a sliding trend, down to a minimum value of 102.7 $/bl on the 4th of October. In the following weeks, however, prices climbed again above 110 $/bl due to a seasonal rebound of demand and also to production disruptions in various geographical areas (North Sea, Sudan, Syria, etc.). Later on, at the end of October, the tragic civil war in Libya came finally to an end. At that point, production of crude oil restarted very rapidly, albeit partially. This provided some relief to the tensions which, until that moment, stressed the "light sweet" crude oil markets. Even then, for the entire month of November and up until mid December, crude oil prices remained stubbornly anchored around 110 $/bl, mainly because of the worsening relationships between Iran and the Western World, which could potentially lead to a closure of the Strait of Hormuz, the strategic gateway for crude oil being exported from the Persian Gulf. Finally, in the last few days of 2011, Brent went down again on the negative macroeconomic news flow, due to the worsening debt problems of the Euro Zone. On the 30th of December, Brent closed trading at 106 $/bl.

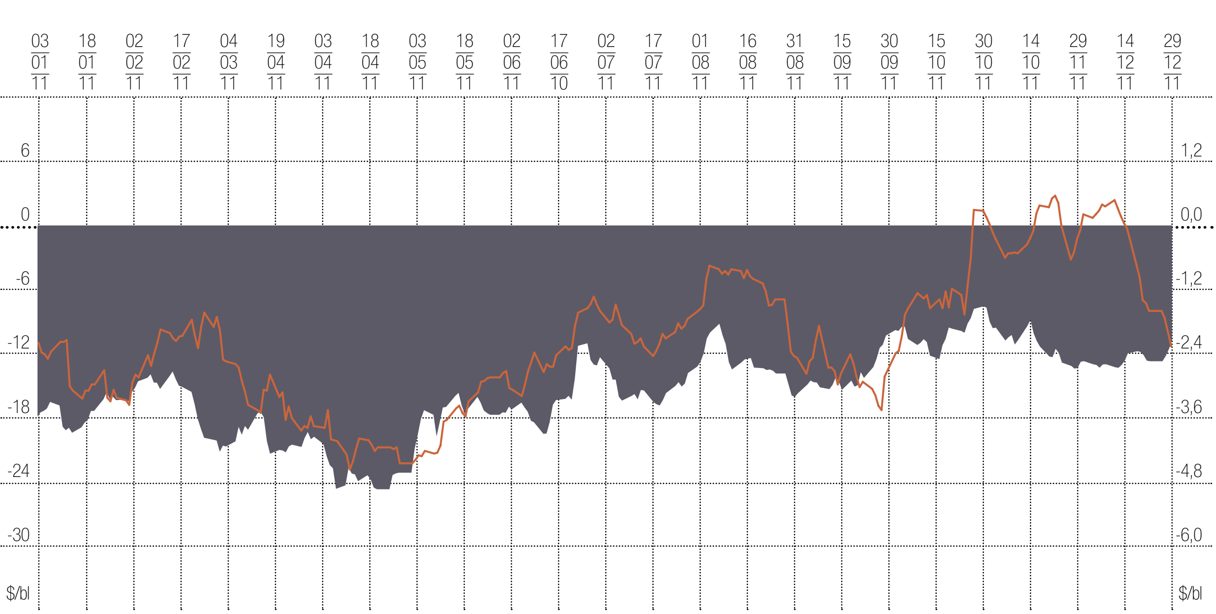
Price differential between "heavy" and "light" crude oil grades (i.e. "Urals" and "Brent" respectively)

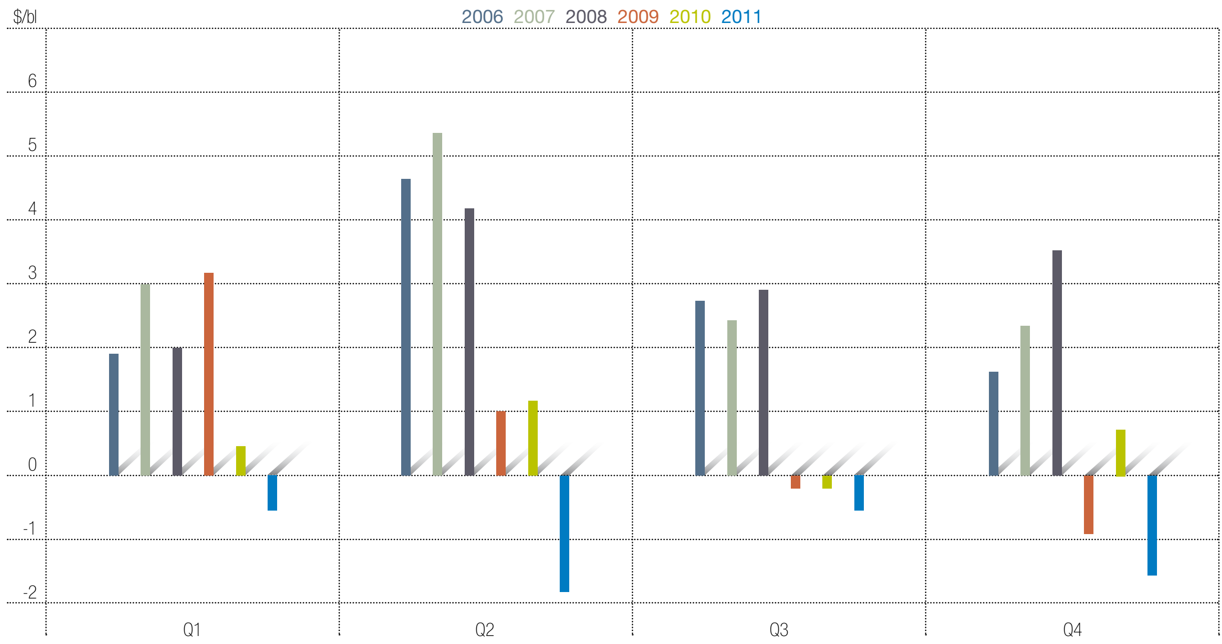
During the first quarter of 2011 the "heavy-light" crude price differential widened progressively, recording an average of -2.7 $/bl, significantly wider than the average of -1.2 $/bl in the fourth quarter of 2010. Subsequently, in the month of April, this indicator continued to widen, reaching a peak of -4.5 $/bl towards the end of the month. As a matter of fact, with the outbreak of the Libyan crisis, the price of low sulphur crude oils had a steep acceleration, which involved also the West-African grades.

At the beginning of May, however, the "Urals-Brent" differential began to shrink. This came as a consequence of strengthening "Urals" (because of loading problems in the ports of the Baltic Sea), at a time of increasing availability of "sweet" grades in the Mediterranean Sea. The latter phenomenon is related to the reduced buying interest on West-African crude oils from refiners both in the USA (spread WTI-Brent) and also in Asia (spread Dubai-Brent). Under such conditions, light sweet West-African crude oils started to flow again towards the Mediterranean Sea. Notwithstanding all of the above, in the second quarter of 2011, the average of the "Urals-Brent" differential remained quite high, at -3.4 $/bl, thus continuing to provide more favourable conditions for complex refiners.

The squeeze in the differential continued also in the third quarter of 2011 for a combination of reasons, including also limitations in the availability of

2011: "Ural – Brent DTD" price differential and High Sulphur Fuel Oil (HSFO) crack spread (Source: Platt's)





EMC Benchmark: margin after variable costs (50% Brent - 50% Urals) calculated by EMC for a Mediterranean coastal refinery of average complexity

North Sea crude oils, and some problems related to "Urals" supply in the Mediterranean Sea. The "heavy-light" differential reached a minimum value of -0.8 $/bl in the middle of August, and subsequently rebounded in September. Nonetheless, the third quarter of 2011 closed with an average of -2.0$/bl, noticeably tighter than the previous quarter.

Finally, in the fourth quarter of 2011, the "Urals–Brent" differential shrank again (average of -0.7 $/bl), due to the combined pressure of two phenomena. On the one hand there was a relaxation of the tensions around the "light sweet" crude oils, thanks to the renewed availability of the Libyan barrels and the closures of various low complexity refineries. On the other hand, the "heavy sour" crude oils were pushed upwards by the worsening situation in Iran, and also by an increased demand from the new high conversion refineries which recently started production in Asia.

EMC Benchmark 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.

As can be noted, the EMC Benchmark weakened in Q1/11, posting an average of -0.6 $/bl vs. 0.7 $/bl in Q4/10. Gasoline *crack spread* remained depressed for a large part of the quarter (average at 5.3 $/bl), suffering from seasonally weak demand. It started to improve only towards the end of the period, ahead of the "driving season" in the United States of America. In contrast, middle distillates crack spread progressively strengthened throughout Q1/11 (average at 17.1 $/bl), reflecting strong demand for the product, backed by lower seasonal maintenance-related refinery output.

Subsequently, during Q2/11, the EMC Benchmark deteriorated further, setting a quarterly average of -1.8 $/bl, which represents the worst data on record since the beginning of its calculations. Such unfortunate performance can be explained considering that the increase in crude oil prices was far larger than the corresponding movement in the prices of refined products. This was true for the entire quarter, with the only exception of the month of May, when crude oil had the sharp downward correction already discussed in the previous paragraphs. Gasoline *crack spread* averaged 7.4 $/bl, slightly improved versus Q1/11, managing to cope with a generalised reduction in consumption, both in the USA and in Europe (expensive retail prices, higher efficiency of cars, and substitution effects from ethanol). In contrast, the middle distillates softened (*crack spread* average at 15.3

$/bl), due to the previously mentioned economic slow-down, as well as the release of strategic reserves, which included also non negligible volumes of refined products.

In Q3/11, the EMC Benchmark margin had a slight improvement, even though it remained below break even (with an average of -0.6 $/bl), in a context of extremely high volatility. Indeed, the gasoline *crack spread* remained particularly strong until the beginning of September, thanks to relatively low inventories in Europe, and healthy demand in the USA, where prices were supported also from fears of potential disruptions in production during the hurricane season (in particular, hurricane "Irene" kept everyone extremely worried while it moved on the US coasts during the last week of August). Later on, in September, buying interest for gasoline went down, also in consideration of the shift towards winter specs. The *crack spread* still posted a robust average, standing at 9.1 $/bl, to the advantage of those refiners which were able to capture that opportunity. The middle distillates instead suffered in the initial part of the quarter, because of the reduction of consumption caused by the macroeconomic tensions deriving from the European debt crisis. Notwithstanding the slow start, the diesel *crack spread* recovered towards the end of September, thanks also to autumn maintenance season for several refineries, and the increase in demand to build up heating oil stocks ahead of the winter season. Overall, the average diesel *crack spread* was 16.8 $/bl in Q3/11.

Finally, in Q4/11 the EMC Benchmark deteriorated again, setting an average of -1.5 $/bl. Once again, the steep rise in oil prices was only partially reflected in the movements of the refined products. In particular, the gasoline *crack spread* had a sharp drop (quarterly average at 1.7 $/bl), and it was even negative for the period between mid November and mid December. This situation can be primarily explained with the reduced volumes of gasoline imports in the USA, where demand was stagnant due to the efficiency achieved by the car fleet. Partial compensation of that negative trend came from the increase in Libyan consumption, and also from the higher export opportunities towards Latin America (especially Brasil, where more than one quarter of consumption was satisfied with imported volumes). Looking at middle distillates, the diesel *crack spread* had a robust average in Q4/11 (20.1 $/bl) notwithstanding mild temperatures in November and December, and the continued erosion of demand in the main European markets (-80 kbd in 2011). It appears, indeed, that the main support to diesel cracks in Europe comes from the decrease in Russian exports, as a consequence of an increase of domestic demand for low sulphur gasoil.

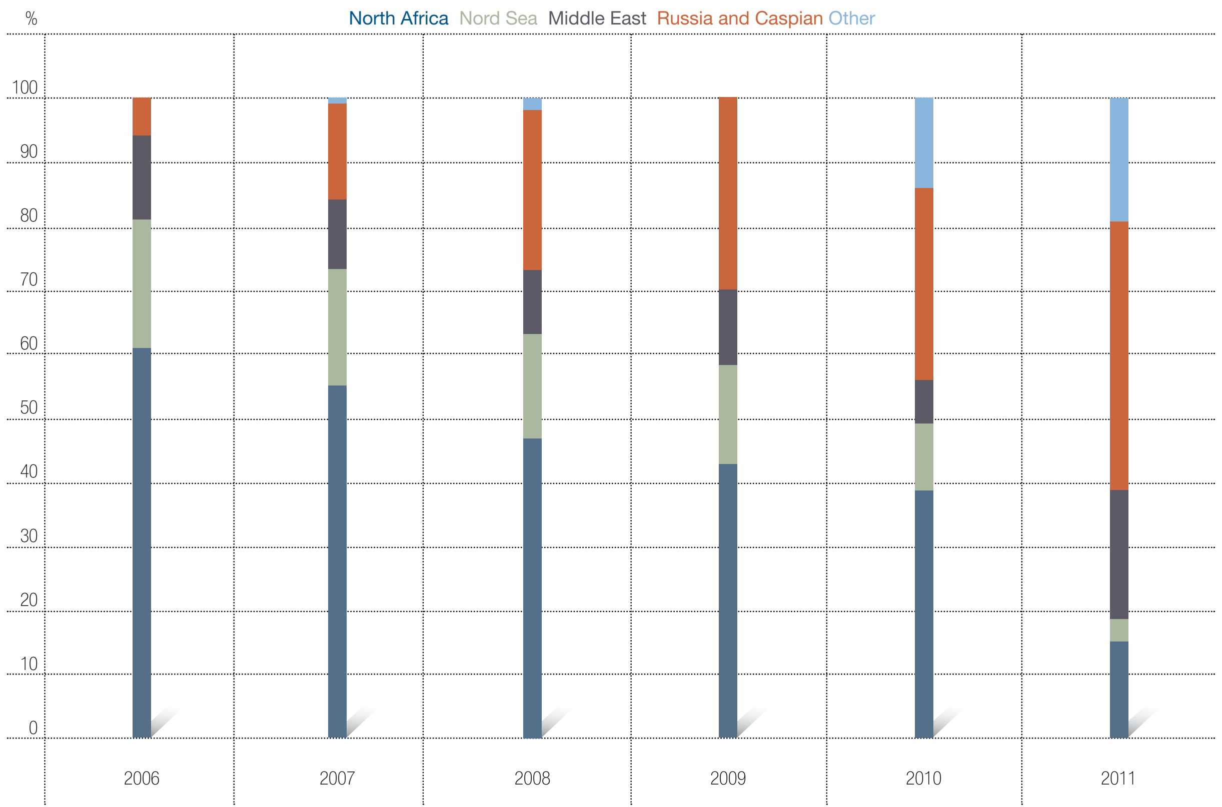
Main financial and operational results

Refinery runs in FY2011 stood at 14.0m tons (102.2m barrels, corresponding to 280 thousand barrels per calendar day), substantially in line with last year, notwithstanding the absence of Libyan crude oils for several months during 2011. This proved a further confirmation of Saras refinery's flexibility and capability to procure crude oil from numerous alternative sources.
Refinery runs were entirely on Saras' account, since all third party processing contracts expired in 2010 and have not been renewed.

		2011	2010	%
REFINERY RUNS	Thousand tons	14,006	14,340	-2%
	Milion barrels	102.2	104.7	-2%
	Thousand barrels/day	280	287	-2%
Of which:				
Processing for own account	Thousand tons	14,006	13,284	5%
Processing on behalf of third parties	Thousand tons	0	1,056	n/a

Crude Oil feedstock by origin

The origins of crude oils processed during 2011 are certainly different from those of all previous years, mainly because of the Libyan crisis and the subsequent stop of production for all crude oils coming from that region.
On the other hand, as confirmed by historical trends, already for a few years the Sarroch refinery has demonstrated its ability to replace increasingly higher volumes of North African crude oils, with equivalent oils of various origins. Above all, a particularly important role has been progressively taken by the crude oils coming from the Caspian Sea (Azeri Light), which confirmed their availability and economic competitiveness also in 2011.
Finally, it is possible to observe a further drop in volumes coming from the North Sea, in line with the progressive reduction in their availability, and their lower profitability.



Crude Oil slate by grade

The crude mix processed in FY2011 in the Sarroch refinery had an average density of 32.2°API, broadly in line with the average of the °API in the previous year. However, the dramatic Libyan crisis led Saras to source alternative crude oils, during Q2/11 and Q3/11, with the objective of minimising the economic impact deriving from that situation. In turn, this was reflected in the changes of percentages for our crude oil slate, as shown in the table.

		2011	2010
Light extra sweet		46%	47%
Light sweet		2%	3%
Medium sweet/extra sweet		3%	1%
Light sour		0%	0%
Medium sour		30%	27%
Heavy sour/sweet		20%	23%
Average density	°API	32,2	32,4

Production

Moving on to the product slate, it can be observed that in FY2011 the middle distillates yield increased to 52.9% thanks to the excellent conversion performance of the Mild-HydroCracking2 (MHC2) in the first part of the year. Contextually, the light distillates yield stood at 27.3%, slightly lower than in FY2010. Therefore, in FY2011 the cumulative percentage of high value products reached 81.9%, when including also the yield of LPG (1.7%).

		2011	2010
GPL	Thousand tons	238	323
	Yield (%)	1.7%	2.3%
NAPHTHA + GASOLINE	Thousand tons	3,824	4,024
	Yield (%)	27.3%	28.1%
MIDDLE DISTILLATES	Thousand tons	7,415	7,517
	Yield (%)	52.9%	52.4%
FUEL OIL & OTHERS	Thousand tons	623	463
	Yield (%)	4.4%	3.2%
TAR	Thousand tons	1,075	1,166
	Yield (%)	7.7%	8.1%

Note: Balance to 100% is "Consumption & Losses"

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Refining Margin

The following graph shows Saras' refining margin after variable costs, and its premium above the EMC Benchmark margin. In particular, it can be observed that, in FY2011 Saras' refining margin stood at 2.8 $/bl, up from 1.8 $/bl in the previous year, due to the effect of a combination of several factors.

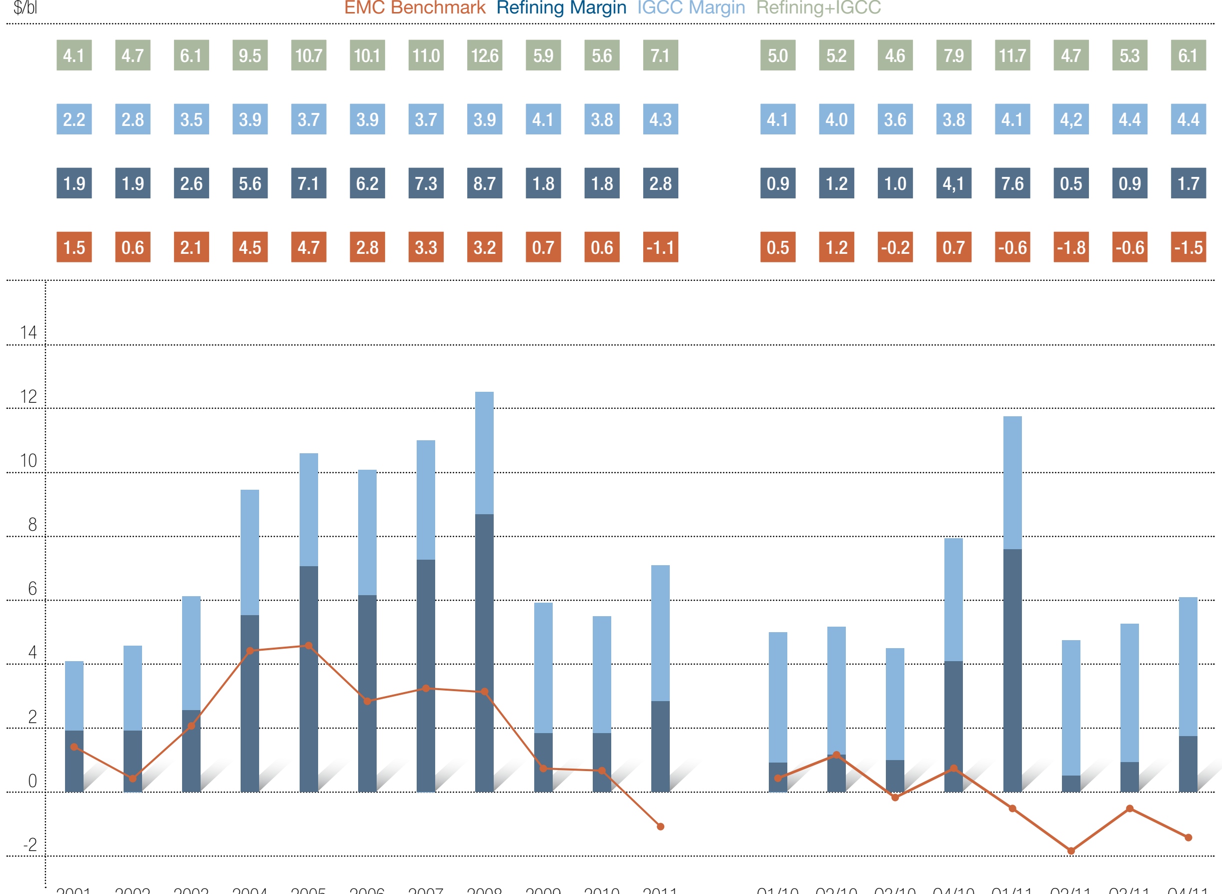
Firstly, there was a deterioration of the "EMC benchmark" margin (which reflects the profitability of an average refinery in the Mediterranean Sea), which went down to an average of -1.1 $/bl in FY2011, vs. +0.6 $/bl in FY2010. On the other hand, FY2011 market conditions proved more favourable to highly complex refineries geared towards the production of middle distillates, like our Sarroch refinery. Indeed, the *"conversion spread"* (which is the premium of converting fuel oil into diesel), widened to an average of 334 $/ton, vs. 234 $/ton in FY2010, and the "heavy-light" crude price differential averaged at -2.2 $/bl, vs. -1.2 $/bl in FY2010.

Secondly, in FY2011 there were robust trading profits, due to the time differences between purchases and sales, in an oil market characterized by prices on a steep rising trend (especially during the first part of the year). In this regard, it should be further noted that the commercial transactions on crude and products are normally hedged with the use of derivative instruments. The result of these operations is reported in the income statement within "Financial Income/Expense", and it can be quantified with realized losses for EUR 6.6m in FY2011 (versus realized gains for EUR 8.1m in FY2010).

Finally, fixed costs in FY2011 were approx. EUR 15m lower than in FY2010.

Main financial results

***Comparable* EBITDA of the Refining segment was EUR -9.9m in FY2011**, strongly up from EUR -86.8m in FY2010. Indeed, even



Refining Margin: (Refinig *comparable* EBITDA + Fixed costs) / Refinery runs of the period.

IGCC Margin: (Power Generation EBITDA + Fixed costs) / Refinery runs of the period.

EMC Benchmark: refining margin after variable costs (50% Brent - 50% Urals) for a complex refinery in the MED area

Note: Quarterly results are not subject to audit review

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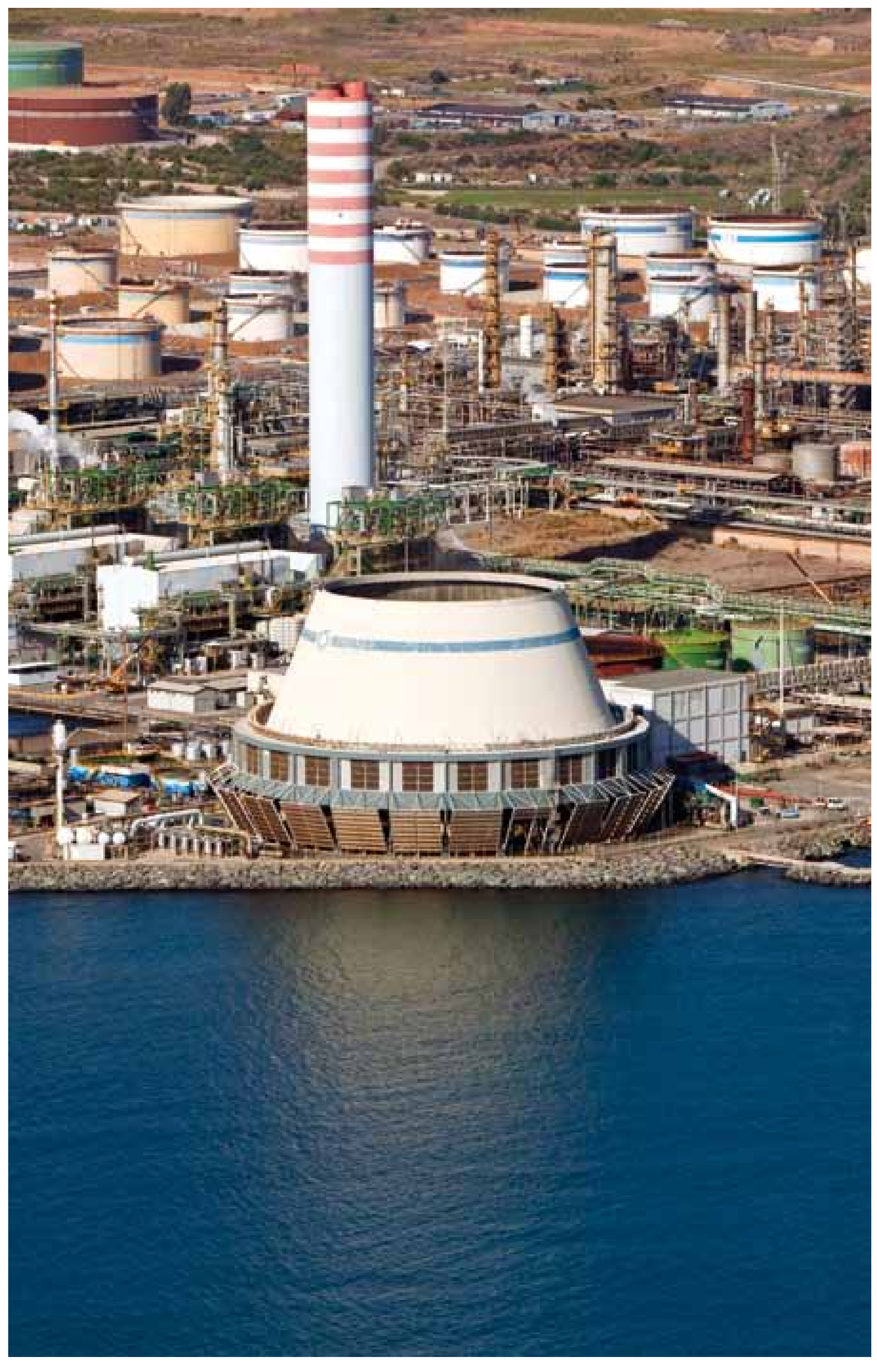
though 2011 was another difficult year for refining margins, the Refining segment of the Saras Group was capable to leverage its traditional flexibility in order to limit the effects of the shortage of Libyan crude oils, and it also managed to implement several activities aimed at reducing operating costs and increasing energy efficiency of the refinery, achieving a good result, especially when compared with our European peers.

Looking at the exchange rate USD/EUR, in FY2011 the US dollar weakened against the Euro. More specifically, the average exchange rate was 1.392 (a 5% change versus the average of 2010). Such a development brought a negative contribution to the segment results, because of the well known exposure of the gross margin to the strength of the US dollar.

Finally, Refining CAPEX in FY2011 was EUR 64.6m, in line with the programme for the year.

EUR Million	**2011**	**2010**	**%**
EBITDA	123.7	(54.4)	327%
***Comparable* EBITDA**	**(9.9)**	**(86.8)**	**89%**
EBIT	13.5	(161.4)	108%
***Comparable* EBIT**	**(120.1)**	**(193.7)**	**38%**
CAPEX	**64.6**	**92.5**	
FOREX (EUR/USD)	**1.392**	**1.326**	**5%**
EMC BENCHMARK MARGIN ($/bl)	**(1.1)**	**0.6**	
SARAS REFINING MARGIN ($/bl)	**2.8**	**1.8**	



Power Generation

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Saras Group is active in the power generation sector, through its subsidiary Sarlux S.r.l., which operates an IGCC (Integrated Gasification Combined Cycle) plant, integrated with the Group's refinery and located within the same industrial complex in Sarroch (Sardinia). The IGCC plant, with a total installed capacity of 575MW, is one of the largest in the world with this kind of technology, and it produces more than 4 billion kWh/year of electricity, which corresponds to more than 30% of the total power consumption in the island of Sardinia.

Besides being a very large generator of electricity, the Sarlux plant is also one of the fundamental conversion units of the refinery and, at the same time, it is the most important "utility" of our industrial site, because it supplies high volumes of hydrogen to the "hydrocracking" and "hydrotreating" units of the refinery, and it also produces high quantities of steam, later used by several other units in the refinery.

Reference Market

National power demand in 2011 (including network losses and net of the electricity needed for pumping activities) equalled 332,274 GWh. The slight increase (+0.6%) versus the previous year is due to the robust increase in demand observed in the first part of the year, partially eroded by the contraction recorded in the second half of 2011. The increase of demand for electricity was widespread in almost all the regions of the country, but in particular, the largest increment came once again from Lombardy (+2.6%), followed by Sicily (+2.2%), Emilia Romagna and Tuscany (+1.7%), Triveneto "the North-East" (+0.5%) and also the Southern regions (Campania, Basilicata, Calabria e Puglia) contributed with an increase of +0.3%. On the contrary, the North West regions (Piemonte, Liguria e Valle d'Aosta) had a sharp contraction (-2.9%). Furthermore, demand dropped also in Sardinia (-1.4%) and in the Central region (Abruzzo, Marche, Lazio, Umbria e Molise) which posted a -1.0%.

In 2011, the electricity demand was met for 65% with thermoelectric production, for 14% with hydroelectric production, for 7% with other renewable sources (geothermal, wind power and photovoltaic production), and for the remaining 14% with imports of electricity from foreign countries.

National net power production, equal to 289,166 GWh, was slightly down (-0.5%) versus 2010 (290,748 GWh). To this production, CIP6/92 plants contributed for 26,639 GWh, which is approximately 9% of the total. However, it should be noted that this contribution was almost 28% lower than the 36,939 GWh produced in 2010.
Finally, the average National Electricity Tariff (PUN - Prezzo Unico Nazionale) in 2011 stood at 72.2 EUR/MWh, up 12.6% on the value recorded in the previous year (which was 64.1 EUR/MWh).

Yearly average Values [12]		**2011**	**2010**
Italian total Power Demand	GWh	332,274	330,455
Import	GWh	47,349	45,987
Internal Production[13]	GWh	289,166	290,748
Of which: Thermoelectrical	GWh	217,369	220,984
Of which: CIP6/92	GWh	26,639	36,939
National Electricity Tariff (PUN)[14]	EURcent/KWh	7.22	6.41

12. Data estimated by Terna (www.terna.it)

13. Production net of consumption for auxiliary services

14. Source: GME S.p.A.

Main operational results

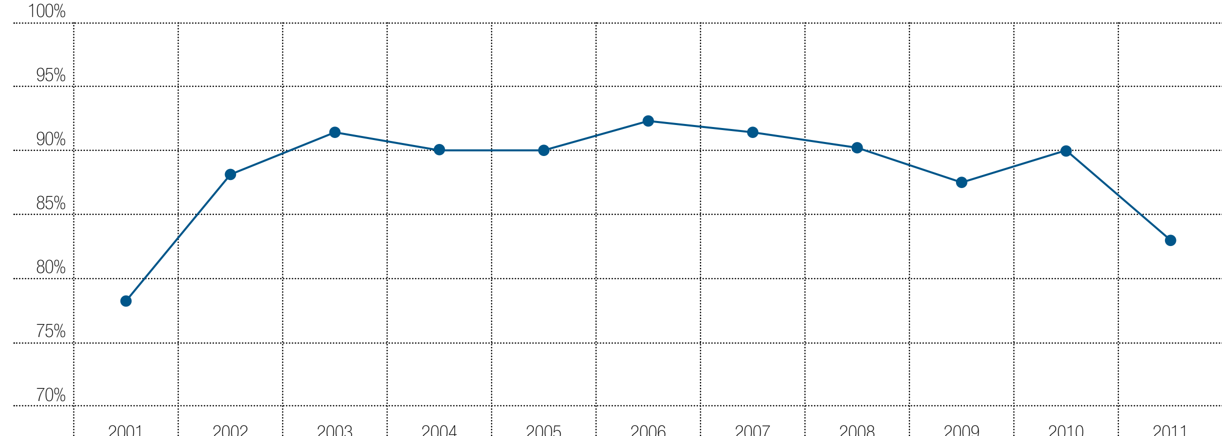
2011 was a peculiar year for the IGCC plant operated by the Sarlux subsidiary. Indeed, after ten years of continuous operation, the entire plant was halted in order to perform an important scheduled maintenance cycle, aimed at restoring full efficiency to all units, especially those which do not have a spare unit in parallel, and therefore can be inspected and maintained only when the plant is completely stopped.

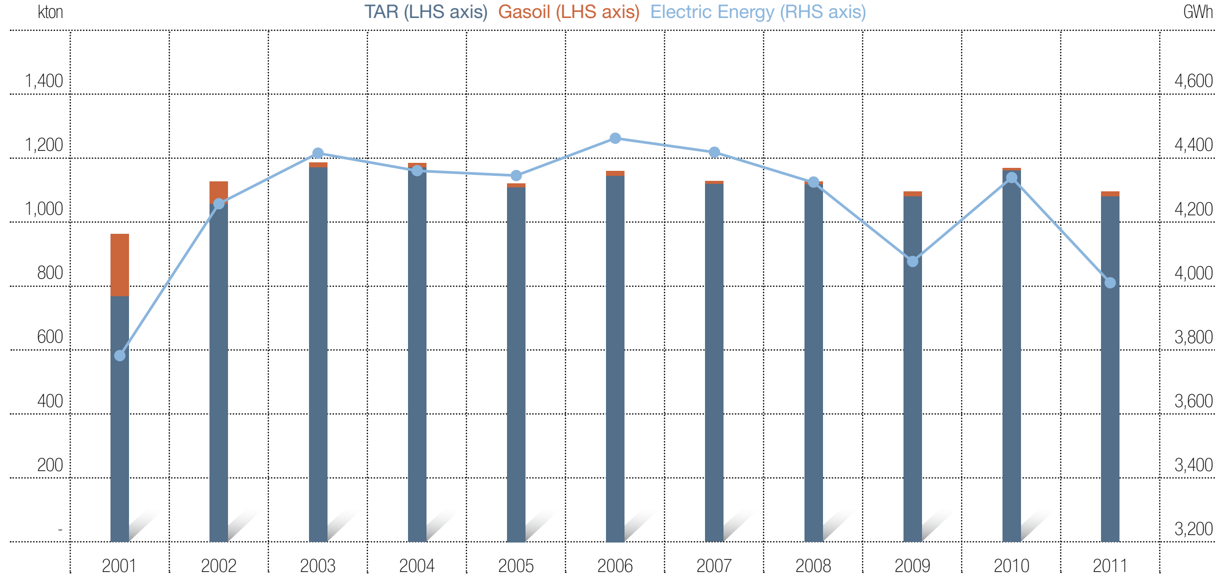
Thanks to an optimal management of the turnaround, perfectly aligned with the programme, the operating performance of the IGCC plant was not significantly different from the standard, and the total electricity production during the year stood at 4.012 TWh, down only by 7% versus FY2010. Accordingly, the service factor went down to 83%. Finally, gasoil consumption was higher than in FY2010, because this feedstock is used during the transition and start-up phases, which, indeed, in Q2/11 were very significant, due to the scheduled 10-year maintenance cycle.

Main financial results

The results of the Power Generation segment in FY2011 have been fully satisfactory, also considering the reduction in production due to the above mentioned important 10-year maintenance cycle, carried out on the entire IGCC plant, during the second quarter of the year.

IFRS EBITDA (which is coincident with the *comparable* EBITDA) was EUR 219.2m, up 9% vs. EUR 200.4m in FY2010. This result is due in part to the higher sales of hydrogen and steam for approx. EUR 9m, (whose revenues are not subject to the IFRS straight-line reporting), and in part also to the use of the 2012 budget forecast for crude oil prices, in the calculation for the IFRS equalization procedure. This last element produces an increase in





the EBITDA projections, which is applicable starting already from the last quarter of 2011.

Italian GAAP EBITDA in FY2011 was EUR 115.8m, down versus EUR 143.5m in FY2010. This difference is primarily related to the lower production of electricity (for the reasons explained in the previous paragraphs), and the higher procurement costs of the feedstock (in particular TAR and gasoil), for the reasons previously explained. These two factors were only partially compensated by the higher sales of hydrogen and steam, and the higher value of the CIP6/92 power tariff (at 10.6 EURcent/kWh, up 11% versus FY2010).

CAPEX was EUR 31.2m in FY2011, due to the efforts required for the 10-year maintenance cycle during Q2/11.

EUR Million		2011	2010	Change
EBITDA		219.2	200.4	9%
***Comparable* EBITDA**		**219.2**	**200.4**	**9%**
EBIT		139.9	123.3	13%
***Comparable* EBIT**		**139.9**	**123.3**	**13%**
EBITDA ITALIAN GAAP		**115.8**	**143.5**	**-19%**
EBIT ITALIAN GAAP		**71.3**	**72.4**	**-2%**
NET RESULT ITALIAN GAAP		**40.2**	**43.4**	**-7%**
CAPEX		31.2	10.3	
ELECTRICITY PRODUCTION	MWh/1000	4,012	4,337	-7%
ELECTRIC TARIFF	Eurocent/KWh	**10.6**	**9.5**	**11%**
IGCC MARGIN	$/bl	4.3	3.8	13%

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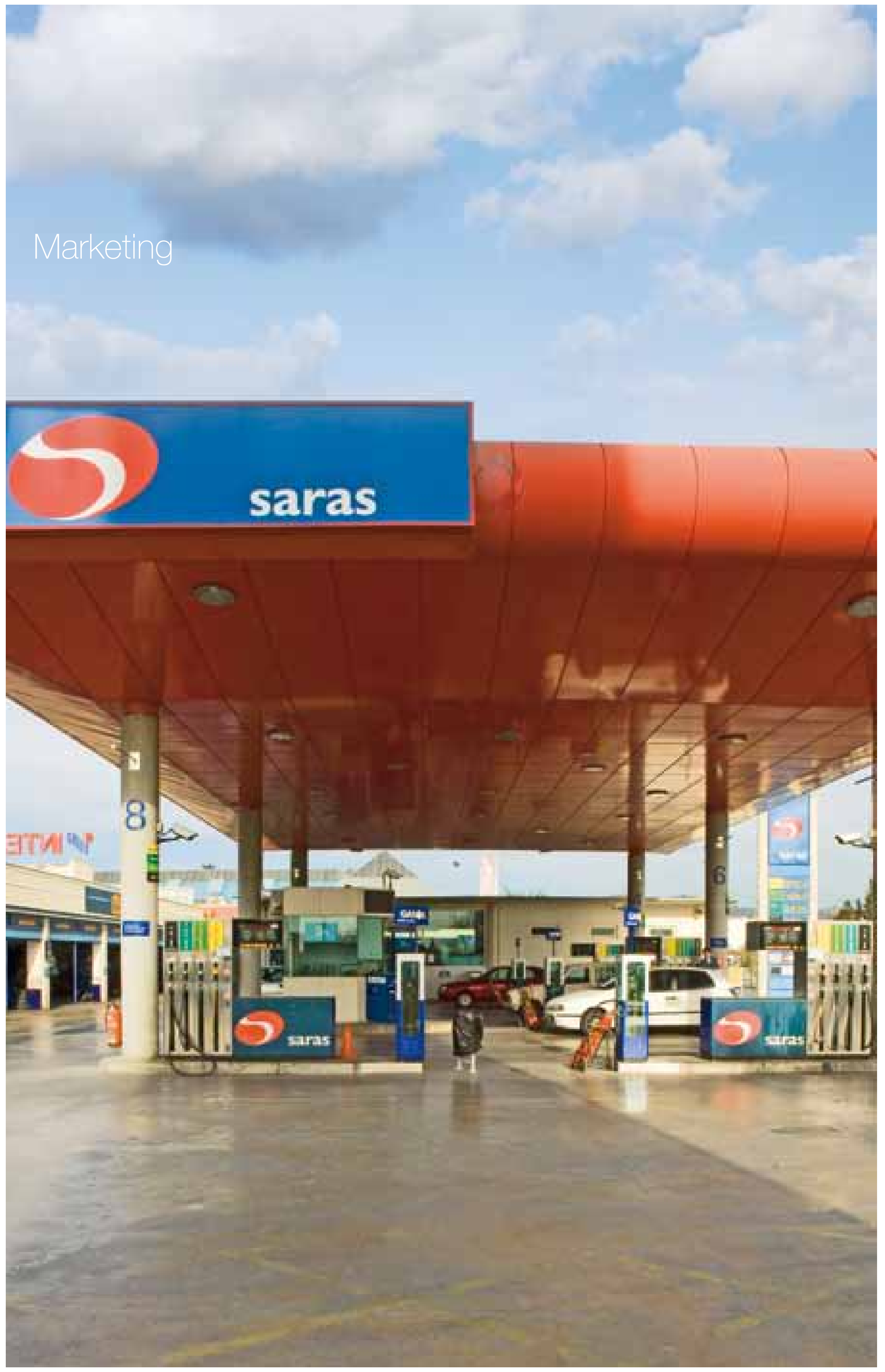
Marketing



Our Marketing segment is primarily focused on the wholesale business, through our subsidiaries Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A. in Spain. More specifically, the Italian subsidiary uses a coastal depot for oil products owned by the Group and located in Arcola (La Spezia), with a total capacity of 200.000 cubic metres. Moreover, Arcola has some long term rental contracts for storage space in other depots owned by third parties, and located primarily in the central and northern parts of the Italian peninsula (Livorno, Ravenna, Sannazzaro, Fiorenzuola, Marghera, Torre Annunziata, etc.).

The Spanish subsidiary, Saras Energia, manages a depot owned by the Group and located in Cartagena (Spain), with total capacity of 112.000 cubic metres, and it also uses oil terminals in other Spanish provinces (owned by operators like Decal, Tepsa and CLH), in order to distribute oil products in the entire Iberian peninsula. Saras Energia manages also a retail network composed of 124 service stations (of which 88 fully owned and other 36 on a long term lease), located primarily along the Spanish Mediterranean coast. Finally, operated and managed by Saras Energia, there is also a first generation Biodiesel plant, with a capacity of 200.000 tons/year, perfectly integrated with the existing logistics.

Reference market

Macroeconomic conditions in FY2011 had a negative influence on consumption of oil products in the peripheral economies of the Euro Zone. In particular, sharp contractions of demand took place both in Spain and in Italy, where the Saras Group conducts its Marketing activities in the retail and the wholesale channels.

In particular, the Spanish market posted a total decrease of 5.8%, due to a sharp drop in gasoline demand (-6.7% versus FY 2010), accompanied by a similar trend also for middle distillates (–3.9% for diesel, and -22% for heating oil and agricultural gasoil).
Furthermore, in the Italian market total demand for oil products in FY2011 stood at 61.6 thousand tons, decreasing by 2.3% versus FY 2010. In particular, gasoline was strongly down (-6.0%), while total middle distillates showed a better resilience, limiting the contraction to 0.6%, with the following split: +0.8% for total automotive diesel (-2.5% in the retail network; +8.9% in the wholesale segment); -15.7% for heating oil; and a -2.5% for agricultural and fishing gasoil.

Summary of the main financial and operational results

In the market context described above, the Marketing segment still managed to achieve a very satisfactory performance. More in detail, in **FY2011 *comparable* EBITDA stood at EUR 44.5m**, strongly up vs. EUR 12.9m in FY2010. This came primarily as a consequence of a healthy increase in sales volumes in the Italian wholesale market (+37%), thanks to the acquisition of new logistic basis, both in the North and in Central Italy.
Moreover, in the Spanish market, Saras Energia continued its strategy to rationalize the opportunistic sales to commercial operators and oil companies. In this way, it achieved a clear improvement in its sales margins, even though volumes sold went down (-29%). Important benefits for the Spanish subsidiary came also by the integration of its management of supplies and inventories together with the parent company. Finally, the bio-diesel plant continued to suffer from high costs of the feedstock, and consequently it alternated periods of operation and periods of stand-by throughout the entire year.

CAPEX in FY2011 were EUR 4.8 ml, in line with our plan.

Finally, on 6th July 2011, the meeting of the shareholders of Arcola Petrolifera S.p.A. approved the plan prepared by the Board of Directors for the partial de-merger of the Company. The plan led to the creation of a new company called "Deposito di Arcola S.r.l." on the 26th of September 2011. All the assets, liabilities and employees of the Arcola tank facility in Liguria have been transferred into the new company, involving a total of 24 employees.

EUR Million		2011	2010	var%
EBITDA		37.4	54.8	-32%
***Comparable* EBITDA**		**44.5**	**12.9**	**244%**
EBIT		25.2	42.6	-41%
***Comparable* EBIT**		**32.3**	**0.8**	**4,207%**
CAPEX		**4.8**	**5.1**	
		2011	**2010**	**var%**
TOTAL SALES	Thousand tons	4,158	4,266	-3%
of which in Italy	Thousand tons	2,367	1,731	37%
of wich in Spain	Thousand tons	1,791	2,535	-29%

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Wind Power

The Saras Group has been active in the production of electricity from renewable sources since 2005, through its subsidiary Parchi Eolici Ulassai S.r.l., which owns 100% of Sardeolica S.r.l..

Sardeolica manages a wind farm located in the Municipality of Ulassai (Sardinia) that consists of 48 aero-generators "Vestas V80", with a total installed capacity of 96MW. When operating at full capacity, the Ulassai Wind Park produces approximately 175 GWh per year, equivalent to the annual needs of about 60,000 households, representing about 9% of the total installed wind power capacity in Sardinia.

The electricity produced by the wind farm is introduced directly into the National Transmission Grid and sold to the Italian Power Supply Company (GSE) under the terms and conditions set forth in the agreement drafted by the Italian Electricity and Gas Authority (AEEG). Furthermore, the wind farm is entitled to the allocation of Green Certificates, for 15 years from the date of start up.
The Ulassai wind park is located in one of the windiest areas of the region. These conditions allow an average power production which is significantly greater than the national production average, during most of the year. However, 2011 was characterized by very unfavourable wind conditions, well below average, and consequently production stood at approximately 141,000 MWh.

Since the start of operations in 2005, the cumulative production of wind energy has been equal to approximately 995,000 MWh, which can be translated into savings of about 620,000 barrels of oil, and it made possible to avoid CO_2 emissions of more than 820,000 tons.

The Ulassai site contributes significantly to the production of wind energy in Sardinia with about 15% of the production realised in the region, during the entire period of activity of the wind farm (value refers to December 2011).

Environmental certification ISO 14001:2004

Since the start of operations in the Ulassai wind park, Sardeolica considered important to have an Environmental Management System aimed at achieving continuous improvements in the various environmental aspects: energy consumption, use of water resources and auxiliary materials, waste generation, as well as preventing and reducing any form of pollution.

In 2006 Sardeolica achieved certification of its Environmental Management System (EMS) according to international standard ISO 14001:2004, and this certification was successfully renewed in July 2009. As required by the monitoring activities of the independent certification agency, the Lloyd's Register Quality Assurance, surveillance visits are made on a yearly basis by auditors of the Lloyd's agency.

Production August 2005 - December 2011 [MWh]	TEP[15] "saved"	Barrels of oil[16] "saved"
994,959.0	85,039.2	620,786

Production August 2005 - December 2011 [MWh]	Polluting	Specific emissions[17] [kg/MWh]	Emissions avoided [t]
994,959.0	CO_2	828	823,826.1
	SO_2	3.8	3,780.8
	NO_x	1.9	1,890.4

15. 1 TEP = 7.3 barrels = 11,700 kWh (http://www.galileo2001.it/materiali/documenti/energia/energia_ambiente_01.php)

16. Estimated consumption of an average Italian family: 3,000 kWh/year (http://www.scienzagiovane.unibo.it/pannelli/8-domande-risposte.html)

17. Official Regional Gazette of the Sardinian Autonomous Regions, Parts I and II, No. 26, page 31 (30th Aug 2003)

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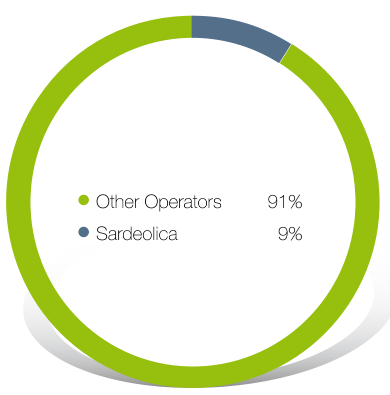


INSTALLED WIND POWER
IN SARDINIA: 800 MW

In March 2006, all employees received communication of the Corporate Environmental Policy, which contains the guiding principles and commitments of Sardeolica's environmental management; Since then, the developments of the procedures for the implementation of the Environmental Management System (EMS), represent the code of actions and behaviours for all the company's employees.

IT security

With a perspective of continuous improvement of IT security, also in 2011 the activities to improve and increase the efficiency of IT systems continued, in particular with the assessments of safety of the information systems and of the other park facilities and infrastructure.

Relationship with the territory

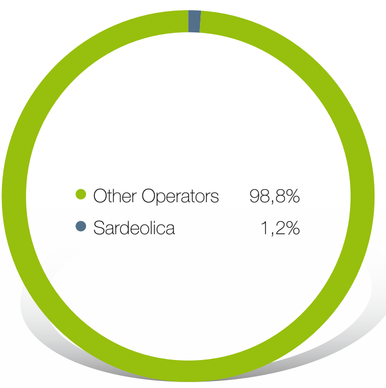
With regard to the social impact of the wind park on the area, Sardeolica employs 25 workers, mostly young university graduates born in Ulassai and in its immediate vicinity, engaged in the operation and maintenance of the plant, supervision of all technical and operational aspects, monitoring of the environmental impacts, and also engaged in the activities related to the company's Management System, as well as administration, purchasing and procurement. Training was also provided for design engineers dedicated to feasibility analysis, development and construction of new wind farms, and also support to other companies of Saras Group.

This last element is particularly significant because this initiative created a working group with advanced technical skills, oriented to this industry, in an area with a predominantly agro-pastoral vocation, affected by high rates of unemployment and emigration. Among other things, a positive economic impact derives also from the increase of the activities related to the provision of maintenance, catering and tourist services (the so called "induced" employment).

Finally, also in 2011 the park received several visits of schoolchildren (27 classes of various grades: elementary schools, middle and high schools, and also universities), groups and occasional tourists.

Summary of the main financial and operational results

In FY2011, IFRS EBITDA (which coincides with the *comparable* EBITDA) stood at EUR 14.0m, down vs. EUR 21.2m in FY2010. This is primarily due to the lower electricity production, related to unfavourable



INSTALLED WIND POWER IN ITALY: APPROX. 6.300 MW

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wind conditions, for most of 2011, as already discussed in the previous chapter. The value of the Green Certificates was practically unchanged (8.0 Eurocent/kWh) while the power tariff (7.5 EURcent/kWh) went up by 9% vs. FY2010.

