Saras Group

Saras Group Consolidated Financial Statements and Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2007

SARAS

Our commitment to an increasingly sustainable future

The energy market is a global market par excellence and decisions made in this sector have an effect on all our daily lives and on our planet. We have been refining oil for nearly half a century and generating electricity since the year 2000; we have always been conscious of the need for careful management of such precious resources on account of the effect they have on the region and the environment.

This drives us, through our strategic decisions and investment policies, to adopt a responsible attitude, as we consider that the success of a large company must also be measured in terms of its commitment to building a sustainable future.

Our results are achieved through our staff who work with great skill and dedication. Developing and valuing the people who work in the Group is an integral part of our growth strategy, as is dialogue with the organisations in the vicinity of our productive activities and with all other stakeholders. Last year, we stepped up our responsibilities in this area by adopting codes of conduct and procedures aimed at ensuring maximum safety and minimum impact outside the plant.

This involves our production sites, local organisations and the public. We consider this collaboration vital for a group such as Saras, which has expanded partly thanks to constructive relationships with the local communities. In this second year after listing, the Group has also recorded improved results.
This increased net profit means we are in a position to propose a dividend of 17 eurocents, 13% higher than last year's. The 2007 figures confirm more than ever the Group's sound financial position, which at this difficult time for the financial markets represents a strength, and which we intend to use to invest in our present and future growth.

We invested over EUR 200 million in the year, financed entirely from cash flow from our operations, and aimed both at improving profitability and building new plants to meet the requirements of European directives on product quality and the reduction of polluting emissions. Specifically, the investment we are finalising will enable us to anticipate European legislation on the sulphur content of motor fuels, due to take effect in 2009.

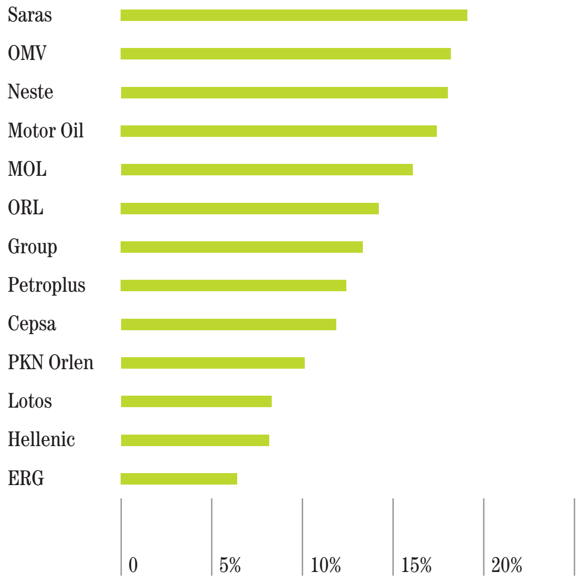
The Group's investment policy in the next few years will also aim to strengthen our important position among sector companies as regards the return on capital employed.

Our future is built on an increasing commitment to safeguarding the environment, starting with training.
Creating a culture of energy is part of that commitment.

Chairman
Gian Marco Moratti

Another year of strong earnings

ROACE* European refining industry 2007



* ROACE: Post Tax operating profit for rolling 12-month period over the average capital employed for the period

Source: Lehman Brothers, March 2008

Once again this year the Saras Group enjoyed outstanding results. Adjusted net income rose for the second consecutive year despite the sharp fall in the dollar against the euro and a reduction in the CIP6 power tariffs.

Another very important factor was the almost total elimination of debt: our financial soundness, against the current turbulence on the financial markets, is to be viewed more than ever as a valuable resource for our company, especially in view of our organic and external growth plans for the future.

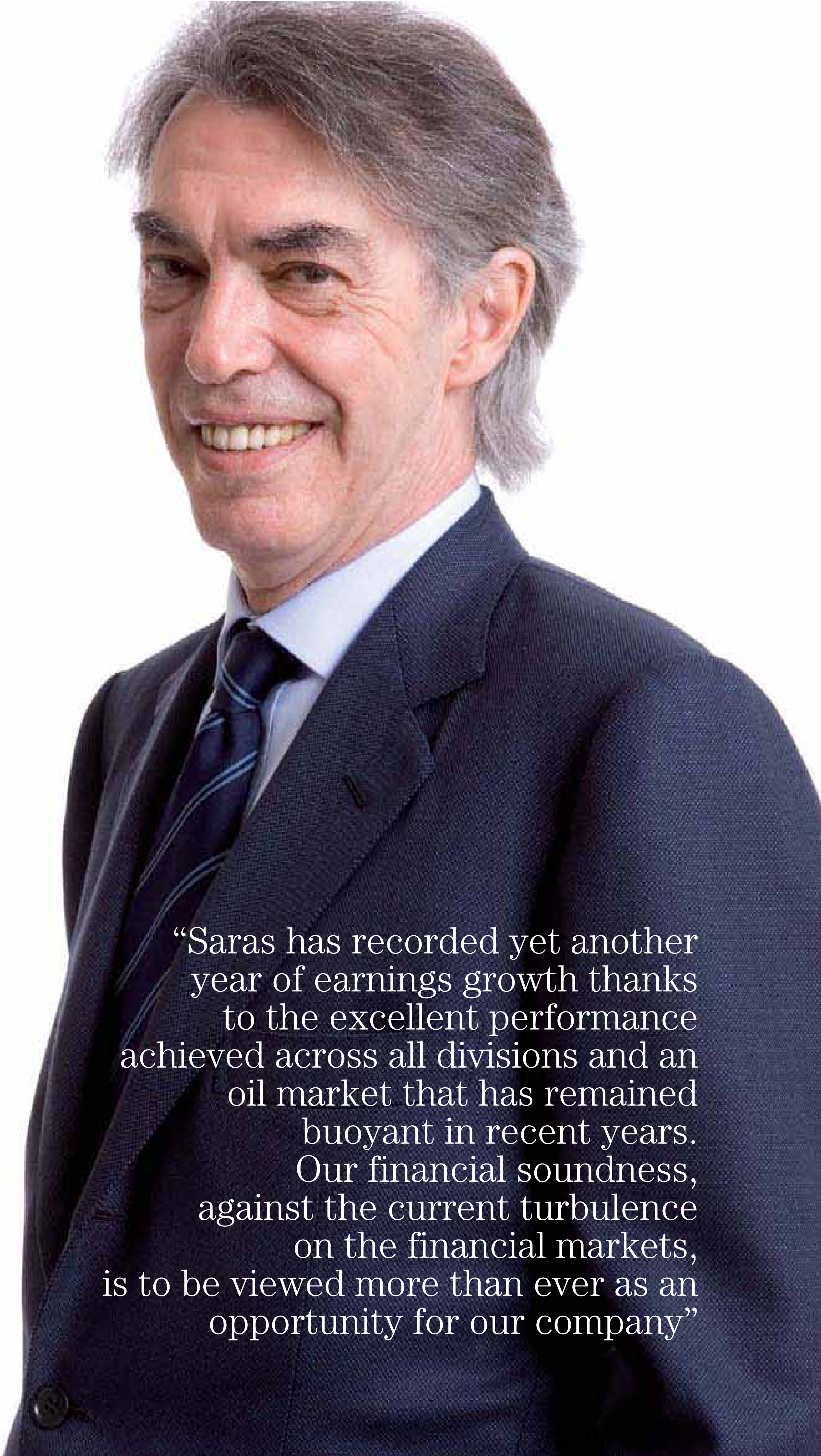
Our shrewd investment choices and financial discipline have enabled us to achieve returns on invested capital that rank amongst the highest in the refining sector. As can be seen from the graph, we were able to achieve outstanding returns in 2007, the highest in the refining sector: our ROACE stood at just below 20%, versus a sector average of 13%.

Returning to the results, at group level comparable EBITDA stood at EUR 587 million, a 3% increase on last year. Increased earnings on last year were recorded in every sector apart from power generation due to the reduction in the CIP6 power tariffs introduced by Italy's Energy Authority, the AEEG.

The refining business in particular recorded a 15% rise in comparable EBITDA thanks to the upgrades made to some plants and the refinery's good operating performance. Outstanding results were achieved in marketing, where comparable EBITDA grew by 34% as a result of a significant increase in sales, especially of diesel, which totalled almost 4 million tons. Conversely, comparable EBITDA in the power generation segment fell by 15% for the reasons given above.

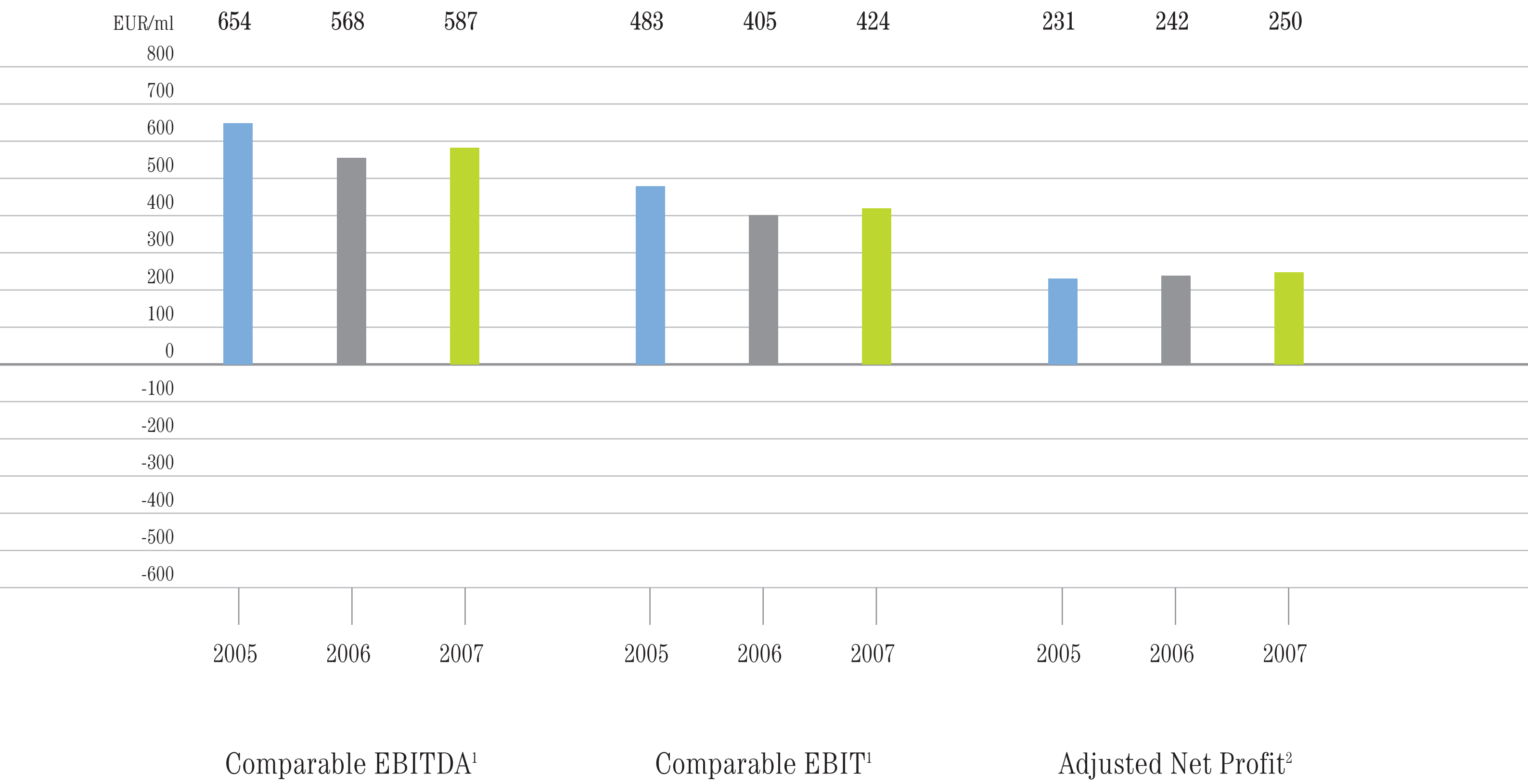
Despite the fears of a world economic slowdown and the current crisis on the financial markets, the prospects for our sector still remain good and, together with our financial soundness, make us optimistic about reaching our medium-term growth objectives.

Managing Director
Massimo Moratti


"Saras has recorded yet another
year of earnings growth thanks
to the excellent performance
achieved across all divisions and an
oil market that has remained
buoyant in recent years.
Our financial soundness,
against the current turbulence
on the financial markets,
is to be viewed more than ever as an
opportunity for our company"

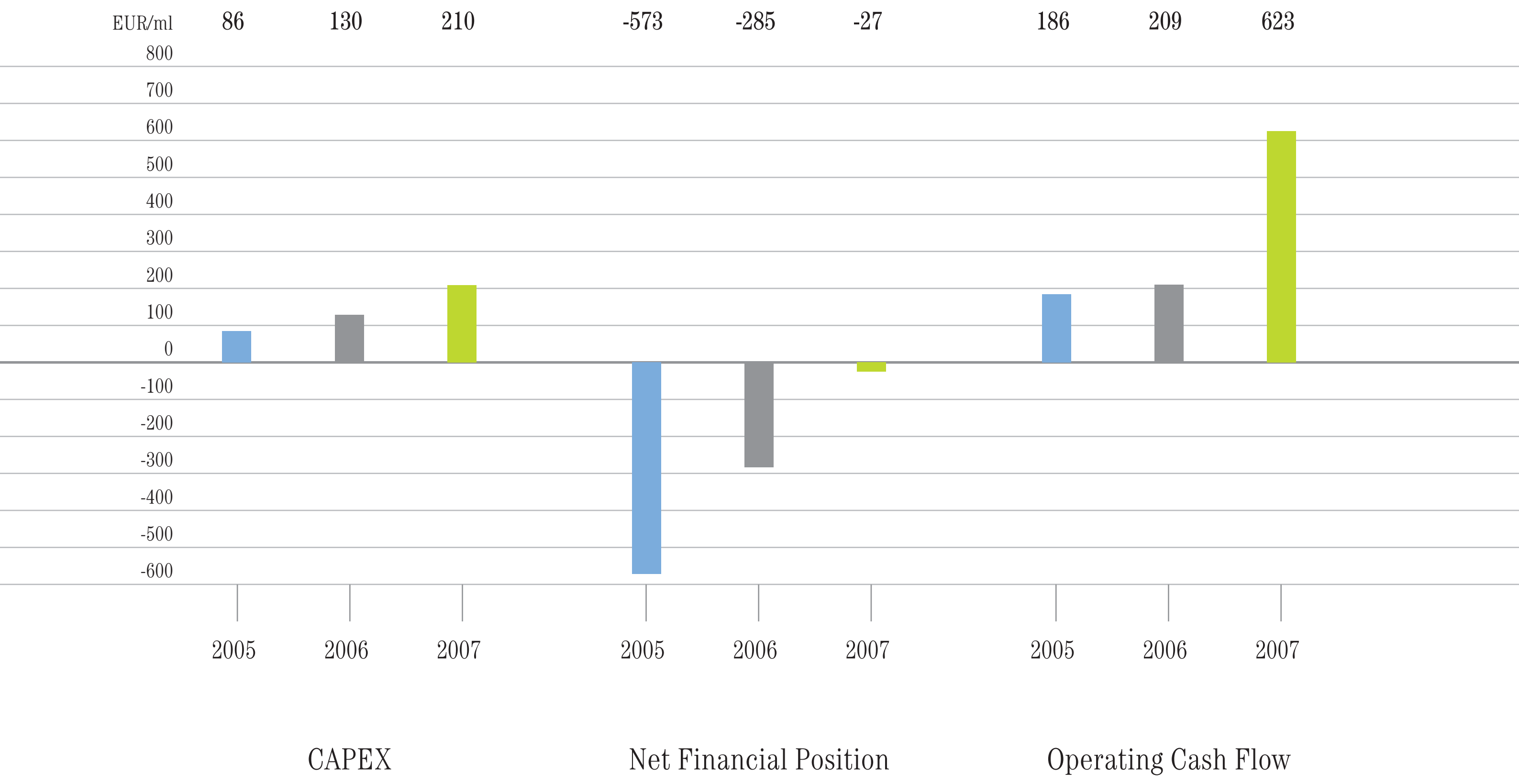
Key Figures 2007

Key Income Statement Figures

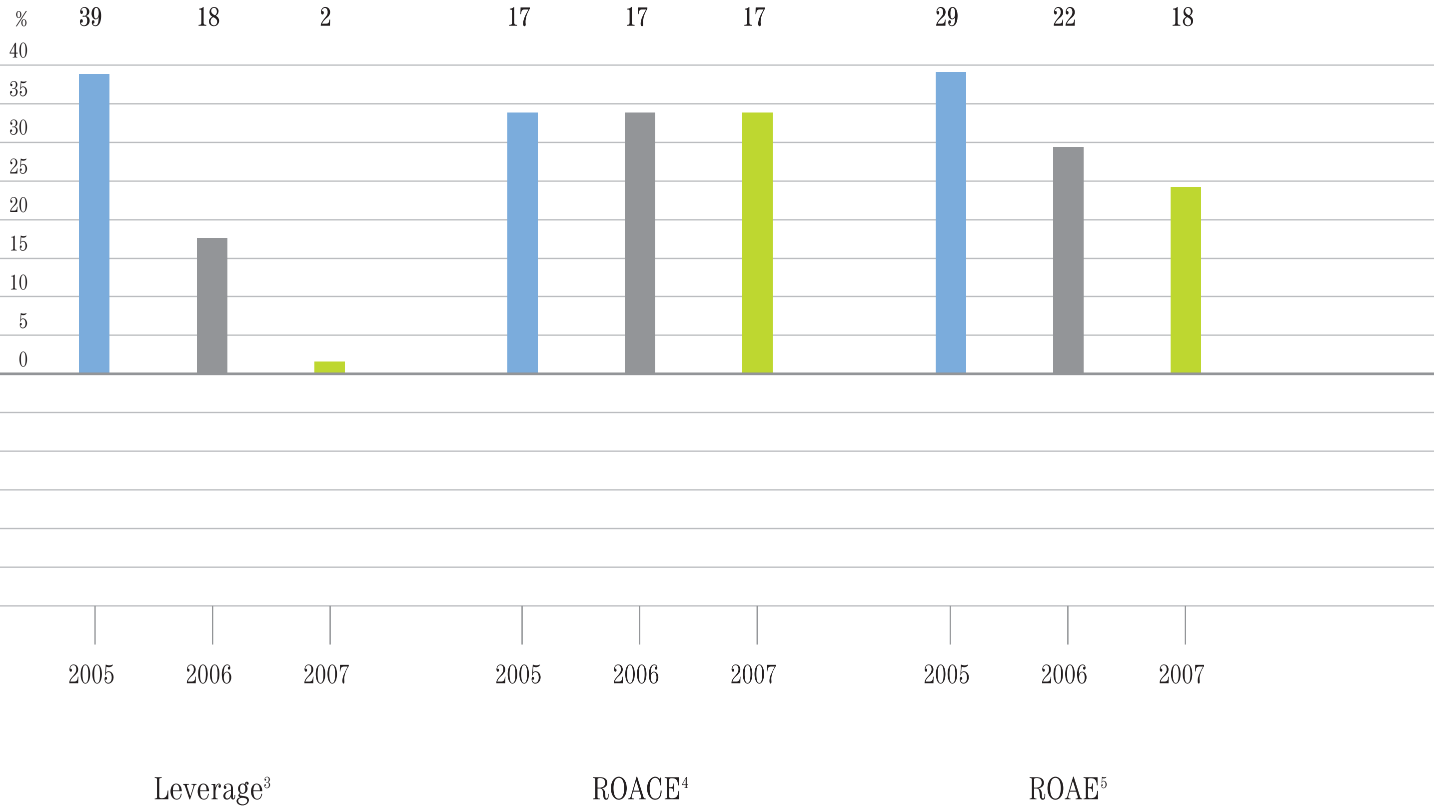


1. Comparable EBITDA/EBIT calculated with inventories reported using the LIFO method and adjusted for non-recurring items. **2. Adjusted net profit:** adjusted for differences between LIFO and FIFO inventory calculations after tax, non-recurring items after tax and changes in the fair value of derivatives after tax.

Investments and Cash Flow



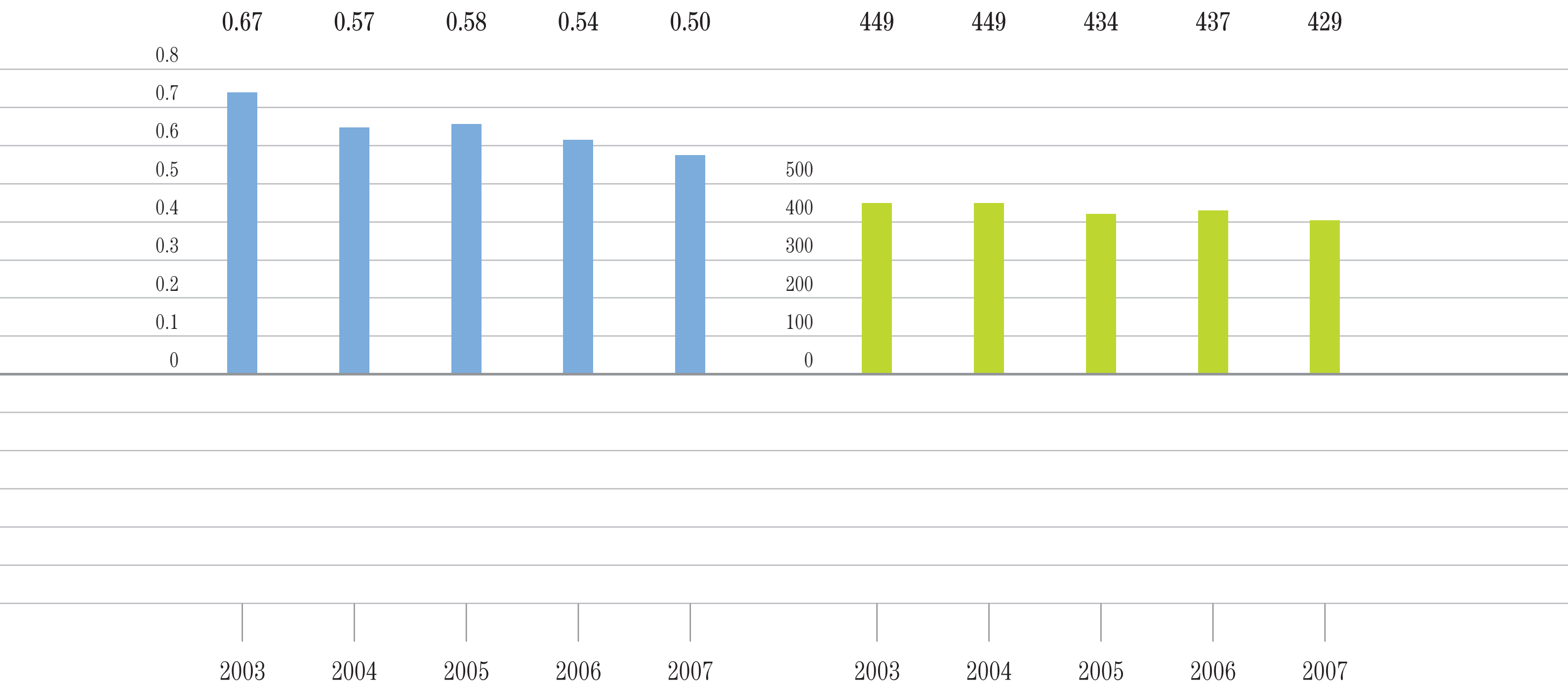
Key Balance Sheet Figures



3. **Leverage:** net debt/(net debt+equity). 4. **ROACE:** return on average capital employed. 5. **ROAE:** return on average equity.

The figures for 2005 and 2006 are reported pro forma, that is assuming full consolidation of Sarlux as of 1 January 2005.

Key Environmental Indices



CO_2 Production index
(tons of CO_2 / 000 tons of materials processed)

SO_2 Production index
(tons of SO_2 / 000 tons of materials processed)

Key balance sheet figures

EUR Million		2007	2006	2005
REVENUES		6,664	6,169	5,547
EBITDA		760.1	526.2	783.7
Comparable EBITDA		**587.3**	**567.5**	**653.6**
EBIT		508.8	363.5	612.8
Comparable EBIT		**423.7**	**404.8**	**482.7**
NET PROFIT		322.7	208.1	306.4
Adjusted NET PROFIT		**249.6**	**242.0**	**230.5**
NET EARNINGS PER SHARE		**0.26**	**0.25**	**0.24**
NET DEBT		(27)	(285)	(573)
FIXED ASSETS		210	130	86
OPERATING CASH FLOW		623	209	186

ELECTRICITY PRODUCTION	MWh/1000	4,414	4,467	4,347
POWER TARIFF	Eurocent/KWh	12.3	13.5	12.2

		2007	2006	2005
REFINERY RUNS	Thousand tons	14,593	14,286	14,423
	Million barrels	106.5	104.3	105.3
	Thousand barrels/day	292	286	288
EXCHANGE RATE	EUR/USD	1.370	1.250	1.240
BENCHMARK MARGIN (EMC)	$/bl	3.3	2.8	4.7
SARAS REFINING MARGIN	$/bl	7.3	6.2	7.1
TOTAL SALES, MARKETING	Kton	3,906	3,217	2,957
of which Italy	Kton	1,102	1,013	1,037
of which Spain	Kton	2,804	2,204	1,920

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1960

Start of operations

- 1962: Saras is founded by Angelo Moratti
- 1965: Sarroch refinery begins operations
- 1968: completion of a new topping plant and of the fluid catalytic cracking plant (FCC)

1970

Refining for third parties

- 1970: refining services are offered to third parties for the first time
- 1970: completion of the alkylation unit and of a sewage treatment plant

1980

Increase in conversion capacity

- 1983: completion of the visbreaking unit (45,000 bl/day) and of a vacuum plant (60,000 bl/day
- Late 1980s: capacity of the FCC unit is increased to 94,000 bl/day
- 1984: completion of the reforming plant (CCR, 30,000 bl/day)

The Saras Group today

The Saras Group operates in the energy sector and is one of the Europe's leading independent oil refiners. The Sarroch refinery, situated on the coast south-west of Cagliari, Sardinia, is one of the biggest in the Mediterranean area in terms of production capacity and one of the six most complex supersites in western Europe (source: Wood Mackenzie, February 2007).

Occupying a strategic geographical location in the Mediterranean, it is also a model of efficiency and environmental sustainability, thanks to the wealth of know-how, technology and human resources that Saras has accrued in more than 40 years of business, in tandem with ongoing investment in plant upgrades.
With production capacity of 15 million tons per year (or 300,000 barrels per day), the refinery accounts for about 15% of Italy's total refining capacity.

Both directly and through our subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (Spain), we sell and distribute oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naph-

1990

Environment and new technologies, expansion into the wholesale market

- 1992: completion of the mild hydrocracking (MHC) plant (70,000 bl/day)
- Saras begins operating in the wholesale market in Spain (Saras Energia) and Italy (Arcola Petrolifera)

2000

Further investments in high-tech plants

- Construction of the integrated gasification combined cycle (IGCC) plant
- Completion of a second MHC plant
- Completion of an etherification plant (TAME)
- Second half of 2005: the Ulassai wind farm enters operation, with an installed capacity of 72MW

2006/7

2006 – IPO

- Plans to grow the business and explore new opportunities aimed at value creation for our shareholders

2007 – Increased conversion capacity

- The upgrades made to some conversion plants have led to a significant improvement in the production of diesel.

tha and aviation fuel on the Italian, European (principally Spain), and international markets.

On the international front, through our subsidiary Saras Energia, we are pursuing a development project in Spain. Work began during 2007 on the construction of a biodiesel plant in Cartagena, on the southern coast of Spain.
In recent years we have expanded from oil refining into other areas, the energy sector in particular. Sarlux specialises in the generation of electricity through its IGCC (Integrated Gasification Combined Cycle) plant which uses refinery by-products and produces over 4.4 billion KWh of electricity each year, providing over 30% of the region's electricity requirements. We are also involved in the production of power from renewable sources through the wind farm at Ulassai in Sardinia.

Saras also operates in the information technology services sector through its subsidiary Akhela S.r.l., and provides industrial engineering and scientific research services to the oil, energy and environment sectors via its subsidiary Sartec S.p.A.

Strategy

2007 was a year of outstanding results, consolidation and development.
In 2008 we have set ourselves new growth targets to strengthen our position and prepare ourselves for the market challenges meeting us in coming years.

Our sound financial structure makes us ideally placed to carefully assess every opportunity for growth through acquisitions in the refining, logistics and distribution sectors, and to plan for the development of our plant in Sarroch, which still remains our core asset.

Saras' strategy will therefore continue to be geared towards the organic and sustainable development of the Sarroch production site.

All strategic decisions in our sector have to be assessed over very long time horizons in view of the fact that it can take between 3 to 5 years from the time the construction of a plant is approved until it comes on stream. These timescales, moreover, are growing ever longer due to the increasing order backlog accumulated by the companies involved in the design and construction phase of equipment on account of the growing demand and limited availability of skilled resources. It is these very same firms who often provide services to the entire oil & gas sector, including exploration which has accelerated in recent years following the surge in oil prices. This, combined with the rising price of all raw materials, has led to a significant increase in plant construction costs, thereby setting the entry barrier in our sector even higher.

Against this backdrop, any investment plan must be assessed with a time horizon of over 10 years, and include a projection of all macroeconomic and market variables. An understanding of the main market trends is therefore key. Our company can boast a solid track record in terms of organic growth focused on the development of the Sarroch production site, and limiting the analysis to the past decade we can confidently state that all the strategic investment decisions taken have been successful.

Our ability in particular to predict market trends has led us to make investment choices in advance of many of our rivals, thus giving us a competitive edge in recent years and enabling us to benefit fully from a favourable market situation. We are referring mainly to the construction of the second mildhydrocracker and the gasification plant (IGCC) in the early 2000s, but also to the upgrades made to some key plants in the past two years which have enabled

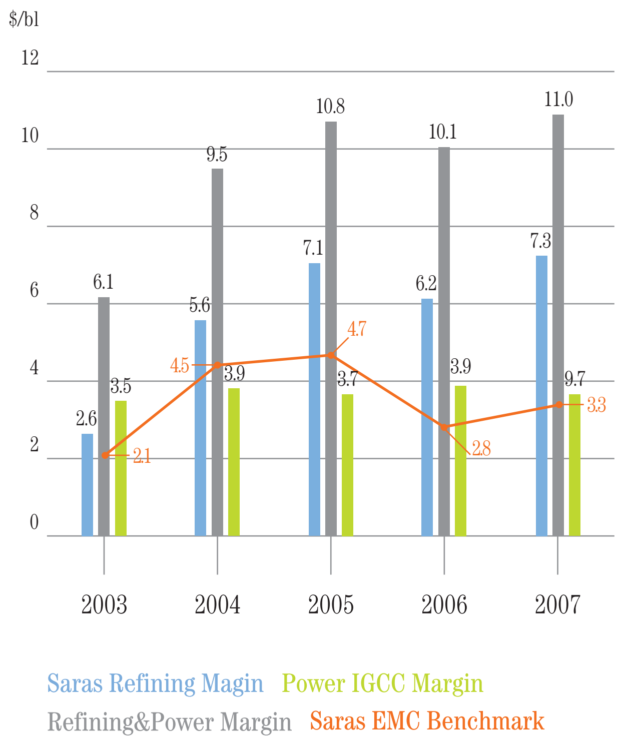
"We believe that our business will be sustained by good fundamentals in the years to come, but we are aware that the market will be increasingly selective and will reward those able to chart its trends and optimise every phase of the value generation process. Developing the talents of our people will continue to be a decisive tool in the pursuit of excellence"

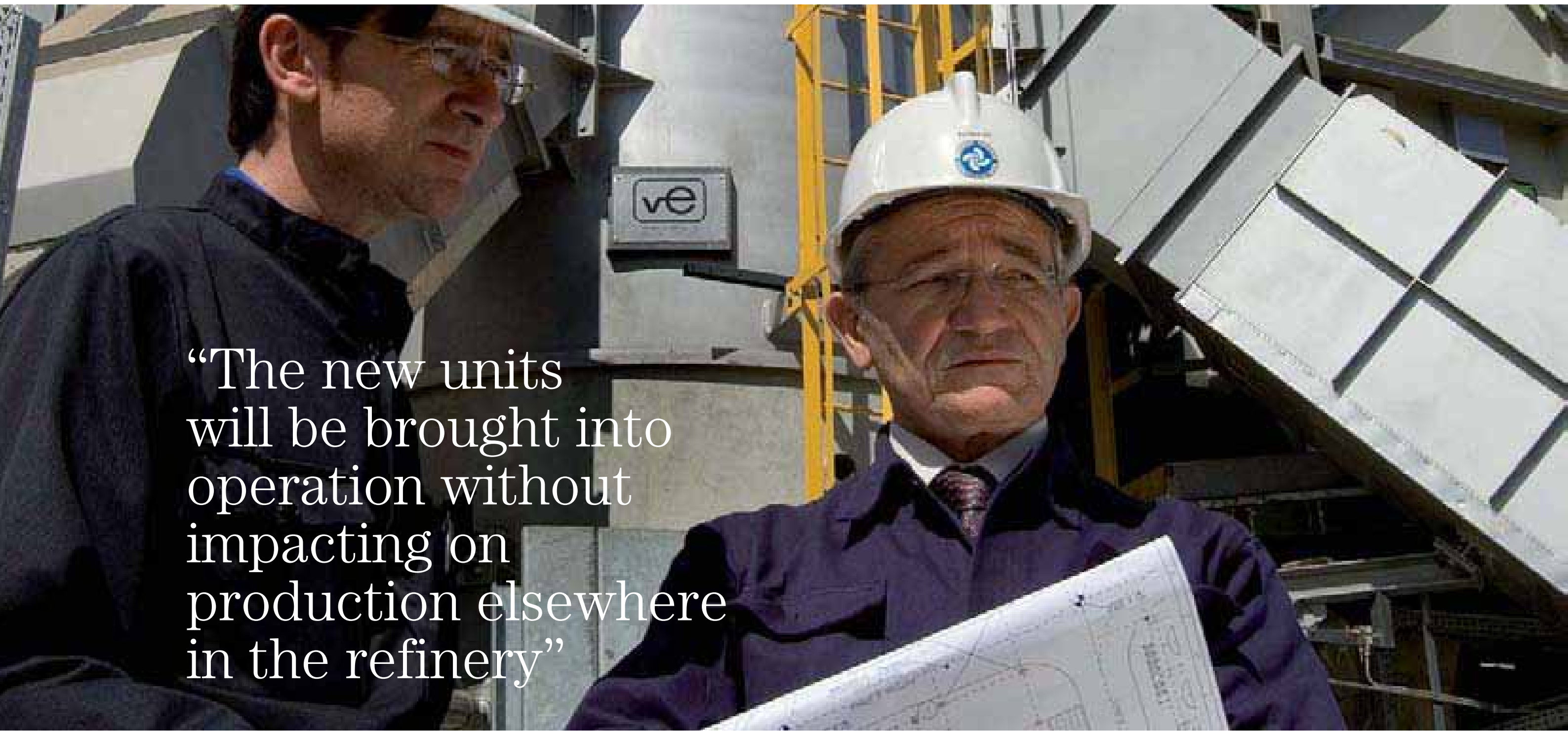
us to substantially increase our conversion capacity by reducing the production of fuel oil in favour of higher value-added products such as gasoil and gasoline.

Our organic growth strategy has thus enabled us to benefit from refining margins which have increasingly highlighted the profitability gap between complex and flexible assets on the one hand and less sophisticated assets on the other.

The end result for Saras has been the elimination of its debt thanks to a return on investment of just under 20%, far higher than the sector average. The results achieved by our organic growth strategy can also be assessed through the refining margins achieved, and especially through the premium over the EMC benchmark margin, which has grown steadily over the years.

We believe that our business will be sustained by good fundamentals going forward, but we are aware that the market will be increasingly selective and will reward those able to chart its trends and optimise every phase of the value generation process.
Developing the talents of our people will continue to be a decisive tool in our pursuit of excellence.





Plants under costruction

In a few months’ time we will have completed the construction of two new environmentally efficient plants.

The first to come on stream will be the new unit for the desulphurisation of intermediate gasoline produced by the cracking unit (FCC), as a result of which the sulphur content of the refinery’s entire output of gasoline will be below 10 parts per million (ppm), in line with European regulations from January 2009. The reduction in the sulphur content to these levels, for gasoline and diesel alike, marks the final step in a long legislative process which set out in the 1990s to produce more environmentally friendly fuels in terms of emissions generated by the combustion process in vehicle engines.
The second is the TGT unit which processes tail gas from sulphur recovery plants. The sulphur removed from the crude oil during the refining process is recovered and sold for other industrial uses; the sulphur recovery units, however, have a low efficiency rate and therefore release emissions (SOx). The new unit will mean a reduction in emissions to the minimum level achievable by the best available technologies, with a sulphur recovery rate of 99.5%.

The new units will be brought into operation without impacting on production elsewhere in the refinery.

The completion of these major builds will enable us to focus on the refinery’s new development plans for the next few years.

Next steps

“Saras’ strategy has always been centred on the ongoing technological upgrade of the plants and on the constant pursuit of optimisation and production synergies”

Although a production site of the scale and complexity of that of Saras requires constant maintenance and technological upgrades, it also offers many options in terms of optimisation, production synergies and sometimes even significant developments.

In the coming years we will continue to invest in the refinery to maximise the production of transport fuels while at the same time minimising energy consumption, by seeking to fully exploit the flexibility, in terms of raw materials, allowed by our production facility. In particular we see good opportunuties arising from new oil production capacity in the Caspian area and West Africa.

Improving the quality of production and energy efficiency will therefore be the common denominators of our major development projects in the next few years.

Saras Group activities

A leading operator in the refining sector

Integrated with power generation

One of Europe's biggest refineries: 300,000 bl/day (15% of Italy's refining capacity)

High output of high value-added products: over 50% of diesel

The largest liquid heavy fuel gasification plant in the world

Situated in a strategic position in the south of Sardinia, at the very heart of the Mediterranean

Close integration with its neighbouring petrochemical plant

575 MW of installed electricity capacity

Presence in the wholesale market in Italy and Spain

Company-owned storage facilities in Italy and in Spain

Biodiesel plant due to come on stream in the second half of 2008

Investments in renewable energy sources

72 MW wind farm in Sardinia, one of the windiest sites in the Mediterranean

Other activities of industrial services

Sartec: engineering services

Akhela: IT sector

7.3 $ per barrel
Refining margin

106.5 million barrels
Crude processing

"Saras long ago decided to measure its performance, including the results of its organic growth strategy, by comparing its margins to a benchmark.
There have been clear improvements in recent years: we rose from a premium of $0.5/bl in 2003 to $4.0/bl in 2007, and our aim is to grow further in the next few years"

Refining and Power Generation

Rafining

Refining operations were beset by many challenges once again in 2007.
As in recent years, the market context was positive but also confirmed that only operators with more complex, efficient and flexible assets are capable of benefiting fully from it. The market is one in which structural trends exist alongside transitory factors that could exert a significant impact at local level.

In structural terms, the growing demand for oil in the medium term will be driven by transport-related products (diesel, gasoline, jet fuel) as the sector is unable at present to produce an economically viable alternative to oil-based fuel sources; as for power generation, on the other hand, the gradual shift to natural gas and to the development of renewable sources will lead inevitably to a reduction in the demand for fuel oils for power generation. The combined effect of the two phenomena will mean that the value gap between the two product classes will widen further.

Transitory factors are harder to classify because of their disparate origins; the most frequently recurring factors in recent years have been related to the climate, extreme weather conditions, geopolitical tensions, the trend on the financial markets and speculation, the outcomes of which are always unpredictable.

Complex and efficient assets are indispensable in order to be able to benefit from the structural trend, but flexibility is key to operating on a highly volatile market.

Over 7.5 million tons
Production of middle distillates

81.2%
Overall yield of light and medium distillates

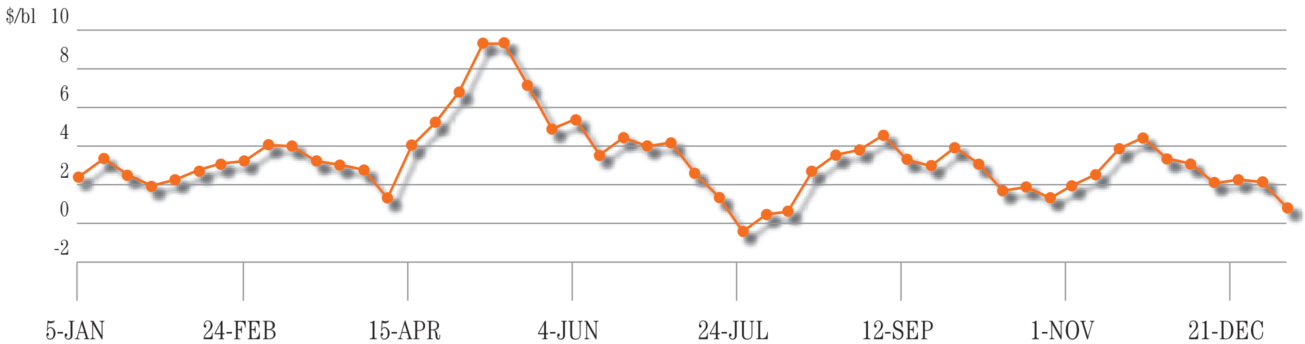
The material transformation of crude within the plants is in fact just one of the refining phases, and is part of a complex process which involves supply strategies and planning, product trading, maintenance and investments.

We were very active on all these fronts in 2007.

Raw materials

The crude oil market in the Mediterranean experienced increased exports from the Caspian region, which led to increased availability of light and sweet crudes. The price of these crude oils was highly favourable throughout 2007 and strongly guided our opportunistic procure-

2007: EMC benchmark refining margin



ment decisions: the raw material sourced from Russia and the Caucasus Republics rose from 6% in 2006 to 15% in 2007, mainly to the detriment of crudes from North Africa and the Middle East.

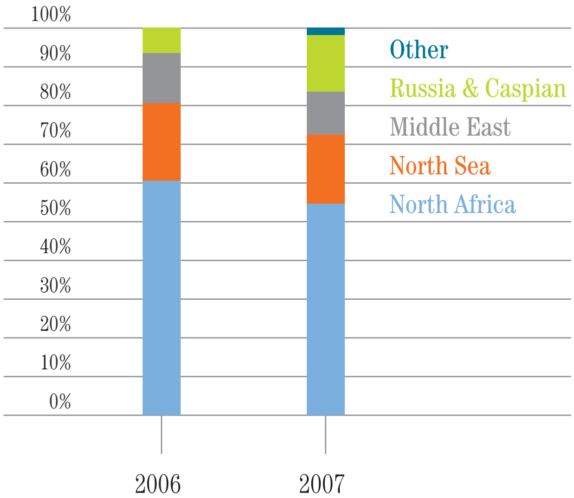
The switch in supplies was coupled with a reduction in processing for third parties, which fell from 48% of the total in 2006 to 38% in 2007, to devote greater space to those raw materials regarded by us as more advantageous. Foremost among the Caspian crudes reaching the refinery was Azeri Light, basically due to its excellent returns which increased steadily as the year went on by comparison with the more standard crudes, such as for example the Urals crude which serves as a benchmark for the Mediterranean.
In tandem with this, we closely monitored and tested some of the new grades of crude from West Africa, which is one of the biggest sources of new crude worldwide, in a constant effort to pursue new opportunities to increase our profitability.

Some 20 different types of crude overall reached the refinery in 2007, totalling 14.6 million tons of refined crude (approximately 106 million barrels), almost 50% of which were made up of non-conventional crudes:

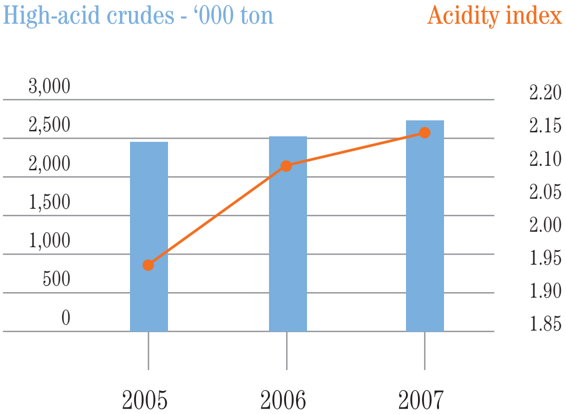
- over 2.7 million tons of high-acid crude
- around 4 million tons of high-paraffin crude.

All this testifies to the flexibility of the plants and the logistical structure of the refinery, as well as to a streamlined and efficient organisational structure.
Production performance was very good in 2007, thanks to the investment programme and good operational management.
We benefited throughout the year from the upgrades carried out at the reforming (CCR) and MHC plants in 2006.

Raw materials by source



High-acid crude processing

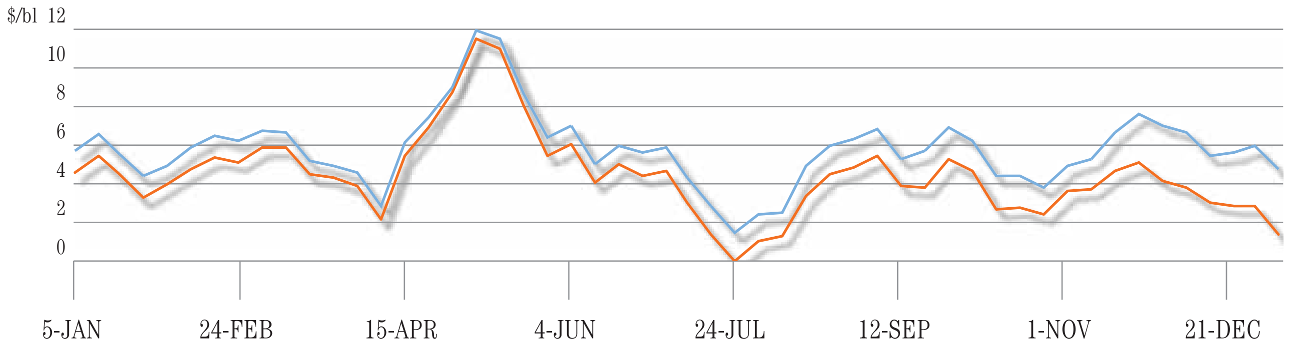


EUR 177 million
Investments in the Refining segment

EUR 372 million
Refining comparable EBITDA

"We have to release the potential and positive energy of our staff to translate them into results, not only financially but also environmentally and in plant reliability terms."

2007: margins compared source: EMC

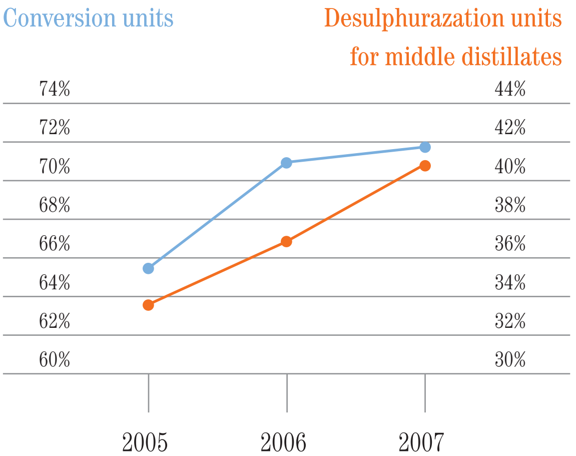


Both plants processed record loads in 2007.
In the second quarter of 2007 we also carried out another important maintenance and investment cycle, aiming to improve the part of the processing cycle dedicated to supplying gasification (the RT2 atmospheric distillation unit, the V1 vacuum distillation unit and the visbreaker) which helped during two quarters to further improve the capacity of our plants.

All these activities completed the first phase of the investment plan for the period 2006-2009, which aimed to increase the refinery's conversion capacity.

The outcome of this initial phase was in line with expectations and in some cases better. Comparing 2007 and 2005 data we can see that the feedstock of the conversion plants (which convert semi-refined heavy crude into products with higher added value such as gasoline and diesel, or synthetic gas in the case of gasification) increased in both absolute terms and in relation to refined crude, and the same occurred for the desulphurisation plants.
Production of medium distillates grew by more than 400,000

Feed stocks to units (% of crude runs)

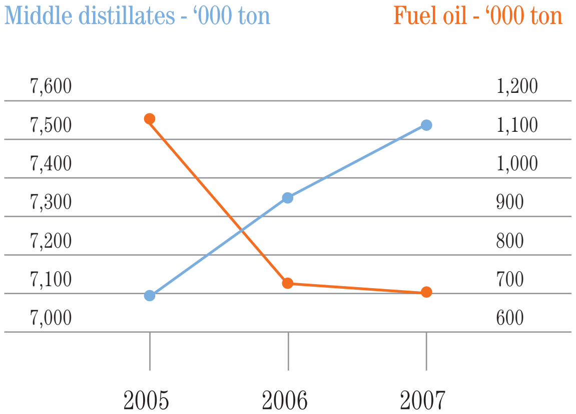


EUR 182 million
Power Generation segment EBITDA

4.4 billion of KWh
Electricity produced

“Complex and efficient assets are indispensable in order to be able to benefit from market trends, but flexibility and efficient planning are key to operating on a highly volatile market”

Production



tons at the expense of fuel oil, with an essentially unchanged refined raw materials mix.
These results are even more significant given that the global refining industry has been characterized by a contraction in production, both because the market has become more demanding in terms of product quality and because there have been frequent unscheduled interruptions in production due to the fact that the refining system is pushing the limits of its capacity.

Refining margin

Improvements in the production cycle, constant optimisation in terms of raw materials and good management of industrial and commercial operations allowed us to achieve the broadest refining margin registered in recent years ($7.3/bl) despite the less-than-positive market context.
The EMC benchmark margin, for a coastal refinery of average complexity located in the Mediterranean, was $3.3/bl, above the $2.8/bl margin of 2006 but substantially less than the peak of $4.7/bl registered in 2005.

The most important point here, however, is that the difference between our margin and the benchmark has steadily increased over the years, from $2.4/bl in 2005 to $3.4/bl in 2006 and finally to $4.0/bl in 2007, growing more rapidly than forecast.

Power generation

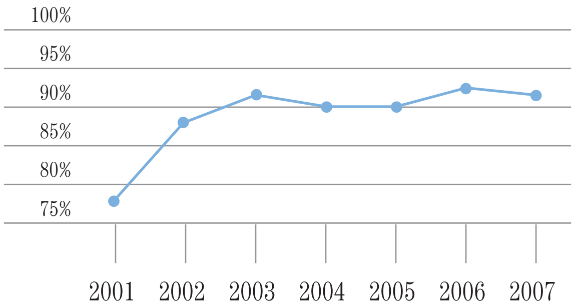
Stability and efficiency: these are the key features of our production of electricity through the integrated gasification combined cycle (IGCC) process.