Furthermore, 2011 results were penalised by a write off worth approx. EUR 3m, accounted for during Q4/11, and related to some projects in our pipeline which, due to the new regulations of the Sardinian Regional Authorities, are no longer inside the so called “authorised areas” where it is permitted to build wind parks.

In Q2/11, the Group completed the “repowering” project of the Ulassai wind park, with the completion of the final civil works and the installation of a MV/HV transformer. In this way, the park has now reached the full installed capacity of 96MW. Total CAPEX in FY2011 was equal to EUR 2.5m.

Finally, on July 6th 2011, the Shareholders’ Meetings of Ensar S.r.l. and its subsidiaries Eolica Italiana S.r.l. and Nova Eolica S.r.l. approved the merger plans drawn up by their respective Boards of Directors, regarding the merger of the two subsidiaries into Ensar S.r.l.. The merger became effective on 30th September 2011.

EUR Million	2011	2010	var%
EBITDA	14.0	21.2	-34%
***Comparable* EBITDA**	**14.0**	**21.2**	**-34%**
EBIT	3.8	11.8	-68%
***Comparable* EBIT**	**3.8**	**11.8**	**-68%**
CAPEX	**2.5**	**14.9**	

		2011	2010	var%
ELECTRICITY PRODUCTION	MWh	140,897	175,934	-20%
POWER TARIFF	Eurocent/KWh	7.5	6.9	9%
GREEN CERTIFICATES	Eurocent/KWh	8.0	8.0	-1%

SARTEC (Saras Ricerche e Tecnologie)

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Sartec, innovation for improvement

Sartec, a Group company fully controlled by Saras, provides advice and solutions for improving industrial performance, and has a broad offering for the oil, petrochemicals and energy sectors.

It has two main business lines:

- environmental protection (environmental engineering, environmental analysis and measurement systems, analytical services and environmental monitoring);
- industrial efficiency and energy saving (engineering solutions for plant and automation, energy-saving solutions and measures, advanced process control, supply of package systems).

The negative market trend seen in 2010 continued in 2011, with a further 19% reduction in production volumes. This related exclusively to the provision of service efficiency measures to its parent company (which declined by around EUR 3.7 million in absolute terms). External sales were unchanged.

The reduction in production volumes was offset by rationalisation of the structure, direct and indirect costs and overheads. This delivered savings are commensurate with the decline in sales volumes, confirming the company's ability to create a profit margin and value added even in unfavourable market conditions.

The Group's portfolio remained focused on plant, automation and environmental engineering (about 80% of the total). In particular, it continued its activities of implementing solutions designed to meet Integrated Environmental Authorisation (AIA) requirements, including protecting groundwater and monitoring fugitive emissions and air quality, including monitoring odours. During the year, Sartec also developed an efficient system for obtaining energy efficiency credits for energy saving projects within its refinery, which enabled it to book another 20,000 such credits.

The remaining 20% of the Company's activities took place in the regional and national market, which brought new opportunities with regard to industrial clients and public administrative bodies. The refinery sector in particular showed a degree of interest in Sartec's proprietary products (such as drainage samples and valves) and environmental monitoring (monitoring of fugitive emissions and odours).

In the public administration sector, one notable event was the award of the tender for maintaining the Municipality of Cagliari's air quality monitoring network.

In the foreign markets, the year saw further scouting activities aimed at identifying new business opportunities and maintaining contacts initiated in 2010, particularly in Turkey. In the water monitoring sector, Sara continued its cooperation with the Bulgarian Ministry of the Environment on the restoration of the water monitoring network for the Iskar Basin.

In terms of research and development, where the remit is to increase knowledge both internally and in the regional community, further collaboration was undertaken with university bodies through scholarships and research doctorates.

In December, an agreement was signed with the Department of Mechanical Engineering of the University of Cagliari and the Sardinia Forestry Commission, aimed at identifying better technical and business solutions for the design of a biomass cogeneration plant to exploit the energy in the region's forestry biomass.

AKHELA

Further growth in 2011 in sharp contrast with the ICT market

Akhela operates in the ICT sector (Information & Communication Technology), and has always excelled in providing high-quality services combined with the very latest technologies. Specifically:

- Security and data centre automation services designed to ensure the availability, flexibility and efficiency of IT systems;
- Solutions to optimise data and information management through the use of business intelligence and knowledge management technologies;
- Design services for complex electronic systems.

During 2011, the Italian ICT market continued its negative growth trend, with the latest estimates showing a decline of -3.8% as compared with the previous year (source: Sirmi). In contrast to the market, Akhela lived up to the Group's expectations, reporting significant sales growth (+7% as compared with 2010) amounting to around EUR 26 million.

Among the key factors contributing positively to the results for the year were the strengthening of relationships with certain major clients, the company's expansion in international markets, and know-how combined with an ability to anticipate market trends.

With regard to the *Finance* sector the results of the previous year were consolidated, and Akhela strengthened its relationship with its main client, having been invited to take part in the selection process for new European suppliers for the Group and subsequently being selected for this role. In addition to this, a number of existing service contracts have been renewed for the next three years, including a minimum guaranteed quota, among other things.

With regard to the *Automotive* sector, there was a further increase in sales following on from the excellent result of last year. Sales grew by over 30% in 2011, and the year ended with a group of developers being sent from Akhela to Germany to work alongside a client's own researchers. Similarly, the opening of the office in Maranello in 2010, giving it a permanent local presence in the area, made it possible for the company to initiate relationships during the course of the year with new customers linked to the automotive world.

Also of note was the company's continued exploration of certain international markets, which led Akhela to take part in a number of calls for tender and bids in European and South American countries at the end of 2011, and to the first order from Brazil.

Research and development also achieved significant results thanks to Akhela's involvement in five new European projects, covering topics ranging from security to smart metering and generating research costs of just under EUR 4 million over the next three years.

As regards product range innovation, in 2011 Akhela developed two areas which had been the subject of significant feedback from clients: the first was IT Governance, involving the provision of personalised advice to clients to ensure that internal processes and procedures comply with the regulations to which they must adhere. The second was a specific area of security, involving intervention by Akhela specialists to reconstruct, by analysing a client's information systems, "who did what" when events have occurred which have damaged the company in question. Overall, these two product offerings contributed around EUR 300,000 to Akhela's sales in 2011.

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Net Financial Position

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The Group's Net Financial Position at 31st December 2011 was EUR -653m, while at 31st December 2010 it was EUR -560m. The difference in the Net Financial Position during the year can be primarily explained with the large increase in working capital (approx. EUR 280m) and the investments for the period (EUR 105m). Those cash flows were partially offset by the self-financing from provisions for depreciation and amortisation (EUR 213m).

Finally, with specific reference to inventories, which are included in the working capital, it can be noted that between the beginning and the end of 2011 there was not only a meaningful increase of their value due to pricing effects, but also an increase in volumes (approx. 170 ktons, mainly of refined products). The liquidation of these volumes in subsequent periods will certainly produce positive effects on the financial position.

EUR million	**31/12/2011**	**31/12/2010**
Medium/long term bank loans	(37)	(234)
Bonds	(248)	(248)
Total long term Net Financial Position	**(285)**	**(482)**
Short-term loan	(198)	(8)
Short term bank loans	(327)	(155)
Other Short-term financial liabilities	(6)	
Fair value derivatives	(10)	(25)
Other financial assets held for trading	11	29
Cash and cash equivalents	139	81
Warranty deposits for derivative instruments	23	
Total short term Net Financial Position	**(369)**	**(78)**
Total Net Financial Position	**(653)**	**(560)**

Strategy

In the Refining segment, the Saras Group's strategy during 2011 was centered on the implementation of the asset management programme called "Project Focus", which is primarily aimed at improving production efficiency, operational effectiveness and reducing costs. To date, the results are extremely positive, especially in the area of "*cost rationalization*" (approx. EUR 23m of savings in FY2011, when considering also compensation of inflation), and also in the area of "*operational effectiveness*". Progress in the area of "*energy efficiency*" is requiring important efforts, and it still offers margins for improvements.

During the year, Saras broadened the scope of the programme, by identifying investments that provide quick returns in the areas of energy efficiency, de-bottlenecking of units, enhancement of product yields, and rationalisation of outsourcing. Moreover, the organization structure has been reviewed, with the appointment of widely respected industry professionals in key management positions.

"Project Focus" has been extended to include also the areas of "Planning" and "Supply & Trading". The approach to refinery planning, previously asset driven, is now mainly commercially driven, in order to capture more value from opportunities arising from high volatility in oil prices, within a context of strong oil markets.

Moreover, in Q1/11, Saras' Board of Directors approved the partial restart of the multi-year investment plan announced in 2008. More specifically, a total investment of approx. EUR 60m has been approved, in order to complete the project for the revamping of the MildHydroCracking2 (MHC2) unit. The revamping will come to fruition towards the end of H1/2013, and it will bring benefits quantifiable in approx. 600 ktons of additional diesel production (in exchange for heating gasoil), and an increase in refinery runs for approximately 650 ktons.

In the Wind segment, the Ulassai wind park achieved the full installed capacity of 96MW during Q2/11. Currently, the Group is continuing to develop other projects in its pipeline, concerning sites located in the island of Sardinia and also overseas (Romania).

Finally, regarding Gas Exploration, a new company (Sargas S.r.l.) has been created on 15th July 2011, which will operate in the fields of exploration and development, as well as transport, storage, purchase and sale of gaseous hydrocarbons. The Group is currently proceeding along the approval path, which will eventually lead towards the beginning of drilling activities in an area located in Sardinia (called the "Eleonora" exploration block), where prudentially it estimates to obtain an annual production of 70 up to 170 million cubic metres of natural gas, for a production period of more than 20 years. Once the approval path has been completed, it will take from 4 up to 6 months in order to complete drilling of the exploration well.

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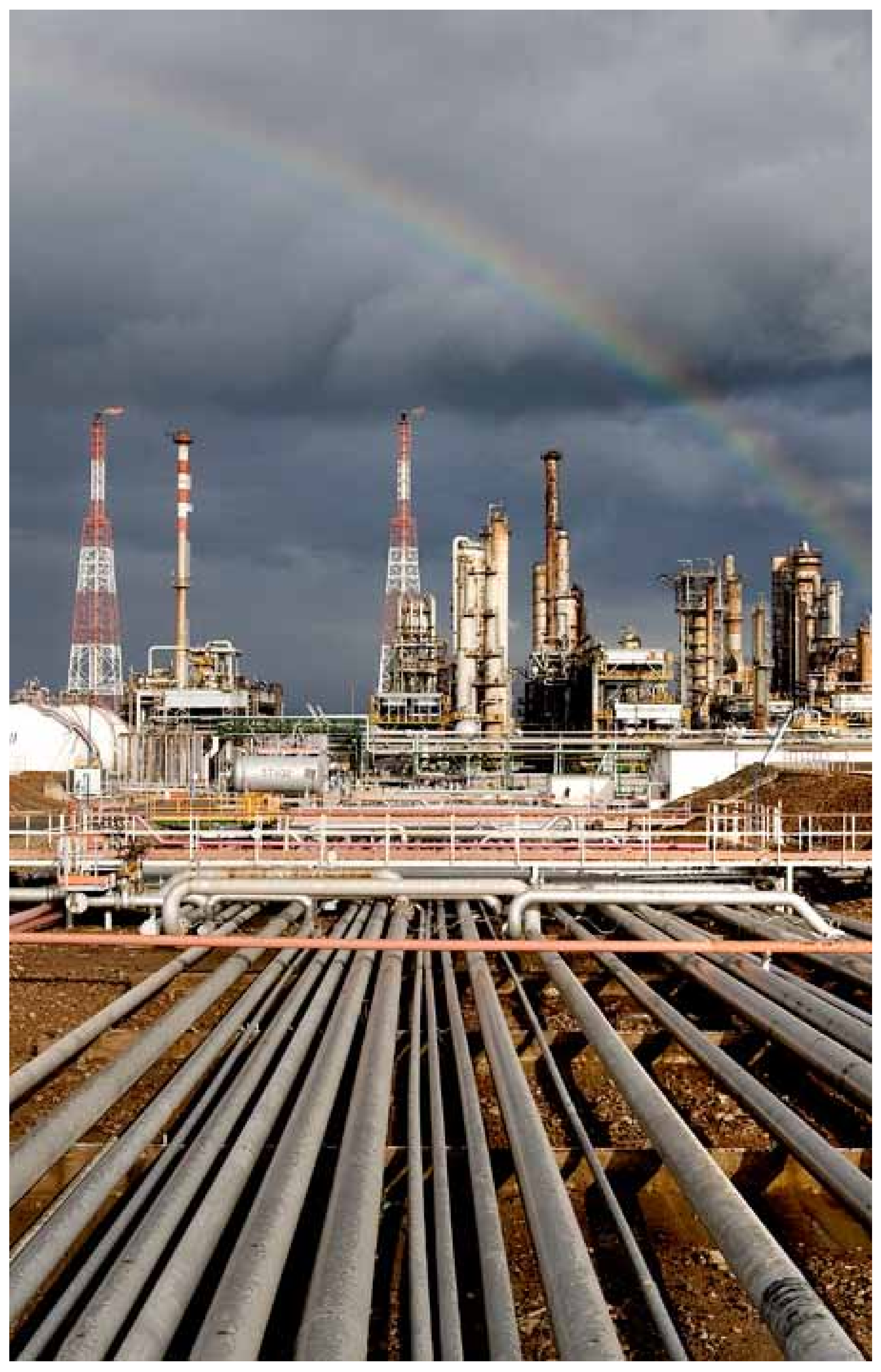


Investments in FY 2011

In 2011 capital expenditures totalled EUR 105m, with the split detailed in the following table. This represents a further meaningful reduction versus the programme completed by the Group in the previous years, and it is a consequence of the decision to achieve an accurate synchronisation of our medium-term strategic plan, with the contingent macroeconomic situation which, in its uncertainty, induced us to adopt a prudent approach also in FY2011, in order to preserve a robust financial position.

EUR Million	2011	2010
REFINING	64.6	92.5
POWER GENERATION	31.2	10.3
MARKETING	4.8	5.1
WIND	2.5	14.9
OTHER ACTIVITIES	1.9	6.2
Total	**105.0**	**129.0**

In particular, during 2011, in the Refining segment we continued the preparatory activities needed for the revamping of the MildHydroCracking 2 unit (MHC2), which will be completed during the turnarounds of 2012 and 2013. Important progress was done with all construction works related to the foundations, and also with the assembly of the "main items" and equipment, with the H2S Absorber System and the compressors being among the most significant ones. Activities are proceeding in perfect alignment with the programme, towards the goal of having the fully revamped unit in operations towards the end of the first half of 2013.

In the Power Generation segment, in FY2011 there was the 10-year scheduled maintenance turnaround, with a total capital expenditure of approximately EUR 30m. During the turnaround, maintenance was carried out in order to restore full operational efficiency for all "main items", including rotating machinery (turbines and generators), the gasification units, the Hydrogen separation unit (which is a fundamental "utility" system for the refinery), and the water cooling tower.

Finally, in the Wind segment, the last construction works were completed in the Ulassai wind park (Sardinia), and also a MV/HV electrical transformer was installed and connected to the park and the power grid. In this way, the wind park achieved the full installed capacity of 96 MW.

Human resources

Saras continues to tackle the challenging target of being one of the sector's best and most efficient operators so that it can successfully compete in a market that in 2011 saw a number of unforeseeable events that made the Company's ordinary activities even more complex. The integrity, energy and innovative drive of the Group's personnel played an essential role in enabling it to quickly respond to the new situations and maintain the ambitious targets set for the coming years.

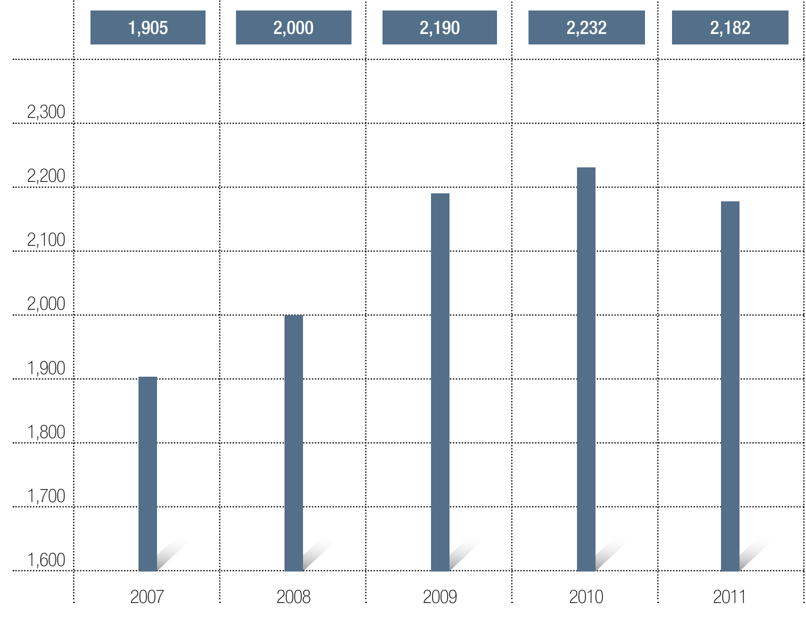
Human Resources and Organisation's ability to quickly find organisational and behaviour models better able to cope with the new situations, rapidly implement them, and adjust the defined action plans has been crucial.

During 2011, it continued with the measures initiated in 2010 to:

- present and share the values, guiding principles and responsibilities of the organisation within the change management process launched under the "Focus" and "Safety is our Energy" projects;
- align human resource management and development processes and systems with the new operating model developed during the year;
- implement measures identified to improve efficiency and contain costs, in response to the competitive context (containment of personnel costs, reduction of transfer costs, coordination of activities to reduce operating costs with a greater personnel-related bias, such as insurance, the recreational and welfare centre for workers, costs for green spaces, office cleaning, etc.);
- support and co-ordinate activities to analyse and redefine the organisation, which during the year affected Supply & Trading as well as refinery posts, with a view to maximising the effective use of available resources, increasing efficiency, by identifying core activities previously outsourced and bringing them back into the organisation, while maintaining the same headcount.

40.5 years
The average age
of Group employees

Trend in Saras Group headcount



All these activities took place against a backdrop of broadly stable employment, thereby ensuring normal turnover of operating resources, safeguarding the shadowing period that enables new hires to acquire the capabilities required for their roles, and supporting the enhancement of company competences through the regular insertion of staff with specific professional skills or potential skills to be developed.

65,800
training hours

Remunaration policies

Management remunaration components

Fixed gross annual pay is set by the national collective agreement for industrial managers. This may be supplemented by additional benefits and a variable component. The variable portion is established by reference to the strategic objectives and financial results based on a management by objectives system. In 2011, the employee share plan and the stock grant plan remained in place, as approved by the General Meeting of shareholders in April 2010.

Breakdown of Saras Group employees

	manual and specialised workers	office staff	middle managers	managers
%	32%	52%	13%	3%

Non-management staff's pay components

Fixed gross annual pay is set by the applicable National Collective Labour Agreement. This may be supplemented by additional benefits and a variable component. The variable component of middle managers' pay is set using a management by objectives system based on strategic objectives and financial results. In addition, the shareholders' meeting held in April 2010 approved the three-year employee share plan for the entire workforce. Finally, note that more than 95% of the workforce was employed on permanent contracts.

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Organisational development

The Focus programme was launched in early 2010 to maximise the plants' availability, reliability, efficiency and productivity over the long term, through more efficient processes supported by new organisational and behaviour models. Its purpose is to guarantee Saras' competitiveness and future sustainability.

Market performance in 2011 and the unforeseeable socio-political events that affected some of Northern Africa's major countries, primarily Libya, forced the Company to speed up its planned review of processes in Supply & Trading. The objective was to ensure that this area has the capacity to immediately assess market opportunities and the impact of "commercial" operations on its production structure.

Under the Focus programme, primarily targeting process, organisation and behaviour issues, the Human Resources and Organisation department was entrusted with programme management and change management, activities aimed at influencing behaviour and competences. Particular care was paid to communicating the changes to the operating model arising from the decision to increase integration of the activities of Supply & Trading and production planning.

This year too, short surveys of the entire workforce were conducted to keep abreast of the working atmosphere and motivation in light of the changes made. A comparison of these with the results of a questionnaire conducted during the launch of the programme made it possible to measure confidence in the project and the effectiveness of the initiatives undertaken since.

Culture and conduct

In addition to developing the programmes mentioned above ("Purpose", "Focus" and all the safety improvement activities), which involved various levels of the company's workforce, HRO continued to disseminate a systemic vision of these programmes within the organisation. It is a process started in 2010 that has made it possible to clarify the challenges facing Saras in the coming years and the guiding principles and values to be followed in operations conducted by Saras staff, with the objective of developing a culture of "performance" and "accountability".

To encourage this, investment was made in internal communications and training, identifying the priorities to ensure that the programmes match the organisation's needs.

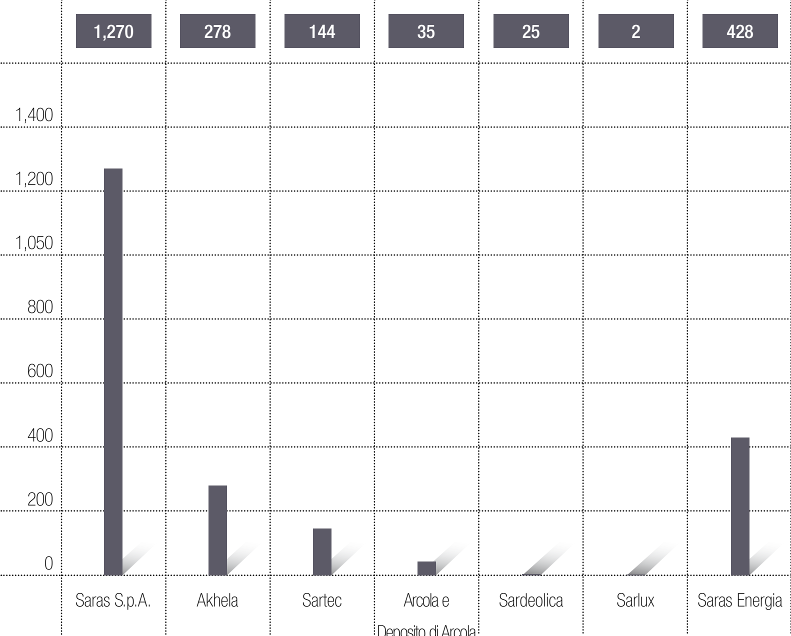
The various initiatives in terms of training for positions, continuous training and refresher training centred on the development of skills and conduct in line with the organisation's founding values and, in particular, the issue of health and safety in the workplace.

During 2011, for example, training was held after the new work permits procedure, which plays a central role in managing safety in the work of subcontractors, was issued. The procedure only became effective after all those who play a part in managing work permits were trained. This meant that more than 730 Saras employees and more than 120 subcontractors were involved.

Staying on the subject of safety, communications continued to be centralised within the Company. Set-up work, which in 2010 was carried out by the respective work groups tasked with designing a model for regular meetings at various levels on HSE (health, safety and environment) issues and disseminating and applying the Basic Safety Measures (simple illustrated guides on how to perform certain types of work safely), proceeded in an orderly manner. The new "safety licence" tool for workers from external contractors involved in plant shutdown activities, which was trialled in 2011, was used more broadly.

The promotion of safe behaviour, particularly regarding shutdown activities, was the subject of the first specific measure designed to develop reflection within the organisation on the urgency of making a qualitative leap in daily actions ("do everything better").

Breakdown of employees by company



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SAFETY IS OUR ENERGY

WE WANT TO SEE OURSELVES AND BE SEEN AS AN INDUSTRIAL GROUP MADE UP OF PEOPLE WHO LIVE AND PROMOTE A CULTURE OF SAFETY THROUGH OUR DAILY ACTIONS.

In order to support all these initiatives, a newsletter was launched in 2011, with every edition featuring an analysis of the indicators and, together with appropriate comments, the impact of people's conduct on the Company's results.

In the ultimate analysis, spreading the safety culture translates into continuous training and the creation of working conditions that aim to gradually reduce emergencies and accidents involving the employees of Saras and contractor companies. In 2011, more than 65,800 training hours (of which 36,150 were on safety) were supplied, mainly geared towards the development of "safe behaviour".

Training on environmental issues received fresh attention, in particular the Integrated Environmental Authorisation permit, with a view to raising awareness and knowledge of the key environmental factors in the proper management of production activities.

Note that, with regard to Group activities in 2011:

- there were no recorded cases of death at work involving the staff listed in the company's employee register;
- there were no recorded serious or very serious accidents involving the staff listed in the company's employee register;
- there were no recorded allegations relating to occupational illness affecting staff or former staff, or cases of harassment.

The company had not been the subject of any judgement relating to disputes with employees and/or former employees.

On 12th April 2011, a tragic accident occurred at the DEA3 plant at the Sarroch refinery, which was closed for planned maintenance. The accident involved three employees of an external company, one of whom died in the early hours of the following morning. The condition of the other two engineers gradually improved over the next few days and they subsequently made a full recovery. As investigations by the public prosecutor's office are currently under way, it is not possible at the present time to give an indication of the extent to which the Company may be liable.

36,150
hours of safety training

On 4th July 2011, the Court of Cagliari, ruling on the accident on 26st May 2009 that resulted in the death of three employees of an external company, acquitted two Company managers charged in this matter and held that Saras had no administrative liability pursuant to Legislative Decree 231/2001. The Court of Cagliari handed down two-year suspended sentences to the Company's General Manager and Refinery Manager and a manager of the external company and awarded damages to the plaintiffs. Both the Public Prosecutor and the lawyers for the defendants have appealed against the Court of Cagliari's ruling; the legal proceedings are pending.

Dräger

Health, Environment and Safety

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A constantly improving picture

Generating energy in a safe and reliable way is one of the principles that guide our strategic decisions. Improving operating reliability and continuity while at the same time ensuring land conservation and environmental protection is one of the company's priorities. Activities intended to protect the health and safety of all those who work directly and indirectly for the Saras Group fall within this framework. Our commitment, which is also reflected in the technological improvements made to our installations, has enabled us in recent years to significantly reduce the environmental impact of our activities and promote improvements in energy efficiency.

As regards the 2011 financial year, the dramatic improvements in environmental data were confirmed - the result of consolidated management activities at installations built in earlier years. As usual, detailed and accurate information on all the environmental aspects which directly or indirectly affect the environment within and outside the Sarroch plant is given in the Environment, Health and Safety Report.

During the course of the year, activities to monitor all environmental aspects were continued. Atmospheric emissions and waste water are factors which are immediately obvious, because they affect the environment in which people live and work every day. Others, such as energy and water consumption and CO_2 emissions, relate to problems of more general concern, have a more global impact, and their direct effects on the local environment are less obvious.

Emission trends also showed further improvement in 2011, continuing the pattern of the last five years (except for a few small fluctuations resulting from plant operations and extraordinary maintenance). The improvement in environmental data is due to a series of technical and management measures put in place, which have gradually equipped the refinery with more efficient technology and resources in terms of production and respect for the environment.

Improvements in sulphur dioxide (SO_2) emissions were again significant. Emissions in 2011 show a constant reduction compared with the average trend of the last four years. In 2011, SO_2 emissions were 0.279 tonnes per 1,000 tonnes processed, compared with 0.51 tonnes in 2007 (see graph on next page showing SO_2 emissions).

This result was achieved chiefly thanks to the entry into service in December 2008 of the tail-gas treatment and sulphur recovery unit (TGTU), which enabled sulphur emissions to be reduced and which has operated extremely efficiently over the last two years. More specifically, comparison of the averages of the last two years (2010 and 2011) with the average for the first five years of the decade (2001 – 2005) shows a reduction in SO_2 emissions of over 60%.

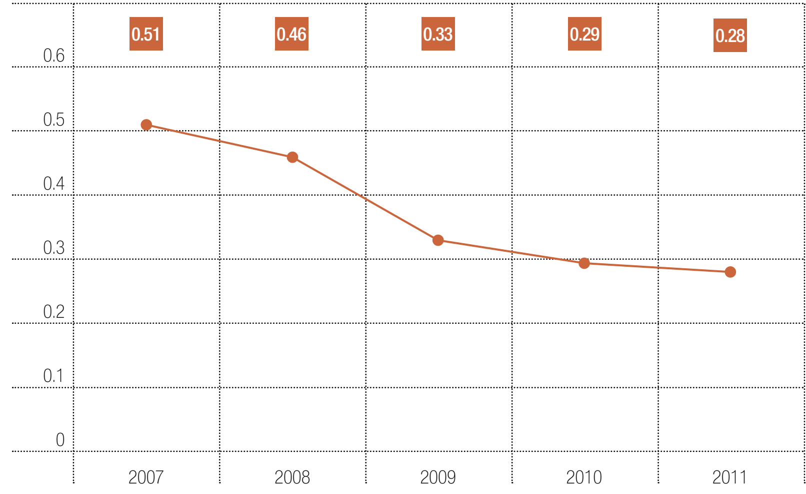
Investments with regard to the environment and safety fall within the Saras Group's growth strategy. In this context, issues such as energy-saving culture and environmental sustainability, not new to the Group, have become even more topical in the last few years.

In particular, a major tranche of investment (over EUR 60 million) was made with regard to health, safety and the environment between 2008 and 2011. More specifically, investments were made in environmental-protection measures, improvements in energy efficiency, with a consequent reduction in the level of fuel burned (and therefore of emissions), the completion of the TGTU, and, finally, energy recovery in the FCC plant.

Thanks to its environmental protection policy, in the 2011 financial year, again no situations arose in which the company was held liable for environmental damage , nor did it receive any fines or penalties for environmental offences or damage.

The environmental protection policies also require continuous invest-

ment in staff training, through a process that involves all workers at the refinery (including those of contractor companies) and those of other Group companies, in order to create a high degree of awareness of environmental issues. Even the most advanced technological systems must be supported by careful management and control by all those involved in the production cycle.



AIA: Integrated Environmental Authorization permit

The process of obtaining the Integrated Environmental Authorisation (AIA) permit began in early 2007, and was completed in April 2009. Saras was the first company in Italy to obtain the AIA permit, which represents the results of improvement in the technical and structural characteristics of the plants and the production site, enabling the impact of production activities on all environmental matrices to be minimised. The AIA permit, issued by the Environment Ministry, replaces all other authorisations; it lasts for eight years and is conditional upon maintaining EMAS (EU Eco-Management and Audit Scheme) registration. This further recognition covers the basic concepts of the Environmental Code, under which all the elements (air, water, soil, visual impact, etc.) are seen as part of a whole, and represents the result of a process that led to the company obtaining Environmental Certification ISO 14001 in 2004, which was subsequently confirmed in 2007 and 2010.

The AIA permit uses the European Union's BREF (Best Available Techniques Reference Document) on oil and gas refineries as its main reference point, enabling certain issues that could become significant in the future to be taken into account.

The process was coordinated by the Assessment Committee, appointed by the Italian Environment Ministry, which involves the local authorities concerned. Following specific meetings between the Committee and the local authorities, in which the company's representatives were also involved, the process was successfully completed, and the Assessment Committee provided the Environment Ministry with positive clearance, following its session of 15th January 2009.
In 2011, a series of meetings was held with ISPRA (Institute for Environmental Protection and Research) for the implementation of monitoring and control activities, required for the purposes of the AIA permit, and included meetings with Unione Petrolifera to standardise applications for permits for the entire oil sector in Italy.

EMAS registration

During the 2011 financial year, the Company carried out the due dili-

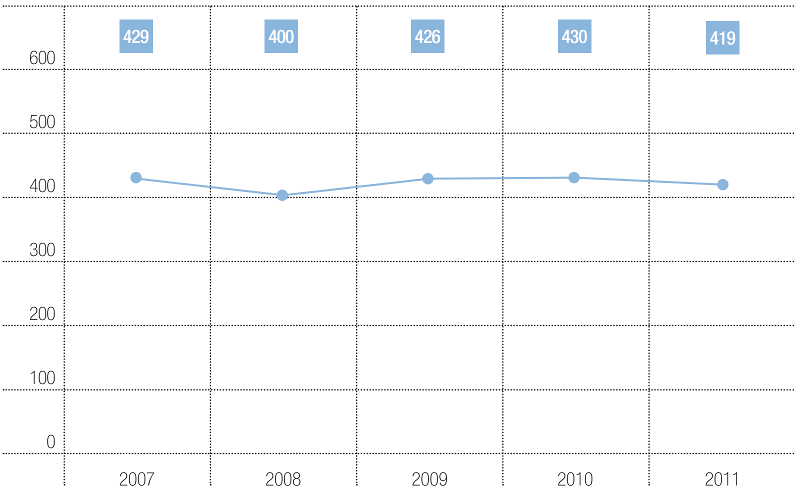
Certification process

2000 > 2001
Definition of
Environmental Policy

2002 > 2003
(Environmental Management Systems)
1st Environmental Report

CO_2 Production rate

CO_2 Production rate (Tons CO_2 / thousand tons of refinery runs)



gence checks required to maintain EMAS registration and designed to assess the activities carried out in order to guarantee the region's environmental sustainability. As part of the programme to maintain EMAS, numerous activities and commitments must be undertaken, involving many different levels and functions of the company. Specifically, as regards transparency towards the local area and full and prompt compliance with the law, the Environmental, Health and Safety Report and the Environmental Declaration must be prepared and published.

The Environment, Health and Safety Report provides a detailed and up-to-date picture of all the environmental aspects which relate to the production site's internal and external environments. The Environmental Declaration sets out, for the public and all other interested parties, all the activities conducted by the company, the consequent direct and indirect environmental aspects, and, even more importantly for the purpose of maintaining EMAS registration, the environmental improvement targets that the company has set itself.

Also with a view to improving transparency, INES (the National Inventory of Emissions and their Sources) was regularly informed throughout the year of the site's main environmental data. This information is sent to the Italian Environment Ministry, which in turn forwards it to the European Commission, where it is entered on the European Pollutant Emission Register (EPER). The declaration relates to levels of water and air emissions based on various parameters reflecting the activities carried out.

The workplace health and safety management system

Safety is our energy

"We want to see ourselves, and be seen, as an industrial group made up of people who live and promote a culture of safety through our daily actions".

In 2011 the project to improve safety management continued to promote the spreading of the safety culture through internal communication projects initiated in 2010. The key activities in this area were:

- creating more effective and simple leaflets, called Basic Safety Measures (BSM), summarising the safe conduct to be adopted, checked and enforced when certain types of work are undertaken. These simple guides for immediate use were distributed to all Saras employees and contractors' employees working at the Sarroch facility;
- use of safety tours in operational areas designed to ensure con-

2004 > 2005
ISO14001
certification

2006 > 2008
Eco-Management
and Audit Scheme

2008 > 2009
AIA
Environmental Authorisation Permit

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CO2 Emissions of Refinery (ton / year)

stant monitoring and supervision of safety in working areas;

- safety briefings, another tool for spreading the safety culture through the direct staff involvement.

Safeguarding health and preventing any form of accident or mishap (whether involving its own staff or those of other companies working at the site) are core values for Saras, that are also promoted through the adoption of an "Occupational Health and Safety Policy". Under the Health and Safety Management System, a "Performance Measure" was introduced, for which objectives and targets are established on the basis of the company's compliance with the policy it has adopted.

To promote a safety culture, a process has been implemented over the last few years that has enabled the company to obtain some important certifications. In 2007, Saras obtained certification for its Health and Safety at Work System based on the OHSAS 18001:2007 standard.

In 2008, it amended the "Organisation, Management and Control Model", pursuant to Legislative Decree 231/01, to comply with the provisions of Law 123/07 and the subsequent Legislative Decree 81/08, on the protection of health and safety in the work place, and this was updated again in 2011. Furthermore, in 2011 Saras renewed its OHSAS 18001:2007 certification for its workplace health and safety system.

Saras also took an active part in drafting the "Guidelines for an Integrated Health, Safety and Environmental Management System", based on the agreement signed on 28th June 2007 by INAIL, ASIEP (now Confindustria Energia) and trade union organisations, which establish a reference framework at national level for the implementation of integrated health, safety and environmental management systems.

Against this backdrop, Saras took an active role with Confindustria Energia, INAIL and union organisations in conducting audits to check the application of the "Guidelines for an Integrated Health, Safety and Environmental Management System" above. Three audits were scheduled in 2011 in companies belonging to Confindustria Energia.

The Saras Group promotes a culture of safety at all corporate levels through training, sharing and checking the degree of effectiveness of the activities pursued. Spreading the safety culture means continuous training and the creation of working conditions aimed at gradually reducing emergencies and accidents involving Saras staff and the employees of contractor companies.

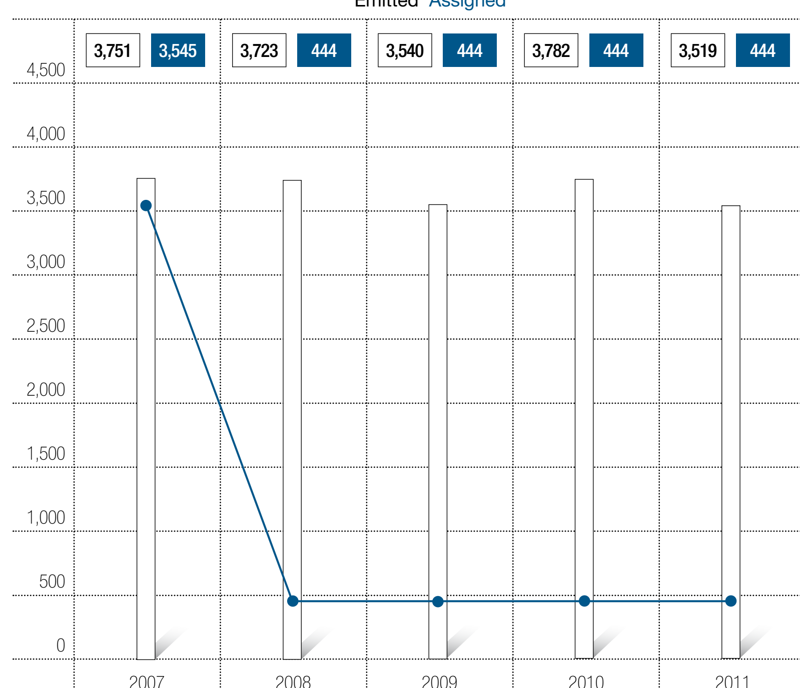
Training for roles and positions continued, as did ongoing training on "Safety and the Environment". Between 2008 and 2011, investments aimed at improving safety at our production site totalled over EUR 63m, of which over EUR 12m related to 2011.

In 2011:

- there were no recorded cases of death at work involving the staff listed in the company's employee register;

- there were no recorded serious or very serious accidents involving the staff listed in the company's employee register;
- there were no recorded allegations of occupational illness affecting staff or former staff, nor any cases of harassment.

However, last April - while our facilities were closed for scheduled maintenance - a tragic event occurred that led to the death of a worker from a contractor company. This tragedy was deeply felt at every level of the company. We believe it is essential to continue to promote "safe behaviour", because only by bringing about a change in culture can we achieve levels of workplace safety which will ensure that personnel are safe.



Greenhouse gas emissions

The operations of the Saras Group at the Sarroch site – the refinery (refining segment) and the IGCC plant (electricity generation segment) – fall within the scope of the European Emissions Trading Directive. The Directive was introduced across Europe to control and reduce carbon dioxide emissions as part of the fight against the greenhouse gas effect and consequent climate change. While carbon dioxide emissions do not have a direct impact at local level, particularly in terms of air quality around the site, they are connected to global phenomena.

The emissions trading scheme was introduced in 2005 to help EU Member States to comply with the requirements of the Kyoto Protocol. It works by assigning an emissions allowance to each individual plant falling within the scope of the Directive; this allowance is set by the Member State concerned under a "National Allocation Plan". Surplus allowances may be traded and/or stockpiled, and any deficit must be covered by acquiring emissions allowances on the market. The decision about allocation is broken down for each of the reference periods set by the Directive: the first reference period was the three-year period between 2005 and 2007, while the second relates to the current five-year period between 2008 and 2012, followed by 2013-2020, and so on.

The Directive's second period of application began in 2008, and imposes tougher allowances, based on the objectives set out in the Kyoto Protocol. In this context, Saras keeps a register that records, calculates and monitors CO_2 emissions. The calculation system is certified by accredited independent bodies in accordance with European guidelines.

Saras also believes that controlling and reducing emissions must be achieved by rationalising energy use and adopting efficient energy-generation systems. The company has always been heavily involved in such initiatives.

The National Emissions Trading Register, which is available for consultation, records both the allowances assigned and the annual CO_2 emissions in Italy. Saras has been assigned a single position based on the total emissions from all its operations at the Sarroch site. Further details in this regard are provided in the 2011 Environment, Health and Safety Report.

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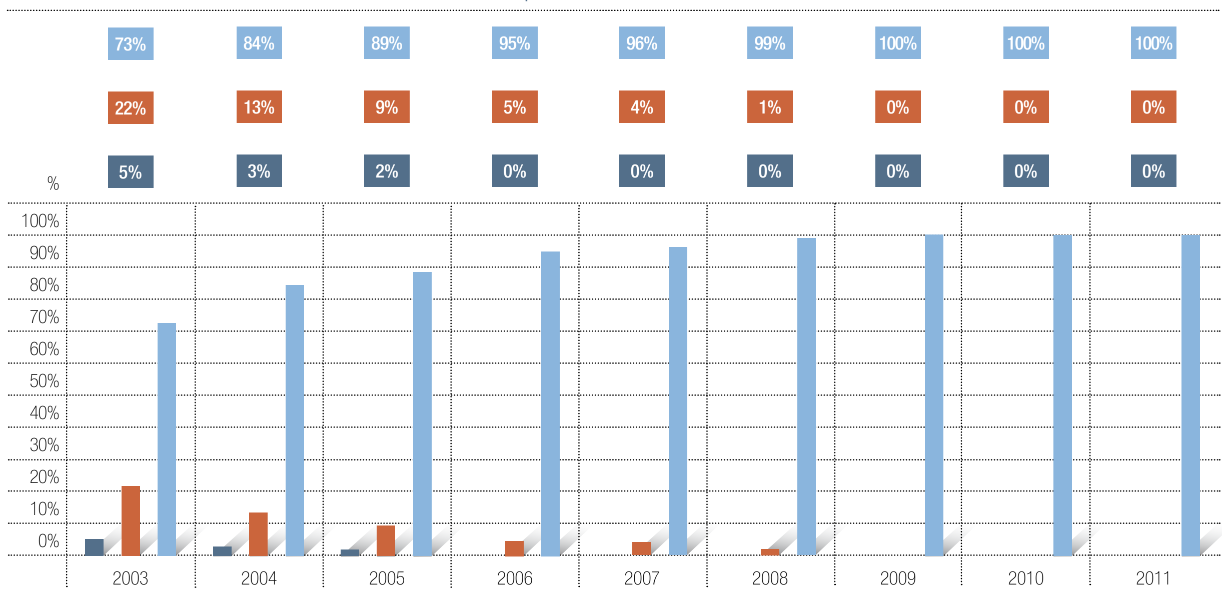


*SBT: Segregated Ballast Tanks / PL: Protective Locations

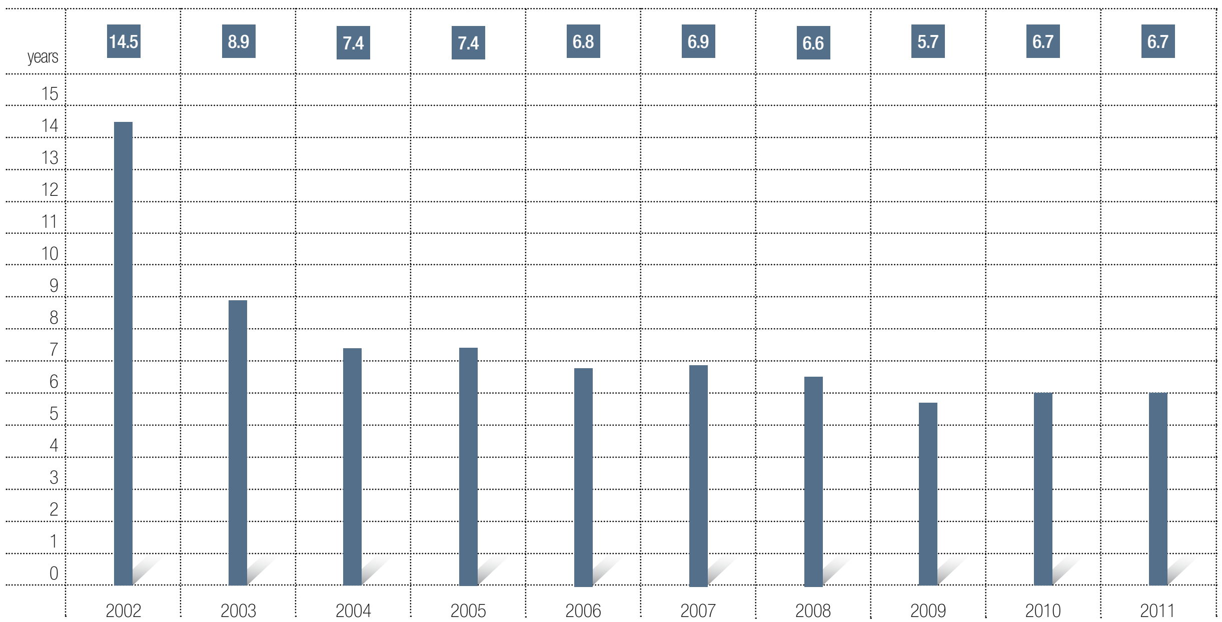
Caring for the sea

We are conscious that we must preserve and limit any type of change to the environment. For this reason, we have for years had very stringent criteria relating to the transport of oil and refined products by sea.

Since 2009, only latest-generation ships have been used, all of which are double-hulled, ahead of legislation on maritime traffic. Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals.

In this regard, vetting inspections are regularly carried out at other ports by trusted Saras personnel, in accordance with international criteria, as are on-the-spot pre-mooring inspections.

Averega age of tankers



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Social Responsibility – Activities with the local community

Communication with the local community

As part of the Group's drive for transparency, integration and cooperation with the region in which it operates, 2011 saw a continuation of activities aimed at strengthening relations with external parties, and in particular the local community living around the production facility.

These initiatives were also in line with the obligations imposed for EMAS (Eco-Management Audit Schemes) registration, which the company obtained in 2008. EMAS is a tool designed to certify that companies are committed to continuous improvement in environmental matters and sustainable development, including through direct and indirect involvement of and dialogue with employees, as well as all the main stakeholders.

In 2011, the Group continued to implement a structured communications and external relations plan targeting in particular institutions, organisations, associations, the world of education, the media and specialised publications. This led to the creation and implementation of partnerships and joint events.

In this regard, various meetings were held with local authorities, which presented opportunities for discussion, the exchange of information and communication on issues of common interest, such as health and safety, environmental protection and regional development.

These meetings were also an opportunity to present both the results achieved, and Saras' environmental programmes and objectives for further improvement, as set out in the two documents – "Environmental Declaration" and "Environment, Health and Safety Report" – distributed at these meetings.

Saras for schools: Schools project – "The Energy Route"

Saras' Schools Project, now in its thirteenth year, is a tradition that forms part of the company's wider policy of fostering relations with the society in which it operates, with a view to ensuring the highest level of cooperation and transparency.

The initiative was launched in 1998 in partnership with the Municipalities of Sarroch, Villa San Pietro, Pula and Capoterra, and is supported by the Italian National Olympics Committee (CONI) and UNICEF. Its aim is to promote energy awareness among children in their final year of primary school. The project has evolved over the years into a valuable opportunity to meet and liaise with local institutions as well as schools.

In 2011, the project, entitled "The Energy Route", was part of the activities

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of around 200 elementary school pupils throughout the school year. Its aim was to explain to them the realities of refinery production and how oil-based products are used in everyday life, and to raise their awareness of the responsible use of energy sources.

During this phase, Sara personnel, in conjunction with the teachers, provided information about the energy industry, renewable and finite energy sources, how oil is formed and transformed, and in particular how it is distilled.

The classroom sessions were an occasion for face-to-face dialogue with the pupils, and an opportunity for the children to get answers to their questions about the production cycle of a refinery and about energy in general. Part of the project included a visit to the Sarroch refinery, which was another important opportunity for openness and dialogue with the local community.

Schools project
Health and safety

Saras is always ready to invest in issues such as the environment and health and safety, and in 2011, in conjunction with the Municipalities of Sarroch and Villa San Pietro, the local health authority, the Italian Ministry of Education, Universities and Research (MIUR) and UNICEF, it supported a project devised by the National Fire Service and which will continue in 2012.

The project consists of a health and safety campaign tailor-made for primary and secondary school children. The initiative has aroused particular interest in Sarroch's comprehensive school, and the schools in Sarroch and Villa San Pietro will be the first to take part in the project.

The campaign's objective is to make the children aware of the risks around them, at home or at school, and communicate experiences about the positive actions that can be taken to prevent domestic accidents.

Fire, electricity, falls and toxic substances are the four dangers that cause the largest number of accidents at home and at school. To teach the children how to prevent domestic accidents, five colouring books will be handed out, each one telling a story involving one of the domestic dangers. Animated cartoons will also be shown to teach children how to avoid danger.

Outlook

In the latest "*World Economic Outlook*" (WEO) published on the 24th of January 2012, the International Monetary Fund (IMF) drastically trimmed its forecasts for global GDP, bringing it down to +3.3% in 2012 (versus previous estimates of +4.0%). The most worrying revision is that for the Euro Zone's GDP, which is now expected to contract by 0.5% in 2012, while in the WEO published last September, it was projected to grow by 1.1%. However, the IMF opted for a downward revision of GDP also for the emerging economies (+5.4% in 2012, versus the previous forecast of +6.1%), in order to take into account the deteriorating external conditions, as well as the slow-down in internal consumption.

In the above context, the International Energy Agency (IEA) continues to anticipate growth for global demand of oil products, although the progress will come entirely from the emerging and developing countries. Indeed, the "*Monthly Oil Market Report*" published by IEA on the 10th of February 2012, shows global demand at 89.9 million barrels per day (mbd) in 2012 (+0.8 mbd versus 2011). However, OECD countries will see their oil demand decrease by 0.4 mbd (-0.8%), while in the emerging and developing economies consumption will grow by 1.2 mbd (+2.8% versus 2011).

Looking at prices for crude oil, the geopolitical component could play a dominant role in 2012. Indeed, in Syria there is a very serious crisis, with lots of uncertainties around possible solutions. In Saudi Arabia social tensions are becoming more acute, exactly at a time when there is a very delicate generational transition. Furthermore, the confrontation between Iran and the Western countries has now reached dangerous levels, with potential implications on the security and stability of global crude oil supplies. On the demand side, OPEC will be in the driving seat, with its choices around production quotas. Therefore, the experts now imagine various price scenarios, varying from a minimum of 80 $/bl (in case the entire global economy falls into a recession), and a higher end range which could easily exceed 120 $/bl, in case geopolitical tensions cause temporary disruptions in crude oil supply.