Much of the flexibility and optimisation that we continually seek in the refinery process are only possible due to this strategic asset, our IGCC plant, which produces electricity but is also a conversion plant for the refinery and the most important utility at the site because it produces steam and hydrogen.

Since the launch and consolidation phase of operations in 2001-2002, the service factor has stabilised at over 90%, an excellent performance for this type of plant. 2007 fell

[1] **IGCC:** Integrated Gasification Combined Cycle

Service factor of the IGCC plant

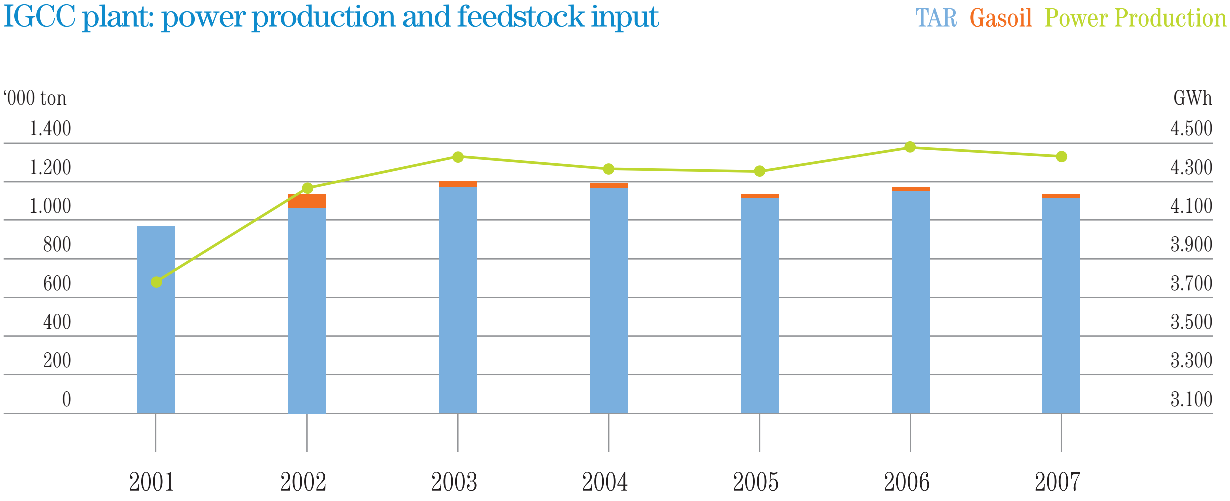


only slightly short of the record seen in 2006, and only after the scheduled general inspection of one of the gas turbines, the first since the plant came on stream in 2001. The efficiency is shown by the fact that this year also, electricity generation took place exclusively via combustion of the syngas generated from the process of gasifying heavy hydrocarbons; the use of gasoil in the turbines was strictly limited to the transitory phases when there were scheduled closures for routine maintenance.
Thanks to its key role as a hydrogen producer, the IGCC plant is directly connected to the heart of the refinery, that is to the hydrocracking and hydrotreating plants, which make one of the biggest contributions to added value in the entire refining process.

The strategic role of this hydrogen source will grow further, since from the second half of 2008 production will increase by 35% thanks to investments that began in 2007 and will be completed in the next few months.

We are also looking into further optimisation within the broader investment project for energy saving at the production site, which is one of the priority elements of our development strategy.

IGCC plant: power production and feedstock input



3.9 million tons
Sales

Marketing

2007 was a year of strong growth for marketing activities, with very substantial net profits generated compared with previous years.
This was achieved by consolidating and growing sales volumes across all businesses.

In 2007 the oil sector experienced major oil product price volatility, and particularly a steep rise in the final months of the year.

Total sales registered by Saras Energia (mainly gasoil) cleared 2.8 million tons, rising 27% compared with the previous year, while the Spanish market saw a 4.5% increase in sales volumes of diesel for transport compared with 2006.

Wholesale is based on sales to distribution centres (resellers), to independent service stations and to supermarkets. It increased by more than 12%, showing that this market is growing much more rapidly.
Compared with 2006, the number of service stations supplied increased by 247.

The company continued to work very closely and proactively with associations of independent service stations in the Mediterranean region, as well as with service stations at supermarkets, through joint marketing operations aimed at developing the loyalty of end users.

The storage facility at Cartagena processed a record volume of more than 375,000 tons: this allowed us to achieve market share of about 15% in the area around the storage facility.

Saras Energia uses other terminals in other parts of Spain that allow it to distribute its products country-

EUR 33 million
Caomparable EBITDA

“We have continued to focus on reducing and optimising distribution costs, which helped to improve the operating margin”

wide. The CLH terminals and independent terminals such as Decal and Tepsa make up part of the company’s current logistical structure.

Retail is based on 36 service stations acquired in 2006, of which 21 are in Catalonia and 15 in Levante. 2007 was a year of consolidation in all retail areas : the loyalty card for our private customers, the credit card for our customers in transportation, promotional programmes, the special diesel fuel Saras Plus, etc.

Contracts were also signed for the use of our brand with private owners of service stations in the Mediterranean region.

In general Saras Energia continued to focus on reducing and optimising primary and secondary distribution costs, which helped to improve the operating margin.
We focused our attention on improvements in the area of customer services, with a major emphasis on developing IT tools, staff training and reducing customer response times.

We also began construction of a biodiesel production plant in Cartagena, with planned annual production of 200,000 tons. Apart from being a new line of business, the plant will give Saras Energia the autonomy to comply with EU limits for mixing diesel with biofuels with low environmental impact. This activity is scheduled to start in the second half of 2008.

Turning to Italy, in 2007 demand for oil products declined substantially (-3.2%) compared with 2006. This drop was mainly due to a reduction in consumption of heating oil (-21%), due to a mild winter, and to the gradual changeover from the use of fuel oil with low sulphur content (-12%) to natural gas to fuel thermoelectric plants. For consumption of products with high added value, diesel was up compared with 2006 (+2.6%) while demand for gasoline continued to decline (-6.2%) due to the steady conversion of vehicles to diesel.

In this context, Arcola Petrolifera focused on its terminal in Arcola (La Spezia) and the Saras terminal at Sarroch (Cagliari) and achieved a good performance, boosting sales by 9% and thus increasing its wholesale market share from 5.4% to 6.3%.
Activity at other terminals that also form part of the Italian logistics network – at Livorno, Ravenna, Civitavecchia, Sannazzaro, Fiorenzuola, Marghera and Lacchiarella – was also significant.

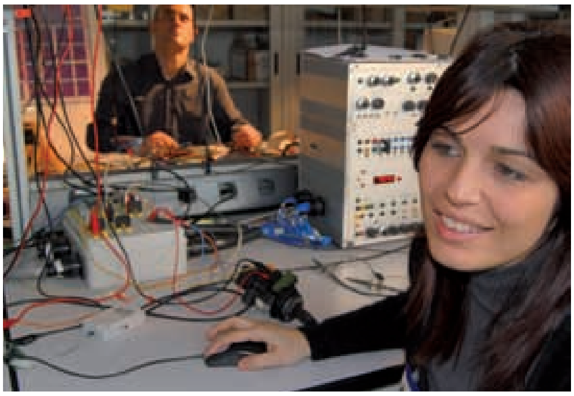
Other activities

Akhela – a look at information technology

Akhela continued to perform well in 2007. Revenues grew by 15% compared with the previous year, substantially more than the ICT market. The turnaround was also completed in 2007 and an operating profit achieved as a result.

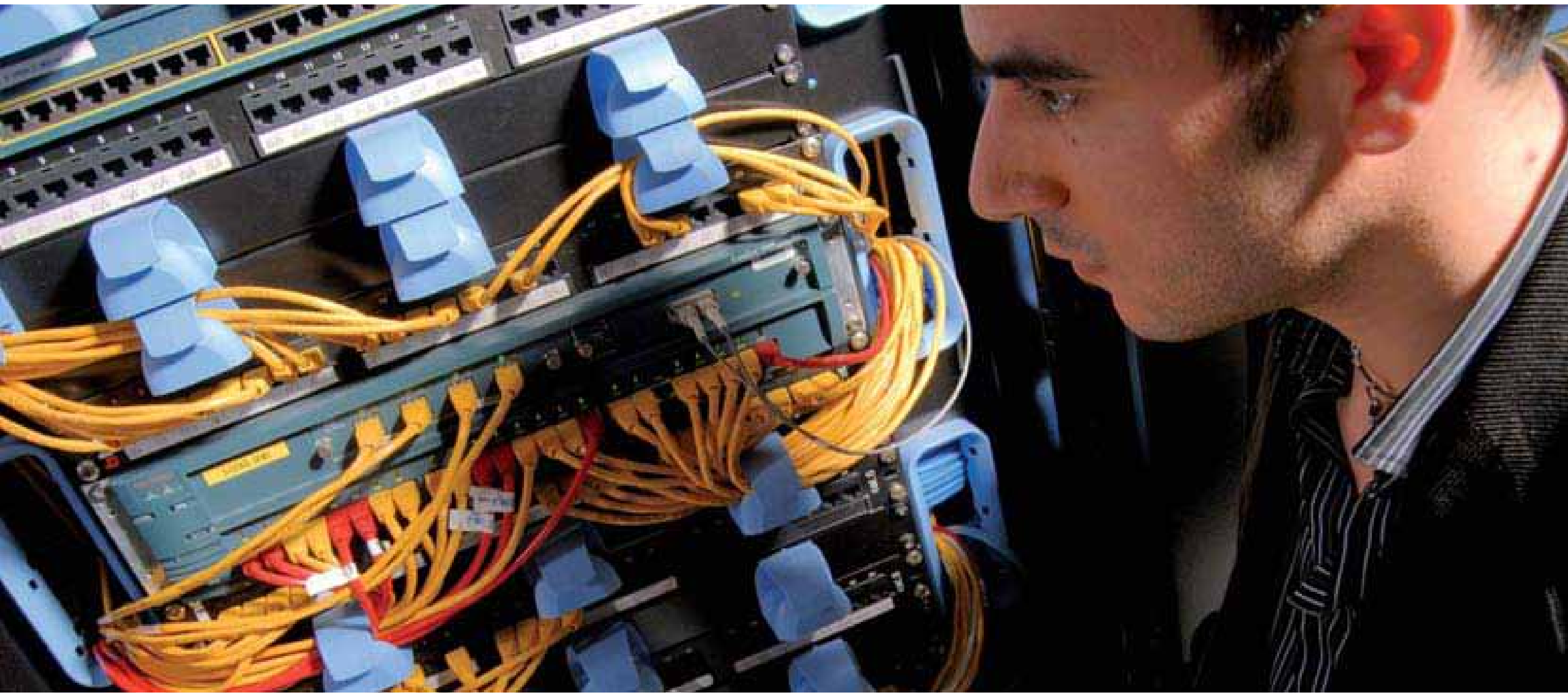
Client numbers are growing continuously. Most of the 30 leading operators by size in Italy in the industrial/utilities sector, and the leading 10 in the finance sector, are clients of Akhela, some in the area of infrastructure and application security and others in IT optimisation. As well as Saras and BNL, these clients include Enel, Poste Italiane, Telecom Italia and Intesa Sanpaolo. Akhela is able to operate with major, complex clients, which are fully aware of the strategic role of IT systems in business processes and therefore find Akhela to be an efficient and reliable partner in the development of services and implementation of new technologies.

In recent years Akhela has anticipated market trends, thus identifying strategic areas for investment by its clients.



In Italy Akhela was one of the first operators to introduce application security, social engineering, virtualisation and other concepts relating to the field of Data Centre Automation, which are now well-known on the market, proving, as already seen in recent years, its ability to develop the loyalty of clients and to increase its business with them.

Akhela currently manages more than 50 clients, after broadening the range of its commercial activity by strengthening its internal structure, expanding geographically (with the opening of offices in Rome and then Turin), and securing a series of commercial partnerships with major market players.



"Akhela continued to perform well in 2007. Turnover grew by 15% compared with the previous year, substantially more than the ICT market"

Akhela's third area of activity, the Embedded Systems division, closed 2007 with strong positive signals from the market.

The other sectors dealt with by this division are multimedia, domotics and avionics, which promise interesting developments in 2008.
Generally speaking the ICT market has not grown in recent years, but has stagnated substantially. Akhela's results are even more outstanding in the general context of the market: revenues have increased by 3.5 times in the past 5 years, while an operating profit was achieved.

While it is now an operator of recognised quality, Akhela still has to grow in order to play an even greater role on this market.
The company is aware of this, and views the pursuit of growth and excellence as fundamental.

It is paying increasing attention to the international market, both by seeking partners and foreign clients, and through the global expansion of its existing Italian clients. It continues to offer new technologies through commercial partnerships in the area of social technologies or knowledge-based enterprise.

Saras Ricerche e Tecnologie – SARTEC environmental research

Sartec S.p.A., wholly owned by Saras S.p.A., operates in environmental and industrial engineering, oil and environmental research and environmental monitoring.

The company is highly specialised thanks to about 160 staff, 60% of whom hold degrees in engineering, chemistry, physics, biology and geology sciences, and the remainder of whom hold diplomas from technical institutions (chemical, electrical and electronics engineers). At Sartec, activities are organised transversally into projects, with resources assigned according to the experience and skills acquired and the requirements of the projects themselves.

Over the years the company has invested in project management training, certifying 41 specialists, including 20 in 2007.

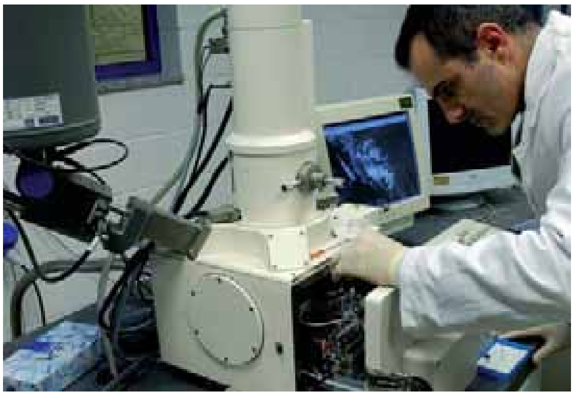
In line with group policy, in the labour market we actively favour the recruitment and development of staff with highly specialised skills. This includes the work placements for doctorates students and trainees (2 and 13 respectively in 2007 alone) and involvement in cooperation and exchange activities with suppliers and clients, including internationally. In 2007 this led to a major project with a company in Australia (Worsley; a collaboration in advanced process controls).

In the financial year 2007, Sartec consolidated its financial situation, achieving the same revenues as in 2006 (EUR 25 million) and improving its EBITDA (EUR 1.1 million) and EBIT (EUR 0.3 million).

Of total revenues generated, 68% came from work carried out for the parent company, for which Sartec provides engineering services and support for improvements in terms of the environment, facilities, automation and process control. Environmental engineering activities and research into catalysts and fuel formulation in the area of oil (chemometric models for gasoline and diesel blending) are carried out with the support of the analysis and research laboratory, which employs about 30 people on a regular basis.

"Experience gained progressively during work done for the parent company has given us a leading position in consultancy services and environmental engineering"

Apart from oil research, projects have been developed in various sectors, using financing from the Italian education and research ministry and the Sardinian regional authorities, in ongoing partnership with the University of Cagliari, the University of Salerno, the Fondazione Politecnico di Milano and the National Research Council of Italy (CNR).
The laboratory's sound experience and good capacity for testing and development also enable us to carry out applied research activities on behalf of private customers.



Experience gained progressively during work done for the parent company has given us a leading regional position in consultancy services and environmental engineering. In the field of environmental engineering we have notably carried out characterisation plans, projects to reclaim and make areas safe, permitting activities (AIA) and environmental monitoring activities for major industrial groups in Sardinia.

Other important projects carried out include design activities for some major local industries and design and provision of package plants. A package plant for slurry oil filtration is currently being created for a refinery in France.
In the area of provision of environmental monitoring systems various contracts have been completed for national and international clients. Among these was the provision of monitoring systems for air quality, emissions and emergencies for the city of Beijing, particularly for the Olympic Village in 2008. A project currently under way to update the air quality and emissions monitoring network in the Sardinian region is also important because it is local.

A project to provide a monitoring system for the water of the Iskar river in Bulgaria, a major tributary of the Danube, will be a key feature of 2008, both due to the scale of the project and because it signals Saras's expansion into the new water monitoring systems market. Provision of the system is part of a research project carried out in collaboration with the Bulgarian authorities in recent years.

Health, Safety and Environment

A picture of constant improvement

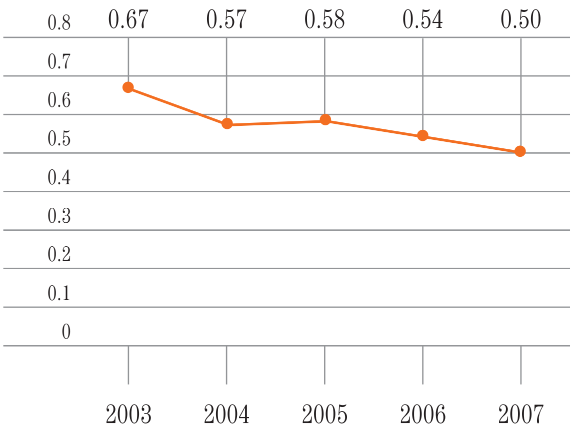
For many years, we have prepared an Environment and Safety Report that provides detailed and up-to-date data on all aspects that directly or indirectly affect the Sarroch plant's internal and external environments.

Some of these, such as atmospheric emissions or waste water, are more immediately obvious because they relate to the environment in which people live and work every day; others, such as energy and water consumption and carbon dioxide (CO_2) emissions, relate to problems of more general concern, and have a more global impact without significant direct effects on the local environment.

The trend in emissions over a five-year period shows a picture of general improvement, with the exception of some small fluctuations that may occur from year to year relating to plant changes and extraordinary maintenance. The improvement in environmental data is due to a series of technical and management measures, which have gradually equipped the refinery with more efficient technology and resources to operate in a more environmentally-friendly manner.

A comparison between the last five years and the average performances of the 1990s is particularly significant, and shows the company's growing awareness of environmental and safety issues: for example, sulphur dioxide (SO_2) emissions have fallen by around 50%.

SO_2 Production index
(tons of SO_2 / 000 tons of materials processed)



Investments in environmental and safety initiatives make up a significant portion of the total.
In 2007, they amounted to approximately EUR 18 million, equivalent to 10% of total investment. An increase (+2%) compare to the previous year mainly due to improvements safety and environmental field.
We dedicate a significant portion of investment to staff training, through a continuous process that involves all personnel at the refinery (including those of contractor companies) and of the Group, in order to create a high degree of awareness regarding environmental issues, as even an advanced technological system must be supported by careful management and control by all the people operating within the production cycle.

2007: consolidation of positive results

We consider 2007 as a year in which we consolidated our operations to ensure that our activities in the region are environmentally sustainable. The results of 2007 confirm the validity of management and technological decisions made in the past few years, which were rationalised and formalised in the Environmental Management System. As regards transparency towards the region and full and prompt compliance with the law, the Environmental and Safety Report was also published and distributed in 2007. The move towards openness and transparency led to the first "Open Refinery" event in October. Still with a view to improving transparency, over the year, INES (the National Inventory of Emissions and their Sources) was regularly informed of the site's main environmental data. This information is sent to the Italian Environment Ministry which in turn sends it to the European Commission, where it is then entered on the European Pollutant Register (EPER). The declaration concerned levels of water and air emissions relating to various parameters typical of the activities carried out.

Open Refinery

On 20 October 2007, the "Open refinery: discovering Saras" day was held. For the first time, visitors were given a chance to witness at close quarters the workings of the company's industrial operations and all the companies of the Saras Group. More than 4,000 people took this opportunity to visit our production facility and get to know us better. In order to promote an energy-saving culture, over 300 students took part in exercises and experiments on energy and the environment.

The teaching laboratory was managed by the A come Ambiente Museum, one of Italy's leading public science education institutions. All participants received a Kyoto Box, a small kit to promote energy efficiency in individual homes.

It contained two high-efficiency 21 watt light bulbs and a booklet containing useful advice on saving energy at home. Every year, the bulbs result in a 48 kg cut in CO_2 emissions for every household, and a corresponding saving in energy costs, thereby linking good environmental behaviour with financial returns.

"Open Refinery" day was carbon neutral, so greenhouse gas emissions associated with the event were calculated by an external party and offset with tree-planting projects to be completed by the end of 2008.

The Health and Safety at Work System

In December 2007, Saras obtained certification for its **Health and Safety at Work System** based on the OHSAS 18001:2007 standard.

Safeguarding people's health and preventing any form of accident or mishap (involving both its own workers and those of other companies working at the site) are considered core values. As a result, in order to ensure our activities are increasingly carefully managed, we have adopted the *Health and Safety at Work Policy*.

The implementation of a Health and Safety Management System introduced the **Performance Measure**, the missing link of legislative decree no. 626/94, establishing that the organisation sets itself precise **Objectives** and **Targets** taking into account company performance in compliance with the **Policy** adopted.

The **Health and Safety Management System** was created by supplementing the **Management System for the Prevention** of **Major Accidents**, implemented in accordance with ministerial decree 09.08.2000, to exploit synergies from the two systems.

The objective of integrating the Safety Management System with the Environmental Management Systems remains.

Greenhouse gas emissions

The two activities carried out by our group at the Sarroch plant, the refinery (refining sector) and the IGCC plant (thermoelectric sector) fall within the field of application 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 climate change.

Carbon dioxide emissions do not have a direct impact at local level on the quality of the area surrounding the site, but are connected to global phenomena (climate change).

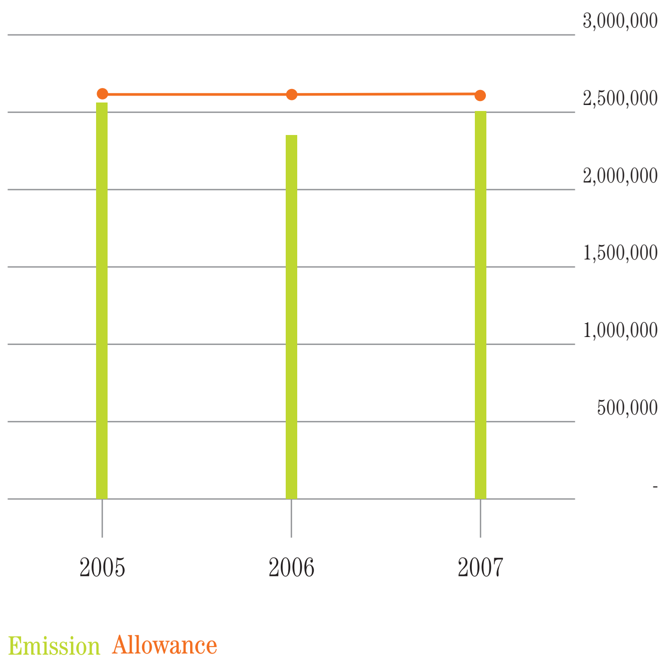
The Emissions Trading scheme was introduced in 2005 to help member states comply with the requirements of the Kyoto Protocol. It works by assigning each individual installation falling within the Directive's field of application an emissions allowance established by the member state through a National Allocation Plan.

The surplus allowance may be traded and/or accumulated, and any deficit must be covered by acquiring emissions allowances on the market.

Allocation is decided for each of the reference periods set by the Directive: the first concerns the three-year period 2005-2007, and the subsequent ones relate to the five-year periods 2008-2012, 2013-2018, etc.).

The Directive's first period of application came to an end in 2007, while subsequent periods envisage tougher allowances based on the objectives set out in the Kyoto Protocol.

Refinery CO_2 emissions (ton / year)

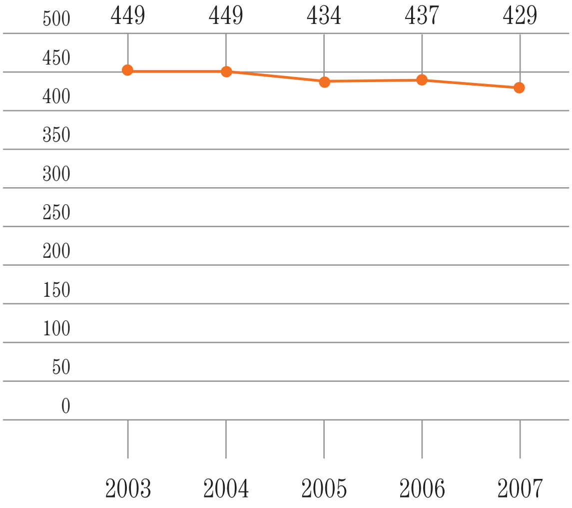


Saras keeps a register that records, calculates and monitors CO2 emissions. The calculation system is certified by accredited independent bodies in accordance with European guidelines.

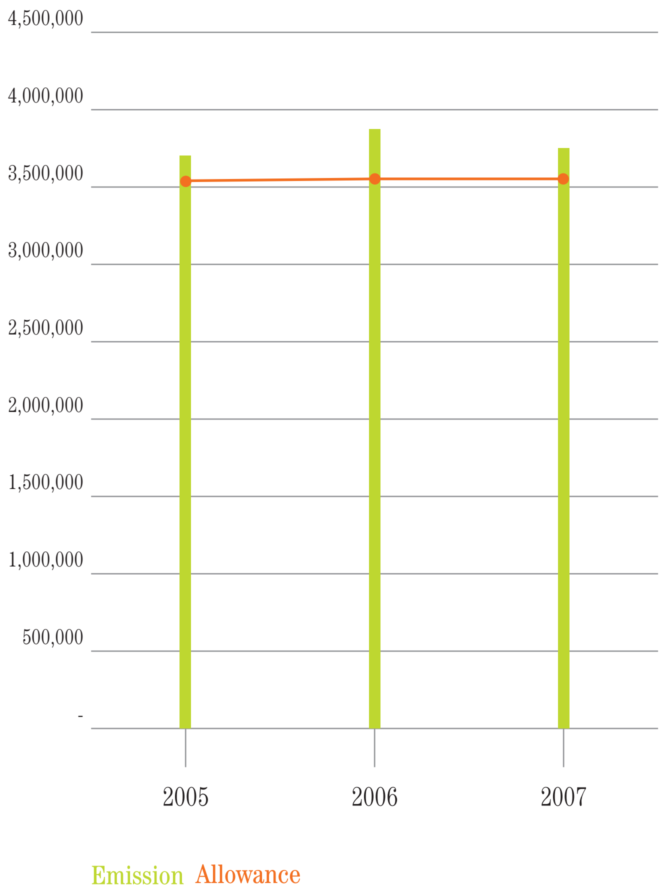
The main method to control and reduce emissions is by using energy rationally and adopting efficient energy generating systems, issues to which Saras has always been heavily committed.
The National Emissions Trading Register, which is available for consultation, records both the allowances assigned and the annual CO2 emissions in Italy; Saras has been assigned a single position grouping the total emissions from its operations at the Sarroch plant.
For further details, please see the Environmental and Safety Report 2007.

CO_2 Production index

(tons of CO^2 / 000 tons of materials processed)



IGCC CO_2 emissions (ton / year)



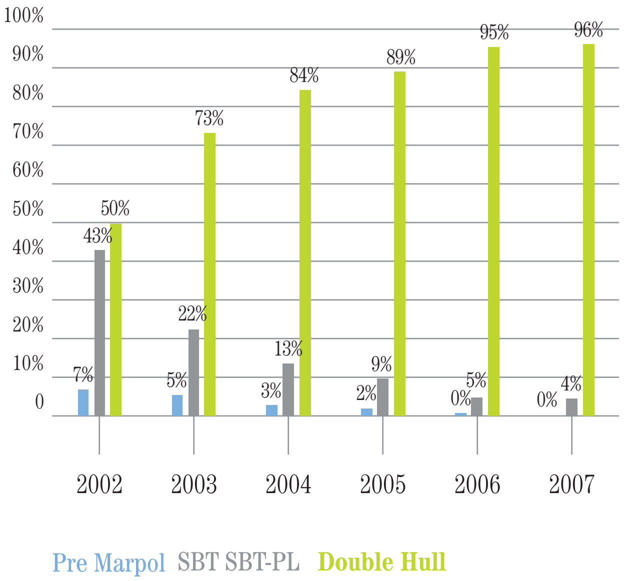
Caring for the sea

As Saras is aware that it must protect the environment and limit any change to it, more than 96% of the ships it uses to transport oil and refined products by sea are double-hulled, anticipating regulation on maritime traffic that will come into force in 2010. The remaining 4% are in any case ships that enforce a strict separation between areas containing hydrocarbons and ballast water. Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals.
Against this backdrop, vetting inspections are regularly carried out at other ports by trusted OCIMF-accredited Saras personnel, in accordance with international criteria, as are spot Pre-Mooring inspections at the roadstead.

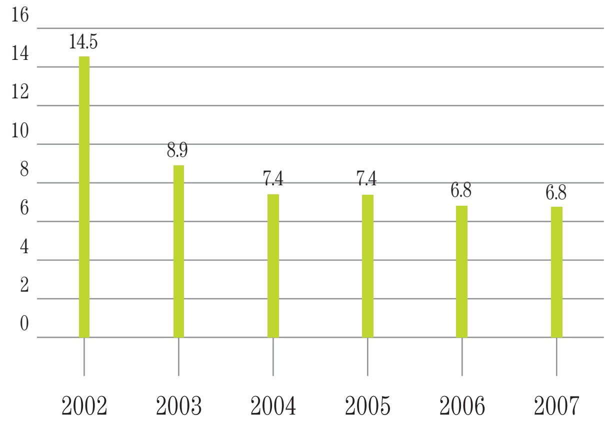
EMAS

In early 2007, we submitted a permit application for integrated pollution prevention and control, which contains the basic concepts of the Environmental Code, where all the elements (air, water, soil, visual impact,

Type of ships



Average age of tankers



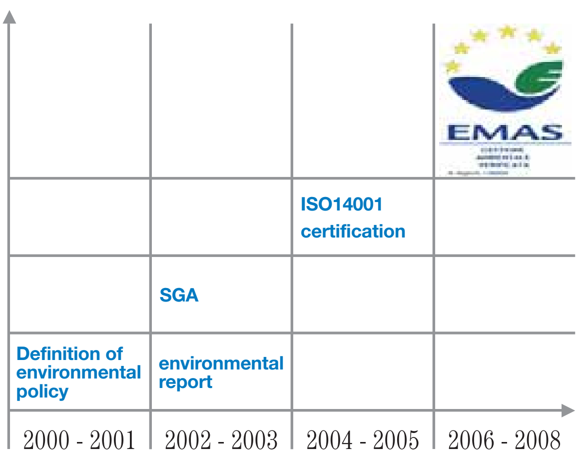
etc) are seen as part of a whole.

In preparing for the application, we used the European Union's BREF (Best Available Techniques Reference Document) on oil and gas refineries as our main reference point, which also allowed us to take into account certain issues that could become significant in the future.

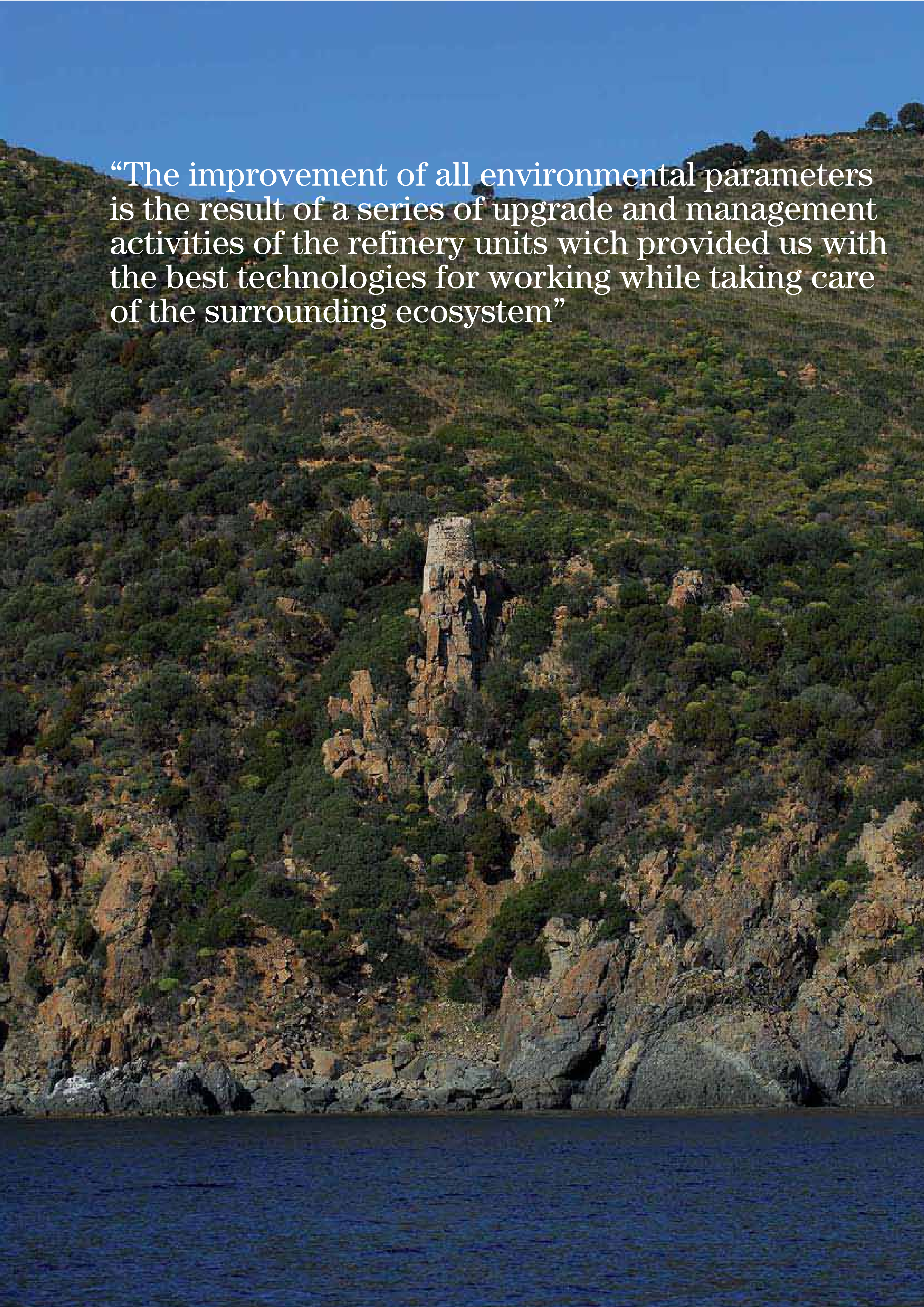
In 2004, we obtained ISO 14001 Environmental Certification, and will work with the public and the regional authorities to obtain EMAS certification by the end of 2008. EMAS increasingly encourages us to adopt voluntary environmental-protection measures with the direct involvement of the public, the real beneficiary of the initiative.

We very much believe in promoting prevention and providing information, a concept that gave rise to *Sicuri di vivere sicuri*, a document that sets out plant safety-related issues to the public, following the issue of the external emergency plan. This booklet, a cutting-edge initiative in Italy and in Europe, was produced in partnership with the municipality of Sarroch.

Certification Process



“The improvement of all environmental parameters is the result of a series of upgrade and management activities of the refinery units wich provided us with the best technologies for working while taking care of the surrounding ecosystem”



Saras for schools

School project on the ecological footprint.

Saras believes that students are an important resource when it comes to spreading the energy culture. The Saras School Project initiative was held for the ninth year running in 2007. It is a learning path which complements the children's work throughout the school year, raising their awareness of the issues surrounding the ecological footprint.
The "Beginners' course on sustainability and environmental management" is a useful tool for stimulating discussion and reflection on the careful and responsible use of resources. The project involves an in-depth learning programme and group activities designed for elementary school pupils.

Developed with the support of experts from the energy sector and external teaching staff, the School Project has encouraged children to develop an awareness of their use of resources and to assess the importance of responsible choices to save energy, starting with a calculation of the ecological footprint of their own class, an internationally recognised indicator as a benchmark for measuring the sustainability of our lifestyle.
The ecological footprint - a concept which has gained widespread acceptance as an indicator of sustainability, tells us "how much nature" we are using to maintain our lifestyles, in other words the impact made by each of us on the planet, expressed in hectares of land occupied day by day, year by year.
The project involves around 300 children each year from elementary and middle schools in the towns near the Sarroch production site.
On 5 June last year, the awards ceremony of the ninth School Project initiative coincided with the UN World Environment Day.
These overlapping dates highlight the shared objective of the two initiatives at local and international level to raise awareness of environmental issues in light of the environmental emergencies which the planet is currently experiencing and which have to be tackled by everyone with commitment and responsibility.
The children ended the 2007 Project by drawing up 10 recommendations to help their school reduce its footprint and to put into practice the thoughts discussed in class during the year.
Saras furthered its commitment to the schools in the area in 2007. Its involvement yet again in the School Project initiative confirmed the strong link between the company and local schools as it worked closely and directly with the teaching staff of the classes involved, and proved to be a valuable opportunity to join together in response to the needs and expectations of those committed daily to educating children.
Part of the Project comprises a visit to the refinery, providing another important opportunity for Saras to introduce itself to the children in a spirit of transparency and openness towards the men and women of tomorrow who one day may well work for Saras.
This is a long-held custom which goes hand in hand with the overall spirit of transparency towards the outside world, leading to the company's goal of EMAS certification in 2008 for the Sarroch refinery, a testament to its openness and commitment to the ongoing improvement of its environmental performance.

This is just one of the many commitments to training made by Saras as a mark of its focus and determination to disseminate an energy culture which translates into value creation throughout the social context in which it operates. The School Project website www.sarasperlascuola.it is a useful tool for communicating with pupils and all those wishing to gain a closer understanding of one of the industrial firms in Sardinia and the world.

Human Resources

The group and our people

Our values guide our decisions and procedures, particularly with regard to human resources. They underpin a system of management aimed at performance based on the principles set out in our code of ethics, which is the guide and main document regulating the conduct of every Saras employee.

Spreading awareness of our values and the code of ethics is part of the dialogue between Saras and its staff. One important part of the programme, which concerns every single employee, is the definition and measuring of targets and results. At Saras, we believe it is equally important to respect our values in the quest for these targets.

Over 1,900 employees

Saras has been growing for 45 years, directly creating employment for more than 1,900 people.

One of the group's major achievements is that we have never reduced our workforce even during years of crisis on the oil market. We have maintained employment levels continuously, pursuing investments even in periods of market downturn. Another important achievement is our belief in our businesses, through which we have substantially contributed to employment.
Saras is the biggest job creator in Sardinia. The more than 7,000 jobs created in linked industries are not only connected to refining. In recent years, the Saras Group has also fostered the development of IT and research activities via its technology activities.
Companies in our sector play an active role in regional economic growth. However, it is also true that the specific nature of our market, which demands a high level of technical specialisation, restricts the direct benefits in terms of employment to a small minority.

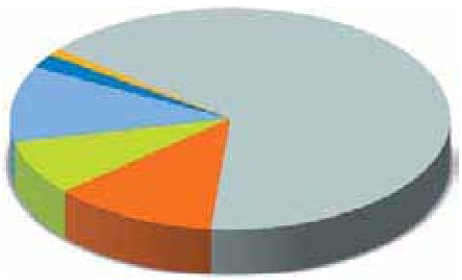
This can also be seen in a positive light, since we believe that demand for highly specialised staff prompts the region and the local population to respond to this need.

In this context, we aim to generate positive momentum, whether directly or via the company's stakeholders. Saras has always made use of local resources, thus contributing to regional economic development. Our impact on employment has also been substantial due to the many

40 years old
on average our employees

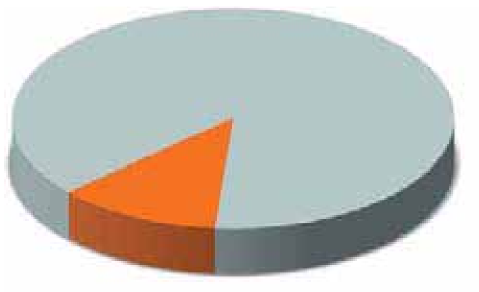
“The ability to retain employees has always been an important challenge for Saras, which for years has been implementing a plan involving selection and development programmes and more targeted and appropriate job rotation strategies designed to value our staff”

Saras Group employees



Saras - Sarlux	66%
Saras Energia	12%
Sartec	8%
Akhela	11%
Arcola	2%
Sardeolica	1%

Human resources by geographical area



Italy	88%
Spain	12%

contractors supplying the group, which themselves help to promote the development of skills in the region.

Occupational turnover was again very low in 2007. This is a significant performance given the high level of competition on the job market, particularly in our sector, where very well qualified staff are a precious commodity, highly sought-after and difficult to find.
The ability to retain employees has always been an important challenge for Saras, which for years has been implementing a plan involving selection and development programmes and more targeted and appropriate job rotation strategies designed to value our staff. The aim of the programme is continually to develop our human resources and to match the needs and expectations of individuals to the priority needs of the company.
These programmes are implemented within all the group’s companies, where occupational turnover can almost all be attributed to professional repositioning within the group itself.
Over time, Saras has taken advantage of major signs of change and market innovation. Its dynamism and management structure have enabled it to give maximum value to its own employees.

Average length of service at the Group 9 years

We have recruited about 72 people during 2007 amongst which 34 specialists to a training programme for future in-plant specialisation, 4 Engineer and 15 specialists in maintenance and plant construction. Saras has always placed emphasis on the region in which it operates, and has drawn the majority of its employees from there.

Most of 2007 recruitments regarded the Sarroch's production site in Sardinia. Our company has always seen the strategic importance of training staff in-company via targeted career routes.

Saras's policy is to take on employees for training: these are new graduates or high school graduates in technical or chemical subjects, supporting them on a path of professional growth that will enable the best of them, through job rotations, to gradually gain knowledge of all the divisions of our group. This allows them to obtain and consolidate the in-depth knowledge and level of preparation needed to meet the criteria of excellence that have always set this company apart from the rest of the market.

Equal opportunities

Equality and equal opportunities are a key element and cornerstone of the company's human resources policy.
With respect to equal opportunities, the company's remuneration policy stipulates that employees are each paid according to their respective previous experience, skills, performance and behaviour. We also apply the principle of equal pay for equal skills.

The proportion of women employed by Saras has steadily increased. We have employed more and more women in recent years, after a period in which the workforce was predominantly male, mainly due to the particular area of business. Today, 20% of the workforce is female. At the parent company, where refining activities are carried out, many engineers are women, and 6% of senior managers at Saras are female.

In the technical area women still represent a minority. 78% of the female workforce is in the refinery amongst which 45% is graduated in engineering.

Employment, health and the working environment

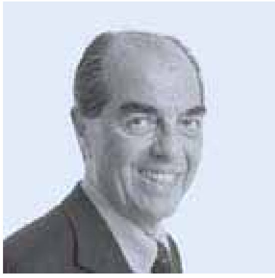
A great deal of attention is paid to the working environment and the health of our staff. Here, too, training is a key element of our policy of prevention.
We have dedicated a great deal of time and resources to providing a programme of training and prevention.

There are a large number of prevention procedures in place aimed at ensuring safety and a positive working environment.
Periodic checks are made to try to prevent the most common illnesses and to ensure the good health of our staff.

EUR 1.2 million
Training expenses for 2007

35,000 training hours
+ 40% vs 2006

Board of Directors e Top Management



Gian Marco Moratti
Chairman

Massimo Moratti
Managing Director

Angelo Moratti
Vice-Chairman

Angelomario Moratti
Director

Gabriele Previati
Director

Gilberto Callera
Independent Director

Mario Greco
Independent Director

Dario Scaffardi
Director and
General Manager

Corrado Costanzo
Chief Financial Officer

Wind Power

Environmental protection is a priority for the entire Saras Group. In the early years of this decade we created the Ulassai wind farm, supported by our experience in the energy sector and in the belief that in future it would be increasingly vital to develop a system to generate energy while limiting the impact on the planet. We produce electricity from renewable sources via the joint venture Parchi Eolici Ulassai S.r.l., in which we have a 70% shareholding (the remaining 30% is held by Babcock & Brown Wind Energy S.r.l.).

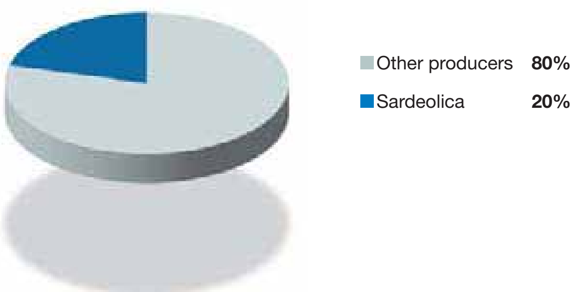
The Ulassai wind farm programme is a response to international and national requirements to produce energy from renewable and eco-friendly sources, so as to satisfy the growing demand for energy and to manage the increase in consumption and the needs of the population, while respecting the environment and the common interest, in order to achieve sustainable development.

Wind energy is currently believed to be the sole form of power from renewable sources that can truly compete with traditional sources. Wind farms also offer the advantage that at the end of their productive life they can be dismantled, leaving the site in its former state.
The Mediterranean basin, and Sardinia in particular, is ideal for the siting of wind farms. The productive area of the wind farm, which was built by Sardeolica on land owned by the municipality of Ulassai, is about 2,900 hectares, but built-up land makes up only 1% of this area. The site was chosen following studies of wind strength, geology and land suitability.

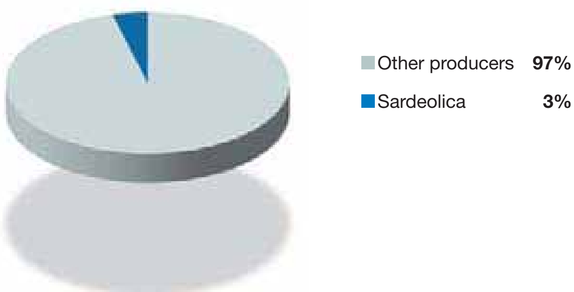
The substantial wind strength in the area allows energy to be produced for most of the year and the results that we have achieved in these two years of activity (368,382MWh) have borne out our production forecasts.

The Ulassai wind farm was built under an agreement (lasting until August 2035) signed with the municipality of Ulassai in September 2003. It has been favourably assessed in terms of its environmental impact by the Sardinian regional authorities.

Installed wind energy capacity in Sardinia:
367.7 MW



Installed wind energy capacity in Italy:
2,723.5 MW



168,185 MWh
Wind energy generated in 2007

EUR 26 million
EBITDA

“Wind energy is currently the only form of power from renewable sources that can truly compete with traditional sources”

Emissions avoided in 2007

Production 2007 [MWh] 168.185 + 7% vs 2006

Pollutant	Specific emissions [kg/MWh]	Emissions avoided [ton]
CO_2	828	139,251
SO_2	3.8	639.1
NO_x	1.9	319.6

The agreement established a land lease, rights of access, rights of way, rights for power lines and pipes and any other rights needed to build the wind farm, for an area covering 3,500 hectares. The Ulussai wind farm was awarded IAFR (plant fed by renewables) certification by the national grid operator, the GSE, and holds green certificates as a result.

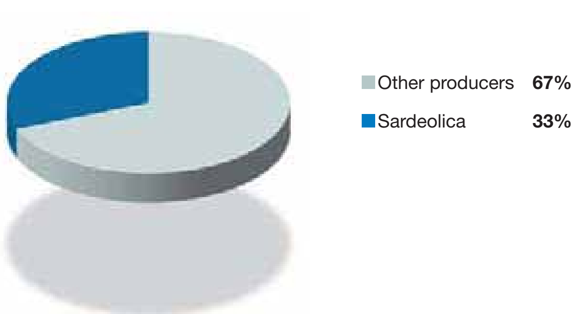
The Ulassai wind farm, authorised for 48 wind turbines with capacity of 1.5 MW, has overall capacity of 72 MW, which can technically be increased to 96 MW. The farm also includes a mid-voltage/high voltage electrical substation and is connected to the national transmission grid at 150 kV. The electricity produced is put directly onto the national transmission grid.
It is sold to the GSE under the conditions laid down in the framework agreement drawn up by energy regulator, the AEEG. The agreement lasts for a year, and is renewable.

Environmental monitoring is one of our daily activities. We continually monitor plant life in cooperation with the

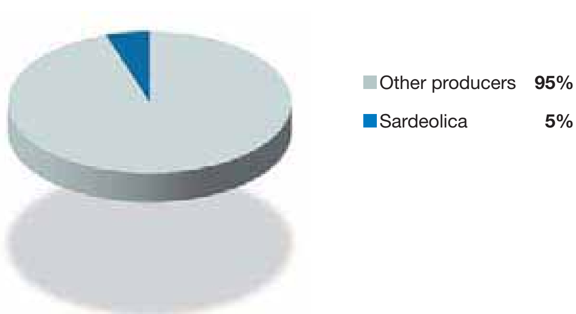
University of Cagliari, where the research is overseen by Prof. Mossa, while animal life monitoring is overseen by the zoologist Helmar Schenk.
The company ECOS also carries out acoustic, electromagnetic and geomorphological monitoring.

Development of new wind plants continued in 2007. The company is considering increasing the capacity of the wind farm to 96 MW and installing another 12 wind turbines, to bring total capacity to 120 MW.

Wind energy generated in Sardinia
January 2006 / December 2007



Wind energy generated in Italy
January 2006 / December 2007



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Saras Group Consolidated Financial Statement

Statutory Bodies

Board of Directors

GIAN MARCO MORATTI	Chairman
MASSIMO MORATTI	Chief Executive Officer
ANGELO MORATTI	Vice Chairman
GILBERTO CALLERA	Independent Director
MARIO GRECO	Independent Director
ANGELOMARIO MORATTI	Director
GABRIELE PREVIATI	Director
DARIO SCAFFARDI	Director

Board of Statutory Auditors

CLAUDIO MASSIMO FIDANZA	Chairman
GIOVANNI LUIGI CAMERA	Permanent Auditor
MICHELE DI MARTINO	Permanent Auditor
LUIGI BORRÈ	Stand-in Auditor
MASSIMILIANO NOVA	Stand-in Auditor

Independent Auditing Firm

PRICEWATERHOUSECOOPERS S.p.A.

Corporate Governance

The company complies with the code of conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana S.p.A. in March 2006, as described in the annual report on corporate governance prepared by the Board of Directors and published within 15 days of the shareholders' meeting called to approve the 2006 financial statements.
This report describes the main characteristics of Saras' corporate governance system, as well as the specific functions of its different components, referring specifically to its compliance with the recommendations contained in the code of conduct.
The company organisation of Saras S.p.A. conforms to the provisions contained in the Italian Civil Code and other special regulations regarding joint-stock companies, specifically those contained in legislative decree no. 58 of 24 February 1998 (the Italian Financial Services Act, or "TUF"). The company is structured according to the traditional business administration and audit model, with a Board of Directors charged with overseeing business management (within which various committees have been set up, namely a Remuneration Committee and an Internal Audit Committee), and a Board of Auditors charged with supervising compliance with laws and statutes, and monitoring the adequacy of the organisational structure, the internal audit system and the company's accounting-administrative system.
The company has engaged PricewaterhouseCoopers S.p.A. ("PWC") to audit its accounts and consolidated financial statements reports for the years 2006-2011, and provide limited audits of the half-year reports for the same period. Following the amendment introduced by legislative decree no. 303 of 29 December 2006 to article no. 159 of the TUF, on the proposal of the Board of Auditors, the shareholders' meeting of 27 April 2007 voted to extend PWC's mandate for a further three years to 2014.
The report describes in detail the role and tasks of the Board of Directors, listing the functions that have been delegated and those that are not delegated, and provides precise information regarding its composition and the meetings held in 2007 and 2008.
Specifically, the Board includes two independent non-executive directors, Mr Mario Greco and Mr Gilberto Callera, who, together with another non-executive director, Mr Gabriele Previati, make up the company's Remuneration Committee and Internal Audit Committee.
The two committees act as a consulting body regarding the code of conduct, and met regularly in 2007 and the first quarter of 2008, as illustrated in the report on corporate governance.
The report furthermore describes the company's internal audit system, the responsibility for which lies with the Board, which fixes guidelines and periodically checks the appropriateness and effectiveness of the system, with the help of the Internal Audit Committee, the head of internal audit, as well as the internal auditing department. The Board has nominated the Chairman of the Board of Directors as the director in charge of overseeing the functioning of the internal audit system.
The company has also appointed Mr Corrado Costanzo as Chief Financial Officer, the manager in charge of preparing the company's accounts in accordance with article 154-bis of the TUF. It has also appointed an investor relations officer.
The company's code of ethics also falls within the internal audit system. It expresses the principles and values that Saras recognises as its own. The company requires that it be observed by all employees, external partners and all those having relationships with Saras; also falling within the internal audit system is the organisational, management and control model adopted in accordance with the regulations set out in the "Rules regarding administrative responsibilities of bodies" pursuant to legislative decree no. 231/2001, overseen by a specific supervisory body.
Lastly, the report illustrates the contents of the internal regulation for the management of sensitive information and the institution of a registry of personnel who have access, the code of conduct regarding internal dealing, the principles of conduct for dealings with related parties as well as the code of conduct for Saras Group directors, adopted by the company's Board of Directors.

Structure of the Saras Group

Saras S.p.A.

- 100% Saras Ricerche e Tecnologie S.p.A.
- 100 % Arcola Petrolifera S.p.A.
- 99.99 % Sarint SA Luxembourg
- 100% Akhela S.r.l.
- 100 % Ensar S.r.l.
- 70% Parchi Eolici Ulassai S.r.l.
- 100 % Sarlux S.r.l.
- 5.95 % Sarda Factoring S.p.A.

Segments of business

Consolidated on a line-by-line basis

Consolidated by the equity method

With main companies for each segment.

Refining
Saras S.p.A.

Marketing
Saras Energia SA
Arcola Petrolifera S.p.A.

Power Generation
Sarlux S.r.l.

Other
Akhela S.r.l.
Sartec S.p.A.

Eolico Saras share is 70 %
Parchi Eolici Ulassai
Sardeolica S.r.l.

5%	8.7%	37.5%	37.5%
Consorzio CESMA	Consorzio Tecno Mobility	Dinergy S.r.l.	Hangzhou Dadi Encon Environmental Equipment Co.
0.1%	0.01%	5%	
Reasar SA Luxembourg	Sarint SA Luxembourg	Consorzio La Spezia Energia	
100%	99.9%		
Saras Energia SA Madrid	Reasar SA Luxembourg		
8.7%			
Consorzio Tecno Mobility			
100%	20%		
Eolica Italiana S.r.l.	Nova Eolica S.r.l.		
100%			
Sardeolica S.r.l.			

Share performance

Below are some data concerning prices and daily volumes relating to the Saras share between 01/01/2007 and 31/12/2007.

Market capitalization at 28/12 amounted to about EUR 3,777 million.

Share Price (Euro)

3.750
Minimum price (20/11/2007) *

4.925
Maximum price (09/07/2007) *

4.289
Average price

3.975
Closing price at 28/12/2007

Daily Trading Volumes (ml/Euro)

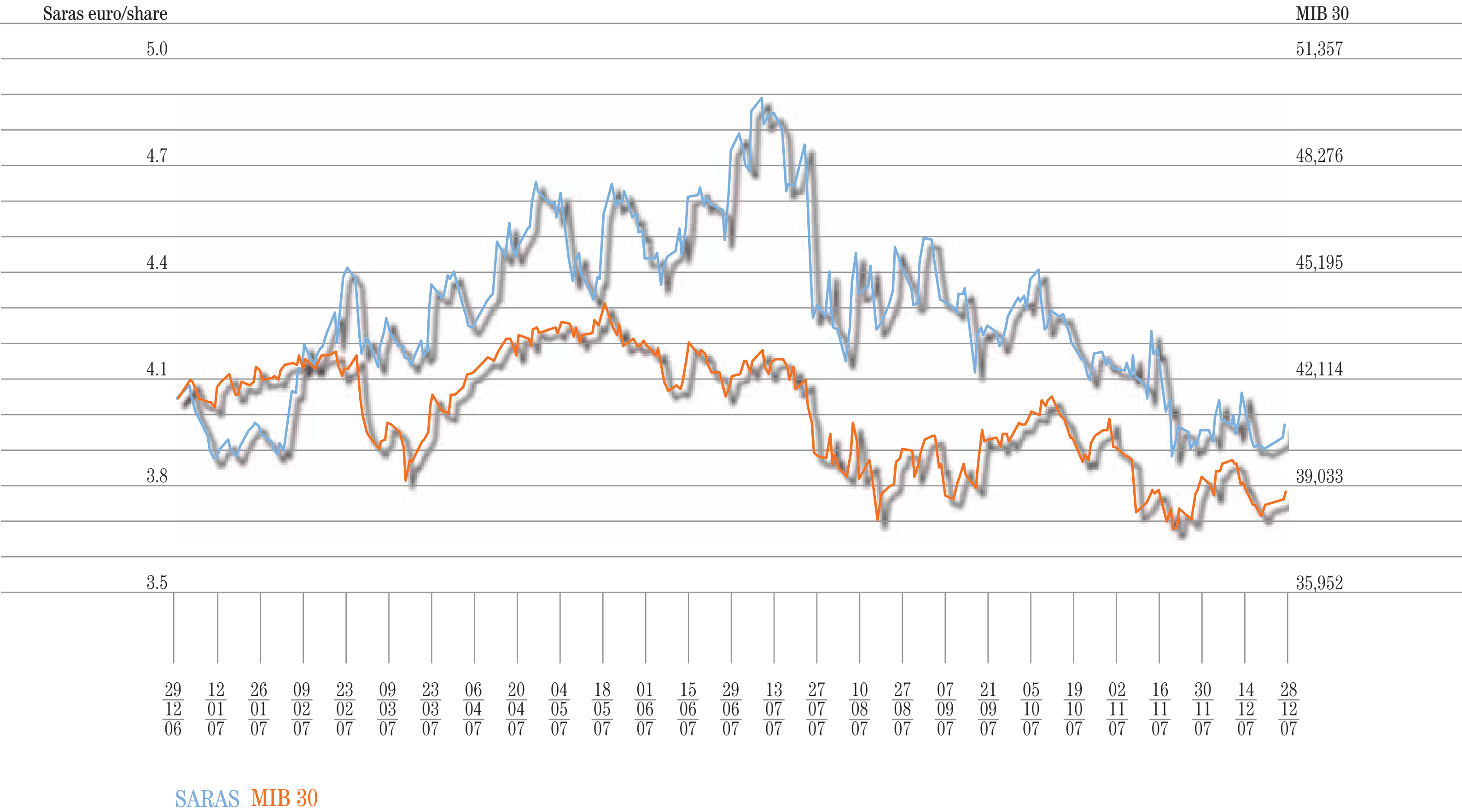
54.9
Maximum volume (21/02/2007)

2.3
Minimum volume (03/12/2007)

13.3
Average volume

* intended as minimum and maximum price during the day's trading, therefore not coincident with the official reference prices on the same date

Saras' share performance in comparison to MIB30 index (Milan stock exchange)



Saras share outperformed the MIB30 index during the course of 2007.
After the maximum price reached during the month of July (4.925), a downward correction started, mainly driven by the "subprime loan crisis" that negatively affected all the world's stock exchanges.
As of 31st December 2007 total shares fully paid-in were 951 million, same amount registered at the end of 2006.
During 2007, in accordance with the Stock grant plan for managers and the Stock plan for employees approved by the last Annual general meeting, a total of 650,000 Saras shares have been bought back at the average price of 4.30.
As a consequence free float decreased to 36.2% at the end of 2007 from 36.3% at the end of last year.

Report on Operations

Comments on Group results

In order to give a better representation of the operating performance, and in line with the standard practice in the oil industry, operating results (like EBITDA[1] and EBIT[2]) and Net Income are reported also with inventories evaluated at LIFO (and not only at FIFO as requested by IFRS accounting principles) because this method combines the most recent costs with the most recent revenues, thus providing a clearer picture of current profitability. Furthermore, for the same reason, non recurring items are deducted both from the operating results and from Net Income. *Comparable* and *adjusted* figures are not subject to audit.

Below detailed definitions of *comparable* and *adjusted* figures:

EBITDA *comparable*: calculated evaluating inventories at LIFO and deducting non recurring items.

EBIT *comparable*: comparable EBITDA net of depreciation & amortization and net of further non recurring items.

Utile Netto *Adjusted*: reported net income adjusted by (inventories at LIFO-inventories at FIFO) after taxes, non recurring items after taxes and variation in the derivatives fair value after taxes.

2007 highlights:

EBITDA at EUR 760 million, up 44%

Group *comparable* EBITDA at EUR 587 ml, up 3%

Net Income at EUR 323 million, up 55%

Group *adjusted* net income at EUR 250 ml, up 3%

Saras refining margin at 7.3 $/bl up 18% versus 2006

Premium above EMC benchmark at 4.0 $/bl, up 0.6 $/bl vs 2006

CIP6 power tariff indexation modified by the Energy Authority as of 1st January 2007, with negative impact on the Power Generation segment results

Strong balance sheet: Net Financial Position at EUR -27 ml vs EUR -285 ml at end 2006

Dividend of EUR 0.17 per share (payout 65% of adjusted net income), an increase of 13% versus 2006.

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

2. **EBIT** Operating result

SARAS GROUP – KEY INCOME STATEMENT FIGURES[3] (EUR Milion)	2007	2006	%
REVENUES	6,664	6,169	8%
EBITDA	760.1	526.2	44%
***comparable* EBITDA**	**587.3**	**567.5**	**3%**
EBIT	508.8	363.5	40%
***comparable* EBIT**	**423.7**	**404.8**	**5%**
Net Income	322.7	207.8	55%
***adjusted* Net Income**	**249.6**	**241.9**	**3%**

SARAS GROUP – OTHER FIGURES[3] (EUR Milion)	2007	2006
Net Financial Position	(27)	(285)
Operating Cashflow	623	345
Capex	210	130

MAIN FINANCIAL INDEXES[3]	2007	2006
Leverage[4]	2%	18%
ROACE[5]	17%	17%
ROAE[6]	18%	22%

DETAIL OF CONSOLIDATED PROFORMA NET INCOME ADJUSTMENTS[3] (EUR Milion) Adjusted net income figures are not subject to audit	2007	2006
Net Income (A)	**322.7**	**207.8**
(inventories at LIFO-inventories at FIFO) net of taxes	(95.8)	26.3
Non recurring items net of taxes	15.4	14.7
Change of derivatives fair value net of taxes	7.3	(7.0)
Total (B)	**(73.1)**	**34.0**
Adjusted Net Income (A+B)	**249.6**	**241.9**

Saras Group registered good results during 2007, showing an improvement versus 2006 thanks to the good performance of the Refining and Marketing segments that more than offset the impact of the new indexation methodology of the power tariff, under the revised CIP6/92 tariff scheme, that negatively affected the Power generation segment.
Refining margins improved versus last year (EMC benchmark at 3.3 $/bl versus 2.8 $/bl in 2006), but such increase has been completely offset by a stronger EUR vs USD (EUR/USD at 1.37 versus 1.26 in 2006).

Group **Revenues** were EUR 6,664 ml up 8% compared to last year in the light of higher oil product prices.

3. 2006 figures are proforma, i.e. with Sarlux S.r.l. fully consolidated as of 1st January 2005. Please also refer to the Chapter "2006 Proforma financial statements" for further details. **4. Leverage:** net debt / (net debt + equity) **5. ROACE:** return on average capital employed **6. ROAE:** return on average equity.

Group EBITDA amounted to EUR 760.1 million, showing an increase of 44% versus 2006. Such increase is attributable to the good performance of the Refining and Marketing segment, more than offsetting the decline in the Power generation segment. Also contributed to the result the increase of oil and product prices, with the consequent positive impact on inventory valuation, and some non recurring items related to the finalization of a government grant (*"Contratto di Programma"*) and to a change in law in the calculation of provisions for employee retirement benefits.

For the reasons explained above a better representation of the operating performance is given by ***Comparable*** **EBITDA** which amounted to EUR 587.3 million with an increase of 3% versus 2006, nonetheless confirming the good performance of the Group.

The ***Refining&Power***[7] **margin** (see graph below) reached **11 $/bl** in 2007, confirming the superior margins of the Saras site.

Reported **net income**, amounting to EUR 322.7 million and up 55% versus 2006, was influenced by a non recurring gain due to the effect on deferred taxes of the statutory corporate income tax reduction and by a non recurring loss due to the impact of IAS36 (impairment test) on Sarlux electricity sale agreement.

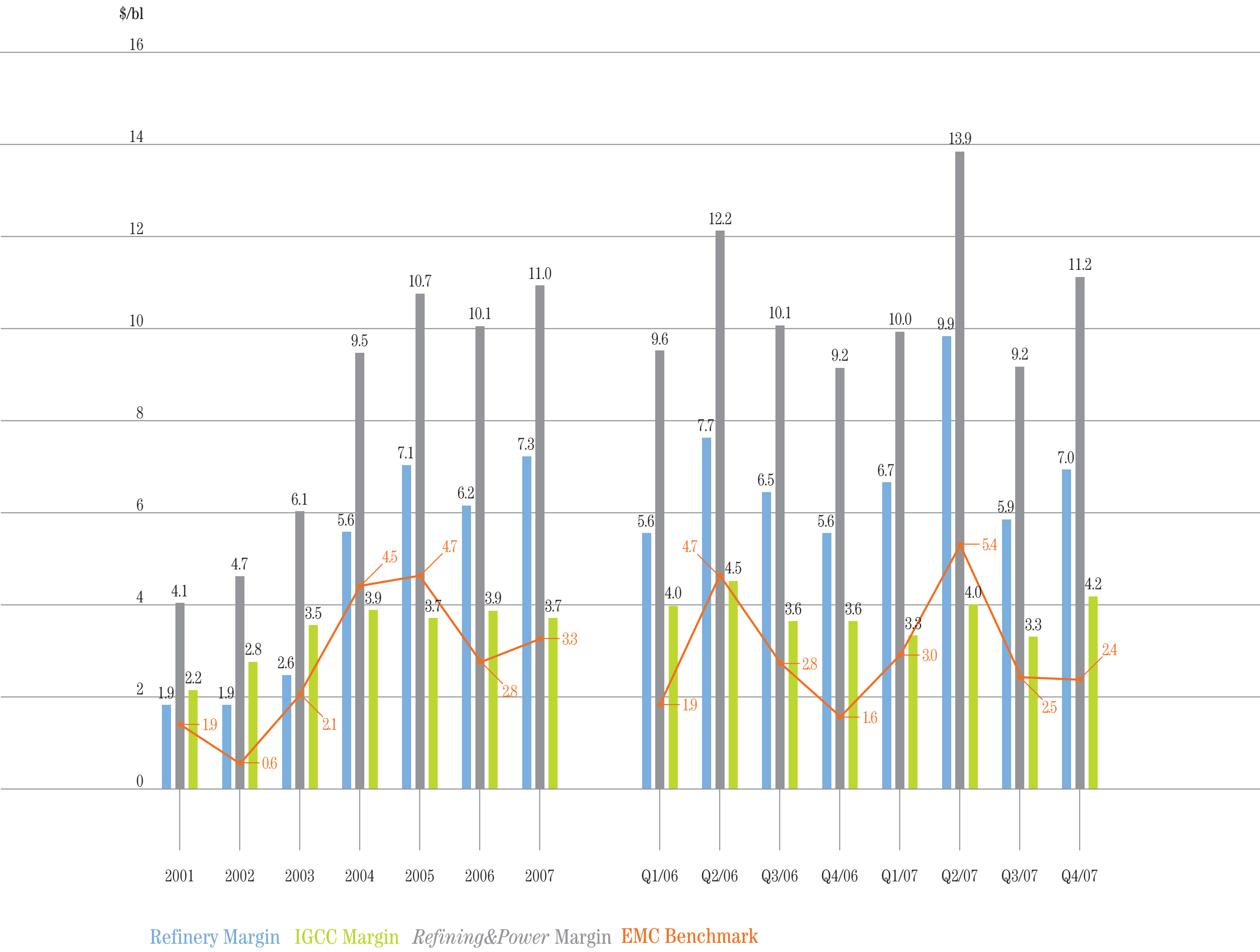
Adjusted **net income**, amounting to EUR 250 ml, not being affected by non recurring items, shows an increase of 3% versus 2006, in line with the increase of *comparable* EBITDA.

CAPEX amounted to EUR 210 ml in the period, mainly incurred in the refining segment and in line with the investment program for 2007.

Net Financial Position at the end of 2007 reduced to a negative of EUR 27 ml from a negative of EUR 285 ml at the end of 2006 in the light of a strong **operating cashflow** amounting to EUR 623 million during the year.

7. Margine integrato ***Refining&Power***: è il margine del sito produttivo dato dalla somma del margine di raffinazione e del margine dell'impianto IGCC di generazione energia elettrica

Saras: Refining&Power Margin



Refinery margin: (Refining segment *comparable* EBITDA + Fixed costs) / refinery runs in the period. **IGCC margin:** (Power Generation segment EBITDA + fixed costs) / refinery runs in th period. **EMC benchmark:** margin calculated by EMC (*Energy Market Consultants*) and based on runs equal to 50% of Brent and 50% of Ural and used by saras as a reference benchmark.

17 Jan 2007

Investigations, with inspections also at the Company's Milan Headquarters, are conducted in relation to an enquiry by the Milan prosecutor against unknown persons concerning the Initial Public Offer of the Company's ordinary shares. The investigations have been initiated based on allegations by investors who bought shares in the Offer.

27 Apr 2007

The ordinary shareholders' meeting has appointed Dario Scaffardi as a board director, and he will remain in charge until approval of the financial statement at 31 December 2008. Dario Scaffardi has been General Manager of the Saras Group since October 2006, on which date he was co-opted onto the Board.

Main events during the year

5 Jul 2007

Saras has successfully completed, as programmed, the planned maintenance and upgrades of one crude distillation unit, one Vacuum unit, the Visbreaking unit and one train of the IGCC plant of its Sarroch refinery.

1 Aug 2007

At the end of July Saras started the purchase plan of own ordinary shares finalized to the free assignment to employees and to the execution of the Stock Grant plan that will be completed as provided for in the purchase plan approved by the AGM.

20 Oct 2007

Over 4,000 visitors participated to the event *Raffineria Aperta*, discovering Saras which took place at our refinery in Sarroch. The event, for the first time, allowed citizens to visit the industrial plant and all Saras Group Companies.

The Oil market

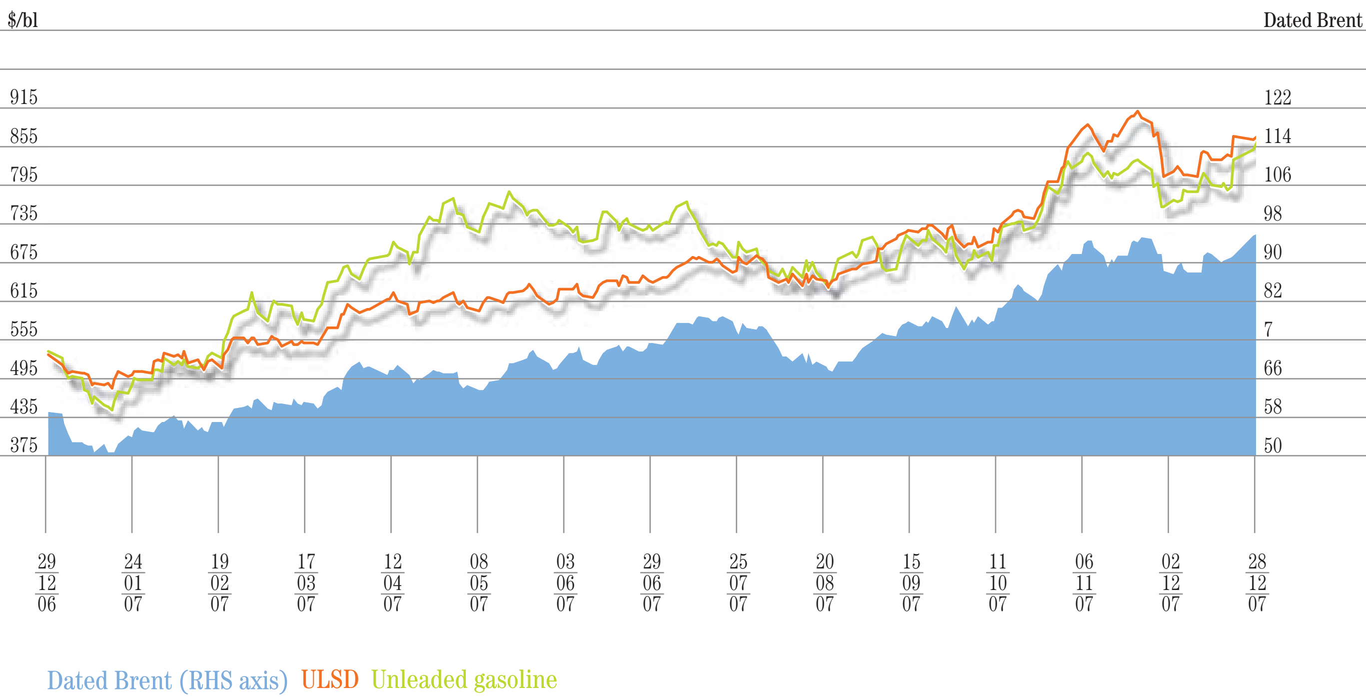
The chart below shows the price of dated Brent and the main oil products in 2007.

The price of dated Brent was close to 100 $/bl at end-2007, after doubling in the course of the year. With the exception of a number of minor dips during the year, the price rose consistently and particularly sharply in the last few months of 2007.

The average price of dated Brent was 72.5 $/bl in 2007, versus 65.1 $/bl in 2006.

In February, with the price of crude at around 50 $/bl, OPEC announced a fresh cut in production. The effects of this decision were clear by the start of the summer: although there had never been a real shortage of crude on the physical market, global stocks declined throughout the second half of the year, fuelling further rises in prices which were already supported by market fundamentals (destocking in 2007 was 0.4 million barrels per day, versus an average rise in inventories of 0.2 million barrels per day in 2006).

2007: crude oil/unleaded gasoline/ULSD (diesel) Fob Med prices (source: Platt's)



8. Fonte: EMC, Products Market Quarterly, January 2008. 9. Driving season: period of higher than average transportation fuels consumption due to holidays and favourable weather conditions. **10. Crack spread:** difference between price of a product and reference crude oil.

Another factor boosting the oil market was the liquidity injected into the commodity futures market by many investors, as a defensive move against the backdrop of financial market turbulence.

As for oil products, the trends of recent years continued in 2007, with strong demand for gasoline coinciding with the beginning of the driving season[9] in the US, while demand for diesel was more stable, although it rose at the onset of the cold season.

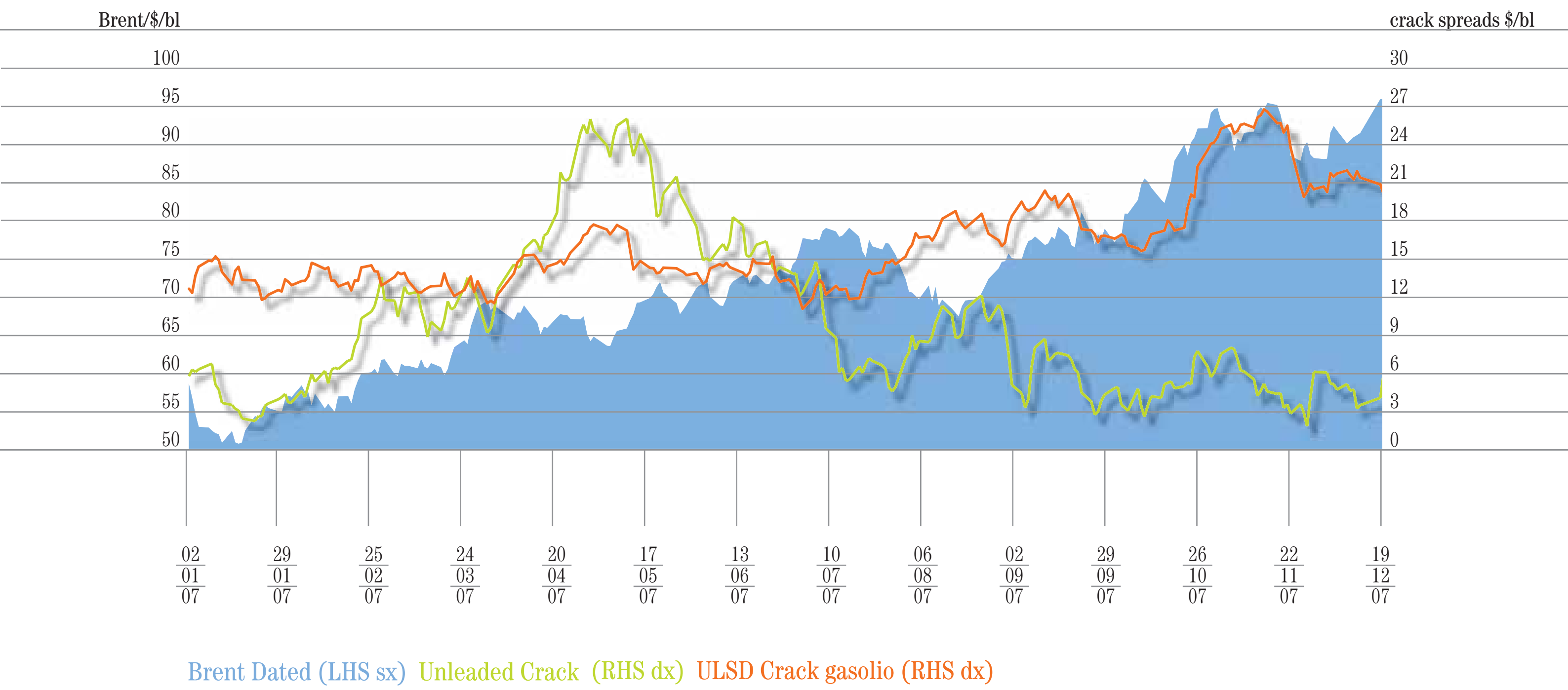
These demand trends were clearly reflected in the gasoline and low-sulphur diesel (ULSD) crack spreads[8]:

- the gasoline crack spread reached 26 $/bl in May, then contracted in July and remained on a downtrend towards the end of the year.
- the ULSD crack spread was stable in the first half of the year at around 14 $/bl, then widened considerably during the summer and the beginning of autumn, to 27 $/bl.

The average annual crack spreads for gasoline and diesel were wider than in 2006 at 9.2 $/bl (7.5 $/bl) and 15.7 $/bl (14.7 $/bl) respectively, which had a positive effect on refining margins.

This trend can be chiefly attributed to the lower utilization of the refineries, because of the increase in both scheduled and maintenance work and unscheduled stoppages (especially in the early part of the year), which at times led to concerns over a possible shortage of products on the market.

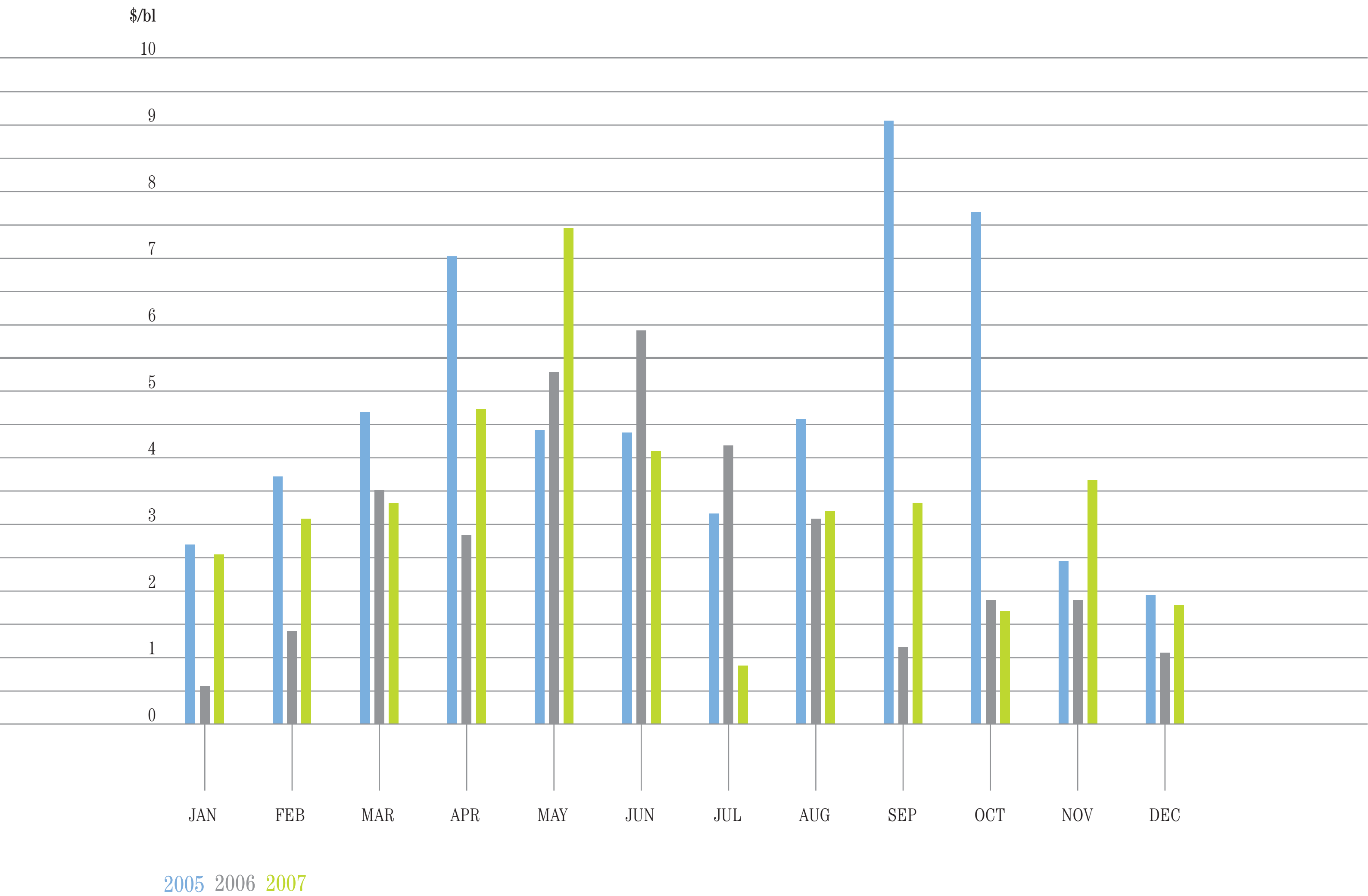
2007: unleaded gasoline/ultra low sulphur diesel (ULSD) Fob Med crack spreads vs Brent (source: Platt's)



The EMC benchmark for the refining margin rose from an average of 2.8 $/bl in 2006 to 3.3 $/bl in 2007, despite strong volatility, with a high of 7.5 $/bl in May and a low of 0.9 $/bl in July.

In these conditions, only complex refineries were able to operate constantly at the maximum possible utilization rate, since less complex facilities had to reduce their runs at certain points during the second half of the year because of poor margins.

EMC FOB Med Benchmark (50% Brent - 50% Urals)



Regulatory framework

Important information and measures relevant to the energy sector in 2007 are set out below:

- The European Commission approved Italy's National Allocation Plan 2008-2112, pursuant to the EU emissions trading directive 2003/87/CE, reducing its allocated quotas from 209 million tonnes to 196 million tonnes of CO2 per year. The Commission also stipulated that in order to comply with the requirements of EU directive 2003/87/CE, Italian companies may not use CERs and ERUs from the Kyoto protocol's flexible mechanisms in excess of 15% of the quotas assigned to each individual activity.
- Legislative Decree 20 of 8 February 2007, which implemented EU directive 2004/8/CE, introduced new parameters for the recognition of combined heat and power production such as co-generation.
- It also redefined the requirement for producers of petrol and diesel fuel for transport to incorporate into sales a proportion of biofuels from plant-based material equal to a defined percentage of commercial fuels in the previous year. Specifically, the percentages are 2% for 2008, 3% for 2009 and 5.75% with effect from 2010. .
- In May 2007, the Lombardy regional administrative court (TAR) annulled AEEG resolution 249 of 15 November 2006, entitled "Adjustment for 2007 of the average price of conventional fuel in the avoided fuel cost component (CEC) pursuant to Section II.2 of Inter-ministerial Committee on Prices (CIP) Provision 6". The high court (Consiglio di Stato), however, in its ruling on 23 January 2008 upheld an appeal from the AEEG, and reinstated AEEG resolution 249. The reasons for the decision have not yet been published.
- Implementing Law 243/2007 of Legislative Decree 180/2007 extended the deadline for obtaining integrated environmental authorisation for the plants concerned from 30 October 2007 to 31 March 2008.
- Legislative Decree 164/2007 transposing EU directive 2004/39/CE, "Market in Financial Instruments (MiFID)", introduced significant changes relating to, among other things, the markets for derivatives contracts on gas and electricity, allowing contracts that could previously only be concluded by a qualified intermediary, to be offered to the public, including by energy companies.
- The Financial Law 244/07 (2008 Budget), which became effective on 1 January 2007, includes provisions on, among other things, incentives pursuant to CIP 6/92, specifically those set out at article 2, paragraph 51. This law states, *"In accordance with article 3, paragraph 7, of Law 481 of 14 November 1995, with effect from 1 January 2007, the average value of the price of methane, for the purposes of updating the avoided fuel cost (CEC) pursuant to Section II, paragraph 7, point b) of the CIP resolution 6 of 29 April 1992, published in the Italian Official Journal 109 of 12 May 1992 and subsequent amendments, is determined by the AEEG (gas and electricity regulator), taking into account the cost structure in the natural gas market"*. In other words, this provision retrospectively (with effect from 1 January 2007) grants the authority to the AEEG to determine the average value of the price of methane for the purposes of updating the CEC component. This regulation, therefore, amends the provisions of CIP 6/92, which established a different updating mechanism. The 2008 Budget also introduced many new provisions on renewable sources. Specifically, the period for the issue of green certificates was extended from 12 to 15 years. Furthermore, it also provided for an annual 0.75% increase for the period 2007-2012 in the quota of energy from renewable sources that manufacturer from non-renewable sources must input into the grid. A new method of determining the price of green certificates issued by the GSE was also introduced. This figure was set at EUR 112.88 per MWh for 2008.

Segment Reviews

Below is the main information relating to the various segments of business of the Saras Group.
Furthermore, detailed results of the Parchi Eolici di Ulassai S.r.l. joint venture and its subsidiary Sardeolica S.r.l. (wind segment) are given in order to provide complete information, although the company is consolidated using the equity method.

Refining

KEY FIGURES (EUR million)	2007	2006
EBITDA	511.5	292.2
***comparable* EBITDA**	**371.6**	**323.8**
EBIT	437.4	223.8
***comparable* EBIT**	**297.5**	**255.4**
CAPEX	**177**	**108**

MARGINI E LAVORAZIONI		2007	2006
EMC benchmark (*)	$/bl	3.3	2.8
Saras refining margin (**)	**$/bl**	**7.3**	**6.2**
Total refinery runs (thousand tons)	Kt	14,593	14,286
(million barrels)	Mbl	106.5	104.3
Of which: processing for own account	Kt	9,100	7,381
processing on behalf of third parties	Kt	5,493	6,905
Exchange rate	EUR/USD	1.370	1.256

(*) calculated by EMC : 50% Ural + 50% Brent - (**) (*comparable* EBITDA + fixed costs) / refinery runs

Refining operations in 2007 were characterized by a good performance in a context of well supported refining margins.

Important activities for maintenance and upgrades of various units were carried out as planned, mainly during the second and fourth quarter: in particular two crude distillation units, one vacuum unit and the visbreaker underwent technical improvements aimed at increasing their reliability and performance.

Refinery runs, 106.5 million barrels (292 kbd) in 2007, were up 2% versus 2006, mainly for the different scheduled downtime of the crude distillation units. The processing on behalf of third parties was 38% of total runs, down from 48% of the year 2006, as a contract expiring at the end of 2006 was not renewed.

The upgrades carried out during 2007 are reflected in the crude quality and product yields data: while the crude mix was substantially unchanged compared to last year (with an average density confirmed at 32.9°API), the total yield of high value products (i.e. LPG, naphtha, gasoline and middle distillates) rose from 80.9% in 2006 to 81.5% in 2007. Middle distillates production, mainly automotive diesel, was in excess of 7.5 million tons, 2.6% higher than previous year.

Another indicator to assess the performance of the refinery is represented by the premium that Saras managed to achieve in terms of margin (after variable costs) per barrel over the EMC benchmark.
Saras' refining margin rose from 6.2 $/bl in 2006 to 7.3 $/bl in 2007, whereas the EMC benchmark increased from 2.8 $/bl in 2006 to 3.3 $/bl in 2007. Saras' premium versus the benchmark, therefore, rose from 3.4$/bl to 4.0$/bl, substantially in line with our guidance for the full year, that was 4.0 $/bl for the first half and 4.5 $/bl for the second half to be reduced by 14 million dollars for the impact of reduced conversion capacity during the maintenance of some conversion units.

As a result the ***comparable*** **EBITDA** of the refining segment improved by EUR 49 million versus 2006 (+15%). The stronger refining margin scenario was more than offset by the weaker dollar vis a vis the euro, thus the EBITDA increase is attributable to the good operational performance of the refinery and to the upgrades which went on stream. This improvement is perfectly in line with the organic growth strategic plan for the period 2006-2009.

REFINERY PRODUCTION*	2007	2007	2006	2006
	Kt	yield	Kt	yield
LPG	306	**2.1%**	312	**2.2%**
NAPHTHA+GASOLINE	4,039	**27.7%**	3,893	**27.3%**
MIDDLE DISTILLATES	7,541	**51.7%**	7,350	**51.4%**
FUEL OIL & OTHER	707	**4.8%**	725	**5.1%**
TAR (residue to IGCC)	1,120	**7.7%**	1,152	**8.1%**

* balance to 100% are consumption and losses

CRUDE OIL SLATE (% on total refinery runs)[11]		2007	2006
Light extra sweet		45%	43%
Light sweet		2%	5%
Medium sweet			1%
Light sour			
Medium sour		26%	23%
Heavy Sour		27%	28%
Average Crude Gravity	**°API**	**32.9**	**32.9**

11. Crude oil slate: Crude oils are commercially defined using the parameters of density (degree API) and sulphur content: according to density they are defined light, medium or heavy; according to increasing sulphur content they are defined sweet or sour.

Marketing

The activity of the segment is mainly concentrated in the wholesale business where the Saras Group operates through the subsidiaries Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A in Spain.

KEY FIGURES (EUR million)	2007	2006
EBITDA	55.4	15.1
***Comparable* EBITDA**	**33.2**	**24.8**
EBIT	50.3	11.7
***Comparable* EBIT**	**28.1**	**21.4**
CAPEX	**11**	**9**

Marketing achieved an outstanding performance during 2007, with sales, margins and EBITDA significantly improved versus previous year.

During 2007 oil product demand in Italy[12] registered a reduction (-3.2%) versus 2006 mainly driven by a decrease in heating gasoil consumptions (-21%) due to a mild winter season and the persisting shift from Low Sulphur Fuel Oil (-12%) to natural gas as a feedstock for electricity production. With regard to high value products, diesel consumption increased compared to last year (+2.6%), while gasoline continued the downward trend (-6.2%) due to the ongoing "dieselization" of the Italian car fleet.

Spain, on the other hand, registered a growth in oil product demand[13] (+1.3%) with the same main trends of Italy in term of single products consumptions. Growth of diesel consumption was stronger than Italy (+4.5%) and the decline of gasoline consumption less pronounced (-3.5%).

In this scenario Arcola Petrolifera achieved a good performance in Italy, increasing sales by 9% and consequently improving its wholesale market share from 5.4% to 6.3%.
The performance of Saras Energia in Spain has been outstanding with sales increased by 27% and market share consistently improved.
Overall sales reached almost 4 million tons during 2007 with a 21% increase versus 2006 driven by a strong increase of diesel sales in both markets (+10% in Italy and + 35% in Spain).

Also margins improved overall versus 2006 (in particular in Spain, while a slight reduction has been registered in Italy) leading to a 34% increase of ***comparable*** **EBITDA** up to the record high of EUR 33.2 million.

The beginning of the construction activities of the biodiesel production plant close to the Saras Energia depot in Cartagena (Spain) led to a significant increase of Capex during 2007. The plant will produce approximately 200,000 tons per year of Biodiesel; operations are expected to start in mid 2008.

12. source Unione Petrolifera. **13.**source CORES: corporation de reservas estrategicas de productos petroliferos.

Saras Red S.A, constituted during 2006 and owning the 37 retail stations bought from Caprabo, has been, during the course of 2007, merged by absorption with Saras Energia S.A.

SALES		2007	2006
TOTAL SALES	**Kt**	**3,906**	**3,217**
Of which in Italy	Kt	1,102	1,013
Of which in Spain	Kt	2,804	2,204

Power Generation

Below are the main financial data of the Power segment related to operations by Sarlux S.r.l. (2006 figures are pro-forma). Key income statement figures under ITALIAN GAAP have also been reported in order to better explain profitability of the segment since such figures are not influenced by the linearization of the revenues required by the IFRS accounting principles.

KEY FIGURES (EUR million)	2007	2006
EBITDA	182.1	220.0
Comparable **EBITDA**	**182.1**	**220.0**
EBIT	12.3	131.7
Comparable **EBIT**	**100.2**	**131.7**
EBITDA ITALIAN GAAP	**258.2**	**323.8**
EBIT ITALIAN GAAP	**204.4**	**270.0**
CAPEX	**20**	**12**

OTHER FIGURES	2007	2006
Electricity Production (MWh/1000)	4,414	4,467
Power Tariff (Euro cent/KWh)	**12,3**	**13.5**
Power Tariff (old formula) (Euro cent/KWh)	*13.4*	*13.,5*
IGCC margin ($/bl)	3.7	3.9

MWh: Megawatthour; KWh: Kilowatthour

The performance of the Sarlux IGCC plant was good during 2007 with power production slightly lower than previous year (-1%) due to the general inspection performed (usually every 6 years) on one gas turbine during Q2/07. Furthermore during the year routine maintenance cycles have been performed on 2 gasification and one of the other power production trains with time and costs in line with our expectations. The production of steam and hydrogen was in line with last year.

Contraction of EBITDA, both IFRS and Italian GAAP versus 2006 (-17% for IFRS EBITDA and –19% for Italian GAAP EBITDA) is attributable to a reduction of the power tariff from 13.5 eurocent per KWh in 2006 down to 12.3 eurocent per KWh in 2007 (-9%). This is due to the new indexation methodology of the power tariff, for power plants with tariff scheme defined under the CIP6/92 law, introduced by the Energy Authority resolution n.249/06 issued on November 2006 and applicable as of 1st January 2007.

During the course of 2007 such resolution was initially challenged before the relevant court in Italy (TAR: *"Tribunale Amministrativo Regionale"*), which ruled in Saras' favour on 9 of May 2007. The Authority then appealed to the highest administrative level (*"Consiglio di Stato"*) during the month of October 2007. Final ruling, in the Energy Authority's favour, was finally issued during January 2008.

The new indexation methodology concerns the fuel component of the tariff which will continue to be linked to product and crude oil prices but with a different mechanism. In particular, during 2007, the new methodology resulted in a reduction of the fuel component and consequently of the entire tariff by 1.06 Eurocent/KWh (2007 tariff with the old indexation methodology would have been 13.44 Eurocent/KWh).

This negatively impacted 2007 Italian GAAP EBITDA by EUR 47 million (with the old tariff Italian GAAP EBITDA would have been EUR 305 million).

In terms of ***comparable*** **IFRS EBITDA** the negative impact on 2007 was EUR 29 million, lower than the impact on Italian GAAP. This is due to the review of the linearization procedure required by IFRS to reflect the new indexation methodology of the power tariff and an updated forward curve for oil and petroleum products (used as a starting point for the forecast of the fuel component of the tariff).

Moreover, pursuant to IAS36 (Impairment of Assets), the value of the long term power sale agreement with the national grid operator (GSE) was reduced by EUR 88 million with a one-off charge to the full year reported EBIT figures. ***Comparable*** **EBIT** instead, not being affected by non recurring items, decrased in line with *comparable* EBITDA.

Other Activities

KEY FIGURES (EUR million)	2007	2006
EBITDA	11.1	(1.1)
***comparable* EBITDA**	**0.4**	**(1.1)**
EBIT	8.8	(3.7)
***comparable* EBIT**	**(2.1)**	**(3.7)**

Comparable EBITDA figures finally turned positive, with a considerable improvement versus last year thanks to the restructuring efforts carried out by Akhela (Information technology) and Sartec (research and engineering services in the oil sector).
EBITDA, at EUR 11.1 million, benefited from a one-off gain related to the finalization of a government grant (*Contratto di Programma*).

Wind

The Wind segment includes Parchi Eolici di Ulassai S.r.l. (and its subsidiary Sardeolica S.r.l.), a Joint Venture (Saras share is 70%) consolidated by the equity method.

KEY FIGURES (EUR million)	2007	2006
EBITDA	**25.6**	**25.7**
EBIT	**15.8**	**17.4**
Net Income	7.0	8.9
***Adjusted* Net Income**	**6.2**	**8.1**

OTHER FIGURES	2007	2006
Electricity Production (MWh)	168,185	157,290
Electricity Price (Euro cent/KWh)	8.5	7.4
Green Certificates Price (Euro cent/KWh)	9.7	11.9

Results during 2007 were substantially in line with 2006.
An increase of electricity production (+7%) and a higher power tariff (+9%) were entirely balanced out by lower green certificate prices (-18%), leading to an unchanged EBITDA versus last year.

2007 EBIT lower than 2006 (-9%) due to some bank fees originally capitalised and fully expensed during the year (caudes by the restructuring of project finance debt) generating a one-off increase of depreciation of about EUR 1.5 million.
An increase in interest rates coupled with a 10% write-down of the value of some 2006 green certificates (accounted during 2006 on the basis of the market price at that time and sold during 2007) caused Adjusted Net Income to be substantially lower than 2006 (-23%).
During 2007 the activities for the development of new wind farms has continued. A pipeline of projects in Sardinia and Southern Italy are in the permitting phase.

Net Financial Position

EUR million	31/12/2007	31/12/2006
Short term bank loans	(186)	(323)
Total long term net financial position	**(186)**	**(323)**
Short term bank loans	(108)	(139)
Bank overdrafts	(63)	(61)
Loans from unconsolidated subsidiaries	(1)	(2)
Loans to unconsolidated subsidiaries	9	9
Other financial activities	15	14
Cash deposits	308	218
Total short term net financial position	**159**	**38**
Total net financial position	**(27)**	**(285)**

At the end of 2007 **Net financial position** was negative by EUR 27 million from a negative of EUR 285 million at the end of 2006. Such improvement is mainly due to a strong **operating cashflow amounting** to EUR 623 million during 2007.

Personnel

Personnel employed at the end of the period, split by business segment and compared with the same period last year, was:

	31/12/2007	31/12/2006
Refining	1,220	1,172
Marketing	264	234
Power Generation	27	22
Wind	26	25
Other activities	368	357
Total Group	**1,905**	**1,810**

The increase is mainly due to the strengthening of Group technical staff.

Investments

Continuous upgrading of the Sarroch supersite is the main focus of Saras' investments, and will be the key factor in providing significant organic growth whilst ensuring our operations remain competitive and sustainable in the long term.

This strategy is consistent with our positive view of the refining market for the next few years and reflects our strong confidence that the European deficit of automotive gasoil (diesel) will persist.

At the same time, Saras carefully scrutinizes M&A opportunities in its core business (Refining) as well as possible growth opportunities in the related sector of Marketing and Wind power.

During 2007 Saras completed another step in the organic growth strategy thanks to the upgrades carried out during the second quarter maintenance that improved the yields of high value products (mainly diesel and gasoline) by 0.6% with an additional profitability of approx 0.5 $/bl.

In the following table a split of investments by segment is reported:

(EUR million)	2007	2006
Refining	177	108
Power generation	20	12
Marketing	11	9
Other activities	2	1
Total	**210**	**130**

Ongoing construction activities

The construction of a gasoline desulphurization unit and a tail gas treatment/sulphur recovery plant at the Sarroch refinery is on track. The first is expected to come on stream by mid 2008 and will allow the full production of gasoline with less than 10 ppm sulphur, as required by EU specification starting from 2009. The second will be operational in the second half of 2008 and will allow Saras to be aligned with the best standards in terms of sulphur emissions.

The construction of the Biodiesel plant in Spain with a capacity of 200,000 tons per year started at the end of the year with completion expected by the end of 2008 and an estimated cost of about EUR 35 million.

Other activities

Gas exploration: Seismic test in Sardinia are continuing with encouraging preliminary findings. On-shore tests have been completed and data are in the processing phase while off-shore test are expected to start during 2008.

Outlook

Starting from 2008 there will be a reduction of Corporate taxes of about 6% (law 244/2007): IRES (national corporate tax) will be reduced from 33% to 27.5% and IRAP (regional) will be reduced from 4.25% to 3.9% (-0,35%).
Concerning individual segments the main topics for 2008 are as follows:

REFINING

I fondamentali del mercato della raffinazione rimangono immutati:

- Market fundamentals are unchanged: the medium term outlook remains positive with the strong growth in oil demand recently estimated by the International Energy Agency (IEA) for 2008 at around 2% over 2007 and an the growth of refining capacity struggling to keep up with demand.
- Change of product specifications (gasoline and diesel from 50 to 10 ppm[14] sulphur as of 1/1/09) will provide further opportunities for high conversion refineries. Saras will be fully compliant with new specification.
- No major turnarounds scheduled in 2008. Runs expected to be in excess of 15 million tons (110 million barrels).
- Updated maintenance schedule of adjoining petrochemical plant will reduce hydrogen supply, therefore, in order to optimize production, the plan is to concentrate in the same period routine cleaning of some plants and catalyst substitution previously spread along the year.
- Premium that Saras is able to achieve over the EMC benchmark (refining margin after variable costs) is expected in the range of 4.0-4.5 $/bl, an improvement compared to 2007 (4.0 $/bl).
- Processing contracts for 2008 expected around 35% of refining capacity with a minimum fee estimated around 5.5 $/bl.