Finally, forecasts continue to indicate middle distillates as the oil products with the highest margins, and highly complex refineries, such as the one owned by the Saras Group, as the best positioned players within their competitive context.

REFINING

- **Saras refinery Maintenance and Operations:** in 2012 there will be a standard programme of scheduled maintenance activities, which will involve two crude distillation units (T1 and T2), a Vacuum unit (V2), and some other conversion and desulphurisation units (MHC1, MHC2, Alky, Tame, VSB, etc.). As a result, total refinery runs in 2012 are expected to be 13.5 ÷ 14.3 million tons (which corresponds to 99 ÷ 105 million barrels), and there will also be a reduction of conversion capacity worth approx. 0.7 ÷ 0.8 $/bl.

- **Crude Slate:** the political developments subsequent to the fall of Gaddafi's dictatorship in the second half of October 2011 allowed a rapid re-start of the production and sale of Libyan crude oils. The Saras Group had immediate benefits from the renewed availability of paraffinic grades in the Mediterranean Sea, and it is expected that also in 2012 these crude oils will continue to have an important role in Saras' crude mix (approx. 30%). Conversely, on the 23rd of January 2012, the European Union decided to establish a total crude oil embargo against Iran, effective as of 1st of July 2012, in order to contrast its nuclear enrichment programme. If the em-

bargo is actually enforced, the Saras Group, which currently uses approx. 10% of Iranian crude oils in its refinery mix, will take all necessary actions in order to leverage its commercial flexibility and procure alternative crude oils.

POWER GENERATION

- **IGCC Maintenance and Operations:** in 2012 there will be standard maintenance on one train of "Gasifier – combined cycle Turbine", during the second quarter, and subsequently, some planned activities will be carried out on the H_2S absorber unit during the third quarter of the year. Total power production is expected to be 4.15 ÷ 4.55 TWh for the full year, therefore at a higher level than in 2011.

- **EBITDA:** following the new forecasts for crude oil prices in 2012 (105 $/bl), calculation for the straight-line reporting of revenues required by IFRS have been updated, and the *comparable* EBITDA is now expected to be approx. EUR 220m per year, stable until 2020. In contrast, Italian GAAP EBITDA, which reflects more closely the actual cash generation of the IGCC plant, will come at approx. EUR 170 ÷ 180m in 2012.

- **CIP/6 power tariff:** the 9-month delay in the formula used to calculate the "fuel component" implies that the CIP6/92 power tariff should see a substantial stability during 2012, in line with the trend of crude oil prices. Indeed, as discussed in depth in the chapter on market analysis, during 2011 Brent Dated remained confined within 105 ÷ 120 $/bl, albeit with several fluctuations between the two extremes of the range.

MARKETING

- Given the difficult economic conjuncture and the continued tensions on the debt of the Euro Zone, it is currently not possible to expect significant changes in the Italian and Spanish market scenarios during 2012. For this reason, in the Marketing segment, the Group will continue to follow the operating strategy adopted in 2011.

WIND

- In August 2011 the Sardinian Regional Authorities published updated guidelines, establishing new "authorised areas" for the construction of wind parks. Within this new framework, the Group is developing two projects with a total combined capacity of approx. 100 MW. For both projects the Environmental assessment procedure is in progress, and it should be completed by the end of 2012. Regarding the pipeline outside Italy, the Group has a project in Romania, for approx. 100 MW, which is now completing the final step of its authorisation procedure.

GAS EXPLORATION

- After the identification of the optimal location for the first exploration well in the "Eleonora" exploration block (in the province of Oristano, Sardinia), the Group is now completing all the necessary steps in the permitting process, in order to start drilling activities. At present, the analysis of all the data allows us to make prudential estimates for a yearly production in the range of 70 ÷ 170 million cubic metres of natural gas, during a production period of more than 20 years. The time needed to complete the exploration well should be between four and six months, from the moment when all relevant authorisations are received.

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Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible reduction or elimination of the principal risks associated with the Group's objectives, with reference to the strategic, operating and financial areas.

The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and also to assess the acceptable residual risk.

The management of the risks found in the company's processes is based on the principle that the operating or financial risk is managed by the person responsible for the related process, based on the indications of top management, while the control function measures and controls the level of exposure to the risk and the results of the actions to reduce such risk. To manage financial risks, the Saras Group's policy includes the use of derivatives, only for the purposes of hedging and without resorting to complex structures.

Financial risks

Price fluctuation risk

The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining activity and the price of the raw materials, principally crude oil). In addition, to carry out its production, the Saras Group is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices. Also subject to fluctuations is the sale price of electricity, produced and sold by our subsidiaries, as well as the prices of the Green Certificates and of the Emissions Credits.

The risk of fluctuations in prices and related cash flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices. To mitigate the risks deriving from price fluctuations the Saras Group also takes out derivative contracts on commodities.

Exchange rate risk

The Group's oil business is structurally exposed to fluctuations in exchange rates, because the benchmark prices for the procurement of crude oil and for the sale of the vast majority of refined oil products are linked to the US dollar. In order to reduce both the exchange rate risk for transactions that will be executed in the future, and the risk originating from payables and receivables expressed in currencies other than the functional currency, Saras also uses derivative instruments, when this is deemed appropriate.

Interest rate risk

Loans at variable interest rates expose the Group to the risk of variations in results and in cash flows, due to interest payments. Loans at fixed interest rates expose the Group to the risk of variation of the fair value of the loans received. The principal existing loan contracts are stipulated in part at variable market rates and in part at fixed rates. The Saras Group also uses derivative instruments to reduce the risk of variations in results and in cash flows deriving from interest payments.

Credit risk

The refining sector represents the Group's reference market and it is principally made up of multinational companies operating in the oil sector. Transactions executed are generally settled very quickly and are often guaranteed by primary credit institutions. Sales in the retail and wholesale markets are small on an individual basis; nonetheless, also these sales are usually guaranteed or insured.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the

use of externally-sourced financing, and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit as well as fulfilling contractual obligations deriving from the financing contracts entered into. The capacity for self-financing, together with the modest level of net debt lead us to consider that the liquidity risk is moderate.

Other risks

Risk related to the procurement of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economic and social uncertainties, higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential negative effects on the Group's economic and financial position.

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia, and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns. Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/or interruption to production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment. The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future.

Regulatory risk

The subsidiary Sarlux S.r.l. sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP deliberation no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production. The risk is therefore linked to possible unfavourable modifications to the legislation, which could have significant negative effects.

Dependencies on third parties

The IGCC plant, owned by Sarlux S.r.l. depends on raw materials derived from crude oil, supplied by Saras, and on oxygen supplied by Air Liquide Italia. If these supplies should fail, Sarlux would have to locate alternative sources, which the company may not be able to find, or to source at similar economic conditions.

Protection of Personal Data

Pursuant to the provisions of Legislative Decree 196 of the 30th June 2003 "Norms related to the protection of sensitive personal data", the Group adopted all minimum safety measures required in the Annex B of such Decree (Article 34), and in particular we are currently updating the Safety Document (DPS) as required by the item 19 of the above mentioned Annex B.

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Transactions with related parties

Details in the Notes to the Consolidated Financial Statements, chapter 7.4 "Transactions with Related Parties"

Use of financial instruments

Details can be found in the Notes to the Consolidated Financial Statements, chapter 7.5.3 "Additional information".

Research and Development

Saras does not have a meaningful research and development activity, therefore no significant cost were capitalized or accounted for in the Income Statement. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 5.2.2 "Intangible Assets."

Reconciliation between Group Consolidated Net Result and Shareholders' Equity

The reconciliation between the Consolidated Net Result and the Group Shareholders' Equity and those of the Parent Company is detailed in the table below.

Segment information by geographic area

Information on the supply market for crude oil and the sale market for refined products are available in chapter 4 "Information by business segment and geographical area" of the Notes to the Consolidated Financial Statements.

Information of Shareholdings held by members of the Board of Directors, Statutory Auditors and senior Management

Details are available in the in Notes to the Financial Statements of Saras S.p.A., chapter 7.7 "Remuneration of senior personnel with strategic responsibilities".

Non-recurring and unusual transactions

We highlight that during the year there were no non-recurring or unusual transactions, and there are no open positions originating from such transactions. More details are available in the Notes to the Consolidated Financial Statements, chapter 7.4 "Transactions with Related Parties".

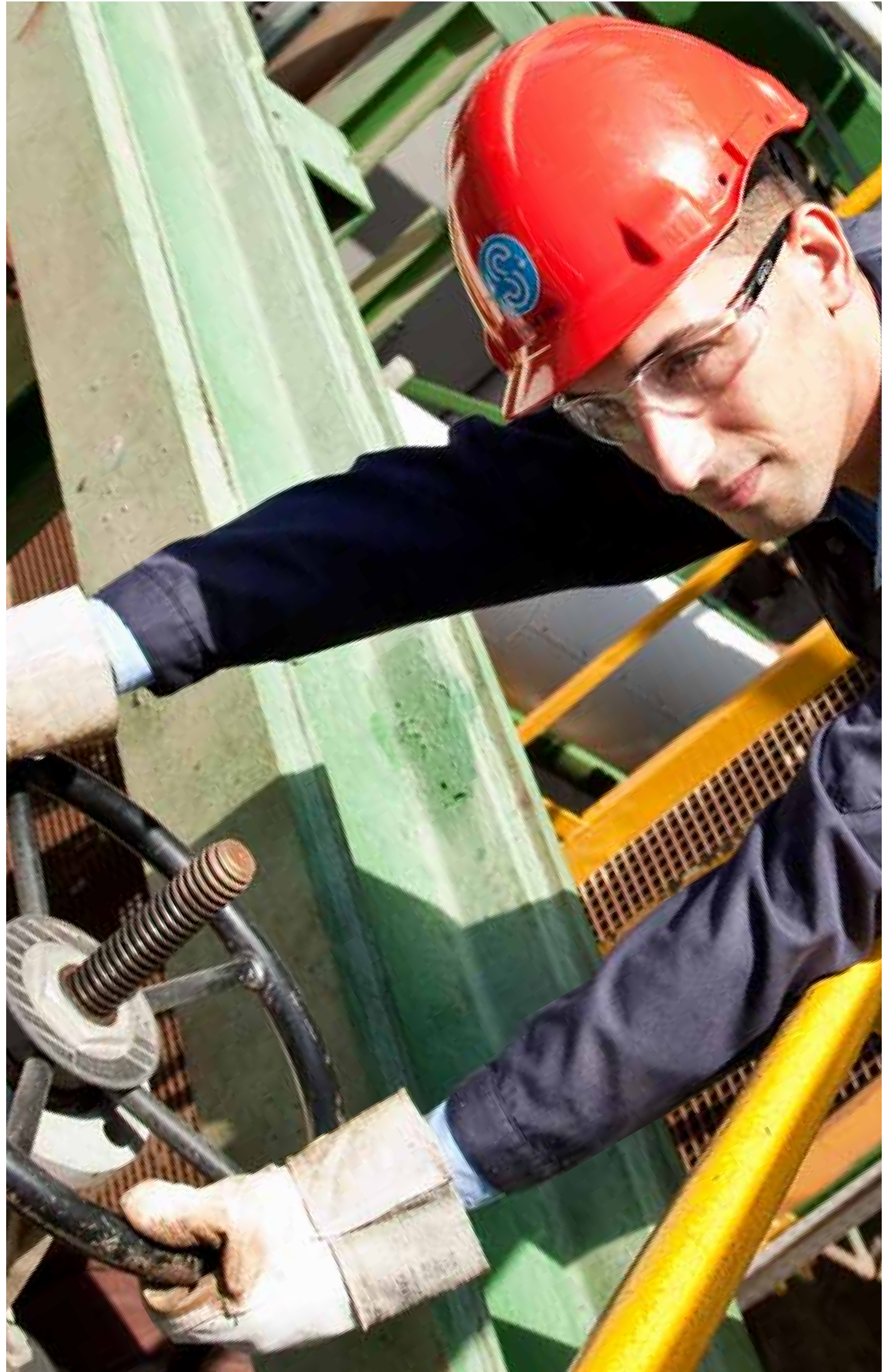
Adoption of the fiscal consolidation

Details are available in the in the chapter 3.2 X "Taxes" in the Notes to the Consolidated Financial Statements.

	Net Result	Shareholders' Equity
As in Saras S.p.A. Financial Statements as of 31st Dec 2011	**(45,547)**	**759,477**
Differences between book value and Shareholders' Equity as of 31st Dec 2011 of shareholdings valued at cost in Saras S.p.A. Financial Statements	96,159	524,319
IntraGroup Margin eliminations on inventories	8,190	(762)
As in the Consolidated Financial Statements as of 31st Dec 2011	**58,802**	**1,283,034**

Main events after the end of FY2011

On the **22nd of February 2012**, the Group reached a preliminary agreement to sell its affiliate Akhela and its subsidiary Artermide, which operate in the Information & Communication Technology (ICT) sector, with revenues of approximately EUR 26m in FY2011, and 320 employees. The transaction was completed in the following days. Akhela has been acquired by the Solgenia Group, a leading Italian company in the ICT sector, with approximately 500 employees, estimated annual revenues in excess of EUR 50m in 2012, and more than 3,000 customers worldwide. At the same time, Saras signed an important multiannual contract with Akhela, for the supply of IT services.



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Saras Group Consolidated Financial Statements as of 31st December 2011

Statement of Consolidated Financial Position as of 31st December 2011 and as of 31st December 2010

EUR thousand			31/12/2011	31/12/2010
ASSETS	(1)	(2)		
Current assets	5.1		2,348,332	1,936,994
Cash and cash equivalents	5.1.1	A	139,343	80,835
Other financial assets held for trading or available for sale	5.1.2	B	42,843	28,800
Trade receivables	5.1.3	C	869,738	868,537
of which with related parties:			*154*	*107*
Inventories	5.1.4	D	1,154,350	812,162
Current tax assets	5.1.5	E	36,499	39,266
Other assets	5.1.6	F	105,559	107,394
Non-current assets	5.2		1,804,425	1,956,224
Property, plant and equipment	5.2.1	H,I	1,392,317	1,473,284
Intangible assets	5.2.2	J	378,258	414,206
Other equity interests	5.2.3.1	L	547	571
Deferred tax assets	5.2.4	X	32,407	67,283
Other financial assets	5.2.5	M	896	880
Total assets			4,152,757	3,893,218
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,996,740	1,495,547
Short-term financial liabilities	5.3.1	R	573,862	187,790
Trade and other payables	5.3.2	R	1,188,503	1,123,500
of which with related parties:			*8*	*68*
Current tax liabilities	5.3.3	X	141,829	89,990
Other liabilities	5.3.4	R	92,546	94,267
Non-current liabilities	5.4		872,983	1,177,286
Long-term financial liabilities	5.4.1	R	284,798	481,937
Provisions for risks and charges	5.4.2	P, AA	77,267	78,533
Provisions for employee benefits	5.4.3	Q	23,299	30,547
Deferred tax liabilities	5.4.4	X	4,474	0
Other liabilities	5.4.5	R	483,145	586,269
Total liabilities			2,869,723	2,672,833
EQUITY	5.5	N,O,W		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			1,158,676	1,164,297
Profit/(loss) for the year			58,802	(9,468)
Total equity attributable to owners of the company			1,283,034	1,220,385
Minority interest			0	0
Total Equity			1,283,034	1,220,385
Total liabilities and equity			4,152,757	3,893,218

(1) Please refer to the Notes to the Financial Statements chapter 5 "Notes to the Financial Position"

(2) Refer to the Notes, chapter 3.2 "Summary of accounting standards and policies"

Consolidated Income Statements for the periods: 1st January – 31st December 2011 and 2010

EUR thousand	(1)	(2)	01/01/2011 31/12/2011	of which non recurring	01/01/2010 31/12/2010	of which non recurring
Revenues from ordinary operations	6.1.1	S	10,960,866		8,529,750	
of which with related parties:			*40*		*0*	
Other income	6.1.2	S	76,233		84,888	
of which with related parties:			*106*		*107*	
Total revenues			11,037,099	0	8,614,638	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(9,907,367)		(7,629,722)	
Cost of services and sundry costs	6.2.2	T,AA	(576,649)		(611,033)	
of which with related parties:			*(1,104)*		*(1,280)*	
Personnel costs	6.2.3	Q,T	(158,814)		(150,482)	
Depreciation, amortization and write-downs	6.2.4	H,J	(213,316)		(207,327)	
Total costs			(10,856,146)	0	(8,598,564)	0
Operating results			180,953	0	16,074	0
Net income (charges) from equity interests		K, L	0		0	
Financial income	6.3	U	123,730		37,463	
Financial charges	6.3	U	(185,294)	(4,419)	(67,344)	
Profit before taxes			119,389	(4,419)	(13,807)	0
Income tax for the period	6.4	X	(60,587)		4.339	
Net profit/(loss) for the period			58,802	(4,419)	(9,468)	0
Net profit/(loss) for the period attributable to:						
Equity holders of the company			58,802		(9,468)	
Minority interest			0		0	
Earnings per share - basic (Euro cent)		Z	6.33		(1.02)	
Earnings per share - diluited (Euro cent)		Z	6.33		(1.02)	

Statement of Comprehensive Income for the periods: 1st January - 31st December 2011 and 2010

			2011		2010	
Net result of the period (A)			58,802		(9,468)	
Effect of translation of f/s in foreign currency		V	(4)		(10)	
Income / (loss), net of fiscal effect (B)			(4)		(10)	
Consolidated Comprehensive Result of the period (A + B)			58,798		(9,478)	
Net consolidated Comprehensive Result of the period perteining to :						
Equity holders of the Company			58,798		(9,478)	
Minority Interest			0		0	

(1) Please refer to the Notes to the Financial Statements chapter 6 “Notes to the Income Statement”

(2) Refer to the Notes, chapter 3.2 “Summary of accounting standards and policies”

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Statement of Changes in Consolidated Shareholders' Equity from 31st December 2009 to 31st December 2011

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 31/12/2009	54,630	10,926	1,089,884	72,552	1,227,992	48	1,228,040
Period 1/1/2010 - 31/12/2010							
Appropriation of previous year profit			72,552	(72,552)	0		0
Reserve for employees share plan			2,219		2,219		2,219
Effect of translation of f/s in foreign currency			(10)		(10)		(10)
Acquisition of 49% Artemide S.r.l.			(348)		(348)	(48)	(396)
Net profit (loss) for the period				(9,468)	(9,468)		(9,468)
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 period				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

Consolidated Cash Flow Statements as of 31st December 2011 and as of 31st December 2010

EUR thousand	(1)	(2)	01/01/2011 31/12/2011	01/01/2010 31/12/2010
A - Cash and cash equivalents at the beginning of the year			80,835	111,372
B - Cash generated from/(used in) operating activities				
Net Profit / (Loss) for the period	5.5		58,802	(9,468)
Amortization, depreciation and write-down of fixed assets	6.2.4	K, J	213,316	207,327
Net change in provisions for risks and charges	5.4.2	P, AA	(1,266)	37,415
Net change in employee benefits	5.4.3	Q	(7,248)	(4,873)
Net change in deferred tax liabilities and tax assets	5.2.4 - 5.4.4	X	39,350	(20,351)
Net interest income (expense)		U	32,996	16,051
Income tax	6.4	X	21,237	(4,339)
Change in Fair Value of financial assets held for trading and of financial liabilities	5.1.2 - 5.3.1		11,186	13,561
Other non cash items	5.5		3,801	2,209
Profit / (Loss) from operating activities before changes in cash and non cash items of working capital			372,174	237,532
(Increase)/Decrease in trade receivables	5.1.3	C	(1,201)	(471,583)
of which with related parties:			*(47)*	*(17)*
(Increase)/Decrease in inventory	5.1.4	D	(342,188)	(80,085)
Increase/(Decrease) in trade and other payables	5.3.2	R	65,003	476,508
of which with related parties:			*(60)*	*38*
Change in other current assets	5.1.5 - 5.1.6	F	4,602	(5,917)
Change in other current liabilities	5.3.3 - 5.3.4	R	42,573	71,373
Interest received		U	368	213
Interest paid		U	(33,364)	(16,264)
Income tax paid	5.3.2	X	(13,692)	(21,943)
Change in other non-current liabilities	5.4.5	R	(103,124)	(63,494)
Total (B)			(8,849)	126,340
C - Cash flow from (to) investment activities				
(Investments) in tangible and intangible assets	5.2.1-5.2.2	H, I	(105,011)	(128,951)
of which interests paid capitalized			*(7,771)*	*(4,971)*
(Investments) disinvestments in other shareholdings	5.2.1-5.2.2	L	74	0
Increase/(Decrease) in financial assets	5.1.2	B	16,889	5,663
Other cash items	5.2.1-5.2.2		8,606	5,230
Total (C)			(79,442)	(118,058)
D - Cash generated from/(used in) financing activities				
Increase/(Decrease) in medium/long term borrowings	5.4.1	R	0	192,385
Increase/(Decrease) in short term borrowings	5.3.1	R	146,799	(230,808)
Acquisition of 49% Artemide S.r.l.			0	(396)
Total (D)			146,799	(38,819)
E - Cashflow for the year (B+C+D)			58,508	(30,537)
F - Cash from new consolidated subsidiaries			0	0
G - Cash and cash equivalents at the end of the year			139,343	80,835

(1) Please refer to the Notes to the Financial Statements chapter 5 “Notes to the Financial Position”

(2) Refer to the Notes, chapter 3.2 “Summary of accounting standards and policies”

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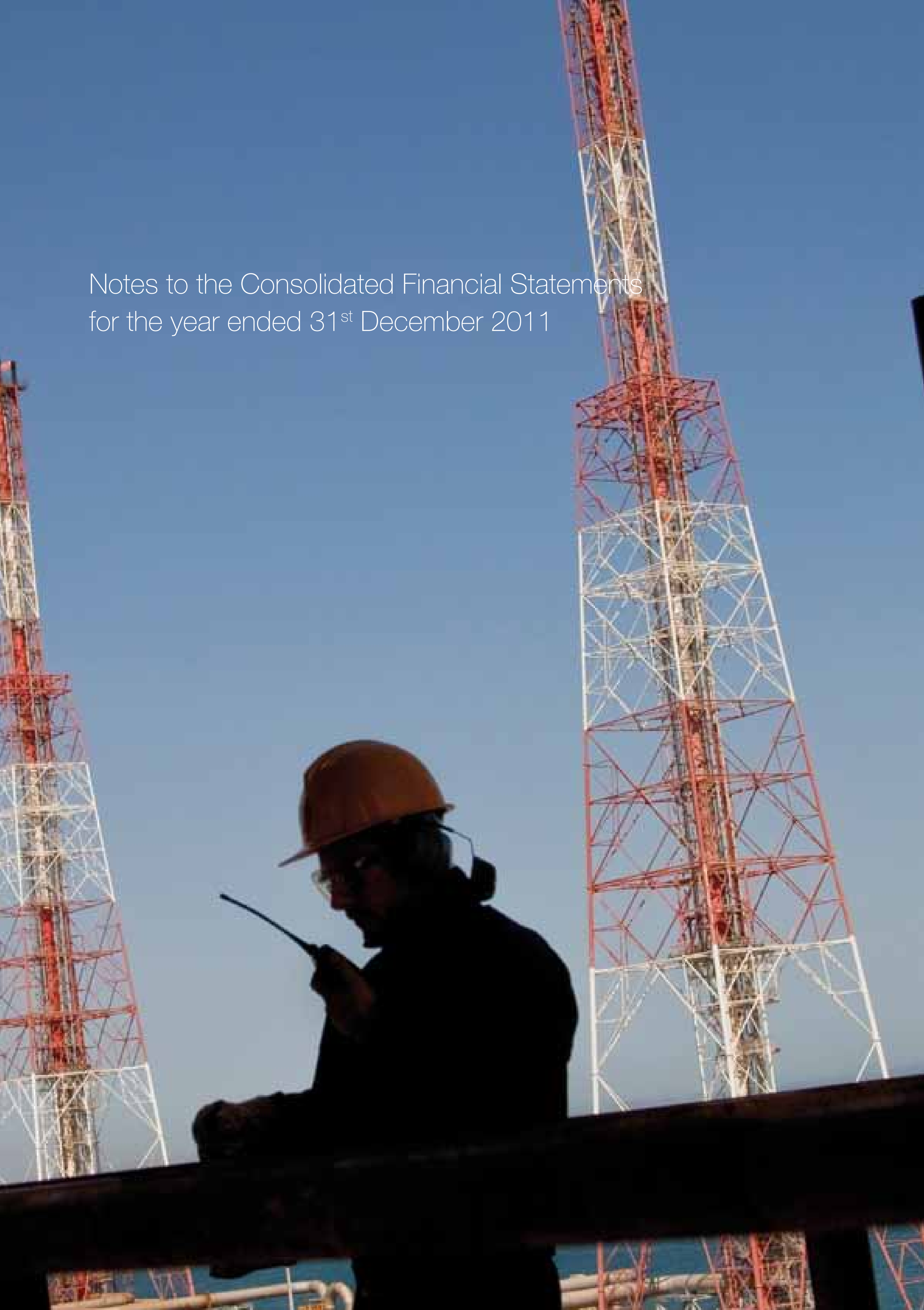
For the Board of Directors - The Chairman
Gian Marco Moratti



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1. Preliminary remarks

Saras S.p.A. (the parent company) is a company limited by shares listed on the Milan stock exchange. Its registered office is at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and it is 62.461% owned (excluding own shares) by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan). The company is established, as stated in its incorporation documents, until 31st December 2056.

Saras S.p.A. operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process. The group's activities also include the production and sale of electricity via an integrated gasification combined cycle (IGCC) plant operated by its subsidiary Sarlux S.r.l., and a wind farm run by the subsidiary Parchi Eolici Ulassai S.r.l. (via the subsidiary Sardeolica S.r.l.).

These consolidated financial statements for the year ended 31st December 2011 are presented in euro, since this is the currency of the economy in which the group operates. They consist of a balance sheet, comprehensive income statement, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

2. General criteria for the preparation of the consolidated financial statements

The consolidated financial statements of the group for the year ended 31st December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft consolidated financial statements of the group and the separate statements of Saras S.p.A were approved by its Board of Directors and set out in the relevant EU regulations published as of that date.

In accordance with Consob Resolution 15519 of 27th July 2006, the financial statements have been prepared using the following criteria, which are considered to provide a more complete picture of the Group's financial position:

- Statement of financial position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Statement of comprehensive income: income statement items are presented according to their nature;
- Cash flow statement: presented using the indirect method, which differentiates between cash flows deriving from operating, investing and financing activities.

The accounting standards illustrated below have been applied consistently to all the periods reported.

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3. Accounting standards applied

The IASB and IFRIC have approved some changes to and interpretations of IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1st January 2011. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning after the 1st of January 2012.

Accounting standards, amendments and interpretations applicable from 1st January 2011

The following accounting standards, amendments and interpretations were applied by the Group for the first time from 1st January 2011.

On 8th October 2009, the IASB issued an amendment to ***IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues*** governing the accounting treatment of rights issues (rights, options or warrants) denominated in a currency other than the issuer's functional currency. Previously, these rights had to be accounted for as liabilities arising from derivatives; the amendment now requires that, if such rights are issued on a pro rata basis to shareholders for a stated amount in any currency, these rights are classified under shareholders' equity, regardless of the currency in which the exercise price is denominated.
The adoption of the amendment had no effect on the Group's financial statements.

On 4th November 2009, the IASB issued a revised version of ***IAS 24 – Related Party Disclosures*** which removed the requirement for related parties that are state-controlled to provide information about all their transactions with the state and with their other related parties. It also clarified the definition of related parties. The adoption of this amendment had no impact on the valuation of items in the financial statements.

On 26th November 2009, the IASB issued a minor amendment to ***IFRIC 14 – Prepayment of a Minimum Funding Requirement***, allowing companies making prepayments of a minimum funding requirement to defined benefit pension plans to recognise these payments as assets. The adoption of the amendment had no significant effect on the Group's financial statements.

On 26th November 2009, IFRIC issued the interpretation ***IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.*** The interpretation states that if a company renegotiates the conditions for extinguishing a financial liability and its creditor agrees to extinguish the liability in return for being issued with equity instruments in the company, the shares issued become part of the price paid to extinguish the financial liability and must be valued at fair value; the difference between the carrying amount of the extinguished financial liability and the initial measurement amount of the equity instruments issued must be taken to the income statement during the period. The adoption of the interpretation had no effect on the Group's financial statements.

On 28th January 2010, the IASB issued an amendment to ***IFRS 1*** and ***IFRS 7 – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters.*** This amendment details certain exemptions for first-time adopters relating to the comparative disclosures on fair value calculations and liquidity risks. The adoption of the amendment had no effect on the Group's financial statements.

On 6th May 2010, the IASB issued a series of modifications to the ***IFRS ("Improvements")*** that are applicable to annual periods beginning on or after the 1st of January 2011.

- ***IFIFRS 3 (2008) – Business Combinations:*** the amendment clarifies that the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets must be measured at fair value or in accordance with the applicable accounting standards. For example, in the event of a business combination, a stock option plan for employees must be valued according to the rules of IFRS 2, and the equity portion of a convertible bond must be valued according to IAS 32.
- ***IFRS 7 – Financial Instruments: Disclosures:*** the amendment highlights the interaction between the qualitative and quantitative information required by the standard regarding the nature and scale of the risks associated with financial instruments. This should help users of the financial statements to link the information presented and should constitute a general description of the nature and scale of the risks deriving from financial instruments. The disclosure requirement regarding financial assets that are past maturity but which have been renegotiated or have become impaired and the requirement regarding the fair value of collateral have also been removed.
- ***IAS 1 – Presentation of Financial Statements:*** the amendment requires that a reconciliation of changes to any component of shareholders' equity must be presented either in the notes to the financial statements or in the financial statements themselves.

- ***IAS 34 – Interim Financial Reporting:*** a number of examples have been added to clarify the additional information that must be presented in interim financial reports.
- ***IFRS 1 – First-Time Adoption of International Financial Reporting Standards.***
- ***IAS 27 – Consolidated and Separate Financial Statements.***
- ***IFRIC 13 – Customer Loyalty programmes.***

The adoption of the above-mentioned changes had no significant effect on the Group's financial statements.

Accounting standards and amendments not yet applicable and not early adopted by the Group

On 7th October 2010, the IASB published a number of amendments to ***IFRS 7 – Financial Instruments: Disclosures***, applicable retrospectively for accounting periods that commence on or after 1st July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets (derecognition), including the possible impact of any risks still borne by the company transferring the assets. The amendments also require more information to be provided in the event that a disproportionate amount of transactions of this type are generated near the end of the reporting period. It is believed that the adoption of this amendment will have no significant impact on the Group's financial statements.

On 20th December 2010, the IASB issued a minor amendment to ***IFRS 1 – First-Time Adoption of the International Financial Reporting Standards (IFRS)***, to remove references to the date of 1st January 2004 contained therein and described as the date of transition to IFRS, and to provide a guide on the presentation of financial statements in accordance with IFRS following a period of hyperinflation that prevented them from being presented in accordance with the standards. These amendments are applicable prospectively to annual periods beginning on or after 1st July 2011. The adoption of this amendment is not expected to have an impact on the Group's financial statements.

On 20th December 2010, the IASB issued a minor amendment to ***IAS 12 – Income Taxes***, which requires the Company to estimate the value of deferred taxes arising from an asset according to the way in which the carrying value of such asset will be recovered (through continued use or sale).
As a result of this amendment, *SIC-21 – Income Taxes* – Recovery of Revalued Non-Depreciable Assets will no longer apply. The amendment is applicable retrospectively from 1st January 2012. It is believed that the adoption of the amendment will have no significant impact on the Group's financial statements.

On 16th June 2011, the IASB issued an amendment to ***IAS 1 – Presentation of Financial Statements***, which requires entities to group all the components presented in the statement of comprehensive income based on whether or not they are potentially reclassifiable to profit or loss subsequently. The amendment is applicable retrospectively to annual periods beginning on or after 1st July 2012. It is believed that the adoption of this amendment will have no significant impact on the Group's financial statements.

On 12th November 2009, the IASB published ***IFRS 9 – Financial Instruments***, which was then amended on 28th October 2010. The standard, which is applicable retrospectively to annual periods beginning on or after 1st January 2013, represents the first step in a process to fully replace IAS 39.
IFRS 9 introduces two categories of valuation: amortised cost and fair value. All equity instruments will be measured at fair value. Many of the provisions of IAS 39 relating to financial liabilities are unchanged in the new standard. These include reference to the amortised cost for most financial liabilities. The main change regards the accounting treatment of changes in the fair value of a financial liability designated as measured at fair value through profit and loss if such changes are attributable to a change in the credit risk of the liability. According to the new standard, these changes must be recognised in other comprehensive income and will no longer pass through profit and loss. The effects of applying this standard are currently being assessed.

On 12th May 2011, the IASB issued the standard ***IFRS 10 – Consolidated Financial Statements***, which will replace *SIC-12 Consolidation – Special Purpose Entities* and parts of *IAS 27 – Consolidated and Separate Financial Statements*, which is to be renamed Separate Financial Statements and will govern the accounting treatment of equity investments in the separate financial statements. The new standard moves on from the existing standards, identifying the factor within the concept of control that determines whether or not a company should be consolidated into the parent company's consolidated financial statements. This will also provide a guide for determining the existence of control where this is difficult to ascertain. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2013. The adoption of this standard is not expected to have any impact on the financial statements.

On 12th May 2011, the IASB issued the standard ***IFRS 11 – Joint Arrangements***, which will replace *IAS 31 – Interests in Joint Ventures* and *SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers*. The new standard sets

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out the criteria for identifying joint arrangements based on the rights and obligations arising from the agreement rather than on the legal form of the agreement itself, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method. IFRS 11 is applicable retrospectively to annual periods beginning on or after 1st January 2013. Following the issue of this standard, IAS 28 – Investments in Associates was amended to include equity investments in jointly controlled entities within its scope of application, from the effective date of application of IFRS 11. The adoption of this standard is not expected to have an impact on the financial statements.

On 12th May 2011, the IASB issued ***IFRS 12 – Disclosure of Interests in Other Entities***, a new and complete standard on additional disclosures to be provided on any type of equity investment, including in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2013. It is believed that the adoption of this statement will have no significant impact on the Group's financial statements.

On 12th May 2011, the IASB issued ***IFRS 13 – Fair Value Measurement***, which clarifies how fair value should be calculated for the purposes of recording it in the financial statements. It applies to all IFRS standards that require or permit measurement at fair value or the presentation of information based on fair value. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2013. It is believed that the adoption of this standard will have no significant impact on the Group's financial statements.

On 16th June 2011, the IASB issued an amendment to ***IAS 19 – Employee Benefits***, which removes the option to defer recognition of actuarial gains and losses using the corridor method. The amendment requires that the deficit or surplus on the fund should be presented in the financial statements; cost components associated with benefits accrued by employees and net financial liabilities should be recognised in the income statement; and actuarial gains and losses arising from remeasurements of assets and liabilities should be presented in other comprehensive income. In addition, the return on assets included in net financial liabilities must be calculated on the discount rate of the liability rather than on its expected return as before. Lastly, the amendment introduces new additional information to be provided in the notes to the financial statements. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2013. The adoption of this amendment is not expected to have any impact on the Group's financial statements.

On 10th October 2011, the IASB issued an interpretation relating to the accounting treatment relating to the production phase of a surface mine. The adoption of this interpretation is not expected to have any impact on the Group's financial statements.

On 16th December 2011, the IASB issued an amendment to ***IFRS 7 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities.*** It is believed that the adoption of this standard will have no significant impact on the Group's financial statements.

On 16th December 2011, the IASB issued an amendment to ***IAS 32 – Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities.*** It is believed that the adoption of this standard will have no significant impact on the Company's financial statements.

At the reporting date of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the amendment to IFRS 7 mentioned above; the other accounting standards, amendments and interpretations discussed above had not yet been endorsed as at 31st December 2011.

3.1 Consolidation method

The consolidated financial statements include the statements of the parent company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which said control ceases to exist. In particular, control is exercised by virtue of the parent company directly or indirectly owning the majority of shares carrying voting rights and due to the exercise of a dominant influence that is expressed in the power to determine, including indirectly and by virtue of any existing contractual or legal agreements, the financial and operating policies of the entities involved, thereby obtaining benefits from their activities, regardless of shareholding relationships. The existence of any potential voting rights that may be exercised at the reporting date is taken into consideration in determining whether control exists.

The financial statements included in the consolidation have been drawn up at 31st December and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, which are adjusted where necessary for the purposes of consistency with the accounting standards adopted by the parent company.
Subsidiaries that are consolidated on a line-by-line basis and unconsolidated subsidiaries that are included in the group's basis of consolidation are listed below.

Consolidated on a line-by-line basis	% owned
Arcola Petrolifera S.p.A.	100%
Deposito di Arcola S.r.l.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiaries:	100%
Labor Eolica S.r.l.	100%
Alpha Eolica S.r.l.	100%
Akhela S.r.l. and subsidiaries:	100%
Artemide S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%
Sargas S.r.l.	100%
Other investments: of insignificant value (valued at cost)	
ITSME S.r.l.	3.379%
Consorzio Cesma	5%
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%
I.C.T. Competence Centre	0,5 %

The following changes, compared with 31st December 2010, took place during the year:

1. Demerger from subsidiary Arcola Petrolifera S.p.A. of operations relating to the oil products storage facility, through the creation of subsidiary Deposito di Arcola S.r.l.;
2. Creation of subsidiary Sargas S.r.l. to manage natural gas extraction operations and related services;
3. Merger of subsidiaries Eolica Italiana S.r.l. and Nova Eolica S.r.l. into subsidiary Ensar S.r.l.;
4. Write-down of the equity investment in ITSME S.r.l. held by subsidiary Akhela S.r.l. due to liquidation of this company;
5. Liquidation of Consorzio La Spezia Energia and participation in the creation of Consorzio La Spezia Utilities by subsidiary Arcola Petrolifera S.p.A..

The criteria adopted for the line-by-line consolidation of fully-consolidated subsidiaries are as follows:

[I] Assets and liabilities, and income and expense items are reported line-by-line and a portion of the shareholders' equity and net profit is allocated, where applicable, to minority shareholders; these items are shown separately under the relevant headings under consolidated shareholders' equity and in the consolidated comprehensive income statement;

[II] Business combinations that lead to the control of an entity being acquired are accounted for using the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities and any equity instruments issued are acquired. The difference between:
- the amount paid (generally calculated on the basis of its fair value at acquisition date), and – in the case of a business combination achieved in stages – the fair value at the date of acquisition of control of the equity investment already held in the company; and
- the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date control is acquired

is recognised, where the relevant conditions apply, as goodwill on the date that control of the business is acquired; in the case of negative goodwill, this is recognised in the income statement.

[III] Gains and losses arising from transactions between companies that are consolidated on a line-by-line basis, which have yet to be realised with third parties, are eliminated, where significant, as are any intragroup payables and receivables, costs and revenues, and financial income and charges;

[IV] Gains and losses arising from the disposal (without loss of control) of equity investments in consolidated companies are charged to shareholders' equity for amounts corresponding to the difference between the selling price and the portion of consolidated shareholders' equity effectively transferred. If further acquisitions of equity investments take place without a change in control, the difference between the purchase price and the corresponding portion of shareholders' equity acquired is recognised in the income statement.

Investments in subsidiary companies that are not significant and are not consolidated on a line-by-line basis, in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the group exercises significant influence (referred to hereinafter as "affiliated companies"), which is presumed to exist when a stake of between 20% and 50% is held, are accounted for using the equity method, except where the application of this method does not impact on the

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group's financial position, operating results and cash flows; in such instances, the investment is measured at cost. The way in which the equity method is applied is described below:

[I] The carrying amount of an investment is brought into line with the equity of the investee company concerned, adjusted where necessary to reflect the adoption of accounting standards that are consistent with those adopted by the parent company and includes, where applicable, any goodwill identified at the time of the acquisition;

[II] The group's proportionate share of profits or losses is recognised in the consolidated income statement from the date on which the significant and controlling influence commences until the day it ceases to exist. Should the company, as a result of losses, report negative equity, the carrying value of the investment concerned is written down and any surplus attributable to the group allocated to the relevant provision, only where the group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not allocated to the result posted in the income statement are directly added to or deducted from equity reserves;

[III] Unrealised gains and losses arising from transactions between the parent company and subsidiaries or investee companies are eliminated based on the value of the stake held by the group in the investees. Unrealised losses are eliminated, except where they represent an impairment loss.

The financial statements of the companies included in the basis of consolidation are prepared using the currency of the main economic environment in which they operate (functional currency). The consolidated report is presented in euro, which is the functional currency of the parent company. The following rules are followed when translating the financial statements of companies expressed in a currency other than the functional currency into euro:

[I] Assets and liabilities are translated at the applicable exchange rates on the reporting date;

[II] Costs and revenues are translated at the average exchange rate for the year;

[III] The translation reserve includes both exchange rate differences arising from the translation of income statement amounts at an exchange rate different from the year-end rate and those arising from the translation of equity balances at the beginning of the year at an exchange rate different from the year-end rate;

[IV] Goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of that entity and translated at the previous year-end exchange rate;

[V] When preparing the consolidated cash flow statement, the average exchange rates for the period are used to translate the cash flows of foreign subsidiaries.

3.2 Summary of accounting standards and policies

The consolidated statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main valuation policies used are described below.

A Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, sight deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; the latter are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value, and changes are reported in the income statement.

B Financial assets held for trading

Financial assets held for trading are reported at fair value with any gains reported in the income statement under "Financial income" and "Financial charges".
Green certificates are allocated for production of energy from renewable sources: they are booked at the same time as the energy is produced, under financial assets held for trading with an offsetting entry under "Other income", in light of GSE's obligation to withdraw green certificates if the company submits a request before 31st March of the following year. The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. Decreases due to the sale of green certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under "Other income" or "Cost of services and sundry costs" respectively.
White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems. White certificates are recorded under financial assets held for trading given the existence of an active market for these, organised and managed by the Gestore Mercati Energetici (GME, the company set up to manage the Italian electricity market).
White certificates are booked on an accrual basis, in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.

The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. The decreases due to the sale of white certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under “Other income” or “Costs of services and sundry costs” respectively.

Financial assets held for trading also include derivative contracts, which are discussed in the appropriate section below.

C Trade receivables

Trade receivables are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the group expects to obtain from their sale as part of its ordinary business activities. The cost of crude oil, materials and spare parts is determined by the FIFO method. The cost of oil product inventories is determined by using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking account of their expected realisable value. Subsequently, they are booked at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised from the statement of financial position when the right to receive the related cash flows is transferred, together with all risks and benefits associated with ownership, as specified in paragraphs 15-23 of IAS 39.

Financial liabilities are derecognised when they are settled and when the Saras group has transferred all the risks and charges relating to them.

H Property, plant and equipment

Property, plant and equipment is measured at purchase or production cost, less accumulated depreciation and any impairment losses. The cost includes all expenses incurred directly in making the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.
Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

Maintenance and repair charges are charged directly to the income statement in the period in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Turnaround costs are classified as extraordinary maintenance costs and capitalised in the year in which they are incurred. They are amortised for the expected length of time until the next turnaround. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the net book value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

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The carrying value of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the group for each of the various asset categories is as follows:

Buildings	18 years
Generic plant	12-16 years
Highly corrosive plant	9-11 years
Thermoelectric plant	22 years
Wind farm	10-25 years
Transformation stations	28 years
Office furniture and machinery	4-8 years
Vehicles	4 years
Other assets	9 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

The useful lives of tangible assets and their net book values are reviewed annually and adjusted accordingly at the end of every year.

Land is not depreciated.

Where an asset subject to depreciation consists of separately identifiable components and where the useful life of one component differs significantly from that of the others, depreciation is carried out separately for each component of the asset in accordance with the component approach.

I Leased assets

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the group, are recognised as group assets and recorded at their current value or, where lower, at the present value of the minimum lease payments still due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.
Leases under which the lessor substantially retains all the risks and benefits associated with ownership of the assets are treated as operating leases. The costs relating to operating leases are charged to the income statement on a straight-line basis over the term of the lease.

J Intangible assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded, and deriving from other contractual or legal rights), controlled by the company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in order to make the asset ready for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets is charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

[I] Goodwill

Goodwill is the excess cost (acquisition cost plus the fair value of any minority interests already held at the point when control is acquired) incurred over net fair value, as recorded on the acquisition date, when acquiring assets and liabilities forming businesses or business units. Goodwill relating to investments valued at equity is included in the value of the investments. It is not systematically amortised but instead undergoes a periodic test to ascertain whether the amount carried on the balance sheet is appropriate. This test is carried out with regard to the cash generating unit to which goodwill is to be allocated. Any reduction in goodwill is recognised where the recoverable amount of goodwill is lower than its carrying amount (the recoverable amount is the higher of the fair value of the cash generating unit, less disposal costs, and its value in use, which is the present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life).
In the event that the impairment emerging from the test is greater than the amount of goodwill allocated to the cash generating unit, the ramaining amount is in turn allocated to the assets included within the cash generating unit, in proportion to their carrying value. The minimum amount for this allocation is the higher of the following:

- the fair value of the asset, less disposal costs;
- its value in use, as defined above;
- zero.

Where goodwill was previously written down for impairment, the write-down is not reversed.

[II] **Patent rights, concessions, licences and software (intangible assets with a finite useful life)**
Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying value of the assets is ascertained using the same method as that used for the item "Property, plant and equipment".

[III] **Research and development costs**
The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or those relating to other scientific research or technological development are treated as current costs and charged to the income statement in the period in which they are incurred.

[IV] **Exploration and valuation of mineral resources**
Costs incurred in the exploration and evaluation of mineral resources, specifically:
[A] Acquisition of exploration rights;
[B] Photographic, geological, geochemical and geophysical studies;
[C] Explorative drilling;
[D] Digging;
[E] Sampling;
[F] Activities related to the evaluation of technical and commercial feasibility of mineral resource extraction are recorded under tangible or intangible assets according to their nature, as required by IFRS 6.
These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Annual of assets
At each annual reporting date tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators, originating from internal or external sources, of impairment. Where such indicators exist, the recoverable value of these assets is estimated and any write-down duly charged to the income statement. The recoverable value of an asset is the greater of its fair value less disposal cost and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned. The realisable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs.. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for a write-down no longer exist, the write-down is reversed in the income statement up to the net book value that the asset in question would have had if it had not been written down and if it had been depreciated.

L Other equity interests
Equity investments included under "Other investments" are measured at fair value through profit or loss. Where fair value cannot be determined reliably or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are reassessed from time to time to identify the possible emergence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

M Other financial assets
Receivables and financial assets held to maturity are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

The treatment of financial assets linked to derivative instruments is shown under point Y (Derivatives).

N Own shares
Own shares are recognised at cost and deducted from shareholders' equity.

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O Shareholders' equity

[I] **Share capital**

Share capital consists of the parent company's is subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] **Reserves**

Reserves comprise equity reserves set aside for a specific purpose relating to the parent company; they include retained earnings from previous years.

[III] **Stock plans for group employees and management**

The group grants additional benefits to employees and management via bonus allocations of shares. The cost of stock plans is booked, in accordance with IFRS 2 (Share-based Payment), to the income statement in equal instalments during the vesting period, with an offsetting entry under shareholders' equity. Changes in fair value after the grant date have no effect on the initial valuation.

P Provisions for risks and future liabilities

Provisions for risks and future liabilities are recognised only where a present obligation (legal or constructive) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reasonably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Those risks in respect of which it is only possible to show a future liability are disclosed in the section on commitments and risks, and no provision is made.

Q Provisions for employee benefits

The group provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1st January 2007, Italian employees' end-of-service payments were amended to include the option for employees to decide where these are held. Specifically, new end-of-service payments may be allocated to pension funds or held at the company (if it has fewer than 50 employees, or allocated to INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31st December 2006

  The end-of-service payments due to employees pursuant to article 2120 of the Civil Code are treated in the same way as defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is entered on the statement of financial position based on their actuarial value, since this can be quantified as a benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the balance sheet requires the amount of benefits earned by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the group's commitments. The present value of the group's commitments is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of vested benefit methods, considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the measurement date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the measurement date to account for the total number of years worked at the time the benefit is expected to be paid.

  The costs accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements earned by current employees and the annual interest accruing on the present value of the group's commitments at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

  The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported in the income statement.

- Benefits vesting since 1st January 2007

  The benefits in question are accounted for using the method adopted for defined contribution pension plans as the

amount relating to employees has been transferred in full outside the group.
The corresponding liability is determined according to article 2120 of the Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally determined.
Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as financial and the difference is recorded in the income statement as financial income or charges.

Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with an offsetting entry in the income statement at each reporting date.

S Recognition of revenues

ISales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.
The recognition of revenues from services is based on the stage of completion reached.
Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.
Excise duties paid on purchases are netted off against those collected on sales.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic distribution, or when their future usefulness cannot be determined.

U Interest income and expenses

Interest income and expenses are booked on an accruals basis.

V Translation of items expressed in a currency other than the euro

Transactions in foreign currency are translated into euro at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

W Dividend

[A] **Dividends received**
Dividends are recognised on the date on which the resolution approving them is carried by a shareholders' meeting.
[B] **Dividends paid out**
The payment of dividends to parent company shareholders is recorded as a liability on the balance sheet for the period in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception of goodwill, and those relating to temporary differences originating from investments in subsidiaries, when the timing of the reversal of such differences is controlled by the group and it is probable that the differences will not be reversed within a reasonably foreseeable timescale. In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the remaining portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reverse.

Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying difference in the tax rate.

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Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to shareholders' equity, in which case the tax effect is taken directly to shareholders' equity. Current and deferred tax assets and liabilities are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.
Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".

The parent company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the parent company and certain Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the parent company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. Specifically as regards the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was genuinely offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the parent company and remuneration for these losses is deferred until the year that they are actually used in the tax consolidation.

Y Derivatives

All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of fixed-rate assets/liabilities), they are recorded at fair value in the income statement; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged. When derivatives hedge the risk of changes in cash flows from the underlying items (cash flow hedges, e.g. hedging the variability of cash flows generated by assets/liabilities due to exchange rate fluctuations), the changes in the fair value of the derivatives are initially recognised under equity and subsequently taken to the income statement in the same period in which the economic effects of the hedged items are recorded in the income statement.

Derivatives (including those relating to commodities) that do not meet the requirements for hedge accounting set out in IAS 39 are booked at fair value in the income statement, with the change in the fair value of the instrument recorded under the heading "Financial income" or "Financial charges".

To determine the fair value of financial instruments listed on active markets, the bid price of the security in question on the reporting date is used. Where there is no active market, fair value is instead determined by using measurement models based largely on objective financial variables, and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Z Earnings per share

[I] **Basic EPS**
Basic EPS is calculated by dividing group operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding own shares.

[II] **Diluted EPS**
Diluted EPS is calculated by dividing group operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding own shares. For the purposes of calculating diluted earnings per share, the weighted average of shares outstanding is adjusted by assuming the conversion of all potentially dilutive ordinary shares, while Group net profit is adjusted to take into account the effects of the conversion net of taxes.

AA Emission Trading

Legislative decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase on the market allowances, or credits, representing the excess CO_2.

If the credits allocated and purchased during the year, net of those sold, are insufficient, the market value of the shortfall at the end of the year is recorded under "Provisions for risks"; if, however, the credits allocated and purchased, net of those sold, exceed requirements, the market value of the surplus at the end of the year is recorded under "Intangible assets".

AB Segment information

An operating segment is a part of an entity:

a. that undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
b. whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and
c. for which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area and subject to risks and benefits substantially different from those related to other geographical areas.

3.3 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methods that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, i.e. the statement of financial position, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based.

3.4 Most significant accounting policies requiring a greater degree of subjectivity

A brief description is provided below of the most significant accounting policies requiring greater subjectivity by the directors as they produce their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[I] Depreciation of fixed assets: depreciation of fixed assets represents a sizeable cost for the group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The company periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable value in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Deferred taxes: deferred tax assets are recognised on the basis of forecast future taxable earnings. The measurement of future taxable earnings forecasts for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[III] Provisions for risks: in certain circumstances, determining whether there is a current obligation (either legal or constructive) is not always straightforward. The directors evaluate such circumstances on an individual case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation in question. Where the directors feel that a liability is only possible, the associated risks are disclosed in the note concerning commitments and risks, and no accrual is made.

[IV] Revenues from electricity sold by the subsidiary Sarlux S.r.l. to the Italian grid operator GSE (Gestore dei Servizi Energetici S.p.A.): these revenues are calculated on a straight line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Thus, these revenues have been reported on a straight line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs; in the years ahead, oil prices could vary significantly from estimates as a result of events that cannot be predicted at present.

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4. Information by business segment and geographical area

4.1 Preliminary remarks

The Saras Group operates primarily in the following segments:
1. refining;
2. marketing;
3. generation of power by the combined cycle plant;
4. generation of power by wind farms;
5. other activities.

1. Refining activities refer to:

[A] The sale of oil products obtained:
- upon completion of the entire production cycle, ranging from commodity sourcing to refining and production of finished products, which is carried out at the company's site in Sarroch, Sardinia;
- by purchasing oil products from third parties that were previously refined on behalf of these same third parties at the Sarroch site;
- and to a lesser extent, by purchasing oil products from third parties.

Finished products are sold to major international operators such as the Total Group, the ENI Group, NOC (National Oil Corporation), Shell, BP and Repsol.

[B] revenues from refining activities undertaken on behalf of third parties, which represent the only income from refining activities that the parent company carries out on behalf of third parties.

2. **Marketing activities** concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:
   - in Italy, by Arcola Petrolifera S.p.A. for off-network customers (wholesalers, purchasing consortia, local authority-owned utility companies and resellers) and oil companies (ENI, Tamoil, Total, etc.) through a logistics network comprising both its own bases (at Sarroch) and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata) as well as Deposito di Arcola S.r.l. for the logistics management of the Arcola storage facility in Liguria;
   - in Spain, by Saras Energia S.A. for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of depots located throughout the Iberian peninsula, the most important of which, the Cartagena depot, is owned by the company itself. In addition, the Cartagena site also produces biodiesel; this activity has been merged with the Group's marketing business as the management considers it to be an integral part of the marketing business (analysing its performance within the business), and in view of its minor significance in terms of resources used and volumes produced.

3. **Generation of power by the combined-cycle plant** relates to the sale of electricity generated at the Sarroch plant owned by Sarlux S.r.l.. This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Energetici S.p.A.), with sales benefiting from tariffs included in the CIP 6/92 agreement.

4. **Generation of power by wind farms** relates to the generation of power at the Ulassai wind farm owned by the subsidiary Sardeolica S.r.l.

5. **Other activities** include reinsurance activities undertaken for the Group by Reasar S.A., information technology activities undertaken by Akhela S.r.l. and research for environmental sectors undertaken by Sartec S.p.A.

The management monitors the operating results for individual business segments separately, in order to define the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses.

4.2 Segment information

A breakdown by segment is shown below. For further details, please see the appropriate sections of the Report on Operations:

31st December 2010	Refining	Marketing	Power Generation	Wind Power	Other	Total
Revenues from ordinary operations	7,394,327	2,712,463	539,656	12,087	53,925	10,712,458
deduction: revenues infrasector	(2,070,035)	(46,946)	(44,836)	0	(20,891)	(2,182,708)
Revenues from third parties	**5,324,292**	**2,665,517**	**494,820**	**12,087**	**33,034**	**8,529,750**
Other revenues	107,957	4,131	63,208	14,242	1,080	190,618
deduction: revenues infrasector	(90,074)	(74)	(15,240)	0	(342)	(105,730)
Other revenues from third parties	**17,883**	**4,057**	**47,968**	**14,242**	**738**	**84,888**
Amortisation and Depreciation	**(106,945)**	**(12,157)**	**(77,167)**	**(9,357)**	**(1,701)**	**(207,327)**
Operating profit (a)	**(161,374)**	**42,597**	**123,258**	**11,828**	**(235)**	**16,074**
Financial Income (a)	39,692	1,015	424	156	128	41,415
Financial Charges (a)	(58,949)	(4,895)	(3,618)	(3,499)	(335)	(71,296)
Income taxes	64,037	(12,238)	(45,186)	(1,538)	(736)	4,339
Net Profit	**(116,594)**	**26,479**	**74,878**	**6,947**	**(1,178)**	**(9,468)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,975,308**	**679,002**	**1,075,783**	**106,279**	**56,846**	**3,893,218**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,768,141**	**183,658**	**628,419**	**69,262**	**23,353**	**2,672,833**
Investments in tangible assets	92,533	4,182	10,292	14,875	955	**122,837**
Investments in intangible assets	0	908	0	0	5,206	**6,114**
31st December 2011						
Revenues from ordinary operations	9,932,618	3,347,505	580,633	10,532	47,532	13,918,820
deduction: revenues infrasector	(2,798,185)	(87,238)	(52,274)	0	(20,257)	(2,957,954)
Revenues from third parties	**7,134,433**	**3,260,267**	**528,359**	**10,532**	**27,275**	**10,960,866**
Other revenues	113,627	2,857	55,882	11,971	1,078	185,415
deduction: revenues infrasector	(91,723)	(194)	(16,608)	(35)	(622)	(109,182)
Other revenues from third parties	**21,904**	**2,663**	**39,274**	**11,936**	**456**	**76,233**
Amortisation and Depreciation	**(110,206)**	**(12,177)**	**(79,270)**	**(10,247)**	**(1,416)**	**(213,316)**
Operating profit (a)	**13,407**	**25,206**	**139,936**	**3,786**	**(1,382)**	**180,953**
Financial Income (a)	126,409	3,588	2,205	320	189	132,711
Financial Charges (a)	(178,023)	(6,748)	(1,165)	(3,516)	(4,823)	(194,275)
Income taxes	9,652	(10,268)	(57,632)	(1,940)	(399)	(60,587)
Net Income	**(28,555)**	**11,778**	**83,344**	**(1,350)**	**(6,415)**	**58,802**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,241,808**	**777,145**	**969,157**	**124,806**	**39,841**	**4,152,757**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,966,394**	**287,373**	**535,009**	**64,375**	**16,572**	**2,869,723**
Investments in tangible assets	63,114	4,012	31,195	1,509	519	**100,349**
Investments in intangible assets	1,521	789	0	949	1,403	**4,662**

(a) Calculated without taking into account intra-segment eliminations

(b) Total assets and liabilities are calculated after intra-segment eliminations. Intra-segment revenues fully reflect market conditions

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4.3 Breakdown by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Directly attributable assets and investments by geographical area

	31/12/2011	31/12/2010	Change
Directly attributable assets			
Italy	3,713,329	3,452,162	261,167
Rest of EU	439,906	441,056	(1,150)
Total	**4,153,235**	**3,893,218**	**260,017**
Investments in tangible and intangible assets			
Italy	100,485	123,556	(23,071)
Rest of EU	4,526	5,395	(869)
Total	**105,011**	**128,951**	**(23,940)**

Net revenues from ordinary operations by geographical area

	2011	2010	Change
Sales in Italy	5,384,981	3,607,804	1,777,177
Sales in Spain	1,797,386	2,003,427	(206,041)
Sales in other EU countries	1,013,198	902,021	111,177
Sales in non-EU countries	2,765,301	1,873,169	892,132
Sales in US	0	143,329	(143,329)
Total	**10,960,866**	**8,529,750**	**2,431,116**

Amounts are shown net of intragroup eliminations.

The following table shows a breakdown of trade receivables by geographical area.

	31/12/2011	31/12/2010	Change
Receivables in Italy	639,095	617,525	21,570
Receivables in Spain	142,426	33,010	109,416
Other EU receivables	57,943	96,611	(38,668)
Non-EU receivables	49,231	135,886	(86,655)
U.S. receivables	194	572	(378)
Provision for bad debts	(19,151)	(15,067)	(4,084)
Total	**869,738**	**868,537**	**1,201**

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are set out below.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

The following table shows a breakdown of cash and cash equivalents.

	31/12/2011	31/12/2010	Change
Bank and postal deposits	136,963	79,033	57,930
Cash	2,380	1,802	578
Total	**139,343**	**80,835**	**58,508**

Bank deposits are mainly attributable to Saras S.p.A. (EUR 97,232 thousand), Arcola Petrolifera S.p.A. (EUR 13,344 thousand), Sardeolica S.r.l. (EUR 12,236 thousand) and Saras Energia S.A. (EUR 10,364 thousand).
For clarifications about on restrictions on the use of the cash and cash equivalents of Sardeolica S.r.l. see section 5.4.1.
For further details on the net financial position, see both the relevant section in the Report on Operations and the cash flow statement.

5.1.2 Other financial assets held for trading

The table below shows the breakdown of other financial assets held for trading:

	31/12/2011	31/12/2010	Change
Securities	1	15,793	(15,792)
White Certificates	2,315	480	1,835
Green Certificates	8,592	12,527	(3,935)
Derivative instruments	31,935	0	31,935
Total	**42,843**	**28,800**	**14,043**

Green certificates relate to electricity generation from renewable sources by the subsidiary Sardeolica S.r.l.. They are sold on a specific regulated market or through bilateral agreements between market operators, or through withdrawal by GSE at a predetermined price; the certificates in the portfolio accruing during the reporting period are valued at market value at year-end, since this is less than the average annual market price (79.24 EUR/MWh for 2011 compared with 82.11EUR/MWh for 2010). Gains and losses realised for the period, and any write-downs applied in cases where the market value is lower than the carrying value at the end of the period were booked to the income statement under “Other income” or “Miscellaneous costs”.

White certificates relate to energy savings made at the Sarroch refinery by the parent company. They are sold on an appropriate regulated market or through bilateral agreements between market operators. The certificates in the portfolio are valued at the average annual market price (EUR 103.12 in 2011, compared with EUR 107.22 in 2010 per certificate). Gains and losses realised during the period were booked to the income statement under “Other income” or “Miscellaneous costs”.

Changes in securities, white certificates and green certificates are shown below:

	Securities	White Certificates	Green Certificates	Total
Balance at 31/12/2009	**17,549**	**0**	**3,752**	**21,301**
Increase for financial year	10,170	480	14,065	24,715
Decrease for financial year	(11,926)	0	(5,290)	(17,216)
Balance at 31/12/2010	**15,793**	**480**	**12,527**	**28,800**
Increase for financial year	1	2,764	11,206	13,971
Decrease for financial year	(15,793)	(929)	(15,141)	(31,863)
Balance at 31/12/2011	**1**	**2,315**	**8,592**	**10,908**

The “Derivative instruments” item comprises the positive fair value of derivatives outstanding at the end of the reporting period. For further details, see 5.3.1.

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5.1.3 Trade receivables

This item totalled EUR 869,738 thousand, an increase of EUR 1,201 thousand compared with the previous year.
In addition, receivables from the subsidiary Sarlux S.r.l. include receivables from GSE arising from the determination of the selling price of electricity for the period 2008-2010, for which a ministerial decision is still pending.
For a breakdown of maturities, please see section 7.5.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2011.

	31/12/2011	31/12/2010	Change
Raw materials, spare parts and consumables	246,004	306,668	(60,664)
Semi-finished products and work in progress	101,993	70,650	31,343
Finished products and good held for resale	805,811	434,608	371,203
Advance payments	542	236	306
Total	**1,154,350**	**812,162**	**342,188**

The increase in the value of inventories is due to a rise in the quantity of finished products and general price rises.
The recording of inventories at net realisable value included write-downs of around EUR43.5 million. This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 838 thousand tons of oil products (valued at around EUR 601 million) held for Group companies and certain third parties in accordance with the obligations laid down in Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 635 thousand tons, valued at around EUR 380 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 59 million at 31st December 2011 (EUR 130 million at 31st December 2010).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	31/12/2011	31/12/2010	Change
VAT	285	239	46
IRES	27,808	32,768	(4,960)
IRAP (regional income tax)	3,195	4,672	(1,477)
Other tax receivables	5,211	1,587	3,624
Total	**36,499**	**39,266**	**(2,767)**

The IRES and IRAP receivables are essentially attributable to excess tax paid in previous years; the reduction arises from taxable income of the year calculated for the purpose of IRAP (regional income tax) and for the purpose of corporation tax (IRES), in the tax consolidation scheme after the use of tax losses from previous periods.

5.1.6 Other assets

The balance is detailed below.

	31/12/2011	31/12/2010	Change
Accrued Income	837	1,495	(658)
Prepaid expenses	4,676	12,842	(8,166)
Other receivables	100,046	93,057	6,989
Total	**105,559**	**107,394**	**(1,835)**

Deferred charges mainly relate to insurance premiums for the parent company and its subsidiary Sarlux S.r.l.

"Other receivables" mainly comprise:

- a receivable of EUR 38,905 thousand due to the subsidiary Sarlux S.r.l. arising from the recognition pursuant to section II, point 7-bis of CIP 6/92 of the refund of charges applicable to 2011 relating to the application of EC Directive 2003/87 (Emissions Trading), as per AEEG Resolution 77/08;
- the recovery of the amount paid by Sarlux S.r.l. to GSE of EUR 30,032 thousand, as described in section 7.1;
- deposits to secure derivatives transactions carried out by the parent company of EUR 23,054 thousand.

5.2 Non-current assets

On 31st December 2011, the market capitalisation was less than the carrying value of shareholders' equity. As this is one of the impairment indicators identified by IAS 36, the parent company accordingly carried out impairment testing on each of the Group's main Cash Generating Units (CGUs) defined in accordance with the division of the Group's business into segments. The results of the analysis – including sensitivity analysis performed on the main assumptions – did not show any impairment or the need for a reversal of previous write-downs.
For further information on the impairment testing of CGUs to which goodwill has been allocated, see the relevant note.

5.2.1 Property, plant and equipment

The following table shows a breakdown of property, plant and equipment.

COST	31/12/2009	Additions	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2010
Land & buildings	224,655	4,885	0		4,566	234,106
Plant & machinery	2,542,809	18,853	(2,404)		80,319	2,639,577
Industrial & commercial equipment	30,631	1,752	(88)		1,276	33,571
Other assets	443,662	543	(622)		22,297	465,880
Work in progress and advances	185,159	96,804	(1,920)		(112,232)	167,811
Total	**3,426,916**	**122,837**	**(5,034)**	**0**	**(3,774)**	**3,540,945**

ACCUMULATED DEPRECIATION	31/12/2009	Depreciation	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2010
Land & buildings	58,000	9,707	0		0	67,707
Plant & machinery	1,486,452	138,361	(2,403)		718	1,623,128
Industrial & commercial equipment	23,039	2,310	(19)		(846)	24,484
Other assets	333,878	19,303	(622)		(217)	352,342
Total	**1,901,369**	**169,681**	**(3,044)**	**0**	**(345)**	**2,067,661**

NET BOOK VALUE	31/12/2009	Additions	(Disposals)	(Depreciation)	Other changes revaluations/ write-down	31/12/2010
Land & buildings	166,655	4,885	0	(9,707)	4,566	166,399
Plant & machinery	1,056,357	18,853	(1)	(138,361)	79,601	1,016,449
Industrial & commercial equipment	7,592	1,752	(69)	(2,310)	2,122	9,087
Other assets	109,784	543	0	(19,303)	22,514	113,538
Work in progress and advances	185,159	96,804	(1,920)	0	(112,232)	167,811
Total	**1,525,547**	**122,837**	**(1,990)**	**(169,681)**	**(3,429)**	**1,473,284**

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COST	31/12/2010	Additions	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2011
Land & buildings	234,106	126	(257)	(3,493)	2,235	232,717
Plant & machinery	2,639,577	27,481	(2,025)		37,251	2,702,284
Industrial & commercial equipment	33,571	40	(892)		1,267	33,986
Other assets	465,880	286	(3,730)		12,813	475,249
Work in progress and advances	167,811	72,416	(646)		(53,907)	185,674
Total	**3,540,945**	**100,349**	**(7,550)**	**(3,493)**	**(341)**	**3,629,910**

ACCUMULATED DEPRECIATION	31/12/2010	Depreciation	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2011
Land & buildings	67,707	10,109	0		13	77,829
Plant & machinery	1,623,128	143,746	(1,752)		4	1,765,126
Industrial & commercial equipment	24,484	2,506	(482)		(409)	26,099
Other assets	352,342	19,911	(3,715)		1	368,539
Total	**2,067,661**	**176,272**	**(5,949)**	**0**	**(391)**	**2,237,593**

NET BOOK VALUE	31/12/2010	Additions	(Disposals)	(Depreciation)	Other changes revaluations/ write-down	31/12/2011
Land & buildings	166,399	126	(257)	(10,109)	(1,271)	154,888
Plant & machinery	1,016,449	27,481	(273)	(143,746)	37,247	937,158
Industrial & commercial equipment	9,087	40	(410)	(2,506)	1,676	7,887
Other assets	113,538	286	(15)	(19,911)	12,812	106,710
Work in progress and advances	167,811	72,416	(646)	0	(53,907)	185,674
Total	**1,473,284**	**100,349**	**(1,601)**	**(176,272)**	**(3,443)**	**1,392,317**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 167,090 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The net book value of these grants at 31st December 2011 was EUR 4,429 thousand, compared with EUR 6,126 thousand at 31st December 2010.

The item "Land and buildings" includes industrial buildings, offices and warehouses (net value: EUR 104,216 thousand), civil buildings in Milan, Cagliari and Rome used as offices (net value: EUR 13,857 thousand) and land largely relating to the Sarroch and Arcola sites belonging to the parent company and the subsidiary Deposito di Arcola S.r.l. respectively (EUR 36,815 thousand).

The item "Plant and machinery" mainly relates to the refining and combined-cycle power plants at Sarroch.

The item "Industrial and commercial equipment" includes equipment for the chemicals laboratory and the control room for the parent company's refining activities, as well as miscellaneous production equipment.
"Other assets" mainly includes tanks and pipelines used to carry the products and crude oil of both the parent company and the Group's companies (Saras Energia S.A. and Deposito Arcola S.r.l.).

The item "Work in progress and advances" reflects costs mainly relating to investments in tanks, and work to adapt and upgrade existing plants, particularly for environmental, safety and reliability purposes.

The item increased by EUR 100,349 thousand year-on-year, mainly reflecting technological work on the parent company's plants and work required for the 10-year maintenance shutdown at the combined-cycle power plant by the subsidiary Sarlux S.r.l..

The decrease of EUR 53.9 million recorded under "Work in progress - Other changes" relates to work completed during the year and consequently recorded in the related asset class.

The write-down during the year on the "Land and buildings" category reflects impairment due to the need to align the carrying value of the assets held by Akhela S.r.l. with their recoverable value, which equals the selling price net of expected ancillary charges for the sale of the company on 29th February 2012. On the basis of IFRS 5, at 31st December 2011, the Group assessed that the necessary conditions for reclassifying assets pertaining to the business that were subsequently disposed of did not exist.

The most significant depreciation rates used are as follows:

Industrial buildings (land and buildings)	**5.50%**
Generic plant (plant and machinery)	**8.38% - 6.25%**
Highly corrosive plant (plant and machinery)	**11.73% - 8.75%**
Pipeline and storage (plant and machinery)	**8.38% - 6.25%**
Thermoelectric plant (plant and machinery)	**4.50%**
Wind farm (plant and machinery)	**10.00% - 4.00%**
Supplies (equipment, plant and machinery)	**25.00%**
Electronic office equipment (other assets)	**20.00%**
Office furniture and machinery (other assets)	**12.00%**
Vehicles (other assets)	**25.00%**

There are no tangible assets held for sale except for those owned by Akhela S.r.l. and subsequently sold, as previously indicated.

The Group has a concession from the Cagliari Port Authority allowing it to occupy state-owned areas until 31st December 2015. These areas contain the Sarroch refinery's service facilities (waste-water treatment, seawater desalinisation, blow-down, flare system and landing dock). Currently there is no reason to believe that the concession will not be renewed on expiry.

Leased assets, booked as "Vehicles", totalled EUR 14,663 thousand, with a net book value of zero.

Financial charges of EUR 7,771 thousand (at a rate of 4.96%) and internal costs of EUR 4,511 thousand were capitalised in 2011.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

COST	31/12/2009	Additions	Disposals	write-down	Other Changes	31/12/2010
Industrial & other patent rights	50,017	725	(13)	0	373	51,102
Concessions, licences, trademarks & similar rights	58,427	88	0	0	0	58,515
Goodwill	24,409	0	(9)	0		24,400
Assets in progress & payments on account	13,878	4,931	(9)	0	(157)	18,643
Other intangible assets	512,319	370	(1,086)	0	(4)	511,599
Total	**659,050**	**6,114**	**(1,117)**	**0**	**212**	**664,259**

ACCUMULATED DEPRECIATION	31/12/2009	Amortisation	Disposals	write-down	Other Changes	31/12/2010
Industrial & other patent rights	47,066	1,936	(8)	0	0	48,994
Concessions, licences, trademarks & similar rights	8,065	2,689	0	0	0	10,754
Goodwill	0	0	0	0	0	0
Other intangible assets	158,370	33,021	(1,086)	0	0	190,305
Total	**213,501**	**37,646**	**(1,094)**	**0**	**0**	**250,053**

NET	31/12/2009	Additions	Disposals write-down	Other Changes	Amortisation	31/12/2010
Industrial & other patent rights	2,951	725	(5)	373	(1,936)	2,108
Concessions, licences, trademarks & similar rights	50,362	88	0	0	(2,689)	47,761
Goodwill	24,409	0	(9)	0	0	24,400
Assets in progress & payments on account	13,878	4,931	(9)	(157)	0	18,643
Other intangible assets	353,949	370	0	(4)	(33,021)	321,294
Total	**445,549**	**6,114**	**(23)**	**212**	**(37,646)**	**414,206**

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COST	31/12/2010	Additions	Disposals	write-down	Other Changes	31/12/2011
Industrial & other patent rights	51,102	277	(1,282)	0	975	51,072
Concessions, licences, trademarks & similar rights	58,515	6	0	0	0	58,521
Goodwill	24,400		0	(926)	(1,565)	21,909
Assets in progress & payments on account	18,643	3,846	0	(2,764)	(863)	18,862
Other intangible assets	511,599	533	0	0	907	513,039
Total	**664,259**	**4,662**	**(1,282)**	**(3,690)**	**(546)**	**663,403**

ACCUMULATED DEPRECIATION	31/12/2010	Amortisation	Disposals	write-down	Other Changes	31/12/2011
Industrial & other patent rights	48,994	1,631	(1,277)	0	0	49,348
Concessions, licences, trademarks & similar rights	10,754	2,683	0	0	0	13,437
Goodwill	0	0	0	0	0	0
Other intangible assets	190,305	32,730	0	0	(675)	222,360
Total	**250,053**	**37,044**	**(1,277)**	**0**	**(675)**	**285,145**

NET	31/12/2010	Additions	Disposals write-down	Other Changes	Amortisation	31/12/2011
Industrial & other patent rights	2,108	277	(5)	975	(1,631)	1,724
Concessions, licences, trademarks & similar rights	47,761	6	0	0	(2,683)	45,084
Goodwill	24,400	0	(926)	(1,565)	0	21,909
Assets in progress & payments on account	18,643	3,846	(2,764)	(863)	0	18,862
Other intangible assets	321,294	533	0	1,582	(32,730)	290,679
Total	**414,206**	**4,662**	**(3,695)**	**129**	**(37,044)**	**378,258**

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of the item mainly relates to the concessions relating to Estaciones de Servicio Caprabo S.A. (merged into Saras Energia S.A.) for the operation of the service stations in Spain, and to Sardeolica S.r.l. for the operation of the Ulassai wind farm.

Goodwill

The item mainly relates to goodwill recorded for the subsidiary Parchi Eolici Ulassai S.r.l. (EUR21,408 thousand), which was paid to acquire this company: the goodwill was justified given the projection of future cash flows by Sardeolica S.r.l. until 2035 when the concessions expire.

In accordance with the accounting standards applied by the group, particularly IAS 36, this goodwill was subject to testing as of the date of these financial statements to ascertain whether impairment had occurred. The analysis showed that no impairment had taken place, and – as in previous years – it was therefore unnecessary to make any write-downs.

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs):** the subsidiary Parchi Eolici Ulassai S.r.l. (and its subsidiary Sardeolica S.r.l.) is identified as a single CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The analysis was therefore carried out on the consolidated aggregate figures of Parchi Eolici Ulassai S.r.l. at 31st December 2011;

b) **Allocation of goodwill to the CGU:** goodwill refers only to Parchi Eolici Ulassai S.r.l. as it relates solely to the acquisition of 30% of this company;

c) **Determination of the recoverable value of goodwill based on value in use:** in the absence of a binding agreement to sell the asset and an active market based on which fair value can be determined, the recoverable value of the goodwill in question was determined according to value in use, i.e. the present value of the future cash flows expected to be derived from the CGU. In particular, the main assumptions were:
   - Cash flows were projected for the period until the end of 2035, coinciding with the expiry of the concession obtained from the Ulassai municipality for the area in which the wind farm is located;
   - A discount rate (WACC) of 9%;

- The selling prices of the energy produced by the CGU and of its green certificates were projected using a ratio commonly used in the sector and by the group in its own analyses;
- An inflation rate of 2.0% for the entire period;
- The reference tax rate is calculated taking into account the IRES surcharge for Italian companies operating in the energy sector of 10.5% for financial years 2012 and 2013, and 6.5% for subsequent years;
- A terminal value of zero.

The value in use thus derived, at 31st December 2011, exceeds the carrying value of the CGU by around EUR 34 million.

d) **Sensitivity analysis:** this analysis showed that a reasonably possible change in the key assumptions (revenue projections) for determining the recoverable value of the goodwill in question, would not result in an impairment loss as defined in IAS 36;

e) **External indicators:** lastly, it should be emphasised that no events took place during the year that had an impact on the production of wind power in general or that generated by the CGU in particular, which would lead to an impairment loss.

The decrease of EUR 926 thousand is due to the derecognition of goodwill relating to Artemide S.r.l. following the sale of this indirect subsidiary.

Other intangible assets

This item mainly relates to the booking at fair value of the existing contract between the subsidiary Sarlux S.r.l. and GSE (Gestore dei Servizi Energetici S.p.A.), which stood at EUR279 million at 31st December 2011.

Intangible assets in progress and payments on account

This item mainly includes the costs incurred for natural gas exploration in Sardinia (EUR15,669 thousand). These costs include capitalisation of internal costs of EUR339 thousand accrued during the reporting period. No financial charges were capitalised.

Amortisation of intangible assets totalled EUR 37,044 thousand, and was calculated using the annual rates shown below.

Industrial patent rights and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	5% - 33%
Other intangible assets	6% - 33%

No significant intangible assets with a finite useful life are held for sale.

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5.2.3 Equity investments

The table below shows a list of equity investments held at 31st December 2011, with the main figures relating to each subsidiary.

Company name	HQ	Currency	Share Capital	% owned by Group as of 12-11	% owned by Group as of 12-10	% of Share Capital	Shareholder	% of voting rights	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Deposito di Arcola S.r.l.	Arcola (SP)	EUR	100,000	100.00%	0.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	0.00%	100.00%	0.00%	Ensar S.r.l.	0.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	EUR	10,000	0.00%	100.00%	0.00%	Ensar S.r.l.	0.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l. and subsidiaries:	Uta (CA)	EUR	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Artemide S.r.l.	Rome	EUR	20,000	100.00%	100.00%	100.00%	Akhela S.r.l.	100.00%	Indirect Subsidiary
ITSME S.r.l.	Milan	EUR	39,632	3.38%	3.38%	3.38%	Akhela S.r.l.	3.38%	Other equity investments
Sarint S.A. and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect Subsidiary
Sargas S.r.l.	Uta (CA)	EUR	10,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Other equity investments
Consorzio La Spezia Energia	La Spezia	EUR	50,000	0.00%	5.00%	0.00%	Arcola Petrolifera S.p.A.	0.00%	Other equity investments
Consorzio La Spezia Utilities	La Spezia	EUR	114,000	5.00%	0.00%	5.00%	Deposito di Arcola S.r.l.	5.00%	Other equity investments
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other equity investments
Centro di Competenza I.C.T.	Cagliari	EUR	20,000	0.50%	0.50%	0.50%	Akhela S.r.l.	0.50%	Other equity investments

As previously mentioned, equity investments in subsidiaries are consolidated on a line-by-line basis in these financial statements.

5.2.3.1 New companies, demergers and mergers

During the year the demerger of the oil product storage and transportation assets from Arcola Petrolifera S.p.A. was completed, with the creation of Deposito di Arcola S.r.l..

On 6th July 2011, the subsidiary's shareholders' meeting approved the demerger plan. On 26th September 2011 the demerger deed was filed with the Cagliari Chamber of Commerce, transferring all assets and liabilities subject to the demerger to the new company, Deposito di Arcola, which became operational on 1st October 2011.

5.2.3.2 Other equity interests

Other investments break down as follows:

	31/12/2011	31/12/2010
ITSME S.r.l.	0	50
Consorzio Cesma	3	3
Consorzio La Spezia Energia	0	2
Consorzio La Spezia Utilities	28	0
Sarda Factoring	495	495
Centro di Competenza I.C.T.	21	21
Total	**547**	**571**

5.2.4 Deferred tax assets

Deferred tax assets totalled EUR 32,407 thousand at 31st December 2011, compared with EUR 67,283 thousand at 31st December 2010.
The following table provides a breakdown of net deferred tax assets, including EUR 4,474 thousand for the deferred tax of the foreign companies, shown as a separate liability under "deferred tax liabilities".

				Other Changes		
	Amounts at 31/12/2010	Provision	Utilisation	Effect on opening balances of changes in tax rate (through Income Statement)	Other	Amounts at 31/12/2011
Deferred tax liabilities						
Excess and accelerated depreciation	(86,388)	(1,081)	6,754	(1,036)		(81,751)
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)					(10,861)
Measurement of inventories at the end of the period at FIFO fot tax purposes	3,476	(11,417)		316	(1,545)	(9,170)
Adjustments for scheduled plant and equipment maintenance	0	(2,356)				(2,356)
Write-off of provision for risks related to subsidiaries	(2,193)	(458)				(2,651)
Employee benefits and bonuses	(20)	(165)				(185)
Unrealised exchange losses	(1,875)	(765)	1,875			(765)
Fair value of derivatives	490		137	170	19	816
Fair value of Sarlux contract with GSE	(117,467)		11,747	(2,480)		(108,201)
Write-off of goodwill amortisation	(100)	(58)				(158)
Measurement of Sardeolica concessions (IFRS 3 on 30% PEU)	(6,141)		341	(1,369)	0	(7,169)
Other	(1,640)	(58)	1,360	(29)		(367)
Total deferred tax liabilities	**(222,720)**	**(16,358)**	**22,214**	**(4,428)**	**(1,526)**	**(222,818)**
Deferred tax assets						
Provisions for risks and write-downs	18,279	8,090	(16,274)	226	(19)	10,302
Derecognition of intangibile assets	861	1,439	(367)		(115)	1,818
Reclassification of grants previously carried as equity	179		(72)	12		119
Cost of dismantling and removing tangible assets	5,905	245				6,150
Adjustments for scheduled plant and equipment maintenance	905	229	(905)			229
Employee benefits and bonuses	4,239	2,566	(3,103)	133		3,835
Unrealised exchange gains/losses	467	9,768	(461)			9,774
Reporting of revenues of Sarlux on a straight-line basis (as per IAS 17 and IFRIC 4)	221,071		(39,084)	3,448		185,434
Excess maintenance costs	2,594		(1,905)	76		765
Deferred tax asset on tax loss of Saras S.p.A. (for the IRES surcharges 10,5%)	13,069	3,852	(99)	7,980		24,802
Tax asset relating to IRES Consolidated tax loss	16,305		(424)		(15,881)	0
Deferred tax asset on tax loss of Saras Energia	712	126				838
Other	5,417	1,229	(395)	522	(104)	6,669
Total deferred tax assets	**290,003**	**27,560**	**(63,089)**	**12,397**	**(16,119)**	**250,751**
Net total	**67,283**	**11,202**	**(40,875)**	**7,969**	**(17,645)**	**27,933**

The most significant changes were due to:

- The use of deferred tax assets for reporting on a straight-line basis of revenues of Sarlux (IAS 17 and IFRIC 4);
- The decrease in provisions for costs relating to the obligation to purchase CO_2 allowance;
- An increase in tax assets on the tax losses of the parent company Saras S.p.A., which cannot be transferred to the tax consolidation scheme (IRES surcharge of 10.5%) but which should be applicable against future taxable income.

As shown in the table, the increase in the IRES surcharge payable by Italian energy companies from 6.5% to 10.5% for the three-year period 2011-2013, led to an increase in deferred tax assets of EUR 7,969 thousand.
The "Other" column mainly shows tax assets realised during the year, which had been recorded the previous year as the proportionate share of the net loss under the national tax consolidation scheme for the tax period 2010 (EUR 15,881 thousand). This amount was fully offset against aggregate taxable income in the period.

With regard to the national tax consolidation scheme mentioned above, the situation in respect of the consolidation agreements at the reporting date is shown below, as is the date when these agreements expire:

Subsidiary	Start date	End date
Akhela S.r.l.	01/01/2010	31/12/2012
Arcola Petrolifera S.p.A.	01/01/2010	31/12/2012
Deposito di Arcola S.r.l.	01/10/2011	31/12/2012
Ensar S.r.l.	01/01/2010	31/12/2012
Parchi Eolici Ulassai S.r.l.	01/01/2011	31/12/2013
Saras Ricerche e Tecnologie S.p.A.	01/01/2010	31/12/2012
Sardeolica S.r.l.	01/01/2011	31/12/2013
Sarlux S.r.l.	01/01/2009	31/12/2011

The parent company has already proposed, by resolution of the Board of Directors, that Sarlux S.r.l. renews its participation in the national tax consolidation scheme following expiry of its agreement on 31st December 2011. The option offered to the subsidiary, if taken up, must be exercised by June 2012.

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2011 and 2010:

	2011 Short Term	2011 Medium Long Term	2010 Breve Term	2010 Medium Long Term
Deferred tax liabilities				
Excess and accelerated depreciation	(7,734)	(74,018)	(6,755)	(79,633)
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,861)
Measurement of inventory at end of period at FIFO cost	(9,170)		3,476	
Adjustment for scheduled plant and equipment maintenance	(965)	(1,391)		
Unrealised exchange losses	(765)		(1,875)	
Fair value of derivatives	816		490	
Fair value of Sarlux contract with GSE	(12,987)	(95,214)	(11,747)	(105,720)
Measurement of Sardeolica concessions (IFRS 3 on acquisition of 30% PEU)	(341)	(6,828)	(256)	(5,885)
Other	(552)	(2,809)	(1,380)	(2,573)
Total deferred tax liabilities	**(31,698)**	**(191,121)**	**(18,047)**	**(204,673)**
Deferred tax assets				
Provisions for risks and write-downs	7,755	2,547	16,542	1,738
Derecognition of intangibile assets	85	1,733	(344)	1,205
Reclassification of grants previously carried as equity	119	0	179	
Costs for the dismantling and removal of tangible assets	0	6,150		5,905
Adjustment for scheduled plant and equipment maintenance	0	229		905
Employee benefits and bonuses	3,835		4,239	
Unrealised exchange losses	9,774	0	467	
Reporting of revenues of Sarlux on a straight-line basis (as per IAS 17 and IFRIC 4)	11,319	174,116	22,750	198,321
Excess maintenance costs	642	123	690	1,904
Deferred tax asset on tax loss of Saras S.p.A. (on IRES surcharge 10,5%)	24,802		13,069	
Tax asset relating to IRES Consolidated tax loss	0		16,305	
Deferred tax asset on tax loss of Saras Energia	0		712	
Other	6,808	715	433	4,984
Total deferred tax assets	**65,139**	**185,612**	**75,042**	**214,961**

5.2.5 Other financial assets

At 31st December 2011, the balance of this item was EUR 896 thousand (EUR 880 thousand in the previous year) and is chiefly represented by deposits paid by the parent company Saras S.p.A. and the subsidiary Saras Energia S.A.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities.

	31/12/2011	31/12/2010	Change
Bank loans	198,054	7,977	190,077
Bank accounts	327,441	154,501	172,940
Financial Derivatives	42,134	25,312	16,822
Other short term financial liabilities	6,233	0	6,233
Total short-term financial liabilities	**573,862**	**187,790**	**386,072**
Total long-term financial liabilities	**284,798**	**481,937**	**(197,139)**
Total fiancial liabilities	**858,660**	**669,727**	**188,933**

The increase in “Bank loans” was due to the reclassification of the payable due to parent company Saras S.p.A., from long-term financial liabilities to short-term debt as its maturity date drew near.

The terms and conditions of the company’s loans are explained in the note on the item “Long-term financial liabilities”.

The “Derivative instruments” item includes the fair value as liabilities of the derivatives held at the reporting date.

The breakdown of this item is shown below.

	31/12/2011 Assets	31/12/2011 Liabilities	31/12/2010 Assets	31/12/2010 Liabilities
Interest rate swaps	0	(2,484)	11	(3,675)
Fair value of derivative instruments involving commodities (oil & other oil products)	24,358	(38,504)	0	(21,637)
Fair value of derivative instruments involving foreign currencies	7,577	(1,146)	0	0
Total	**31,935**	**(42,134)**	**11**	**(25,312)**

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The following tables show the notional values and corresponding fair values for derivatives outstanding at 31st December 2011 and 31st December 2010.

Type of transaction	Interest rate			Other			
Figures at 31/12/2010	Notional value	*Fair value*		Notional value		*Fair value*	
		Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Futures							
Oil products and crude oil				(343,275)	227,384		(13,798)
Swaps							
Oil products and crude oil				(196,234)	232,467		(8,566)
Interest rates	237,177	11	(3,675)				
Options							
Oil products and crude oil				(6,212)	71,016	726	
Total	**237,177**	**11**	**(3,675)**	**(545,721)**	**530,867**	**726**	**(22,364)**

Type of transaction	Interest rate			Other			
Figures at 31/12/2011	Notional value	*Fair value*		Notional value		*Fair value*	
		Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Futures							
Oil products and crude oil				(444,099)	614,981	12,048	(22,010)
Foreign currencies				(664,657)	154,571	7,577	(1,146)
Swaps							
Oil products and crude oil				(32,338)	13,349	10,945	(16,468)
Interest rates	212,163	0	(2,484)				
Options							
Oil products and crude oil				(112,036)	0	1,365	(26)
Total	**212,163**	**0**	**(2,484)**	**(1,253,130)**	**782,901**	**31,935**	**(39,650)**

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	31/12/2011	31/12/2010	Change
Advances from customers: portion due within the year	53,512	29,264	24,248
Payables to suppliers: portion due within the year	1,134,991	1,094,236	40,755
Total	**1,188,503**	**1,123,500**	**65,003**

The item “advances from customers” refers to payments on account received from the parent company’s customers for the supply of oil products.
The increase in trade payables is due to price trends in crude oil and oil products.

The table below shows a geographical breakdown of payables to suppliers.

	31/12/2011	31/12/2010	Change
Payables to Italian suppliers	235,894	243,717	(7,823)
Payables to Spanish suppliers	125,162	151,642	(26,480)
Payables to other EU country suppliers	64,462	149,669	(85,207)
Payables to non-EU country suppliers	762,825	578,438	184,387
Payables to US suppliers	160	34	126
Total	**1,188,503**	**1,123,500**	**65,003**

5.3.3 Current tax liabilities

This item is broken down below.

	31/12/2011	31/12/2010	Change
VAT payables	61,698	38,167	23,531
IRES (Corporation Tax) and income tax of foreign companies	5,882	297	5,585
IRAP (Regional Income Tax)	41	438	(397)
Other tax payables	74,208	51,088	23,120
Total	**141,829**	**89,990**	**51,839**

The item "VAT payables" essentially comprises both a payable to the Spanish tax authorities owed by subsidiary Saras Energia S.A. for the retail sales of its network of service stations (EUR 20,745 thousand) and a payable to the Italian tax authorities owned by parent company Saras S.p.A. in settlement of the Group's VAT for December (EUR 40,950 thousand).

The item "Other tax payables" chiefly includes excise duties on products introduced into the market by the Italian subsidiary Arcola Petrolifera S.p.A. and by the Spanish subsidiary Saras Energia S.A.. The year-on-year change was mainly due to the substantial increase in the quantities sold by Arcola Petrolifera S.p.A. and the increase in tax on oil products (excise duties).

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below.

	31/12/2011	31/12/2010	Change
Payables to welfare and social security bodies: portions due within one year	9,903	8,050	1,853
Due to personnel	16,865	17,658	(793)
Payables to Ministry for grants	43,546	43,141	405
Other payables	19,815	17,520	2,295
Other accrued liabilities	1,695	7,448	(5,753)
Other deferred income	722	450	272
Total	**92,546**	**94,267**	**(1,721)**

The item "Due to personnel" includes salaries not yet paid in December, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item "Payables to Ministry for grants" mainly includes advances received from the Ministry for Economic Development:
- by the parent company in connection with the programme agreement signed on 10th June 2002, for which the final decree has yet to be issued (EUR 24,736 thousand);
- by the subsidiary Sardeolica S.r.l. for the construction of the Ulassai wind farm (EUR 15,679 thousand).

The increase on the previous year relates mainly to the payment on account received by subsidiary Akhela S.r.l. in respect of the third programme agreement signed with the Ministry.

The item "Other payables" mainly relates to port duties as determined by the customs authority in respect of the parent company (EUR 15,115 thousand); please note that the initial phase of the company's long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.
A second phase of the dispute is now under way, and despite a favourable decision by the court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal. The company has now lodged an appeal with the Court of Cassation, which has yet to announce its decision.
In addition, during 2007, the tax authority asked the parent company to pay the tax assessed and put on hold. The company appealed against this measure to the Regional Tax Court, while the tax authority refused to grant a suspension for further assessments.
As a result of this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has been booked on an accrual basis under "Cost of services and sundry costs".

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5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as follows.

	31/12/2011	31/12/2010	Change
Euro Bond	248,223	247,725	498
Bank loans	36,575	234,212	(197,637)
Total long-term financial liabilities	**284,798**	**481,937**	**(197,139)**

The decrease in the "Bank loans" item reflects the reclassification of the payable owed by parent company Saras S.p.A. to short-term financial liabilities, as its maturity date grew closer.

On 16th July 2010, the parent company Saras S.p.A., an unrated company, carried out a bond issue aimed solely at institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bonds, which are listed on the Luxembourg stock exchange, have a coupon of 5.583% and will mature on 21st July 2015. They are not secured by a collateral and are not subject to any covenants.
The bond issue is recorded net of issue charges incurred.
Note that market values from the relevant stock exchange are not available for the bond loan. The current value of the related cashflows discounted to present value using the market rate does not vary significantly from the carrying value in the financial statements.

Details of the terms and conditions of bank loans are shown in the table below.

Figures in Euro million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/2010	Net book value at 31/12/2011	Maturity			Collateral
						1 year	from 1 to 5 year	beyond 5 years	
Saras S.p.A.									
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	99.7	100.0	100.0			
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.6	89.8	89.8			
				189.3	**189.8**	**189.8**	**-**	**-**	
Akhela S.r.l.									
Unicredit	6-Aug-08	0.2	0.74%	0.2	-				
				0.2	**-**	**-**	**-**	**-**	
Artemide S.r.l.									
Banca Intesa	11-Apr-07	0.3	Euribor 3M	0.1	-				
				0.1	**-**	**-**	**-**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	2.2	1.1	1.1			
				2.2	**1.1**	**1.1**	**-**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	50.4	43.8	7.2	36.6		
				50.4	**43.8**	**7.2**	**36.6**	**-**	
Total payables to banks for loans				**242.2**	**234.7**	**198.1**	**36.6**	**-**	

The weighted average interest rate at 31st December 2011 was 4.5%.

A simple loan agreement for a nominal amount of EUR 190 million was signed on 25th May 2009 by parent company Saras S.p.A. with a pool of banks (led by Intesa Sanpaolo). The term of the loan is three years; it is repayable in a single instalment in June 2012 and carries a six-monthly interest rate based on Euribor.
The loan agreement imposes certain covenants on the company:

- in financial terms, it will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5;
- in corporate terms, mainly in relation to its ownership structure, a ban on changing business activities, reducing the share capital or carrying out extraordinary operations.

If the company fails to comply with these restrictions, the pool of lending banks has the right to demand early repayment of the loan.

Sardeolica S.r.l. entered into a loan agreement divided into five credit lines with a pool of banks (led by Banca Nazionale del Lavoro), which was signed on 6th December 2005. The loan is repayable in half-yearly instalments until the end of 2016, and carries a variable interest rate equivalent to Euribor plus a spread, which is also variable.

This loan agreement imposes certain restrictions on the subsidiary:
- financial (mainly comprising liquidity parameters set out in the agreement and a ban on carrying out derivatives transactions unless authorised by the pool of banks);
- operational, as regards the management of the wind farm and the obligation to provide insurance cover;
- corporate, connected to the company's ownership structure, specifically a ban on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the company needs to carry out the project.

If the company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.
In addition, to guarantee the loan taken out by Sardeolica, all of the shares in the company were pledged as collateral to the financing banks.

At the last contractual deadline, the covenants relating to the above-mentioned loans had been complied with.

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2009	Additions	Decrease for use	Other changes	31/12/2010
Provisions for dismantling of plants	16,826	320	0	0	17,146
Provisions for CO_2 allowances	18,713	46,978	(18,713)	0	46,978
Other risk provisions	5,579	5,314	(322)	3,838	14,409
Total	**41,118**	**52,612**	**(19,035)**	**3,838**	**78,533**

	31/12/2010	Additions	Decrease for use	Other changes	31/12/2011
Provisions for dismantling of plants	17,146	1,283	0	0	18,429
Provisions for CO_2 allowances	46,978	45,817	(46,809)	(168)	45,818
Other risk provisions	14,409	4,524	(5,913)	0	13,020
Total	**78,533**	**51,624**	**(52,722)**	**(168)**	**77,267**

Provisions for dismantling of plants relate to the future costs of dismantling plants and machinery, and are made wherever there is a legal and implicit obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes. The year-on-year increase comprises EUR 717 thousand for the creation of provisions at subsidiary Sardeolica S.r.l. and EUR 566 thousand due to the above-mentioned ISTAT adjustment for parent company Saras S.p.A. (EUR 455 thousand) and for subsidiary Sarlux S.r.l. (EUR 111 thousand).

The provision for CO_2 emission allowances (EUR 45,818 thousand in respect of the parent company) was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, the parent company Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.
For 2011, the CO_2 allowances assigned under the National Allocation Plan for the period 2008-2012 were:
- 2,159,696 tons of CO_2 for the refinery plants owned by the parent company, which had emitted 2,342,140 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 1,377,976 tons, worth EUR 14,946 thousand.
- 444,404 tons of CO_2 for the combined cycle plant owned by the subsidiary Sarlux S.r.l., which had emitted 3,519,230 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 2,724,098 tons, worth EUR 30,871 thousand.

During the period, allowances for 1,211,842 tons of CO_2 were purchased for Saras, and EUR 1,398,503 for Sarlux. EUR 46,809 thousand was used from the provisions (EUR 32,560 thousand for Saras and EUR 14,249 thousand for Sarlux).
CO_2 allowances already held by the group are taken into account in determining the provision.

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The changes in CO_2 allowances, where one allowance equals one ton, are shown below.

valori espressi in tonnellate - quote	Refinery plant Saras S.p.A.	IGCC plant Sarlux S.r.l.	Total
Deficit as of 31st December 2009	**(1,204,543)**	**(347,777)**	**(1,552,320)**
Allowances allocated in 2010	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(1,198,289)	(345,194)	(1,543,483)
Purchase	0	2,635,770	2,635,770
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,381,988)	(3,781,835)	(6,163,823)
Deficit as of 31st December 2010	**(2,420,581)**	**(1,046,855)**	**(3,467,436)**
Allowances allocated in 2011	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(2,407,374)	(1,047,775)	(3,455,149)
Purchase	1,211,842	1,398,503	2,610,345
Transfer	0	0	0
Emissions in the year	(2,342,140)	(3,519,230)	(5,861,370)
Deficit as of 31st December 2011	**(1,377,976)**	**(2,724,098)**	**(4,102,074)**

The item “Other risk provisions” mainly relates to provisions made for possible legal and tax liabilities.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	31/12/2011	31/12/2010	Change
Employee end-of-service payments	12,852	14,529	(1,677)
Other supplementary provisions	10,447	16,018	(5,571)
Total	**23,299**	**30,547**	**(7,248)**

Italian employee end-of-service payments are governed by article 2120 of the Civil Code and reflect the estimated amount, based on actuarial estimates, that the company will be required to pay employees when they leave their employment.
On 30th June 2010, following the cancellation by the parent company of the agreement establishing CPAS, the company’s supplementary employee pension fund, the fund was dissolved and put into liquidation, with workers given the option of transferring the benefits earned up until that date to another supplementary pension scheme or of redeeming the entire amount. The trade unions disputed the cancellation of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. Having taken legal advice from the lawyers assisting the company in this matter, the company is confident that the correctness of its actions will be upheld in court.

The following table shows the changes in employee end-of service payments.

Balance at 31.12.2009	**15,412**
Accrual for the year	7,287
Amount used during the year	(8,170)
Balance at 31.12.2010	**14,529**
Accrual for the year	6,092
Amount used during the year	(7,769)
Balance at 31.12.2011	**12,852**

The table below shows changes in the CPAS fund.