POWER GENERATION

- IGCC always at very high utilization rates during 2008, with slowdowns during Q2 and Q4. Electricity production expected in the range of 4.3-4.5 TWh.

MARKETING

- Consolidation of the good results achieved during 2007 is expected.

GAS EXPLORATION

- On shore seismic tests have been completed and data are in the processing phase with encouraging preliminary findings. Off shore test expected to begin during 2008.

14. ppm: part per million

Other Information

The reconciliation between Group consolidated net income/shareholders' equity with the corresponding items of the parent company is explained in the notes to consolidated financial statements at the paragraph 5.5 ”shareholders' equity”, to which you should refer.
The information required by art. 40 c.2 - d) of D.Lgs. 127/91 (shares of the parent company) is provided in the report on operations of the parent company.
The information required by art. 79 of Regolamento Emittenti Consob (shareholdings of statutory bodies members, general managers and managers with strategic responsibilities) is provided in the notes to financial statements of the parent company at paragraph 7.6.2.
The policies for the management of the financial risks to which the Group is exposed are presented in the notes to consolidated financial statements at the paragraph 3.5 “Risk Analysis”

Main events after the end of 2007

During the month of January 2008 the dispute on the power tariff between Sarlux and the Energy Authorithy was resolved in Energy Authority's favour thanks to the final ruling issued by the highest administrative level (*"Consiglio di Stato"*). We remind you that the Energy Authority, through resolution n.249/06 issued on November 2006, introduced a new indexation methodology of the power tariff, for power plants with tariff scheme defined under the CIP6/92 law. During the course of 2007 such resolution was initially challenged before the relevant court in Italy (TAR: *"Tribunale Amministrativo Regionale"*), which ruled in Saras' favour on 9 May 2007. The Authority then appealed to the highest administrative level (*"Consiglio di Stato"*) during the month of October 2007 which finally ruled in Energy Authority's favour in January 2008. Therefore new tariff scheme have been retroactively applied as of 1st January 2007.

For the Board of Directors
The Chairman
Gian Marco Moratti

2006 "Proforma" Financial Statements (unaudited)

Main assumptions:

1 Saras Group consolidated financial statements and Sarlux Srl financial statements under IFRS accounting principles are the basis of "proforma" statements.

2 Sarlux S.r.l consolidated on a line-by-line basis as of 1st January 2005, as if acquisition took place at end 2004. Besides making all the usual consolidation entries the following items have been moved from Q2/06 back to Q1/05.

a) ***Revaluation of Sarlux S.r.l. electricity sale contract to GSE (national grid company) at fair value:*** *EUR 604 million accounted as intangible assets and EUR 225 million accounted as deferred taxes*

b) ***Enron Dutch frozen dividends accounted in the Shareholder's Equity as follows:***
- EUR 41.1 million as of 1st January 2005;
- EUR 25.1 million in Q3/05;

c) **P/L effects:**
- additional amortization EUR 9.4 million per quarter in the Power Generation segment (due to additional intangible assets)
  1 Effect on deferred taxes +EUR 3.5 million per quarter;
  2 Effect on Net Income –EUR 5.9 million per quarter;

- Interest expenses of EUR 1.1 million per quarter on payment of EUr 127 million on acquisition at end 2004.

Reconciliation table for Net Income and Shareholdrs' equity between Group Consolidated statement and Proforma statements as at 31/12/2006.

(EUR million)	Consolidated net income	Shareholders' equity
Group consolidated financial statements	**395.4**	**1,285.4**
Dividends from previous years	(66.3)	
Fair value of Sarlux option	(4.2)	
45% fair value of Sarlux net of price paid	(128.7)	
	(199.2)	
45% Sarlux's net income on 1st half 2006	23.5	
Depreciation GSE contract 1st half 2006	(18.9)	
Taxes on depreciation GSE contract	7.0	
Net financial expenses due to Sarlux acquisition	(2.2)	(6.6)
Taxes on net financial expenses	0.7	2.2
Taxes on option fair value	1.4	
	11.6	**(4.4)**
Consolidated proforma statements	**207.8**	**1,281.0**

PROFORMA CONSOLIDATED INCOME STATEMENT (EUR million)	2006
EBITDA	526.2
***Comparable* EBITDA**	**567.5**
Depreciation and Amortization	(162.7)
EBIT	363.5
***Comparable* EBIT**	**404,8**
Net financial income/(charges)	(9.8)
Net income/(charges) on equity interest	6.5
Non recurring income/(charges)	(22.2)
Profit before taxes	337.9
Taxes	(130.0)
Net income	207.8
Adjusted net income	**241.9**

DETAILS OF CONSOLIDATED PROFORMA NET INCOME ADJUSTMENTS (EUR Million)	2006
Net income (A)	**207.8**
(inventories at LIFO – inventories at FIFO) net of taxes	26.3
Non recurring items net of taxes	14.7
Change of derivatives fair value net of taxes	(7.0)
Total (B)	**34.0**
Adjusted net income (A)+(B)	**241.9**

CONSOLIDATED PROFORMA BALANCE SHEET (EUR Million)	2006
CURRENT ASSETS	**1,516**
Of which	
Cash	232
Other current assets	1,284
NON CURRENT ASSETS	**1,707**
TOTAL ASSETS	**3,223**
Non interest bearing liabilities	1,410
Interest bearing liabilities	532
Of which Sarlux project finance	369
EQUITY	**1,281**
TOTAL LIABILITIES&EQUITY	**3,223**

CONSOLIDATED PROFORMA CASH FLOW (EUR Million)	2006
INITIAL NET FINANCIAL POSITION	**(573)**
CASH FLOW FROM OPERATIONS (A)	**271**
Net income + depreciation + change in provisions	494
Working capital	(222)
CASH FLOW FROM INVESTMENT (B)	**(161)**
Investments in tangible and intangible assets	(133)
Acquisition of service stations in Spain	(28)
CASH FLOW FROM FINANCIAL ACTIVITIES (C)	**172**
Capital increase	342
Dividends	(170)
TOTAL CASH FLOW (A)+(B)+(C)	**283**
FINAL NET FINANCIAL POSITION	**(291)**

Consolidated Financial Statements

Consolidated Balance Sheet at 31st December 2007 and at 31st December 2006

€ Thousand	(1)	(2)	31/12/2007	31/12/2006
ASSETS				
Current Assets	5.1		1,772,974	1,513,799
Cash and cash equivalents	5.1.1	A	308,108	217,604
Other financial assets held for trading	5.1.2	B	15,209	13,816
Trade receivables	5.1.3	C	690,162	574,483
of which with related parties:			*476*	*1,094*
Inventory	5.1.4	D	724,715	599,802
Current tax assets	5.1.5	E	6,131	66,344
Other assets	5.1.6	F	28,649	41,750
of which with related parties:			*8,528*	*8,551*
Non Current Assets	5.2		1,669,170	1,706,568
Property, plant and equipment	5.2.1	H, I	1,181,154	1,105,088
Intangible assets	5.2.2	J	465,443	584,350
Equity interests consolidated under the equity method	5.2.3.1	K	13,369	9,970
Other equity interests	5.2.3.2	K	1.841	1.192
Other financial assets	5.2.4	M	7,363	5,968
Total assets			3,442,144	3,220,367
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,008,519	866,545
Short-term financial liabilities	5.3.1	R	173,178	202,097
of which with related parties:			*1,198*	*2,395*
Trade and other payables	5.3.2	R	655,582	551,622
of which with related parties:			*483*	*595*
Current tax liabilities	5.3.3	W	120,922	52,093
Other liabilities	5.3.4	R	58,837	60,733
Non-current liabilities	5.4		967,166	1,068,440
Long-term financial liabilities	5.4.1	R	186,283	322,671
Provisions for risks	5.4.2	P	23,296	24,485
Provisions for employee benefits	5.4.3	Q	36,680	45,431
Deferred tax liabilities	5.4.4	W	133,581	161,087
Other liabilities	5.4.5	R	587,326	514,766
Total liabilities			1,975,685	1,934,985
SHAREHOLDERS' EQUITY	5.5	N, O, V		
Share capital			54,630	54,630
Legal reserve			10,926	10,237
Other reserves			1,078,000	825,090
Profit/(loss) for the period			322,903	395,425
Total shareholders' equity			1,466,459	1,285,382
Total liabilities and shareholders' equity			3,442,144	3,220,367

(1) Please refer to chapter 5 "Notes to balance sheet"

(2) Please refer to chapter 3.2 "Summary of accounting principles and policies applied

Consolidated Income Statement for the years ended at 31st December 2007 and 31st December 2006

€ Thousand	(1)	(2)	01/01/2007 31/12/2007	of which non recurring	01/01/2006 31/12/2006	of which non recurring
Revenues from ordinary operations	6.1.1	S	6,663,671	*0*	5,986,815	
of which with related parties:			*130*		*83,729*	
Other income	6.1.2	S	36,309	*16,474*	32,613	
of which with related parties:			*363*		*11,909*	
Total revenues			6,699,980	*16,474*	6,019,428	*0*
Purchases of raw materials, spare parts and consumables	6.2.1	T	(5,364,316)	*0*	(5,118,970)	
of which with related parties:			(51)		*(1,169)*	
Cost of services and sundry costs	6.2.2	T	(454,752)	*0*	(378,102)	
of which with related parties:			(2,534)		*(26,900)*	
Personnel costs	6.2.3	Q , T	(120,819)	*5,731*	(111,596)	
Depreciation, amortization and write-downs	6.2.4	H , J	(251,245)	*(87,900)*	(118,553)	
Total costs			*(6,191,132)*	*(82,169)*	*(5,727,221)*	*0*
Operating results			508,848	*(65,695)*	292,207	0
Net income (charges) from equity interests	6.3	K , V	5,067	0	35,302	
of which with related parties:			*5,067*		*35,550*	
Other financial income/(charges), net	6.4	X	*(42,041)*	*(2,774)*	(2,003)	
of which with related parties:			*83*		*327*	
Sarlux S.r.l acquisition	6.5				199,167	199,167
of which with related parties:					*199,167*	*199,167*
IPO and company restructuring charges	6.6				*(22,222)*	*(22,222)*
Profit before taxes			471,874	*(68,469)*	502,451	176,945
Income tax for the period	6.7	W	(148,971)	*51,431*	(107,026)	7,333
Net profit/(loss) for the period			322,903	*(17,038)*	395,425	184,278
Earnings per share - basic (Euro cent)		Y	33.96		43.73	
Earnings per share - diluted (Euro cent)		Y	33.96		43.73	

(1) Please refer to Chapter 6 "Notes to the profit and loss account"

(2) Please refer to Chapter 3.2 "Summary of accounting principles and valuation polices"

Statement of changes in Consolidated Shareholders' Equity for the period 1st January 2006 - 31st Decembre 2007

€ Thousand	Share capital	Legal reserve	Other reserves	Profit (Loss) for the period	Shareholders' equity
Balance as at 31/12/2005	51,183	10,237	174,706	292,642	528,768
Capital increase (net of IPO costs)	3,447		338,983		342,430
Allocation of previous period profit			152,946	(152,946)	0
Dividends			(30,485)	(139,696)	(170,181)
Shareholders' equity increase related to the fair value evaluation of assets and liabilities of the 55% sarlux stake			188,940		188,940
Profit (loss) for the year				395,425	395,425
Balance as at 31/12/2006	54,630	10,237	825,090	395,425	1,285,382
Allocation of previous period profit		689	252,086	(252,775)	0
Dividends				(142,650)	(142,650)
Reserve for employee stock plan			2,106		2,106
Own treasury shares in portfolio			(1,975)		(1,975)
Effect of Corporate tax rate reduction			693		693
Profit (loss) for the year				322,903	322,903
Balance as at 31/12/2007	54,630	10,926	1,078,000	322,903	1,466,459

Consolidated Cash Flow Statements For The Years Ended At 31st December 2007 And 2006

€ Thousand	01/01/2007 31/12/2007	01/01/2006 31/12/2006
A - Cash and cash equivalents at the beginning of period (short-term net financial indebteness)	217.604	24.709
B - Cash generated from/(used in) operating activities		
Profit/ (Loss) for the period of the Group	322,903	395,425
Non recurring income due to the Sarlux acquisition	0	(199,168)
Amortization, depreciation and write-down of fixed assets	251,245	118,553
Net (income)/charges from equity interests	(3,399)	(35,512)
of which with related parties:	*(3,399)*	*(35,512)*
Net change in provisions for risks and charges	(1,189)	(3,082)
Net change in employee benefits	(8,751)	(4,586)
Change in tax liabilities and tax assets	(27,506)	(33,527)
Income tax	148,971	107,026
Profit (Loss) from operating activities before changes in working capital	682,274	345,129
(Increase)/Decrease in trade receivables	(115,679)	8,110
of which with related parties:	*618*	*(195)*
(Increase)/Decrease in inventory	(124,913)	(29,766)
Increase/(Decrease) in trade and other payables	103,960	(15,739)
of which with related parties:	*(112)*	*351*
Change in other current assets	73,314	(41,769)
of which with related parties:	*23*	*10,886*
Change in other current liabilities	86,650	86,673
Income tax paid	(156,552)	(205,555)
Change in other non-current liabilities	72,560	61,513
Other non cash items	949	0
Total (B)	622,563	208,596
C - Cash flow from investment activities		
(Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization	(209,922)	(129,807)
Change in equity interests valued under the equity method	(649)	208
45% Sarlux acquisition	0	(127,047)
100% acquisition of Estaciones de Servicio Caprabo S.A.(Saras Energia Red S.A.)	0	(28,041)
interest received/(paid)	(12,136)	(12,563)
of which related parties:	*83*	*327*
Total (C)	(222,707)	(297,250)
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	(136,388)	(134,350)
(Increase)/Decrease in other financial assets	(1,395)	(6,427)
Increase/(Decrease) in short term borrowings	(28,919)	(1,409)
of which with related parties:	*1,197*	*817*
Capital increase	0	342,430
Dividend distribution to shareholders	(142,650)	(170,181)
Total (D)	(309,352)	30,063
E - Cashflow for the period (B+C+D)	90,504	(58,591)
F - Cashflow from new consolidated subsidiaries		
Sarlux S.r.l.		249,940
Saras Energia Red S.A.		1,546
G - Cash and cash equivalents at the end of period (short-term net financial indebteness)	308,108	217,604

For the Board of Directors
The Chairman - Gian Marco Moratti

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Notes to the Consolidated Financial Statements at 31st December 2007

1. Foreword

Saras S.p.A. (the parent company) is a company with its registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is 62.461% owned by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan).

Saras operates in the domestic and international oil market 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 its joint venture Parchi Eolici Ulassai S.r.l.

This consolidated annual report for the year ended 31 December 2007 is presented in euro because the euro is the currency of the economy in which the group operates, and comprises a balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and these notes. Unless otherwise stated, all amounts shown in the financial statements and in the notes to the consolidated annual report are expressed in thousands of euro.

2. General reporting criteria for the preparation of the Consolidated Financial Statements

The consolidated and separate financial statements of Saras S.p.A. at 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure outlined in article 6 of EC Regulation 1606/2002 of the European Parliament and of the European Council of 19 July 2002. Pursuant to this regulation, Legislative Decree 38 was issued on 20 February 2005, introducing the obligation to incorporate IFRS into Italian law, extending it to the preparation of annual accounts by companies having equity or debt securities listed on a regulated market in the EU from the 2006 financial year.

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 at the date on which the draft consolidated financial state-

ments and draft financial statements of the holding company are approved by the board of directors of the holding company and set out in the relevant EU Regulations published at said date.
Pursuant to CONSOB resolution 15519 of 27 July 2006, the financial statements have been prepared in accordance with the criteria set out below, which are considered most suitable to present a complete financial and economical overview of the group:

- Balance sheet: assets and liabilities are divided into current and non-current items according to liquidity;
- Profit and loss account: profit and loss items are presented by nature;
- Cash flow statement: presented according to the indirect method differentiating financial flows deriving from operating investment and financial activities.

The accounting policies presented below have been applied consistently to all the periods reported.

3. Accounting policies

Please note that the IASB and IFRIC have issued certain changes to the IFRS and some interpretations, which have already been published in part in the Official Journal of the European Union and apply for the first time from 1 January 2007, and changes to interpretations already issued but applicable to accounts referring to periods beginning after 1 January 2007.

a) Accounting standards, amendments to accounting standards and interpretations applicable from 1 January 2007 relevant to the group's consolidated accounts:

in August 2005, the IASB issued the accounting standard IFRS 7 (Financial Instruments: Disclosures), and in January 2006, IFRIC issued IFRIC 8 (Scope of IFRS 2).
IFRS 7 and IFRIC 8 have both been properly applied by the group from the 2007 financial year.

b) Accounting standards, amendments to accounting standards and interpretations applicable from 1 January 2007 not relevant to the group's consolidated accounts:

in 2005 and 2006, the IASB and IFRIC issued the following documents, effective from 2007:

- the amendment "Capital Disclosures" to IAS 1 (Presentation of Financial Statements);
- IFRIC 7 - Applying the restatement approach under IAS 29;
- IFRIC 9 - Reassessment of embedded derivatives;
- IFRIC 10 - Interim financial reporting and impairment;
- IFRIC 11 Group and treasury share transactions.

The adoption of these standards, amendments and interpretations has no material effect on the group's consolidated accounts.

c) Accounting standards, amendments to accounting standards and interpretations applicable from 1 January 2009.

In November 2006, the IASB issued IFRS 8 (Operating Segments), which will replace IAS 14 (Segment Reporting) from 1 January 2009.

3.1 Consolidation method

The consolidated financial statements include the statements of the holding 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 holding company directly or indirectly owning the majority of shares carrying voting rights and due to a dominant influence being exercised that is expressed by the power to govern, including indirectly and by virtue of any existing contractual or legal agreements, the financial and operating policies of the entities involved so as to obtain benefits from their activities, regardless of shareholding relationships.
The existence of any potential voting rights that may be exercised on the reporting date is taken into consideration in determining whether control exists.
The financial statements of the individual entities have been drawn up at 31 December 2007 and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, which are adjusted as appropriate in order for them to be consistent with the accounting standards adopted by the holding company.
Not included in the group's basis of consolidation (and therefore not consolidated on a line-by-line basis) are those subsidiaries whose consolidation would not have a significant effect from either a quantitative or qualitative point of view, for the purpose of a fair presentation of the group's financial position, operating results and cash flows.
These entities are accounted for using the equity method described below.
Subsidiaries that are consolidated on a line-by-line basis and non-consolidated subsidiaries that are included in the group's basis of consolidation are listed in the schedule below:

Fully consolidated	**% owned**
Arcola Petrolifera S.p.A	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. e società controllata:	100%
Eolica Italiana S.r.l.	100%
Akhela S.r.l.	100%
Sarint S.A. e società controllate:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Joint ventures valued using the equity method	**% owned**
Parchi Eolici Ulassai S.r.l. e società controllata:	70%
Sardeolica S.r.l.	100%

Associated companies valued using the equity method	% owned
Dynergy S.r.l.	37,5%
Hangzhou Dadi Encon Environmental Equipment Co.	37,5%
Nova Eolica S.r.l.	20%
Other interests: valued at cost	**% owned**
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Consorzio Techno Mobility	17,4%
Sarda Factoring	6,0%

Please note that the liquidation procedures for the group companies Xanto S.r.l., Xanto Basilicata S.r.l., Consorzio Ricerche Associate and Consorzio Cifra (in liquidation at 31 December 2006) were completed during the year; the stake in Hydrocontrol Soc. Consortile a r.l. was also sold in 2007.
In addition, the merger of Saras Energia Red S.A. into Saras Energia S.A. was completed during the year.

The subsidiary Parchi Eolici Ulassai S.r.l. has been consolidated at equity, despite being 70%-owned by Saras S.p.A. 70%, because it is subject to joint control as a consequence of the shareholders' agreement. The following criteria have been adopted when consolidating subsidiaries on a line-by-line basis:

[I] Assets and liabilities, and income and expense items are reported line-by-line and a portion of the net equity and profit is allocated, where applicable, to minority shareholders; these items are shown separately under the relevant headings of the consolidated shareholders' equity and profit and loss account.
[II] Business combinations that lead to the control of an entity being acquired are accounted for under the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities, any equity instruments issued and any other directly attributable ancillary expenses are acquired. Where positive, the difference between the acquisition cost and the fair value of the assets and liabilities acquired is allocated to the item "goodwill". Where negative, it is charged to the profit and loss account, once it has been verified again that the fair values of the asset and liabilities acquired, along with acquisition cost, have been correctly measured.
[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 inter-company payables and receivables, costs and revenues, and financial income and charges.
[IV] Gains and losses arising from the transfer of equity interests in consolidated companies are charged to the profit and loss account for amounts corresponding to the difference between the selling price and the percentage of consolidated shareholders' equity effectively transferred.

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 "associated 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 group's financial position, operating results and cash flow; 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 in keeping with those adopted by the holding company and includes, where applicable, any goodwill identified at the time of the acquisition;
[II] The group's proportionate share of the investee's profits or losses is recognised in the consolidated profit and loss account from the date on which the significant influence commences until the day it ceases to exist. Should the comapny, as a result of losses, report negative equity, the book value of the investment concerned is written down and any excess 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. Cahnges in the equity of investee companies that are not allocated to the result posted in the profit and loss account are directly added to or deducted from equity reserves.
[III] Unrealised gains and losses arising from transactions between the holding 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 economic environment in which they operate (functional currency).
The consolidated report is presented in euro, the euro being the functional currency of the holding company.
The following rules are followed when translating the reports 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 closing 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 profit and loss 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 principles and valuation policies

The consolidated financial statements have been prepared based on the cost principle, except for the cases specifically described in the notes below, where fair value accounting has been applied. The main valuation policies adopted are described below.

A Cash and cash equivalents

Cash and cash equivalents predominantly consist of cash on hand, deposits with banks, other short-term highly liquid investments (convertible into cash within ninety days) and overdraft facilities; the latter are reported as part of current liabilities. Items included as part of net cash and cash equivalents are measured at fair value and the relevant changes reported in the profit and loss account.

B Financial assets held for trading

They are reported at fair value through profit or loss, i.e. with any gains and losses reported in income under “other net financial income (charges)”.

C Trade receivables

Trade receivables have been measured, upon initial recognition, at fair value and subsequently at amortised cost by applying the effective interest rate method. Whenever there is objective evidence indicating impairment, the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the profit and loss account. If in subsequent periods the reasons for the write-downs no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost
had the assets not been written down.

D Inventory

Inventory is 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 during its ordinary business activities. The cost of inventory 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 their initial recognition in the amount that is expected to be recovered from the tax authorities, taking account of their realisable value, and subsequently at the amortised cost based on the effective interest rate method.

F Other current and non-current assets

Other current assets are booked at fair value at their initial recognition, and subsequently at the amortised cost based on the effective interest rate method.
Whenever there is objective evidence indicating impairment, the asset concerned is written down to a carrying amount equal to the discounted value of its future cash flows. Impairment losses are recognised in the profit and loss account. If in subsequent periods, the reasons for the write-downs no longer exist,

the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the assets not been written down.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised when the right to receive the related cash flows is transferred together with all risks and rewards incident to ownership, as specified in paragraphs 15-23 of IAS 39. Financial liabilities are derecognised from the consolidated annual report when they are settled and when the Saras Group has transferred all the risks and future liabilities relating to them.

H Property, plant and equipment

The property, plant and equipment item is measured at purchase or production cost, less accumulated depreciation and any impairment. The costs include every charge that is directly incurred to make the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expense relating to the construction of tangible assets is capitalised until the asset is ready to be used.

Maintenance and repair charges are charged directly to the profit and loss account as incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by the company or used by third parties are only capitalised up to the limits within which they fulfil certain conditions to be classified separately as an asset or as part of an asset in accordance with the component approach. Similarly, the costs to replace the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the residual carrying amount of the component thus replaced is charged to the profit and loss account.
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 fulfilled.

The carrying amount of property, plant and machinery is adjusted through depreciation calculated on a straight-line basis from the time the asset is available and ready to be used, in relation to its estimated useful life.

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

Buildings	18 years
Generic plant	12 – 16 years
Highly corrosive plant	9 – 11 years
Thermoelectric power system	22 years
Transformation stations	28 years
Office furniture and machines	4 – 8 years
Vehicles	4 years
Other assets	9 years
Leasehold improvements	The lowest between the duration of the lease and the useful life of the asset

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

Land is not depreciated.

Whenever an asset subject to depreciation is made up of components that are distinctly identifiable and where the useful life of one component differs significantly from that of the other components making up the asset, depreciation is carried out separately for each component making up the asset in accordance with the component approach.

I Leased assets

Assets held under finance leases, whereby all risks and rewards incident to ownership are substantially transferred to the group, are recognised as group assets and carried at fair value or, where lower, at the present value of the minimum lease payments.
The corresponding liability to the lessor is recognised in the balance sheet under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as set out previously for tangible assets.
Arrangements where the lessor retains substantially all risks and rewards typically associated with owning an asset are treated as operating leases. The costs relating to these leases are charged to the profit and loss account 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 enterprise and capable of generating future economic benefits.
These elements are recognised at acquisition and/or production cost, which is inclusive of any directly attributable charges that are incurred in order to make the asset ready for use, net of accumulated amortisation and any impairment losses. Any interest expense accrued during, and in respect of, the development of intangible assets is charged to the profit and loss account.
Amortisation commences from the time the asset is available to be used and is systematically spread over time to reflect its estimated useful life.

[I] Goodwill

Goodwill is the excess cost 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 in 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 less than its carrying amount; by recoverable amount we mean the higher of the fair value of the cash generating unit, less cost of disposal, 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 arising from the test is greater than the amount of goodwill allocated to the cash generating unit, then the residual amount is in turn allocated to the assets included within the cash generating unit, in proportion to their book value. The minimum amount for this allocation is the higher of the following:

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

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

[II] Intangible assets: patent rights, concessions, licences and software (intangible assets with a finite useful life)

Intangible assets with a finite useful life are systematically amortised over their useful life, the latter being the estimated length of time over which the assets will be used by the company; the recoverability of the carrying amount of such assets is verified by 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 products or alternative processes, new techniques or models, the design and construction of prototypes, or in any event incurred in respect of other scientific research or technological development activities are treated as current costs and as such are charged to the profit and loss account as incurred.

[IV] Exploration and evaluation of mineral resources

Costs incurred on the exploration and evaluation of mineral resources i.e.

[A] acquisition of exploration rights
[B] photographic, geological, geochemical and geophysical studies
[C] explorative drillings
[D] diggings
[E] sampling
[F] activities related to the evaluation of technical and commercial feasibility of a mineral resource extraction are recognised among tangible or intangible assets by nature as required by IFRS 6.

K Equity investments valued at equity and other interests

These items include investments in entities other than consolidated subsidiaries, as defined in section 3.1 above, joint ventures and companies in which a minority interest is held.
The investments included under “other interests” are measured at fair value through profit or loss. Where fair value cannot be determined reliably, they are measured at cost less any impairment losses, in compliance with IAS 36.

L Impairment of assets

At each closing date of the annual financial statements, tangible assets and intangible assets with a finite useful life and equity investments are analysed in order to identify any indicators, originating from sources within or outside the group, suggesting that they have undergone impairment. In circumstances where such indicators are present, the recoverable value of these assets is estimated and any write-down duly charged to the profit and loss account. The recoverable value of an asset is the greater of its fair value less cost of disposal and its value in use, where the
latter is the present value of the future cash flows that the asset is expected to generate. Value in use

is determined by discounting the present value of estimated future cash flows, 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 profit and loss account whenever the carrying amount of an asset, or rather, 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 with an impact to the profit and loss account, up to the net book value that the asset in question would have had if it had not been written down and had it been depreciated.

M Other financial assets and other assets

Credits and financial assets held to maturity are valued at fair value at their initial recognition, and subsequently at the amortised cost based on the effective interest rate method. If there is objective evidence of indicators denoting a reduction in value, the asset is written down to a level equal to the discounted value of attainable future cash flows. Losses in value are booked to the profit and loss account. If in future periods these indicators themselves are reduced, the value of the asset is restored to the extent of the value that would have been derived from application of the amortised cost had the value adjustment not been made.
The treatment of financial assets linked to derivative instruments is shown under "derivative instruments" [X].

N Own shares

The company's own shares have been recognised at cost and deducted from shareholders' equity.

O Shareholders' equity

[I] Share capital

The company's own shares have been recognised at cost and deducted from shareholders' equity. Costs strictly relating to the issue of new shares are deducted from other reserves, after any deferred tax effect.

[II] Reserves

The reserves comprise profit and equity reserves set aside for a specific purpose relating to the parent company; they include unallocated profits from previous years.

[III] Stock plans for group employees and stock grant plan for 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), on the profit and loss account 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 charges

Provisions for risks and charges are recognised only where a present obligation (be it legal or constructive) has arisen from past events for which the settlement is expected to result in an outflow of resources embodying economic benefits, where the amount can be reliably estimated. This amount represents the best discounted estimate of the amount needed to be paid in order 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 concerning 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.

In Italy, starting from 1 January 2007, the annual government budget and related ruling decrees introduced changes regarding the employee end-of-service payment fund (TFR or *trattamento di fine rapporto*) such as giving employees a choice of destination for the entitlements accrued.
Specifically, employees may opt to transfer new entitlements to a predetermined pension fund or to keep them in company funds (where the number of employees is lower than 50, or held by the Italian Social Security Agency INPS if not). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31 December 2006
  The end-of-service payments due to employees pursuant to article 2120 of the Civil Code are part of the defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a predetermined period of service. The liability relating to employee end-of-service payments is entered on the balance sheet based on their actuarial value, in that this can be quantified as a staff benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the balance sheet requires the amount of benefits accrued 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 obligations is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of accrued 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 valuation date; therefore an estimate of the total liability is normally extrapolated from the number years of service at the valuation date to cover 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 profit and loss account under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued for current employees and the annual interest accrued on the present value of the group'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 residual duration of the liabilities.
  The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported on the profit and loss account.

- Allocations accrued since 1 January 2007
  The allocations in question are accounted for using the method adopted for defined contribution 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.

In accordance with the new regulations the entitlements accrued up to 31 December 2006 have also been reviewed; the resulting effect (considered a "curtailment") has been booked under personnel costs.

R Financial liabilities, trade payables and other liabilities

These items were measured, upon initial recognition, at fair value and subsequently at amortised cost by applying the effective interest rate method. Whenever there is a change in estimated future cash flows and they can be reliably estimated, the value of payables is recalculated in order 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.

S Recognition of revenues

Sales revenues are recognised when the significant risks and rewards incident to 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 effectively reached in providing said services. Revenues are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly related to them.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or received 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 trade date. Exchange gains and losses arising from the settlement of such transactions and from the translation, at year-end exchange rates, of monetary credit and debit entries denominated in a foreign currency are taken to the profit and loss account.

V Dividends

[A] dividends received

Dividends are recognised on the date on which the resolution approving them is carried by a meeting of shareholders.

[B] dividends distributed

The distribution of dividends to the company's shareholders implies the origination of a debt in the balance sheet for the period in which the distribution was approved by the AGM.

W Taxes

Current assets are calculated based on the period's taxable income, in application of 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 reserves not distributed from subsidiaries, when the timing of reversal is controlled by the group and it is probable that the differences will not be reversed within a reasonably foreseeable timescale.
Deferred tax assets, including those relating to tax losses from previous periods, are recognised for the portion not offset against deferred tax liabilities, to the extent that it is probable that future taxable income will be available against which they can be recovered.
Deferred taxes are calculated using forecasted tax rates that will be applicable in the periods in which temporary differences will be realised or extinguished.
Changes in tax rates owing to regulatory amendments are booked in the year in which the changes were enacted or substantially enacted; the relating effect is recorded on the profit and loss account or under shareholders' equity, in relation to the transaction that generated the underlying difference in tax rate.

Current and deferred taxes are recognised in the profit and loss account, with the exception of those relating to items directly deducted from, or added to, equity, in which case the tax effect is carried directly as part of equity. Current and deferred taxes are set off when income taxes are applied by the same fiscal authority, when the group has legal right to compensation and when liquidation of the net balance is expected.
Other taxes not related to income, such as property taxes, are included as part of operating costs.

X Derivatives

All derivatives are financial assets and liabilities that are recognised at fair value.
They are classified as hedging instruments whenever the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedging arrangement, verified periodically, is high. When they hedge the risk of changes in the fair value of the underlying items (fair value hedges; e.g. hedging of the variability of the fair value of fixed-rate assets/liabilities), derivatives are recorded at fair value through profit or loss; accordingly, 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 of the variability of the cash flows generated by assets/liabilities due to exchange-rate fluctuations), the changes undergone by the fair value of derivatives are initially recognised in equity and subsequently transferred to the profit and loss account, in the same period in which the hedged items affect the profit and loss account.

All derivatives, including those relating to commodities, that do not meet the requirements for hedge accounting laid down by IAS 39, are recognised at fair value through profit or loss, with the change in the fair value of the hedged item carried under the heading "other net financial income (charges)".
In order to determine the fair value of financial instruments listed on active markets, the bid price of the security in question at the end of the reporting period is used.

Where there is no active market, fair value is instead determined by using measurement models based largely on objective financial variables, as well as by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Y Earnings per share

[I] Basic EPS

Basic EPS is calculated by dividing the group's 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 the group's 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 purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while the group's net profit is adjusted in order to take into account the effects (net of taxes) of this conversion process. Diluted profit per share is not calculated in the case of losses, since any dilution effect would lead to an improved profit per share.

Z Segment information

A segment is defined by a group of assets and transactions used for specific services and subject to risks and benefits substantially different from those related to other assets and transactions.

A geographical segment is defined by a group of assets and transactions active in a specific area and subject to risks and benefits substantially different from those existing in other 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 evaluations and estimates founded on past experience and assumptions that from time to time are considered reasonable and realistic given the related circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, namely the balance sheet, profit and loss account and cash flow statement, as well as the accompanying disclosures. The actual amounts of accounting entries for which the above 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 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 machinery is depreciated by the straight-line method 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 their estimated useful life. The group periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable value in order for the useful life remaining in an asset to be revised accordingly. 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 forecast 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 (be it legal or constructive) is not always straightforward. The directors evaluate such circumstances on an individual case basis, while also estimating the amount of financial resources needed to discharge the obligation concerned. When the directors feel that a liability is only possible, the associated risks are disclosed in the section concerning commitments and risks and no accrual is made.

[IV] Revenues from electricity sold by the subsidiary Sarlux S.r.l. to GSE (Gestore dei Servizi Elettrici S.p.A.): such revenues are affected by their being linearised in connection with the fact that 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 linearised in keeping with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor when it comes to both electricity tariffs and electricity production costs; in the years ahead, crude oil prices could undergo significant changes compared to estimates as a result of events that cannot be predicted at present.

3.5 Risk analysis

The key components of the Saras Group's risk policy are based on the prevention of the main risks linked to company objectives and involve strategic areas, both operational and financial.

The management of risk highlighted in individual policies and in business processes is based on the principle whereby operational and financial risk is managed by the person responsible for the business process (i.e. the process owner).

The main risks are reported and discussed at top management level in order to create the pre-conditions to hedge, insure and evaluate them for residual risk.

In addition to the risk management guidelines, there are specific guidelines for financial risks, such as interest rate risk and credit risk.

3.5.1 Financial risks

The Saras Group's priorities include sustainable growth, productivity, profitability and financial reporting accuracy.
Its financial structures are therefore focused on guaranteeing maximum efficiency in the adoption and use of lines of credit to develop its commercial business, and reduce to the minimum the financial risks related to industrial operations (adverse risk).
The Saras Group operates internationally in the oil sector, with consequent exposure to currency risks, interest rate risks, credit risks and fluctuations in commodity prices.

3.5.1.1 Price fluctuations and cash flow risks

Saras Group results are influenced by oil and oil product price trends and the effects that these trends have on refining margins (i.e. the difference between the prices of oil products generated through the refining process, and the price of raw materials, mainly crude oil). Furthermore, in order to continue production, the Saras group has to keep stock-piles of crude oil and finished products, the value of which is subject to market price fluctuations.
Commodity price changes and cash flow risk are closely connected to the nature of the business and can only partially be diminished through the use of appropriate risk management policies, including setting partially pre-fixed prices for processing for third parties.
In order to hedge against risks deriving from price changes, the company trades derivative contracts on commodities that involve the forward purchase and sale of crude and oil products.

3.5.1.2 Currency risks

The group's oil business is exposed to changes in currency prices in that the benchmark prices for the purchase of crude and a large part of oil products are made or linked to US dollars.
In order to diminish both exchange risks regarding transactions that will be executed in the future as well as those arising from payables and receivables expressed in currencies other than the functional currency of each group company, the Saras Group uses derivative instruments that consist of US dollar purchase and sale forward contracts.
Transactions expressed in currencies other than US dollars are not relevant and could only marginally influence Saras Group results in the period under review.

3.5.1.3 Interest rate risks

Risks related to changes in cash flow linked to interest rate movements involve loans. Variable rate loans expose the Saras Group to the risk of change in cash flows due to interest. Fixed-rate loans expose the Saras Group to the risk of changes in the fair value of the loans received.
The main financing contracts in place are stipulated at variable market rates. The Saras group's policy is to use derivative instruments to diminish the risk of changes in cash flows due to interest.

3.5.1.4 Credit risks

The market in which the Saras Group operates is mainly made up of multinational players operating in the oil sector. Transactions are generally settled very quickly and are often guaranteed by major banking institutions.

Moreover, receivables are monitored daily by the group's finance management in a systematic and timely manner.
We believe that credit risks are marginal and do not constitute a significant variable in the business in which the Saras Group operates.

3.5.1.5 Liquidity risk

The group finances its activities using both its own operating cash flows and external financing sources, and is therefore exposed to a liquidity risk relating to its ability to repay loans.
However, given the group's strong self-financing capacity, coupled with its good track record in meeting debt obligations, the liquidity risk is marginal.

3.5.2 Exposure to other risks and their management

3.5.2.1 Risks related to refining stoppages

The Saras Group's activities largely depend on its refining business in Sardinia, which produces almost all of the oil products it refines and sells.
This activity is subject to risks related to unplanned plant stoppages and accidents.
Saras believes that the complexity of its refining business allows for negative effects of unplanned stoppages to be limited, and that the current security measures reduce the risk of accidents to a minimum; moreover, Saras has put in place a significant insurance policy in order to further cover these risks.

3.5.2.2 Environmental risks

Group activities are regulated by many national, regional, local and EU provisions regarding environmental concerns.
Although the Saras Group believes that its business activity is carried out in adherence to environmental regulations, the risk of environmental costs and responsibilities is intrinsic to its business, and there cannot be any certainty that in the future it will not have to incur significant costs and liabilities regarding the environment.
The Saras Group therefore has made, and forecasts that it will continue to make, operational expenditures as well as investments to fulfil the obligations of environmental regulations; moreover, Saras has put in place a significant insurance policy in order to further cover these risks.

4. Information by business segment and geographical area

4.1 Foreword

The Saras Group operates primarily in the following segments:
1. refining
2. marketing
3. power generation
4. other activities

1. Refining activities concern the following:

[A] the sale of oil products obtained:
- upon completion of the entire production cycle, which ranges from commodity sourcing to refining and production of finished products, which is carried out at the company's sites in Sarroch, Sardinia;
- by acquiring oil products from third parties that were previously refined on behalf of these same third parties at the Sarroch site, Sardinia;
- and by acquiring minor quantities of semi-finished oil products

Finished products are sold to international major players in the sector such as the Total Group, Polimeri Europa, Eni, NOC (National Oil Corporation) and Repsol.

[B] revenues from refining activities undertaken on behalf of third parties that constitute the only income from refining activities that the parent company carries out also on behalf of third parties; these services are rendered to major corporate customers such as Eni, Statoil-Hydro, Shell, and NOC (National Oil Corporation).

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 regarding refining.

   These activities are undertaken as follows:
   - In Italy, by Arcola Petrolifera S.p.A. for wholesale customers (consumers, wholesalers/consortia, local authority-owned utility companies, resellers) and oil companies (Eni, Shell, Tamoil, Total, etc.) through a logistics network comprising both its own bases (at Arcola and Sarroch) and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Fiorenzuola, Marghera, Pesaro, Ravenna);
   - in Spain, by Saras Energia S.A. for third-party and group-owned service stations, supermarkets and resellers by way of an extensive network of depots spread across the entire Iberian peninsula, the most important of which, the Cartagena depot, is owned by the company itself.

3. Power generation involves:
   - the sale of electricity produced at the Sarroch power station owned by Sarlux S.r.l., a wholly-owned company. This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Elettrici S.p.A.), with sales benefiting from the special tariff scheme laid down in CIP 6/92.
   - the production of wind power by Parchi Eolici Ulassai S.r.l. (a joint venture).

4. Other activities include re-insurance 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.

4.2 Segment information

	Refining	Marketing	Power generation	Other	Total
31 December 2006					
Revenues from third parties	**4,109,351**	**1,607,812**	**246,128**	**23,524**	**5,986,815**
Other revenues from third parties	**28,756**	**2,454**	**392**	**1,011**	**32,613**
Operating profit (a)	**223,810**	**11,675**	**60,376**	**(3,654)**	**292,207**
Net income from non-consolidated equity investments					
- Sarlux S.r.l. (from 1/1/2006 to 28/06/2006)			28,785		**28,785**
- Parchi Eolici Ulassai S.r.l.			6,254		**6,254**
- Altri proventi, netti				263	**263**
Total			**35,039**	**263**	**35,302**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,249,191**	**408,420**	**1,517,920**	**44,836**	**3,220,367**
of which:					
Equity investments valued at equity			**8,601**	**1,369**	**9,970**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**769,927**	**139,063**	**990,036**	**35,959**	**1,934,985**
Investments in tangible assets	107,075	2,513	5,854	1,191	**116,633**
Investments in intangible assets	616	6,099	6,131	328	**13,174**
31 December 2007					
Revenues from third parties	**4,170,552**	**1,987,776**	**475,193**	**30,150**	**6,663,671**
Other revenues from third parties	**21,673**	**2,698**	**497**	**11,441**	**36,309**
Operating profit (a) (c)	**437,422**	**50,295**	**12,355**	**8,776**	**508,848**
Net income from non-consolidated equity investments					
- Parchi Eolici Ulassai S.r.l.			4,768		4,768
- Xanto S.r.l. in liquidazione				250	250
- Consorzio Ricerche Associate a r.l.				49	49
Total			**4,768**	**299**	**5,067**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,634,567**	**547,046**	**1,223,916**	**36,615**	**3,442,144**
Equity investments valued at equity			**13,369**		**13,369**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**924,913**	**150,360**	**881,302**	**19,110**	**1,975,685**
Investments in tangible assets	167,582	9,567	20,050	1,550	198,749
Investments in intangible assets	9,649	1,000	0	524	11,173

(a) Operating profit is determined 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

(c) Operating profit for the power generation division is shown net of write-downs of intangible assets of EUR 87,900 thousand as referred to in section 5.2.2 (Intangible assets).

4.3 Breakdown by geographical area

Directly attributable assets and investments by geographical location:

	31/12/2007	31/12/2006	Change
Directly attributable assets			
Italy	3,056,307	2,919,855	136,452
Rest of EU	385,837	300,512	85,325
Total	**3,442,144**	**3,220,367**	**221,777**

Investments in tangible and intangible assets			
Italy	200,391	121,421	78,970
Rest of EU	9,531	8,386	1,145
Total	**209,922**	**129,807**	**80,115**

Net revenues from ordinary operations by geographical area:

	31/12/2007	31/12/2006	Change
Sales in Italy	2,900,269	2,544,510	355,759
Sales in Spain	1,788,113	1,409,012	379,101
Sales in other EU countries	368,585	585,543	(216,958)
Sales in non-EU countries	1,521,149	1,390,797	130,352
Sales in US	85,555	56,953	28,602
Total	**6,663,671**	**5,986,815**	**676,856**

Amounts are shown net of intra-company eliminations.

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

	31/12/2007	31/12/2006	Change
Italy	353,024	381,120	(28,096)
Spain	169,604	108,621	60,983
Other EU countries	25,683	19,284	6,399
Non-EU countries	149,626	72,776	76,850
US	14	121	(107)
Allowances for doubtful accounts	(7,789)	(7,439)	(350)
Total	**690,162**	**574,483**	**115,679**

5. Notes to the balance sheet

The most significant changes to the balance sheet compared to the previous financial year are shown below.

5.1 Current assets

5.1.1 Cash and cash equivalents

The following table shows a breakdown of cash and bank deposits:

	31/12/2007	31/12/2006	Change
Bank and postal deposits	308,013	217,506	90,507
Cash	95	98	(3)
Total	**308,108**	**217,604**	**90,504**

Bank deposits were mainly attributable to Sarlux S.r.l. (EUR 127,968 thousand, including cash contractually due for future maintenance commitments and loan repayments) and Saras S.p.A. (EUR 154,419 thousand). The increase of EUR 90 million versus the previous year is attributable to the improvement in cash flows from ordinary operations, as shown in the cash flow statement for the period.

5.1.2 Other held for trading financial assets

This item (EUR 15,209 thousand) mainly includes Italian and foreign equities and government bonds.
Gains and losses for the period, together with changes in fair value occurring during the period, are recorded on the profit and loss account under the item “other net financial income (charges)”.
The following table shows the changes in the balance at the beginning and end of the period:

Balance at 31/12/2005	**13,039**
Increase for financial year	80,464
Decrease for financial year	(79,687)
Balance at 31/12/2006	**13,816**
Increase for financial year	12,229
Decrease for financial year	(10,836)
Balance at 31/12/2007	**15,209**

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2007	31/12/2006	Change
Clients	689,775	573,389	116,386
From non-consolidated group companies	387	1,094	(707)
Total	**690,162**	**574,483**	**115,679**

The overall increase in trade receivables is largely due to the general rise in oil prices.
For a breakdown of maturities, please see point 7.4.4.1.

5.1.4 Inventories

The following table shows the balance for inventories and the changes occurring during the period:

	31/12/2007	31/12/2006	Change
Inventories:			
Raw materials, replacements parts and consumables	206,366	171,199	35,167
Semi-finished products and work in progress	66,876	37,815	29,061
Finished products and good held for resale	441,457	388,369	53,088
Advance payments	10,016	2,419	7,597
Total	**724,715**	**599,802**	**124,913**

The increase in value of inventories is attributable to the general increase in prices, partly offset by the reduction in volume of the finished products.
The recording of inventories at net realisable value includes a write-down of around EUR 0.3 million. This valuation is thus equivalent to the market value.
There are no items of inventory securing liabilities.

The item “finished products and goods held for resale” includes around 450,000 tons of oil products (valued at around EUR 211 million) held in accordance with Legislative Decree 22 of 31 January 2001; in addition, the subsidiary Saras Energia S.A., is holding compulsory stocks pursuant to Spanish legislation of around 235,000 cubic metres of oil products (valued at around EUR 64 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 238,719 thousand at 31 December 2007 (EUR 171,028 thousand at 31 December 2006).

5.1.5 Current tax assets

Current tax assets amounting to EUR 6,131 thousand (EUR 66,344 thousand at 31 December 2006) are detailed below:

	31/12/2007	31/12/2006	Change
VAT	2,684	57,043	(54,359)
IRES (Corporate tax)	0	24	(24)
IRAP (regional income tax)	480	7,708	(7,228)
Other tax credits	2,967	1,569	1,398
Total	**6,131**	**66,344**	**(60,213)**

The use by the parent company of the ceiling for VAT exempt import/export transactions (*acquisti in sospensione d’imposta*), against a backdrop of rising sales prices, led to a decrease in the VAT position.

5.1.6. Other current assets

Balance is detailed below:

	31/12/2007	31/12/2006	Change
Accrued Income	2,492	1,712	780
Prepayments	10,574	8,679	1,895
Other receivables	7,055	22,808	(15,753)
Loans to non-consolidated group companies	8,528	8,551	(23)
Total	**28,649**	**41,750**	**(13,101)**

Prepayments mainly refer to insurance premiums, which totalled EUR 7,687 thousand.

The item “other receivables” mainly includes payments on account to suppliers (EUR 3,682 thousand), margins on derivatives transactions (EUR 683 thousand), receivables from insurance policies (EUR 385 thousand) and payments on account to suppliers (EUR 100 thousand); the reduction in this item is due to the change in fair value of derivatives, which went from a credit position at 31 December 2006 to a debit position at 31 December 2007. For details of fair value net of derivatives outstanding at 31 December 2007, please refer to the section on "short-term financial liabilities".

“Financial receivables from non-consolidated group companies” include receivables from Nova Eolica S.r.l. (EUR 3,200 thousand), Sardeolica S.r.l. (EUR 4,000 thousand, from EUR 5,183 thousand at 31.12.2006) and Parchi Eolici Ulassai S.r.l. (EUR 1,328 thousand, from EUR 3,328 thousand at 31.12.2006); these amounts relate to short-term interest-bearing loans calculated at market rates.

5.2 Non-current assets

5.2.1 Property, plant and equipment

The following table shows a breakdown in the item property, plant and equipment:

COST	31/12/2005	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2006
Land & buildings	114,287	145			18,080	132,512
Plant & machinery	1,067,898	36,703	(5,819)		854,051	1,952,833
Industrial & commercial equipment	12,.307	4	(1,306)		3,315	14,320
Other assets	376,610	3,895	(276)		38,270	418,499
Work in progress and advances	36,368	75,886	(30)		(49,974)	62,250
Total	**1,607,470**	**116,633**	**(7,431)**	**0**	**863,742**	**2,580,414**

ACCUMULATED DEPRECIATION	31/12/2005	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	31/12/2006
Land & buildings	30,546	3,620			2,430	36,596
Plants & machinery	865,142	67,467	(5,819)		205,464	1,132,254
Industrial & commercial equipment	9,730	1,582	(1,306)		(559)	9,447
Other assets	258,997	19,672	(274)		18,634	297,029
Total	**1,164,415**	**92,341**	**(7,399)**	**0**	**225,969**	**1,475,326**

NET BOOK VALUE	31/12/2005	Additions	(Disposals)	(Depreciation)	Other changes	31/12/2006
Land & buildings	83,741	145	0	(3,620)	15,650	95,916
Plants & machinery	202,756	36,703	0	(67,467)	648,587	820,579
Industrial & commercial equipment	2,577	4	0	(1,582)	3,874	4,873
Other assets	117,613	3,895	(2)	(19,672)	19,636	121,470
Work in progress and advances	36,368	75,886	(30)		(49,974)	62,250
Total	**443,055**	**116,633**	**(32)**	**(92,341)**	**637,773**	**1,105,088**

COST	31/12/2006	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2007
Land & buildings	132,512	81	(1)		15,654	148,246
Plant & machinery	1,952,833	16,211	(6,250)		32,128	1,994,922
Industrial & commercial equipment	14,320	52			1,115	15,487
Other assets	418,499	966	(1,010)		5,069	423,524
Works in progress and advances	62,250	181,439		(36)	(60,788)	182,865
Total	**2,580,414**	**198,749**	**(7,261)**	**(36)**	**(6,822)**	**2,765,044**

ACCUMULATED DEPRECIATION	31/12/2006	Depreciation charge	(Disposals)	Revaluations (write-down)	Other changes	31/12/2007
Land & buildings	36,596	4,926			2,518	44,040
Plant & machinery	1,132,254	94,382	(5,818)		764	1,221,582
Industrial & commercial equipment	9,447	2,009			0	11,456
Other assets	297,029	19,347	(927)		(8,637)	306,812
Total	**1,475,326**	**120,664**	**(6,745)**	**0**	**(5,355)**	**1,583,890**

NET BOOK VALUE	31/12/2006	Additions	(Disposals)	(Depreciation)	Other changes & revaluations (write-downs)	31/12/2007
Land & buildings	95,916	81	(1)	(4,926)	13,136	104,206
Plant & machinery	820,579	16,211	(432)	(94,382)	31,364	773,340
Industrial & commercial equipment	4,873	52	0	(2,009)	1,115	4,031
Other assets	121,470	966	(83)	(19,347)	13,706	116,712
Works in progress and advances	62,250	181,439	0		(60,824)	182,865
Total	**1,105,088**	**198,749**	**(516)**	**(120,664)**	**(1,503)**	**1,181,154**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets in the balance sheet was EUR 161,981 thousand, and related to the Programme Agreements ("Contratto di Programma") entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995, and the Ministry of Productive Activities on 10 October 1997.
At 31 December 2007, the net book value of these grants was EUR 27.852 thousand (EUR 40.470 thousand at 31 December 2006).

The item "Land and Buildings" includes industrial buildings used as offices and warehouses (net value: EUR 68,428 thousand), civic buildings in Cagliari and Rome used as offices (net value of EUR 1,782 thousand), and land largely relating to the Sarroch and Arcola sites belonging to the parent company and Arcola S.p.A. respectively (net value: EUR 33,996 thousand).

The item "Plant and machinery" mainly relates to the refining plants located in Sarroch. The item "industrial and commercial equipment" includes equipment for the chemicals laboratory and the new control room that was built during 2004, which are connected to the parent company's refining activities, plus miscellaneous production equipment.

The item “Other assets” mainly includes tanks and pipelines used to carry products and crude for both the parent company and the Group’s commercial companies (Saras Energia and Arcola).
The item “Assets under construction and advances” reflects costs mainly relating to investments in tanks, and work carried out on facilities necessary to adapt and upgrade existing plants, more specifically for environmental, safety and reliability issues.
Increases in the period total EUR 198,749 thousand and mainly refer to parent company technical investments, related maintenance and upgrades of one crude distillation unit, one vacuum unit, the visbreaking unit, the gasoline desulphurisation plant under construction and tail gas treatment plant.

The item “Other changes” mainly includes the transfer of fixed assets completed during the period.

The main annual depreciation rates used are as follows:

Industrial building (land & buildings)	5.50%
Generic plants (plants & equipments)	8.38% - 6.25%
Highly corrosive plants (plants & equipments)	11.73% - 8.75%
Pipeline & storage (plants & equipments)	8.38% - 6.25%
Thermoelectricity plant	4.50%
Equipment (Equipment)	25.00%
Office furniture & machinery (other assets)	12.00%
Transport vehicles (other assets)	25.00%

No fixed assets are held for sale.
A concession enabling the group to occupy state-owned areas until 31 December 2015, where the Sarroch refinery’s service facilities are located (i.e. for waste-water treatment, desalinisation of seawater, blowdown, flare system and landing stage), was obtained from the Cagliari Port Authority; currently, there are no factors suggesting that the concession will not be renewed at expiry.
Leased assets, booked as “transport vehicles” totalled EUR 14,663 thousand, with a residual net value equal to zero.

During the 2007 financial year, financial charges of EUR 3,495 thousand were capitalised in respect of property, plant and equipment; the capitalisation rate applied was 4.50%, equivalent to the parent company’s average interest rate on debt.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

CATEGORY	31/12/2005	Additions	Disposals	Other changes	(Amortisation)	31/12/2006
Industrial & other patent rights	1	1,315	0	1,116	(912)	1,520
Concessions, licences, trademarks & similar rights	572	5,134	0	26,032	(931)	30,807
Goodwill	2,515	0	0	0	0	2,515
Assets in progress & payments on account	708	403	0	(709)	0	402
Other intangible assets	539	6,322	(959)	567,573	(24,369)	549,106
Total	**4,335**	**13,174**	**(959)**	**594,012**	**(26,212)**	**584,350**

CATEGORY	31/12/2006	Additions	Disposals	Other changes	(Amortisation)	31/12/2007
Industrial & other patent rights	1,520	1,259		257	(1,254)	1,782
Concessions, licences, trademarks & similar rights	30,807			69	(1,581)	29,295
Goodwill	2,515					2,515
Assets in progress & payments on account	402	8,996		(348)		9,050
Other intangible assets	549,106	918		523	(127,746)	422,801
Total	**584,350**	**11,173**		**501**	**(130,581)**	**465,443**

Main items are detailed below:

The main items comprise concessions, licenses, trademarks and similar rights

The balance mainly refers to the effects deriving from the acquisition of Estaciones de Servicio Caprabo S.A. (Saras Energia Red S.A.) now merged by absorption in Saras Energia S.A.; the fair value measurement of assets and liabilities of the acquired company caused the booking of an intangible asset classified as a concession in order to reflect the contractual conditions that foresee the reinstatement of tangible assets after 20 years.

Goodwill

This item mainly includes goodwill paid for the acquisition of the subsidiary Carthago S.A. (incorporated in Saras Energia S.A.).

Other intangible assets

The item largely refers to the booking at fair value of the existing agreement between the subsidiary Sarlux S.r.l. and GSE (*Gestore dei Servizi Elettrici S.p.A.*).

As indicated in the report on operations, the dispute with the AEEG (gas and electricity regulator) regarding the "avoided fuel cost" (CEC) component of the electricity sales tariff of Sarlux S.r.l. and sold to GSE, after an initial ruling by the regional administrative court (TAR) in favour of Sarlux, was lost by the company in the high court (*Consiglio di Stato*) at the end of January 2008.

The consequent reduction in the tariff meant it was necessary to recalculate the value of the existing agreement between the subsidiary Sarlux S.r.l. and GSE. The new valuation of the agreement, calculated by an independent expert using the discounted cash flow method as the main method, meant it was necessary to write down the value of the agreement by EUR 87,900 thousand, which was booked in addition to the amortisation charge for the period.

Intangible assets in progress and payments on account

This item mainly includes the cost of natural gas exploration in Sardinia.

The amortisation of intangible assets totalled EUR 42,681 thousand, calculated according to the following annual rates:

Industrial patent rights & original work use rights	20%
Concessions, licenses trademarks	5% - 33%
Other intangible assets	6% - 33%

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

5.2.3 Equity Investments

The following table shows a list of the investments held at 31 December 2007, and the main figures of the individual interest:

Cmpany name	Registered office	Currency	share Capital	% owned by Group at 12/07	% owned by Group at 12/06	% 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
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
Consorzio Ricerche Associate in liquidazion	Capoterra (CA)	EUR	3,105,971	0.00%	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	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l.	Uta (CA)	EUR	3.000.000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
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 and subsidiaries	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Saras Energia Red S.A.	Madrid (Spain)	EUR	1,322,227	0.00%	100.00%	100.00%	Saras Energia S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Luxemburg	EUR	1,225,001	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 and subsidiary:	Cagliari	EUR	500,000	70.00%	70.00%	70.00%	Saras S.p.A.	70.00%	Joint venture
Sardeolica S.r.l.	Cagliari	EUR	56,636	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	70.00%	Joint venture
Xanto S.r.l. in liquidazion & subsidiaries:	Milan	EUR	100,000	0.00%	100.00%	100.00%	Akhela S.r.l.	100.00%	Indirect Subsidiary
Xanto Basilicata S.r.l. in liquidazion	Milan	EUR	10,000	0.00%	100.00%	100.00%	Xanto S.r.l.	100.00%	Indirect Subsidiary
Dynergy S.r.l.	Genoa	EUR	179,000	37.50%	37.50%	37.50%	Saras Ricerche e Tecnologie S.p.A.	37.50%	Associated companies
Hangzhou Dadi Encon Environmental Equipment Co.	Hangzhou	RMB*	14,050,200	37.50%	37.50%	37.50%	Saras Ricerche e Tecnologie S.p.A.	37.50%	Associated companies
Nova Eolica S.r.l.	Cagliari	EUR	10.000	20.00%	20.00%	20.00%	Ensar S.r.l.	20.00%	Associated companies
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Other Interests
Consorzio Qualità e Tratt. Acque	Napoli	EUR	10,000	0.00%	9.07%	0.00%	Saras Ricerche e Tecnologie S.p.A.	0.00%	Other Interests
Consorzio Cifra in liquidazion	Cagliari	EUR	92,000	0.00%	16.70%	16.67%	Akhela S.r.l.	16.67%	Other Interests
Consorzio La Spezia Energia	La Spezia	EUR	50,000	5.00%	5.00%	5.00%	Arcola Petrolifera S.p.A.	5.00%	Other Interests
Consorzio Techno Mobility	Cagliari	EUR	57,500	17.40%	17.40%	17.40%	Saras Ricerche e Tecnologie S.p.A.	17.40%	Other Interests
Sarda Factoring	Cagliari	EUR	8,320,000	6.00%	6.00%	6.00%	Saras S.p.A.	6.00%	Other Interests
Hydrocontrol Soc. Consortile a r.l.	Capoterra (CA)	EUR	1,033,000	0.00%	17.00%	17.00%	Saras S.p.A.	17.00%	Other Interests

* Ren Min Bi (Chinese currency)

5.2.3.1 Equity investments valued at equity

This item includes the equity interest held jointly in the company Parchi Eolici Ulassai S.r.l.

	Legal offices	%	31/12/2007	31/12/2006
Parchi Eolici Ulassai S.r.l.	Cagliari	70%	13,369	8,601
Xanto S.r.l. in liquidation	Milan	100%	0	1,369
Total			**13,369**	**9,970**

The following table shows changes in their book value:

	31/12/2005	Revaluations / (write-down)	Other changes	31/12/2006
Sarlux S.r.l.	93,943	28,785	(122,728)	0
Parchi Eolici Ulassai S.r.l.	2,335	6,255	11	8,601
Xanto S.r.l in liquidation	897	472	0	1,369
Total	**97,175**	**35,512**	**(122,717)**	**9,970**

	31/12/2006	Revaluations / (write-down)	Other changes	31/12/2007
Parchi Eolici Ulassai S.r.l.	8,601	4,768	0	13,369
Xanto S.r.l in liquidation	1,369	250	(1,619)	0
Total	**9,970**	**5,018**	**(1,619)**	**13,369**

The figures shown in the revaluation/write-down column reflect the parent company's share of net profits.

The effect of the consolidation at equity is included in the profit and loss account in the item "net income (expense) from equity interests".

Detailed information regarding the item "equity interests valued at equity" at 31 December 2006 and 2007 is provided in the table below. (The information shown reflects the percentage attributable to the group.)

31/12/2006	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Operating costs	Operating profit	Net profit
Parchi Eolici Ulassai S.r.l.	1,424	33,551	2,779	23,596	0	(153)	(153)	6,255
Xanto S.r.l. in liquidation	1,282	508	369	52	0	(124)	(124)	472
Total								**6,727**

31/12/2007	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Operating costs	Operating profit	Net profit
Parchi Eolici Ulassai S.r.l.	1,336	13,519	1,444	41	0	(23)	(23)	4,768
Xanto S.r.l. in liquidation	0	0	0	0	0	0	0	0
Total	**1,336**	**13,519**	**1,444**	**41**	**0**	**(23)**	**(23)**	**4,768**

The figure for Parchi Eolici Ulassai S.r.l. includes a proportional share (70%) of the profits of its subsidiar Sardeolica S.r.l.
At 31 December 2007 no associated companies were listed on regulated markets.

5.2.3.2 Other investments

Details are set out below:

	31/12/2007	31/12/2006
Nova Eolica S.r.l.	759	109
Dynergy S.r.l.	91	91
Hangzhou Dadi Encon Environmental Equipment Co,	481	481
Consorzio Cesma	3	3
Consorzio Cifra S.r.l.	0	0
Consorzio La Spezia Energia	2	2
Consorzio Qualità e Tratt. Acque	0	0
Consorzio Techno Mobility	10	10
Hydrocontrol - Soc. consort. a r.l.	0	1
Sarda Factoring	495	495
Total	**1,841**	**1,192**

The changes between 31 December 2007 and 31 December 2006 were due to the sale of the subsidiary Hydrocontrol, (a limited liability consortium), and the increase in transfers to the capital account of Nova Eolica S.r.l..

5.2.4 Other financial assets

The balance at 31 December 2007 of EUR 7,363 thousand mainly comprises prepayments made by the subsidiary Sarlux S.r.l. for future oxygen supplies

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities:

	31/12/2007	31/12/2006	Change
Short-term bank loans	107,682	138,549	(30,867)
Bank accounts	63,390	61,153	2,237
Loans from non-consolidated group companies	1,166	2,395	(1,229)
Other short-term financial liabilities	940		940
Total short-term financial liabilities	**173,178**	**202,097**	**(28,919)**
Long-term bank loans	186,283	322,671	(136,388)
Total long-term financial liabilities	**359,461**	**524,768**	**(165,307)**

Details of the terms and conditions of loans are shown in the notes to the item "long-term financial liabilities" below.

The EUR 30,867 thousand decrease in the item "bank loans" is chiefly due to the reduction in loans to the subsidiary Sarlux S.r.l.
The item "loans from non-consolidated group companies" includes liabilities relating to the participation of Parchi Eolici Ulassai S.r.l. (EUR 949 thousand) and Sardeolica S.r.l. (EUR 217 thousand) in the tax consolidation scheme.
More information on this item is provided in the cash flow statement.

The item "other short-term financial liabilities" refers to the net fair value of derivative instruments outstanding at 31 December 2007. Details are shown below.

	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Fair value of currency options			545	
Fair value of forward purchases and sales of commodities (oil & other oil products)	1,365	(2,305)	25,458	(14,648)
Total	**1,365**	**(2,305)**	**26,003**	**(14,648)**

The valuation at fair value of the derivatives outstanding at 31 December 2007 had a negative net impact on the profit and loss account of EUR 11,749 thousand (versus a positive net impact of EUR 10,140 thousand the previous year), as shown in section 6.4 below.

The following tables show notional values and relative fair values of derivatives outstanding at 31 December 2006 and 31 December 2007:

Type of transaction	Interest rate			Exchange rate			Other		
Figures at 31/12/2006	**Notional value**	**Fair value Pos.**	**Fair value Neg.**	**Notional value**	**Fair value Pos.**	**Fair value Neg.**	**Notional value**	**Fair value Pos.**	**Fair value Neg.**
Financial derivatives									
Futures									
purchases							16,533		(1,380)
sales							16,533	367	
Swaps									
oil products							1,284	998	(925)
Total	**0**	**0**	**0**	**0**	**0**	**0**	**34,350**	**1,365**	**(2,305)**

Type of transaction	Interest rate			Exchange rate			Other		
Figures at 31/12/2006	Notional value	Fair value Pos.	Fair value Neg.	Notional value	Fair value Pos.	Fair value Neg.	Notional value	Fair value Pos.	Fair value Neg.
Financial derivatives									
Futures									
purchases							91,159		(12,793)
sales							141,980	25,458	(1,855)
Options									
purchases				18,983	545				
sales									
Total	**0**	**0**	**0**	**18,983**	**545**	**0**	**233,139**	**25,458**	**(14,648)**

5.3.2 Trade and other payables

The brakdown of the item is reported below:

	31/12/2007	31/12/2006	Change
Advances from clients: portion due within the year	690	2,910	(2,220)
Payables to suppliers: portion due within the year	654,590	548,117	106,473
Trade payables to non-consolidated group companies	0	31	(31)
Trade payables to associated companies	302	564	(262)
Total	**655,582**	**551,622**	**103,960**

The increase in trade payables largely relates to the general rise in oil prices, as mentioned earlier.
The following table shows a geographical breakdown of payables to suppliers:

	31/12/2007	31/12/2006	Change
Payables to Italian suppliers	199,543	164,421	35,122
Payables to Spanish suppliers	58,532	44,832	13,700
Payables to other EU country suppliers	13,026	99,607	(86,581)
Payables to non-EU country suppliers	383,345	238,090	145,255
Payables to US suppliers	144	1,167	(1,023)
Total	**654,590**	**548,117**	**106,473**

5.3.3 Current tax liabilities

The following table shows the composition of this item:

	31/12/2007	31/12/2006	Change
VAT payables	58,281	15,659	42,622
IRES (Corporate Tax)	24,218	9,227	14,991
IRAP (Regional Tax)	4,084	2,557	1,527
Other tax payables	34,339	24,650	9,689
Total	**120,922**	**52,093**	**68,829**

As mentioned above, the use by the parent company of the ceiling for VAT exempt import/export transactions (*acquisti in sospensione d'imposta*), against a backdrop of rising sales prices, led to an increase in the VAT position.

The higher IRES figure at 31 December 2007 is largely due to the year-on-year increase in the related tax base, which is used to determine payments on account.

The item "other tax payables" mainly includes liabilities to the Italian Technical Office for Tax on Manufacturing (UTIF) for excise duties and to the tax authority for personal income taxes (IRPEF); the increase is mainly due to higher taxes on the consumption of oil products resulting from the greater volumes sold by the subsidiaries Saras Energia S.A. and Arcola Petrolifera S.p.A.

5.3.4 Other current liabilities

The brakdown of the item is reported below:

	31/12/2007	31/12/2006	Change
Amount payable to welfare and social security bodies: portions due within the year	8,527	6,012	2,515
Due to personnel	15,698	10,245	5,453
Payables to Ministry for grants	15,041	29.371	(14.330)
Other payables	18,180	14,388	3,792
Other accrued liabilities	236	406	(170)
Other deferred income	1,155	311	844
Total	**58,837**	**60,733**	**(1,896)**

The item "due to personnel" includes amounts not yet disbursed in respect of salaries for the month of December, performance bonuses for the achievement of business targets, and the portion of additional monthly payments accrued.
The item "payables to Ministry for grants" includes advances received from the Ministry in connection with the Programme Agreement signed on 10 June 2002 for which the final concession decree has yet to be granted. The total comprises EUR 1,193 thousand relating to Sartec and EUR 13,848 thousand relating to the parent company; the decrease versus 2006 is attributable to contributions received from the subsidiary Akhela, for which the final concession decree was granted on 26 November 2007.

The item "other payables" mainly relates to port duties as determined by the customs authority in respect of the parent company; please note that the initial phase of Saras' long-standing dispute with the tax authority regarding port duties payable for the Sarroch landing dock for the 1994-95 period was settled to the full satisfaction of Saras, whose case was upheld by a ruling issued by the Court of Cassation, which made a definitive ruling declaring that the taxes were not due.

Furthermore, a second phase of the dispute is now under way, and, despite a favourable ruling issued by the Court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal; the company has now launched an appeal at the Court of Cassation, which has yet to announce its ruling.

In addition, in the course of the year, the tax authority asked the parent company to pay the tax as assessed, whose payments the company suspended pending the appeal had claimed as exempt. The company has lodged an appeal against this request of the tax authority, but in the meanwhile the authority has withheld permission for the further suspension of payments.

Pending this dispute, the entire amount relating to port duties for 2007, as well as for previous years, has been booked under "service costs".

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

The following table shows this item in detail:

Figures in EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/06	Outstanding 31/12/07	Maturity 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years	Collateral
Saras S.p.A.									
San Paolo Imi	20-Dec-04	30.0	Euribor 6M	30.0	-	-	-	-	-
Unicredit	20-Dec-04	50.0	Euribor 6M	50.0	20.0	10.0	10.0	-	20.0
				80.0	**20.0**	**10.0**	**10.0**	**-**	**-**
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.31%	0.8	0.6	0.2	0.4	-	-
San Paolo Imi	30-Jun-97	1.2	2.95%	0.1	-	-	-	-	-
				0.9	**0.6**	**0.2**	**0.4**	**-**	**-**
Akhela S.r.l.									
Banco di Sardegna	24-Apr-02	3.1	Euribor 6M	1.5	0.9	0.6	0.3	-	-
BNL	2-Oct-02	8.2	Euribor 6M	2.7	-	-	-	-	-
				4.2	**0.9**	**0.6**	**0.3**	**-**	**-**
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	6.7	5.5	1.1	4.4	-	-
				6.7	**5.5**	**1.1**	**4.4**	**-**	**-**
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	220.3	158.9	57.1	101.8		158.9
BEI	29-Nov-96	180.0	7.35%	74.5	54.0	19.3	34.7		54.0
BEI	29-Nov-96	208.0	Euribor 3M	74.6	54.0	19.3	34.7		54.0
				369.4	**266.9**	**95.7**	**171.2**	**-**	**-**
Total payables to banks for loans				**461.2**	**293.9**	**107.6**	**186.3**	**-**	-

The weighted average interest rate at 31 December 2007 was 5.8% (including commitment and guarantee fees relating to Sarlux S.r.l.).

In addition, please note that Sarlux S.r.l. must meet certain parameters before distributing dividends with regard to these loans:

- The following bank accounts of the subsidiary held at Banca Intesa in London must contain funds to cover the expected outlay:
  [1] *Debt Service Reserve Account:* includes the amounts for loan repayments to banks (capital plus interest) due in the following half-year;
  [2] *Air Liquide Account:* includes the amounts guaranteeing supplies of oxygen from Air Liquide Italia in the following six months.
- The following parameters relating to the financial statements and forecasts of Sarlux S.r.l. must also be respected:
  [1] The *Annual Debt Service Cover Ratio*, i.e. the ratio of post-tax cash flow (for the following 12 months) to total debt to be repaid (in the following 12 months), must be higher than 1.15;
  [2] The *Loan Life Cover Ratio,* i.e. the ratio of the net present value of post-tax cash flow (expected for the residual life of the contract) to total debt to be repaid, must be higher than 1.2.

All of the loans granted to Sarlux S.r.l. must be repaid on request of the Facilities Agent in the event that: (i) the loan life coverage ratio (net present value of post-tax cash flow over total debt to be repaid) falls below 1.05 ; (ii) the annual debt service coverage ratio (available post-tax cash flow - for the next 12 months - over total debt to be repaid) falls below 1; (iii) the forecast annual debt service coverage ratio falls below 1.

Compliance with all the above ratios was achieved at 31 December 2007.
During the year:

- Sarlux S.r.l. redefined certain conditions governing the loans referred to above; in particular, the insurance cover originally required was reduced, the guarantee fees were reduced from 1.35% to 0.60%, the link to the "maintenance reserve account" was eliminated and the amounts deposited in the “debt service reserve account" may be withdrawn upon issue of the required guarantees;
- the parent company Saras S.p.A., in addition to instalments normally due, paid off its residual liabilities to Sanpaolo IMI (EUR 20 million) and Unicredit (EUR 13.3 million), without incurring early repayment penalties.

In addition, 100% of Sarlux S.r.l. shares were pledged to banks to guarantee loans granted.
The table below shows the composition of the group’s net debt at 31 December 2007 and 31 December 2006.

Group’s net debt (EUR thousands)	**31/12/2007**	**31/12/2006**
Medium long-term bank loans	(186,283)	(322,663)
Short-term bank loans	(107,682)	(138,549)
Bank overdrafts	**(63,390)**	**(61,153)**
Payables to other lenders	0	0
Financial payables to non-consolidated roup companies	(1,166)	(2,395)
Financial payables to non-consolidated roup companies	8,528	8,551
Other held for trading financial assets	15,209	13,816
Cash and equivalents	308,108	217,604
Total net debt	**(26,676)**	**(284,789)**

5.4.2 Provisions for risks and charges

Provisions for risks and charges can be broken down as follows:

	01/01/2006	Additions	Reductions	Movements	31/12/2006
Provisions for dismantling of plants	13,526			3,300	16,826
Other risk provisions	3,689	1,622	(1,582)	3,930	7,659
Provisions for risks on equity investments	354		(354)		0
Total	**17,569**	**1,622**	**(1,936)**	**7,230**	**24,485**

	31/12/2006	Additions	Reductions	Movements	31/12/2007
Provisions for dismantling of plants	16,826				16,826
Other risk provisions	7,659	791		(1,980)	6,470
Total	**24,485**	**791**		**(1,980)**	**23,296**

Provisions for risks and charges comprise a plant dismantling provision related to future costs for the dismantling of plants and equipment, which is considered appropriate wherever there is a legal or constructive obligation to be met in this regard;

This provision was not discounted in the balance sheet due to its negligible effect on the group's consolidated financial statements.

The item "other risk provisions" was established for liabilities of a fiscal nature and to meet the requirements of the Emission Trading Directive. The amount included in "other movements" relates to the reduction in the emissions trading provision due to the lower value of the allocations at the end of the year.

5.4.3 Povisions for employee benefits

The following table shows the balance of this item:

	31/12/2007	31/12/2006	Change
Employee end-of-service payments	18,722	26,983	(8,261)
CPAS fund	17,958	18,448	(490)
Total	**36,680**	**45,431**	**(8,751)**

Employee end-of-service payments are governed by article 2120 of the Italian 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 item "CPAS fund" is a special supplementary pension fund for employees (Fondo Previdenza Aziendale Dipendenti Saras, i.e. the company pension fund for Saras Employees). This obligation is also measured using actuarial techniques.

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

Balance at 31.12.2005	**29,877**
Accrual for the year	4,964
Amount used during the year	(7,858)
Balance at 31.12.2006	**26,983**
Accrual for the year	4,450
Reduction relating to the reform ("curtailment")	(5,731)
Amount used during the year	(6,980)
Balance at 31.12.2007	**18,722**

Changes in the CPAS fund are show below:

Balance at 31.12.2005	**19,808**
Accrual for the year	322
Amount used during the year	(1,682)
Balance at 31.12.2006	**18,448**
Accrual for the year	761
Amount used during the year	(1,251)
Balance at 31.12.2007	**17,958**

In accordance with IAS 19, the "projected unit credit cost" method is used to measure employee end-of-service payments and CPAS fund, making the following assumptions:

BUSINESS ASSUMPTIONS	31/12/2007	31/12/2006
Cost of living increases	2.00%	2.00%
Discount rate	5.50%	4.60%
Salary increases	3.00%	3.00%
Annual increase in CPAS fund	11.00%	11.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	STAT index for 2002, by gender
Probability of invalidity:	INPS model for projections to 2010
Probability of resignations:	annual staff turnover of 0.5% for all group companies
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of early retirement:	3.00% per annum for all group companies

The discount rate used refers to the value of the IBOXX Eurozone AA with a maturity correlated to the average residual length of employment of the staff.

At 31 December 2006, the IBOXX Eurozone AA for 10 years or more was 4.6% annually, while at 31 December 2007 it was 5.50%; the change in discount rate caused a significant reduction in the allocation carried for the financial year.

Given the accounting method adopted (please see section 3.2 "Summary of accounting principles and policies applied" under point Q "Provisions for employee benefits" of these notes), at 31 December 2007 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

Passività per imposte differite	31/12/2007	31/12/2006	Change
Deferred tax liabilities	133,581	161,087	(27,506)
Total	**133,581**	**161,087**	**(27,506)**

Deferred tax liabilities are shown net of deferred tax assets :

				Other changes			
(Figures in EUR 000)	**Amounts at 31/12/2006**	**Additions**	**Deductions**	**Change in nominal tax rates on previous balances (to P&L)**	**Change in nominal tax rates on previous balances (to BS)**	**Other Changes**	**Amounts at 31/12/2007**
Deferred tax liabilities							
Excess and accelerated depreciation	(126.406)	(22.888)	10.147	19.632		(8.098)	(127.613)
Adjustment to value of land to reflect fair value (as deemed cost)	(10.675)				1.677		(8.998)
Measurement of inventory at end of period at FIFO cost.	(47.930)	(48.777)	1.239	5.694			(89.774)
Adjustments for scheduled plant and equipment maintenance	(7.531)	(3.121)	3.976	558			(6.118)
Fair value of derivatives	(3.567)		3.567				0
Fair value of Sarlux contract with GSE	(196.895)		46.807	23.571			(126.517)
Fair value of intangible assets of Saras Energia	(7.811)		7.617				(194)
Other	(3.108)	(404)	665	277		690	(1.880)
Total deferred tax liabilities	**(403.923)**	**(75.190)**	**74.018**	**49.732**	**1.677**	**(7.408)**	**(361.094)**
Deferred tax assets							
Excess and accelerated depreciation related to grants	8.790		(2.431)	(800)		(1.271)	4.288
Provisions for risks and write-downs	3.601	14.982	(1.861)	(268)			16.454
Write-downs of equity interests prior to 2004	986		(986)				0
Derecognition of intangible assets	6.379		(3.643)	(6)			2.730
Elimination of monetary revalutation of tangible assets	962		(962)				0
Reclassification of grants previously carried as equity	2.242		(629)	(253)			1.360
Cost of dismantling and removing tangible assets	4.382	218	(16)	(688)		415	4.311
Employee benefits and bonuses	4.311	1.968	(4.321)			11	1.969
Unrealised currency gains/losses	336	1	(104)	(13)			220
Linearisation of Sarlux (as per IAS 17 and IFRIC 4)	187.441	24.050	0	(29.437)			182.054
IPO costs charged directly to shareholders' equity	8.344		(2.086)		(983)		5.275
Asset maintenance cost deductible in future years	6.512	1.947	(1.302)	(818)			6.339
Fair value of derivatives		258					258
Other	8.550	2.110	(2.079)	(692)		(5.634)	2.255
Total deferred tax assets	**242.836**	**45.534**	**(20.420)**	**(32.975)**	**(983)**	**(6.479)**	**227.513**
Net total	**(161.087)**	**(29.656)**	**53.598**	**16.757**	**694**	**(13.887)**	**(133.581)**

The following table shows a breakdown of deferred tax assets and liabilities into current and non-current portions for 2007 and 2006, respectively:

(figures in EUR '000)	2007 Short term	2007 Medium-long term	2006 Short term	2006 Medium-long term
Deferred tax liabilities				
Excess and accelerated depreciation	(10,370)	(117,243)	(10,201)	(116,205)
Adjustment to value of land to reflect fair value (as deemed cost)		(8,998)		(10,675)
Measurement of inventory at end of period at FIFO cost	(89,774)		(47,930)	
Adjustment for scheduled plant and equipment maintenance	(3,486)	(2,632)	(2,302)	(5,229)
Fair value of derivatives			(3,567)	
Fair value of Sarlux contract with GSE	(9,732)	(116,785)	(14,006)	(182,889)
Fair value of Saras Red intangible assets		(194)	(391)	(7,420)
Other	(1,310)	(570)	(500)	(2,608)
Total deferred tax liabilities	**(114,672)**	**(246,422)**	**(78,897)**	**(325,026)**
Deferred tax assets				
Excess and accelerated depreciation on grants	2,282	2,006	2,792	5,998
Provisions for risks and write-downs	14,874	1,580	1,773	1,828
Write-downs of equity interests prior to 2004		0	986	
Derecognition of intangible assets	1,881	849	2,039	4,340
Elimination of monetary revaluation of tangible assets			962	
Reclassification of grants previously carried as equity	515	845	629	1,613
Costs for the dismantling and removal of tangible assets	249	4,062	321	4,061
Employee benefits and bonuses	1,898	71	2,304	2,007
Unrealised currency losses	220		336	
Linearisation (as per IAS 17 and IFRIC 4)		182,054		187,441
IPO costs charged directly to shareholders' equity	1,758	3,517	2,086	6,258
Asset maintenance costs deductible in future years	1,487	4,852	1,303	5,209
Fair value of derivatives	258			
Other	2,255		8,550	
Total deferred tax assets	**27,677**	**199,836**	**24,081**	**218,755**

5.4.5 Other non-current liabilities

The following table shows this item in detail:

	31/12/2007	31/12/2006	Change
Advances from clients: portion due in future years	2,876	1,599	1,277
Payables to welfare and social security bodies: portion due in future years	280	213	67
Deferred income	579,791	508,571	71,220
Other	4,379	4,383	(4)
Total	**587,326**	**514,766**	**72,560**

The change versus 31 December 2006 mainly refers to the increase in "long-term deferred income" relating to subsidiary Sarlux S.r.l. This item concerns the application of IFRIC 4 for the treatment of the energy contract in place with GSE (Gestore dei Servizi Elettrici S.p.A.). Revenues from electricity sold are affected by their being linearised in connection with the fact that 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 the company Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been linearised in keeping with both the term of the contract, 20 years, and forecasts for the price of crude oil, which constitute a determining factor when it comes to both electricity tariffs and electricity production costs.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2007	31/12/2006	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,237	689
Other reserves	1,078,000	825,090	252,910
Profit for the year	322,903	395,425	(72,522)
	1,466,459	**1,285,382**	**181,077**
of which:			
Share capital and reserves attributable to minority interests	0	0	0
Profit (loss) for year attributable to minority interests	0	0	0
Total minority interests	**0**	**0**	**0**

Share capital

At 31 December 2007, fully paid up share capital, totalling EUR 54,630 thousand, comprised a total of 951,000,000 ordinary shares worth EUR 0.05744 each.

Legal reserves

Legal reserves, totalling EUR 10,926 thousand, increased by EUR 689 thousand due to the allocation of profit from the previous year.

Other reserves

This item totals EUR 1,078,000 thousand, with a net increase of EUR 252,910 versus the previous period. The net increase comes from the combination of:

- an increase due to the allocation of profits from the previous year, after the allocation to the legal reserve, of EUR 252,086 thousand;
- an increase of EUR 2,105 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grants scheme;
- a decrease of EUR 1,975 thousand owing to the purchase of 465,023 shares in the parent company at an average price of EUR 4.247;
- the net effect of new tax rates relating to the adjustment of the value of land at fair value (as deemed cost) and the IPO charges originally allocated to reserves (EUR 694 thousand).

Profit for the year

The net consolidated profit totalled EUR 322,903 thousand.

Restrictions on the distribution of equity reserves

The main restrictions on the distribution of equity reserves can be summarised as follows:

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item “other reserves” includes about EUR 20 million that may only be used to cover losses or increase share capital.

Furthermore, please note that these equity reserves include about EUR 131.1 million that, in the event of distribution, would be taxed at 31.4%.

Dividends

On 27 April 2007 the Annual General Meeting resolved a distribution of EUR 0.15 per share; the dividend payout (EUR 142,650 thousand) came from 2006 net profit.

For 2007 the Board of Directors will propose to the AGM to be held on 29th April 2008, the distribution of an ordinary dividend of EUR 0.17 per share; this dividend is subject to the approval of the AGM and consequently has not been included in the liabilities.

The 2007 dividend will be payable to all registered shareholders as of 22nd May 2008.

In the following table a reconciliation between the Parent Company (Saras S.p.A.) and Saras Group at 31 December 2007 is reported for net profit and shareholders' equity:

	Net profit	Shareholders' equity
Saras S.p.A. annual report for the period ending 31 December 2007	**429,191**	**1,153,853**
Difference between value at cost and shareholders' equity of subsidiaries valued at cost in Saras S.p.A. accounts at 31 December 2007	45,950	315,323
Sarlux S.r.l. dividend write-off	(149,071)	0
Elimination of inter-company profits on inventories	(2,352)	(4,875)
Other	(815)	2,158
Saras Group consolidated annual report for the period ending 31 December 2007	**322,903**	**1,466,459**

6. Notes to the profit and loss account

6.1 Revenues

6.1.1 Revenues from ordinary operations

Revenues from ordinary operations can be broken down as follows:

	31/12/2007	31/12/2006	Change
Sales and services revenues	6,191,988	5,746,104	445,884
Sale of electricity	471,081	242,522	228,559
Change in contract work in progress	602	(1,811)	2,413
Total	**6,663,671**	**5,986,815**	**676,856**

Sales and services revenues increased by EUR 446 million versus the previous year. This change is largely due to a general rise in prices; quantities sold and processed for third parties remained almost constant versus the previous year.

The increase in revenues from the sale of electricity (EUR 229 million) is largely due to the consolidation of subsidiary Sarlux S.r.l. for the full year in 2007, but six months only in 2006.

In addition, revenues from the sale of electricity to GSE by Sarlux S.r.l., as previously described in section 5.4.5, are linearised in accordance with the duration of the contract (until 2021), principally taking into account the tariff amount and forward curves of both the crude price and EUR/USD exchange rate until the contract expires in 2021. The changes occurring during the year (tariff reduction as described in section 5.2.2 and changes in the crude and exchange rate forward curves) led to a downward adjustment to revenues of around EUR 29 million.

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

6.1.2 Other income

The following table shows “other income” in detail:

	31/12/2007	31/12/2006	Change
Revenues for stocking of mandatory supplies	7,389	10,474	(3,085)
Sales of sundry materials	4,386	2,212	2,174
Other income	24,534	19,927	4,607
Total	**36,309**	**32,613**	**3,696**

The item “other income” mainly includes grants obtained by the subsidiary Akhela S.r.l. in respect of the Programme Agreement signed with the Ministry for Economic Development on 10 June 2002, for which a final concession decree was issued on 26 November 2007: the advance payments received by Akhela, recorded until that time as not yet paid under liabilities, were then booked as revenues on the profit and loss account; moreover, the Ministry charged Akhela interest relating to the advance payments received in previous years. Both amounts were classified as non-recurring items.

At 31 December 2006 the item included revenues from Sarlux S.r.l. for the first six months of the year, when the subsidiary was not fully consolidated.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/12/2007	31/12/2006	Change
Purchases of raw materials, replacement parts and consumables	5,364,316	5,118,970	245,346
Total	**5,364,316**	**5,118,970**	**245,346**

The change in this item, as already highlighted for revenues, was mainly due to an increase in the price of crude oil and oil products.

6.2.2 Service and miscellaneous costs

	31/12/2007	31/12/2006	Change
Service costs	427,055	359,171	67,884
Use of third-party assets	10,150	10,106	44
Provisions for risks	1,310	0	1,310
Miscellaneous management costs	16,235	8,825	7,410
Total	**454,752**	**378,102**	**76,650**

Service costs largely comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities. Other operating charges mainly consist of non-income taxes (property tax, greenhouse gas emissions tax) and membership fees.

The increases relating to the previous year were largely attributable to the consolidation of Sarlux S.r.l. for six months only the previous year.

6.2.3 Personnel costs

"Personell cost" can be analyzed as follows:

	31/12/2007	31/12/2006	Change
Wages and salaries	85,229	73,774	11,455
Social security	25,798	22,542	3,256
Staff several indemnity	(1,281)	4,964	(6,245)
Pensions and similar	761	375	386
Other costs	4,296	3,867	429
Directors' remuneration	6,016	6,074	(58)
Total	**120,819**	**111,596**	**9,223**

The increase in personnel costs is mainly due to the full consolidation of the subsidiaries Sarlux S.r.l. and Saras Energia Red S.A. (merged with Saras Energia S.A. during the year) for the whole of 2007, enhanced allocations and provision for employee bonuses linked to the achievement of certain company targets and a greater number of employees, net of the "curtailment" owing to the new regulations introduced in the 2007 Budget Law.

On 27 April 2007, the shareholders' meeting approved the plans for the bonus allocation of the company's ordinary shares:

- to employees of the company and its Italian subsidiaries (the "stock plan");
- to the management of the Saras Group (the "stock grant plan 2007/2009").

The stock plan provides for a bonus allocation to employees:

- of 25 shares for the 2007 financial year plus one share for every six shares held on 31 December 2006;
- for 2008 and 2009, of one share per every six additional shares purchased in 2007 and 2008 respectively. Under the employee share plan, the total value of the shares allocated to each beneficiary may not exceed EUR 2,065 each year.

The stock grant plan 2007/2009 (for managers of the parent company, managers and directors of the subsidiaries individually specified by the Board of Directors of the parent company) 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 difference between the group's actual and budgeted EBITDA.

Moreover, 330,341 shares are to be allocated through the stock option plan and 538,800 shares through the stock grant plan (2007 only for the latter), while the cost for these plans amounted to EUR 1.1 million and EUR 3.0 million respectively.

6.2.4 Depreciation, amortisation and write-downs

This item breaks down as follows:

	31/12/2007	31/12/2006	Change
Amortisation of intangible assets	130,581	26,212	104,369
Depreciation of tangible assets	120,664	92,341	28,323
Total	**251,245**	**118,553**	**132,692**

The increase in depreciation and amortisation is largely due to the write-down of the value of the contract between Sarlux S.r.l. and GSE (EUR 87,900 thousand) and the six-month consolidation of Sarlux the previous year.

6.3 Net income (charges) from equity interests

This item is shown in detail in the following table:

	31/12/2007	31/12/2006	Change
Valuation of joint ventures at equity:			
Parchi Eolici Ulassai S.r.l.	4,768	6,255	(1,487)
Sarlux S.r.l.	0	28,785	(28,785)
Xanto S.r.l. in liquidation	250	472	(222)
Consorzio Ricerche Associate a r.l.	12	0	12
Dynergy S.r.l. (for distributions of dividends)	37	37	0
	5,067	**35,549**	**(30,482)**
Write-downs:			
Consorzio Cifra	0	(15)	15
Hydrocontrol S.r.l.	0	(232)	232
	0	**(247)**	**247**
Total	**5,067**	**35,302**	**(30,235)**

6.4 Net financial income (charges)

A breakdown of this item is shown below:

	31/12/2007	31/12/2006	Change
Other financial income:			
from financial assets recorded under current assets	171	790	(619)
Other income			
- rom non-consolidated subsidiaries	202	0	202
- interest on bank and post office accounts	12,016	4,421	7,595
- fair value of derivatives	1,392	14,125	(12,733)
- fair value of held for trading financial assets	219	0	219
- positive differences on derivatives	8,883	27,931	(19,048)
- other income	493	886	(393)
Interest and other financial charges			
- from non-consolidated group companies	(32)	(127)	95
- fair value of derivatives	(13,141)	(3,985)	(9,156)
- fair value of held for trading financial assets	(755)	0	(755)
- negative differences on derivatives	(25,705)	(26,233)	528
- other (interest on loans, arrears, etc.)	(30,552)	(21,274)	(9,278)
Exchange rate gains/losses on non-commercial transactions	**4,768**	**1,463**	**3,305**
Total	**(42,041)**	**(2,003)**	**(40,038)**

The main changes are attributable to the differences occurring during the year on financial derivative transactions made by the parent company (although "hedge accounting" has not been adopted), and to the contracts in place at 31 December 2006 being measured at fair value.

The item "interest and other financial charges" includes interest paid by Akhela S.r.l. in respect of advances on grants obtained as part of the Programme Agreement described in section 6.1.2. and classified as non-recurring income.
The increase versus the previous year is largely due to the six-month consolidation of Sarlux.

6.5 Sarlux acquisition

The income relating to the Sarlux S.r.l. acquisition (EUR 199,167 thousand), recorded in 2006, refers to the difference between the acquisition cost and the fair value of the assets, liabilities and potential liabilities acquired (arising at the time of the acquisition of 45% of the subsidiary's shares), as well as the fair value of the option exercised to acquire the remaining stake.

6.6 IPO and restructuring charges

The item, recorded in 2006, (EUR 22,222 thousand) includes remuneration for group company managers and external consultants relating to the listing and charges for restructuring.

6.7 Income tax for the period

Income tax can be shows as follows:

	31/12/2007	31/12/2006	Change
Current taxes	189,670	128,348	61,322
Net deferred taxes	(40,699)	(21,322)	(19,377)
Total	**148,971**	**107,026**	**41,945**

Deferred tax assets and liabilities arising from the changes during the year in temporary differences between the tax bases of assets or liabilities and their book values are shown in the table below.

Following the reductions in tax rates for group companies based in Italy (IRES from 33% to 27.5% and IRAP from 4.25% al 3.9%) under Law 244/2007, adjustments to deferred tax assets and liabilities had a net impact on the profit and loss account of EUR 22,700 thousand, relating to both deferred tax for previous years (EUR 16.757 thousand) and tax for 2007 (EUR 5,943 thousand).

The positive effect of changes in IRES and IRAP rates net of the negative effect arising from other extraordinary components was classified as a non-recurring item (EUR 22,700 thousand).

Temporary differences in the profit and loss account	2007	2007	2007	2006	2006
	Temporary differences	Deferred tax assets (liabilities)	Effect of change in tax rates on previous figures	Temporary differences	Deferred tax assets (liabilities)
(EUR 000)					
Excess and accelerated depreciation on assets and related grants	51,849	(15,172)	18,832	33,133	(12,342)
Write-downs of equity interests prior to 2004	2,992	(986)		11,264	(3,717)
Measurement of inventory at end of period (FIFO method)	155,099	(47,538)	5,694	(30,365)	11,311
Adjustments for scheduled plant and equipment maintenance	(733)	855	558	9,651	(3,595)
Reclassification of grants previously carried as equity	1,690	(629)	(253)	1,826	(680)
Employee benefits and bonuses	7,784	(2,863)		1,194	(394)
Fair value of derivative contracts	(11,749)	3,825		6,685	(2,206)
Unrealised currency losses	3,259	(913)	(13)	173	(57)
Fair value of Sarlux contracts with GSE	(125,656)	46,807	23,571	(18,878)	7,032
Linearisation - Sarlux (as per IAS 17 and IFRIC 4)	(76,593)	24,050	(29,437)	(53,009)	19,746
IPO cost charged directly to shareholders' equity	5,600	(2,086)		5,600	(2,086)
Asset maintenance costs deductible in future years	(2,705)	645	(818)	(17,482)	6,512
Fair value of intangible assets - Saras Energia	(27,449)	8,921			
Other temporary differences	(28,745)	9,026	(1,377)	(4,827)	1,798
Totali	**(45,357)**	**23,942**	**16,757**	**(55,037)**	**21,322**

In the table above, the item "deferred tax assets (liabilities) 2007" includes the positive effect of changes in tax rates (EUR 5,943 thousand) relating to temporary differences generated during the year by group companies based in Italy.

The effective tax rate was 31.6%, while the theoretical tax rate was 38.7%, obtained by applying a tax rate of 33% (IRES) to pre-tax profit and 4.25% (IRAP) to net value of production, as per Italian legislation.

The table below shows a breakdown of the difference between the theoretical tax rate and the effective tax rate for the two periods (figures in millions of euro):

	31/12/2007	31/12/2006
PRE-TAX PROFIT [A]	**471.9**	**502.5**
OPERATING PROFIT	508.8	292.2
TOTAL PERSONNEL COSTS	120.8	111.6
ADJUSTED OPERATING PROFIT (B)	**629.6**	**403.8**
THEORETICAL CORPORATION TAX IRES [A*33% or 27.5%]	155.7	165.8
THEORETICAL REGIONAL TAX IRAP [B*4.25% or 3.9%]	26.8	17.2
TOTAL THEORETICAL TAXES [C]	**182.5**	**183.0**
THEORETICAL TAX RATE [C/A]	**38.7%**	**36.4%**
EFFECTIVE INCOME TAXES [D]	**149.0**	**107.0**
EFFECTIVE TAX RATE [D/A]	**31.6%**	**21.3%**

	31/12/2007 TAXES	31/12/2007 TAX RATE	31/12/2006 TAXES	31/12/2006 TAX RATE
Theoretical taxes	**182.5**	**38.7%**	**183.0**	**36.4%**
Tax effect - foreign companies (difference between tax rate and IRAP)	(1.0)	-0.2%	(0.7)	-0.14%
Dividends - non-consolidated companies (Sarlux, acquired from Enron Dutch Holdings B.V.)	0.0	0.0%	(21.9)	-4.35%
Valuation effect - non-consolidated companies	(1.7)	-0.4%	(11.6)	-2.30%
Fair value of 45% of Sarlux S.r.l. - options	0.0	0.0%	(42.5)	-8.45%
IRAP effect on restatements	0.1	0.0%	0.9	0.18%
Effect on restatements of capital grants	(0.6)	-0.1%	(0.7)	-0.14%
Substitute tax to make reserves tax-deductible (L.311/04)	0.0	0.0%	0.0	0.00%
Effect of reduction in nominal tax rates on deferred tax	(22.7)	-4.8%	0.0	0.00%
Reduction to zero of deferred tax on the fair value of intangible assets - Saras Energia S.A.	(7.6)	-1.6%	0.0	0.00%
Effect of reduction in IRAP tax base	(1.0)	-0.2%	0.0	0.00%
Other long-term differences - Italy	1.0	0.2%	0.4	0.08%
Effective taxes	**149.0**	**31.6%**	**107.0**	**21.3%**

7. Other information

7.1 Main legal actions pending

Saras S.p.A. and its subsidiaries Arcola Petrolifera S.p.A. and Sarlux. S.r.l., and Akhela S.r.l. have been subject to tax audits and assessments by the tax authorities, which have led, in some cases, to disputes that will be heard in the tax courts.
Although the decisions made by the tax courts in relation to the alleged violations have not been consistent, Saras assumes that liabilities, although possible, are not probable.

7.2 Earnings per share

The earnings per share figure is determined 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 EUR 33.96 per share for 2007, and EUR 43.73 per share for 2006.
The number of shares outstanding averaged 950,872,429 in 2007 and 904,312,603 in 2006. At 31 December 2007, Saras S.p.A held 465,023 own shares in relation to the stock plan for employees and management of group companies. Diluted earnings per share does not vary significantly from non-diluted earnings per share.

7.3 Transactions with related parties

Transactions carried out by Saras with related parties essentially concern the exchange of goods, the provision of services and arrangements of a financial nature.
The following table shows the amounts involved in commercial and other relationships and financial relationships created between associates, as well as the nature of the most significant transactions.