Balance at 31.12.2009	**20,008**
Accrual for the year	1,214
Amount used during the year / Settlement	(5,204)
Balance at 31.12.2010	**16,018**
Accrual for the year	0
Amount used during the year	(5,571)
Balance at 31.12.2011	**10,447**

Pursuant to IAS 19, the end-of-service fund was valued using the projected unit credit cost method and the following assumptions:

	31/12/2011	31/12/2010
ECONOMIC ASSUMPTIONS		
Cost of living increases:	2.00%	2.00%
Discount rate:	4.60%	4.60%
Salary increases:	3.00%	3.00%
Annual increase rate in CPAS fund:	n.a.	11.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	Calculated by "Ragioneria Generale dello Stato" - Table RG48
Probability of disability:	INPS model for projections to 2010
Probability of resignation:	annual staff turnover of 0.5%
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of advance payments:	3% per annum

At 31st December 2011 the discount rate used was the iBOXX Eurozone AA 10+ (4.60%).
The actuarial calculation takes into account the recently-issued changes to pensions legislation (Law Decree 201/2011).
Given the accounting method used (see the paragraph entitled "Summary of accounting standards and policies" and point Q "Provisions for employee benefits"), at 31st December 2011 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4,474 thousand, relate to the foreign subsidiaries.
For details of changes in this item, please see section 5.2.4 "Deferred tax assets".

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2011	31/12/2010	Change
Payables to welfare and social security bodies: portion due after one year	357	357	0
Deferred income	480,175	583,300	(103,125)
Other	2,613	2,612	1
Total	**483,145**	**586,269**	**(103,124)**

The change compared with 31st December 2010 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux S.r.l. The item in question relates to the agreement for the sale of energy between Sarlux S.r.l. and GSE (Gestore dei Servizi Energetici S.p.A.), which was accounted for according to IFRIC 4. Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs.

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5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2011	31/12/2010	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,158,676	1,164,297	(5,621)
Profit (Loss) for the year	58,802	(9,468)	68,270
Total Shareholders Equity	**1,283,034**	**1,220,385**	**62,649**

Share capital

At 31st December 2011, the share capital of EUR 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no nominal value.

Legal reserve

The legal reserve was unchanged from the previous year and stood at one-fifth of the share capital.

Other reserves

This item totalled EUR 1,158,676 thousand, a net decrease of EUR 5,621 thousand compared with the previous period. The net decrease was the combined result of:

- The appropriation of the loss from the previous year, for EUR 9,468 thousand;
- An increase of EUR 3,851 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the companies' Stock Grant Plans.
- A decrease of EUR 4 thousand due to the translation of the financial statements of subsidiaries in foreign currency.

Pursuant to IAS 1, paragraphs 1 and 97, please note that no changes in shareholders' equity were conducted with owners of the company's shares.

The item is shown net of an amount of EUR 17,881 thousand (after the fiscal effect of EUR 10,119 thousand) for charges arising from the listing operation which took place in 2006.

Net profit for the year

Consolidated net profit for the year totalled EUR 58,802 thousand.

Restrictions on the distribution of equity reserves

The main restrictions on the distribution of equity reserves are as follows:

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item "Locked-in reserve pursuant to article 7, paragraph 6 of Legislative Decree 38/05", totalling EUR 19.7 million and included in "Other reserves", is distributable solely to cover losses or increase share capital.
- pursuant to article 2426, paragraph 1, point 5 of the Italian Civil Code, an amount of EUR 15.7 million earmarked for research costs is recorded under assets.

Dividends

On 28th April 2011, the ordinary shareholders' meeting of Saras S.p.A. voted not to pay any dividends.

The Board of Directors of the parent company has made a proposal to the shareholders' meeting scheduled for 27th April 2012 not to pay a dividend for the reporting period 2011.

No own shares were acquired or sold during the period.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item “Revenues from ordinary operations” breaks down as follows:

	2011	2010	Change
Sales and services revenues	10,393,505	7,978,827	2,414,678
Processing fee from third parties	130	8,965	(8,835)
Sale of electricity	537,761	506,064	31,697
Other revenues	29,325	36,359	(7,034)
Change in contract work in progress	145	(465)	610
Total	**10,960,866**	**8,529,750**	**2,431,116**

Sales and services revenues increased by EUR 2,414,678 thousand compared to the previous year. The change was broadly due to oil product price trends over the period.

Revenues from the sale of electricity include EUR 527,229 thousand relating to the gasification plant of the subsidiary Sarlux S.r.l. and EUR 10,532 thousand relating to the wind farm owned by the subsidiary Sardeolica S.r.l.

Revenues from the sale of electricity by Sarlux S.r.l. reflect the reporting of figures on a straight-line basis, calculated on the basis of the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and projections of the EUR/USD exchange rate until the contract expires.

Other revenues are mainly attributable to revenues posted by the subsidiaries Akhela, Sartec and Reasar in their respective sectors.

2011 was a difficult year for the global economy, both in terms of the peripheral Euro zone countries’ ongoing debt problems and the high unemployment levels in the US. In addition, two important geo-political phenomena seriously threatened the stability of oil supplies, causing crude prices to come under strong pressure. In the first half of the year, the “Arab Spring” reached its bloody peak with the dramatic events seen in Libya and Syria. Then in the last quarter, there was a worrying deterioration in the conflict between Iran and the West.

Refining margins remained tight for a large part of the year, severely testing the resistance of the entire European refining sector, which thus had to face competition with both US refineries and the new Asian refineries. Specifically, the heavily discounted WTI crude oil compared with European Brent enabled American refineries in the Mid-West and the Gulf of Mexico to benefit from lower purchase costs for their raw materials. These savings largely offset transport costs, making the export of refined products to Europe very competitive. In Asia, however, local refiners benefit from various forms of tax exemption and economic incentives, as well as less restrictive health and safety legislation compared with Europe.

Despite this difficult environment, Saras drew on its traditional resources of flexibility in order to limit the effects of the lack of Libyan crude oil. It also successfully implemented a number of measures to reduce operating costs and to make the refinery more energy efficient, and was able to achieve a good result overall, especially in comparison with its European peers.

The power generation segment also performed extremely well, despite the important 10-yearly shutdown in the second quarter to allow for planned maintenance work to be carried out on the combined-cycle plant. The plant returned to full operation in the following quarters, however, achieving solid financial results and reaching full electricity production capacity.

Moving on to the marketing segment, 2011 saw a widespread drop in oil consumption in all the key European markets, including Italy and Spain, where the Group’s operations are focused. Nevertheless, the segment’s business performance was positive, partly due to shrewd policies in the optimisation of the sales channel mix and management of oil inventories.

Finally, the wind segment’s performance was affected by a lack of wind, particularly in the second and third quarters.

Revenues from ordinary operations are broken down by business segment and geographical area in sections 4.2 “Segment information” and 4.3 “Breakdown by geographical area” above.

In accordance with IFRS 8, note that the Group generated more than 10% of its revenues in the refining and marketing segments from the following groups:

- ENI Group EUR 1,195 million;
- Total Group EUR 1,152 million.

6.1.2 Other income

The following table shows a breakdown of other income.

	2011	2010	Change
Revenues for stocking of mandatory supplies	2,096	1,249	847
Sales of sundry materials	4,169	1,837	2,332
Grants	11,738	16,039	(4,301)
Chartering of tanker	7,559	2,925	4,634
Recovery for claims and demages	823	4,728	(3,905)
Reimbursment of emission trading charges	38,905	47,372	(8,467)
Other income	10,943	10,738	205
Total	**76,233**	**84,888**	**(8,655)**

The item "Grants" mainly includes the revenues from green certificates obtained by Sardeolica S.r.l.

The item "Recovery for claims and damages" related primarily, in the previous year, to insurance reimbursements for the settlement reached with claimants in relation to the deaths of three workers on 26th May 2009.

The item "Reimbursement of emissions trading charges" comprises income posted by the subsidiary Sarlux S.r.l., deriving from the reimbursement – pursuant to section II, point 7-bis of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emission Trading), as per AEEG Resolution 77/08. The decrease compared with the previous year was chiefly due to the lower price of allowances obtained during the period.

The item "Other income" includes the windfall gains reported mainly by Saras.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2011	2010	Change
Purchases of raw materials	8,563,598	6,075,796	2,487,802
Purchases of semifinished materials	22,441	27,130	(4,689)
Purchases of replacement parts and consumables	58,338	62,312	(3,974)
Purchases of finished products	1,604,484	1,554,577	49,907
Other purchases	156	194	(38)
Change in inventories	(341,650)	(90,287)	(251,363)
Total	**9,907,367**	**7,629,722**	**2,277,645**

As already mentioned under revenues, the change in this item was mainly due to price trends over the period.

6.2.2 Cost of services and sundry costs

	2011	2010	Change
Service costs	497,864	517,090	(19,226)
Rent, leasing and similar costs	14,460	15,982	(1,522)
Provisions for risks and charges	52,119	57,303	(5,184)
Other operating charges	12,206	20,658	(8,452)
Total	**576,649**	**611,033**	**(34,384)**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities, as well as costs for bank charges.
The cost of rentals and freight rose as a result of the higher quantities of crude acquired and products sold; there was a similar increase in the cost of utilities, essentially electricity and water, due both to the greater volumes used and to the rise in prices.

The item “Rent, leasing and similar costs” includes the costs incurred by the parent company (for the lease of its offices in Milan and Rome, the state concession at the Sarroch site and the leasing of equipment) and by the subsidiary Saras Energia (for rents on the distribution network).
The item “Rent, leasing and similar costs” includes EUR 2,075 thousand in costs relating to rental of the building that houses the registered office of the parent company Saras S.p.A. in Milan. The cost has been reported on a straight-line basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 6,325 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months' notice prior to the expiry date.

“Provisions for risks” mainly consist of a provision relating to CO_2 allowances applicable to 2011 that had not yet been purchased as of 31st December 2011.

The item “Other operating charges” chiefly comprises provisions for doubtful loans made by Arcola Petrolifera and Saras Energia, windfall losses, non-income taxes (local property taxes, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2011	2010	Change
Wages and salaries	110,222	101,021	9,201
Social security	30,965	29,454	1,511
Employee end-of-service payments	6,092	7,287	(1,195)
Pensions and similar	0	1,214	(1,214)
Other costs	5,664	5,635	29
Directors' remuneration	5,871	5,871	0
Total	**158,814**	**150,482**	**8,332**

The rise in personnel costs is essentially due to contractual increases and expenses relating to organisational changes that subsequently led to the appointment of experts from the oil sector in key positions in the corporate organisation.

On 27th April 2010, the shareholders' meeting approved the plans for the bonus allocation of ordinary shares in the company:
- to employees of the company and its Italian subsidiaries (the “employee share plan”);
- to the management of the Saras Group (the “stock grant plan 2010/2012”).

The employee share plan provides for a bonus allocation to employees:
- for the year 2010, a share for every six held by the beneficiary at 31st December 2009;
- for the years 2011 and 2012, a share for every six additional shares purchased by the beneficiary in 2010 and 2011, on condition that the number of shares held by the beneficiary on a daily basis during each of these years is never lower than the number of shares held at 31st December of the previous year.

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Under the employee share plan, the total value of the shares allocated to each beneficiary cannot exceed EUR 2,065 each year. Furthermore, the maximum value of the shares allocable overall may never exceed the sum of EUR 2 million. In 2011, 31,910 shares were allocated under the plan, at a total cost of EUR 99 thousand for the reporting period.

The Stock Grant Plan 2010/2012 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to the difference between the change in value of the parent company's shares and that of the shares of a group of comparable companies.
The plan will involve the allocation of:

- 1,505,000 shares for the 2010 plan, at a cost of EUR 2,248 thousand (of which EUR 606 thousand relates to the year);
- 2,126,800 shares for the 2011 plan, at a cost of EUR 3,764 thousand (of which EUR 2,823 thousand relates to the year).

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until 2013, in return for a one-off premium to be paid in shares as part of the current plan.
This option would involve the allocation of 918,700 shares, at a cost of EUR 1,372 thousand (of which EUR 422 thousand relates to the year).

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below.

	2011	2010	Change
Amortisation of intangible assets	37,044	37,646	(602)
Depreciation of tangible assets	176,272	169,681	6,591
Total	**213,316**	**207,327**	**5,989**

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	2011	2010	Change
Financial income:			
- from financial assets recorded under current assets	71	27	44
Other income			
- interest on bank and post office accounts	322	163	159
- fair value of held for trading financial assets	0	199	(199)
- change in fair value on derivative instruments	17,232	0	17,232
- positive differences on derivatives	103,736	24,413	79,323
- other income	327	551	(224)
Exchange gains	2,042	12,110	(10,068)
Total Financial Income	**123,730**	**37,463**	**86,267**
Financial charges:			
- change in fair value on derivative instruments	(4,559)	(23,860)	19,301
- fair value of held for trading financial assets	0	(284)	284
- negative differences on derivatives	(110,292)	(16,337)	(93,955)
- other (interest on loans, late payment interest, etc.)	(34,100)	(22,749)	(11,351)
Exchange losses	(36,343)	(4,114)	(32,229)
Total Financial Charges	**(185,294)**	**(67,344)**	**(117,950)**
Total	**(61,564)**	**(29,881)**	**(31,683)**

The summary table below is provided to allow an analysis of the main changes during the year:

	2011	2010	Change
Net interest income / (expense)	(33,778)	(22,586)	(11,192)
Net result from derivative financial instruments	6,117	(15,784)	21,901
- realised	*(6,556)*	*8,076*	*(14,632)*
- fair value of the open positions	*12,673*	*(23,860)*	*36,533*
Net exchange gains (losses)	(34,301)	7,996	(42,297)
Other	398	493	(95)
Total	**(61,564)**	**(29,881)**	**(31,683)**

As shown in the table, the main changes relate to exchange differences and higher net interest expenses, partially offset by gains/losses on derivatives. The financial derivates in question relate to hedging transactions to which hedge accounting is not applied.

6.4 Income tax

Income tax can be shown as follows:

	2011	2010	Change
Current taxes	38,881	16,276	22,605
Deferred tax (assets) liabilities, net	21,706	(20,615)	42,321
Total	**60,587**	**(4,339)**	**64,926**

Current taxes consist of taxes calculated on the taxable income of the companies, including the additional IRES tax for Italian companies, where due, temporarily increased from 6.5% to 10.5% for the three-year period 2011-2013 (EUR 12,145 thousand).

Deferred tax assets/liabilities relate to changes in temporary differences between the values recorded in the accounts and those recognised for tax purposes; the most significant changes concern the reversal of deferred tax assets for the straight-line reporting of Sarlux's margin (EUR 39,084 thousand) and the use of deferred taxes relating to the fair value of the Sarlux-GSE contract (EUR 11,747 thousand).

The following table shows the temporary differences in the income statement; the effect of the increase in net deferred tax assets due to the increase in the IRES surcharge for Italian companies in the energy sector, totalling EUR 7,969 thousand, is shown in the relevant column.

Temporary differences in the Income Statement:	**TAX 2011**		**TAX 2010**
	Deferred tax assets/ (liabilities)	**Effect of change in tax rates on previous figures**	**Deferred tax assets/ (liabilities)**
Excess and accelerated depreciation on assets	5,673	(1,036)	(6,100)
Adjustment to value of land to reflect fair value (as deemed cost)			
Measurement of inventory at end of period	(11,417)	316	8,075
Adjustments for scheduled plant and equipment maintenance	(3,032)	0	3,035
Reclassification of grants previously carried as equity	(72)	12	(224)
Employee benefits and bonuses	(702)	133	364
Fair value of derivative contracts	137	170	78
Unrealised exchange differences	10,417		(2,823)
Fair value of Sarlux contract with GSE	11,747	(2,480)	11,747
Straight-line reporting of Sarlux revenues (as per IAS 17 and IFRIC 4)	(39,084)	3,448	(21,790)
IPO cost charged directly to shareholders' equity			(2,123)
Asset maintenance costs deductible in future years	(1,905)	76	(1,905)
Valuation licences Sardeolica (IFRS 3 on acquisistion of 30% PEU)	341	(1,369)	256
Deferred tax asset on tax loss of Saras S.p.A. (additional 10.5% IRES)	3,753	7,980	9,425
Tax asset relating to IRES Consolidated net loss	(424)		16,305
Other temporary differences	(5,107)	719	6,295
Total	**(29,675)**	**7,969**	**20,615**

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Differences between the theoretical and effective IRES and IRAP tax rates for the two periods under review are reported below (figures in EUR million).

IRES	2011	2010
PRE-TAX NET RESULT [A]	119.4	(13.8)
THEORETICAL CORPORATION TAX IRES [A*38% in 2011; A*34% in 2010] [B]	45.4	(4.7)
THEORETICAL TAX RATE [B/A*100] %	38.0%	34.0%
EFFECTIVE INCOME TAXES [C]	47.6	(11.9)
EFFECTIVE TAX RATE [C/A*100] %	39.9%	86.2%

	2011		2010	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	45.4	38.0%	(4.7)	34.0%
Effect of different tax rate for foreign and Italian companies not subject to additional	0.6	0.49%	(1.3)	9.08%
Effect of riclassification of grants on assets	(0.1)	-0.06%	(0.2)	1.62%
Effect of depreciation of Akhela's assets	1.7	1.40%	0.0	0.00%
Tax relief on investments from the so called "Tremonti-ter" (art. 5 D.L. 78/09)	0.0	0.00%	(6.7)	48.55%
Effect of A.C.E. tax deduction (art. 1 D.L. 201/11)	(0.7)	-0.59%	0.0	0.00%
Effect of recalculation of inventories ("Robin Hood Tax")	3.8	3.19%	0.3	-2.01%
Effect of increase of IRES surcharge on deferred tax (art. 7 D.L. 138/11)	(6.0)	-4.98%	0.0	0.00%
Taxes previous year (Sarlux)	0.0	0.00%	(0.9)	6.52%
Other Permanent differences	2.9	2.45%	1.6	-11.59%
Effective taxes	47.6	39.9%	(11.9)	86.2%

IRAP	2011	2010
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	181.0	16.1
TOTAL PERSONNEL COSTS	158.8	150.5
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)	339.8	166.6
THEORETICAL REGIONAL INCOME TAX IRAP [A*3,9%] [B]	13.3	6.5
THEORETICAL TAX RATE [B/A*100] %	3.9%	3.9%
EFFECTIVE INCOME TAXES [C]	13.0	7.6
EFFECTIVE TAX RATE [C/A*100] %	3.8%	4.6%

	2011		2010	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	13.3	3.9%	6.5	3.9%
IRAP effect on value of production of foreign companies	(0.2)	-0.07%	(0.9)	-0.53%
IRAP effect on IFRS adjustments	(0.4)	-0.11%		
Effect of refund of "tax wedge" on IRAP	(1.3)	-0.38%	(0.3)	-0.18%
Effect of "Robin Hood Tax" on inventories	0.7	0.20%		
IRAP tax assets not recognizable in companies with negative EBIT	0.2	0.06%	1.6	0.96%
Other Permanent differences	0.7	0.22%	0.7	0.40%
Effective taxes	13.0	3.8%	7.6	4.6%

7. Other information

For information on events that took place after the end of the period, please see the relevant section in the Report on operations.

7.1 Main legal actions pending

The parent company Saras S.p.A. and subsidiaries Arcola Petrolifera S.p.A., Sarlux S.r.l. and Akhela S.r.l. were subject to tax inspections and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts. Although the decisions made by the tax courts were not consistent, the Company assumes that any liability is likely to be remote.
Moreover, with reference to the subsidiary Sarlux S.r.l., please note that companies producing electricity that is not from renewable sources or cogeneration (as defined by AEEG Resolution 42/02) are required to purchase green certificates in respect of a certain percentage of electricity introduced into the grid. In 2007, a specially created AEEG committee, in coming to a different interpretation of the resolution subsequently, deemed the subsidiary subject to this obligation for the years 2002-2005. Sarlux appealed against this interpretation to the Lombardy regional administrative court (TAR); the appeal was rejected on 14th June. The liabilities arising from this dispute, as determined by GSE, which has already adopted this interpretation, are estimated at about EUR 32 million (for the acquisition of green certificates that have already been bought, as requested by GSE); however, these liabilities would qualify for partial relief pursuant to section II, point 7-bis of CIP Provision 6/92 in respect of costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by AEEG Resolution ARG/elt 80/08, of around EUR 14 million (the refund was made during the previous year through the compensation fund for the electricity sector – CCSE). If the interpretation of the above-mentioned AEEG committee is confirmed, the obligation in question would be extended to 2009, adding a further potential liability of around EUR 12 million, with the related refund estimated at around EUR 7 million.
Based on the considerations expressed by its advisors on the TAR's rejection of the appeal, Sarlux will appeal against the TAR's ruling to the high court (Consiglio di Stato) and believes that its appeal will be successful. As a result, no provision was made in the financial statements to 31st December 2011 for this case.

7.2 Early withdrawal from CIP 6/92 agreement

As provided for in article 3, paragraph 1 of the Ministry for Economic Development's Decree of 2nd December 2009, Sarlux S.r.l., as a party to an agreement signed under the CIP 6/92 programme valid as of 1st January 2010 for the plants that use process fuels from residues expressed its interest in an early withdrawal from the agreement to GSE S.p.A., on a non-binding basis.
GSE has established the fees payable to settle this decision; the Ministry for Economic Development has extended until 30th June 2012 the deadline for presentation by Sarlux S.r.l. of the binding application for voluntary early withdrawal from the CIP6 agreement.
The company's managers are currently assessing the various alternatives available based on affordability. This assessment is ongoing to date.

7.3 Earnings per share

Earnings per share (EPS) is calculated by dividing net profit by the weighted average number of Saras S.p.A. shares outstanding during the year, excluding own shares.

Earnings per share totalled 6.33 euro cents for the 2011 financial year, compared with a loss per share of 1.02 euro cents in 2010.
The average number of shares outstanding was 928,317,120 in 2011 and 928,033,267 in 2010. At 31st December 2011, Saras S.p.A held 22,644,588 own shares due to the bonus share allocation to employees and management of Group companies.
Diluted earnings per share do not vary significantly from basic earnings per share.

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7.4 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature.
The figures for commercial, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.
The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR./000) and % of item in statements				Item	Business reason
	31/12/2011		31/12/2010			
IMMOBILIARE ELLECI S.p.A.						
Rent	(11)	0.00%	(178)	0.03%	Service and miscellaneous costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	22	0.03%	21	0.02%	Other income	Staff on secondment
Rent	(570)	0.10%	(644)	0.10%	Service and miscellaneous costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	22	0.00%	21	0.00%	Current trade receivables	Trade receivables
F.C. INTERNAZIONALE S.p.A.						
Services rendered	40	0.00%	0	0.00%	Revenues from ordinary operations	Consultancy
Receivables for goods & services supply	48	0.01%	0	0.00%	Current trade receivables	Trade receivables
Services received	(8)	0.00%	(19)	0.00%	Service and miscellaneous costs	Purchase of tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	36	0.05%	34	0.04%	Other income	Staff on secondment
Receivables for goods & services supply	36	0.00%	34	0.00%	Current trade receivables	Trade receivables
MANTA S.r.l.						
Services rendered by staff	48	0.06%	52	0.06%	Other income	Staff on secondment
Services received	(507)	0.09%	(439)	0.07%	Service and miscellaneous costs	Security services
Receivables for supply of goods and services	48	0.01%	52	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0.00%	(68)	0.01%	Trade payables and other current payables	Trade payables
CIGOGNOLA S.R.L.						
Services received	(8)	0.00%	0	0.00%	Service and miscellaneous costs	Gifts and gadgets supply
Payables for supply of goods and services	(8)	0.00%	0	0.00%	Trade payables and other current payables	Trade payables

Transactions with related parties shown above took place at arm's lenght conditions.
No provisions for doubtful loans were made regarding existing balances given that there are no reasons for such provisions; no losses were registered relating to doubtful or bad debt for related parties

With regard to the above-mentioned transactions, contracts governing provision of services are settled with amounts corresponding as closely as possible to market conditions; expenses passed on in relation to seconded personnel are charged at cost and no margin is applied.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

	31/12/2011			31/12/2010		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Current trade receivables	869,738	154	0.0%	868,537	107	0.0%
Trade and other current payables	1,188,503	8	0.0%	1,123,500	68	0.0%

The effects on the income statement of transactions or positions with related parties are summarised in the table below.

	31/12/2011			31/12/2010		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	10,960,866	40	0.0%	8,529,750	0	0.0%
Other income	76,233	106	0.1%	84,888	107	0.1%
Cost of service and sundry costs	576,649	1,104	0.2%	611,033	1,280	0.2%

The main financial flows with related parties are shown in the table below.

Cash flows with related parties	2011	2010
Net (Income) / Charges from equity interests	0	0
(Increase) / Decrease in trade receivables	(47)	(17)
Increase / (Decrease) in trade payables and other payables	(60)	38
Changes in other current assets	0	0
Changes in other non current liabilities	0	0
Cash flows from / (used in) operating activities	**(107)**	**21**
Interest received / (paid)	0	0
Cash flows from / (used in) investments	**0**	**0**
Increase / (Decrease) in short term financial debts	0	0
Cash flows from / (used in) financial assets	**0**	**0**
Total cash flows vs related parties	**(107)**	**21**

The effects of financial flows with related parties are shown in the table below.

	31/12/2011			31/12/2010		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Cash flows from / (used in) operating activities	(8,849)	(107)	0.01	126,340	21	n.a.
Cash flows from / (used in) investing activities	(79,442)	0	n.a.	(118,224)	0	n.a.
Cash flows from / (used in) financing assets	146,799	0	n.a.	(38,819)	0	n.a.

7.5 Information pursuant to International Financial Reporting Standard 7 – Financial Instruments: Disclosures

On 18th August 2005, the International Accounting Standards Board (IASB) issued IFRS 7 (Financial Instruments: Disclosures), which replaces IAS 30 and the disclosure requirements for financial instruments set out in IAS 32.

The aim of the new standard is to ensure that companies' financial results include supplementary information that makes it possible to evaluate:

a) the value of financial instruments reported in the financial statements;
b) the nature and size of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date, and the way in which this is managed.

The criteria contained in IFRS 7 supplement those set out for the recognition, measurement and disclosure in the annual accounts of the financial assets and liabilities listed in IAS 32 (Financial Instruments: Disclosure and Presentation), and in IAS 39 (Financial Instruments: Recognition and Measurement).

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

Fair value was determined using the standard methods adopted for the classes of instruments mentioned, i.e. with reference to market values or prices on active markets where available, or alternative valuation methods based on discounting future cash flows.

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7.5.1 Information on the statement of financial position

Sections 8-19 of IFRS 7 state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the group has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or eliminated them from the accounts. Statement of financial position figures for Group Saras S.p.A. at 31st December 2010 and 31st December 2011 are shown below, with details of the Group's financial instruments:

31/12/2011	Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2011
	Designated at Fair Value	Held for trading						
ASSETS								
Current assets	**0**	**42,843**	**0**	**1,109,127**	**0**	**0**	**1,196,362**	**2,348,332**
Cash and cash equivalents				139,343			0	139,343
Other financial assets held for trading		42,843			0			42,843
Securities held for trading		*1*						
Green and White Certificates		*10,907*						
Derivative instruments		*31,935*						
Trade receivables				869,738				869,738
Inventories							1,154,350	1,154,350
Current tax assets							36,499	36,499
Other assets		0		100,046			5,513	105,559
Emission Trading credits				*56,606*				
Deposits to guarantee derivative instruments				*23,054*				
Other receivables				*20,386*				
Non-current assets	**0**	**0**	**0**	**896**	**547**	**0**	**1,802,982**	**1,804,425**
Property, plant and equipment							1,392,317	1,392,317
Intangible assets							378,258	378,258
Equity investments valued at equity								0
Other equity interests					547			547
Deferred tax assets							32,407	32,407
Other financial assets				896				896
Other receivables				*896*				
Total financial assets	**0**	**42,843**	**0**	**1,110,023**	**547**	**0**	**2,999,344**	**4,152,757**
LIABILITIES								
Current liabilities	**0**	**42,134**	**0**	**0**	**0**	**1,812,777**	**141,829**	**1,996,740**
Short-term financial liabilities		42,134				531,728		573,862
Bank loans (guaranteed)						*7,362*		
Bank loans						*190,692*		
Overdrafts						*327,441*		
Loans from non-consolidated companies and other payables						*6,233*		
Derivative instruments		*42,134*						
Trade and other payables						1,188,503		1,188,503
Current tax liabilities							141,829	141,829
Other liabilities						92,546		92,546
Other payables						*92,546*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**287,398**	**581,111**	**872,983**
Long-term financial liabilities						284,798		284,798
Bank loans						*36,575*		
Bond						*248,223*		
Provisions for risks							77,267	77,267
Provisions for employee benefits							23,299	23,299
Deferred tax liabilities							4,474	4,474
Other liabilities						2,600	480,545	483,145
Other payables						*2,600*		
Total financial liabilities	**0**	**42,134**	**0**	**0**	**0**	**2,100,175**	**722,940**	**2,869,723**

31/12/2010	Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2010
	Designated at Fair Value	Held for trading						
ASSETS								
Current assets	**0**	**28,800**	**0**	**1,042,430**	**0**	**0**	**865,764**	**1,936,994**
Cash and cash equivalents				80,835				80,835
Other financial assets held for trading		28,800			0			28,800
Securities held for trading		*16,273*						
Green certificates		*12,527*						
Trade receivables				868,537				868,537
Inventories							812,162	812,162
Current tax assets							39,266	39,266
Other assets		0		93,058			14,336	107,394
Derivative instruments				*0*				
Emission Trading credits				*65,073*				
Other receivables				*27,985*				
Non-current assets	**0**	**0**	**0**	**880**	**571**	**0**	**1,954,773**	**1,956,224**
Property, plant and equipment							1,473,284	1,473,284
Intangible assets							414,206	414,206
Equity investments valued at equity								0
Other equity interests					571			571
Deferred tax assets							67,283	67,283
Other financial assets				880				880
Other receivables				880				
Total financial assets	**0**	**28,800**	**0**	**1,043,310**	**571**	**0**	**2,820,537**	**3,893,218**
LIABILITIES								
Current liabilities	**0**	**25,312**	**0**	**0**	**0**	**1,372,347**	**97,888**	**1,495,547**
Short-term financial liabilities		25,312				162,478		187,790
Bank loans (guaranteed)						*7,977*		
Overdrafts						*154,501*		
Loans from non-consolidated companies and other payables								
Derivative instruments		*25,312*						
Trade and other payables						1,123,500		1,123,500
Current tax liabilities							89,990	89,990
Other liabilities						86,369	7,898	94,267
Other payables						*86,369*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**484,549**	**692,737**	**1,177,286**
Long-term financial liabilities						481,937		481,937
Bank loans						*234,212*		
Bond						*247,725*		
Provisions for risks and charges							78,533	78,533
Provisions for employee benefits							30,547	30,547
Other liabilities						2,612	583,657	586,269
Other payables						*2,612*		
Total financial liabilities	**0**	**25,312**	**0**	**0**	**0**	**1,856,896**	**790,625**	**2,672,833**

Financial instruments recorded at fair value in the income statement comprise:

- Derivatives held by the parent company and the subsidiary Sardeolica S.r.l., described in section 5.3.1. above. The derivatives contracts relate to commodities, interest rates and foreign exchange; the first were entered into by the parent company to mitigate the risks inherent in the business in which it operates, which stem from changes in the price of crude and oil products (futures, options and swaps); the second were entered into by the parent company and the subsidiary to hedge interest rate risk on loans; and the third were entered into by the parent company to hedge foreign exchange risk on open currency positions;
- Green certificates earned by the subsidiary Sardeolica S.r.l. for electricity generated during the year, and in the portfolio at year-end, and white certificates obtained by the parent company for energy savings made in the refinery (for further details of both, see 5.1.2 above).

All trade receivables and most other current and non-current receivables are classed as "Loans" since they consist of non-derivative financial assets with fixed or determinable payments that are not listed on any active market. The value entered in the financial statements is close to fair value.

Other financial liabilities valued at amortised cost include all the Group's financial and commercial liabilities arising from contractual obligations by the Group to deliver cash or other financial assets to another entity. The value entered in the financial statements is close to fair value.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a "without recourse" basis. An analysis of the contract terms and conditions confirmed that the receivables in question can be derecognised.

All financial assets are booked on the trade date.

During the year, the company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

7.5.2 Income statement information

Section 20 of IFRS 7 requires companies to state the amount of net gains or losses generated by financial assets and liabilities, subdivided according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overloading the accounting statements with information, the group has opted for the second alternative, as advised in the Appendix to the accounting standard itself.
The tables below show income statement items in detail for the current year and the previous year.

2011	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	Other	Balance at 31/12/2011
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations							0		10,960,866
Other income							0		76,233
Total revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**11,037,099**	**11,037,099**
Purchases of raw materials, spare parts and consumables							0		(9,907,367)
Cost of services and sundry costs				(4,234)			(4,234)		(576,649)
Personnel costs							0		(158,814)
Depreciation, amortisation and write-downs							0		(213,316)
Total costs	**0**	**0**	**0**	**(4,234)**	**0**	**0**	**(4,234)**	**(10,853,162)**	**(10,856,146)**
Operating results	**0**	**0**	**0**	**(4,234)**	**0**	**0**	**(4,234)**	**183,937**	**180,953**
Net income (charges) from equity interests									
Other Net Financial income (charges							(57,427)	(4,137)	(61,564)
from securities held for trading		*0*					*0*		
- of which:									
Realized gains									
change in fair value									
from current account interest				*367*			*367*		
from loans granted to Group companies							*0*		
from derivative instruments		*6,117*					*6,117*		
- of which:									
realized losses		*(6,556)*							
change in fair value		*12,673*							
from interest on loans						*(29,681)*	*(29,681)*		
from other receivables/payables				*(34,230)*			*(34,230)*		
Profit (loss) before taxes	**0**	**6,117**	**0**	**(38,097)**	**0**	**(29,681)**	**(61,661)**	**179,800**	**119,389**
Income tax									(60,587)
Net profit (loss)									**58,802**

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2010	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	Other	Balance at 31/12/2010
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations									8,529,750
Other income									84,888
Total revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,614,638**	**8,614,638**
Purchases of raw materials, spare parts and consumables									(7,629,722)
Cost of services and sundry costs				(5,009)			(5,009)		(611,033)
Personnel costs									(150,482)
Depreciation, amortisation and write-downs									(207,327)
Total costs	**0**	**0**	**0**	**(5,009)**	**0**	**0**	**(5,009)**	**(8,593,555)**	**(8,598,564)**
Operating results	**0**	**0**	**0**	**(5,009)**	**0**	**0**	**(5,009)**	**21,083**	**16,074**
Net income (charges) from equity interests									0
Other Net Financial income (charges							(29,881)		(29,881)
from securities held for trading		*(85)*					*(85)*		
- of which:									
Realized gains									
change in fair value		*(85)*							
from current account interest				*714*			*714*		
from loans granted to Group companies							*0*		
from derivative instruments		*(15,784)*					*(15,784)*		
- of which:									
realized losses		*8,076*							
change in fair value		*(23,860)*							
from interest on loans						*(22,749)*	*(22,749)*		
from other receivables/payables				*8,023*			*8,023*		
Profit (loss) before taxes	**0**	**(15,869)**	**0**	**3,728**	**0**	**(22,749)**	**(34,890)**	**21,083**	**(13,807)**
Income tax									4,339
Net profit (loss)									**(9,468)**

Financial instruments recognised at fair value through profit and loss generated net gains of EUR 6,117 thousand (versus net losses of EUR 15,784 thousand the previous year), mainly due to changes in the fair value of the derivatives.

Financial instruments recorded under “Loans” generated losses of EUR 37,815 thousand (versus gains of EUR 3,728 thousand the previous year), chiefly owing to exchange rate differences on trade accounts.

Other financial liabilities measured at amortised cost generated a loss of EUR 29,681 thousand (EUR 22,749 thousand in the previous year), mainly due to interest on loans.

7.5.3 Additional information

7.5.3.1 Accounting for derivatives transactions

As stated earlier, the parent company enters into derivative contracts on commodities to mitigate the risks arising from changes in the price of crude oil and oil products, on the EUR/USD exchange rate to hedge against the risks relating to its currency positions, and on interest rates, to hedge against interest rate risk on its loans.

At 31st December 2011, existing derivatives contracts included derivatives on all three types of underlying assets, classified as financial instruments held for sale.
Moreover, the subsidiary Sardeolica S.r.l. has outstanding derivative contracts comprising variable interest rate swaps to hedge interest rate risk on loans obtained for the construction of the company’s wind farm.

These instruments are recorded at fair value: changes in this and the differences generated are reported in the income

statement under financial income or financial charges.

The outstanding positions on commodities and foreign exchange at the reporting date are expected to be closed out by the end of the first quarter of 2012, while the interest rate swaps have the same duration as the loans with which they are associated.

The fair value of the instruments themselves is determined based on the statements sent periodically by the counterparties.

7.5.3.2 *Fair value*

Financial assets held by the group are booked at fair value or amortised cost, which, where used, did not differ from the fair value as of 31st December 2011.

Financial liabilities, with the exception of derivatives, are recognised at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short-term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31st December 2011.
Note that the bond loan carries a fixed rate and that market values from the relevant stock market are not available. The current value of the related flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 implemented in the EU with EC Regulation 1165 of 27th November 2009, all financial instruments booked at fair value are calculated based on valuation techniques that use market parameters other than the prices of these instruments as their reference, except for the securities recorded under "Other financial assets held for trading" and some derivatives classified under "Other current assets" or "Short-term financial liabilities", which are valued on the basis of prices on an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.5.4 Risks deriving from financial instruments

Risks deriving from financial instruments to which the group is exposed are:
a. Credit risk: i.e. the risk that the group will incur a loss in the event that a counterparty to a financial instrument defaults;
b. Liquidity risk: i.e. the risk that the group will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;
c. Market risk: i.e. the risk relating to the performance of markets in which the group operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations.

7.5.4.1 Credit risk

The company's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

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The information required by sections 36-38 is shown in the tables below.

	Book value at 31/12/2011		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**2,348,332**	**1,151,970**	**1,151,970**	**203,920**	**1,062,053**	**80,775**	**3,531**	**2,818**	**21,944**	**1,151,970**		
Cash and cash equivalents	139,343	139,343	139,343		139,343					139,343		
Other financial assets held for trading	42,843	42,843	42,843		42,843					42,843		
Trade receivables	869,738	888,889	869,738	203,920	779,821	80,775	3,531	2,818	21,944	888,889		
Provisions for doubtful receivables		(19,151)								(19,151)	(4,234)	(19,151)
Inventories	1,154,350											
Current tax assets	36,499											
Other assets	105,559	100,046	100,046		100,046					100,046		
Non-current assets	**1,804,425**	**1,443**	**1,443**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,392,317											
Intangible assets	378,258											
Equity investments valued at equity	0											
Other equity interests	547	547	547									
Deferred tax assets	32,407											
Other financial assets	896	896	896							0		
Total assets	**4,152,757**	**1,153,413**	**1,153,413**		**1,062,053**	**80,775**	**3,531**	**2,818**	**21,944**	**1,151,970**		

	Book value at 31/12/2010		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,936,994**	**1,071,230**	**1,071,230**	**285,945**	**984,840**	**73,136**	**7,997**	**1,865**	**18,459**	**1,071,230**		
Cash and cash equivalents	80,835	80,835	80,835		80,835					80,835		
Other financial assets held for trading	28,800	28,800	28,800		28,800					28,800		
Trade receivables	868,537	883,604	868,537	285,945	782,147	73,136	7,997	1,865	18,459	883,604		
Provisions for doubtful receivables		(15,067)								(15,067)	(5,009)	(15,067)
Inventories	812,162											
Current tax assets	39,266											
Other assets	107,394	93,058	93,058		93,058					93,058		
Non-current assets	**1,956,224**	**1,451**	**1,451**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,473,284											
Intangible assets	414,206											
Equity investments valued at equity	0											
Other equity interests	571	571	571									
Deferred tax assets	67,283											
Other financial assets	880	880	880									
Total assets	**3,893,218**	**1,072,681**	**1,072,681**		**984,840**	**73,136**	**7,997**	**1,865**	**18,459**	**1,071,230**		

Guarantees on trade receivables are represented by sureties required by the subsidiary Arcola Petrolifera S.p.A. and obtained from its customers, as well as by a credit insurance policy taken out by the company that covers the majority of its turnover; a portion of the parent company's receivables are also guaranteed by letters of credit.

7.5.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans.

As stated earlier, during the year the group met all its obligations with respect to the payment of loans in place at the end of the period.

The comparative quantitative disclosures required by section 39 of the relevant accounting standard are set out in the table below:

	Book value at 31/12/2011		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2012	2013	2014	2015	2016	over 5 years
LIABILITIES										
Current liabilities	**1,996,740**	**1,854,911**	**1,855,829**		**1,875,222**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	573,862	573,862			594,173					
Bank loans (guaranteed)		*7,362*	*8,044*	*8,044*	*8,044*					
Bank loans		*190,692*	*190,928*		*190,928*					
Overdrafts		*327,441*	*327,441*		*327,441*					
Interest (weighted average yearly rate: = 4.50%)					*19,393*					
Loans from non consolidated Group Companies & other payables		*6,233*	*6,233*		*6,233*					
Derivative instruments		*42,134*	*42,134*	*23,054*	*42,134*					
Trade and other payables	1,188,503	1,188,503	1,188,503		1,188,503					
Current tax liabilities	141,829									
Other liabilities	92,546	92,546	92,546		92,546					
Non-current liabilities	**872,983**	**287,398**	**290,648**		**13,958**	**24,221**	**21,523**	**268,651**	**23,212**	**0**
Long-term financial liabilities	284,798	284,798	288,048		13,958	24,221	21,523	268,651	20,612	0
Bank loans (guaranteed)		*36,575*	*38,048*	*38,048*		*8,551*	*6,238*	*3,647*	*19,612*	
Bond		*248,223*	*250,000*					*250,000*		
Interest on medium/long term loans (weighted average yearly rate: =4.50%)						*1,712*	*1,327*	*1,047*	*1,000*	
Interest on Bond (weighted average yearly rate: =5.583%)					*13,958*	*13,958*	*13,958*	*13,958*		
Provisions for risks and charges	77,267									
Provisions for employee benefits	23,299									
Deferred tax liabilities	4,474									
Other liabilities	483,145	2,600	2,600						2,600	
Total liabilities	**2,869,723**	**2,142,309**	**2,146,477**		**1,889,179**	**24,221**	**21,523**	**268,651**	**23,212**	**0**

	Book value at 31/12/2010		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2011	2012	2013	2014	2015	over 5 years
LIABILITIES										
Current liabilities	**1,495,547**	**1,397,659**	**1,397,659**		**1,403,394**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	187,790	187,790								
Bank loans (guaranteed)		*7,977*	*7,977*		*7,977*					
Overdrafts		*154,501*	*154,501*		*154,501*					
Interest (weighted average yearly rate: = 3.53%)					*5,735*					
Loans from non consolidated Group Companies & other payables		*0*	*0*		*0*					
Derivative instruments		*25,312*	*25,312*	*15,798*	*25,312*					
Trade and other payables	1,123,500	1,123,500	1,123,500		1,123,500					
Current tax liabilities	89,990									
Other liabilities	94,267	86,369	86,369		86,369					
Non-current liabilities	**1,177,286**	**484,549**	**489,815**		**20,988**	**216,628**	**22,810**	**20,416**	**261,462**	**22,916**
Long-term financial liabilities	481,937	481,937	487,203							
Bank loans (guaranteed)		*234,212*	*237,203*			*199,155*	*8,551*	*6,238*	*3,647*	*19,612*
Bond		*247,725*	*250,000*						*250,000*	
Interest on medium/long term loans (weighted average yearly rate: =3.53%)					*7,030*	*3,515*	*1,343*	*1,041*	*821*	*785*
Interest on Bond (weighted average yearly rate: =5.583%)					*13,958*	*13,958*	*13,958*	*13,958*	*7,686*	
Provisions for risks and charges	78,533									
Provisions for employee benefits	30,547									
Other liabilities	586,269	2,612	2,612							2,612
Total liabilities	**2,672,833**	**1,882,208**	**1,887,474**		**1,424,382**	**216,628**	**22,810**	**20,416**	**261,462**	**22,916**

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Note that the derivative hedging instruments included in short-term financial liabilities for EUR 42,134 thousand include interest rate swaps related to the loan contracted by the subsidiary Sardeolica S.r.l.: the nominal future interest flows on this loan are already included under the medium- to-long-term loan interest, shown in the "Non-current liabilities" section of the table.

7.5.4.3 Market risk

As stated previously, the market risks to which the group is exposed via its financial instruments relate to:

- The EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges" as well as the fair value of derivative instruments held at the reporting date;
- The Euribor interest rate, to which the interest rates paid by the group on its loans are indexed, as well as the fair value of derivative instruments outstanding at the reporting date;
- Prices of crude oil and oil products, which affect the fair value of the derivative instruments in place at the reporting date.

As required by section 40 of IFRS 7, a sensitivity analysis for every type of risk to which the group is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and shareholders' equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management's forecasts. The results of the analysis are shown in the tables below.

Euro/dollar exchange rate

With reference to the EUR/USD exchange rate, at the reporting date the Saras Group had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables (principally relating to the parent company). The group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/- 10% in the EUR/USD exchange rate at the end of the year, which was used to translate foreign currency positions for the preparation of the financial position.

2011					
EUR / US Dollar exchange rate				**Change in benchmark**	
Balance sheet items	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-10%**	**+10%**
Net position in foreign currency	**(665,029)**	**1.2939**	**(513,972)**		
Effect on profit before taxes				**(57,108)**	**46,725**
Effect on net profit (and Shareholders' equity)				**(35,407)**	**28,969**

The table below shows the simulation at 31st December 2010:

2010					
EUR / US Dollar exchange rate				**Change in benchmark**	
Balance sheet items	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-10%**	**+10%**
Net position in foreign currency	**(650,119)**	**1.3362**	**(486,543)**		
Effect on profit before taxes				**(54,060)**	**44,231**
Effect on net profit (and Shareholders' equity)				**(35,680)**	**29,193**

To mitigate the effects caused by sensitivity to the EUR/USD exchange rate, the Company also enters into forward exchange rate contracts, which are recorded in the financial statements at their fair value on the reporting date. As the fair value is inevitably affected by the underlying exchange rate, the Group carried out a simulation of the impact on Group net profit and shareholders' equity, assuming a change of +/-10% in the benchmark parameters (the simulation for the previous year was adjusted).

The results of the simulation are shown in the table below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2011**	**-10%**	**+10%**
Exchance rates	6,431	56,668	(46,366)
	6,431	56,668	(46,366)
Effect on profit before taxes		**56,668**	**(46,366)**
Effect on net profit (and Shareholders' equity)		**35,134**	**(28,747)**

It can be seen that the effects of the simulation almost entirely offset the effects caused by sensitivity to the same variable of the net foreign currency position, proving the effectiveness of the risk management policy.

Interest rates

The Group has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.
A simulation of the impact on Group net profit and shareholders' equity was performed, assuming a change of +/- 50 basis points in rates (the simulation for the previous year was adjusted).

The results of the simulation are shown in the table below.

2011				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2011	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	4.50%	(15,225)		
Effect on profit before taxes			**1,692**	**(1,692)**
Effect on net profit (and Shareholders' equity)			**1,049**	**(1,049)**

The table below shows the simulation at 31.12.10:

2010				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2010	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	3.53%	(16,516)		
Effect on profit before taxes			**2,339**	**(2,339)**
Effect on net profit (and Shareholders' equity)			**1,450**	**(1,450)**

In addition, the fair value of the interest rate swaps and options outstanding at the reporting date relating to the parent company and to Sardeolica S.r.l. is affected by movements in the Euribor rate: a simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 50 basis points in rates).

The results of the simulation are shown in the table below.

2011		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2011**	**-50bps**	**+50bps**
Fair value of Interest rate swaps	(2,484)	(817)	824
	(2,484)	**(817)**	**824**
Effect on profit before taxes		**(817)**	**824**
Effect on net profit (and Shareholders' equity)		**(507)**	**511**

The simulation as of 31st December 2010 is shown below.

2010		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2010**	**-50bps**	**+50bps**
Fair value of Interest rate swaps	(3,664)	(1,598)	1,547
	(3,664)	**(1,598)**	**1,547**
Effect on profit before taxes		**(1,598)**	**1,547**
Effect on net profit (and Shareholders' equity)		**(1,055)**	**1,021**

Prices of crude and oil products

Oil prices, on the other hand, affect the fair value of derivative instruments outstanding at the reporting date and the relevant differences recognised in the income statement: derivative instruments at 31st December 2011 consisted of oil product futures, swaps and options, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.
The Group therefore carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20% in oil prices.

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The results of the simulation are shown in the tables below.

2011		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2011**	**-20bps**	**+20bps**
Oil and oil products	(10,199)	45,233	(45,233)
	(10,199)	**45,233**	**(45,233)**
Effect on profit before taxes		**45,233**	**(45,233)**
Effect on net profit (and Shareholders' equity)		**28,044**	**(28,044)**

2010		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2010**	**-20bps**	**+20bps**
Oil and oil products	(21,637)	35,277	(35,277)
	(21,637)	**35,277**	**(35,277)**
Effect on profit before taxes		**35,277**	**(35,277)**
Effect on net profit (and Shareholders' equity)		**23,283**	**(23,283)**

The above analysis of the group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk.

7.6 Average staff numbers

The average numbers of staff working at companies included in the basis of consolidation, divided by category, are shown below.

	2011	2010
Managers	68	72
Office staff	1.480	1.456
Specialised workers	11	14
Workers	707	725
Total	**2.266**	**2.267**

The number of employees at the Group increased from 2,288 at the end of 2010 to 2,241 at 31st December 2011; the decrease was chiefly due to the organisational rationalisation carried out by Saras Energia S.A..

7.7 Remuneration of senior personnel with strategic responsibilities

In 2011, senior managers with strategic responsibilities received remuneration totalling EUR 1,355 thousand. For further details please see section 7.5.1 of the notes to the financial statements of Saras S.p.A.

A summary of bonus shares allocated under the Stock Grant Plans for employees and managers to members of the management and control bodies, general managers and senior managers with strategic responsibilities is shown below:

Surname / Name	Role	N. of shares at the start of the year	N. of shares assigned during the year	N. of shares at the end of the year
Dario Scaffardi	Director - General Manager	302,425	238,700	541,125
Corrado Costanzo	Chief Financial Officer	202,025	163,800	365,825

For information on indemnities in the event of the early termination of employment of directors and succession plans for executive directors (pursuant to article 114, para. 5 of Legislative Decree 58 of 24th February 1998), see the annual report on corporate governance and the information on ownership structure prepared pursuant to article 123-bis of Legislative Decree 58 of 24th February 1998.