Transactions with related parties and notes

Description	Absolute value (€./000) and % of item in statements 31/12/2007		31/12/2006		Item	Business reason
SARLUX S.R.L. (Joint venture - first half 2006)						
Supply of goods	0	0.00%	83,729	1.40%	Revenues from ordinary operations	Supply of raw materials as per project financing agreement
Services rendered by staff	0	0.00%	3,833	11.75%	Other income	Outsourcing of services as per project financing agreement
Services received	0	0.00%	7.431	22.79%	Other income	Outsourcing of services as per project financing agreement
Rent received	0	0.00%	35	0.11%	Other income	Outsourcing of services as per project financing agreement
Measurement of investment at equity	0	0.00%	28,785	81.54%	Net income (charges) from equity interests	Measurement of non-consolidated investments
45% of dividends on pre-2005 profits	0	0.00%	66,304	37.47%	Net income (charges) non-recurring	Distributions of dividends due
Fair value measurement - 45%	0	0.00%	128,711	72.74%	Net income (charges) non-recurring	Excess fair value vs. cost of 45% of the JV
Measurement of 45% purchase option	0	0.00%	4,153	2.35%	Net income (charges) non-recurring	Valuation at fair value
Purchases of goods	0	0.00%	(1,160)	0.02%	Purchase of raw materials, replacement parts and consumables	Supply of raw materials as per project financing agreementg
Utilities	0	0.00%	(24,059)	6.36%	Service and miscellaneous costs	Supply of steam and hydrogen as per project financing agreement
Serviced received	0	0.00%	(651)	0.17%	Service and miscellaneous costs	Supply of various services
XANTO S.r.l. (in liquidation)						
Liquidation - final distribution	250	4.93%	472	1.34%	Net income (charges) from equity interests	Proceeds from liquidation
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Inter-company loans
Financial charges	(17)	0.04%	(9)	0.45%	Other net financial income (charges)	Interest on inter-company lines of credit
Receivables for supply of goods and services	0	0.00%	467	0.08%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0.00%	(9)	0.00%	Current trade payables and other payables	Trade payables
Loan	0	0.00%	(800)	0.40%	Short-term liabilities	Inter-company lines of credit
Corporation tax liabilities due to group tax consolidation	0	0.00%	(1)	0.00%	Short-term liabilities	Corporation tax liabilities due to group tax consolidation
ISOA SUD S.r.l. (in liquidation)						
Corporation tax liabilities due to group tax consolidation	0	0.00%	(11)	0.01%	Short-term liabilities	Corporation tax liabilities due to group tax consolidation
NOVA EOLICA S.r.l.						
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on inter-company loans
Financial charges	(8)	0.02%	(32)	1.60%	Other net financial income (charges)	Interest on inter-company loans
Receivables for supply of goods and services	77	0.01%	0	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0.00%	(9)	0.00%	Current trade payables and other payables	Trade payables
Loan	3,200	11.17%	0	0.00%	Other current assets	Inter-company loans
Loan	0	0.00%	(1,000)	0.49%	Short-term liabilities	Inter-company loans
PARCHI EOLICI ULASSAI S.R.L. (joint venture)						
Services received	28	0.08%	6	0.02%	Other income	Services outsourcing
Measurement of investment at equity	4,768	94.10%	6,255	17.72%	Net income (charges) from equity interests	Measurement of non-consolidated investments
Financial income	108	0.26%	148	6.29%	Other net financial income (charges)	Interest on inter-company lines of credit
Financial charges	0	0.00%	(22)	6.29%	Other net financial income (charges)	Interest on inter-company lines of credit
Receivables for supply of goods and services	57	0.01%	49	0.01%	Current trade receivables	Trade receivables
Loan	1,328	4.64%	3,368	8.07%	Other current assets	Inter-company lines of credit
Payables for supply of goods and services	0	0.00%	(22)	0.00%	Current trade payables and other payables	Trade payables
Loan	0	0.00%	0	0.00%	Short-term liabilities	Inter-company loans
Corporation tax liabilities due to group tax consolidation	(949)	0.55%	(583)	0.29%	Short-term liabilities	Corporation tax liabilities due to group tax consolidation

Transactions with related parties and notes

Description	Absolute value (€./000) and % of item in statements				Item	Business reason
	31/12/2007		31/12/2006			
SARDEOLICA S.R.L.						
Supply of services	118	0.00%	0	0.00%	Revenues from ordinary operations	Supply of ICT services
Services received	82	0.23%	83	0.25%	Other income	Services outsourcing
Services rendered by staff	186	0.51%	481	1.47%	Other income	Personnel on secondment
Financial income	0	0.00%	242	12.08%	Net income (charges) from equity interests	Interest on inter-company loans
Receivables for supply of goods and services	284	0.04%	538	0.09%	Current trade receivables	Trade receivables
Loan	4,000	13.96%	0	0.00%	Other current assets	Inter-company loans
Corporation tax receivables due to group tax consolidation	0	0.00%	5,183	12.41%	Other current assets	Corporation tax receivables due to group tax consolidation
Corporation tax liabilities due to group tax consolidation	(249)	0.14%			Short-term liabilities	Corporation tax liabilities due to group tax consolidation
Consorzio Ricerche Associate (in liquidation)						
Liquidation - final distribution	(6)	0.00%	0	0.00%	Service and miscellaneous costs	Liquidation expenses
Liquidation - final distribution	11	0.22%	0	0.00%	Net income (charges) from equity interests	Proceeds from liquidation
IMMOBILIARE ELLECI S.p.A.						
Rent	(441)	0.10%	(442)	0.12%	Service and miscellaneous costs	Rental of buiding + parking space in Milan
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	21	0.06%	15	0.05%	Other income	Personnel on secondment
Rent	(667)	0.15%	(489)	0.13%	Service and miscellaneous costs	Rental of building
Receivables for supply of goods and services	21	0.00%	15	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(108)	0.02%	0	0.00%	Current trade payables and other payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Services received	(37)	0.01%	(35)	0.01%	Service and miscellaneous costs	Purchase of tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	35	0.10%	24	0.07%	Other income	Personnel on secondment
Receivables for supply of goods and services	35	0.01%	24	0.00%	Current trade receivables	Trade receivables
DYNERGY S.R.L.						
Services rendered by staff	2	0.01%	1	0.00%	Other income	Management fee
Services received	9	0.02%	0	0.00%	Other income	Exchange rate gains
Services received	(1,383)	0.30%	(1,224)	0.32%	Service and miscellaneous costs	Support for refining activities
Dividends	38	0.75%	38	0.11%	Net income (charges) from equity interests	Distribution of dividends due
Receivables for supply of goods and services	1	0.00%	1	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(303)	0.05%	(500)	0.09%	Current trade payables and other payables	Trade payables
HANGZHOU DADI ENCON ENVIRONMENTAL EQUIPMENT CO. LTD - Cina						
Supply of goods	12	0.00%	0	0.00%	Revenues from ordinary operations	Supply of control and measuring instruments
Purchases of goods	(51)	0.00%	(9)	0.00%	Purchase of raw materials, replacement part and consumables	Supply of materials for sales staff
Trade receivables	1	0.00%	0	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(19)	0.00%	(2)	0.00%	Current trade payables and other payables	Trade payables
Prepayments for supply of goods	(53)	0.01%	(53)	0.01%	Current trade payables and other payables	Advance payment for prototype supply

The transactions with the related parties mentioned above have been entered into at market conditions.

No provisions for doubtful loans were made regarding outstanding balances in that there are no reasons to make such provisions; no losses were incurred relative to doubtful or bad loans from related parties.

The effects of operations and transactions with related parties on balance sheet items are indicated in the following table:

	31/12/2007			31/12/2006		
	Total	Related parties	%	Total	Related parties	%
Current trade receivables	690,162	476	0.1%	574,483	1,094	0.2%
Other current assets	28,649	8,528	29.8%	41,750	8,551	20.5%
Short-term financial liabilities	173,178	1,198	0.7%	202,097	2,395	1.2%
Trade and other current payables	655,582	483	0.1%	551,622	595	0.1%

The effects of operations and transactions with related parties on profit and loss account items are indicated in the following table:

	2007			2006		
	Total	Related parties	%	Total	Related parties	%
Revenues	6,663,671	130	0.0%	5,986,815	83,729	1.4%
Other income	36,309	363	1.0%	32,613	11,909	36.5%
Purchase of raw materials, replacement parts and consumables	5,364,316	51	0.0%	5,118,970	1,169	0.0%
Supply of services and other costs	454,752	2,534	0.6%	378,102	26,900	7.1%
Net income (charges) on equity investments	5,067	5,067	100.0%	35,302	35,550	100.7%
Other net financial income (charges)	(42,041)	83	n.a.	(2,003)	327	n.a.
Acquisition of Sarlux S.r.l.	0	0	0.0%	176,945	199,168	112.6%

The main financial flows with related parties are reported in the table below:

Flows with related parties	2007	2006
Net (income) charges on equity investments valued at equity	(3,399)	(35,512)
Decrease (Increase) in trade receivables	618	(195)
Decrease (Increase) in trade payables and other payables	(112)	351
Change in other current assets	23	10,886
Change in other non-current liabilities	0	0
Cash flow from (used in) operating activities	(2,870)	(24,470)
Interest received (paid)	83	327
Cash flow from (used in) investment activities	83	327
Increase (decrease) in short-term financial liabilities	1,197	817
Cash flow from (used in) financing activities	1,197	817
Total cash flow - related parties	(1,590)	(23,326)

The effects of financial flows with related parties are indicated in the following table:

	31/12/2007			31/12/2006		
	Total	Related parties	%	Total	Related parties	%
Cash flow from (used in) operating activities	622,563	(2,870)	n.a.	208,596	(24,470)	n.a.
Cash flow from (used in) investment activities	(222,707)	83	n.a.	(297,250)	327	n.a.
Cash flow from (used in) financing activities	(309,352)	1,197	n.a.	30,063	817	2.7%

7.4 Information pursuant to International Financial Reporting Standard 7 – Financial instruments: disclosures

On 18 August 2005 the International Accounting Standards Board (IASB) published 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 allows the evaluation of:

a) the value of the financial instruments with reference to the balance sheet and profit and loss account;
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 financial results of assets and liabilities contained in IAS 32 (Financial instruments: disclosure and presentation) and IAS 39 (Financial instruments: recognition and measurement).

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, affiliates 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).

The standard must be applied for the years starting from 1 January 2007, and information relating to the previous period must be provided for comparative purposes.

7.4.1 Balance sheet information

Paragraphs 8-19 of IFRS 7 state that the book 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 the fair value entered on the profit and loss account, or where it has restated financial assets, or where it has eliminated them from the accounts. The balance sheet of the Saras Group at 31 December 2007 and 31 December 2006 is shown below, with details of the group's financial instruments.

31/12/2007	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Held for	Other liabilities	OTHER	Balance at
	Designated at fair value	Held for trading	held to maturity	receivables	sale	recognised at amortised cost		31/12/2007
ASSETS								
Current assets	**0**	**15,209**	**0**	**705,745**	**308,108**	**0**	**743,912**	**1.772,974**
Cash and cash equivalents					308,108			308,108
Other financial assets held for trading		15,209						15,209
Securities held for trading		*15,209*						
Trade receivables				690,162				690,162
Inventories							724,715	724,715
Current tax assets							6,131	6,131
Other assets				15,583			13,066	28,649
Derivative instruments								
Other receivables				*15,883*				
Non-current assets	**0**	**0**	**0**	**3,222**	**0**	**0**	**1,665,948**	**1,669,170**
Property, plant and equipment							1,181,154	1,181,154
Intangible assets							465,443	465,443
Equity investments valued at equity							13,369	13,369
Other investments							1,841	1,841
Other financial assets				3,222			4,141	7,363
Other receivables				*3,222*				
Total financial assets	**0**	**15,209**	**0**	**708,967**	**308,108**	**0**	**2,409,860**	**3,442,144**
LIABILITIES								
Current liabilities	**0**	**940**	**0**	**0**	**0**	**885,266**	**122,313**	**1,008,519**
Short-term financial liabilities		940				172,238		173,178
Bank loans (guaranteed)						*107,682*		
Overdrafts						*63,390*		
Payables to non-consolidated companies and other payables		*940*				*1,166*		
Derivative instruments								
Trade and other payables						655,582		655,582
Current tax liabilities							120,922	120,922
Other liabilities						57,446	1,391	58,837
Other payables						*57,446*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**193,140**	**774,026**	**967.166**
Long-term financial liabilities						186,283		186.283
Bank loans (guaranteed)						186,283		
Provisions for risks							23,296	23,296
Provisions for employee benefits							36,680	36,680
Deferred tax liabilities							133,581	133,581
Other liabilities						6,857	580,469	587,326
Leasing payments (SLX)								
Other payables						*6,857*		
Total financial liabilities	**0**	**940**	**0**	**0**	**0**	**1,078,406**	**896,339**	**1,975,685**

31/12/2006	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Held for	Other liabilities	OTHER	Balance at
	Designated	Held for	held to	receivables	sale	recognised at		31/12/2006
	at fair value	trading	maturity			amortised cost		
ASSETS								
Current assets	**0**	**26,108**	**0**	**603,941**	**217,604**	**0**	**666,146**	**1,513,799**
Cash and cash equivalents					217,604			217,604
Other financial assets held for trading		13,816						13,816
Securities held for trading		*13,816*						
Trade receivables				574,483				574,483
Inventories							599,802	599,802
Current tax assets							66,344	66,344
Other assets		12,292		29,458			0	41,750
Derivative instruments		12,292						
Other receivables				29,458				
Non-current assets	**0**	**0**	**0**	**5,968**	**0**	**0**	**1,700,600**	**1,706,568**
IProperty, plant and equipment							1,105,088	1,105,088
Intangible assets							584,350	584,350
Equity investments valued at equity							9,970	9,970
Other investments							1,192	1,192
Other financial assets				5,968			0	5,968
Other receivables				*5,968*				
Total financial instrument assets	**0**	**26,108**	**0**	**609,909**	**217,604**	**0**	**2,366,746**	**3,220,367**
LIABILITIES								
Current liabilities	**0**	**0**	**0**	**0**	**0**	**813,735**	**52,810**	**866,545**
Short-term financial liabilities						202,097		202,097
Bank loans (guaranteed)						*138,549*		
Overdrafts						*61,153*		
Payables to non-consolidated companies and other payables						*2,395*		
Derivative instruments						*0*		
Trade and other payables						551,622		551,622
Current tax liabilities							52,093	52,093
Other liabilities						60,016	717	60,733
Other payables						*60,016*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**328,866**	**739,574**	**1,068,440**
Long-term financial liabilities						322,671		322,671
Bank loans (guaranteed)						*322,671*		
Provisions for risks							24,485	24,485
Provisions for employee benefits							45,431	45,431
Deferred tax liabilities							161,087	161,087
Other liabilities						6,195	508,571	514,766
Leasing payments (SLX)						*0*		
Other payables						*6,195*		
Total financial instrument liabilities	**0**	**0**	**0**	**0**	**0**	**1,142,601**	**792,384**	**1,934,985**

Financial instruments recorded at fair value on the profit and loss account comprise:

- Italian and foreign equities and government bonds, held by the parent company and valued at fair value since, as established by IAS 39, they are deemed to be financial assets purchased for sale or repurchase in the near term, and part of a portfolio of identified financial assets that are managed together, and for which there is evidence of a recent and effective strategy to generate a profit in the near term;
- derivative instruments of the parent company, described in paragraph 5.3.1 above. These are derivative contracts on commodities stipulated by the parent company to offset the risks inherent in the business, which include changes in the price of crude oil and oil products, and of futures contracts and swaps on crude oil and oil products.

All trade receivables and other current and non-current receivables are classed as "loans and receivables" since they consist of non-derivative financial assets with fixed or definable payments that are not listed on any active market.

Assets held for sale include cash and cash equivalents (essentially bank current accounts).

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.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and eliminated.

All financial assets are booked by trading date.

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

7.4.2 Profit and loss account

Paragraph 20 of IFRS 7 requires companies to state the amount of net profits or losses generated by financial assets and liabilities, subdivided according to the various profit and loss items. This information may be provided in either the accounting statements or the notes to the accounts. To avoid overloading the accounting statements with information, the group has opted for the latter alternative, as advised in the Appendix to the accounting standard itself.

The table below shows net profits and losses generated by financial instruments on the profit and loss account for the current year and the previous year.

31/12/2007	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	Held for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Balance at 31/12/2007
	Designated at fair value	Held for trading						
Revenues from ordinary operations								6,663,671
Other income								36,309
Total revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,699,980**
Purchases of raw materials, replacement parts and consumables								(5,364,316)
Cost of services and other costs				(200)			(200)	(454,752)
Personnel costs								(120,819)
Depreciation and amortisation								(251,245)
Total costs	**0**	**0**	**0**	**(200)**	**0**	**0**	**(200)**	**(6,191,132)**
Operating profit	**0**	**0**	**0**	**(200)**	**0**	**0**	**(200)**	**508,848**
Net income (charges) from equity investments								5,067
Other net financial income (charges)							(42,041)	(42,041)
from securities held for trading		*(365)*					*(365)*	
- of which								
differences generated		*171*						
change in fair value		*(536)*						
from current account interest					*12,016*		*12,016*	
from loans granted to group companies				*202*			*202*	
from derivative instruments		*(28,571)*					*(28,571)*	
- of which								
differences generated		*(16,822)*						
change in fair value		*(11,749)*						
from other financial assets						*(30,584)*	*(30,584)*	
from interest on loans from banks				*5,261*			*5,261*	
Sarlux S.r.l. acquisition								0
IPO and company restructuring charges								0
Profit/(loss) before taxes	**0**	**(28,936)**	**0**	**5,263**	**12,016**	**(30,584)**	**(42,241)**	**471,874**
Income tax								(148,971)
Net profit/(loss)								**322,903**

31/12/2006	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Held	Other liabilities	Total from	Balance at
	Designated at fair value	Held for trading	held to maturity	receivables	for sale	recognised at amortised cost	financial instruments	31/12/2006
Revenues from ordinary operations								5,986,815
Other income								32,613
Total revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,019,428**
Purchases of raw materials, replacement parts and consumables								(5,118,970)
Cost of services and other costs								(378,102)
Personnel costs								(111,596)
Depreciation and amortisation								(118,553)
Total costs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5,727,221)**
Operating profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**292,207**
Net income (charges) from equity investments								35,302
Other net financial income (charges)							(2,003)	(2,003)
from securities held for trading		*790*					*790*	
- of which								
differences generated		*790*						
change in fair value								
from current account interest					*4,421*		*4,421*	
from loans granted to group companies							*0*	
from derivative instruments		*11,838*					*11,838*	
- of which								
differences generated		*1,698*						
change in fair value		*10,140*						
from other financial assets						*(21,401)*	*(21,401)*	
from interest on loans from banks				*2,349*			*2,349*	
Sarlux S.r.l. acquisition								199,167
IPO and company restructuring charges								(22,222)
Profit/(loss) before taxes	**0**	**12,628**	**0**	**2,349**	**4,421**	**(21,401)**	**(2,003)**	**502,451**
Income tax								(107,026)
Net profit/(loss)								**395,425**

The financial instruments recorded at fair value through the profit and loss account generated losses of €28,936 thousand, including:

a) €365 thousand (compared to an income of €790 thousand in the previous year), due to a negative change in fair value between the two periods;
b) €28,571 thousand (compared to an income of €11,838 thousand in the previous year), due essentially to derivative contracts entered into by the parent company.

Financial instruments recorded under "loans and receivables" generated profits of €5,463 thousand (versus €2,349 thousand in the previous year), due to exchange rate differences on commercial positions.

Financial assets held for sale produced an income of €12,016 thousand (€4,421 thousand in 2006), essentially due to increased interest received on the cash held during the year.

Other financial liabilities valued at amortised cost generated losses of €30,584 thousand (compared to €21,401 thousand in 2006), mainly due to financial charges on loans.

7.4.3 Additional information

7.4.3.1 Accounting for derivative 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, and on the EUR/USD exchange rate USA to offset the risks relating to its currency positions.
Derivative contracts recorded at 31 December 2007 were commodities derivatives, classified as financial instruments held for trading. The changes in fair value and the differences generated are recorded on the profit and loss account under net financial income and charges.

Derivative contracts recorded at 31 December 2007 consisted of swaps and futures on oil products.

Both types of instruments existing at the reporting date are expected to be terminated within the first quarter of 2008.

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

7.4.3.2 Fair value

Financial assets held by the group are recorded at fair value or amortised cost; in both cases the difference between the fair value and the amortised cost is not significant.
Moreover, the amortized cost is not different from the fair value as of 31 December 2007.

Financial liabilities are recorded using the amortised cost method: since these are chiefly positions underlying business dealings which are expected to be settled in the short term, or long-term financial liabilities carrying interest rates in line with current market values, the amortised cost does not significantly differ from the fair value at 31 December 2007.

7.4.4 Risks deriving from financial instruments

Risks deriving from financial instruments to which the group is exposed are:

a. credit risk: that is, the risk that the group will incur a loss if the counterparty to one of its financial assets defaults;
b. liquidity risk: that is, the risk that the group will be unable to meet its obligations with respect to the repayment of loans;
c. market risk: that is, the risk arising from the markets in which the group operates, including exchange rate risks, interest rate risks and the risk of changes in the price of crude oil and oil products.

For our risk management policies regarding the above risks, please see section 3.5, “Risk analysis”, in these notes to the accounts.

7.4.4.1 Credit risk

The group's exposure to credit risk mainly relates 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 of IFRS 7 is shown in the table below.

	Book value at 31/12/2007		Credit risk		Analysis of maturities of financial assets pursuant to para. 37 b), IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risk ignoring guarantees or other similar instruments	Guarantees	Current	Expired 0-30 days	Expired 31-60 days	Expired 61-90 days	Expired over 90 days	Total	Recognised during year	Progressive
Current assets	**1,772,974**	**1,029,062**	**1,029,062**		**918,630**	**88,910**	**7,204**	**3,251**	**11,067**	**1,029,062**		
Cash and cash equivalents	308,108	308,108	308,108		308,108					308,108		
Other financial assets held for trading	15,209	15,209	15,209		15,209					15,209		
Trade receivables from third parties	697,950	697,950	690,162		587,518	88,910	7,204	3,251	11,067	697,950		
Provisions for doubtful loans	(7,788)	(7,788)			(7,788)					(7,788)	(200)	(7,788)
Inventories	724,715											
Current tax assets	6,131											
Other assets	28,649	15,583	15,583		15,583					15,583		
Non-current assets	**1,669,170**	**3,222**	**3,222**		**0**	**0**	**0**	**0**	**3,222**	**3,222**		
Property, plant and equipment	1,181,154											
Intangible assets	465,443											
Equity investments valued at equity	13,369											
Other investments	1,841											
Other financial assets	7,363	3,222	3,222						3,222	3,222		
Total assets	**3,442,144**	**1,032,284**	**1,032,284**		**918,630**	**88,910**	**7,204**	**3,251**	**14,289**	**1,032,284**		

7.4.4.2 Liquidity risk

The group'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 information required by paragraph 39 of IFRS 7 is shown in the table below.

	Book value at 31/12/2007		Liquidity risk		Analysis of maturities of financial assets pursuant to para. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of fianncial liabilities	Garantees	2008	2009	2010	2011	2012	over 5 years
Liabilities										
Current liabilities	**1,008,519**	**886,206**	**886,206**		**896,128**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	*173,178*	*173,178*								
Bank loans (guaranteed)		*107,682*	*107,682*	*105,700*	*107,682*					
Overdrafts		*63,390*	*63,390*		*63,390*					
Interests (weighted average yearly rate: 5.8%					*9,922*					
Loans from non consolidated Group Companies & other payables		*1,166*	*1,166*		*1,166*					
Derivatives instruments		*940*	*940*		*940*					
Trade & other payables	655,582	655,582	655,582		655,582					
Current tax liabilities	120,922									
Other liabilities	58,837	57,446	57,446		57,446					
Non-Current Liabilities	**967,166**	**193,140**	**193,140**		**0**	**77,720**	**65,673**	**52,519**	**1,175**	**6,857**
Long-Term financial liabilities	186,283	186,283	186,283	181,200		73,459	62,073	49,640	1,111	
Interests (weighted average yearly rate: 5.8%						*4,261*	*3,600*	*2,879*	*64*	
Provisions for risks	23,296									
Provisions for employees benefits	36,680									
Deferred tax liabilities	133,581									
Other liabilities	587,326	6,857	6,857							6,857
Total liabilities	**1,975,685**	**1,079,346**	**1,079,346**		**896,128**	**77,720**	**65,673**	**52,519**	**1,175**	**6,857**

7.4.4.3 Market risk

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

- the EUR/USD rate, which affects the value of the group's cash holdings, and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under other net financial income (charges);
- Euribor and Libor rates, to which the interest rates paid by the group on its loans are indexed;
- 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 group is exposed at the reporting date has been prepared, which shows the effects of these risks on the profit and loss account and shareholders' equity. The results of the analysis are shown in the tables below.

As regards the EUR/USD exchange rate, at the reporting date the Saras Group had financial instruments denominated in dollars recorded under cash and cash equivalents (current accounts), trade receivables and payables (mainly relating to the parent company) and advance payments to current accounts in foreign currency classified as short-term financial liabilities.

The group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/- 5% in the EUR/USD exchange rate at the end of the year, which was used to convert currency positions for the preparation of the financial position.

Euro/dollar exchange rate				Change in benchmark	
Balance sheet item	Amount in foreign currency	Euro/dollar exchange rate	Amount in thousands €	-5%	+5%
Cash and cash equivalents	27,945	1.4721	18,983	999	(904)
Trade receivables	222,311	1.4721	151,016	7,948	(7,191)
Other activities	1,243	1.4721	844	44	(40)
Trade and other payables	(590,864)	1.4721	(401,375)	(21,125)	19,113
Short-term financial liabilities	(74,517)	1.4721	(50,620)	(2,664)	2,410
Net position	**(413.882)**		**(281.151)**		
Effect on profit before taxes				**(14.797)**	**13.388**
Effect on net profit (and shareholders' equity)				**(9.248)**	**8.368**

The group is exposed to both short-term and medium-/long-term interest rates. It pays variable rates indexed to Euribor and Libor on these positions.

The group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/- 20% in rates, which appears realistic in view of their trend during the year.

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

				Change in benchmark	
VARIABLE INTEREST RATES	Exposure st 31/12/2007	Average 2007 aannual interest rate	Annual interst expense	-20%	+20%
Short- and medium-/long-term finacial liabilities	(359,461)	5,80%	(20,849)		
Effect on profit before taxes				**4,170**	**(4,170)**
Effect on net profit (and shareholder's equity)				**2,606**	**(2,606)**

Oil prices affect the fair value of the derivatives in place at the reporting date and the consequent differences recorded on the profit and loss account. At 31 December 2007 the derivatives consisted of swaps and futures contracts on oil products, and the fair value recorded in the results is taken from the market prices of the underlyings at that date.

The group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/-20% in oil prices, which appears realistic in view of their trend during the year.

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

		Change in benchmark	
Derivatives on:	**Fair Value at 31/12/2007**	**-20%**	**+20%**
50 PPM gasoil	999	461	2,480
Kerosene	(925)	(319)	(2,405)
Gasoline	(1,013)	2,496	(4,522)
	(939)	**2,638**	**(4,447)**
Effect on profit before taxes		**2,638**	**(4,447)**
Effect on net profit (and shareholders' equity)		**1,649**	**(2,779)**

7.5 Average staff numbers

The average numbers of staff working at companies included in the basis of consolidation, divided by category, are shown below.

	31/12/2007	31/12/2006
Managers	81	70
Office workers	1,144	1,185
Specialised workers	19	20
Workers	609	443
Total	**1,853**	**1,718**

The number of employees at the group rose from 1,810 at the end of 2006 to 1,905 at 31 December 2007; the rise was chiefly due to staff hiring by the parent company Saras S.p.A.

7.6 Remuneration of senior personnel with strategic responsibilities

In 2007 senior personnel with strategic responsibilities received remuneration totalling €3,541 thousand. For further details please see section 7.6.1 of the notes to the accounts of Saras S.p.A..

7.7 Commitments

To mitigate the effects of variations in exchange rates between the euro and the US dollar, and variations in the spreads between raw material and finished product prices, the group has derivative contracts aimed at reducing these risks. At 31 December 2007, the notional amount of these contracts stood at around €34 million, while at 31 December 2006 it was €252 million. Please see section 5.1.6 for further details.
At 31 December 2007 and 31 December 2006 the group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, Saras has issued sureties, whose value at 31 December 2007 totalled €42,703 thousand, mainly related to its subsidiaries (€22,130 thousand), to port authority (€2,503 thousand) as guarantee for concession enabling the group to occupy state-owned land and sea area, to Generali Properties S.p.A. (€217 thousand) as guaranty on head offices located in Milan, to the custom authority (€1,024 thousand) as a guarantee for taxes and to the Ministry of Productive Activities (€14,236 thousand) as a guarantee for the advance payment of taxes required by the Programme Agreement signed on 10 June 2002.

7.8 Disclosure of external auditor's fees

Pursuant to article 149-duodecies of the Consob Issuer Regulations, below are the details of the fees relating to 2007 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

Services	Supplier	Recipient	Amount due in 2007 (EUR 000)
Audit	PricewaterhouseCoopers SpA	Saras SpA	256
	PricewaterhouseCoopers SpA	Italian subsidiaries	158
	Network PricewaterhouseCoopers	Foreign subsidiaries	122
Certification	PricewaterhouseCoopers SpA	Saras SpA	5
	PricewaterhouseCoopers SpA	Italian subsidiaries	31
	Network PricewaterhouseCoopers	Foreign subsidiaries	0
Fiscal consultancy	PricewaterhouseCoopers SpA	Saras SpA	0
	PricewaterhouseCoopers SpA	Italian subsidiaries	0
	Network PricewaterhouseCoopers	Foreign subsidiaries	45
Other Services (*)	PricewaterhouseCoopers SpA	Saras SpA	0
	PricewaterhouseCoopers SpA	Italian subsidiaries	0
	Network PricewaterhouseCoopers	Foreign subsidiaries	200
Total			**817**

(*) Company's IT due Diligence and audit

8. Release of the consolidated results

At its meeting of 27 March 2008 the Board of Directors of Saras authorised the release of the annual results. 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

Saras S.p.A. Annual Report

Report on operations of Saras S.p.A.

Saras S.p.A. is the Parent Company and also operates in the refining segment, already analyzed in the Group's report on operations that should also be addressed for the Oil market description, for the regulatory framework, for the main events during the year, for the main events after year end and for outlook.

KEY INCOME STATEMENT FIGURES (EUR million)	31/12/2007	31/12/2006	change %
Revenues	**6,054**	**5,643**	**+7%**
EBITDA	**515**	**280**	**+84%**
EBIT	**441**	**212**	**+108%**
NET INCOME	**429**	**258**	**+66%**

During 2007 the company registered a good operational performance mainly thanks to the upgrades carried on some key units (two crude distillation units, one vacuum distillation unit and Visbreaking) during the scheduled maintenance of second and fourth quarter .

Revenues were EUR 6,054 million, up 7% versus 2006. The increase is due to the higher product prices in particular during the second half of the year.

EBITDA, totalling EUR 514.6 million, registered a relevant increase versus 2006 (+84%). Refining margins were up compared to 2006 but such increase has been completely offset by a weaker USD/EUR exchange rate. The increase is therefore attributable to the above mentioned upgrades and the resulting higher yield of high value products (diesel and gasoline) combined with higher crude and products prices with the consequent positive impact on inventories valuation. Also contributed to the good result some non recurring items such as the finalization of government grants related to the *"Contratto di Programma"* and the change in law in the calculation of provisions for employee retirement benefits.

Net income was EUR 429.2 million, up 67% compared to EUR 257.6 million of the previous year.

Investments in the period totalled EUR 177 million with the main items as follows:

- maintain capacity
- Health Safety and Environment
- Return projects in line with the 2006-2009 investment plan

More in detail to be highlighted the construction of a gasoline desulphurization unit and a tail gas treatment/sulphur recovery plant. The first is expected to come on stream by mid 2008 and will allow the full production of gasoline with less than 10 ppm sulphur, as required by EU specification starting from 2009. The second will be operational in the second half of 2008 and will allow Saras to be aligned with the best standards in terms of sulphur emissions.

The Company's net financial position at 31st December 2007 was as follows:

EUR thousand	31/12/2007	31/12/2006
Medium/Long term bank loans	(10,000)	(53,333)
Total long term net financial position	**(10.000)**	**(53.333)**
Short term bank loans	(10,000)	(26,667)
Bank overdraft	(52,143)	37,806)
Loans from Group companies	(23,604)	(27,670)
Loans to group companies	81,752	78,839
Other financial activities	15,203	13,816
Cash and cash equivalents	154,419	41,152
Total short term net financial position	**165,627**	**41,664**
Total net financial position	**155,627**	**(11,669)**

Net Financial Position turned positive by EUR 155.6 million from a negative of EUR 11.7 at the end of 2006. The reason of such improvement is due to the strong operating cash flow that during 2007 amounted to EUR 332.7 million.

We hereby provide the following information for purposes of Art. 2428 of the Italian Civil Code:

- Intangible assets includes research costs for a total amount of EUR 8,340 thousand related to exploration activities for gas in Sardinia;
- relations with subsidiaries, affiliates, parent companies and companies controlled by the latter are described in the Supplementary Notes, paragraph 8.3 "Relations with related parties;";
- details and movements of the treasury shares owned by the Company during the course of 2007 and at 31/12/2007 are as follows:

Data	Type of operation	Number of shares	Nominal unit value (EUR per share)	Nominal value (EUR)	Amount paid (EUR)	Rational of the transaction
26/07/2007	purchase	50,000	0.0574	2,872	216,600	Share plan
26/07/2007	purchase	50,000	0.0574	2,872	215,495	Share plan
27/07/2007	purchase	50,000	0.0574	2,872	217,617	Share plan
31/07/2007	purchase	50,000	0.0574	2,872	219,263	Share plan
31/07/2007	transfer	(184,977)	0.0574	(10,626)	(785,572)	Share plan
02/08/2007	purchase	100,000	0.0574	5,744	426,850	Share plan
18/09/2007	purchase	100,000	0.0574	5,744	422,361	Share plan
10/10/2007	purchase	150,000	0.0574	8,617	644,590	Share plan
20/11/2007	purchase	50,000	0.0574	2,872	200,688	Share plan
21/11/2007	purchase	50,000	0.0574	2,872	197,000	Share plan
Total		**465,023**		**26,716**	**1,974,890**	

- As at 31 December 2006 the Company didn't hold directly or indirectly, its own or parent company shares and during the year such shares were not acquired or sold.
- with regard to the disclosure concerning the Company's use of financial instruments, see the "Risk analysis" section in this chapter.
- the list of the Company's sub-offices is presented in the Notes to paragraph 8 "Miscellaneous".

According to art.123bis of the TUF the information required are included in the "Report of Corporate Governance" and the information on the ownership.
In addition, the information required by Attachment 3C to CONSOB Resolution 11971 of 14 May 1999 as modified and amended are presented in the Notes to paragraph 7.6 "Information on compensations and shareholdings of members of administrative and control bodies, General Managers, and managers with strategic responsibilities".

Lastly, with regard to the protection of personal data, the Security Policy Document referred to in Legislative Decree 196/2003 was updated during the year.

Risk Analysis

The underlying principles of Saras' risk policy are based on the prevention of the main risks linked to Company objectives and involve strategic areas, both operational and financial.
The management of risk highlighted in individual policies and in business processes is based on the principle whereby operational and financial risk is managed by the person responsible for the business process(i.e. the process owner).
The main risks are reported and discussed at top management level in order to create the pre-conditions to hedge, insure and evaluate them for residual risk.
In addition to the risk management guidelines, there are specific guidelines for financial risks, such as interest rates risks and credit risks.

Financial risks

Amongst Saras' priorities are sustainable growth, productivity, profitability and financial reporting accuracy.
Therefore financial structures are focused on guaranteeing maximum efficiency in the adoption and utilisation of lines of credit to develop commercial business, and reduce to the minimum the financial risks related to industrial operations (adverse risk).

Saras operates internationally in the oil sector, with consequent exposure to currency risks, interest rate risks, credit risks and fluctuations in commodity prices.

Price fluctuations and cash flow risks

Saras' results are influenced by oil price trends and the effects that these trends have on refining margins (i.e. the difference between the prices of oil products generated through the refining process, and the price of raw materials, mainly crude oil). Furthermore, in order to carry out production, Saras has to keep reserves of crude oil and finished products, the value of the reserve is subject to market price fluctuations.

The commodity price changes and cash flow risk are closely connected to the nature of the business and can only partially be reduced through the use of appropriate risk management policies, including setting partially pre-fixed prices for processing for third parties.
In order to hedge against risks deriving from price changes, the Company buys derivative contracts on commodities that involve the forward purchase and sale of crude and oil products.

Currency risks

Saras' oil business is exposed to changes in currency prices in that the benchmark prices for the purchase of crude and a large part of oil products are made or linked to US dollars.
In order to diminish both exchange risks regarding transactions that will be executed in the future as well as those aris-

ing from credit and debt expressed in currencies other than the functional currency, Saras uses derivative instruments that consist of US dollar forward contracts.
Transactions expressed in currencies other than US dollars are not significant and could only marginally influence the results of the period.

Interest rate risks

Risks related to changes in cash flows linked to changes in interest rates involve loans. Variable rate loans expose Saras to the risk of change in cash flows due to interest. Fixed-rate loans expose to the risk of changes in the fair value of the loans received.
The main financing contracts in place have been stipulated at variable market rates. Saras' policy is to use derivative instruments to diminish the risk of changes in cash flows due to interest.

Credit risks

The market in which Saras operates is mainly made up of multinational players operating in the oil sector. Transactions are generally settled very quickly and are often guaranteed by major banking institutions. Moreover, receivables are monitored daily by Saras' finance management in a systematic and timely manner. We believe that credit risks are marginal and do not constitute a significant variable in the business in which Saras operates.

Liquidity risk

The Group finances its activities using both its own operating cash flows and external financing sources, and is therefore exposed to a liquidity risk relating to its ability to repay loans taken out.
However, given the Group's strong self-financing capacity, coupled with its good track record in meeting debt obligations, the liquidity risk is very low.

Disclosure and management of other risks

Risks related to refining production stoppages

Saras' activity largely relies on its refining business in Sardinia, which produces almost all of the oil products it refines and sells.
This activity is subject to risks related to the unplanned plant stoppages and accidents.
Saras believes that the complexity of its refining business allows for negative effects of unplanned stoppages to be limited, and that the current security measures (that are continually implemented) allow the risk of accidents to be reduced to the minimum; moreover, Saras has put in place a significant insurance coverage program in order to further cover these risks.

Environmental risks

Saras activities are regulated by many national, regional, local and EU provisions regarding environmental concerns.
Although Saras believes that its activities are carried out in adherence to environmental regulations, the risk of environmental costs and responsibilities is intrinsic to its business, and there cannot be any certainty that in the future it will not have to sustain significant costs and responsibilities regarding the environment.

Saras therefore has made, and forecasts that it will continue to make, operational expenditures as well as investments to fulfil the obligations of environmental regulations; moreover, Saras has put in place a significant insurance coverage program in order to further cover these risks.

Management & Control

At the date of this report, Angelo Moratti S.a.p.a. owns 62.461% of the share capital of Saras.

Article 2497-sexies of the Italian Civil Code states that "it is presumed, unless stated otherwise, that the activities of corporate management and co-ordination shall be exercised by the company or body responsible for consolidating the accounts or by the controlling company pursuant to article 2359". The Board of Directors of Saras considers, however, that Angelo Moratti S.a.p.a. has never exercised management and co-ordination since, inter alia, Angelo Moratti S.a.p.a. does not issue directives to its subsidiary and there is no significant organisational or functional connection between the two companies. Consequently, Saras considers it operates and has always operated in conditions of corporate and business autonomy in respect of its controlling company Angelo Moratti S.a.p.a.. Relationships with the latter are limited exclusively to the normal exercise of a shareholder's administrative and financial rights by Angelo Moratti S.a.p.a and to the receipt of information supplied by the Issuer pursuant to article 2381, paragraph 5 of the Italian Civil Code by bodies delegated by Angelo Moratti S.a.p.a.

Proposal of the Board of Directors

Dear Shareholders,
The Annual Report as of 31st December 2007 of your company closed with a net income of EUR 429.190.630.
If you agree with the criteria applied in preparation of the financial statements, including the accounting principles and methods utilized, we proposed the following resolution to be approved:

"The Shareholders meeting

- examined the Annual Report of Saras SpA as of 31st December 2007;
- reviewed the report of Statutory Auditors to the Shareholders meeting pursuant to art.153 decree n.58/1998 (TUF *"Testo unico della Finanza"*)
- reviewed the Report of the Independent Auditors on the Annual Report of Saras SpA as of 31st December 2007

resolve

[A] to approve the Annual Report of Saras SpA as of 31st December 2007 in its completeness and on the single parts;

[B] to allocate as follows the net profit of EUR 429,190,630:
- to dividend of EUR 0,17 for each of the 946,134,977 ordinary shares (excluding the own shares currently ammounting to 4,865,023), for a total of EUR 160,842,946.09;
- To "Other Reserves" for the residual amount of EUR 268,347,683.91

[C] The dividend will be paid on 22nd May 2008 (coupon detachment on 19th May 2008)."

For the board of Directors
The Chairman
Gian Marco Moratti

Saras S.p.A. Financial Statements

Saras S.p.A. Balance Sheet at 31st December 2007 and at 31st December 2006

€ Thousand	(1)	(2)	31/12/2007	31/12/2006
ASSETS				
Current Assets	5.1		1.361.106	1.040.894
Cash and cash equivalents	5.1.1	A	154,419	41,152
Other financial assets held for trading	5.1.2	B	15,203	13,816
Trade receivables	5.1.3	C	557,513	368,969
of which with related parties:			*208,043*	*162,467*
Inventory	5.1.4	D	541,920	452,202
Current tax assets	5.1.5	E	819	63,843
Other assets	5.1.6	F	91,232	100,912
of which with related parties:			*81,752*	*78,839*
Non Current Assets	5.2		819,023	713,780
Property, plant and equipment	5.2.1	H, I	538,479	443,897
Intangible assets	5.2.2	J	9,815	1,237
Equity interests consolidated under the equity method	5.2.3.1	K	269,787	268,007
Other equity interests	5.2.3.2	K	495	496
Other financial assets	5.2.4	M	447	143
Total assets			2,180,129	1,754,674
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		789,065	640,368
Short-term financial liabilities	5.3.1	R	86,687	92,143
of which with related parties:			*23,637*	*27,670*
Trade and other payables	5.3.2	R	575,511	492,568
of which with related parties:			*14,691*	*19,987*
Current tax liabilities	5.3.3	W	73,584	12,584
Other liabilities	5.3.4	R	53,283	43,073
Non-current liabilities	5.4		237,211	247,818
Long-term financial liabilities	5.4.1	R	10,000	53,333
Provisions for risks	5.4.2	P	13,526	13,526
Provisions for employee benefits	5.4.3	Q	33,830	42,226
Deferred tax liabilities	5.4.4	W	121,369	75,584
Other liabilities	5.4.5	R	58,486	63,149
of which with related parties:			*54,947*	*59,918*
Total liabilities			1,026,276	888,186
SHAREHOLDERS' EQUITY	5.5	O, V, N		
Share capital			54,630	54,630
Legal reserve			10,926	10,237
Other reserves			659,106	544,068
Profit/(loss) for the period			429,191	257,553
Total shareholders' equity			1,153,853	866,488
Total liabilities and shareholders' equity			2,180,129	1,754,674

(1) Please refer to chapter 5 "Notes to balance sheet"

(2) Please refer to chapter 3.1 "Summary of accounting principles and policies applied"

Saras S.p.A. - Income Statement for the years ended at 31st December 2007 and 31st December 2006

€ Thousand	(1)	(2)	01/01/07 31/12/07	of which non recurring	01/01/06 31/12/06	of which non recurring
Revenues from ordinary operations	6.1.1	S	6,005,379	*0*	5,597,958	
of which with related parties:			*1,834,826*		*1,571,873*	
Other income	6.1.2	S	48,163	*5,373*	45,615	
of which with related parties:			*26,836*		*26,028*	
Total revenues			6,053,542	*5,373*	5,643,573	*0*
Purchases of raw materials, spare parts and consumables	6.2.1	T	(5,143,977)	*0*	(4,978,474)	
of which with related parties:			*(1,661)*		*(96,665)*	
Cost of services and sundry costs	6.2.2	T	(303,721)	*0*	(298,524)	
of which with related parties:			*(61,168)*		*(64,705)*	
Personnel costs	6.2.3	T, Q	(91,227)	*5,156*	(86,169)	
Depreciation, amortization and write-downs	6.2.4	H , J	(74,102)	*0*	(68,405)	
Total costs			(5,613,027)	*5,156*	(5,431,572)	*0*
Operating Result			440,515	*10,529*	212,001	*0*
Net income (charges) from equity interests	6.3	K , V	147,586	*0*	69,463	
of which with related parties:			*147,586*		*69,694*	
Other financial income/(charges), net	6.4	X	(20,572)	*0*	8,824	
of which with related parties:			*903*		*616*	
Sarlux S.r.l acquisition	6.5				70,457	
of which with related parties:					*70,457*	*70,457*
IPO and company restructuring charges	6.6				(22,093)	*(22,093)*
Profit before taxes			567,529	*10,529*	338,652	*48,364*
Income tax for the period	6.7	W	(138,338)	*18,711*	(81,099)	*7,291*
Net profit/(loss) for the period			429,191	*29,240*	257,553	*55,655*
Earnings per share - basic (Euro cent)		Y	45.14		28.48	
Earnings per share - diluted (Euro cent)		Y	45.14		28.48	

(1) Please refer to Chapter 6 "Notes to the profit and loss account"

(2) Please refer to Chapter 3.1 "Summary of accounting principles and valuation policies"

Saras S.p.A. - Statement of Changes in Shareholders' Equity for the period 1st January 2005 - 31st December 2007

€ Thousand	Share Capital	Legal reserve	Other reserves	Profit (loss) the period	Shareholders' equity
Balance as at 31/12/2005	51,183	10,237	128,685	246,579	436,684
Capital increase (net of IPO costs)	3,447		338,984		342,431
Allocation of previous period profit			106,884	(106,884)	0
Dividends			(30,485)	(139,695)	(170,180)
Profit (loss) for the year				257,553	257,553
Balance as at 31/12/2006	54,630	10,237	544,068	257,553	866,488
Allocation of previous period profit		689	114,214	(114,903)	0
Dividends				(142,650)	(142,650)
Reserve for employee stock plan			2,106		2,106
Own treasury shares in portfolio			(1,975)		(1,975)
Effect of Corporate tax rate reduction			693		693
Profit (loss) for the year				429,191	429,191
Balance as at 31/12/2007	54,630	10,926	659,106	429,191	1,153,853

Saras S.p.A. Cash Flow Statements for the years ended at 31st December 2007 and 31st Dcember 2006

€ Thousand	01/01/2007 31/12/2007	01/01/2006 31/12/2006
A - Cash and cash equivalents at the beginning of period (short-term net financial indebteness)	**41.152**	**16.892**
B - Cash generated from/(used in) operating activities		
Profit/ (Loss) for the period of the Company	429,191	257,553
Amortization, depreciation and write-down of fixed assets	74,102	68,405
Net (income)/charges from equity interests	(1,780)	69,463
of which with related parties:	*(1,780)*	*69,463*
Net change in provisions for risks and charges	0	0
Net change in employee benefits	(8,396)	(4,103)
Change in tax liabilities and tax assets	45,785	(11,083)
Dividends	(149,071)	(74,553)
of which with related parties:	*(149,071)*	*(74,553)*
Income tax	138,338	81,099
Other non cash income and costs	793	0
Profit (Loss) from operating activities before changes in working capital	**528,962**	**386,781**
(Increase)/Decrease in trade receivables	(188,544)	(17,479)
of which with related parties:	*(45,576)*	*(6,198)*
(Increase)/Decrease in inventory	(89,718)	(27,986)
Increase/(Decrease) in trade and other payables	82,943	25,445
of which with related parties:	*(5,296)*	*(397)*
Change in other current assets	72,704	(79,141)
of which with related parties:	*(2,913)*	*(40,555)*
Change in other current liabilities	68,923	97,243
Income tax paid	(137,882)	(195,958)
Change in other non-current liabilities	(4,663)	(5,691)
Other non cash items	(4,971)	(4,971)
Total (B)	**332,725**	**183,214**
C - Cash flow from investment activities		
(Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization	(177,231)	(108,420)
Dividends	149,071	74,553
of which with related parties:	*149,071*	*74,553*
Change in other equity interests	1	(195,575)
Interest received/(paid)	1,831	(6,919)
of which with related parties:	*903*	*616*
Total (C)	**(26,328)**	**(236,361)**
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	(43,333)	(66,948)
(Increase)/Decrease in other financial assets	(1,691)	(643)
Increase/(Decrease) in short term borrowings	(5,456)	(27,251)
of which with related parties:	*(4,054)*	*(13,454)*
Capital increase	0	342,430
Dividend distribution to shareholders	(142,650)	(170,181)
Total (D)	**(193,130)**	**77,407**
E - Cashflow for the period (B+C+D)	**113,267**	**24,260**
G - Cash and cash equivalents at the end of period (short-term net financial indebteness)	**154,419**	**41,152**

For the Board of Directors
The Chairman - Gian Marco Moratti

Notes to the Financial Statements of Saras S.p.A. at 31 December 2007

Notes to the Saras S.p.A. Financial Statements at 31 December 2007

1. Foreword

Saras S.p.A. is a joint-stock company with its registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is 62.461% owned by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan).

Saras operates in the domestic and international oil market as a refiner of crude and seller of products derived from the refining process.

This separate report, which relates to the year ended 31 December 2007, is presented in euro, because the euro is the currency of the economy in which Saras operates, and is composed of a Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Shareholders' Equity and these Notes. Unless otherwise stated, all amounts shown in the above statement and in the notes to the full-year report are expressed in thousands of euro.

2. General criteria for the preparation of financial statements

The separate accounts of Saras SpA to 31 December 2007 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 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 on draft financial statements of the holding company were approved by the board of directors of the holding company and set out in the relevant EU Regulations published as of said date.

According to CONSOB resolution no. 15519 of 27 July 2006, the financial statements have been prepared with the below reported criteria, considered more suitable to present a complete financial and economical overview of the company:

- Balance sheet: assets and liabilities are divided into current and non-current, according to liquidity
- Profit and loss account: profit and loss items are presented by nature

- Cash flow statement: this is presented according to the indirect method, which differentiates between financial flows deriving from operating activities, investing and financial activities.

The accounting policies presented below have been applied consistently to all the periods reported.

3. Accounting policies

Please note that the IASB and IFRIC have issued certain changes to the IFRS and some interpretations, which have already been published in part in the Official Journal of the European Union and apply for the first time from 1 January 2007, and changes to interpretations already issued but applicable to accounts referring to periods beginning after 1 January 2007.

a) Accounting standards, amendments to accounting standards and interpretations applicable from 1 January 2007 relevant to the group's consolidated accounts:

in August 2005, the IASB issued the accounting standard IFRS 7 (Financial Instruments: Disclosures), and in January 2006, IFRIC issued IFRIC 8 (Scope of IFRS 2).
IFRS 7 and IFRIC 8 have both been properly applied by the group from the 2007 financial year.

b) Accounting standards, amendments to accounting standards and interpretations applicable from 1 January 2007 not relevant to the group's consolidated accounts:

in 2005 and 2006, the IASB and IFRIC issued the following documents, effective from 2007:
- the amendment "Capital Disclosures" to IAS 1 (Presentation of Financial Statements);
- IFRIC 7 - Applying the restatement approach under IAS 29;
- IFRIC 9 - Reassessment of embedded derivatives;
- IFRIC 10 - Interim financial reporting and impairment;
- IFRIC 11 Group and treasury share transactions.

The adoption of these standards, amendments and interpretations has no material effect on the group's consolidated accounts.

c) Accounting standards, amendments to accounting standards and interpretations applicable from 1 January 2009.

In November 2006, the IASB issued IFRS 8 (Operating Segments), which will replace IAS 14 (Segment Reporting) from 1 January 2009.

3.1 Summary of accounting principles and policies applied

The statements have been prepared based on the cost principle, except in the cases specifically described in the notes below, where fair value accounting has been applied.
The main valuation policies adopted are described below.

A Cash and cash equivalents
Cash and cash equivalents predominantly consist of cash on hand, deposits with banks, other short-term highly liquid investments (convertible into cash within ninety days) and overdraft facilities; the latter are reported as part of current liabilities.
Items included as part of net cash and cash equivalents are measured at fair value and the relevant changes reported in the profit and loss account.

B Financial assets held for trading
They are reported at fair value through profit or loss, i.e. with any gains and losses reported in income under "other net financial income/(charges)".

C Trade receivables
Trade receivables have been measured, upon initial recognition, at fair value and subsequently at amortised cost by applying the effective interest rate method. Whenever there is objective evidence indicating impairment, the asset concerned is written down to a book value equal to the discounted value of its future cash flows. Impairment losses are recognised in the profit and loss account. If in subsequent periods the reasons for the write-downs no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the assets not been written down.

D Inventory
Inventory is 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 Saras expects to obtain from their sale during its ordinary business activities. The cost of inventory 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 nominal value at their initial recognition in the amount that is expected to be recovered from the tax authorities, keeping account of their realisable value, and subsequently at the amortised cost based on the effective interest rate method.

F Other current and non-current assets
Other current assets are booked at fair value at their initial recognition, and subsequently at the amortised cost based on the effective interest rate method. Whenever there is objective evidence indicating impairment, the asset concerned is written down to a book value equal to the discounted value of its future cash flows. Impairment losses are recognised in the profit and loss account. If in subsequent periods, the reasons for the write-downs no longer exist, the write-down is reversed up to the amount that would have

resulted from the application of amortised cost had the assets not been written down.

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised when the right to receive the related cash flows is transferred together with all risks and rewards incident to ownership, as specified in paragraphs 15-23 of IAS 39. Financial liabilities are derecognised when they are settled and when Saras 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. The cost includes every charge that is incurred directly to make the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expense relating to the construction of tangible assets is capitalised until the asset is ready to be used.
Maintenance and repair charges are charged directly to the profit and loss account as 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 certain conditions to be classified separately as an asset or as part of an asset in accordance with the component approach. Similarly, the costs to replace the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the residual book value of the component thus replaced is charged to the profit and loss account. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when conditions necessary for receiving them have been fulfilled.
The book value of property, plant and equipment is adjusted through systematic depreciation, which is calculated on a straight-line basis from the time the asset is available and ready to be used, in relation to its estimated useful life.
The useful life estimated by Saras for each of the various categories of asset is as follows:

Buidings	18 years
Generic plant	12 years
High corrosive plant	9 years
Office furniture and machinery	4/8 years
Vehicles	4 years
Other assets	12 years
Leasehold improvements	The shorter of the useful life of the asset or the duration of the lease contract.

The useful life of tangible assets and their net book value are reviewed annually and adjusted accordingly at the end of every year.
Land is not depreciated.
Whenever an asset subject to depreciation is made up of components that are distinctly identifiable and where the useful life of one component differs significantly from that of the other components making up the asset, depreciation is carried out separately for each component making up the asset in accordance with the component approach.

I Leased assets

Assets held under finance leases, by which all risks and rewards incident to ownership are substantially transferred, are recognised as assets and carried at fair value or, where lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised on the balance sheet within financial liabilities.
Leased assets are depreciated on the same basis and at the same depreciation rates as set out previously for tangible assets.

Arrangements where the lessor retains substantially all risks and rewards typically associated with owning an asset are treated as operating leases. The costs relating to these leases are charged to the profit and loss account 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 enterprise and capable of generating future economic benefits. These elements are recognised at acquisition and/or production cost, which is inclusive of any directly attributable charges that are incurred in order to make the asset ready for use, net of accumulated amortisation and any impairment losses. Any interest expense accrued during, and in respect of, the development of intangible assets is charged to the profit and loss account. Amortisation commences from the time the asset is available to be used and is systematically spread over time to reflect its estimated useful life. Intangible assets are recognised when required with the approval of the Board of Statutory Auditors.

[I] Intangible assets: Patent rights, concessions, licences and software (intangible assets with a finite useful life)

Intangible assets with a finite useful life are systematically amortised over their useful life, the latter being the estimated length of time over which the assets will be used by Saras; the recoverability of the book value of such assets is verified by 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 in any event incurred in respect of other scientific research or technological development activities are treated as current costs and as such are charged to the profit and loss account as incurred.

[III] Exploration and valuation of mineral resources

Cost incurred for the exploration and valuation of mineral resources i.e.

[A] acquisition of exploration rights;
[B] photographic, geological, geochemical and geophysical studies;
[C] explorative drillings;
[D] diggings;
[E] sampling;

[F] activities related to the evaluation of technical and commercial feasibility of a mineral resource extraction;

are recognised among tangible or intangible assets by nature, as required by IFRS 6.

K Investments

Investments in subsidiaries, associates or joint ventures and companies are entered at cost, and may be reduced for losses, according to the principles stated in IAS 36.

L Impairment of assets

At each closing date of the annual financial statements, tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators, originating from sources within or outside, suggesting that they have undergone impairment. In circumstances where such indicators exist, the recoverable value of these assets is estimated and any write-down duly charged to the profit and loss account. The recoverable value of an asset is the greater of its fair value less cost of disposal and its value in use, where the latter is the present value of the future cash flows that the asset is expected to generate. Value in use is determined by discounting the present value of estimated future cash flows, 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 recoverable 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 profit and loss account whenever the book value of an asset, or rather, 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, which affects the profit and loss account, 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.

M Other financial assets

Credits and financial assets held to maturity are valued at fair value at their initial recognition, and subsequently at the amortised cost based on the effective interest rate method. If there is objective evidence of indicators denoting a reduction in value, the asset is written down to a level equal to the discounted value of attainable future cash flows. Losses in value are booked to the profit and loss account. If in future periods these indicators themselves are reduced, the value of the asset is restored to the extent of the value that would have been derived from application of the amortised cost had the value adjustment not been made.
The treatment of financial assets linked to derivative instruments is shown under "derivative instruments".

N Own shares

Saras' own shares have been recognised at cost and deducted from shareholders' equity.

O Shareholders' equity

[I] Share capital

Saras' own shares have been recognised at cost and deducted from shareholders' equity. Costs strictly relating to the issue of new shares are deducted from other reserves, after any deferred tax effect.

[II] Reserves

Other reserves consist of equity reserves set aside for a specific purpose; they include the unallocated portion of net profit from previous years.

[III] Stock plans for group employees and stock grant plan for management

The Company 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), on the profit and loss account 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 charges

Provisions for risks and charges are recognised only where a present obligation (be it legal or constructive) exists arising from past events the settlement of which is expected to result in an outflow of resources embodying economic benefits, the value of which must be reasonably assessed. This amount represents the best discounted estimate of the amount needed to be paid in order 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 concerning commitments and risks and no provision is made.

Q Provisions for employee benefits

Saras provides various types of defined benefit 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 1 January 2007, the Italian Budget and related implementing decrees introduced significant changes governing employee end-of-service payments, including the choice of employees regarding their destination. Specifically, employees may allocate new end-of-service entitlements to pension funds, or they can be held at the company (where there are less than fifty employees, or allocated to INPS if there are more).
The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31 December 2006

  The end-of-service payments due to employees pursuant to article 2120 of the Civil Code are part of the defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a predetermined period of service. The liability relating to the employee end-of-service payments is entered on the balance sheet based on their actuarial value, in that this can be quantified as a staff benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the balance sheet requires the amount of benefits accrued 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 entitlements is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of accrued 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 valuation date; therefore an estimate of the total liability is normally extrapolated from the number years of service at the valuation date to cover 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 profit and loss account under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued for employees and the annual interest accrued on the present value of the group's entitlements 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 residual duration of the liabilities.
The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported on the profit and loss account.

- Allocations accrued since 1 January 2007
  The allocations 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.

In accordance with the new regulations the entitlements accrued up to 31 December 2006 have also been reviewed; the resulting effect (considered a "curtailment") has been booked under personnel costs.

R Financial liabilities and trade payables

They have been measured, upon initial recognition, at fair value and subsequently at amortised cost by applying the effective interest rate method. Whenever there is a change in the estimated future cash flows and they can be reliably estimated, the value of payables is recalculated in order 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.

S Recognition of revenues

Sales revenues are recognised when the significant risks and rewards incident to 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 effectively reached in providing said services.

T Recognition of costs

Costs are recognised when they relate to goods and services that are sold or received during the year or by systematic distribution, or rather 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 trade date. Exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary credit and debit entries denominated in a foreign currency are taken to the profit and loss account.

V Dividends

[A] Received dividends

Dividends are recognised on the date on which the resolution approving them is carried by a meeting of shareholders.

[B] Distributed dividends

Dividend distribution to company's shareholders implies the registration of a debt in the balance sheet of the period in which the distribution has been approved by the AGM.

W Taxes

Current assets are calculated based on the period's taxable income, in application of the prevailing tax rates at the statements date.
Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its book value.
Deferred tax assets, including those relating to tax losses from previous periods, are recognised for the portion not offset against deferred tax liabilities, to the extent that it is probable that future taxable income will be available against which they can be recovered.
Deferred taxes are calculated using forecasted tax rates that will be applicable in the periods in which temporary differences will realised or be extinguished.
Changes in tax rates owing to regulatory amendments are booked in the year in which the changes were enacted or substantially enacted; the relating effect is recorded on the profit and loss account or under shareholders' equity, in relation to the transaction that generated the underlying difference in tax rate.
Current and deferred taxes are recognised in the profit and loss account, with the exception of those relating to items directly deducted from, or added to, equity, in which case the tax effect is carried directly as part of equity.
Current and deferred taxes are set off when income taxes are applied by the same fiscal authority, when Saras has legal right to compensation and when a liquidation of the net balance is expected.
Other taxes not related to income, such as property taxes, are included under "operating costs".

X Derivatives

All derivatives are financial assets and liabilities that are recognised at fair value.
They are classified as hedging instruments whenever the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedging arrangement, verified periodically, is high. When they hedge the risk of changes in the fair value of the underlying items (fair value hedges; e.g. hedging of the variability of the fair value of fixed-rate assets/liabilities), derivatives are recorded at fair value through profit or loss; accordingly, 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 the cash flows from the underlying items (cash flow hedges; e.g. hedging of the variability of the cash flows generated by assets/liabilities due to exchange-rate fluctuations), the changes undergone by the fair value of derivatives are initially recognised in equity and subsequently transferred to the profit and loss account, in the same period in which the hedged items affects the profit and loss account.
All derivatives, including those referring to commodities, that do not meet the requirements for hedge accounting laid down by IAS 39 are recognised at fair value through profit or loss, with the change in the

fair value of the hedged item carried under the heading "other net financial income/(charges)".
In order to determine the fair value of financial instruments listed on active markets, the bid price of the security in question as at the end of the reporting period is used.
Where there is no active market, fair value is instead determined by using measurement models based largely on objective financial variables, as well as by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Y Earnings per share

[I] Basic EPS

Basic EPS is calculated by dividing the result of operations, 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 the result of operations, 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 purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all dilutive potential ordinary shares, while the net result is adjusted in order to take into account the effects (net of taxes) of this conversion process. Diluted earnings per share is not calculated in the case of losses, since any dilution effect would lead to an improved result per share.

Z Segment information

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

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 evaluations and estimates founded on past experience and assumptions that from time to time are considered reasonable and realistic given the related circumstances. Using these estimates and assumptions influences the amounts reported in the Financial Statements, namely the balance sheet, profit and loss account and cash flow statement, as well as the accompanying disclosures. The actual amounts of accounting entries for which the above 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 higher level of subjectivity

A brief description of the most significant accounting policies that require a higher level of subjectivity on the part of the directors in producing estimates, should a change in the underlying conditions effect the assumptions used, and that could have a significant effect on restated aggregate financial information is provided below.

[I] Depreciation of fixed assets: depreciation of fixed assets represents a sizeable cost. The cost of property, plant and equipment is depreciated according to the straight-line method 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 their estimated useful life. Saras periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable value in order for the useful life remaining in an asset to be revised accordingly. 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 forecast future taxable earnings 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 (be it legal or constructive) is not always straightforward. The directors evaluate such circumstances on an individual case basis, while also estimating the amount of financial resources needed to discharge the obligation concerned. When the directors believe that the rise of a liability is only possible, the associated risks are disclosed in the section concerning commitments and risks and no accrual is made.

4. Information by geographical area

4.1 Foreword

Refining activities concern the following:

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

Finished products are sold to internationally renowned players in the sector.

[B] Revenues from refining activities undertaken on behalf of third parties that constitute the income from refining activities that Saras carries out also on behalf of third parties.

4.2 Breakdown by geographical area

Net revenues from ordinary operations by geographical area:

	31/12/2007	31/12/2006	Change
Sales in Italy	2,514,113	2,316,123	197,990
Sales in Spain	1,521,614	1,253,865	267,749
Other EU country sales	362,948	581,327	(218,379)
Non-EU country sales	1,521,149	1,390,532	130,617
US Sales	85,555	56,111	29,444
Total	**6,005,379**	**5,597,958**	**407,421**

A breakdown of trade receivables by geographical area is shown below:

	31/12/2007	31/12/2006	Change
Sales in Italy	266,432	211,693	54,739
Sales in Spain	120,099	69,440	50,659
Other EU county sales	23,297	17,062	6,235
Non-EU county sales	149,687	72,711	76,976
U.S. sales	14	120	(106)
Provision for bad debts	(2,016)	(2,057)	41
Total	**557,513**	**368,969**	**188,544**

The most significant changes in the balance sheet and profit and loss account compared to the previous financial year are shown below.

5. Notes to the Balance sheet

5.1 Current assets

5.1.1 Cash and cash equivalents

The following table shows a breakdown of cash and bank deposits:

	31/12/2007	31/12/2006	Change
Bank and postal deposits	154,372	41,080	113,292
Cash	47	72	(25)
Total	**154,419**	**41,152**	**113,267**

The increase is due to operating cash flow. For further details, please see the cash flow statement.

5.1.2 Other financial assets held for trading

This item mainly comprises Italian and foreign stocks and government bonds.
The changes in fair value recorded during the period are recognised in the profit and loss account under the item “other net financial income (charges)”.

The following table shows the changes in the balance:

Balance at 31 Dec. 2005	**12,998**
Increases for financial year	80,505
Decreases for financial year	(79,687)
Balance at 31 Dec. 2006	**13,816**
Increases for financial year	12,223
Decreases for financial year	(10,836)
Balance at 31 Dec. 2007	**15,203**

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2007	31/12/2006	Change
From trade debtors	349,528	206,542	142,986
From group companies	207,985	162,427	45,558
Total	**557,513**	**368,969**	**188,544**

The balance in receivables from other group companies refers mainly to receivables from Saras Energia S.A. (€102,806 thousand) and Arcola Petrolifera S.p.A. (€80,413 thousand) for the supply of oil products, and from the Sarlux S.r.l. (€22,949 thousand) for the supply of raw materials.

5.1.4 Inventory

The following table shows the balance of inventory and changes during the 2007 financial year:

	31/12/2007	31/12/2006	Change
Inventory:			
Raw materials, replacement parts and consumables	172,207	145,597	26,610
Semi-finished products	66,007	35,757	30,250
Finished products and goods held for resale	293,690	268,429	25,261
Payments on account for stocks	10,016	2,419	7,597
Total	**541,920**	**452,202**	**89,718**

The increase in the value of inventories is attributable the general increase in prices, partly offset by the reduction in the quantity of finished products.

The measurement of inventory carried at net realisable value caused a write-down of approximately €0.1 million.
Consequently the value of inventory does not differ from market value.

There are no items of inventory guaranteeing liabilities; the item "finished products and goods held for resale" includes approximately 452,000 tonnes of oil products (worth approximately €211 million) held in stock as mandatory supplies pursuant to provisions in Italian legislative decree no. 22 of 31 January 2001, for both Saras S.p.A. and the subsidiary Arcola Petrolifera S.p.A.

At the Sarroch refinery crude and oil products belonging to third parties are held for a total value of €240 million at 31 December 2007 (€170 million at 31 December 2006).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets, which totalled €819 thousand (€63,843 thousand at 31 December 2006):

	31/12/2007	31/12/2006	Change
VAT credits	0	55,908	(55,908)
IRAP (regional income tax) credits	0	7,698	(7,698)
Other tax credits	819	237	582
Total	**819**	**63,843**	**(63,024)**

The use of the ceiling for VAT exempt import/export transactions (*acquisti in sospensione d'imposta*), against a backdrop of rising sales prices, led to a change in VAT from a credit to a debit position.

In the previous year, the IRAP credit resulted from payments on account (calculated using the historic method) which were higher than the tax due for the year.

5.1.6. Other current assets

The following table shows the balance in other current assets:

	31/12/2007	31/12/2006	Change
Accrued income	1,412	1,119	293
Deferred charges	5,596	5,777	(181)
Other receivables	2,472	15,177	(12,705)
Financial receivables from group companies	81,752	78,839	2,913
Total	**91,232**	**100,912**	**(9,680)**

Prepayments mainly refer to insurance premiums, which totalled €3,982 thousand.

The item "other receivables" mainly includes margins on derivatives transactions (€683 thousand), receivables from insurance policies (€385 thousand) and payments to suppliers on account (€100 thousand); the reduction in this item is due to the change in fair value of derivatives, which went from a net credit position at 31 December 2006 (€11,355 thousand) to a debit position (€940 thousand) at 31 December 2007. For details on fair value net of derivatives outstanding at 31 December 2007, please refer to the section "short-term financial liabilities".

"Financial receivables from group companies" include receivables from Saras Energia S.A. (€30,000 thousand), Saras Ricerche e Tecnologie S.p.A. (€10,948 thousand), Arcola Petrolifera S.p.A. (€27,901 thousand), Akhela S.r.l. (€2,521 thousand), Ensar S.r.l. (€1,821 thousand), Eolica italiana S.r.l. (€33 thousand), Sardeolica S.r.l. (€4,000 thousand), Parchi Eolici Ulassai S.r.l. (€1,328 thousand) and Nova Eolica S.r.l. (€3,200 thousand). Financial receivables from group companies interest bearing at market rates are due by the end of the financial year.

5.2 Non-current assets

5.2.1 Property, plant and equipment

The following table shows a breakdown in the item property, plant and equipment:

COST	31/12/2005	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2006
Land and buildings	81,538				1,433	82,971
Plant and equipment	1,058,350	36,224	(5,819)		31,074	1,119,829
Industrial and commercial equipment	10,695		(1,306)		2,826	12,215
Other assets	342,634	2,995	(126)		14,590	360,093
Assets under construction and payments on account	35,391	67,856			(49,121)	54,126
Total	**1,528,608**	**107,075**	**(7,251)**	**0**	**802**	**1,629,234**

ACCUMULATED DEPRECIATION	31/12/2005	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	31/12/2006
Land and buildings	24,377	2,190				26,567
Plant and equipment	852,922	47,655	(5,819)			894,758
Industrial and commercial equipment	7,510	1,499	(1,306)			7,703
Other assets	240,035	16,399	(125)			256,309
Total	**1,124,844**	**67,743**	**(7,250)**	**0**	**0**	**1,185,337**

NET BOOK VALUE	31/12/2005	Additions	(Disposals)	(Depreciation)	Other changes	31/12/2006
Land and buildings	57,161	0	0	(2,190)	1,433	56,404
Plant and equipment	205,428	36,224	0	(47,655)	31,074	225,071
Industrial and commercial equipment	3,185	0	0	(1,499)	2,826	4,512
Other assets	102,599	2,995	(1)	(16,399)	14,590	103,784
Assets under construction and payments on account	35,391	67,856	0		(49,121)	54,126
Total	**403,764**	**107,075**	**(1)**	**(67,743)**	**802**	**443,897**

COST	31/12/2006	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2007
Land and buildings	82,971		(1)		16,918	99,888
Plant and equipment	1,119,829	15,375	(6,107)		22,954	1,152,051
Industrial and commercial equipment	12,215				905	13,120
Other assets	360,093	170	(723)		8,904	368,444
Assets under construction and payments on account	54,126	152,037			(49,993)	156,170
Total	**1,629,234**	**167,582**	**(6,831)**	**0**	**(312)**	**1,789,673**

ACCUMULATED DEPRECIATION	31/12/2006	Depreciation charge	(Disposals)	Revaluations (write-down)	Other changes	31/12/2007
Land and buildings	26,567	2,943			2,363	31,873
Plant and equipment	894,758	51,782	(6,097)		1,180	941,623
Industrial and commercial equipment	7,703	1,895				9,598
Other assets	256,309	16,411	(723)		(3,897)	268,100
Total	**1,185,337**	**73,031**	**(6,820)**	**0**	**(354)**	**1,251,194**

NET BOOK VALUE	31/12/2006	Additions	(Disposals)	(Depreciation)	Other changes & revaluations (write-downs)	31/12/2007
Land and buildings	56,404	0	(1)	(2,943)	14,555	68,015
Plant and equipment	225,071	15,375	(10)	(51,782)	21,774	210,428
Industrial and commercial equipment	4,512	0	0	(1,895)	905	3,522
Other assets	103,784	170	0	(16,411)	12,801	100,344
Assets under construction and payments on account	54,126	152,037	0		(49,993)	156,170
Total	**443,897**	**167,582**	**(11)**	**(73,031)**	**42**	**538,479**

Costs are shown net of grants definitively received for investments.
The gross value of grants deducted from fixed assets in the balance sheet was €160,963 thousand, and related to the Framework Contract entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995, and the Framework Contract entered into with the Ministry of Productive Activities on 10 October 1997.
At 31 December 2007, the net book value of these grants was €26,894 thousand (€40,470 thousand at 31 December 2006).

The item "land and buildings" mainly comprises industrial buildings used as offices and warehouses worth a net value of €35,420, civic buildings in Cagliari and Rome used as offices worth a net value of €1,782 thousand, and land relating largely to the Sarroch site worth a net value of €30,813 thousand.
The item "Plant and equipment" mainly relates to the refining plants located in Sarroch.

The item "industrial and commercial equipment" includes equipment for the chemicals laboratory and the control room.

"Other assets" mainly include tanks and pipelines used to carry products and crude oil.

The item "Assets under construction and payments on account" reflects costs mainly relating to investments in Saras' tanks, and work carried out on facilities necessary to adapt and upgrade existing plants, more specifically for environmental, safety and reliability purposes.
Increases in the period totalled €167,582 thousand, and mainly relate to work on the Topping RT2, Vacuum 1 and Visbreaking plants, as well as the desulphurisation unit (U800) and the tail gas processing plant (TGTU) under construction.

The item "Other changes" mainly includes the transfer to fixed assets of investments completed during the period.

The main annual depreciation rates used are as follows:

Industrial buildings (Land and buildings)	5.50%
Generic plant (Plant and equipment)	8.38%
Highly corrosive plants (Plant and equipment)	11.73%
Pipelines and storage (Other assets)	8.38%
Equipment (Commercial and industrial equipment)	25.00%
Office furniture and machinery (Other assets)	12.00%
Transport vehicles (Other assets)	25.00%

No fixed assets are held for sale.

A concession enabling Saras to occupy state-owned areas until 31 December 2015 where the Sarroch refinery's service facilities are located (i.e. waste water treatment, desalinisation of seawater, blow-down, torches and wharf) was obtained from the Cagliari Port Authority; currently, there are no factors that might lead us to expect that the concession will not be renewed upon expiry.

Leased assets, booked as "transport vehicles" totalled €14,663 thousand, with a net residual value of zero.
During financial year 2007, financial charges of €3,495 thousand were capitalised on the value of property, plant and equipment; the applied capitalisation rate was 4.50% equivalent to the company average interest rate on debt.

5.2.2 Intangible assets

Changes in the intangible assets are reported below:

CATEGORY	31/12/2005	Additions	Disposals	Other changes	(Amortisation)	31/12/2006
Industrial and other patent rights	0					0
Concessions, licences, trademarks and similar rights	495	585			(549)	531
Goodwill	0					0
Intangible assets in progress and payments on account	0					0
Other intangible assets	860	31		(72)	(113)	706
Total	**1.355**	**616**	**0**	**(72)**	**(662)**	**1.237**

CATEGORY	31/12/2006	Additions	Disposals	Other changes	(Amortisation)	31/12/2007
Industrial and other patent rights	0					0
Concessions, licences, trademarks and similar rights	531	930		31	(656)	836
Goodwill	0					0
Intangible assets in progress and payments on account	0	8,719				8,719
Other intangible assets	706			(31)	(415)	260
Total	**1,237**	**9,649**	**0**	**0**	**(1,071)**	**9,815**

The increase in “concessions, licenses, trademarks and similar rights” relates to the purchase of new software licenses.
The increase in the item “intangible assets in progress and payments on account” is mainly due to gas exploration activities in Sardinia.
The amortisation of intangible assets totalled €1,071 thousand, calculated according to the following annual rates:

Industrial patents 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

The following table shows a list of the directly or indirectly owned equity interests (figures reported in euro and using Italian accounting principles):

Name	HQ	Currency	Share capital	Portion owned	Business Relationship	Total assets	Total liabilities	Shareholders' Equity	Net profit/ loss last FY	Book Value Saras S.p.A.
Arcola Petrolifera S.p.A.	Sarroch (CA)	€	7,755,000	100.00%	subsidiary	170,066,058	133,615,642	36,450,416	5,023,888	11,497,213
Sarlux S.r.l.	Sarroch (CA)	€	27,730,467	100.00%	subsidiary	903,584,523	392,274,884	511,309,639	131,440,718	211,806,086
Sarint S.A.	Luxembourg	€	50,705,314	99,9% (*)	subsidiary	92,679,565	199,165	92,480,400	10,651,072	37,750,614
Sartec S.p.A.	Assemini (CA)	€	3,600,000	100.00%	subsidiary	25,090,418	21,054,449	4,035,969	-414,367	1,661,434
Saras Ricerche e Tecnologie S.p.A.										
Ensar S.r.l.	Cagliari	€	100,000	100.00%	subsidiary	2,279,042	2,081,766	197,276	-462,359	0
Parchi Eolici Ulassai S.r.l.	Cagliari	€	500,000	70.00%	joint venture	19,713,230	2,062,962	17,650,268	6,188,042	815,696
Akhela S.r.l.	Cagliari	€	3,000,000	100.00%	subsidiary	21,715,506	11,435,687	10,279,819	4,019,103	6,256,063
										269,787,106

(*) The remaining 0.1% stake in Sarint S.A. is owned by subsidiary Arcola Petrolifera S.p.A.

5.2.3.1 Equity investments stated at cost

The following table shows a breakdown of investments:

	Legal HQ	% owned	31/12/2007	31/12/2006
Akhela S.r.l.	Cagliari	100%	6,255	883
Arcola Petrolifera S.p.A.	Sarroch (CA)	100%	11,497	11,497
Consorzio Ricerche Associate	Capoterra (CA)	99.9%	0	2,597
Ensar S.r.l.	Cagliari	100%	0	0
Parchi Eolici Ulassai S.r.l.	Cagliari	70%	816	816
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%	1,661	2,656
Total			**269,787**	**268,007**

The following table shows changes in their book value:

	31/12/2005	Acquisitions and subscriptions	Revaluations (write-downs)	Other changes	31/12/2006
Akhela S.r.l.	3,462		(2,579)		883
Arcola Petrolifera S.p.A.	11,497				11,497
Consorzio Ricerche Associate	2,597				2,597
Ensar S.r.l.	100		(100)		0
Parchi Eolici Ulassai S.r.l.	816				816
Sarint S.A.	37,750				37,750
Sarlux S.r.l.	80,607	131,201			211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	4,834		(2,178)		2,656
Total	**141,663**	**131,201**	**(4,857)**	**0**	**268,007**

	31/12/2006	Acquisitions and subscriptions	Revaluations (write-downs)	Other changes	31/12/2007
Akhela S.r.l.	883			5,372	6,255
Arcola Petrolifera S.p.A.	11,497				11,497
Consorzio Ricerche Associate	2,597			(2,597)	0
Ensar S.r.l.	0	500	(500)		0
Parchi Eolici Ulassai S.r.l.	816				816
Sarint S.A.	37,750				37,750
Sarlux S.r.l.	211,808				211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	2,656		(995)		1,661
Total	**268,007**	**500**	**(1,495)**	**2,775**	**269,787**

During the year were written off devaluations on equity investments in Ensar S.r.l. equal to EUR 500 thousands and in Sartec S.p.A. for EUR 995 thousand.
The subsidiary Sarlux S.r.l. must comply with certain parameters with regard to existing loans before paying dividends. Specifically, in order to use liquidity for this purpose, it is necessary that:

- the following current bank accounts, held by Sarlux S.r.l. at Banca Intesa in London, remain in credit, in order to cover the expected expenses for the purposes for which they were set up:
  [1] Maintenance Reserve Account: this holds amounts relating to financial commitments guaranteeing maintenance work to be carried on the IGCC plant in the next six months;
  [2] Debt Service Reserve Account: this holds amounts to be paid to banks to repay loan instalments (principal plus interest) due in the following six months;
  [3] Air Liquide Account: this holds collateral securing the oxygen supplies that Air Liquide Italia will make in the following six months.

- the following ratios, referring to amounts derived from the financial statements and forecasts of Sarlux S.r.l., are complied with:

[1] Annual Debt Service Coverage Ratio (ADSCR): available post-tax cash flow (for the next twelve months) to total debt repayable (in the next twelve months) should be greater than 1.15;
[2] Loan Life Coverage Ratio (LLCR): net present value of post-tax cash flow (foreseen for the remaining life of the agreement) to total debt outstanding should be greater than 1.2.

All of the loans granted to Sarlux S.r.l. must be repaid on request of the Facilities Agent in the event that: (i) the loan life coverage ratio (net present value of post-tax cash flow over total debt to be repaid) falls below 1.05; (ii) the annual debt service coverage ratio (available post-tax cash flow – for the next 12 months – over total debt to be repaid) falls below 1; (iii) the forecast annual debt service coverage ratio falls below 1.

Srl complied with all the ratios mentioned above as of 31 December 2007.

In addition to the above requirements, as security for the loans taken out by Sarlux S.r.l., all shares held in the company have been pledged as guarantees in favour of the lending banks involved.

Over the year, the liquidation of subsidiary Consorzio Ricerche Associate was completed, and generated a capital gain of €10 thousand compared to the book value.

The final concession decree in respect of the Programme Agreement stipulated on 10 October 1997 between the Ministry of Economic Development and Akhela Srl was issued on 26 November 2007; the stake in Akhela S.r.l., which was previously written down, has consequently been written back.

At 31 December 2007, no associated companies were listed on regulated markets.

5.2.3.2 Other investments

Other investments can be broken down as follows:

	31/12/2007	31/12/2006
Hydrocontrol – Consortium with limited liability	0	1
Sarda Factoring	495	495
Total	**495**	**496**

The change between 31 December 2007 and 31 December 2006 relates to in the sale of Hydrocontrol, a consortium with limited liability.

5.2.4 Other financial assets

The balance of this item as at 31 December 2007 totalled €447 thousand (€143 thousand as at 31 December 2006) and refers to deposits made for various reasons.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities:

	31/12/2007	31/12/2006	Change
Loans from bank	10,000	26,667	(16,667)
Bank overdrafts	52,143	37,806	14,337
Loans from group companies	23,604	27,670	(4,066)
Other loans	940	0	940
Total short-term financial liabilities	**86,687**	**92,143**	**(5,456))**
Bank loans	10,000	53,333	(43,333)
Total long-term financial liabilities	**96,687**	**145,476**	**(48,789)**

Details of the terms and conditions of loans are shown in the comments to the item “long-term financial liabilities”.

The item “loans from group companies” item includes loans from the subsidiaries Sarint S.A. of €15,250 thousand, Reasar S.A. of €4,470 thousand, Eolica Italiana S.r.l. of €458 thousand, Parchi Eolici Ulassai S.r.l. of €949 thousand, Sardeolica S.r.l. of €217 thousand, Ensar S.r.l. of €249 thousand and Sarlux S.r.l. of €2,011 thousand.

The item “other short-term financial liabilities” refers to the net fair value of derivative instruments outstanding at 31 December 2007. Details are shown below.

(Figures in € thousand)	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
Forward currency contracts at fair value			545	
Forward commodities contracts at fair value (crude and other oil products)	1,365	(2,305)	25,458	(14,648)
Total	**1,365**	**(2,305)**	**26,003**	**(14,648)**

The valuation at fair value of the derivatives outstanding at 31 December 2007 had a negative net impact on the profit and loss account of €11,749 thousand (versus a positive net impact of €10,186 thousand the previous year), as shown in section 6.4 below.

The following tables show notional values and the relating fair values of derivatives outstanding at 31 December 2006 and 31 December 2007:

Transaction type 2006	Interest rate			Exchange rate			Other		
(Figures in € thousand)	Notional value	Fair value Pos.	Fair value Neg.	Notional value	Fair value Pos.	Fair value Neg.	Notional value	Fair value Pos.	Fair value Neg.
Derivatives									
Futures									
purchases							91,159		(12,793)
sales							141,980	25,458	(1,855)
Options									
purchases				18,983	545				
sales									
Total	**0**	**0**	**0**	**18,983**	**545**	**0**	**233,139**	**25,458**	**(14,648)**

Type of transaction 2007	Interest rate			Exchange rate			Other		
(Figures in € thousand)	Notional value	Fair value Pos.	Fair value Neg.	Notional value	Fair value Pos.	Fair value Neg.	Notional value	Fair value Pos.	Fair value Neg.
Derivatives									
Futures									
purchases							16,533		(1,380)
sales							16,533	367	
Swaps									
Purchases of oil products							1,284	998	(925)
Total	**0**	**0**	**0**	**0**	**0**	**0**	**34,350**	**1,365**	**(2,305)**

5.3.2 Trade and other payables

The following table shows the composition of this item:

	31/12/2007	31/12/2006	Change
Advances from clients: portion due within the year	0	2,652	(2,652)
Amounts payable to suppliers: portion due within the year	555,792	469,929	85,863
Trade payables to group companies	19,719	19,987	(268)
Total	**575,511**	**492,568**	**82,943**

Increase in trade payables is mainly due to the global increase of oil product prices.

The following table shows a breakdown for payables to suppliers by geographical area:

	31/12/2007	31/12/2006	Change
Italy	160,771	133,002	27,769
Spain	0	3	(3)
Other EU countries	11,841	98,906	(87,065)
Non-EU countries	383,180	237,991	145,189
US	0	27	(27)
Total	**555,792**	**469,929**	**85,863**

The item "Loans from group companies" chiefly includes loans from Sarlux S.r.l. of €9,834 thousand, Sartec S.p.A. of €6,524 thousand and Akhela S.r.l. of €2,663 thousand.

5.3.3 Current tax liabilities

The following table shows the composition of this item:

	31/12/2007	31/12/2006	Change
VAT	37,508	0	37,508
IRES (corporation tax payable)	24,041	5,952	18,089
IRAP (regional tax payable)	3,606	0	3,606
Other liabilities	8,429	6,632	1,797
Total	**73,584**	**12,584**	**61,000**

The item "other liabilities" mainly includes debts to both the Italian Technical Office for Manufacturing Tax (UTIF) for excise duties for €5,782 thousand, and to the tax authorities for personal income taxes (IRPEF) for €2,593 thousand. As mentioned above, the use of the ceiling for VAT exempt import/export transactions (acquisti in sospensione d'imposta), against a backdrop of rising sales prices, led to the change in VAT from a credit to a debit position. The higher IRES and IRAP figures are largely due to the year-on-year increase in the related taxable income, which is used to determine payments on account.

5.3.4 Other current liabilities

The following table shows a breakdown for other current liabilities:

	31/12/2007	31/12/2006	Change
Amounts payable to welfare and soc. sec.: portion due within the year	7,105	4,965	2,140
Due to personnel	13,025	8,364	4,661
Payable to Ministry for grants	13,848	13,848	0
Other payables	18,184	15,673	2,511
Other accrued liabilities	27	16	11
Other deferred income	1,094	207	887
Total	**53,283**	**43,073**	**10,210**

The item "due to personnel" includes amounts not yet settled for salaries for the month of December, performance bonuses for the achievement of business targets, and the portion of additional monthly payments accrued.

The item "payables to Ministry for grants" includes advances received from the Ministry in connection with the Programme Agreement that was made on 10th June 2002 for which the Final Concession Decree has yet to be granted.

The item "other payables" mainly refers to port duties as determined by the Customs Authority; please note that the first tranche of Saras' longstanding dispute with Inland Revenue regarding port duties payable for the Sarroch landing dock for the 1994-95 period was settled to the full satisfaction of Saras, whose case was upheld by a ruling issued by the Italian Supreme Court of Appeal, which definitively declared that the taxes were not due.

A second tranche of the dispute is underway, however, and, after a favourable ruling by the Court of Cagliari, an unfavourable decision was made by the Cagliari Court of Appeal; the company has submitted an appeal against this decision to the Court of Cassation, which has yet to announce its ruling.

Moreover, during the year, the tax authority asked Saras SpA to pay the tax assessed in previous years and whose payments had been suspended. The company appealed against this measure to the Regional Tax Court, while the tax authority refused to grant a suspension of payments relating to for further assessments. Pending this dispute, the entire amount relating to port duties for 2007, as well as for previous years, has been booked under "service costs".

5.4 Non-current liabilities

5.4.1. Long-term liabilities

The following table shows this item in detail:

EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding at 31/12/2007	Maturity 1 year	Maturity from 1 to 5 years	Maturity over 5 years	Security
San Paolo Imi	20-Dec-04	30.0	Euribor 6M	-	-	-	-	-
Unicredit	20-Dec-04	50.0	Euribor 6M	20.0	10.0	10.0	-	20.0
Total				**20.0**	**10.0**	**10.0**	**-**	

The weighted average interest rate for 2007 was 4.8% (4.6% in the previous year).

Net financial position of Saras S.p.A. is reported below:

	31/12/2007	31/12/2006
Medium/long term bank loans	(10,000)	(53,333)
Short-term bank loans	(10,000)	(26,667)
Payables to banks for overdrafts on current accounts	(52,143)	(37,806)
Loans from group companies	(23,604)	(27,670)
Loans to group companies	81,752	78,839
Other financial assets held for trading	15,203	13,816
Cash and cash equivalents	154,419	41,152
Net financial position	**155,627**	**(11,669)**

5.4.2 Provision for risks and charges

Provisions for risks and charges comprise a plant dismantling provision for €13,526 thousand, related to future costs for the dismantling of plants and equipment, considered wherever there is a legal or constructive obligation to be met in this regard; this provision was not discounted in the balance sheet due to its negligible effect on the financial statements. The balance did not change during the past two financial years compared to the previous year.

5.4.3 Provisions for employee benefits

The following table shows the balance of this item:

	31/12/2007	31/12/2006	Change
Employee end-of-service payments	15,872	23,577	(7,705)
Other indemnities	17,958	18,649	(691)
Total	**33,830**	**42,226**	**(8,396)**

Employee end-of-service payments are regulated according to art. 2120 of the Italian Civil Code and reflect the estimated amount, based on actuarial estimates, that Saras will be required to pay employees upon termination of employment; the item “other indemnities” mainly refers to “CPAS Fund” which is a special supplementary pension fund for employees. This obligation is also measured using actuarial techniques.

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

Balance at 31.12.2005	**26,524**
Accrual for the year	3,986
Utilisations for the year	(6,933)
Balance at 31.12.2006	**23,577**
Accrual for the year	3,613
Curtailment (following the 2007 reform)	(5,156)
Utilisations for the year	(6,162)
Balance at 31.12.2007	**15,872**

The following table shows changes in the item “other indemnities”:

Balance at 31.12.2005	**19,805**
Accrual for the year	526
Utilisations for the year	(1,682)
Balance at 31.12.2006	**18,649**
Accrual for the year	675
Utilisations for the year	(1,366)
Balance at 31.12.2007	**17,958**

The discount rate used refers to the value of the IBOXX Eurozone AA with a maturity correlated to the average residual length of employment of staff. As at 31 December 2006, IBOXX Eurozone AA 10 years or more was 4.60% annually, while as at 31 December 2007 this rate was 5.50%; the change in discount rate caused a significant reduction in the allocation carried for the financial year.

In accordance with IAS 19, when measuring the employee end-of-employment payments and CPAS fund, the “projected unit credit cost” was adopted, making the following assumptions:

	31/12/2007	31/12/2006
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2,00%	2,00%
Discount rate:	5,50%	4,60%
Pay increase:	3,00%	3,00%
Annual increase in CPAS:	11,00%	11,00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	STAT index for 2002, by gender
Probability of invalidity:	INPS model for projections to 2010
Probability of resignations:	annual staff turnover of 0.5% for all group companies
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of early retirement:	3.00% per annum for all group companies

According to the accounting method adopted (please see section 3.1 "Summary of accounting principles and policies applied" under point Q "Provisions for employee benefits" of these notes), as at 31 December 2007 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

Deferred tax liabilities are shown net of deferred tax assets, and break down as follows:

	31/12/2007	31/12/2006	Change
Deferred tax liabilities	121,369	75,584	45,785
Total	**121,369**	**75,584**	**45,785**

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2007 and 2006:

				Deductions			
(EUR thousand)	Balance at 31/12/2006	Additions	Deductions	Change in nominal rates on initial balances (P&L)	Change in nominal rates on balances (B/S)	Other changes	Balance at 31/12/2007
Deferred tax liabilities							
Excess and accelerated depreciation	(57,441)	(11,896)	9,499	8,801		(8,098)	(59,135)
Adjustment to value of land to reflect fair value (as deemed cost)	(10,675)				1,677		(8,998)
Measurement of inventory at end of period at F.I.F.O. cost	(39,264)	(41,571)		6,166			(74,669)
Adjustment for scheduled plant and equipment maintenance	(7,531)	(3,121)	3,976	558			(6,118)
Fair value of derivatives	(3,567)		3,567				0
Other	(190)	(1,078)				190	(1,078)
Total deferred tax liabilities	**(118,668)**	**(57,666)**	**17,042**	**15,525**	**1,677**	**(7,908)**	**(149,998)**
Deferred tax assets							
Excess and accelerated depreciation related to grants	8,789		(2,430)	(799)		(1,271)	4,289
Provisions for risks and write-downs	1,773		(1,773)				0
Write-downs on equity investments prior to 2004	499		(499)				0
Derecognition of intangible assets	111		(72)	(6)			33
Elimination of monetary revaluation of tangible assets	962		(962)				0
Reclassification of grants previously carried as equity	2,242		(629)	(253)			1,360
Costs for the dismantling and removal of tangible assets	4,382	218		(688)			3,912
Employee benefits and bonuses	4,350	1,968	(4,349)				1,969
Unrealised currency losses	177		(104)	(13)			60
Asset maintenance costs deductible in future years	6,512	1,947	(1,302)	(818)			6,339
I.P.O costs charged directly to shareholders' equity	8,344		(2,086)		(983)		5,275
Fair value derivatives		258					258
Other	4,944	2,110	(925)	(771)		(224)	5,134
Total deferred assets	**43,085**	**6,501**	**(15,131)**	**(3,348)**	**(983)**	**(1,495)**	**28,629**
Net total	**(75,583)**	**(51,165)**	**1,911**	**12,177**	**694**	**(9,403)**	**(121,369)**

(EUR thousand)	2007 Short term	2007 Medium-long term	2006 Short term	2006 Medium-long term
Deferred tax liabilities				
Excess and accelerated depreciation	(9,046)	(50,089)	(9,497)	(47,944)
Adjustment to value of land to reflect fair value (as deemed cost)		(8,998)		(10,675)
Measurement of inventory at end of period at F.I.F.O. cost	(74,669)		(39,264)	
Adjustments for scheduled plant and equipment maintenance	(3,486)	(2,632)	(2,302)	(5,229)
Fair value derivatives			(3,567)	
Reversal of goodwill amortisation				(190)
Other	(810)	(268)		
Total deferred tax liabilities	**(88,011)**	**(61,987)**	**(54,630)**	**(64,038)**
Excess and accelerated depreciation related to grants	2,282	2,007	2,792	5,997
Provisions for risks and write-downs			1,773	
Write-downs on equity investments prior to 2004			499	
Derecognition of intangibile assets	33			111
Elimination of monetary revaluation of tangible assets			962	
Reclassification of grants previously carried as equity	515	845	629	1,613
Costs for the dismantling and removal cost of tangible assets	219	3,693		4,382
Employee benefiits and bonuses	1,898	71	2,304	2,046
Unrealised currency losses	60		177	
Asset maintenance costs deductible in future years	1,487	4,852	1,303	5,209
I.P.O. costs charged directly to shareholders' equity	1,758	3,517	2,086	6,258
Fair value derivatives	258			
Other	43	5,091	4,944	
Total deferred tax assets	**8,554**	**20,075**	**17,469**	**25,616**

5.4.5 Other non-current liabilities

The following table shows this item in detail:

	31/12/2007	31/12/2006	Change
Advances from group liabilities	54,947	59,918	(4,971)
Liabilities to insurance companies and social security; portions for following financial year	280	213	67
Other	3,259	3,018	241
Total	**58,486**	**63,149**	**(4,663)**

Advances from Group companies refer to the long-term portion of amounts due to Sarlux S.r.l. under the Feedstock Supply Agreement and Key Facilities Agreement. The changes versus 31 December 2006 stemmed from the portion due for the following period being transferred from long-term to short-term.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2007	31/12/2006	Change
Share Capital	54,630	54,630	0
Legal reserves	10,926	10,237	689
Other reserves	659,106	544,068	115,038
Profit for the year	429,191	257,553	171,638
Total	**1,153,853**	**866,488**	**287,365**

Share capital

As at 31 December 2007, fully paid-up share capital, totalling €54,630 thousand, comprised a total of 951,000,000 ordinary shares worth €.0574444 each; this is the same as the position at 31 December 2006.

Legal reserves

The legal reserve was €10,926 thousand, an increase of €689 thousand on the previous year due to the allocation of profits for 2006, as approved by the shareholders' meeting on 27 April 2007.

Other reserves

This item totalled €659,106 thousand, with a net increase of €115,038 versus the previous period. This net increase comes from:

- an increase due to the allocation of profits from the previous year, following the allocation to the legal reserve, of €256,864 thousand;
- a decrease due to the distribution to shareholders of a dividend totalling €142,650 thousand as approved at the shareholders' meeting on 27 April 2007;
- a decrease of €1,975 thousand owing to the purchase of 465,023 company shares at an average price of €4.247;
- an increase of €2,106 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the share grant scheme;
- Net effect of new tax rates relating to the harmonization of the value of the land at fair value (as deemed cost) and IPO costs orginally recorded in the reserves (€693 thousand).

Net profit for the year

The net profit totalled €429,191 thousand.

Restrictions on the distribution of equity reserves

The following table shows a summary of the available and non-available portion for distribution, and the portion of shareholders' equity available for distribution as at 31 December 2007:

Items in Shareholders' equity	Amount	Utilisation potential	Portion available	Summary of utilisations made in the past three financial year:		Last three tyears
				For loss coverage	For other reasons	For other reasons
Share Capital	**54,629,667**					
Reserves of capital:						
Share premium riserve	338,000,780	A - B - C	338,000,780			
Reserves of profits:						
Revaluation reserve	64,037,748	A - B - C	64,037,748		(2,668,240)	(2,668,240)
Legal reserves	10,925,934	B				
Reserves of own shares in portfolio	(1,974,890)				(41,683,576)	(43,658,466)
Other reserves :						
Extraordinary reserve	205,587,297	A - B - C	205,587,297 (*)		(63,469,747)	(63,469,747)
Employee share grant reserve	2,105,354					
Locked-in reserves as per art. 7, para. 6 of Leg. Dec. 38/05	19,658,569	A - B	19,658,569			
Other reserves	104,345,440	A - B - C	104,345,440			
IFRS transition effects on combined profits	(72,653,587)		(72,653,587)			
TOTAL	**724,662,312**		**658,976,247**			
Non-distributable portion			28,191,031			
Residual distributable portion			630,785,216			

Key: A - for capital increase B - to cover losses C - for distribution to shareholders (*): of which taxable in case of distribution: € 131,055,639

The main restrictions on the distribution of equity reserves therefore can be summarised as follows:

- The legal reserve, totalling €10.9 million, may only be used to cover losses;
- The item "locked-in reserves as per art. 7, para. 6 of Legislative Decree 38/05" is distributable solely to cover losses or increase share capital.

Furthermore, please note that these equity reserves include about €131.1 million which, in the event of distribution, would be taxed at 31.4%.

Dividends

On 27 April 2007, the ordinary shareholders' meeting approved the distribution of an ordinary dividend of €0.15 per share; the overall dividend amounted to €142,650 thousand.

As for 2006, the Board of Directors has proposed to the AGM to be held on 29th April 2008, the distribution of an ordinary dividend of €0.17 per share; such dividend is subject to the approval of the AGM and consequently has not been included in the liabilities.

The 2007 dividend will be payable to all the registered shareholders as at 18th May 2008.

6. Notes to the Profit and loss account

6.1 Revenues

6.1.1 Revenues from ordinary operations

"Revenues from ordinary operations" came to €6,005,379 thousand (€5,597,958 thousand in the previous financial year), an increase of €407,421 thousand. This change is largely due to a general rise in prices.

Revenues from ordinary operations are broken down per geographical area in note 4.2, "breakdown by geographical Area".

6.1.2 Other income

The following table shows "other income" in detail:

	31/12/2007	31/12/2006	Change
Revenues for stocking of mandatory supplies	7,711	10,801	(3,090)
Tanker ship rentals	166	677	(511)
Sale of sundry materials	4,826	2,452	2,374
Other revenues	35,460	31,685	3,775
Total	**48,163**	**45,615**	**2,548**

Other sales relate mainly to sales of steam (€2,193 thousand) and sundry materials (€2,063 thousand).