7.8 Commitments

At 31st December 2011 and 2010, the Group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the parent company Saras S.p.A. had issued sureties totalling EUR 214,788 thousand at 31st December 2011, mainly comprising EUR 171,873 thousand to subsidiaries, EUR 3,162 thousand to Cagliari port authorities as a guarantee for state maritime concessions, EUR 30,000 thousand to the customs authorities and EUR 3,325 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant.

7.9 Disclosure of external auditor's fees

Pursuant to article 149-duodecies of the Consob Issuer Regulation, the table below provides details of the fees paid to the external auditor for auditing and other services provided in 2011, and to companies affiliated to the external auditor for services provided.

Services	Supplier	Recipient	Amount due in 2011
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	371
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	223
	PricewaterhouseCoopers Network	Foreign subsidiaries	149
Total			**743**
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	12
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	40
	PricewaterhouseCoopers Network	Foreign subsidiaries	13
Total			**65**
Other Services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	0
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	0
	PricewaterhouseCoopers Network	Foreign subsidiaries	35
Total			**35**
TOTAL			843

7.10 Other

Please refer to the Report on Operations of the Consolidated Financial Statements for details on atypical and/or unusual operations as well as accidents that occurred in 2009 and 2011.

8. Publication of the consolidated financial statements

At its meeting on 21st March 2012, the Board of Directors of Saras authorised the publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

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Comment to Saras S.p.A. Results

Saras S.p.A. is the parent company and it is also directly active in the refinery sector, which was already analyzed in depth in the Saras Group Report on Operations, and to which we refer you to for additional information, as well as for detailed market analysis, the reference "Regulatory Framework", the milestones during the year, the "Main events after the end of the year", and the "Outlook".

Main data of Income Statement

EUR Million	2011	2010	var%
Revenues	10,046	7,503	34%
EBITDA	112	(41)	373%
EBIT	2	(148)	99%
NET RESULT	(46)	(110)	58%

In FY2011 Saras S.p.A. refined 102.2 million barrels of crude oil (equivalent to 14 million tons). This operational performance is broadly in line with the previous year (-2%), despite the absence of some peculiar crude oils of Libyan origin for most of 2011. This can be taken as a further confirmation of the operational flexibility of Sarroch refinery, and of the company's capability to access to several sources of crude oil supply.
Refinery runs were entirely on Saras account, since all third party processing contracts expired in 2010 and they have not been renewed.

The crude mix processed in FY2011 in the Sarroch refinery had an average density of 32.2°API, broadly in line with the average of the °API in the previous year. However, the dramatic Libyan crisis led Saras to source alternative crude oils, during Q2/11 and Q3/11, with the objective of minimising the economic impact deriving from that situation.

Revenues of Saras S.p.A. were EUR 10,046m in FY 2011, up by 34% versus FY 2010. This increase can be explained primarily with the trends followed by oil prices during the year. EBITDA, equal to EUR 112m, is strongly up from FY2010 (+373%). This result can be primarily attributed to the revaluation of oil inventories, connected with the rising trends in oil prices, as well as with the better operating performance of the refinery.

The average exchange rate USD/EUR in FY2011 was 1.392, versus an average of 1.326 in FY2010.

The Net Result for Saras S.p.A. was EUR -46m, up 58% versus the EUR -110m in the previous year.

Refining CAPEX in FY2011 was EUR 66m (versus EUR 95m in FY2010), in line with the programme for the year.

The Net Financial Position of Saras S.p.A. at 31st December 2011 is the following:

	31/12/2011	31/12/2010
Medium/long term bank loans	0	(189,280)
Bonds	(248,223)	(247,725)
Medium/long term financial receivables from Group Consolidated companies	75,550	75,350
Medium/long term Net Financial Position	**(172,673)**	**(361,655)**
Short-term bank loans	(189,764)	0
Payables to banks for overdrafts on current accounts	(256,660)	(151,039)
Loans from Group companies	(225,469)	(110,979)
Other short-term financial liabilities (net of derivatives Fair value)	(6,233)	0
Net derivatives Fair value	(8,202)	(23,624)
Receivables from Group companies	43,047	82,688
Other financial assets held for trading	2,315	16,243
Cash and cash equivalents	97,285	46,906
Warranty deposits for derivative instruments	23,054	0
Short term Net Financial Position	**(520,627)**	**(139,805)**
Net Financial Position	**(693,300)**	**(501,460)**

The Net Financial Position at 31st December 2011 was EUR -693m, while at 31st Decmber 2010 it was EUR -501m. The difference in the Net Financial Position during the year can be primarily explained with the large increase in working capital and the investments for the period. Those cash flows were partially offset by the self-financing from provisions for depreciation and amortisation.

Pursuant to the provisions of article 2428 of the Italian Civil Code, we hereby provide the following information:

- Under the "intangible work in progress" we include also the research costs relating to gas exploration and research in Sardinia, which amounted to EUR 15,669 thousand;
- The transactions with subsidiaries, associates, parent company and companies under the control of the latter are indicated in the Notes to the Separate Financial Statements of Saras S.p.A. under par. 7.2 "Transaction with related parties";
- The details and movements of the shares held in treasury by the company during the year and as of the 31st of December 2011 are reported here below:

Date	Transactions	N° of Shares	Total Nominal value (EUR)	Total Consideration (EUR)
01/01/2011	Initial Situation	**22,676,498**	**1,301,648**	**70,564,425**
20/10/2011	Transfer	(31,910)	(1,826)	(99,290)
TOTAL		**22,644,588**	**1,299,822**	**70,465,135**

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On the 27th of April 2010, the Shareholders' Meeting approved the stock plans for the distribution of the company's ordinary shares, as follows:

- The "Stock Plan" for the employees of the Company and of its subsidiaries;
- The "2010/2012 Stock Grant Plan", for the management of the Company and of its subsidiaries.

The "Stock Plan" for the employees will award free ordinary shares:

- for the year 2010, one share for each six shares held by the employee as of the 31st of December 2009;
- for the years 2011 and 2012, one share for each six new shares bought by the employee, respectively during the years 2010 and 2011, provided that on each calendar day of a given year, the number of shares held by the employee has never been lower that the number of shared held on the 31st of December of the previous year.

Moreover, the opportunuty has been offered to the managers involved in the "2007/2009 Stock Grant Plan" to delay the transfer of the shares vesting according to that plan, until the first half of 2013, in exchange for an extraordinary share grant, which will also be delivered at the expiry date of the new "2010/2012 Stock Grant Plan".

Please refer to the Notes to the Separate Financial Statements of Saras S.p.A. under par. 6.2.3 "Personnel Costs" for further details on the movements of the shares held in treasury.

For information relating to the use of financial instruments by the company, please see the section with the title "Risk Analysis" herein.

The companies' secondary offices are:
- General and Administrative Headquarters – Milan, Galleria de Cristoforis 1
- Public Relations and Administrative Affairs - Rome, Salita San Nicola da Tolentino 1/b.

In addition, please refer to point 7.1 "Main legal actions pending" in the Notes, for the review of pending lawsuits.

Finally, please refer to the appropriate section of the Consolidated Financial Statements of the Saras Group for all relevant information on:
- Corporate Governance;
- Group Structure;
- Atypical and/or unusual transactions;
- Performance indicators and non financial indicators;
- Information on the personnel;
- Information on the environment.

Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible reduction or elimination of the principal risks associated with the strategic, operating and financial areas.
Management of the risks found in the company processes is based on the principle by which the operating or financial risk is managed by the person responsible for the related process (the "process owner").
The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and to assess the acceptable residual risk.
In addition to the guidelines to risk management, there are specific directives related to the management of financial risks, such as the "interest risk" and the "credit risk".

Financial risks

Sustainable growth, productivity, profitability and the quality of financial data are among the company's priorities. Therefore, the financial structures are aimed at ensuring the maximum efficiency insofar as the implementation and use of credit lines for the development of the commercial side of the business and the maximum possible reduction of the financial risks that are connected to industrial management (adverse risk).
The company operates internationally in the oil sector and is consequently exposed to currency risk and changes in interest rates, borrowing rates and in the prices of crude and oil products.

Price fluctuation risk

The results are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining activity and the price of the raw materials, principally crude oil). In addition, to carry out its production, the company is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices.
The risk of fluctuations in prices and the related cash flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices.
To mitigate the risks deriving from price fluctuations, Saras also takes out derivative contracts on commodities, which consist in the purchase and sale of crude oil and finished oil products.

Exchange rate risk

The oil activity is subject to currency fluctuations as the benchmark prices for the purchase of oil and part of the product sales are quoted in or connected to the US Dollar. In order to decrease the currency risk relating to the transactions that are scheduled to

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take place in the future and the risk originating from the payables and receivables expressed in a currency other than the functional currency of each entity, the company sets up derivative instruments for the forward purchase and sale of foreign currency (US Dollar).
Transactions expressed in foreign currencies other than the US Dollar are of minor significance and can only marginally influence the result for the year.

Interest rate risk

The risks relating to the changes in cash flows from fluctuations in the interest rates are due to loans. Variable rate loans expose the company to the risk of changes in the cash-flow, due to changes in interest rates. Fixed rate loans expose the company to the risk that the fair value of the loans will change.
The contracts in existence have been concluded at variable and also at fixed rates. The company's policy is to use derivative instruments in order to reduce the risk of changes in the cash flows from interest.

Credit risk

The market in which the company operates is composed mainly of multinational companies that operate in the oil sector. The transactions that take place are generally settled within a very short time and are often guaranteed by major credit institutions. Furthermore, the receivables are monitored daily by the financial department in a systematic way. We consider that such a risk is marginal and does not constitute a significant element in the business that the company is active in.

Liquidity risk

The company finances its own activities through cash flows generated from its operations and through recourse to external sources of financing and is therefore exposed to the liquidity risk consisting of the ability to fulfil the contractual obligations that derive from the loan contracts concluded.

However, the capacity for self-financing, together with the traditional compliance with contractual deadlines related to loans repayment, lead us to consider that the liquidity risk is marginal.

Other risks

Risk related to the procurement of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economic and social uncertainties, higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential nega-

tive effects on the Group's economic and financial position.
In the past months, tensions between Iran and the western world intensified, and on the 23rd of January 2012 the European Union decided a total oil embargo against Iran. The contracts which were in place before that date will continue to be performed until the 1st of July 2012. Subsequently, if the situation does not evolve further, the Saras Group will procure alternative crude oils, leveraging its commercial and operating flexibility.

Risks of interruption of production

The activity of the company depends heavily on its refinery located in Sardinia, which produces practically all the petroleum products that are sold. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns. Saras believes that the complexity of its refinery limits the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition, Saras has a large programme of insurance cover in place to offset such risks.

Environmental risk

The activities of the company are regulated by many European, national, regional and local laws regarding the environment. Although the company considers that its activities are carried out in compliance with all the environmental legislation, the risk of costs and environmental liabilities is a part of the activity and there is no certainty that significant costs and liabilities relating to the environment will not be incurred in the future.

The company has however heavily invested, and it plans to continue to invest, in order to comply with all the environmental laws; moreover, Saras has significant insurance coverage for such risks.

Protection of Personal Data

Pursuant to the provisions of Legislative Decree 196 of the 30th June 2003 "Norms related to the protection of sensitive personal data", the Group adopted all minimum safety measures required in the Annex B of such Decree (Article 34), and in particular we are currently updating the Safety Document (DPS) as required by the item 19 of the above mentioned Annex B

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Direction and Control

On the date of this report, Angelo Moratti S.a.p.a. holds 62.46% of the share capital of Saras.

Article 2497-sexies of the Italian Civil Code states that "unless there is proof of the contrary, it is assumed that the activity of direction and coordination of companies is carried out by the company or entity that is responsible for consolidating their financial statements or which exercises control over them pursuant to art. 2359." The Board of Directors of Saras considers however that Angelo Moratti S.a.p.a. never exercised the activity of direction and control, as, among other things, Angelo Moratti S.a.p.a. does not provide directives to its own subsidiary and there is no significant organizational and functional connection between the two companies. Consequently, Saras considers that is has always operated under conditions of corporate and entrepreneurial autonomy in respect of its parent company Angelo Moratti S.a.p.a.. Indeed, the relations with the latter are limited exclusively to the normal exercise by Angelo Moratti S.a.p.a. of the administrative and equity rights of a shareholder and the receipt by the organs delegated by Angelo Moratti S.a.p.a. of information provided by the Issuer, in compliance with the provisions of article 2381, par. 5 of the Italian Civil Code.

Proposals of the Board of Directors

Dear Shareholders,
The financial statements of your company for the year ended 31st December 2011, showed a net loss of EUR 45,546,701.
If you are in agreement with the criteria used in drawing up the financial statements and the accounting principles adopted, we invite you to approve the following resolutions:

"The Shareholders' Meeting has examined:

- the separate financial statements of the company for the year ended 31st December 2011;
- the report of the Board of Statutory Auditors presented to the Shareholders' Meeting pursuant to art. 153 of legislative decree 58/1998 (The Italian Financial Services Act, known as "TUF");
- and the auditor's report on the separate financial statements for the year ended 31st December 2011;

and hereby resolves:

to approve the separate financial statements of the company for the year ended 31st December 2011 in their entirety and insofar as the individual items therein, and to carry forward the loss for the year of EUR 45,546,701."

for the Board of Directors
The Chairman
Gian Marco Moratti

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Saras S.p.A. Financial Statements
as of 31st December 2011

Saras S.p.A. Statement of Financial Position as of 31st December 2011 and as of 31st December 2010

EUR thousand			31/12/2011	31/12/2010
ASSETS	(1)	(2)		
Current assets	5.1		1,869,857	1,533,695
Cash and cash equivalents	5.1.1	A	97,285	46,906
Other financial assets held for trading or available for sale	5.1.2	B	34,250	16,243
Trade receivables	5.1.3	C	672,471	699,119
of which with related parties:			*347,280*	*309,763*
Inventories	5.1.4	D	959,832	622,652
Current tax assets	5.1.5	E	33,393	36,843
Other assets	5.1.6	F	72,626	111,932
of which with related parties:			*43,047*	*82,687*
Non-current assets	5.2		1,157,708	1,217,243
Property, plant and equipment	5.2.1	H, I	725,320	771,727
Intangible assets	5.2.2	J	17,722	15,602
Other Equity interests at cost	5.2.3.1	L	300,944	303,891
Other equity interests at cost	5.2.3.2	L	495	495
Deferred tax assets	5.2.4	W	37,267	49,764
Other financial assets	5.2.5	M	75,960	75,764
of which with related parties:			*75,550*	*75,350*
Total assets			3,027,565	2,750,938
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,897,829	1,374,703
Short-term financial liabilities	5.3.1	R	718,263	285,642
of which with related parties:			*225,468*	*151,012*
Trade and other payables	5.3.2	R	1,070,526	1,004,720
of which with related parties:			*41,789*	*30,208*
Current tax liabilities	5.3.3	W	44,152	14,034
Other liabilities	5.3.4	R	64,888	70,307
Non-current liabilities	5.4		370,259	575,062
Long-term financial liabilities	5.4.1	R	248,223	437,005
Provisions for risks and charges	5.4.2	P, Y	65,893	69,649
Provisions for employee benefits	5.4.3	Q	20,719	28,013
Other liabilities	5.4.4	R	35,424	40,395
of which with related parties:			*35,063*	*40,034*
Total liabilities			2,268,088	1,949,765
EQUITY	5.5	O, V, N		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			739,468	845,703
Profit/(loss) for the period			(45,547)	(110,086)
Total Equity			759,477	801,173
Total liabilities and equity			3,027,565	2,750,938

(1) Please refer to the Notes to the Financial Statements chapter 5 "Notes to the Financial Position"

(2) Refer to the Notes, chapter 3.1 "Summary of accounting standards and policies"

Saras S.p.A. Income Statements for the periods: 1st January – 31st December 2011 and 2010

(EUR Thousand)	(1)	(2)	01/01/2011 31/12/2011	of which non recurring	01/01/2010 31/12/2010	of which non recurring
Revenues from ordinary operations	6.1.1	S	9,932,619		7,394,327	
of which with related parties:			*2,798,186*		*2,070,034*	
Other income	6.1.2	S	113,660		107,958	
of which with related parties:			*91,857*		*90,181*	
Total revenues			10,046,279	0	7,502,285	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(9,367,250)		(6,975,911)	
of which with related parties:			*(75,213)*		*(36,904)*	
Cost of services and sundry costs	6.2.2	T, Y	(454,529)		(461,265)	
of which with related parties:			*(83,751)*		*(77,233)*	
Personnel costs	6.2.3	T, Q	(112,164)		(105,860)	
Depreciation, amortization and write-downs	6.2.4	H, J	(110,206)		(106,945)	
Total costs			(10,044,149)	0	(7,649,981)	0
Operating results			2,130	0	(147,696)	0
Net income (charges) from equity interests	6.3	L, V	(7,457)	(7,353)	(2,445)	
Other financial income	6.4	X	126,395		39,232	
of which with related parties:			*3,579*		*2,686*	
Other financial charges	6.4	X	(180,236)		(58,948)	
of which with related parties:			*(6,731)*		*(1,240)*	
Profit before taxes			(59,168)	(7,353)	(169,857)	0
Income tax for the period	6.5	W	13,621		59,771	
Net profit/(loss) for the period			(45,547)	(7,353)	(110,086)	0

Saras S.p.A. Statement of Comprehensive Income for the periods: 1st January - 31st December 2011 and 2010

	2011	2010
Result of the year (A)	(45,547)	(110,086)
Income / (loss), net of fiscal effect (B)	0	0
Consolidated Comprehensive Result of the period (A + B)	(45,547)	(110,086)

(1) Please refer to the Notes to the Financial Statements chapter 6 “Notes to the Income Statement”

(2) Refer to the Notes, chapter 3.1 “Summary of accounting principles and valuations polices”

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Saras S.p.A. Statement of changes in Shareholders' Equity for the period from 31st December 2009 to 31st December 2011

(EUR thousand)	Share Capital	Legal Reserves	Other Reserves	Profit (loss) for the year	Totale equity
Balance as of 31/12/2009	54,630	10,926	765,443	78,041	909,040
Appropriation of previous year profit			78,041	(78,041)	0
Reserve for employees share plan			2,219		2,219
Profit (loss) for the year				(110,086)	(110,086)
Balance as of 31/12/2010	54,630	10,926	845,703	(110,086)	801,173
Appropriation of previous year profit			(110,086)	110,086	0
Reserve for employees share plan			3,851		3,851
Profit (loss) for the year				(45,547)	(45,547)
Balance as of 31/12/2011	54,630	10,926	739,468	(45,547)	759,477

Saras S.p.A. Cash Flow Statements as of 31st December 2011 and 31st December 2010

(EUR thousand)	(1)	(2)	01/01/2011 31/12/2011	01/01/2010 31/12/2010
A - Cash and cash equivalents at the beginning of the year	5.1.1	A	46,906	22,104
B - Cash generated from/(used in) operating activities				
Profit/ (Loss) for the period	5.5		(45,547)	(110,086)
Amortization, depreciation and write-down of fixed assets	6.2.4	H, J	110,206	106,945
Net (income)/charges from equity interests	6.3	L	8,306	2,445
of which with related parties:			*7,457*	*2,445*
Net change in provisions for risks and charges	5.4.2	P, Y	(3,756)	37,410
Net change in employee benefits	5.4.3	Q	(7,294)	(4,983)
Net change in deferred tax liabilities and tax assets	5.2.4	W	12,497	(31,847)
Net interest income (expense)		X	29,423	16,656
Income tax	6.5	W	(26,118)	(59,771)
Change in Fair Value of financial assets held for trading, and of financial liabilities			5,876	25,710
Other non cash items	5.5		4,350	2,219
Profit / (Loss) from operating activities before changes in cash and non cash items of working capital			87,943	(15,302)
Increase) / Decrease in trade receivables	5.1.3	C	26,648	(454,144)
of which with related parties:			*(37,517)*	*(179,068)*
(Increase) / Decrease in inventory	5.1.4	D	(337,180)	(70,039)
Increase / (Decrease) in trade and other payables	5.3.2	R	65,806	484,347
of which with related parties:			*11,581*	*3,217*
Change in other current assets	5.1.5 - 5.1.6	E, F	6,886	(28,280)
of which with related parties:			*39,640*	*(5,350)*
Change in other current liabilities	5.3.3 - 5.3.4	W, R	57,050	77,013
Interest received		X	3,728	2,718
of which with related parties:			*3,579*	*2,686*
Interest paid		X	(33,151)	(13,141)
of which with related parties:			*(6,216)*	*(1,240)*
Income tax paid		E, W	0	(10,097)
Change in other non-current liabilities	5.4.4	R	(4,971)	(4,962)
of which with related parties:			*(200)*	*(5,021)*
Total (B)			(127,241)	(31,887)
C -Cash flow from / (to) investiing activities				
Investments in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(66,011)	(94,502)
- of which interests paid capitalized			*(7,771)*	*(4,971)*
Changes in Equity interests	5.2.3.1	L	(510)	0
Change in financial assets	5.1.2 - 5.2.5	B, M	47,079	(1,418)
Other cash items	5.2.1 - 5.2.2		92	(373)
Total (C)			(19,350)	(96,293)
D - Cash generated from / (used in) financing activities				
Increase / (Decrease) in medium/long term borrowings	5.4.1	R	0	248,210
Increase / (Decrease) in short term borrowings	5.3.1	R	196,970	(95,228)
of which with related parties:			*74,457*	*91,572*
Total (D)			196,970	152,982
E - Cashflow for the year (B+C+D)			50,379	24,802
F - Cash and cash equivalents at the end of the year			97,285	46,906

(1) Please refer to the Notes to the Financial Statements chapter 5 “Notes to the financial position” & 6 “Notes to the Income Statement”

(2) Refer to the Notes, chapter 3.1 “Summary of accounting standards and policies”

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For the Board of Directors - The Chairman
Gian Marco Moratti

Notes to the Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2011

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Notes to the separate financial statements of Saras S.p.A. to 31st December 2011

1. Preliminary remarks

Saras S.p.A. is a Company limited by shares listed on the Milan stock exchange. Its registered office is at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and it is 62.46% owned (excluding own shares) by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan). The Company is established, as stated in its incorporation documents, until 31st December 2056.

Saras S.p.A. operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process; the Company also owns the entire share capital (directly and indirectly) of companies that in turn operate in:

- the sale of oil products in the retail and wholesale markets in Italy (Arcola Petrolifera S.p.A.) and in Spain (Saras Energia S.A.);
- the generation and sale of electricity via an integrated gasification combined cycle (IGCC) plant (Sarlux S.r.l.) and a wind farm (Parchi Eolici Ulassai S.r.l., through the subsidiary Sardeolica S.r.l.);
- the fields of information technology (Akhela S.r.l.), environmental research (Sartec S.p.A.) and reinsurance (Reasar S.A.).

These financial statements for the year ended 31st December 2011 are presented in euro, since this is the currency of the economy in which the Company operates. They consist of a statement of financial position, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

2. General criteria for the preparation of the separate financial statements

The separate financial statements of Saras S.p.A. for the year ended 31st December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), endorsed by the European Commission as of the date the draft financial statements of the Saras S.p.A Company were approved by its Board of Directors and set out in the relevant EU regulations published on that date.

In accordance with Consob resolution 15519 of 27th July 2006, the financial statements have been prepared using the following criteria, which are regarded as providing a more complete picture of financial position:

- Statement of financial position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Statement of comprehensive income: income statement items are presented according to their nature;
- Cash flow statement: presented using the indirect method, which differentiates between financial flows deriving from operating, investment and financial activities.

The accounting standards shown below have been applied consistently to all the periods reported.

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3. Accounting standards applied

The IASB and IFRIC have approved some changes to and interpretations of the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1st January 2011. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning after the 1st of January 2012.

Accounting standards, amendments and interpretations applicable from 01st January 2011

On 8th October 2009, the IASB issued an amendment ***to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues*** governing the accounting treatment of rights issues (rights, options or warrants) denominated in a currency other than the issuer's functional currency. Previously, these rights had to be accounted for as liabilities arising from derivatives; the amendment now requires that, if such rights are issued on a pro rata basis to shareholders for a stated amount in any currency, these rights are classified under shareholders' equity, regardless of the currency in which the exercise price is denominated.

The adoption of the amendment had no effect on the Company's financial statements.

On 4th November 2009, the IASB issued a revised version of ***IAS 24 – Related Party Disclosures*** which removed the requirement for related parties that are state-controlled entities to provide information about all their transactions with the state and with their other related parties. It also clarified the definition of related parties. The adoption of this amendment had no impact on the valuation of items in the financial statements.

On 26th November 2009, the IASB issued a minor amendment to ***IFRIC 14 – Prepayment of a Minimum Funding Requirement***, allowing companies making prepayments of a minimum funding requirement to defined benefit pension plans to recognise these payments as assets. The adoption of the amendment had no significant effect on the Company's financial statements.

On 26th November 2009, ***IFRIC issued the interpretation IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments***. The interpretation states that if a company renegotiates the conditions for extinguishing a financial liability and its creditor agrees to extinguish the liability in return for being issued with equity instruments in the company, the shares issued become part of the price paid to extinguish the financial liability and must be valued at fair value; the difference between the carrying amount of the extinguished financial liability and the initial measurement amount of the equity instruments issued must be taken to the income statement during the period. The adoption of the interpretation had no effect on the Company's financial statements.

On 28th January 2010, the IASB issued an ***Amendment to IFRS 1 and IFRS 7 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time adopters.*** This amendment details certain exemptions for first-time adopters relating to the comparative disclosures on fair value calculations and liquidity risks. The adoption of the amendment had no effect on the Company's financial statements.

On 6th May 2010, the IASB issued a series of modifications to the ***IFRS ("Improvements")*** that are applicable to annual periods beginning on or after 1st January 2011:

- ***IFRS 3 (2008) – Business Combinations***: the amendment clarifies that the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets must be measured at fair value or in accordance with the applicable accounting standards. For example, in the event of a business combination, a stock option plan for employees must be valued according to the rules of IFRS 2, and the equity portion of a convertible bond must be valued according to IAS 32.

- ***IFRS 7 – Financial Instruments: Disclosures:*** the amendment highlights the interaction between the qualitative and quantitative information required by the standard regarding the nature and scale of the risks associated with financial instruments. This should help users of the financial statements to link the information presented and should constitute a general description of the nature and scale of the risks deriving from financial instruments. The disclosure requirement regarding financial assets that are past maturity but which have been renegotiated or have become impaired and the requirement regarding the fair value of collateral have also been removed.

- ***IAS 1 – Presentation of Financial Statements***: the amendment requires that a reconciliation of changes to any component of shareholders' equity must be presented either in the notes to the financial statements or in the financial statements themselves.

- ***IAS 34 – Interim Financial Reporting***: a number of examples have been added to clarify the additional information that must be presented in interim financial reports.
- ***IFRS 1 – First-Time Adoption of International Financial Reporting Standards.***
- ***IAS 27 – Consolidated and Separate Financial Statements***
- ***IFRIC 13 – Customer Loyalty programmes***

The adoption of the above-mentioned changes had no significant effect on the Company's financial statements.

Accounting standards and amendments not yet applicable and not early adopted by the Company

On 7th October 2010, the IASB published a number of amendments to ***IFRS 7 – Financial Instruments: Disclosure***, applicable retrospectively for accounting periods that commence on or after 1st July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets (derecognition), including the possible impact of any risks still borne by the company transferring the assets. The amendments also require more information to be provided in the event that a disproportionate amount of transactions of this type are generated near the end of the reporting period. It is believed that the adoption of this amendment will have no significant impact on the Company's financial statements.

On 20th December 2010, the IASB issued a minor amendment to ***IFRS 1 – First-Time Adoption of the International Financial Reporting Standards (IFRS)***, to remove references to the date of 1st January 2004 contained therein and described as the date of transition to IFRS, and to provide a guide on the presentation of financial statements in accordance with IFRS following a period of hyperinflation that prevented them from being presented in accordance with the standards. These amendments are applicable prospectively to annual periods beginning on or after 1st July 2011. The adoption of this amendment is not expected to have an impact on the financial statements.

On 20th December 2010, the IASB issued a minor amendment to ***IAS 12 – Income Taxes***, which requires the company to estimate the value of deferred taxes arising from an asset according to the way in which the carrying value of such asset will be recovered (through continued use or sale).
As a result of this amendment, ***SIC 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets***, will no longer apply. The amendment is applicable retrospectively from 1st January 2012. It is believed that the adoption of this amendment will have no significant impact on the Company's financial statements.

On 16th June 2011, the IASB issued an amendment to ***IAS 1 – Presentation of Financial Statements***, which requires entities to group all the components presented in the statement of comprehensive income based on whether or not they are potentially reclassifiable to profit or loss subsequently. The amendment is applicable retrospectively to annual periods beginning on or after 1st July 2012. It is believed that the adoption of this amendment will have no significant impact on the Company's financial statements.

On 12th November 2009, the IASB published ***IFRS 9 – Financial Instruments***, which was then amended on 28th October 2010. The standard, which is applicable retrospectively to annual periods beginning on or after 1st January 2013, represents the first step in a process to fully replace IAS 39.
IFRS 9 introduces two categories of valuation: amortised cost and fair value. All equity instruments will be measured at fair value. Many of the provisions of IAS 39 relating to financial liabilities are unchanged in the new standard. These include reference to the amortised cost for most financial liabilities. The main change regards the accounting treatment of changes in the fair value of a financial liability designated as measured at fair value through profit and loss if such changes are attributable to a change in the credit risk of the liability. According to the new standard, these changes must be recognised in other comprehensive income and will no longer pass through profit and loss. The effects of applying this standard are currently being assessed.

On 12th May 2011, the IASB issued *IFRS 10 – Consolidated Financial Statements, which will replace SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements*, which will be renamed *Separate Financial Statements* and will govern the accounting treatment of equity investments in the separate financial statements. The new standard moves on from the existing standards, identifying the factor within the concept of control that determines whether or not a company should be consolidated into the parent company's consolidated financial statements.
This will also provide a guide for determining the existence of control where this is difficult to ascertain.
The standard is applicable retrospectively to annual periods beginning on or after 1st January 2013. The adoption of this standard is not expected to have any impact on the financial statements.

On 12th May 2011, the IASB issued *IFRS 11 – Joint Arrangements*, which will replace *IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers.*

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The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the agreement rather than on the legal form of the agreement itself, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method. IFRS 11 is applicable retrospectively from 1st January 2013. Following the issue of this standard, IAS 28 – Investments in Associates was amended to include equity investments in jointly controlled entities within its scope of application, from the effective date of application of IFRS 11. The adoption of this standard is not expected to have an impact on the financial statements.

On 12th May 2011, the IASB issued ***IFRS 12 – Disclosure of Interests in Other Entities***, a new and complete standard on additional disclosures to be provided on any type of equity investment, including in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2013. It is believed that the adoption of this statement will have no significant impact on the Company's financial statements.

On 12th May 2011, the IASB issued ***IFRS 13 – Fair Value Measurement**,* which clarifies how fair value should be calculated for the purposes of recording it in the financial statements. It applies to all IFRS standards that require or permit measurement at fair value or the presentation of information based on fair value. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2013. It is believed that the adoption of this standard will have no significant impact on the Company's financial statements.

On 16th June 2011, the IASB issued an amendment to ***IAS 19 – Employee Benefits***, which removes the option to defer recognition of actuarial gains and losses using the corridor method. The amendment requires that the deficit or surplus on the fund should be presented in the financial statements; cost components associated with benefits accrued by employees and net financial liabilities should be recognised in the income statement; and actuarial gains and losses arising from remeasurements of assets and liabilities should be presented in other comprehensive income. In addition, the return on assets included in net financial liabilities must be calculated on the discount rate of the liability rather than on its expected return as before. Lastly, the amendment introduces new additional information to be provided in the notes to the financial statements. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2013. The adoption of this amendment is not expected to have any impact on the financial statements.

On 10th October 2011, the IASB issued an interpretation on the accounting treatment relating to the production phase of a surface mine. The adoption of this interpretation is not expected to have an impact on the Company's financial statements.

On 16th December 2011, the IASB issued an amendment to ***IFRS 7 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities.*** It is believed that the adoption of this standard will have no significant impact on the Company's financial statements.

On 16th December 2011, the IASB issued an amendment to ***IAS 32 – Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities.*** It is believed that the adoption of this standard will have no significant impact on the Company's financial statements.

At the reporting date of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the amendment to IFRS 7 mentioned above; the other accounting standards, amendments and interpretations discussed above had not yet been endorsed as at 31st December 2011.

3.1 Summary of accounting standards and policies

The statements have been prepared based on the cost principle, except in the specific cases described in the notes below, where fair value has been applied.

The main valuation policies used are described below

A Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, sight deposits with banks, other short-term, highly liquid investments (convertible into cash within 90 days) and overdraft facilities; the latter are reported under current liabilities. Items listed under net cash and cash equivalents are measured at fair value, and changes are reported in the income statement.

B Financial assets held for trading

Financial assets held for trading are reported at fair value with any gains reported in the income statement under "Financial income" and "Financial charges".
White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems. White certificates are recorded under financial assets held for trading given the existence of an active market for these, organised and managed by the Gestore Mercati Energetici (GME, the company set up to manage the Italian electricity market).
White certificates are booked on an accrual basis, in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.
The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. The decreases due to the sale of white certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under "Other income" or "Cost of services and sundry costs" respectively.
Financial assets held for trading also include derivative contracts, which are discussed in the appropriate section below.

C Trade receivables

Trade receivables are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

D Inventories

Inventories are recognised at the lower of purchase or production cost and the net realisable value at the end of the financial year represented by the amount that the Company expects to obtain from their sale as part of its ordinary business activities. The cost of crude oil, materials and spare parts is determined by the FIFO method. The cost of oil product inventories is determined by using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked at initial recognition in the amount that is expected to be recovered from the tax authorities, taking account of their expected realisable value. Subsequently, they are booked at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised from the statement of financial position when the right to receive the related cash flows is transferred, together with all risks and benefits associated with ownership, as specified in paragraphs 15-23 of IAS 39.

Financial liabilities are derecognised when they are settled and when the Company has transferred all the risks and future liabilities relating to them.

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment losses. The cost includes all expenses incurred directly in making the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in the provisions for risks and future liabilities.

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Maintenance and repair charges are charged directly to the income statement in the period in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Turnaround costs are classified as extraordinary maintenance costs and capitalised in the year in which they are incurred. They are amortised for the expected length of time until the next turnaround. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the net book value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

The carrying value of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use, in relation to its estimated useful life.

The useful life estimated by the Company for each of the various asset categories is as follows:

Buildings	18 years
Generic plant	12 years
Highly corrosive plant	9 years
Office furniture and machinery	4-8 years
Vehicles	4 years
Other assets	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

The useful lives of tangible assets and their net book value are reviewed annually and adjusted accordingly at the end of every year.

Land is not depreciated.

Where an asset subject to depreciation consists of separately identifiable components and where the useful life of one component differs significantly from that of the others, depreciation is carried out separately for each component of the asset in accordance with the component approach.

I Leased assets

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the Company, are recognised as assets and recorded at their current value or, where lower, at the present value of the minimum lease payments due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

Leases under which the lessor substantially retains all the risks and benefits associated with ownership of the assets are treated as operating leases. The costs relating to operating leases are charged to the income statement on a straight-line basis over the term of the lease.

J Intangible assets

Intangible assets are made up of elements that are non-monetary in nature, without physical substance and clearly identifiable (i.e. distinct, able to be separated, dismantled or traded, and deriving from other contractual or legal rights), controlled by the Company and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which includes any directly attributable charges incurred in order to make the asset ready for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets is charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

Intangible assets are recognised when required with the approval of the board of statutory auditors.

[I] ***Patent rights, concessions, licences and software (intangible assets with a finite useful life)***

Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life, taken to be the estimated period in which the assets will be used by the Company; the recoverability of the carrying value of the assets is ascertained using the same method as that used for the item "Property, plant and equipment".

[II] **Research and development costs**

The costs associated with the acquisition of new knowledge or discoveries, the development of alternative products or processes, new techniques or models, the design and construction of prototypes, or those relating to other scientific research or technological development are treated as current costs and charged to the income statement in the period in which they are incurred.

[III] **Exploration and valuation of mineral resources**

Costs incurred in the exploration and evaluation of mineral resources, specifically:

[A] Acquisition of exploration rights;
[B] Photographic, geological, geochemical and geophysical studies;
[C] Explorative drilling;
[D] Digging;
[E] Sampling;
[F] Activities related to the evaluation of the technical and commercial feasibility of mineral resource extraction are recorded under tangible or intangible assets according to their nature, as required by IFRS 6.

These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Impairment of assets

At each annual reporting date, tangible assets and intangible assets with a finite useful life and equity investments are analysed in order to identify any indicators, originating from internal or external sources, of impairment. Where such indicators exist, the recoverable value of these assets is estimated and any write-down duly charged to the income statement. The recoverable value of an asset is the greater of its fair value less disposal cost and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned. The realisable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the carrying value of an asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for a write-down no longer exist, the write-down is reversed in the income statement up to the net book value that the asset in question would have had if it had not been written down and if it had been depreciated.

L Equity investments

Equity investments in subsidiaries, associates and joint ventures are recorded at cost, and may be reduced for losses according to the provisions of IAS 36.

Equity investments included under "Other investments" are measured at fair value with effects related to the change recognised directly in shareholders' equity. Where fair value cannot be determined reliably or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are reassessed from time to time to identify the possible emergence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

M Other financial assets

Receivables and financial assets held to maturity are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

The treatment of financial assets linked to derivative instruments is shown under point X (Derivatives).

N Own shares

Own shares are recognised at cost and deducted from shareholders' equity.

O Shareholders' equity

[I] **Share capital**

Share capital consists of subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] **Reserves**

Reserves comprise sums set aside for a specific purpose; they include the unallocated portion of net profit from previous years.

[III] **Stock plans for employees and management**

The Company grants additional benefits to employees and management via bonus share allocations. The cost of stock plans is booked, in accordance with IFRS 2 Share-based Payment, to the income statement in equal instalments during the vesting period, with an offsetting entry under shareholders' equity. Changes in fair value after the allocation date have no effect on the initial valuation.

P Provisions for risks and future liabilities

Provisions for risks and future liabilities are recognised only where a present obligation (legal or implicit) exists in relation to past events that is expected to result in an outflow of financial resources, the amount of which can be reliably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

Those risks in respect of which a future liability is only possible are disclosed in the section on commitments and risks; no provision is made for these risks.

Q Provisions for employee benefits

The Company provides various types of pension plans, in keeping with the conditions and practices that are commonly applied locally in those countries in which it carries out its activities.

From 1st January 2007, employee end-of-service payments were amended to include the option for employees to decide where these are held. Specifically, new end-of-service payments may be allocated to pension funds or held at the Company (if it has fewer than 50 employees, or allocated to the INPS if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31st December 2006

  The end-of-service payments due to employees pursuant to article 2120 of the Civil Code are treated in the same way as defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is entered in the statement of financial position based on their actuarial value, since this can be quantified as a benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans in the statement of financial position requires the amount of benefits earned by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the Company's obligations. The present value of the Company's obligations is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of vested benefit methods, considers every period of service at the Company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the measurement date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the measurement date to account for the total number of years worked at the time the benefit is expected to be paid.

  The costs accrued for the year in respect of defined benefit plans is recorded on the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements earned by current employees and the annual interest accruing on the present value of the Company's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.

  The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported in the income statement.

- Benefits vesting since 1st January 2007

  The benefits in question are accounted for using the method adopted for defined contribution pension plans, as the amount relating to employees has been transferred in full outside the Company.

  The corresponding liability is determined according to article 2120 of the Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated,

the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally determined.
Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the Company. In this case, the asset is not derecognised, the payable for the repurchase is classified as financial and the difference is recorded in the income statement as financial income or charges.
Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with an offsetting entry in the income statement at each reporting date.

S Recognition of revenues

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.
The recognition of revenues from services is based on the stage of completion reached.
Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic distribution, or when their future usefulness cannot be determined.

U Translation of items expressed in a currency other than the euro

Transactions in foreign currency are translated into euro at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary asset and liability items denominated in a foreign currency are recorded in the income statement.

V Dividends

[A] **Dividends received**

Dividends received from subsidiaries, joint ventures, associates and other holdings are recorded in the income statement when the right of shareholders to receive the payment has been established.

[B] **Dividends paid out**

The payment of dividends to Company shareholders is recorded as a liability in the statement of financial position for the period in which the distribution was approved by the Company's shareholders.

W Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.
Deferred taxes are calculated on all temporary differences between the tax value of an asset or liability and its carrying value.
In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the remaining portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.
Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.
Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to shareholders' equity, in which case the tax effect is taken directly to shareholders' equity. Current and deferred tax assets and liabilities are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.
Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying difference in the tax rate.
Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".
The parent company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the parent company and certain Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the parent company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. Specifically as regards the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was genuinely offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the parent company and remuneration for these losses is deferred until the year that they are actually used in the tax consolidation.

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X Derivatives
All derivatives are financial assets and liabilities that are recognised at fair value.

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high. When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of fixed-rate assets/liabilities), they are recorded at fair value in the income statement; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged. When derivatives hedge the risk of changes in cash flows from the underlying items (cash flow hedges, e.g. hedging the variability of cash flows generated by assets/liabilities due to exchange rate fluctuations), the changes in the fair value of the derivatives are initially recognised under equity and subsequently taken to the income statement in the same period in which the economic effects of the hedged items are recorded in the income statement.

Derivatives (including those relating to commodities) that do not meet the requirements for hedge accounting set out in IAS 39 are booked at fair value in the income statement, with the change in the fair value of the instrument recorded under the heading "Financial income" or "Financial charges".

To determine the fair value of financial instruments listed on active markets, the bid price of the security in question on the reporting date is used. Where there is no active market, fair value is instead determined by using measurement models based largely on objective financial variables, and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Y Emission Trading
Legislative Decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase on the market allowances, or credits, representing the excess CO_2.
If the credits allocated and purchased during the period, net of those sold, are insufficient, the market value of the shortfall at the end of the year is recorded under "Provisions for risks"; or if the credits allocated and purchased, net of those sold, exceed requirements, the value of the surplus, measured at purchase cost in line with the market value at the end of the year, is recorded under "Intangible assets".

Z Segment information
An operating segment is a part of an entity:

a. That undertakes commercial activities that generate revenues and costs (including revenues and costs relating to transactions with other parts of the same entity);
b. Whose operating results are reviewed periodically at the highest operational decision-making level of the entity in order to adopt decisions on the resources to be allocated to the segment and the assessment of the results; and
c. For which separate accounting information is available.

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area.

3.2 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methods that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, i.e. the statement of financial position, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based.

3.3 Most significant accounting policies requiring a greater degree of subjectivity

A brief description is provided below of the most significant accounting policies requiring greater subjectivity by the directors as they produce their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

[I] Depreciation of fixed assets: depreciation of fixed assets represents a sizeable cost. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The Company periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable value in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

[II] Deferred taxes: deferred tax assets are recognised on the basis of forecast future taxable earnings. The measurement of future taxable earnings forecasts for deferred tax recognition purposes depends on factors that may vary over time and may have a significant effect on the measurement of deferred tax assets.

[III] Provisions for risks: in certain circumstances, determining whether there is a current obligation (either legal or constructive) is not always straightforward. The directors evaluate such circumstances on an individual case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation in question. Where the directors feel that a liability is only possible, the associated risks are disclosed in the note concerning commitments and risks, and no accrual is made.

4. Information by business segment and geographical area

4.1 Preliminary remarks

The Company operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process and a provider of refining services for third parties. It is therefore deemed that the Company operates in just one segment.

4.2 Breakdown by geographical area

The breakdown by geographical area takes into account the size of the reference market and the countries in which the registered offices of counterparties are located.

Net revenues from ordinary operations by geographical area:

	2011	2010	Change
Sales in Italy	4,955,552	3,158,058	1,797,494
Sales in Spain	1,209,049	1,318,919	(109,870)
Other EU sales	1,002,933	900,903	102,030
Non-EU sales	2,765,085	1,873,118	891,967
US Sales	0	143,329	(143,329)
Total	**9,932,619**	**7,394,327**	**2,538,292**

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The following table shows a breakdown of trade receivables by geographical area:

	31/12/2011	31/12/2010	Change
Receivables in Italy	517,194	376,856	140,338
Receivables in Spain	50,294	92,034	(41,740)
Other EU receivables	57,717	95,887	(38,170)
Non-EU receivables	49,088	135,786	(86,698)
U.S. receivables	194	572	(378)
Provision for bad debts	(2,016)	(2,016)	0
Total	**672,471**	**699,119**	**(26,648)**

The most significant changes to the statement of financial position and statement of comprehensive income compared with the previous year are set out below.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

The following table shows a breakdown of cash and cash equivalents:

	31/12/2011	31/12/2010	Change
Bank and postal deposits	97,232	46,870	50,362
Cash	53	36	17
Total	**97,285**	**46,906**	**50,379**

For further details on the Company's net financial position, please refer to the appropriate section of the Report on Operations or to the cash flow statement.

5.1.2 Other financial assets held for trading

Other financial assets held for trading break down as follows:

	31/12/2011	31/12/2010	Variazione
Securities	2,315	16,243	(13,928)
Derivative instruments	31,935	0	31,935
Total	**34,250**	**16,243**	**18,007**

The item "Securities" includes Italian and foreign equities and government bonds, as well as white certificates obtained by the Sarroch refinery for energy savings; the amount recorded under "other financial assets held for trading" comprises certificates that were still in the portfolio at the closing date.
White certificates are sold on an appropriate regulated market or via bilateral agreements between operators; the certificates in the portfolio were valued at the average annual market price of EUR 103.12 for 2011 (EUR 107.22 per certificate in 2010). Gains and losses realised during the period were booked to the income statement under "Other income" or "Miscellaneous costs".
Gains and losses for the period, together with changes in fair value occurring during the period, are recorded in the income statement under the items "Financial income" and "Financial charges". The table below shows changes in the item:

	Securities	White Certificates	Total
Balance at 31/12/2009	**17,541**	**0**	**17,541**
Increases for financial year	10,149	480	10,629
Decreases for financial year	(11,927)	0	(11,927))
Balance at 31/12/2010	**15,763**	**480**	**16,243**
Increases for financial year	0	2,764	2,764
Decreases for financial year	(15,763)	(929)	(16,692)
Balance at 31/12/2011	**0**	**2,315**	**2,315**

The item "Financial instruments" comprises the positive fair value of the existing derivatives at the reporting date For further details, please see section 5.3.1.

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2011	31/12/2010	Change
From trade debtors	325,297	389,463	(64,166)
From Group Companies	347,174	309,656	37,518
Total	**672,471**	**699,119**	**(26,648)**

The balance of receivables from Group companies mainly relates to receivables from the subsidiaries Arcola Petrolifera S.p.A. (EUR 196,425 thousand) and Saras Energia S.A. (EUR 45,097 thousand) for the supply of oil products, and from Sarlux S.r.l. (EUR 103,910 thousand) for the supply of raw materials and charges for the purchase of CO_2 allowances.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2011:

	31/12/2011	31/12/2010	Change
Raw materials, spare parts and consumables	202,273	257,626	(55,353)
Semi-finished products	100,738	69,624	31,114
Finished products and goods held for resale	656,279	295,166	361,113
Advance payments	542	236	306
Total	**959,832**	**622,652**	**337,180**

The increase in the value of inventories is due to a rise in the quantity of finished products and to general price increases. The recording of inventories at net realisable value included write-downs of around EUR 43.5 million). This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 837,000 tons of oil products (valued at around EUR 601 million) held for group companies and certain third parties in accordance with the obligations laid down in Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 635,000 tons valued at around EUR 380 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 59 million at 31st December 2011 (EUR 130 million at 31st December 2010).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets:

	31/12/2011	31/12/2010	Change
IRES receivables	28,439	32,231	(3,792)
IRAP receivables	1,784	4,112	(2,328)
Other tax receivables	3,170	500	2,670
Total	**33,393**	**36,843**	**(3,450)**

The IRES and IRAP receivables are essentially attributable to excess tax paid in previous years; the reduction arises from taxable income of the year calculated for the purpose of IRAP (regional income tax) and for the purpose of corpoation tax (IRES) in the tax consolidation scheme, after the use of tax losses from previous periods.

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5.1.6. Others assets

The balance is detailed below:

	31/12/2011	31/12/2010	Change
Accrued income	194	231	(37)
Deferred charges	3,181	7,408	(4,227)
Other receivables	26,204	21,605	4,599
Financial receivables from Group Companies	43,047	82,688	(39,641)
Total	**72,626**	**111,932**	**(39,306)**

"Other receivables" mainly comprise deposits to secure derivatives outstanding at 31st December 2011, totalling EUR 23,045 thousand (EUR 15,798 thousand at 31st December 2010).

"Financial receivables from Group companies" include receivables from Saras Energia S.A. (EUR 15,000 thousand), Saras Ricerche e Tecnologie S.p.A. (EUR 1,449 thousand), Arcola Petrolifera S.p.A. (EUR 18.943 thousand), Akhela S.r.l. (EUR 2,095 thousand), Ensar S.r.l. (EUR 4,187 thousand), Artemide S.r.l. (EUR 600 thousand), Sarlux S.r.l. (EUR 373 thousand) and Deposito di Arcola S.r.l. (EUR 400 thousand). These receivables from group companies carry interest charged at market rates, and are due in the next year.

5.2 Non-current assets

On 31st December 2011, the market capitalisation was less than the carrying value of shareholders' equity. As this is one of the impairment indicators identified by IAS 36, the Company carried out an impairment test on the Cash Generating Unit (CGU) that represents the main fixed assets, as stipulated by that accounting standard.
The results of the analysis – including sensitivity analyses performed on the main assumptions – did not show any impairment or the need for a reversal of previous write-downs.

5.2.1 Property, plant and equipment

The following table shows a breakdown of property, plant and equipment:

COST	31/12/2009	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2010
Land and buildings	116,903	6			7,399	124,308
Plant and equipment	1,506,142	3,667	(2,400)		72,354	1,579,763
Industrial and commercial equipment	14,863	3			1,291	16,157
Other assets	399,093	207	(74)		22,130	421,356
Assets under construction and payments on account	165,183	86,160			(103,174)	148,169
Total	**2,202,184**	**90,043**	**(2,474)**	**0**	**0**	**2,289,753**

ACCUMULATED DEPRECIATION	31/12/2009	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	31/12/2010
Land and buildings	39,953	5,364				45,317
Plant and equipment	1,062,473	82,038	(2,400)			1,142,111
Industrial and commercial equipment	12,903	1,187				14,090
Other assets	298,946	17,636	(74)			316,508
Total	**1,414,275**	**106,225**	**(2,474)**	**0**	**0**	**1,518,026**

NET BOOK VALUE	31/12/2009	Additions	(Disposals)	(Depreciations)	Other changes and rev. / (w.d.)	31/12/2010
Land and buildings	76,950	6	0	(5,364)	7,399	78,991
Plant and equipment	443,669	3,667	0	(82,038)	72,354	437,652
Industrial and commercial equipment	1,960	3	0	(1,187)	1,291	2,067
Other assets	100,147	207	0	(17,636)	22,130	104,848
Assets under construction and payments on account	165,183	86,160	0		(103,174)	148,169
Total	**787,909**	**90,043**	**0**	**(106,225)**	**0**	**771,727**

COST	31/12/2010	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2011
Land and buildings	124,308		(92)		1,121	125,337
Plant and equipment	1,579,763	6,492	(113)		16,287	1,602,429
Industrial and commercial equipment	16,157	21	(47)		141	16,272
Other assets	421,356	117	(234)		12,062	433,301
Assets under construction and payments on account	148,169	56,484			(29,611)	175,042
Total	**2,289,753**	**63,114**	**(486)**	**0**	**0**	**2,352,381**

ACCUMULATED DEPRECIATION	31/12/2010	Depreciation	(Disposals)	Revaluations ((write-down)	Other changes	31/12/2011
Land and buildings	45,317	5,749				51,066
Plant and equipment	1,142,111	84,319	(113)			1,226,317
Industrial and commercial equipment	14,090	903	(47)			14,946
Other assets	316,508	18,458	(234)			334,732
Total	**1,518,026**	**109,429**	**(394)**	**0**	**0**	**1,627,061**

NET BOOK VALUE	31/12/2010	Additions	(Disposals)	(Depreciation)	Other changes	31/12/2011
Land and buildings	78,991	0	(92)	(5,749)	1,121	74,271
Plant and equipment	437,652	6,492	0	(84,319)	16,287	376,112
Industrial and commercial equipment	2,067	21	0	(903)	141	1,326
Other assets	104,848	117	0	(18,458)	12,062	98,569
Assets under construction and payments on account	148,169	56,484	0		(29,611)	175,042
Total	**771,727**	**63,114**	**(92)**	**(109,429)**	**0**	**725,320**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 160,963 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The net book value of these grants at 31st December 2011 was EUR 3,528 thousand, compared with EUR 5,190 thousand at 31st December 2010.

The item "Land and buildings" includes industrial buildings, offices and warehouses (net value: EUR 40,974 thousand), civil buildings in Milan, Cagliari and Rome used as offices (net value: EUR 2,536 thousand) and land largely relating to the Sarroch site (net value: EUR 30,761 thousand).

The item "Plant and equipment" mainly relates to the refining plants in Sarroch.

The item "Industrial and commercial equipment" includes equipment for the chemicals laboratory and the control room, plus miscellaneous production equipment.

The item "Other assets" mainly includes tanks, pipelines used to carry products and crude.

The item "Work in progress and advances" reflects costs incurred for investments not yet brought into operation at 31st December 2011.

Increases during the period totalled EUR 63,114 thousand and mainly relate to technological work on plants.

The decrease of EUR 29,611 thousand recorded in "Other changes" refers to work finished during the year and consequently recorded under the related asset class.

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The most significant annual depreciation rates used are shown below:

Industrial buildings (land and buildings)	5.50%
Generic plant (plant and machinery)	8.38%
Highly corrosive plant (plant and machinery)	11.73%
Pipeline and storage (plant and machinery)	8.38%
Supplies (equipment)	25.00%
Electronic office equipment (other assets)	20.00%
Office furniture and machinery (other assets)	12.00%
Vehicles (other assets)	25.00%

No fixed assets are held for sale.
The Group has a concession from the Cagliari Port Authority allowing it to occupy state-owned areas until 31st December 2015. These areas contain the Sarroch refinery's service facilities (waste-water treatment, seawater desalinisation, blow-down, flare system and landing stage). Currently there is no reason to believe that the concession will not be renewed on expiry.
Leased assets, booked as "Vehicles", totalled EUR 14,663 thousand, with a net book value of zero.

Financial charges of EUR 7,771 thousand (at a rate of 4.96%) and internal costs of EUR 4,456 thousand were capitalised in 2011.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

COST	31/12/2009	Additions	Disposals	write-down	Other changes	31/12/2010
Industrial and other patent rights	18,525				373	18,898
Intangible assets in progress and payments on account	10,517	4,459				14,976
Total	29,042	4,459	0	0	373	33,874

ACCUMULATED DEPRECIATION	31/12/2009	Ammortisation	Disposals	write-down	Other changes	31/12/2010
Industrial and other patent rights	17,552	720				18,272
Total	17,552	720	0	0	0	18,272

NET BOOK VALUE	31/12/2009	Additions	Disposals and write down	Other changes	Amortisation	31/12/2010
Industrial and other patent rights	973	0	0	373	(720)	626
Intangible assets in progress and payments on account	10,517	4,459	0	0	0	14,976
Total	11,490	4,459	0	373	(720)	15,602

COST	31/12/2010	Additions	Disposals	write-down	Other changes	31/12/2011
Industrial and other patent rights	18,898				824	19,722
Intangible assets in progress and payments on account	14,976	2,897			(824)	17,049
Total	33,874	2,897	0	0	0	36,771

ACCUMULATED DEPRECIATION	31/12/2010	Ammortisation	Disposals	write-down	Other changes	31/12/2011
Industrial and other patent rights	18,272	777				19,049
Total	18,272	777	0	0	0	19,049

NET BOOK VALUE	31/12/2010	Additions	Disposals and write down	Other changes	Amortisation	31/12/2011
Industrial and other patent rights	626	0	0	824	(777)	673
Intangible assets in progress and payments on account	14,976	2,897	0	(824)	0	17,049
Total	15,602	2,897	0	0	(777)	17,722

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of this item relates mainly to the costs sustained to acquire software licences.

Work in progress and advances

This item mainly includes the cost of natural gas exploration in Sardinia (EUR 15,669 thousand).

Internal costs capitalised in 2011 totalled EUR 339 thousand. Financial charges were not capitalised.

Amortisation of intangible assets totalled EUR 777 thousand, and was calculated using the annual rates shown below.

Industrial patent rights and intellectual property rights	**20%**
Concessions, licences, trademarks and similar rights	**5% - 33%**
Other intangible assets	**6% - 33%**

No intangible assets with a finite useful life are held for sale.

5.2.3 Equity investments

5.2.3.1 Equity investments valued at cost

The table below shows a list of equity investments held at 31st December 2011, with the main figures relating to each subsidiary:

EQUITY INVESTMENTS

Denominazione	HQ	Currency	Share Capital	Portion own	Business Relationship	Total assets	Total liabilities	Shareholders' equity	Net profit/ (loss) last FY	Carrying amount Saras S.p.A.
Akhela S.r.l.	Cagliari	EUR	3,000,000	100.00%	subsidiary	23,800,624	23,228,187	572,437	(3,535,474)	700,000
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	subsidiary	359,682,355	283,083,981	76,598,374	12,935,626	10,557,891
Deposito di Arcola S.r.l.	Arcola (SP)	EUR	1,000,000	100.00%	subsidiary	7,378,506	2,455,817	4,922,689	(743,480)	939,322
Ensar S.r.l.	Cagliari	EUR	100,000	100.00%	subsidiary	6,106,951	5,806,663	300,288	(396,866)	0
Parchi Eolici Ulassai S.r.l.	Cagliari	EUR	500,000	100.00%	subsidiary	34,590,403	61,748	34,528,655	3,309,298	32,815,696
Sargas S.r.l.	Uta (CA)	EUR	10,000	100.00%	subsidiary	508,635	0	508,635	(1,365)	510,000
Sarint S.A.	Lussemburgo	EUR	50,705,314	(*) 99,9%	subsidiary	105,954,622	91,088	105,863,534	(374,512)	37,750,614
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	subsidiary	884,140,882	225,803,601	658,337,281	40,192,745	211,806,086
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	subsidiary	14,129,679	7,466,084	6,663,595	(22,104)	5,863,506
										300,943,115

(*) The remaining 0.1% stake in Sarint S.A. is owned by the subsidiary Arcola Petrolifera S.p.A.

A comparison with the figures for the previous year is shown below:

	Registered office	% owned	31/12/2011	31/12/2010
Akhela S.r.l.	Cagliari	100%	700	4,053
Arcola Petrolifera S.p.A.	Sarroch (CA)	100%	10,558	11,497
Deposito di Arcola S.r.l.	Arcola (SP)	100%	939	0
Ensar S.r.l.	Cagliari	100%	0	104
Parchi Eolici Ulassai S.r.l.	Cagliari	100%	32,816	32,816
Sargas S.r.l.	Uta (CA)	100%	510	0
Sarint S.A.	Luxembourg	99.9%	37,750	37,750
Sarlux S.r.l.	Sarroch (CA)	100%	211,808	211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	100%	5,863	5,863
Total			**300,944**	**303,891**

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The changes in carrying value are as follows::

	31/12/2009	Acquisitions and subscripions	Revaluations	Impairment losses	Other changes	31/12/2010
Akhela S.r.l.	5,895			(1,842)		4,053
Arcola Petrolifera S.p.A.	11,497					11,497
Ensar S.r.l.	707			(603)		104
Parchi Eolici Ulassai S.r.l.	32,816					32,816
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	5,863					5,863
Total	**306,336**	**0**	**0**	**(2,445)**	**0**	**303,891**

	31/12/2010	Acquisitions and subscripions	Revaluations	Impairment losses	Other changes	31/12/2011
Akhela S.r.l.	4,053			(7,353)	4,000	700
Arcola Petrolifera S.p.A.	11,497				(939)	10,558
Deposito di Arcola S.r.l.	0				939	939
Ensar S.r.l.	104			(104)		0
Parchi Eolici Ulassai S.r.l.	32,816					32,816
Sargas S.r.l.	0	510				510
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	5,863					5,863
Total	**303,891**	**510**	**0**	**(7,457)**	**4,000**	**300,944**

The carrying value of the equity investment in Akhela S.r.l. was adjusted to the selling price for the subsidiary, which was sold after the end of the financial year (29th February 2012), while the carrying value of Ensar S.r.l. was written down due to impairment.

Sardeolica S.r.l. (which is owned indirectly through Parchi Eolici Ulassai S.r.l.) entered into a loan agreement divided into five credit lines with a pool of banks (led by Banca Nazionale del Lavoro), which was signed on 6th December 2005. The loan is repayable in half-yearly instalments until the end of 2016, and carries a variable interest rate equivalent to Euribor plus a spread, which is also variable.
This loan agreement imposes covenants on the subsidiary of different nature:

- Financial (mainly comprising liquidity parameters set out in the agreement and a ban on carrying out derivatives transactions unless authorised by the pool of banks);
- Operational, as regards the operation of the wind farm and the obligation to provide insurance cover;
- Corporate, connected to the Company's ownership structure, specifically a ban on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the Company needs to carry out the project.

If the Company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.
At the last contractual deadline, the covenants relating to the above-mentioned loans had been complied with.
In addition, to guarantee the loan taken out by Sardeolica, all of the shares in the Company were pledged as collateral to the financing banks.

None of the direct or indirect subsidiaries of Saras S.p.A. is listed on a regulated market.

5.2.3.2 Other equity investments

This item includes the 5.95% equity investment in Sarda Factoring S.p.A. (EUR 495 thousand).

5.2.4 Deferred tax assets

Deferred tax assets (EUR 37,267 thousand at 31st December 2011 and EUR 49,764 thousand at 31st December 2010) are shown net of deferred tax liabilities, and break down as follows:

	Amount at 31/12/2010	Additions	Deductions	Other changes: Effect on opening balances of changes in tax rate (through income Statement)	Other changes: Other	Deductions 31/12/2011
Deferred tax liabilities						
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)					(10,861)
Adjustment for scheduled plant and equipment maintenance	0	(2,356)				(2,356)
Measurement of inventory at end of the period at FIFO for tax purposes	0	(6,935)				(6,935)
Unrealised exchange losses	(1,620)	(764)	1,874		510	0
Other	(1,640)	(58)	1,360	(29)		(367)
Total deferred tax liabilities	**(14,121)**	**(10,113)**	**3,234**	**(29)**	**510**	**(20,519)**
Deferred tax assets						
Measurement of inventory at end of the period at FIFO for tax purposes	176		(176)			0
Provisions for risks and charges	15,737	7,100	(15,737)			7,100
Adjustments for scheduled plant and equipment maintenance	905	0	(905)			0
Reclassification of grants previously classified as equity	180		(72)	11		119
Costs for the dismantling and removal of tangible assets	5,213	155				5,368
Employee benefits and bonuses	4,115	2,566	(2,978)	133		3,836
Unrealised exchange losses		9,768	(254)		(510)	9,004
Excess maintenance costs	2,594		(1,905)	76		765
Tax asset relating to IRES Consolidated net loss	15,990		(424)		(15,566)	0
Tax Asset relating to tax loss (IRES surcharge of 10.5%)	13,068	3,853	(99)	7,980		24,802
Provision for port duties	5,519			582		6,101
Other	388	678	(380)	5		691
Total deferred tax assets	**63,885**	**24,120**	**(22,930)**	**8,787**	**(16,076)**	**57,786**
Net total	**49,764**	**14,007**	**(19,696)**	**8,758**	**(15,566)**	**37,267**

The most significant changes were due to:

- The recording of deferred tax assets on unrealised exchange differences following the adjustment of the values of assets and liabilities denominated in foreign currency to the exchange rates at the end of the year;
- The recording of the difference between the lower tax value of final inventories and their carrying amount as deferred tax liabilities;
- An increase in tax assets on the tax losses of the parent company Saras S.p.A., which cannot be transferred to the tax consolidation scheme (IRES surcharge of 10.5%) but which should be applicable against future taxable income;
- The decrease in provisions for costs relating to the obligation to purchase CO_2 allowances.

As shown in the table, the increase in the IRES surcharge payable by Italian energy companies from 6.5% to 10.5% (article 7 of Legislative Decree 138/2011) led to an increase of EUR 8,758 thousand in net deferred taxes.

The "Other" column mainly shows tax assets realised during the year, which had been recorded the previous year as the proportionate share of the net loss under the national tax consolidation scheme for the tax period 2010 (EUR 15,566 thousand).

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The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2011 and 2010:

	2011 Short Term	2011 Medium/long term	2010 Short Term	2010 Medium/long term
Deferred tax liabilities				
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,861)
Adjustments for scheduled plant and equipment maintenance	(965)	(1,391)		
Measurement of inventory at end of period at F.I.F.O. cost	(6,935)			
Unrealised exchange losses			(1,620)	
Other	(367)		(1,640)	
Total deferred tax liabilities	**(8,267)**	**(12,252)**	**(3,260)**	**(10,861)**

	2011 Short Term	2011 Medium/long term	2010 Short Term	2010 Medium/long term
Deferred tax assets				
Measurement of inventory at end of the period at FIFO for tax purposes			176	
Provisions for risks and charges	7,100	(0)	14,323	1,414
Derecognition of intangibile assets				
Reclassification of grants previously carried as equity	119	0	72	108
Costs for the dismantling and removal cost of tangible assets		5,368		5,213
Adjustments for scheduled plant and equipment maintenance		0		905
Employee benefiits and bonuses	3,438	398	4,115	
Unrealised exchange losses	9,004			
Excess maintenance costs	642	123	690	1,904
I.P.O. costs charged directly to shareholders' equity				
Tax asset relating to IRES Consolidated net loss			15,990	
Tax asset relating to tax loss (IRES surcharge of 10.5%)	24,802		13,068	
Provision for port dulies	6,101	0		5,519
Other	691	0	388	0
Total deferred tax assets	**51,897**	**5,889**	**48,822**	**15,063**

5.2.5 Other financial assets

At 31st December 2011, the balance of this item was EUR 75,960 thousand (EUR 75,764 thousand in the previous year) and relates mainly to the long-term portion of financial receivables from Saras Energia S.A. of EUR 70,000 thousand and Akhela S.r.l. of EUR 5,550 thousand. This receivable carries interest charged at market rates.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities:

	31/12/2011	31/12/2010	Change
Short-term bank loans	189,764	0	189,764
Bank overdrafts	256,660	151,039	105,621
Loans from Group companies	225,469	110,979	114,490
Derivative instruments	40,137	23,624	16,513
Other short-term financial liabilities	6,233	0	6,233
Total short-term financial liabilities	**718,263**	**285,642**	**432,621**
Total long-term financial liabilities	**248,223**	**437,005**	**(188,782)**
Total financial liabilities	**966,486**	**722,647**	**243,839**

The increase in "Bank loans" was due to the reclassification of long-term financial liabilities to short-term debt as maturity dates drew near.
The terms and conditions of the Company's loans are explained in note 5.4.1 "Long-term financial liabilities".
The item "Loans from Group companies" mainly includes loans from Sarlux S.r.l. (EUR 163,462 thousand), Sarint S.A. (EUR 14,880 thousand), Sardeolica S.r.l. (EUR 8,278 thousand), Reasar S.A. (EUR 10,470 thousand), Sartec S.p.A. (EUR 362

thousand), Arcola Petrolifera S.p.A (EUR 26,724 thousand), Ensar S.r.l. (EUR 221 thousand), Deposito di Arcola S.r.l. (EUR 326 thousand), Akhela S.r.l. (EUR 81 thousand) and Parchi Eolici Ulassai S.r.l. (EUR 34 thousand).
These loans from Group companies, with the exception of the loan from Sarint S.A., carry interest charged at market rates, and mature in the next year.
The "Derivative instruments" item includes the fair value as liabilities of the derivatives held at the reporting date.
The table below shows the fair value of the derivative instruments recognised as either assets (recorded under "Other financial assets held for trading", as described in section 5.1.2) or liabilities:

	31/12/2011 Assets	31/12/2011 Liabilities	31/12/2010 Assets	31/12/2010 Liabilities
Interest rate swaps	0	(487)	11	(1,986)
Fair value of forward purchases and sales of commodities (oil & other oil products)	24,358	(38,504)	0	(21,638)
Fair value of forward purchases and sales of exchange rate	7,577	(1,146)	0	0
Total	**31,935**	**(40,137)**	**11**	**(23,624)**

The following tables show the notional values and corresponding fair values for derivatives outstanding at 31st December 2011 and 31st December 2010:

Type of transaction	Interest rate			Other			
Figures at 31/12/2010	Notional value	*Fair value*		Notional value		*Fair value*	
		Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Futures							
Oil products and crude oil				(343,275)	227,384		(13,798)
Swaps							
Oil products and crude oil				(196,234)	232,467		(8,566)
Interest rates	190,000	11	(1,986)				
Options							
Oil products and crude oil				(6,212)	71,016	726	
Total	**190,000**	**11**	**(1,986)**	**(545,721)**	**530,867**	**726**	**(22,364)**

Type of transaction	Interest rate			Other			
Figures at 31/12/2011	Notional value	*Fair value*		Notional value		*Fair value*	
		Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Futures							
Oil products and crude oil				(444,099)	614,981	12,048	(22,010)
Exchange rate				(664,657)	154,571	7,577	(1,146)
Swaps							
Oil products and crude oil				(32,338)	13,349	10,945	(16,468)
Interest rates	180,000		(487)				
Options							
Oil products and crude oil				(112,036)	0	1,365	(26)
Total	**180,000**	**0**	**(487)**	**(1,253,130)**	**782,901**	**31,935**	**(39,650)**

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5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2011	31/12/2010	Change
Advances from customers: portion due within the year	53,305	28,903	24,402
Payables to suppliers: portion due within the year	975,438	945,677	29,761
Trade payables to Group Companies	41,783	30,140	11,643
Total	**1,070,526**	**1,004,720**	**65,806**

The item “Advances from customers” refers to payments on account received from customers for the supply of oil products. The increase in trade payables is due to trends in the price of crude oil and oil products.

The item “Trade payables to Group companies” essentially includes payables to Sarlux S.r.l. (EUR 27,172 thousand), Sartec S.p.A. (EUR 5,634 thousand), Akhela S.r.l. (EUR 2,176 thousand), Arcola Petrolifera S.p.A. (EUR 303 thousand), Reasar SA (EUR 141 thousand), Sardeolica S.r.l. (EUR 81 thousand), Deposito di Arcola S.r.l. (EUR 70 thousand), Ensar S.r.l. (EUR 2 thousand) and Saras Energia SA (EUR 6,204 thousand).
The table below shows a geographical breakdown of payables to suppliers:

	31/12/2011	31/12/2010	Change
Payables to Italian suppliers	180,968	155,971	24,997
Payables to Spanish suppliers	18,393	62,064	(43,671)
Payables to other EU country suppliers	64,105	149,219	(85,114)
Payables to non-EU country suppliers	711,813	578,389	133,424
Payables to US suppliers	159	34	125
Total	**975,438**	**945,677**	**29,761**

5.3.3 Current tax liabilities

This item is broken down below:

	31/12/2011	31/12/2010	Change
VAT payables	40,950	10,889	30,061
Other tax payables	3,202	3,145	57
Total	**44,152**	**14,034**	**30,118**

“VAT payables” relate to the position accrued for the settlement for December.

The item “Other tax payables” mainly includes the payable relating to personal income tax (IRPEF).

5.3.4 Other liabilities

A breakdown of other liabilities is shown below:

	31/12/2011	31/12/2010	Change
Payables to welfare and social security bodies: portions due within one year	7,357	6,135	1,222
Due to personnel	12,300	14,340	(2,040)
Payables to Ministry for grants	24,736	24,736	0
Other payables	19,132	17,675	1,457
Other accrued liabilities	1,363	7,369	(6,006)
Other deferred income	0	52	(52)
Total	**64,888**	**70,307**	**(5,419)**

The item “Due to personnel” includes salaries not yet paid in December, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item “Payables to Ministry for grants” includes advances received from the Ministry for Economic Development in connection with the programme agreement signed on 10th June 2002, for which the final decree has yet to be issued (EUR 24,736 thousand).

The item "Other payables" mainly relates to port duties as determined by the customs authority in respect of the Company (EUR 15,115 thousand); please note that the initial phase of the Company's long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the Company and issued a definitive ruling declaring that the taxes were not due.
A second phase of the dispute is now under way, and despite a favourable decision by the court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal. The Company has now lodged an appeal with the Court of Cassation, which has yet to announce its decision.
In addition, during 2007, the tax authority asked the Company to pay the tax assessed and put on hold. The Company appealed against this measure to the Regional Tax Court, while the tax authority refused to grant a suspension for further assessments.
As a result of this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has been booked on an accrual basis under "Cost of services and sundry costs".

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as follows:

	31/12/2011	31/12/20010	Variazione
Euro Bond	248,223	247,725	498
Bank loans	0	189,280	(189,280)
Long-term financial liabilities	**248,223**	**437,005**	**(188,782)**

The decrease in the item "Bank loans" is due to the reclassification of loans under "short-term financial liabilities" as their maturity dates drew closer.

On 16th July 2010, Saras S.p.A., an unrated company, carried out a bond issue aimed solely at institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bond, which is listed on the Luxembourg stock exchange, has a coupon of 5.583% and will mature on 21st July 2015. It is not supported by a guarantee and is not subject to any covenants. The bond issue is recorded net of issue charges incurred.
Note that market values from the relevant stock exchange are not available for the bond loan. The current value of the related cashflows discounted to present value using the market rate does not vary significantly from the carrying value in the financial statements.

Details of the terms and conditions of bank loans are shown in the table below:

Figures in EUR million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/2010	Net book value at 31/12/2011	Maturity			Collateral
						1 year	from 1 to 5 years	beyond 5 years	
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	99.7	100.0	100.0			
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.6	89.8	89.8			
				189.3	**189.8**	**189.8**			

A simple loan agreement for a nominal amount of EUR 190 million was signed on 25th May 2009 with a pool of banks (led by Intesa Sanpaolo). The term of the loan is three years; it is repayable in a single instalment in June 2012 and carries a six-monthly interest rate based on Euribor.

The loan agreement imposes certain covenants on the Company:
- in financial terms, it will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5;
- in corporate terms, mainly in relation to its ownership structure, a prohibition on changes in business activities, reductions in share capital and extraordinary operations.

If the Company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan. At 31st December 2011, the Company was in compliance with these restrictions.
On 3rd June 2009, EUR 100 million of the loan was drawn down and the remaining EUR 90 million was drawn down on 16th June 2009. The loan is recorded in the financial statements at amortised cost, net of the charges incurred to obtain it.

The weighted average interest rate at 31st December 2011 was 4.73% (4.00% in the previous year).

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2009	Additions	Use	Movements	31/12/2010
Provisions for dismantling of plants	13,526	257			13,783
Provisions for CO_2 allowances	18,713	46,978	(18,713)		46,978
Other risk provisions	0	5,050		3,838	8,888
Total	**32,239**	**52,285**	**(18,713)**	**3,838**	**69,649**

	31/12/2010	Additions	Use	Movements	31/12/2011
Provisions for dismantling of plants	13,783	455			14,238
Provisions for CO_2 allowances	46,978	45,817	(46,809)	(169)	45,817
Other risk provisions	8,888	2,000	(5,050)		5,838
Total	**69,649**	**48,272**	**(51,859)**	**(169)**	**65,893**

Provisions for dismantling of plants of EUR 14,238 thousand relate to the future costs of dismantling plant and equipment, and are made wherever there is a legal and implicit obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes.

The provision for CO_2 emission allowances (EUR 45,817 thousand in respect of the parent company), was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, the parent company Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.
For 2011, the CO_2 allowances assigned under the National Allocation Plan for the period 2008-2012 were:

- 2,159,696 tons of CO_2 for the refinery plants owned by the parent company, which had emitted 2,342,140 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of sales and purchases, of 1,377,976 tons, worth EUR 14,946 thousand;
- 444,404 tons of CO_2 for the combined cycle plants owned by Sarlux S.r.l., which had emitted 3,519,230 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of purchases, of 2,724,098 tons, worth EUR 30,870 thousand.

During the period, allowances for 1,211,842 tons of CO_2 were purchased for Saras, and EUR 1,398,503 for Sarlux. EUR 46,809 thousand was used from the provisions (EUR 32,560 thousand for Saras and EUR 14,249 thousand for Sarlux).
CO_2 allowances already held by the Group are taken into account in determining the provision.

The changes in CO_2 allowances, where one allowance equals one ton, are shown below:

Quotas (Tons)	Refinery plant Saras S.p.A.	IGCC plant Sarlux S.r.l.	Total
Deficit as of 31st December 2009	**(1,204,543)**	**(347,777)**	**(1,552,320)**
Allowances allocated in 2010	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(1,198,289)	(345,194)	(1,543,483)
Purchase	0	2,635,770	2,635,770
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,381,988)	(3,781,835)	(6,163,823)
Deficit as of 31st December 2010	**(2,420,581)**	**(1,046,855)**	**(3,467,436)**
Allowances allocated in 2011	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous yearr	(2,407,374)	(1,047,775)	(3,455,149)
Purchase	1,211,842	1,398,503	2,610,345
Transfer	0	0	0
Emissions in the year	(2,342,140)	(3,519,230)	(5,861,370)
Deficit as of 31st December 2011	**(1,377,976)**	**(2,724,098)**	**(4,102,074)**

The item “Other risk provisions” mainly relates to provisions made for potential legal liabilities.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2011	31/12/2010	Change
Employee end-of-service payments	10,272	11,994	(1,722)
Other supplementary funds	10,447	16,019	(5,572)
Total	**20,719**	**28,013**	**(7,294)**

Employee end-of-service payments are governed by article 2120 of the Civil Code and reflect the estimated amount, based on actuarial estimates, that the Company will be required to pay employees when they leave their employment. The CPAS fund is the Company’s supplementary employee pension fund.

On 30th June 2010, following the cancellation by the Company of the agreement establishing CPAS, the fund was dissolved and put into liquidation, with workers given the option of transferring the benefits earned until that date to another supplementary pension scheme or of redeeming the entire amount. The trade unions disputed the cancellation of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. Having taken legal advice from the lawyers assisting the Company in this matter, the Company is confident that the correctness of its actions will be upheld in court.

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The following table shows the changes in employee end-of service payments:

Balance at 31.12.2009	**12,988**
Accrual for the year	5,779
Utilisations for the year	(6,773)
Balance at 31.12.2010	**11,994**
Accrual for the year	4,729
Utilisations for the year	(6,451)
Balance at 31.12.2011	**10,272**

The table below shows changes in the CPAS fund:

Balance at 31.12.2009	**20,008**
Accrual for the year	1,089
Utilisations for the year / settlement	(5,078)
Balance at 31.12.2010	**16,019**
Accrual for the year	0
Utilisations for the year / settlement	(5,572)
Balance at 31.12.2011	**10,447**

Pursuant to IAS 19, the end-of-service fund was valued using the projected unit credit cost method and the following assumptions:

	31/12/2011	31/12/2010
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	4.60%	4.60%
Pay increase:	3.00%	3.00%
Annual increase rate in CPAS fund:	n.a.	11.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	Calculated by “Ragioneria Generale dello Stato” - Table RG48
Probability of disability:	INPS model for projections to 2010
Probability of resignation:	annual staff turnover of 0.5%
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of advance payments:	3% per annum

At 31st December 2011 the discount rate used was the iBOXX Eurozone AA 10+ (4.60%).
The actuarial calculation takes into account the recently issued changes to pensions legislation (Decree Law 201/2011).
Given the accounting method used (see section 3.1 “Summary of accounting standards and policies” and point Q “Provisions for employee benefits”), at 31st December 2011 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Other liabilities

Other liabilities break down as follows:

	31/12/2011	31/12/2010	Change
Advances from Group companies	35,063	40,034	(4,971)
Payables to welfare and social security bodies: portion due after one year	356	356	0
Other	5	5	0
Total	**35,424**	**40,395**	**(4,971)**

Advances from Group companies refers to the long term portion of the payable to Sarlux S.r.l. relating to the contracts “Feedstock Supply Agreement” and “Key Facility Agreement”. The change compared with the previous year is due to the reclassification of the portion for the following period from long- to short-term.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2011	31/12/2010	Change
Share Capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	739,468	845,703	(106,235)
Profit (Loss) for the year	(45,547)	(110,086)	64,539
Total	**759,477**	**801,173**	**(41,696)**

Share capital

At 31st December 2011, the share capital of EUR 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no nominal value.

Legal reserve

The legal reserve was unchanged from the previous year and stood at one-fifth of the share capital.

Other reserves

This item totalled EUR 739,468 thousand, a total decrease of EUR 106,235 thousand compared with the previous period. This increase is the result of:

- the appropriation of profit from the previous year of EUR 110,086 thousand;
- an increase of EUR 3,851 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the Stock Grant Plans.

The item is shown net of an amount of EUR 17,881 thousand (after the fiscal effect of EUR 10,119 thousand) for charges arising from the listing operation which took place in 2006.

Net profit/(loss)

The net loss for the year totalled EUR 45,547 thousand.

Restrictions on the distribution of equity reserves

The table below breaks down equity reserves at 31st December 2011 into the available portion, the non-distributable portion and the distributable portion:

Items in Shareholders' equity	Amount	Utilisation potential	Portion available	Summary of utilisations made in the past three financial year:	
				For loss coverage	For other reasons
Share Capital	**54,629,667**				
Reserves of capital:					
Share premium reserve	338,672,775	A - B - C	338,672,775		
Reserves of profits:					
Revaluation reserve	64,037,748	A - B - C			
Legal reserves	10,925,934	B			
Profit/(Losses) carried forward	(31,485,342)	A - B - C			
Other reserves :					
Extraordinary reserve	377,047,929				(96,887,052)
Own shares	(70,465,128)				
IFRS transition effects	(72,653,587)				
	233,929,214	A - B - C	(*) 233,929,214		
Employee share grant reserve	10,309,337				
Locked-in reserves as per ex art. 7, paragraph 6, D.Lgs. 38/05	19,658,569	A - B	19,658,569		
Other Reserves	104,345,440	A - B - C	104,345,440		
TOTAL	**805,023,342**		**696,605,998**		
Non-distributable portion			(**) 35,327,637		
Distributable portion			661,278,361		

Legend: A - for capital increase / B - to cover losses / C - for distribution to shareholders

(*) : of which relevant to taxation is equal to zero

(**) : includes EUR 19.6 millions for "Locked-in-reserves as per ex art. 7, paragraph 6 D.Lgs. 38/05" and EUR 15.7 millions from Art.2426 paragraph 1, n.5 of the Italian Civil Code.

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The main restrictions on the distribution of equity reserves are as follows:

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item "Locked-in reserves as per article 7, paragraph 6 of Legislative Decree 38/05" is distributable solely to cover losses or to increase share capital;
- pursuant to article 2426, paragraph 1, point 5 of the Italian Civil Code, an amount of EUR 15.7 million earmarked for research costs is recorded under assets.

Dividends

On 28th April 2011, the ordinary shareholders' meeting of Saras S.p.A. voted not to pay any dividends.

The Board of Directors has made a proposal to the shareholders' meeting scheduled for 27th April 2012 not to pay a dividend for the reporting period.

The average number of shares outstanding was 928,317,120 in 2011 and 928,033,267 in 2010. At 31st December 2011, Saras S.p.A held 22,644,588 own shares in relation to the bonus allocation of shares to employees and management of Group companies.

No own shares were acquired or sold during the year.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item "Revenues from ordinary operations" breaks down as follows:

	2011	2010	Change
Sales and services revenues	9,932,489	7,385,362	2,547,127
Processing fees from third parties	130	8,965	(8,835)
Total	**9,932,619**	**7,394,327**	**2,538,292**

Sales and services revenues came to EUR 2,547,127 thousand compared to the previous year. The change was broadly due to price trends over the period.
Processing fees from third parties totalled EUR 130 thousand and relates to refining services carried out for third parties. The change compared with the previous year was due to the lower quantities processed for third parties.

2011 was a difficult year for the global economy, both in terms of the peripheral Euro zone countries' ongoing debt problems and the high unemployment levels in the US.
In addition, two important geo-political phenomena seriously threatened the stability of oil supplies, causing crude prices to come under strong pressure.
In the first half of the year, the "Arab Spring" reached its bloody peak with the dramatic events seen in Libya and Syria. Then in the last quarter, there was a worrying deterioration in the conflict between Iran and the West.

Refining margins remained tight for a large part of the year, severely testing the resistance of the entire European refining sector, which thus had to face competition with both US refineries and the new Asian refineries. Specifically, the heavily discounted WTI crude oil compared with European Brent enabled American refineries in the Mid-West and the Gulf of Mexico to benefit from lower purchase costs for their raw materials. These savings largely offset transport costs, making the export of refined products to Europe very competitive. In Asia, however, local refiners benefit from various forms of tax exemption and economic incentives, as well as less restrictive health and safety legislation compared with Europe.

Despite this difficult environment, Saras drew on its traditional resources of flexibility in order to limit the effects of the lack of Libyan crude oil. It also successfully implemented a number of measures to reduce operating costs and to make the refinery more energy efficient, and was able to achieve a good result overall, especially in comparison with its European peers.

Revenues from ordinary operations are broken down by geographical area in section 4 above.

In accordance with IFRS 8, please note that Saras Energia S.A. accounted for 10% of the Company's revenues.

6.1.2 Other income

The following table shows a breakdown of other income:

	2011	2010	Change
Revenues for stocking of mandatory supplies	7,614	4,594	3,020
Chartering of tankers	7,559	2,925	4,634
Sale of sundry materials	4,528	2,215	2,313
Other revenues	93,959	98,224	(4,265)
Total	**113,660**	**107,958**	**5,702**

The item "Other income" essentially comprises charges to Sarlux S.r.l. for the purchase of CO_2 allowances pertaining to that company (EUR 34,857 thousand) and for services under contracts that expire in 2020 (Saras employees: EUR 7,608 thousand, and services: EUR 19,919 thousand). The item also includes shipping costs charged to Arcola Petrolifera S.p.A. (EUR 26,939 thousand).

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2011	2010	Change
Purchase of raw materials	8,469,220	6,003,127	2,466,093
Purchase of semifinished products	25,623	29,310	(3,687)
Purchases of spare parts and consumables	44,704	42,191	2,513
Purchase of finished products	1,164,438	981,334	183,104
Other purchases	140	252	(112)
Change in inventories	(336,875)	(80,303)	(256,572)
Total	**9,367,250**	**6,975,911**	**2,391,339**

As already mentioned under revenues, the change in this item was mainly due to price trends over the period.

6.2.2 Cost of services and sundry costs

	2011	2010	Change
Service costs	391,544	386,368	5,176
Rent, leasing and similar costs	7,429	8,351	(922)
Provisions for risks and charges	48,272	52,028	(3,756)
Other operating costs	7,284	14,518	(7,234)
Total	**454,529**	**461,265**	**(6,736)**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.
The cost of rentals and freight rose as a result of the higher quantities of crude acquired and products sold; there was a similar increase in the cost of utilities, essentially electricity and water, due both to the greater volumes used and to the rise in prices.
The item "Rent, leasing and similar costs" includes EUR 2,075 thousand in costs relating to rental of the building that houses the registered office in Milan. The cost has been reported on a straight-line basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 6,325 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months' notice prior to the expiry date.

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"Provisions for risks" mainly consist of a provision relating to CO_2 allowances applicable to 2011 that had not yet been purchased as of 31st December 2011.
The item "Other operating charges" comprises non-income tax (local property taxes, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2011	2010	Change
Wages and salaries	77,142	69,709	7,433
Social security	21,258	20,098	1,160
Employee end-of-service payments	4,729	5,779	(1,050)
Pensions and similar obligations	0	1,089	(1,089)
Other costs	3,375	3,525	(150)
Directors' remuneration	5,660	5,660	0
Total	**112,164**	**105,860**	**6,304**

The rise in personnel costs is essentially due to contractual increases and expenses relating to organisational changes that subsequently led to the appointment of experts from the oil sector in key positions in the corporate organisation.

On 27th April 2010, the shareholders' meeting approved the plans for the bonus allocation of ordinary shares in the Company:

- to employees of the Company and its Italian subsidiaries (the "Employee Share Plan");
- to the management of the Saras Group (the "Stock Grant Plan 2010/2012").

The Employee Share Plan provides for a bonus allocation to employees:
- for the year 2010, a share for every six held by the beneficiary at 31st December 2009;
- for the years 2011 and 2012, a share for every six additional shares purchased by the beneficiary in 2010 and 2011, on condition that the number of shares held by the beneficiary on a daily basis during each of these years is never lower than the number of shares held at 31st December of the previous year.

Under the Employee Share Plan, the total value of the shares allocated to each beneficiary cannot exceed EUR 2,065 each year. Furthermore, the maximum value of the shares allocable overall may never exceed the sum of EUR 2 million. In 2011, 25,370 shares were allocated under the plan, at a total cost of EUR 79 thousand.

The Stock Grant Plan 2010/2012 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to the difference between the change in value of the parent company's shares and that of the shares of a group of comparable companies.
The plan will involve the allocation of:

- 1,344,000 shares for the 2010 plan, at a cost of EUR 2,008 thousand (of which EUR 540 thousand relates to the year);
- 1,942,800 shares for the 2011 plan, at a cost of EUR 3,439 thousand (of which EUR 2,579 thousand relates to the year).

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until 2013, in return for a one-off premium to be paid in shares as part of the current plan.
This option would involve the allocation of 830,400 shares, at a cost of EUR 1,240 thousand (of which EUR 382 thousand relates to the year).

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below:

	2011	2010	Change
Amortisation - intangible assets	777	720	57
Depreciation - tangible assets	109,429	106,225	3,204
Total	**110,206**	**106,945**	**3,261**

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below:

Net income (charges) from equity interests	2011	2010	Change
Impairment:			
- Ensar S.r.l.	(104)	(603)	499
- Akhela S.r.l.	(7,353)	(1,842)	(5,511)
Total	**(7,457)**	**(2,445)**	**(5,012)**

6.4 Financial income and charges

A breakdown of financial income and charges is shown below:

	2011	2010	Change
Financial income:			
- from current financial assets	57	2	55
Other sundry financial income			
- from subsidiaries	3,579	2,702	877
- interest on current accounts held with bank and post offices	138	14	124
- change in fair value of derivatives	17,232	0	17,232
- fair value of financial assets held for trading	0	199	(199)
- realized gains on derivatives	103,736	24,413	79,323
- other income	159	576	(417)
Exchange gains	1,494	11,326	(9,832)
Total financial income	**126,395**	**39,232**	**87,163**
Financial charges:			
- to subsidiaries	(3,162)	(780)	(2,382)
- change in fair value of derivatives	(4,869)	(22,581)	17,712
- fair value of financial assets held for trading	0	(284)	284
- realized loss on derivatives	(111,111)	(16,797)	(94,314)
- other (interest on loans, late payments interests, etc,)	(25,945)	(15,568)	(10,377)
Exchange losses	(35,149)	(2,938)	(32,211)
Total financial charges	**(180,236)**	**(58,948)**	**(121,288)**
Total	**(53,841)**	**(19,716)**	**(34,125)**

The summary table below is provided to allow an analysis of the main changes during the year:

	2011	2010	Change
Net interest gains (losses)	(25,390)	(13,632)	(11,758)
Net result from derivative financial instruments	4,988	(14,965)	19,953
- realised	*(7,375)*	*7,616*	*(14,991)*
- fair value of the open positions	*12,363*	*(22,581)*	*34,944*
Net exchange rate gains (losses)	(33,655)	8,388	(42,043)
Other	216	493	(277)
Total	**(53,841)**	**(19,716)**	**(34,125)**

As shown in the table, the main changes relate to exchange rate differences and higher net interest expenses, partially offset by gains/losses on derivatives. The derivatives in question relate to hedging transactions to which hedge accounting is not applied.

6.5 Income tax

Income tax can be shown as follows:

	2011	2010	Change
Current taxes	2,328	0	2,328
Effect of Group tax consolidation	(12,880)	(27,924)	15,044
Deferred tax (assets) / liabilities, net	(3,069)	(31,847)	28,778
Total	**(13,621)**	**(59,771)**	**46,150**

Current taxes are entirely made up of IRAP for the year.

The item "Effect of group tax consolidation" comprises the benefit deriving from the tax loss, calculated at 27.5%, which is offset under the national tax consolidation scheme.

Deferred tax assets/liabilities relate to changes in temporary differences between the values recorded in the accounts and those recognised for tax purposes; the most significant changes are mainly generated, on the deferred asset side, by the adjustment of assets and liabilities denominated in foreign currency to the year-end exchange rate (EUR 10,624 thousand), and on the deferred liability side, by the lower tax value of the oil stocks (EUR 7,111 thousand).
The increase in deferred net assets (EUR 8,758 thousand) arising from the temporary increase in the IRES surcharge rate from 6.5% to 10.5% (article 7 of Decree Law 138/2011) is shown separately. EUR 7,980 thousand of this amount relates to the adjustment of tax assets on tax losses discounted for the purpose of the IRES surcharge and expected to be re-absorbed by the taxable income of future years.

Temporary differences in the Income Statement:	**TAX 2011**		**TAX 2010**
	Deferred tax assets/ (liabilities)	**Effect of tax rate changes**	**Defered tax assets/ (liabilities)**
Adjustment to value of land to reflect fair value (as deemed cost)			
Provision for risk and charges	(8,637)		7,099
Measurement of inventories at end of period at FIFO for tax purposes	(7,111)		4,228
Adjustments for scheduled plant and equipment maintenance	(3,261)	0	3,034
Derecognition of intangible assets			(6)
Reclassification of grants previously carried as equity	(72)	11	(225)
Costs for dismantling and removing tangible assets	155	0	87
Exess maintenance costs	(1,905)	76	(1,905)
I.P.O. costs charged directly to Shareholders' Equity			(2,122)
Employee benefits and bonuses	(412)	133	238
Unrealised exchange differencies	10,624		(2,821)
Tax asset relating to IRES Consolidated net loss	(424)		15,990
Tax assets on tax loss (additional IRES 10,5%)	3,754	7,980	9,424
Port duty provision		582	
Other temporary differences	1,600	(24)	(1,174)
TOTAL	**(5,689)**	**8,758**	**31,847**

Differences between the theoretical and effective IRES and IRAP tax rates for the two periods under review are reported below (figures in EUR million):

IRES	31/12/2011	31/12/2010
PROFIT (LOSS) BEFORE TAXES [A]	**(59.2)**	**(169.9)**
THEORETICAL CORPORATION TAX IRES [A*38% in 2011; A*34% in 2010] [B]	**(22.5)**	**(57.8)**
THEORETICAL TAX RATE [B/A*100] %	**38.0%**	**34.0%**
EFFECTIVE INCOME TAXES [C]	**(18.0)**	**(59.8)**
EFFECTIVE TAX RATE [C/A*100] %	**30.4%**	**35.2%%**

	31/12/2011		31/12/2010	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**(22.5)**	**38.0%**	**(57.8)**	**34.0%**
Equity investments valuations	3.7	-6.22%	0.8	-0.47%
Tax relief on investments from the so called "Tremonti-ter" (art. 5 D.L. 78/09)	0.0	0.00%	(4.4)	2.56%
Effect of recalculation of inventories ("Robin Hood Tax")	3.8	-6.42%	0.3	-0.18%
Effect of increase in IRES surcharge on deferred tax (art. 7 D.L. 138/11)	(4.2)	7.14%	0.0	0.00%
Permanent differences	1.2	-2.09%	1.2	-0.71%
Effective taxes	**(18.0)**	**30.4%**	**(59.8)**	**35.2%**

IRAP	31/12/2011	31/12/2010
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	2.1	-147.7
TOTAL PERSONNEL COSTS	112.2	105.9
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)	**114.3**	**-41.8**
THEORETICAL INCOME TAX IRAP [A*3,9%] [B]	**4.5**	**-1.6**
THEORETICAL TAX RATE [B/A*100] %	**3.9%**	**3.9%**
EFFECTIVE INCOME TAXES [C]	**4.4**	**0.0**
EFFECTIVE TAX RATE [C/A*100] %	**3.8%**	**0.0%**

	31/12/2011		31/12/2010	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**4.5**	**3.9%**	**(1.6)**	**3.9%**
IRAP effect on IFRS adjustments	(0.4)	-0.35%	0.0	0.00%
Effect of refund of "tax wedge" on IRAP	(1.2)	-1.05%	0.0	0.00%
Effect of recalculation of inventories ("Robin Hood Tax")	0.7	0.61%	0.0	0.00%
IRAP tax assets not recognizable in companies with negative EBIT	0.0	0.00%	1.6	-3.90%
Permanent differences	0.8	0.70%	0.0	0.00%
Effective taxes	**4.4**	**3.8%**	**(0.0)**	**0.0%**

7. Other information

For information on events that took place after the end of the period, please see the relevant section in the Report on Operations.

7.1 Main legal actions pending

The Company was subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the Company assumes that any liability is likely to be remote.

7.2 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. For information on guarantees given to and received from related parties, see point 7.6 "Commitments" below.
The figures for commercial, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.
The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below:

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2011		31/12/2010			
SARLUX S.r.l.						
Supply of goods	205,216	2.07%	172,513	2.33%	Revenues from ordinary operations	Supply of raw material as per agreement
Services rendered by staff	9,278	8.16%	8,378	7.76%	Other income	Outsourcing of services as per agreement
Services rendered	53,215	46.82%	64,236	59.50%	Other income	Outsourcing of services as per agreement
Purchases of goods	(2,968)	0.03%	(1,731)	0.02%	Purchases of raw materials, spare parts and consumables	Supply of sulphur as per agreement
Utilities	(65,468)	14.40%	(58,011)	12.58%	Cost of services and sundry costs	Supply of steam, hydrogen and oxygen as per agreement
Services received	(343)	0.08%	(319)	0.07%	Cost of services and sundry costs	Supply of various services
Financial charge	(2,112)	1.18%	(361)	0.61%	Financial charge	Interest on intrercompany loans
Receivables for goods & services supply	104,912	15.60%	117,161	16.76%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	373	0.50%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(27,172)	2.54%	(19,922)	1.98%	Trade and other current payables	Trade payables
Payables for goods & services supply	(35,063)	98.98%	(40,034)	99.11%	Other non current liabilities	Trade payables
Loan	(163,462)	22.78%	(73,648)	25.78%	Short term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	0	0.00%	(7,509)	2.63%	Short term financial liabilities	IRES/VAT payables from tax consolidation
ARCOLA PETROLIFERA S.p.A.						
Supply of goods	1,656,883	16.68%	899,134	12.16%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	227	0.20%	110	0.10%	Other income	Staff on secondment
Services rendered	26,167	23.02%	14,348	13.29%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	75	0.06%	40	0.10%	Financial income	Interest on intercompany line of credit
Services received	(271)	0.06%	(382)	0.08%	Received services and sundry costs	Charges on sales
Financial charge	(779)	0.44%	(234)	0.40%	Financial charge	Interest on intercompany line of credit
Receivables for goods & services supply	196,425	29.21%	125,855	18.00%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	18,943	25.60%	15,002	13.40%	Other current assets	IRES/VAT receivables from tax consolidation
Loan	(26,723)	3.72%	(626)	0.22%	Short term financial liabilities	Intercompany loans
Payables for goods & services supply	(303)	0.03%	(176)	0.02%	Trade and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Services rendered by staff	197	0.17%	248	0.23%	Other income	Staff on secondment
Services rendered	225	0.20%	145	0.13%	Other income	Outsourcing of services
Financial income	21	0.02%	32	0.08%	Financial income	Interest on intercomany line of credit
Purchases of goods	(40)	0.00%	(140)	0.00%	Purchases of raw materials, spare parts and consumables	Supply of consumables
Services received	(7,722)	1.70%	(8,558)	1.86%	Cost of services and sundry costs	Outsourcing of engeneering services
Financial charges	(2)	0.00%	0	0.00%	Financial charge	Interest on intercompany credit lines
Receivables for goods & services supply	491	0.07%	313	0.04%	Current trade reveivables	Trade receivables
IRES/VAT receivables from tax consolidation	1,449	1.96%	282	0.25%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	(362)	0.05%	(765)	0.27%	Short term financial liabilities	Intercompany credit lines
Payables for goods & services supply	(5,634)	0.53%	(4,699)	0.47%	Trade and other current payables	Trade payables
AKHELA S.r.l.						
Services rendered by staff	0	0.00%	299	0.28%	Other income	Staff on secondment
Services rendered	16	0.01%	4	0.00%	Other income	Outsourcing of services
Financial income	311	0.25%	172	0.44%	Financial income	Interest on intercompany line of credit
Purchases of goods	0	0.00%	(1)	0.00%	Purchases of raw materials, spare parts and consumables	Consumables supply
Services received	(8,790)	1.93%	(8,637)	1.87%	Cost of services and various costs	Outsourcing of IT support
Measurement of equity investments	(7,353)	98.61%	0	0.00%	Net income (charges) on equity investments	Write-down on equity investments
Receivables for goods & services supply	123	0.02%	431	0.06%	Current trade receivables	Trade receivables
Financing	2,095	2.83%	6,314	5.64%	Other current assets	Intercompany line of credit
Financing	5,550	7.31%	5,350	7.06%	Other financial assets	Intercompany line of credit
IRES/VAT receivables from tax consolidation	0	0.00%	443	0.40%	Other current assets	IRES/VAT receivables from tax consolidations
Payables for goods & services supply	(2,176)	0.20%	(4,745)	0.47%	Trade and other current payables	Trade payables
IRES/VAT payable from tax consolidation	(81)	0.12%	0	0.00%	Short-term financial liabilities	IRES/VAT payables from tax consolidations

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2011		31/12/2010			
EOLICA ITALIANA S.r.l.						
Services rendered	3	0.00%	31	0.03%	Other income	Outsourcing of services
Financial charges	0	0.00%	(1)	0.00%	Financial charge	Interest on intercompany loans
Receivables for goods & services supply	0	0.00%	35	0.01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0.00%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	0	0.00%	(2)	0.00%	Trade and other current payables	Trade payables
Financing	0	0.00%	446	0.40%	Other current assets	Intercompany line of credit
Financing	0	0.00%	(411)	0.14%	Short-term financial liabilities	Intercompany line of credit
IRES/VAT payables from tax consolidation	0	0.00%	(21)	0.01%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
ENSAR S.r.l.						
Services rendered by staff	0	0.00%	64	0.16%	Other income	Staff on secondment
Services rendered	33	0.03%	12	0.01%	Other income	Outsourcing of services
Measurement of equity investment	(104)	1.39%	0	0.00%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	83	0.07%	24	0.06%	Financial income	Interest on intercompany line of credit
Receivables for goods & services supply	69	0.01%	99	0.01%	Current trade receivables	Trade receivables
Financing	5,551	7.50%	2,430	2.17%	Other current assets	Intercompany line of credit
Payables for goods & services supply	(2)	0.00%	0	0.00%	Trade and other current payables	Trade payables
IRES/VAT payable from tax consolidation	(221)	0.33%	(137)	0.05%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
NOVA EOLICA S.r.l.						
Services received	0	0.00%	0	0	Cost of services and sundry costs	Receivable Waiver
Financial Income	0	0.00%	7	0.02%	Financial income	Interest on intercompany line of credit
Receivables for goods & services supply	0	0.00%	185	0.03%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	0	0.00%	Trade and other current payables	Trade payables
Financing	0	0.00%	1,950	1.74%	Other current assets	Intercompany line of credit
SARDEOLICA S.r.l.						
Services rendered	50	0.04%	50	0.05%	Other income	Outsourcing of services
Services rendered by staff	0	0.00%	7	0.01%	Other income	Staff on secondment
Financial charges	(129)	0.07%	(120)	0.20%	Financial charge	Interest on intercompany line of credit
Receivables for goods & services supply	46	0.01%	54	0.01%	Current trade receivables	Trade receivables
Payables for goods & services supply	(81)	0.01%	(98)	0.01%	Trade and other current payables	Trade payables
Loan	(7,157)	1.00%	(6,122)	2.14%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(1,121)	0.16%	(1,154)	0.40%	Short-term financial liabilities	IRES/VAT receivables from tax consolidation
PARCHI EOLICI ULASSAI S.r.l.						
Services rendered	6	0.01%	6	0.01%	Other income	Outsourcing of services
Receivables for goods & services supply	7	0.00%	7	0.00%	Current trade receivables	Trade receivables
IRES/VAT payables from tax consolidation	(34)	0.00%	(15)	0.01%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
DEPOSITO DI ARCOLA S.R.L.						
Financial income	1	0.00%	0	0.00%	Other net financial income (charges)	Interest on intrercompany loans
Services rendered	(58)	0.10%	0	0.00%	Received services and sundry costs	Outsourcing of services
Receivables for goods & services supply	1	0.00%	0	0.00%	Current trade receivables	Trade receivables
Loan	400	0.54%	0	0.00%	Other current assets	Intercompany credit lines
Payables for goods & services supply	(70)	0.01%	0	0.00%	Trade and other current payables	Trade payables
IRES/VAT receivables from tax consolidation	(326)	0.05%	0	0.00%	Short term financial liabilities	IRES/VAT payables from tax consolidation
IMMOBILIARE ELLECI S.p.A.						
Rent	(11)	0.00%	(178)	0.04%	Cost of services and sundry costs	Rent of buildings

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2011		31/12/2010			
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	22	0.02%	21	0.02%	Other income	Staff on secondment
Rent	(570)	0.13%	(644)	0.14%	Cost of services and sundry costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	22	0.00%	21	0.00%	Current trade receivables	Trade receivables
F.C. INTERNAZIONALE S.p.A.						
Received services	(2)	0.00%	(19)	0.00%	Cost of services and sundry costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	36	0.03%	34	0.03%	Other income	Staff on secondment
Receivables for goods & services supply	36	0.01%	34	0.00%	Current trade receivables	Trade receivables
ARTEMIDE S.r.l.						
Financial income	14	0.01%	13	0.03%	Financial income	Interests on intercompany financing
Receivables for goods & services supply	4	0.00%	4	0.00%	Current trade receivables	Trade receivables
Financing	600	0.81%	800	0.71%	Other current assets	Intercompany loans
MANTA S.r.l.						
Services rendered by staff	48	0.04%	52	0.05%	Other income	Personnel on secondment
Services rendered	(507)	0.11%	(439)	0.10%	Costs of services and sundry costs	Security services
Receivables for supply of goods and services	48	0.01%	52	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0.00%	(68)	0.01%	Trade payables and other current payables	Trade payables
CIGOGNOLA S.r.l.						
Services rendered	(8)	0.00%	0	0.00%	Cost of services and sundry costs	Gifts and gadgets supply
Payables for goods & services supply	(8)	0.00%	0	0.00%	Trade and other current payables	Trade payables
SARAS ENERGIA S.A. (Spain)						
Supply of goods	936,087	9.42%	998,387	13.50%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	283	0.25%	209	0.19%	Other income	Staff on secondment
Services rendered	2,051	1.80%	1,927	1.78%	Other income	Payment for stocking of mandatory supplies and demurrage
Financing income	3,075	2.43%	2,398	6.11%	Financial income	Intercompany financing
Purchases of goods	(72,205)	0.77%	(35,032)	0.50%	Purchases of raw materials, spare parts and consumables	Repayment of operational loans on Sarroch
Services received	0	0.00%	(15)	0.00%	Cost of services and sundry costs	Staff on secondment
Services received	(1)	0.00%	(31)	0.01%	Cost of services and sundry costs	Charges on sales and marketing research
Financial charges	(2,204)	1.23%	(460)	0.78%	Financial charge	Interest on intercompany line of credit
Receivables for goods & services supply	45,097	6.71%	65,512	9.37%	Current trade receivables	Supply of oil products
Financing	15,000	20.27%	55,000	49.14%	Other current assets	Intercompany financing
Financing	70,000	92.15%	70,000	92.39%	Other financial assets	Intercompany financing
Payables for goods & services supply	(6,204)	0.58%	(479)	0.05%	Trade payables and other current payables	Trade payables
SARINT S.A. (Lussemburgo)						
Financing	0	0.00%	20	0.02%	Other current assets	Intercompany financing
Loan	(14,880)	2.07%	(15,100)	5.29%	Short-term financial liabilities	Intercompany loans
REASAR S.A. (Lussemburgo)						
Financial charges	(141)	0.08%	(64)	0.11%	Financial charge	Interest on intercompany loans
Payables for goods & services supply	(141)	0.01%	(19)	0.00%	Trade and other current payables	Trade payables
Loan	(10,470)	1.46%	(5,470)	1.91%	Short-term financial liabilities	Intercompany loans

No provisions for doubtful loans were made regarding existing balances given that there are no reasons for such provisions; no losses were registered relating to doubtful or bad loans for related parties.

With regard to the above-mentioned transactions, the agreements governing sales of oil and oil products reflect market conditions; where a market price is not available the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses charged in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.:

	31/12/2011			31/12/2010		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportions %
Trade receivables	672,471	347,280	51.6%	699,119	309,763	44.3%
Other current assets	72,626	43,047	59.3%	111,932	82,687	73.9%
Other financial income	75,960	75,550	99.5%	75,764	75,350	99.5%
Short-term financial liabilities	718,263	225,469	31.4%	285,642	151,012	52.9%
Trade and other current payables	1,070,526	41,789	3.9%	1,004,720	30,208	3.0%
Other non-current liabilities	35,424	35,063	99.0%	40,395	40,034	99.1%

The effects on the income statement of transactions or positions with related parties are summarised in the table below:

	31/12/2011			31/12/2010		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportions %
Revenues from ordinary operations	9,932,619	2,798,186	28.2%	7,394,327	2,070,034	28.0%
Other income	113,660	91,857	80.8%	107,958	90,181	83.5%
Purchases of raw materials spare parts and consumables	9,367,250	75,213	0.8%	6,975,911	36,904	0.5%
Cost of services and sundry costs	454,529	83,751	18.4%	461,265	77,233	16.7%
Net income (charges) from equity investment	7,457	7,457	100.0%	(2,445)	(2,245)	100.0%
Financial income	126,395	3,579	2.8%	39,232	2,686	6.8%
Financial charges	180,236	6,731	3.7%	58,948	1,240	2.1%

The main financial flows with related parties are shown in the table below:

Cash flows with related parties	**2011**	**2010**
Net (Income) / Charges from equity interests	(7,457)	(2,445)
Dividends from investments	0	0
(Increase) / Decrease in trade receivables	(37,517)	(179,068)
Increase / (Decrease) in trade and other payables	11,581	3,217
Changes in other current assets	39,640	(5,350)
Changes in other non current liabilities	(200)	(5,021)
Cash flows from / (used in) operating activities	**6,047**	**(188,667)**
Dividends	0	0
Interest received	3,579	2,686
Cash flows from / (used in) investment activities	**3,579**	**2,686**
Increase / (Decrease) short term financial borrowings	74,457	91,572
Interest paid	(6,216)	(1,240)
Cash flows from / (used in) financing activities	**68,241**	**90,332**
Total cash flows with related parties	**77,867**	**(95,649)**

The effects of financial flows with related parties are shown in the table below:

Incidence of Cash Flows	31/12/2011			31/12/2010		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Cash flows from / (used in) operating activities	(127,241)	6,047	n.a.	(31,887)	(188,667)	591.7%
Cash flows from / (used in) Investment activities	(19,350)	3,579	n.a.	(96,293)	2,686	n.a.
Cash flows from / (used in) financing activities	196,970	68,241	39.5%	152,982	90,332	59.0%

7.3 Information pursuant to International Financial Reporting Standard 7 – Financial Instruments: Disclosures

On 18th August 2005, the International Accounting Standards Board (IASB) issued *IFRS 7 - Financial Instruments: Disclosures*, which replaces IAS 30 and the disclosure requirements for financial instruments set out in IAS 32.

The aim of the new standard is to ensure that companies' financial results include supplementary information that makes it possible to evaluate:

a) the value of financial instruments reported in the financial statements;

b) the nature and extent of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date, and the way in which such risks are managed.

The criteria contained in IFRS 7 supplement those set out for the recognition, measurement and disclosure in the annual accounts of the financial assets and liabilities listed in *IAS 32 - Financial Instruments: Disclosure and Presentation*, and in *IAS 39 - Financial Instruments: - Recognition and Measurement*.

The standard applies to all entities and all types of financial instruments except for equity investments in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4) and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).

Where the carrying value of financial assets and liabilities does not correspond to fair value, it nonetheless represents a reasonable approximation; fair value is determined using methods normally adopted for the classes of instruments mentioned, i.e. with reference to market values or prices on active markets where available, or alternative valuation methods based on discounting future cash flows.

7.3.1 Information on the statement of financial position

Paragraphs 8-19 of IFRS 7 require the Company to disclose the carrying value of all financial instruments belonging to the categories set out in IAS 39, as well as detailed information where the Company has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets, or where financial assets have been derecognised. Statement of financial position figures for Saras S.p.A. at 31st December 2010 and 31st December 2011 are shown below, with details of the Company's financial instruments.

31/12/2011	Book Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2011
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**34,250**	**0**	**840,370**	**0**	**0**	**995,237**	**1,869,857**
Cash and cash equivalents				97,285				97,285
Other financial assets held for trading		34,250						34,250
White Ccrtificates		*2,315*						
Derivative instruments		*31,935*						
Trade receivables				672,471				672,471
Receivables from clients				*327,313*				
Bad-debt provision				*(2,016)*				
Financial receivables from Group companies				*347,174*				
Inventories							959,832	959,832
Current tax assets							33,393	33,393
Other assets				70,614			2,012	72,626
Financial receivables from Group companies				*44,411*				
Deposits to guarantee derivatives				*23,054*				
Other receivables				*3,149*				
Non-current assets	**0**	**0**	**0**	**75,960**	**495**	**0**	**1,081,253**	**1,157,708**
Property, plant and equipment							725,320	725,320
Intangible assets							17,722	17,722
Equity Interests carried at cost							300,944	300,944
Other equity interests					495			495
Deferred tax assets							37,267	37,267
Other financial assets				75,960			0	75,960
Financial receivables from Group companies				*75,550*				
Deposits				*410*				
Total financial assets	**0**	**34,250**	**0**	**916,330**	**495**	**0**	**2,076,490**	**3,027,565**
LIABILITIES								
Current liabilities	**0**	**40,137**	**0**	**0**	**0**	**1,812,177**	**45,515**	**1,897,829**
Short-term financial liabilities		*40,137*				*678,126*		*718,263*
Bank loans						*189,764*		
Overdrafts						*256,660*		
Loans from Group companies and other payables						*225,469*		
Derivative instruments		*40,137*						
Other financial liabilities						*6,233*		
Trade and other payables						1,070,526		1,070,526
Current tax liabilities							44,152	44,152
Other liabilities						63,525	1,363	64,888
Other payables						63,525		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**283,647**	**86,612**	**370,259**
Long-term financial liabilities						248,223		248,223
Bank loans						*0*		
Bond						*248,223*		
Provisions for risks and charges							65,893	65,893
Provisions for employee benefits							20,719	20,719
Other liabilities						35,424		35,424
Total financial liabilities	**0**	**40,137**	**0**	**0**	**0**	**2,095,824**	**132,127**	**2,268,088**

31/12/2010 — Book Value of all financial instruments belonging to the categories set out in IAS 39

31/12/2010	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2010
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**16,243**	**0**	**850,319**	**0**	**0**	**667,133**	**1,533,695**
Cash and cash equivalents				46,906				46,906
Other financial assets held for trading		16,243						16,243
Securities held for trading		*16,243*						
Trade receivables				699,119				699,119
Receivables from clients				*391,479*				
Bad-debt provision				*(2,016)*				
Trade receivables from Group companies				*309,656*				
Inventories							622,652	622,652
Current tax assets							36,843	36,843
Other assets				104,294			7,638	111,932
Derivative instruments								
Other receivables				*104,294*				
Non-current assets	**0**	**0**	**0**	**75,764**	**495**	**0**	**1,140,984**	**1,217,243**
Property, plant and equipment							771,727	771,727
Intangible assets							15,602	15,602
Equity Interests carried at cost							303,891	303,891
Other equity interests					495			495
Deferred tax assets							49,764	49,764
Other financial assets				75,764			0	75,764
Financial receivables from Group companies				*75,350*				
Deposits				*414*				
Total financial assets	**0**	**34,250**	**0**	**916,134**	**495**	**0**	**2,136,221**	**3,087,100**
LIABILITIES								
Current liabilities	**0**	**23,624**	**0**	**0**	**0**	**1,329,624**	**21,455**	**1,374,703**
Short-term financial liabilities		23,624				262,018		285,642
Bank loans (guaranteed)								
Overdrafts						*151,039*		
Loans from Group companies and other payables						*110,979*		
Derivative instruments		*23,624*						
Other financial liabilities								
Trade and other payables						1,004,720		1,004,720
Current tax liabilities							14,034	14,034
Other liabilities						*62,886*	*7,421*	*70,307*
Other payables						*62,886*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**477,400**	**97,662**	**575,062**
Long-term financial liabilities						437,005		437,005
Bank loans						*189,280*		
Bond						*247,725*		
Provisions for risks and charges							69,649	69,649
Provisions for employee benefits							28,013	28,013
Other liabilities						40,395		40,395
Total financial liabilities	**0**	**23,624**	**0**	**0**	**0**	**1,807,024**	**119,117**	**1,949,765**

Financial instruments recorded at fair value in the income statement comprise:

- Derivative instruments held by the Company, as described in section 5.3.1. above. The derivatives contracts on interest rates and exchange rates were entered into to mitigate the risks inherent in the business in which it operates, arising from changes in the price of crude and oil products (futures, options and swaps), to hedge interest rate risk on loans taken out and to hedge exchange rate risk relating to its currency positions;
- White certificates obtained for energy savings made in the refinery (please refer to section 5.1.2. above for details).

All trade receivables and most other current and non-current receivables are classed as "Loans" since they consist of non-derivative financial assets with fixed or determinable payments that are not listed on any active market. The value recorded in the financial statements is close to fair value.

Other financial liabilities valued at amortised cost include all the Company's financial liabilities and trade payables arising from the Company's contractual obligations to deliver cash or other financial assets to another entity. The value recorded in the financial statements is close to fair value.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a "without recourse" basis. An analysis of the contract terms and conditions confirmed that the receivables in question can be derecognised.

All financial assets are booked on the trade date.

During the year, the Company met all its obligations with respect to the scheduled repayment of loans in place at the end of the period.

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7.3.2 Information on the statement of comprehensive income

Paragraph 20 of IFRS 7 requires companies to state the amount of net gains or losses generated by financial assets and liabilities, subdivided according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overburdening the financial statements with information, the Company has opted for the second alternative, as recommended in the appendix to the accounting standard.
The tables below show income statement items in detail for the current year and the previous year:

2011	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	Other	2011
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations									9,932,619
Other Income									113,660
Total Revenues							**0**	**10,046,279**	**10,046,279**
Purchases of raw materials, spare parts and consumables									(9,367,250)
Cost of services and sundry costs									(454,529)
Personnel costs									(112,164)
Depreciation, amortisation and write-downs									(110,206)
Total costs							**0**	**(10,044,149)**	**(10,044,149)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,130**	**2,130**
Net income (charges) from equity interests									(7,457)
Other net financial income (charges							*(53,841)*		*(53,841)*
from securities held for trading		*0*					*0*		
- of which:									
Realized gains									
change in fair value									
from current account interest				*138*			*138*		
from loans granted to Group companies				*3,579*			*3,579*		
from derivative instruments		*4,988*					*4,988*		
- of which:									
realized losses		*(7,375)*							
change in fair value		*12,363*							
from other financial assets				*216*			*216*		
from interest on loans from banks						*(25,945)*	*(25,945)*		
from interest on loans from Group companies						*(3,162)*	*(3,162)*		
from other receivables/payables				*(33,655)*			*(33,655)*		
Profit/(loss) before taxes	**0**	**4,988**	**0**	**(29,722)**	**0**	**(29,107)**	**(53,841)**	**(5,327)**	**(59,168)**
Income tax									13,621
Net profit/(loss)									**(45,547)**

2010	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	Other	2010
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations									7,394,327
Other Income									107,958
Total Revenues							**0**	**7,502,285**	**7,502,285**
Purchases of raw materials, spare parts and consumables									(6,975,911)
Cost of services and sundry costs									(461,265)
Personnel costs									(105,860)
Depreciation, amortisation and write-downs									(106,945)
Total costs							**0**	**(7,649,981)**	**(7,649,981)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(147,696)**	**(147,696)**
Net income (charges) from equity interests									(2,445)
Other net financial income (charges)							(19,716)		(19,716)
da Titoli detenuti con finalità di trading		*(85)*					*(85)*		
- of which									
realized gains									
change in fair value		*(85)*							
from current account interest				*16*			*16*		
from loans granted to Group companies				*2,702*			*2,702*		
from derivative instruments		*(14,965)*					*(14,965)*		
- of which									
realized losses		*7,616*							
change in fair value		*(22,581)*							
from other financial assets				*576*			*576*		
from interest on loans from banks						*(15,568)*	*(15,568)*		
from interest on loans from Group companies						*(780)*	*(780)*		
from other receivables/payables				*8,388*			*8,388*		
Acquisition of Sarlux S.r.l.									
Costs for I.P.O. and corporate restructuring									
Profit/(loss) before taxes	**0**	**(15,050)**	**0**	**11,682**	**0**	**(16,348)**	**(19,716)**	**(150,141)**	**(169,857)**
Income tax									59,771
Net profit/(loss)									**(110,086)**

Financial instruments recognised at fair value through profit and loss generated net gains of EUR 4,988 thousand (versus net losses of EUR 12,670 thousand in the previous year), mainly due to changes in the fair value of the derivatives.

Financial instruments recorded under “Loans” generated losses of EUR 29,722 thousand (versus gains of EUR 11,682 thousand in the previous year), chiefly owing to unrealised exchange differences on trade accounts.

Other financial liabilities valued at amortised cost generated a loss of EUR 29,107 thousand (EUR 16,348 thousand the previous year), mainly due to financial charges on loans.

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7.3.3 Additional information

7.3.3.1 Hedge accounting

As described above, the Company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude and oil products, and on interest rates to hedge the interest rate risks relating to the loans obtained.

At 31st December 2011, outstanding derivatives contracts mainly comprised:
- futures, options and swaps on oil products, classified as financial instruments held for trading;
- interest rate swaps and options;
- forwards on the EUR/USD exchange rate.

These instruments are recorded at fair value: changes in fair value during the period are recorded in the income statement under net financial income or charges.

The fair value of the instruments themselves is determined based on the statements sent periodically by the counterpartiesi.

7.3.3.2 *Fair value*

Financial assets held by the Company are booked at fair value or amortised cost, which, where used, did not differ from the fair value as of 31st December 2011.
Financial liabilities, with the exception of derivatives, are recorded at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or financial liabilities subject to interest rates in line with current market rates, amortised cost does not differ from the fair value at 31st December 2011.
Note that the bond loan carries a fixed rate and that market values from the relevant stock market are not available. The current value of the related flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

In accordance with the amendment to IFRS 7 implemented in the EU with EC Regulation 1165 of 27th November 2009, all financial instruments booked at fair value are calculated based on valuation techniques that use market parameters other than the prices of these instruments as their reference, except for the securities recorded under “Other financial assets held for trading” and some futures on commodities classified under “Financial liabilities”, which are valued on the basis of prices on an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.3.4 Risks deriving from financial instruments

The risks deriving from the financial instruments to which the Company is exposed are:

a. Credit risk, i.e. the risk that the Company will incur a loss in the event that a counterparty to a financial instrument defaults;
b. Liquidity risk, i.e. the risk that the Company is not able to service payment obligations arising from the agreed maturities of its financial liabilities;
c. Market risk, i.e. the risk relating to the performance of markets in which the Company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

For information on risk management policies concerning the above, please refer to the relevant section of the Report on Operations.

7.3.4.1 Credit risk

The Company's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.

The information required by paragraphs 36-38 is shown in the tables below:

	Book value at 31/12/2011		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,869,857**	**874,620**	**874,620**		**819,170**	**57,466**	**0**	**0**	**0**	**874,620**	**0**	**(2,016)**
Cash and cash equivalents	97,285	97,285	97,285		97,285					97,285		
Other Financial assets held for trading	34,250	34,250	34,250		34,250					34,250		
Trade receivables	674,487	674,487	674,487	44,630	617,021	57,466				674,487		
Provisions for doubtful receivables	(2,016)	(2,016)	(2,016)							(2,016)	0	(2,016)
Inventory	959,832											
Current tax assets	33,393											
Other assets	72,626	70,614	70,614		70,614					70,614		
Non Current assets	**1,157,708**	**76,455**	**76,455**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	725,320											
Intangible assets	17,722											
Equity interests carried at cost	300,944											
Other equity interests	495	495	495									
Deferred tax assets	37,267											
Other financial assets	75,960	75,960	75,960							0		
Total assets	**3,027,565**	**951,075**	**951,075**		**819,170**	**57,466**	**0**	**0**	**0**	**874,620**		

	Book value at 31/12/2010		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,533,695**	**866,562**	**866,562**		**779,069**	**85,901**	**1,505**	**1,174**	**928**	**866,562**	**0**	**(2,016)**
Cash and cash equivalents	46,906	46,906	46,906		46,906					46,906	0	0
Other Financial assets held for trading	16,243	16,243	16,243		16,243					16,243	0	0
Trade receivables	701,135	701,135	701,135	101,471	611,626	85,901	1,505	1,174	928	701,135	0	(2,016)
Provisions for doubtful receivables	(2,016)	(2,016)	(2,016)							(2,016)		
Inventory	622,652											
Current tax assets	36,843											
Other assets	111,932	104,294	104,294		104,294					104,294	0	0
Non Current assets	**1,217,243**	**76,259**	**76,259**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	771,727											
Intangible assets	15,602											
Equity interests carried at cost	303,891											
Other equity interests	495	495	495									
Deferred tax assets	49,764											
Other financial assets	75,764	75,764	75,764									
Total assets	**2,750,938**	**942,821**	**942,821**		**779,069**	**85,901**	**1,505**	**1,174**	**928**	**866,562**		

Guarantees on receivables are represented by letters of credit obtained by the Company in relation to deliveries to certain customers.

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7.3.4.2 Liquidity risk

The Company's exposure to liquidity risk relates mainly to trade payables and bank loans.

The Company complied with all its obligations with respect to scheduled repayments of loans outstanding at the end of the period.

The quantitative disclosures required by paragraph 39 of IFRS 7 are set out in the table below:

	Book value at 31/12/2011		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2012	2013	2014	2015	2016	over 5 years
LIABILITIES										
Current liabilities	**1,897,829**	**1,852,314**	**1,852,550**	**23,054**	**1,884,342**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	718,263	718,263								
Bank loans		*189,764*	*190,000*		*190,000*					
Overdrafts		*256,660*	*256,660*		*256,660*					
Loans from non consolidated Group Companies & other payables		*225,469*	*225,469*		*225,469*					
Interest (weighted average yearly rate: = 4.73%)					*31,792*					
Derivatives		*40,137*	*40,137*	*23,054*	*40,137*					
Other financial liabilities		*6,233*	*6,233*		*6,233*					
Trade and other payables	1,070,526	1,070,526	1,070,526		1,070,526					
Current tax liabilities	44,152									
Other liabilities	64,888	63,525	63,525		63,525					
Non-current liabilities	**370,259**	**283,647**	**285,424**	**0**	**13,958**	**18,928**	**18,928**	**268,928**	**4,970**	**15,544**
Long-term financial liabilities	248,223	248,223	250,000							
Bank loans		*0*								
Bond		*248,223*	*250,000*					*250,000*		
Interest on medium/long term loans (weighted average yearly rate:= 4.73%)										
Interest on Bond (weighted average yearly rate: = 5.583%)					*13,958*	*13,958*	*13,958*	*13,958*		
Provisions for risks and charges	65,893									
Provisions for employees benefits	20,719									
Other liabilities	35,424	35,424	35,424			4,970	4,970	4,970	4,970	15,544
Total liabilities	**2,268,088**	**2,135,961**	**2,137,974**	**23,054**	**1,898,299**	**18,928**	**18,928**	**268,928**	**4,970**	**15,544**

	Book value at 31/12/2010		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2011	2012	2013	2014	2015	over 5 years
LIABILITIES										
Current liabilities	**1,374,703**	**1,353,248**	**1,353,248**	**15,798**	**1,395,045**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	285,642	285,642								
Bank loans		*0*	*0*		*0*					
Overdrafts		*151,039*	*151,039*		*151,039*					
Loans from non consolidated Group Companies & other payables		*110,979*	*110,979*		*110,979*					
Interest (weighted average yearly rate = 4.00%)					*10,481*					
Derivatives		*23,624*	*23,624*	*15,798*	*23,624*					
Other financial liabilities		*0*	*0*		*31,316*					
Trade and other payables	1,004,720	1,004,720	1,004,720		1,004,720					
Current tax liabilities	14,034									
Other liabilities	70,307	62,886	62,886		62,886					
Non-current liabilities	**575,062**	**477,400**	**480,395**	**0**	**21,558**	**213,080**	**18,928**	**18,928**	**262,656**	**20,163**
Long-term financial liabilities	437,005	437,005	440,000							
Bank loans		*189,280*	*190,000*			*190,000*				
Bond		*247,725*	*250,000*						*250,000*	
Interest on medium/long term loans (weighted average yearly rate: = 4.00%)					*7,600*	*3,800*				
Interest on Bond (weighted average yearly rate = 5.583%)					*13,958*	*13,958*	*13,958*	*13,958*	*7,686*	
Provisions for risks and charges	69,649									
Provisions for employees benefits	28,013									
Other liabilities	40,395	40,395	40,395			5,322	4,970	4,970	4,970	20,163
Total liabilities	**1,949,765**	**1,830,648**	**1,833,643**	**15,798**	**1,416,602**	**213,080**	**18,928**	**18,928**	**262,656**	**20,163**

The fair value of derivatives recognised in the financial statements mainly relates to current positions..

7.3.4.3 Market risk

As explained above, the market risks to which the Company is exposed through its holdings of financial instruments relate to:

- The EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under “Financial income” or “Financial charges”, as well as the fair value of derivatives held at the reporting date;
- The Euribor interest rate, to which the interest rates paid by the Company on its loans are indexed, as well as the fair value of derivative instruments outstanding at the reporting date;
- Prices of crude oil and oil products, which affect the fair value of the derivative instruments in place at the reporting date.

As required by paragraph 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Company is exposed at the reporting date has been prepared, which shows the effects of these risks on the income statement and shareholders’ equity. The ranges used in the sensitivity analysis (exchange rate, interest rate and crude price) are in line with management’s forecasts. The results of the analysis are shown in the tables below.

Euro/dollar exchange rate

With reference to the EUR/USD exchange rate, at the reporting date the Company had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables.
A simulation was performed of the impact on net profit and shareholders’ equity, assuming a change of +/- 10% in the EUR/USD exchange rate at the end of the year, which was used to translate foreign currency positions for the preparation of the statement of financial position.

2011					
EUR / US Dollar exchange rate				Change in benchmark	
Balance sheet items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(665,029)	1.2939	(513,972)		
Effect on profit before taxes				(57,108)	46,725
Effect on net profit (and Shareholders’ equity)				(35,407)	28,969

The table below shows the simulation at 31st December 2010:

2010					
EUR / US Dollar exchange rate				Change in benchmark	
Balance sheet items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(650,119)	1.3362	(486,543)		
Effect on profit before taxes				(54,060)	44,231
Effect on net profit (and Shareholders’ equity)				(35,680)	29,193

To mitigate the effects caused by sensitivity to the EUR/USD exchange rate, the Company also enters into forward exchange rate contracts, which are recorded in the financial statements at their fair value on the reporting date. As the fair value is inevitably affected by the underlying exchange rate, the Company carried out a simulation of the impact on net profit and shareholders’ equity, assuming a change of +/-10% in the benchmark parameters (the simulation for the previous year was adjusted).

The results of the simulation are shown in the table below:

		Change in benchmark	
Derivatives on:	Fair Value as of 31/12/2011	-10%	+10%
Exchange rate	6,431	56,668	(46,366)
	6,431	56,668	(46,366)
Effect on profit before taxes		56,668	(46,366)
Effect on net profit (and Shareholders’ equity)		35,134	(28,747)

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It can be seen that the effects of the simulation almost entirely offset the effects caused by sensitivity to the same variable of the net foreign position, proving the effectiveness of the risk management policy.

Interest rates

The Company has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.

A simulation of the impact on net profit and shareholders' equity was performed, assuming a change of +/- 50bps in rates (the simulation for the previous year was adjusted).

At 31st December 2011, this simulation generated a zero value, as the difference between the existing interest rate swaps at that date, which all expire in 2012, was already fixed, thus the instruments were no longer subject to changes in value due to the variability of the rate.

The table below shows the simulation at 31st December 2010:

2010				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2010	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	4.00%	(11,715)		
Effect on profit before taxes			**1,464**	**(1,464)**
Effect on net profit (and Shareholders' equity)			**966**	**(966)**

In addition, the fair value of the interest rate swaps and options outstanding at the reporting date is affected by movements in the Euribor rate: a simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 50 basis points in rates.

The results of the simulation are shown in the table below:

2011		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2011**	**-50bps**	**+50bps**
Fair value di Interest rate swaps	*(487)*	*0*	*0*
	(487)	**0**	**0**
Effect on profit before taxes		**0**	**0**
Effect on net profit (and Shareholders' equity)		**0**	**0**

The simulation as of 31st December 2010 is shown below:

2010		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2010**	**-50bps**	**+50bps**
Interest rate swaps fair value	*(1,975)*	*(1,072)*	*1,064*
	(1,975)	**(1,072)**	**1,064**
Effect on profit before taxes		**(1,072)**	**1,064**
Effect on net profit (and Shareholders' equity)		**(708)**	**702**

Prices of crude and oil products

Oil prices, on the other hand, affect the fair value of derivative financial instruments outstanding at the reporting date and the relevant differences recognised in the income statement: derivative financial instruments at 31st December 2011 consisted of oil product futures, swaps and options, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.

The Company therefore carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20% in oil prices.

The results of the simulation are shown in the tables below:

2011		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2011**	**-20%**	**+20%**
Crude oil and oil products	(10,199)	45,233	(45,233)
	(10,199)	**45,233**	**(45,233))**
Effect on profit before taxes		**45,233**	**(45,233)**
Effect on net profit (and Shareholders' equity)		**28,044**	**(28,044)**

The simulation as of 31st December 2010 is shown below:

2010		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2010**	**-20%**	**+20%**
Crude oil and oil products	(21,637)	35,277	(35,277)
	(21,637)	**35,277**	**(35,277)**
Effect on profit before taxes		**35,277**	**(35,277)**
Effect on net profit (and Shareholders' equity)		**23,283**	**(23,283)**

The above analysis of the Group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk.

7.4 Average employee numbers

The average number of employees, by category, is shown below.

	2011	2010
Managers	54	57
Office staff	826	820
Specialised workers	10	13
Workers	390	393
Total	**1.280**	**1.283**

The number of employees increased from 1,287 at the end of 2010 to 1,278 at 31st December 2011.

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7.5 Tables showing remuneration and equity investments of directors and auditors, general managers and senior managers with strategic responsibilities

The tables below provide information on remuneration and equity investments of directors and auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer.

7.5.1 Remuneration paid to directors and auditors, general managers and senior managers with strategic responsibilities

(A) Name and Surname	(B) Role	(C) Period in this role	(D) End of term	(1) Remuneration for role in the Group	(2) Non-monetary benefits	(3) Bonus and other incentives	(4) Other remuneration
Board of Directors						(*)	(*)
GIAN MARCO MORATTI	CHAIRMAN	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	2,536,000			
MASSIMO MORATTI	CEO	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	2,536,000			
ANGELO MORATTI	VICE CHAIRMAN	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	336,000		-	690,200
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000		-	768,808
GABRIELE MORATTI	NON-EXECUTIVE DIRECTOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000		-	132,636
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000			
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000		-	204,880
GILBERTO CALLERA	INDEPENDENT DIRECTOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000			
MARIO GRECO	INDEPENDENT DIRECTOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000			
GIANCARLO CERUTTI	INDEPENDENT DIRECTOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	36,000			
(*) remuneration for subordinate work							
Statutory Auditors							(**)
FERDINANDO SUPERTI FURGA	CHAIRMAN	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	62,400			
MICHELE DI MARTINO	STANDING AUDITOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	48,367			31,097
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	43,160			120,817
LUIGI BORRE'	SUBSTITUTE AUDITOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011				63,421
MARCO VISENTIN	SUBSTITUTE AUDITOR	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011				
(**) for auditing services for other Group companies							
Supervisory board							(***)
GABRIELE PREVIATI	CHAIRMAN	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	30,000			
CLAUDIO MASSIMO FIDANZA	MEMBER	01/01/2011/12/05/2011	12/05/2011	-			55,596
GIOVANNI LUIGI CAMERA	MEMBER	13/05/2011/31/12/2011	Date of approval of F/S for FY 2011	13,867			22,540
ENRICO PADOVA	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011				164,625
FERRUCCIO BELLELLI	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011				106,584
(***) including remunerations of other Group Companies							
Internal Audit Committee							
GABRIELE PREVIATI	CHAIRMAN	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	21,000			
MARIO GRECO	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	14,000			
GILBERTO CALLERA	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	14,000			
GIANCARLO CERUTTI	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	14,000			
Remuneration Committee							
GILBERTO CALLERA	CHAIRMAN	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	21,000			
MARIO GRECO	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	14,000			
GABRIELE PREVIATI	MEMBER	01/01/2011/31/12/2011	Date of approval of F/S for FY 2011	14,000			
Managers with strategic responsibilities						-	586,082

At the reporting date, end-of-service entitlements (not included in the table above) totalling EUR 586 thousand had not yet been paid.

7.5.2 Equity investments held by directors and auditors, general managers and senior managers with strategic responsibilities

Surname / Name	Company	N. of shares held at the end of the previous year	N. of shares acquired	N. of shares sold	N. of shares held at the end of the current year
	Equity interest				
Moratti Gian Marco	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Massimo	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Angelo	SARAS S.p.A.	-	-	-	-
Moratti Angelomario	SARAS S.p.A.	-	-	-	-
Moratti Gabriele	SARAS S.p.A.				
Callera Gilberto	SARAS S.p.A.	-	-	-	-
Greco Mario	SARAS S.p.A.	-	-	-	-
Cerutti Giancarlo	SARAS S.p.A.	-	-	-	-
Previati Gabriele	SARAS S.p.A.	18,000	-	-	18,000
Scaffardi Dario	SARAS S.p.A.	1,425	-	-	1,425
Superti Furga Ferdinando	SARAS S.p.A.	-	-	-	-
Camera Giovanni	SARAS S.p.A.	-	-	-	-
Di Martino Michele	SARAS S.p.A.	-	-	-	-
Borrè Luigi	SARAS S.p.A.	-	10,000	-	10,000
Visentin Marco	SARAS S.p.A.	-	-	-	-
Managers with strategic responsibilities	SARAS S.p.A.	2,125	-	-	2,125

7.6 Commitments

As part of its normal activities, Saras has issued sureties, whose value at 31st December 2011 totalled EUR 214,788 thousand, mainly comprising EUR 171,873 thousand to subsidiaries, EUR 3,162 thousand to the Cagliari port authorities as a guarantee for state maritime concessions, EUR 30,000 thousand to the Customs Authority, and EUR 3,325 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant.

At 31st December 2011 and 31st December 2010 the group had made no irrevocable, multi-year commitments to purchase materials or services.

7.7 Other

Please refer to the Report on Operations of the Consolidated Financial Statements for details on atypical and/or unusual operations as well as accidents that occurred between 2009 and 2011.

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8. Miscellaneous

For information on events after the reporting period, please see the relevant section in the Report on Operations.

Pursuant to article 2428 of the Civil Code, please note that the other offices of the Company are:
General and Administrative Headquarters - Milan
Public Relations and Administrative Affairs - Rome

Pursuant to article 149-*duodecies* of the Consob Issuer Regulations, the table below provides details of the fees relating to 2011 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

INFORMATION PURSUANT TO ART. 149 - DUODECIES OF CONSOB ISSUER REGULATIONS

Services	Supplier	Recipient	Amount due in 2011 (EUR thousand)
Audit	PricewaterhouseCoopers SpA	Saras SpA	371
Attestation	PricewaterhouseCoopers SpA	Saras SpA	12
Other services	PricewaterhouseCoopers SpA	Saras SpA	0
Total			**383**

9. Publication of the financial statements

At its meeting on 21st March 2012, the Board of Directors of Saras authorised the publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the notes to the financial statements any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

Reports to the Financial Statements as of 31st December 2011

Report of the Independent Auditors to the Consolidated Financial Statements

Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

Declaration in respect of the consolidated accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO and Corrado Costanzo, the director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- to the appropriateness in respect of the type of company and
- the efficient application

of the administrative and accounting procedures for the preparation of the consolidated accounts for the period 1 January 2011 to 31 December 2011.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2011:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July 2006, and give a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

1

Raffineria
Sede legale
I-09018 Sarroch (Cagliari)
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Telefono 070 90911
Fax 070 900209

Direzione ralazioni pubbliche e
affari amministrativi
I-00187 Roma
Salita S. Nicola da Tolentino 1/b
Telefono 06 4203521
Fax 06 42035222

Cap. Soc. Euro 54.629.666,67 int. vers.
Reg. Imprese Cagliari, Cod. Fisc. e
P. Iva 00136440922

Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 21 March 2012

Signature: delegated authority

(Gian Marco Moratti)

(Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Corrado Costanzo)

2

Raffineria
Sede legale
I-09018 Sarroch (Cagliari)
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Report of the Independent Auditors to the Consolidated Financial Statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1 We have audited the consolidated financial statements of Saras SpA and its subsidiaries ("Saras Group") as of 31 December 2011, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholders' equity, cashflow statement and related notes. The directors of Saras SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian commission for listed companies and the stock exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 6 April 2011.

3 In our opinion, the consolidated financial statements of Saras SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of the Saras Group for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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4 The directors of Saras SpA are responsible for the preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, presented in the corporate governance report, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession, *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the consolidated financial statements of Saras SpA as of 31 December 2011.

Milan, 5 April 2012

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

2 of 2

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

Declaration in respect the annual accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO and Corrado Costanzo, the director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- to the appropriateness in respect of the type of company and
- the efficient application

of the administrative and accounting procedures for the preparation of the annual accounts for the period 1 January 2011 to 31 December 2011.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2011:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002
b) accurately represent the figures in the company's accounting records
c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July 2006, and give a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

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Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 22 March 2012

Signature: delegated authority

(Gian Marco Moratti)

(Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Corrado Costanzo)

Raffineria
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SARAS S.P.A.

Registered office: S.S. 195 "SULCITANA" KM 19 - SARROCH (CA)
Share capital: EUR 54,629,666.67, fully paid up

Report by the Board of Statutory Auditors to the shareholders' meeting pursuant to article 153 of Legislative Decree 58/98 and article 2429, of the Italian Civil Code

To the shareholders of Saras S.p.A.

During the year ending 31 December 2011, we carried out the supervisory activities required by law, updated by Legislative Decree 39/2010, in accordance with the Code of Conduct for Internal Auditors recommended by the National Accounting Board.

MONITORING ACTIVITIES

In particular, in compliance with the instruction provided in Consob communication nr. 1025564 of 6 April 2001, nr. 3021582 of 4 April 2003 and nr. 6031329 of 7 April 2006, we wish to report the following:

We have monitored compliance with the law and the Articles of Association, and we also monitored compliance with principles of accurate administration.

We attended to the Shareholders' Meeting, to the meetings of the Board of Directors and to the Internal Control Committee and we have obtained from the Directors, at least every three months, ex article 150 of Legislative Decree 58/1998, information on the general performance of the company, on the outlook, and also on the operations with the greater financial and economic impact made by the company, verifying that the decisions taken were not imprudent or risky, did not represent a potential conflict of interest, did not run counter to resolutions adopted by shareholders, and did not jeopardise the company's assets.

We examined and monitored, within the parameters of our remit, the effectiveness of the company's organisational structure, in compliance with good administrative practice, by collecting information received from the heads of the various functions and meeting with the external auditors in order to share relevant information, and we have no particular observations to make in this regard.

In relation to the company's main subsidiaries, the Board of Statutory Auditors obtained information and monitored on the appropriateness of the instructions given by the company to its subsidiaries, pursuant to article 114, paragraph 2 of the Legislative Decree 58/98; obtained information on the organisational structure and the management control system, and in this regard we have no particular observations to make.

We have assessed and monitored the effectiveness of the internal audit, administrative and accounting systems, and the reliability of the accounting system in terms of accurately representing the results of the operations, by:

(i) examining the report by the head of Internal Audit on the internal audit system at Saras;
(ii) examining the statements from Internal Audit and the information on the results of activities to monitor the implementation of corrective measures identified following audit activities;
(iii) obtaining information from the heads of the various functions;
(iv) examining company documents;
(v) analysing the results of the work conducted by the external auditors;
(vi) sharing information with the audit bodies of the subsidiaries, pursuant to paragraphs 1 and 2 of article 151 of Legislative Decree 58/98;

We have no particular observations to make in this regard.

The Internal Control Committee and the Remuneration Committee have been established by the Board of Directors; the Board of Statutory Auditors, after examining the new relevant laws and rules, verified the corresponding compliance activities of the company and examined the policies of remuneration chosen by the Board of Directors, for the Directors and the Management with strategic responsibilities, in accordance with the requirements of the Code of Conduct of the Companies listed in the Stock Exchange, and in accordance with the proposals of the Remuneration Committee.

We held meetings with representatives of the external auditors, pursuant to article 150, paragraph 3 of Legislative Decree 58/98, and no significant information emerged that ought to be included in this report.

We have not discovered any atypical or unusual transactions carried out with third parties, group companies or related parties.

In the Notes to the Accounts, the Directors indicate and explain the existence of an extensive exchange of goods and services between the company, other group companies and related

parties, and specify that this was governed by appropriate conditions as indicated in the Notes to the Accounts in light of the nature of the goods and services provided.

We have obtained and reviewed information from the Supervisory Body regarding organisational and procedural activities implemented pursuant to Legislative Decree 231/01, as subsequently amended, relating to the administrative responsibility of entities for the crimes covered by the decree. The report by the Supervisory Body on the activities carried out during 2011 and the meetings between the Supervisory Body and the Board of Statutory Auditors did not reveal any significant issues that ought to be mentioned in this report.

The Board of Statutory Auditors has received no complaints or accusations pursuant to article 2408 of the Italian Civil Code.

Based on the express declaration of the Directors, we can report that the external auditors have also been charged with the following additional duties:

- checking the separate consolidated accounting statements relating to activities in the electricity sector for a remuneration of EUR 6,750;
- signing tax declarations for a remuneration of EUR 5,505.

During the year, the Board of Statutory Auditors issued the following positive opinions:

- regarding the existence of the necessary qualifications and characteristics of the independent Directors;
- pursuant to article 2389, paragraph 3 of the Italian Civil Code, regarding the remuneration of the Directors who belong to the various Committees.

By means of direct checks and information obtained from the external auditors, the Board of Statutory Auditors has verified compliance with legal requirements regarding the preparation and presentation of the company's annual financial statements and the report on operations that accompanies them. Moreover, the Board of Statutory Auditors has examined the valuation criteria used in preparing the financial statements, in order to ensure that they meet legal requirements and are appropriate for the company's financial situation, with specific attention to the criteria and assumptions made to perform the impairment test.

In the “Risk Analysis” section, the Directors describe the main risks and uncertainties to which the company and the group are exposed, including operational, financial (price volatility, credit, liquidity, exchange rate, interest rate) and general risks.

The Board of Staturory Auditors recognizes the effort made by the company in order to continuosly improve the safety and environmental protection systems.

The Board of Statutory Auditors met ten times, also with the Boards of the subsidiaries, and attended six Board of Directors' meetings, one Shareholders' Meeting, seven meetings of the Internal Control Committee, and three meetings of the Remuneration Committee.

The report on operations provides sufficient information on the company's operations and is appropriate for the scope and complexity of the company's affairs.

ANNUAL REPORT

We examined the draft Financial Statements as of 31st December 2011 which was given to us pursuant to article 2429 of the Italian Civil Code and in that regard we report as follow.

Since it is not our duty to perform a legal review of the Financial Statements, we monitored the format given to this document and the general compliance to the laws for everything concerning its structure, and in that respect we have no particular comments to refer.

The Directors, in the preparation of the Financial Statements did not make any exception to the rules prescribed by the laws, article 2423 paragraph 4 of the Italian Civil Code.

The financial year ended on 31st December 2011 closes with a loss of EUR 45,546,701.

CONCLUSIONS

Today the external Auditors produced their opinion letter without any exception.

The Board of Statutory Auditors does not have any reason to object to the approval of the Financial Statements and agrees with the proposal of the Board of Directors regarding the destination of the Net Result.

The Board of Statutory Auditors finally wishes to mention that, with the approval of this Financial Statements, its 3-year mandate expires, and therefore we invite the Annual Shareholders Meeting to take consequent decisions in that regards.

Milan, 5 April 2012

For the Board of Statutory Auditors

The Chairman

Ferdinando Superti Furga

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List of assignment hold to the Board of Statutory Auditors within companies as at book V of the Codice Civile as at 27/03/2012

Prof. Ferdinando Superti Furga

COMPANY NAME	ASSIGNMENT HOLD
ARNOLDO MONDADORI EDITORE S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
SARAS S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
TELECOM ITALIA S.P.A.	PERMANENT AUDITOR
FININVEST S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
PUBLITALIA '80 S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
SOCIÈTÈ EUROPÈENNE DE BANQUE SA	VICE CHAIRMAN OF THE BOARD OF DIRECTORS
LUISA SPAGNOLI S.P.A.	INDEPENDENT DIRECTOR
GIUSEPPE CITTERIO S.R.L.	INDEPENDENT DIRECTOR
FONDAZIONE HOUSING SOCIALE	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
FONDAZIONE LOMBARDA ANTIUSURA	CHAIRMAN OF THE BOARD OF DIRECTORS

Dott. Michele Di Martino

COMPANY NAME	ASSIGNMENT HOLD
GEASAR S.P.A.	PERMANENT AUDITOR
CORTESA S.R.L.	PERMANENT AUDITOR
SARAS S.P.A.	PERMANENT AUDITOR
SARLUX S.R.L.	PERMANENT AUDITOR
ENSAR S.R.L.	PERMANENT AUDITOR

Dott. Giovanni Camera

COMPANY NAME	ASSIGNMENT HOLD
AKHELA S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
AIMPES-ASS. ITAL.MANIFATTURIERI PELLI E SUCCEDANEI	AUDITOR
ARCOLA PETROLIFERA S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
ARTEMIDE S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
ASPREMARE ONLUS	AUDITOR
CMC S.P.A.	DIRECTOR
CONSORZIO ACQUEDOTTO PINETINA	DIRECTOR
COOP. SOCIALE SAN PATRIGNANO	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
COOP. SOCIALE SAN PATRIGNANO PRODOTTI E SERVIZI	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
CREO S.P.A	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
DEPOSITO DI ARCOLA S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
ENSAR S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
F.C. INTERNAZIONALE MILANO S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
FONDAZIONE CARDINALE BORROMEO	CHAIRMAN OF THE BOARD OF AUDITORS
INTENDIS MANIFACTURING S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
INTERNAZIONALE HOLDING S.R.L.	PERMANENT AUDITOR
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MONDINI CAVI S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
PARCHI EOLICI ULASSAI S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
SARAS S.P.A.	PERMANENT AUDITOR
SARDEOLICA S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
SARLUX S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
SARTEC S.R.L.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
SHINE SIM S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS
UBS (ITALIA) S.P.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS

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Report of The Independent Auditors to the Financial Statements of Saras S.p.A.

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1. We have audited the financial statements of Saras SpA as of 31 December 2011, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholders' equity, cashflow statement and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian commission for listed companies and the stock exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 6 April 2011.

3. In our opinion, the financial statements of Saras SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Saras SpA for the year then ended.

4. The directors of Saras SpA are responsible for the preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, presented in the corporate governance report,

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with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession, *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the financial statements of Saras SpA as of 31 December 2011.

Milan, 5 April 2012

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

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