The balance for other revenues essentially comprises a charge to Sarlux S.r.l. for services under ongoing twenty-year contracts (services rendered by Saras staff for €7,964 thousand and services rendered for €10,970 thousand) compared to €8,213 thousand and €10,639 respectively in 2006), both for product shipping costs to Arcola Petrolifera S.p.A. (€4,556 thousand compared to €3,872 thousand in the previous year) and for Saras personnel on secondment to group companies (€1,963 thousand compared to €1,908 thousand in 2006).

The item "other revenues" includes the write-back of the stake in Akhela S.r.l., following the issue of the final concession decree relating to contributions obtained from the subsidiary in respect of the Programme Agreement, as mentioned in paragraph 5.2.3.1; this write-back was classified as a non-recurring item.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/12/2007	31/12/2006	change
Purchases of raw materials, replacement parts and consumables	5,143,977	4,978,474	165,502
Total	**5,143,977**	**4,978,474**	**165,502**

The change in this item, as already highlighted for revenues, was mainly due to an increase in crude oil and oil product prices.

6.2.2 Cost of services and other costs

	31/12/2007	31/12/2006	change
Service costs	290,084	284,892	5,192
Rent, leasing and similar costs	6,847	6,378	469
Various management costs	6,790	7,254	(464)
Total	**303,721**	**298,524**	**5,197**

The item “service costs” is largely composed of maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.

Other operating charges are mainly composed of non-income taxes (property tax, greenhouse gas emissions tax) and membership fees.

6.2.3 Personnel costs

“Personnel costs” are broken down as follows:

	31/12/2007	31/12/2006	change
Wages and salaries	63,832	56,434	7,398
Social security	19,648	17,605	2,043
Employee end-of-employment payments	(1,543)	3,986	(5,529)
Pensions and similar obligations	675	526	149
Other costs	3,027	1,932	1,095
Directors’ remuneration	5,588	5,686	(98)
Total	**91,227**	**86,169**	**5,058**

The increase in personnel costs is mainly due to higher allocations of bonuses to employees linked to the achievement of certain company targets and a greater number of employees as well as costs relating to the bonus allocation of shares to employees under the employee share scheme mentioned earlier, net of lower allocations to "end-of-service payments" and "pensions and similar obligations" owing to the new regulations introduced in the 2007 Budget Law.

On 27 April 2007, the shareholders' meeting approved the plans for the bonus allocation of company ordinary shares:

- to employees of the company and its Italian subsidiaries (the "employee share plan"):
- to the management of the Saras group (the "stock grant plan 2007/2009").

The "employee share plan" provides for a bonus allocation to employees:

- of 25 shares for the 2007 financial year plus one share per six shares held on 31 December 2006;
- of one share per additional six shares purchased in 2007 and 2008 respectively.
  Under the "employee share plan", the value of the total shares allocated to each beneficiary may not exceed €2,065 each year.

The "stock grant plan 2007/2009" (for directors of the Parent Group, 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 on the basis of:

- the ratio between the change in value of the parent company's share and that of the shares of a group of peer companies;
- the ratio between the EBITDA achieved by the group and that forecast.

330,341 shares are to be allocated through the employee share plan and 538,800 shares through the stock grant plan (2007 only, in the latter case), while the cost for these plans amounted to €1.1 million and €3.0 million respectively.

The decrease in the provisions for employee end-of-service payments was chiefly due to the effects of the legislative changes in 2007, which involved a review of the actuarial calculations and a consequent reduction in the payable figure for employee end-of-service payments of around €5 million; this was classified as a non-recurring item. In addition, changes in the item "employee end-of-service payments" and "pensions and similar obligations" are partly due to changes in the discount rate between 31 December 2006 and 31 December 2007 (4.60% and 5.50% respectively), in accordance with paragraphs 78 and 79 of IAS 19.

6.2.4 Depreciation, amortisation and write-downs

" Depreciation, amortisation and write-downs" can be breoken down as follows:

	31/12/2007	31/12/2006	Change
Amortisation – intangible assets	1,071	662	409
Depreciation – tangible assets	73,031	67,743	5,288
Total	**74,102**	**68,405**	**5,697**

6.3 Net income (charges) from equity investments

This item is shown in detail in the following table:

Net income (charges) from equity investments	31/12/2007	31/12/2006	Change
Dividends :			
- Sarlux S.r.l.	149,071	74,552	74,519
	149,071	74,552	74,519
Capital gains from sale of holdings:			
- Consorzio Ricerche Associate S.r.l.	10	0	10
	10	0	10
Write-downs due to a permanent decrease in value:			
- Akhela S.r.l.	0	(2,579)	2,579
- Ensar S.r.l.	(500)	(100)	(400)
- Hydrocontrol S.r.l.	0	(232)	232
- Sartec S.p.A.	(995)	(2,178)	1,183
	(1,495)	(5,089)	3,594
Total	**147,586**	**69,463**	**78,123**

6.4 Net financial income (charges)

The financial result can be broken down as follows:

	31/12/2007	31/12/2006	Change
Other financial income:			
from non-current financial assets	1	1	0
from current finacial assets	171	790	(619)
Other sundry financial income			
- from subsidiaries	2,726	1,581	1,145
- interest on current accounts held with bank and post offices	4,367	1,015	3,352
- fair value of derivatives recorded at period-end	1,392	14,251	(12,859)
- fair value of financial assets held for trading	219	59	160
- positive difference on derivatives	8,883	27,731	(18,848)
- other income	420	823	(403)
Interest and other financial charges			
- to subsidiaries	(1,068)	(935)	(133)
- to associated companies	0	(33)	33
- fair value of derivatives recorded at period-end	(13,141)	(4,065)	(9,076)
- fair value of financial assets held for trading	(755)	(106)	(649)
- positive difference of derivatives	(25,705)	(26,233)	528
- other (interest on loans, interest on arrears, etc.)	(2,781)	(7,445)	4,664
Profit/loss on exchange rate gains on non-commercial transactions	**4,699**	**1,390**	**3,309**
Total	**(20,572)**	**8,824**	**(29,396)**

The main changes are attributable to the differences in value realised during the year on derivatives used by Saras SpA as hedges in operations where hedge accounting was not adopted, and to the measurement at fair value of the contracts in place at 31 December 2007.

6.5 Acquisition of Sarlux S.r.l.

	31/12/2007	31/12/2006	Change
Sarlux S.r.l. dividends from previous financial years	0	66,304	(66,304)
Sarlux S.r.l. fair value option	0	4,153	(4,153)
Total	**0**	**70,457**	**(70,457)**

The Sarlux S.r.l. dividends from previous financial years were referring to the 45% dividend stake for the period 2002-2005.

6.6 IPO and company restructuring charges

The item (€22,093 thousand) in the previous year includes remuneration for managers and consultants related to the company listing and charges for the reorganisation of the company.

6.7 Income tax for the period

Income taxes are reported as follows:

	2007	2006	Change
Current taxes	103,722	84,675	19,047
Effect of group tax consolidation	(2,460)	(2,324)	(136)
Deferred tax assets/liabilities	37,077	(1,252)	38,329
Total	**138,339**	**81,099**	**57,240**

Deferred tax assets and liabilities arise from the changes during the year in temporary differences between the tax bases of assets or liabilities and their book values.

Following the reductions in tax rates (IRES from 33% to 27.5% and IRAP from 4.25% al 3.9%) under Law 244/2007, adjustments to deferred tax assets and liabilities had a net impact on the profit and loss account of EUR 21,902 thousand, relating to both deferred tax for previous years (EUR 12,177 thousand) and tax for 2007 (EUR 9,725 thousand).

The positive effect of changes in IRES and IRAP rates net of the negative effect arising from the other extraordinary components was classified as a non-recurring item (EUR 18,711 thousand).

Temporary differences in the profit and loss account:	2007 Temporary differences	2007 Deferred tax assets/ (liabilities)	2007 Effect of tax rate changes deferred tax from previous years	2006 Temporary differences	2006 Deferred tax assets/ (liabilities)
(EUR thousand)					
Excess and accelerated depreciation	12,385	(2,397)	8,801	15,195	(5,660)
Excess and accelerated depreciation on grants	6,526	(2,430)	(799)	(1,323)	493
Write-downs of equity investments prior to 2004	1,513	(499)		8,118	(2,679)
Measurement of inventory at end of period at F.I.F.O. cost	132,393	(41,571)	6,166	(33,098)	12,329
Adjustments for scheduled plant and equipment maintenance	(733)	855	558	9,651	(3,595)
Fair value of derivatives	(11,750)	3,825		9,676	(3,193)
Derecognition of intangible assets	192	(72)	(6)	174	(65)
Elimination of monetary revaluation of tangible assets	2,582	(962)		7,144	(2,661)
Reclassification of grants previously carried as equity	1,690	(629)	(253)	1,826	(680)
Costs for dismantling and removing tangible assets	(697)	218	(688)	(698)	260
Asset maintenance costs deductible in future years	(2,705)	645	(818)	(17,482)	6,512
I.P.O. costs charged directly to Shareholders' Equity	5,600	(2,086)		5,600	(2,086)
Employee benefits and bonuses	6,994	(2,649)		1,227	(405)
Unrealised currency losses	3,259	(914)	(13)	291	(96)
Other temporary differences	1,786	(588)	(771)	(7,458)	2,778
Total	**159,036**	**(49,254)**	**12,177**	**(1,158)**	**1,252**

In the table above, the item "deferred tax assets (liabilities) 2007" includes the positive effect of changes in tax rates (€9,725 thousand) relating to temporary differences generated during the year.

The effective tax rate was 24.4% while the theoretical tax rate was 37%, obtained by applying a tax rate of 33% (IRES) to pre-tax profit and 4.25% (IRAP) to the net value of production as per Italian legislation in force.

	31/12/2007	31/12/2006
PRE-TAX PROFIT [A]	**5675**	**3387**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	4405	2120
TOTAL PERSONNEL COSTS	913	862
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (B)	**5318**	**2982**
THEORETICAL CORPORATION TAX IRES [A*33% or 27.5%]	1873	1118
THEORETICAL REGIONAL INCOME TAX IRAP [B*4,25% or 3.9%]	226	127
TOTAL THEORETICAL TAXES [C]	**2099**	**1244**
THEORETICAL TAX RATE [C/A*100] %	**370**	**367**
EFFECTIVE INCOME TAXES [D]	**1383**	**811**
EFFECTIVE TAX RATE [D/A*100] %	**244**	**239**

Differences between the theoretical and effective tax rate for the two periods are reported below

	31/12/2007	31/12/2007	31/12/2006	31/12/2006
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**209.9**	**37.0%**	**124.4**	**36.7%**
Dividends	(46.7)	-8.23%	(44.2)	-13.04%
IRES effect on intra-group dividends due to tax consolidation	(2.5)	-0.44%	(2.3)	-0.69%
Equity investments valuations	0.5	0.09%	1.7	0.50%
Other long-term differences - IRES	0.7	0.12%	2.3	0.67%
Other long-term differences - IRAP	(0.1)	-0.02%	(0.8)	-0.24%
Other IRAP effects due to IFRS classification	(0.7)	-0.12%		
Effect of reduction in IRAP tax base	(0.9)	-0.16%		
Effect of reduction in nominal tax rates on deferred tax	(21.9)	-3.86%		
Effective taxes	**138.3**	**24.4%**	**81.1**	**23.9%**

7. Other information

7.1 Analysis of main litigations pending

Saras S.p.A. 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 in relation to the alleged violations were not consistent, Saras assumes that liabilities, although possible, are not probable.

7.2 Earnings per share

Earnings per share are determined 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 45.14 EUR cents per share for the 2007 financial year, and 28.48 EUR cents per share for the 2006 financial year.
The number of existing shares averaged 950,872,429 in 2007 and 904,312,603 in 2006.
As at 31 December 2007, Saras S.p.A. had 465,023 own shares.
Diluted earnings per share does not vary significantly from basic earnings per share

7.3 Transactions with related parties

Transactions carried out by Saras with related parties essentially concern the exchange of goods, the provision of services and arrangements of a financial nature.
The following table shows the amounts involved in commercial and sundry relationships and financial relationships with related parties, as well as the nature of the most significant transactions.

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (€./000) and % of item in statements				Item	Business reason
	31/12/2007		31/12/2006			
SARLUX S.R.L.						
Supply of goods	158,381	2.64%	164,172	2.93%	Revenues from ordinary operations	Supply of raw material as per Project Financing agreement
Sevices rendered by staff	7,964	16.54%	8,213	18.01%	Other income	Outsourcing of services as per Project Financing agreement
Services received	10,999	22.84%	10,639	23.32%	Other income	Outsourcing of services as per Project Financing agreement
Rent received			51	0.11%	Other income	Outsourcing of services as per Project Financing agreement
Measurement of 45% purchase option			4,153	8.59%	Non-recurring income (charges)	Fair Value measurement
Measurement of investment at equity 45% of dividends on pre 2005 profits			66,304	137.09%	Non-recurring income (charges)	Distribution of dividends due
2005 dividend			74,553	107.33%	Net income (charges) from equity investment	Distribution of dividends due
2006 Dividend	149,071	101.01%			Net income (charges) from equity investment	Distribution of dividends due
Purchases of goods	(1,614)	0.03%	(1,956)	0.04%	Purchases of raw materials, replacement parts and consumables	Supply of raw material as per Project Financing agreement
Utilities	(42,130)	13.87%	(47,928)	16.05%	Cost of services and various costs	Supply of steam, hydrogen as per project financing agreement
Services received	(540)	0.18%	(991)	0.33%	Cost of services and various costs	Supply of various services
Financial charge	(690)	3.35%	0	0.00%	Other net financial income (charges)	Capital loss on sale
Carbon Emissions						
Receivables for goods & services supply	22,949	4.12%	43,861	11.89%	Current trade receivables	Goods supply
IRES/VAT receivables from tax consolidation	0		19,364	19,19%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(4,863)	0.84%	(12,896)	2.62%	Trade payables and other current payables	Trade payables
Payables for goods & services supply	(54,947)	93.95%	(59,918)	94.88%	Other non current liabilities	Trade payables
Financial liabilities	(56)	0.11%	(56)	0.06%	Short term financial liabilities	Financial liabilities
IRES/VAT payables from tax consolidation	(1,956)	2.66%	0	0.00%	Short term financial liabilities	IRES/VAT payables from tax consolidation
ARCOLA PETROLIFERA S.p.A.						
Supply of goods	510,108	8.49%	453,860	8.11%	Revenues form ordinary operations	Supply of raw materials
Sevices rendered by staff	91	0.19%	141	0.31%	Other income	Staff on secondment
Services received	4,464	9.27%	3,872	8.49%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	530	1.81%	220	0.51%	Other net financial income (charges)	Interest on intercompany line credit
Services received	(745)	0.25%	(953)	0.32%	Cost of services and various costs	Charges on sales
Financial charge	(157)	1.81%	(175)	0.51%	Other net financial income (charges)	Interest on intercompany line credit
Receivables for goods & services supply	80,413	14.42%	55,659	15.09%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	4,716	5,17%	4,163	4,13%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	23,185	25,41%	1,093	1.08%	Other current assets	Intercompany financing
Payables for goods & services supply	83	0.01%	(115)	0.02%	Trade payables and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Supply of goods	0	0.00%	34	0.07%	Other income	Supply of other goods
Sevices rendered by staff	346	0.72%	468	1.03%	Other income	Staff on secondment
Services received	84	0.17%	76	0.17%	Other income	Outsourcing of services
Measurement of investment	(996)	0.67%	(2,178)	3.14%	Income (charges) on equity investments	Write-downs on equity investments
Financial income	550	2.67%	420	4.76%	Purchases of raw materials, replacement parts and consumables	Interest on intercomany financing

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (€./000) and % of item in statements				Item	Business reason
	31/12/2007		31/12/2006			
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Purchases of goods	(47)	0.00%	(42)	0.00%	Purchases of raw materials, replacement parts and consumables	Good consumables supply
Services received	(8,744)	2.88%	(7,953)	2.66%	Cost of services and various costs	Outsourcing of engeneering services
Receivables for goods & services supply	629	0.11%	706	0.19%	current trade reveivables	Trade receivables
IRES/VAT receivables from tax consolidation	458	0.50%	305	0.30%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	10.490	11.50%	14,544	14.41%	Other current assets	Intercompany financing
Payables for goods & services supply	(6,524)	1.13%	(4,556)	0.92%	Trade payables and other current liabilities	Trade payables
AKHELA S.r.l.						
Supply of goods	0	0.00%	6	0.01%	Other income	Supply of other goods
Sevices rendered by staff	350	0.73%	277	0.61%	Other income	staff on secondment
Services supply	165	0.34%	500	1.10%	Other income	Outsourcing of services
Financial income	42	0.19%	0	0.00%	Other net financial income (charges)	Interests on intercompany credit line
Purcheses of goods	0	0.00%	(2)	0.00%	Purchases of raw materials, replacement parts and consumables	Supply of consumables
Services supply	(6,374)	2.10%	(4,394)	1.47%	Cost of services and various costs	IT support Outsourcing
Measurement of equity investments	0	0.00%	(2,581)	3.72%	Net income (charges) on equity investments	Write-down on equity investments
Financial charges	(3)	0.19%	(147)	1.67%	Other net financial income (charges)	Interests on intercompany credit line
Receivables for goods & services supply	624	0.11%	737	0.20%	Current trade receivables	Trade receivables
Financing	2,053	2.25%	0	0.00%	Other current assets	Intercompany financing
IRES/VAT receivables from tax consolidation	468	0.51%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidations
Payables for goods & services supply	(2,663)	0.46%	(1,743)	0.35%	Trade payables and other current liabilities	Trade payables
Financing	0	0.00%	(2,319)	2.52%	Financial short-term liabilities	Intercompany financing
IRES/VAT payable from tax consolidation	0	0.00%	(1,790)	1.94%	Financial short-term liabilities	IRES/VAT payables from tax consolidations
XANTO S.r.l. (in liquidation)						
Financial income	(17)	0.08%	(9)	0.10%	Other net financial income (charges)	Interest on intercompany financing
Payables for goods & services supply	0	0.00%	(9)	0.00%	Trade payables and other current liabilities	Trade payables
Financing	0	0.00%	(800)	0.87%	Financial short term liabilities	Intercompany financing
IRES/VAT payable from tax consolidation	0	0.00%	(1)	0.00%	Financial short term liabilities	IRES/VAT payables from tax consolidation
ISOA SUD S.r.l. (in liquidation)						
IRES/VAT payables from tax consolidation	0	0.00%	(11)	0.01%	Financial short term liabilities	IRES/VAT payables from tax consolidation
EOLICA ITALIANA S.r.l.						
Sevices rendered by staff	0	0.00%	62	0.14%	Other income	staff on secondment
Services supply	31	0.06%	32	0.07%	Other income	Outsourcing of services
Financial income	0	0.12%	0	0.26%	Other net financial income (charges)	Interest on intercompany financing
Financial charges	(25)	0.12%	(23)	0.26%	Other net financial income (charges)	Interest on intercompany financing
Receivables for goods & services supply	32	0.01%	67	0.02%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	33	0.04%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(6)	0.00%	(9)	0.00%	Trade payables and other current payables	Trade payables
Financing	(458)	0.53%	(899)	0.98%	Short term financial liabilities	Intercompany financing
IRES/VAT payables from tax consolidation	0	0.00%	(132)	0.14%	Short term financial liabilities	IRES/VAT payables from tax consolidation

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (€./000) and % of item in statements				Item	Business reason
	31/12/2007		31/12/2006			
ENSAR S.r.l.						
Sevices rendered by staff	106	0.22%	0	0.00%	Other income	staff on secondment
Services supply	20	0.04%	13	0.03%	Other income	Outsourcing of services
Measurement of equity investment	(500)	0.34%	(100)	0.14%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	59	0.29%	26	0.29%	Other net financial income (charges)	Interest on intercompany financing
Receivables for goods & services supply	151	0.03%	8	0.00%	Current trade receivables	Trade receivables
Financing	1,821	2.00%	859	0.85%	Other current assets	Intercompany financing
IRES/VAT payable from tax consolidation	(249)	0.29%	(21)	0.02%	Short term financial liabilities	IRES/VAT payables from tax consolidation
NOVA EOLICA S.r.l.						
Financial charges	(8)	0.04%	(32)	0.36%	Other net financial income (charges)	Interest on intercompany financing
Receivables for goods & services supply	77	0.01%	0	0.00%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	(9)	0.00%	Trade payables and other current payables	Trade payables
Financing	3,200	3.51%	0	0.00%	Other current assets	Intercompany financing
Financing	0	0.00%	(1,000)	1.09%	Short term financial liabilities	Intercompany financing
SARDEOLICA S.R.L.						
Services supply	59	0.12%	66	0.14%	Other income	Outsourcing of services
Sevices rendered by staff	186	0.39%	428	0.94%	Other income	staff on secondment
Financial income	0	0.00%	242	2.74%	Other net financial income (charges)	Interest on intercompany financing
Receivables for goods & services supply	248	0.04%	511	0.14%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0.00%	5.183	5.14%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	4,000	4.38%	0	0.00%	Other current assets	Intercompany financing
IRES/VAT payables from tax consolidation	(249)	0.29%	(21)	0.04%	Short-term liabilities	IRES/VAT payables from tax consolidation
PARCHI EOLICI ULASSAI S.R.L.						
Services supply	28	0.06%	6	0.01%	Other income	Outsourcing of services
Financial income	108	0.52%	148	1.43%	Other net financial income (charges)	Interest on intercompany financing
Financial charges	0	0.00%	(22)	1.43%	Other net financial income (charges)	Interest on intercompany financing
Receivables for goods & services supply	57	0.01%	49	0.01%	Current trade receivables	Trade receivables
Financing	1,328	1.46%	3,328	3.30%	Other current assets	Intercompany line of credit
Payables for goods & services supply	0	0.00%	(22)	0.00%	Current trade payables and other payables	Trade payables
Financing	0	0.00%	0	0.00%	Short-term liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(949)	1.09%	(583)	0.63%	Short-term liabilities	IRES/VAT payables from tax consolidation
Consorzio Ricerche Associate (in liquidation)						
Services supply	0	0.00%	(17)	0.01%	Cost of services and various costs	Consortium cost coverage
Final allocation - liquidation	11	0.01%	0	0.00%	Net income (charges) on equity investments	Liquidation proceeds
Payables for goods & services supply	0	0.00%	(17)	0.00%	Current trade payables and other payables	Trade payables
Loan	0	0.00%	(1,858)	2.02%	Short-term liabilities	Intercompany loans

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (€./000) and % of item in statements				Item	Business reason
	31/12/2007		31/12/2006			
IMMOBILIARE ELLECI S.p.A.						
Rent	(441)	0.15%	(442)	0.15%	Cost of services and various costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Sevices rendered by staff	21	0.04%	15	0.03%	Other income	Personnel on secondment
Rent	(667)	0.22%	(489)	0.16%	Cost of services and various costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	21	0.00%	15	0.00%	Current trade receivables	Trade receivables
Payables for goods & services supply	(108)	0.02%	0	0.00%	Current trade payables and other payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Received Services	(37)	0.01%	(35)	0.01%	Cost of services and various costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Sevices rendered by staff	35	0.07%	24	0.05%	Other income	Personnel on secondment
Receivables for goods & services supply	35	0.01%	24	0.01%	Current trade receivables	Trade receivables
DYNERGY S.R.L.						
Sevices rendered by staff	2	0.00%	1	0.00%	Other income	Management fee
Received Services	9	0.02%	0	0.00%	Other income	Positive exchange rate differences
Received Services	(1,383)	0.46%	(1,209)	0.40%	Cost of services and various costs	Support for refining process activities
Receivables for goods & services supply	1	0.00%	1	0.00%	current trade receivables	Receivables
Payables for goods & services supply	(303)	0.05%	(320)	0.06%	current trade payables and other payables	Trade payables
SARAS ENERGIA S.A. (Spain)						
Supply of goods	1,166,337	19.42%	953,841	17.04%	Reveues from ordinary operations	Supply of oil products
Sevices rendered by staff	827	1.72%	493	1.08%	Other income	Personnel on secondment
Received Services	1,049	2.18%	611	1.34%	Other income	Payment for stocking of mandatory supplies and demurrage
Financial income	1,342	6.52%	526	5.96%	Other net financial income (charges)	Interest on intercompany loans
Purchases of goods	0	0.00%	(94,665)	1.90%	Purchases of raw materials, replacement parts and consumables	Repayment of operational loans on Sarroch
Received Services	(107)	0.04%	(294)	0.10%	Cost of services and various costs	Charges on sales
Receivables for goods & services supply	102,806	18.44%	60,829	16.49%	current trade receivables	Supply of oil products
Loan	30,000	32.88%	30,000	29.73%	Other current assets	Intercompany loans
Payables for goods & services supply	(71)	0.01%	(129)	0.03%	Current trade payables and other payables	Trade payables
SARINT S.A. (Luxembourg)						
Financial charges	(661)	3.21%	(464)	5.26%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	(183)	0.03%	(134)	0.03%	Current trade payables and other payables	Trade payables
Loan	(15,250)	17.59%	(14,700)	15.95%	Short term liabilities	Intercompany loans
REASAR S.A. (Luxembourg)						
Financial charges	(167)	0.81%	(94)	1.07%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	(53)	0.01%	(28)	0.01%	Current trade payables and other payables	Trade payables
Loan	(4,470)	5.16%	(3,500)	3.80%	Short term liabilities	Intercompany loans

The transactions with the related parties mentioned above have been made at market conditions

No provisions for doubtful loans were made regarding existing balances given that there are no reasons for such provisions; no losses were made relating to doubtful or bad loans for related parties.

The effects of operations and transactions with related parties on balance sheet items are shown in the following table:

	31/12/2007			31/12/2006		
	Total	Related parties	%	Totale	Related parties	%
Current trade receivables	557,513	208,043	37,3%	368,969	162,467	44,0%
Other current assets	91,232	81,752	89,6%	100,912	78,839	78,1%
Short term financial liabilities	86,687	23,637	27,3%	92,143	27,670	30,0%
Trade payables and other current liabilities	575,511	14,691	2,6%	492,568	19,987	4,1%
Other non-current liabilities	58,486	54,947	93,9%	63,149	59,918	94,9%

The effects of operations and transactions with related parties on profit and loss items are shown in the following table:

	31/12/2007			31/12/2006		
	Total	Related parties	%	Totale	Related parties	%
RRevenues	6,005,379	1,834,826	30,6%	5,597,958	1,571,873	28,1%
Other income	48,163	26,836	55,7%	45,615	26,028	57,1%
Purchases of raw materials, replacement parts and consumables	5,143,977	1,661	0%	4,978,474	96,665	1,9%
Services supply and other costs	303,721	61,168	20,1%	298,524	64,705	21,7%
Net income (charges) on equity investments	147,586	147,586	100,0%	69,463	69,694	100,3%
Other net financial income (charges)	(20,572)	903	n.a.	8,824	616	7,0%
Sarlux S.r.l. acquisition	0	0	0%	48,364	70,457	145,7%

The main cash flows with related parties are reported in the table below:

Flows with related parties	**2007**	**2006**
Net (income) charges on equity investments	(1,780)	74,553
(Increase) decrease in trade receivables	(45,576)	(6,198)
Increase (decrease) in trade payables and other payables	(5,296)	(397)
Change in other current assets	(2,913)	(40,555)
Change in other non current liabilities	(4,971)	(4,971)
Cash flow from (to) operating activities	**(60,536)**	**22,432**
Interest received (paid)	903	616
Cash flow from (to) investment activities	**903**	**616**
Increase/ (decrease) in short term financial liabilities	(4,054)	(13,454)
Cash flow from (to) financing	**(4,054)**	**(13,454)**
Total cash flow to related parties	**(63,687)**	**9,594**

The effects of cash flows between related parties are shown in the following table

	31/12/2007			31/12/2006		
	Total	Related parties	%	Totale	Related parties	%
Cash flow from (to) operating activities	481,796	(60,536)	n.a.	257,767	22,432	8,7%
Cash flow from (to) investment activities	(175,399)	903	n.a.	(310,914)	616	n.a.
Cash flow from (to) financing	(193,130)	(4,054)	2,1%	77,407	(13,454)	n.a.

No atypical or unusual transactions have been concluded, and there are no balances resulting from any such transactions.

7.4 Information required by International Financial Reporting Standard 7 – Financial instruments: disclosures

On 18 August 2005 the International Accounting Standards Board (IASB) published 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 standard is to ensure that companies' financial results include supplementary information that allows the evaluation of:

a) the value of financial instruments, with reference to the balance sheet and profit and loss account;
b) the nature and size of the risks deriving from financial instruments to which the company is exposed during the year and on the balance sheet date, and the way in which risk is managed.

The principles contained in IFRS 7 supplement those set out for the recognition, measurement and presentation of financial assets and financial liabilities contained in IAS 32 (Financial instruments: presentation) and IAS 39 (Financial instruments: recognition and measurement).
The standard applies to all entities to all types of financial instrument, except for shareholdings in subsidiaries, affiliates 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).
The standard must be applied for annual periods commencing on or after 1 January 2007, and information relating to the previous period must be provided for comparative purposes..

7.4.1 Balance sheet information

Paragraphs 8-19 of IFRS 7 require the company to disclose the book 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 restated financial assets, or where financial assets have been derecognised. The balance sheets of Saras S.p.A. at 31 December 2007 and 31 December 2006 are shown below, with details of the company's financial instruments:

31/12/2007	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Held for	Other liabilities	OTHER	Balance at
	Designated at fair value	Held for trading	held to maturity	receivables	sale	recognised at amortised cost		31/12/2007
ASSETS								
Current financial assets	**0**	**15,203**	**0**	**641,737**	**154,419**	**0**	**549,747**	**1,361,106**
Cash and cash equivalents					154,419			154,419
Other financial assets held for trading		15,203						15,203
Securities held for trading		*15,203*						
Trade receivables				557,513				557,513
Receivables from clients				*351,544*				
Provisions for doubtful loans				*(2,016)*				
Financial receivables from group companies				*207,985*				
Inventories							541,920	541,920
Current tax assets							819	819
Other assets				84,224	0		7,008	91,232
Derivative instruments					*0*			
Other receivables				*84,224*				
Non-current assets	**0**	**0**	**0**	**447**	**0**	**0**	**818,576**	**819,023**
Property, plant and equipment							538,479	538,479
Intangible assets							9,815	9,815
Equity investments valued at equity							269,787	269,787
Other investments							495	495
Other financial assets				447			0	447
Deposits				*447*				
Total financial assets	**0**	**15,203**	**0**	**642,184**	**154,419**	**0**	**1,368,323**	**2,180,129**
LIABILITIES								
Current liabilities	**0**	**940**	**0**	**0**	**0**	**713,420**	**74,705**	**789,065**
Short-term financial liabilities		940				85,747		86,687
Bank loans (guaranteed)						*10,000*		
Overdrafts						*52,143*		
Loans from unconsolidated group companies and other payables						*23,604*		
Derivative instruments		*940*						
Trade and other payables						575,511		575,511
Current tax liabilities							73,584	73,584
Other liabilities						52,162	1,121	53,283
Other payables						*52,162*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**68,486**	**168,725**	**237,211**
Long-term financial liabilities						10,000		10,000
Bank loans (guaranteed)						*10,000*		
Provisions for risks							13,526	13,526
Provisions for employee benefits							33,830	33,830
Deferred tax liabilities							121,369	121,369
Other liabilities						58,486		58,486
Total financial liabilities	**0**	**940**	**0**	**0**	**0**	**781,906**	**243,430**	**1,026,276**

31/12/2006	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Held for	Other liabilities	OTHER	Balance at
	Designated	Held for	held to	receivables	sale	recognised at		31/12/2006
	at fair value	trading	maturity			amortised cost		
ASSETS								
Current financial assets	**0**	**26,108**	**0**	**450,693**	**41,152**	**0**		**1,040,894**
Cash and cash equivalents					41,152			41,152
Other financial assets held for trading		13,816						13,816
Securities held for trading		*13,816*						
Trade receivables				368,969				368,969
Receivables from clients		*13,816*		*208,599*				
Provisions for doubtful loans				*(2,057)*				
Financial receivables from group companies				*162,427*				
Inventories							452,202	452,202
Current tax assets							63,843	63,843
Other assets		12,292		81,724			6,896	100,912
Derivative instruments		*12,292*						
Other receivables				*81,724*				
Non-current assets	**0**	**0**	**0**	**143**	**0**	**0**		**713,780**
Property, plant and equipment							443,897	443,897
Intangible assets							1,237	1,237
Equity investments valued at equity							268,007	268,007
Other investments							496	496
Other financial assets				143			0	143
Deposits				*143*				
Total financial assets	**0**	**26,108**	**0**	**450,836**	**41,152**	**0**		**1,754,674**
LIABILITIES								
Current liabilities	**0**	**0**	**0**	**0**	**0**	**627,561**		**640,368**
Short-term financial liabilities						92,143		92,143
Bank loans (guaranteed)						*26,667*		
Overdrafts						*37,806*		
Loans from unconsolidated group companies and other payables						*27,670*		
Derivative instruments						*0*		
Trade and other payables						492,568		492,568
Current tax liabilities							12,584	12,584
Other liabilities						42,850	223	43,073
Other payables						*42,850*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**116,482**		**247,818**
Long-term financial liabilities						53,333		53,333
Bank loans (guaranteed)						*53,333*		
Provisions for risks							13,526	13,526
Provisions for employee benefits							42,226	42,226
Deferred tax liabilities							75,584	75,584
Other liabilities						63,149	0	63,149
Total financial liabilities	**0**	**0**	**0**	**0**	**0**	**744,043**		**888,186**

Financial instruments recognised at fair value through profit and loss comprise Italian and foreign equities and government bonds, held by the company and measured at fair value in that, as established by IAS 39, they are designated as financial assets purchased for sale or repurchase in the near term, and are part of a portfolio of separately identifiable financial assets that are managed together, and for which there is evidence of a recent and effective strategy to generate a profit in the near term. They also include derivative instruments entered into by the company, described in paragraph 5.3.1 above

All trade receivables and other current and non-current receivables are classed as "loans and receivables" since they consist of non-derivative financial assets with fixed or determinable payments and are not listed on an active market.

Assets held for sale include cash and cash equivalents (mainly current accounts).
These are derivative contracts on commodities entered into by the company to offset the risks inherent in its business, which include changes in the price of crude and oil products, futures contracts and swaps on crude and oil products.

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.

No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised.

During the year, the company met all its obligations with respect to the repayment of loans outstanding at the balance sheet date.

7.4.2 Profit and loss account information

Paragraph 20 of IFRS 7 requires companies to state the amount of net profits or losses on financial assets and liabilities, broken down according to the various items in the profit and loss account. This information may be provided in either the financial statements or the notes. To avoid overburdening the financial statements with information, the company has opted for the latter alternative, as recommended in the Appendix to the accounting standard. The table below shows net gains and losses on financial instruments included in the profit and loss account for the current year and the previous year:

31/12/2007	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	Held for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Balance at 31/12/2007
	Designated at fair value	Held for trading						
Revenues from ordinary operations								6,005,379
Other income								48,163
Total revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,053,542**
Purchases of raw materials, replacement parts and consumables								(5,143,977)
Cost of services and other costs								(303,721)
Personnel costs								(91,227)
Depreciation and amortisation								(74,102)
Total costs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5,613,027)**
Operating profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**440,515**
Net income (charges) from equity investments								147,586
Other net financial income (charges)							(20,572)	(20,572)
from securities held for trading		*(365)*					*(365)*	
- of which								
differences generated		*171*						
change in fair value		*(536)*						
from current account interest					*4,367*		*4,367*	
from loans granted to group companies				*2,726*			*2,726*	
from derivative instruments		*(28,571)*					*(28,571)*	
- of which								
differences generated		*(16,822)*						
change in fair value		*(11,749)*						
from other financial assets				*1,232*			*1,232*	
from interest on loans from banks						*(2,781)*	*(2,781)*	
from interest on loans from group companies						*(1,068)*	*(1,068)*	
from other receivables/payables				*3,888*			*3,888*	
Sarlux S.r.l. acquisition								0
IPO and company restructuring charges								0
Profit/(loss) before taxes	**0**	**(28,936)**	**0**	**7,846**	**(4,367)**	**(3,849)**	**(20,572)**	**567,529**
Income tax								(138,338)
Net profit/(loss)								**429,191**

31/12/2006	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Held	Other liabilities	Total from	Balance at
	Designated at fair value	Held for trading	held to maturity	receivables	for sale	recognised at amortised cost	financial instruments	31/12/2006
Revenues from ordinary operations								5,597,958
Other income								45,615
Total revenues							**0**	**5,643,573**
Purchases of raw materials, replacement parts and consumables								(4,978,474)
Cost of services and other costs								(298,524)
Personnel costs								(86,169)
Depreciation and amortisation								(68,405)
Total costs							**0**	**(5,431,572)**
Operating profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**212,001**
Net income (charges) from equity investments								69,463
Other net financial income (charges)							8,824	8,824
from securities held for trading		*743*					*743*	
- of which								
differences generated		*790*						
change in fair value		*(47)*						
from current account interest					*1,015*		*1,015*	
from loans granted to group companies				*1,581*			*1,581*	
from derivative instruments		*11,684*					*11,684*	
- of which								
differences generated		*1,498*						
change in fair value		*10,186*						
from other financial assets				*824*			*824*	
from interest on loans from banks						*(7,445)*	*(7,445)*	
from interest on loans from group companies						*(968)*	*(968)*	
from other receivables/payables				*1,390*			*1,390*	
Sarlux S.r.l. acquisition								70,457
IPO and company restructuring charges								(22,093)
Profit (loss) before taxes	**0**	**12,427**	**0**	**3,795**	**1,015**	**(8,413)**	**8,824**	**338,652**
Income tax								(81,099)
Net profit/(loss)								**257,553**

Financial instruments recognised at fair value through profit and loss generated losses of €28,936 thousand (versus a gain of €12,427 thousand the previous year), of whic:

a) €365 due to the negative change in fair value between the two periods and the results achieved on securities as for trading;
b) €28,571 essentially due to derivatives.

Financial instruments recorded under "loans and receivables" generated profits of €7,846 thousand (compared to €3,795 thousand the previous year), due to exchange rate differences on trading positions.

Financial assets held for sale generated an income of €4,367 thousand (net gains of €1,015 thousand the previous year) essentially due to higer interest income on cash and cash equivalents held during the year.

Other financial liabilities valued at amortised cost generated losses of €3,849 thousand (compared to €8,413 thousand the previous year), mainly due to financial charges on loans.

7.4.3 Additional information

7.4.3.1 Hedge accounting

As described above, the company enters into derivative contracts on commodities to hedge risks relating to changes in the price of crude and oil products, and on the euro/US dollar exchange rate to hedge risks inherent in its currency positions.
Derivative contracts outstanding at 31 December 2007 were commodities derivatives, classified as financial instruments held for trading. Changes in fair value and the differences generated are recorded in the profit and loss account under "net financial income and charges".
Derivative contracts outstanding at 31 December 2007 were swaps and futures on oil products.

Both types of instruments outstanding at the balance sheet date are expected to be settled by the end of the first quarter of 2008.

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

7.4.3.2 Fair value

Financial assets held by the company are booked at fair value or amortized cost. In this latter case the difference between the fair value and the amortized cost is not significant.
Amortizations costs is not different from fair value as of 31 december 2007.
Financial liabilities are stated 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, amortised cost does not significantly differ from the fair value at 31 December 2007.

7.4.4 Risks inherent in financial instruments

Risks inherent in financial instruments to which the company is exposed are:

a) credit risk, that is the risk that the company will incur a loss in the event that a counterparty to a financial instrument defaults;

b) liquidity risk, that is the risk that the company is not able to service payment obligations arising from the agreed maturities of its financial liabilities;

c) market risk, that is the risk relating to the performance of markets in which the company operates, and comprising 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.

7.4.4.1 Credit risk

Exposure to credit risk is primarily concentrated in trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.
The quantitative disclosures required by paragraphs 36 - 38 of IFRS 7 are set out in the table below:

	Book value at 31/12/2007		Credit risk		Analysis of maturities of financial assets pursuant to para. 37 b), IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risk ignoring guarantees or other similar instruments	Guarantees	Current	Expired				Total	Recognised during year	Progressive
						0-30 days	31-60 days	61-90 days	over 90 days			
Current assets	**1,361,106**	**811,359**	**813,375**		**730,911**	**73,965**	**4,068**	**2,377**	**2,054**	**813,375**	**0**	**(2,016)**
Cash and cash equivalents	154,419	154,419	154,419		154,419					154,419	0	0
Other financial assets held for trading	15,203	15,203	15,203		15,203					15,203	0	0
Trade receivables from third parties	559,529	559,529	559,529		477,065	73,965	4,068	2,377	2,054	559,529	0	(2,016)
Provisions for doubtful loans	(2,016)	(2,016)										
Inventories	541,920											
Current tax assets	819											
Other assets	91,232	84,224	84,224		84,224					84,224	0	0
Non-current assets	**819,023**	**447**	**447**		**447**	**0**	**0**	**0**	**0**	**447**		
Property, plant and equipment	538,479											
Intangible assets	9,815											
Equity investments valued at equity	269,787											
Other investments	495											
Other financial assets	447	447	447		447					447		
Total assets	**2,180,129**	**811,806**	**813,822**		**731,358**	**73,965**	**4,068**	**2,377**	**2,054**	**813,822**		

7.4.4.2 Liquidity risk

Exposure to liquidity risk is primarily concentrated in trade payables and loans from banks.

The company was in compliance with all its obligations with respect to the repayment of loans outstanding at the end of the period.

The quantitative disclosures required by paragraphs 36 - 38 of IFRS 7 are set out in the table below:

	Book value at 31/12/2007		Liquidity risk		Analysis of maturities of financial assets pursuant to para. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of fianncial liabilities	Garantees	2008	2009	2010	2011	2012	over 5 years
Liabilities										
Current liabilities	**789,065**	**138,849**	**138,849**	**10,000**	**143,822**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	*86,687*	*86,687*								
Bank loans (guaranteed)		*10,000*	*10,000*	*10,000*	*10,000*					
Overdrafts		*52,143*	*52,143*		*52,143*					
Loans from non consolidated Group Companies & other payables		*23,604*	*23,604*		*23,604*					
Interests (weighted average yearly rate: 5.8%					*4,973*					
Derivatives instruments		*940*	*940*		*940*					
Trade & other payables	575,511	0	0		0					
Current tax liabilities	73,584									
Other liabilities	53,283	52,162	52,162		52,162					
Non-Current Liabilities	**237,211**	**68,486**	**68,486**	**10,000**	**0**	**15,550**	**4,970**	**4,970**	**4,970**	**38,606**
Long-Term financial liabilities	10,000	10,000	10,000	10,000		10,000				
Interests (weighted average yearly rate: 5.8%						*580*				
Provisions for risks	13,526									
Provisions for employees benefits	33,830									
Deferred tax liabilities	121,369									
Other liabilities	58,486	58,486	58,486			4,970	4,970	4,970	4,970	38,606
Total liabilities	**1,026,276**	**207,335**	**207,335**	**20,000**	**143,822**	**14,550**	**4,970**	**4,970**	**4,970**	**38,606**

7.4.4.3 Market risk

As explained above, the market risks to which the company is exposed through its holdings of financial instruments relate to the following:

- the euro/dollar exchange rate, which influences the value of cash and cash equivalents as well as exposed receivables and payables at the balance sheet date, and determines the gains and losses on currencies which are included under “other net financial income (charges)”;
- Euribor and Libor on which interest payments made by the group on outstanding loans are indexed;
- the prices of crude and oil products, which affects the fair value of derivative financial instruments outstanding at the balance sheet date.

As required by paragraph 40 of IFRS 7, sensitivity analyses were carried out for each type of risk to which the company was exposed at the balance sheet date. The analyses showed the effects on the profit and loss account and on shareholders' equity. The results of the sensitivity analyses are summarised in the tables shown below.

With respect to the euro/dollar exchange rate, Saras S.p.A. held financial instruments denominated in that currency, which, at the balance sheet date, were included in cash and cash equivalents (current accounts), trade receivables and payables, and foreign currency overdrafts classified as short-term financial liabilities.
The simulation of the effect on net profit for the year and, consequently, Saras S.p.A.'s shareholders' equity, was made by assuming a change of +/- 5% in the euro/dollar year-end exchange rate used to translate foreign currency balances when preparing the balance sheet.

Euro/dollar exchange rate				Change in benchmark	
Balance sheet item	Amount in foreign currency	Euro/dollar exchange rate	Amount in thousands €	-5%	+5%
Cash and cash equivalents	27,945	1.4721	18,983	999	(904)
Trade receivables	222,311	1.4721	151,016	7,948	(7,191)
Trade and other payables	(590,864)	1.4721	(401,375)	(21,125)	19,113
Short-term financial liabilities	(74,517)	1.4721	(50,620)	(2,664)	2,410
Net position	**(415,125)**		**(281,995)**		
Effect on profit before taxes				**(14,842)**	**13,428**
Effect on net profit (and shareholders' equity)				**(9,276)**	**8,393**

The company has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.
The simulation of the effect on net profit for the year, and consequently shareholders' equity, was made by assuming a change in the benchmark of +/- 20%, which appears realistic given interest rate trends over the year.
Details of the results of the simulation are summarised in the table below:

				Change in benchmark	
VARIABLE INTEREST RATES	Exposure at 31/12/2007	Average 2007 annual interest rate	Annual interest expense	-20%	+20%
Short to medium-long term liabilities	(96,687)	480%	(4,641)		
Effect on profit before taxes				**928**	**(928)**
Effect on net profit (and shareholders' equity)				**580**	**(580)**

Oil prices, on the other hand, affect the fair value of derivative financial instruments outstanding at the balance sheet date and the relevant differences recognised in the profit and loss account. Derivative financial instruments at 31 December 2007 consisted of oil product swaps and futures, and the fair value recorded in the balance sheet was derived from the market prices of the relevant underlying assets at that date.

A simulation was made, therefore, of the effect on net profit for the year, and consequently shareholders' equity, by assuming a change in the benchmark of +/- 20%, which appears realistic given the price trends during the year.
Details of the results of the simulation are summarised in the table below:

		Change in benchmark	
Derivatives on:	**Fair value at 31/12/2007**	**-20%**	**+20%**
50 PPM gasoil	999	461	2,480
Kerosene	(925)	(319)	(2,405)
Gasoline	(1,013)	2,496	(4,522)
	(939)	**2,638**	**(4,447)**
Effect on profit before taxes		**2,638**	**(4,447))**
Effect on net profit (and shareholders' equity)		**1,649**	**(2,779)**

7.5 Average number of employees

The average number of employees by category breaks down as follows:

	31/12/2007	**31/12/2006**
Managers	51	51
Office staff	725	697
Specialised workers	18	19
Workers	401	394
Total	**1,195**	**1,161**

Saras' headcount rose from 1,172 at the end of 2006 to 1,220 at 31 December 2007.

7.6 Information on remuneration and shareholdings of senior personnel with strategic responsibilities

The following tables shows the remuneration and shareholdings of the members of the board of directors and of the other controlling bodies, the General Manager and managers with strategic responsibilities, the latter being the CFO and the functional directors.

7.6.1 Remuneration paid to senior personnel with strategic responsibilities

(A) Name and Surname	(B) Role	(C) Period in this role	(D) End of term	(1) Emoluments for role in the group	(2) Non-monetary benefits	(3) Bonuses and other incentives (*)	(4) Other remuneration (*)
Board of Directors							
GIAN MARCO MORATTI	CHAIRMAN	01/01/2007 31/12/2007	approv. statement FY 2008	2,536,000			
MASSIMO MORATTI	MANAGING DIRECTOR	01/01/2007 31/12/2007	approv. statement FY 2008	2,536,000			
ANGELO MORATTI	VICE-CHAIRMAN	01/01/2007 31/12/2007	approv. statement FY 2008	336,000		200,000	683,104
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	01/01/2007 31/12/2007	approv. statement FY 2008	36,000		127,200	316,756
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	01/01/2007 31/12/2007	approv. statement FY 2008	36,000			
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	01/01/2007 31/12/2007	approv. statement FY 2008	36,000		100,000	201,951
CALLERA GILBERTO	INDEPENDENT DIRECTOR	01/01/2007 31/12/2007	approv. statement FY 2008	36,000			
GRECO MARIO	INDEPENDENT DIRECTOR	01/01/2007 31/12/2007	approv. statement FY 2008	36,000			
(*) remuneration for subordinate work							
Board of Auditors							(**)
CLAUDIO MASSIMO FIDANZA	CHAIRMAN	01/01/2007 31/12/2007	approv. statement FY 2008	61,617			104,430
MICHELE DI MARTINO	STANDING AUDITOR	01/01/2007 31/12/2007	approv. statement FY 2008	45,201			11,243
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	01/01/2007 31/12/2007	approv. statement FY 2008	41,208			64,556
LUIGI BORRE'	SUBSTITUTE AUDITOR	01/01/2007 31/12/2007	approv. statement FY 2008				
MASSIMILANO NOVA	SUBSTITUTE AUDITOR	01/01/2007 31/12/2007	approv. statement FY 2008				
(**) for auditing services for other group companies							
Watch Committee							
GABRIELE PREVIATI	CHAIRMAN	01/01/2007 31/12/2007	approv. statement FY 2008	30,000			
CLAUDIO MASSIMO FIDANZA	MEMBER	01/01/2007 31/12/2007	approv. statement FY 2008	20,800			20,280
CONCETTO SIRACUSA	MEMBER	01/01/2007 31/12/2007	approv. statement FY 2008	20,800			206,407
Internal Audit Committee							
GABRIELE PREVIATI	CHAIRMAN	01/01/2007 31/12/2007	approv. statement FY 2008	21,000			
GRECO MARIO	MEMBER	01/01/2007 31/12/2007	approv. statement FY 2008	14,000			
CALLERA GILBERTO	MEMBER	01/01/2007 31/12/2007	approv. statement FY 2008	14,000			
Remuneration Committee							
CALLERA GILBERTO	CHAIRMAN	01/01/2007 31/12/2007	approv. statement FY 2008	21,000			
GRECO MARIO	MEMBER	01/01/2007 31/12/2007	approv. statement FY 2008	14,000			
GABRIELE PREVIATI	MEMBER	01/01/2007 31/12/2007	approv. statement FY 2008	14,000			
Managers with strategic responsibilities						1,089,200	2,452,555

As at the reporting date, €1,005 thousand (relating to the employee end-of-service payments not included in the above table) earned during the year had not yet been paid.

7.6.2 Shareholdings held by senior personnel with strategic responsibilities

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
	Holding				
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.	-	-	-	-
Callera Gilberto	SARAS S.p.A.	-	-	-	-
Greco Mario	SARAS S.p.A.	-	-	-	-
Previati Gabriele	SARAS S.p.A.	7,800	-	-	7,800
Scaffardi Dario	SARAS S.p.A.	1,200	225	-	1,425
Fidanza Claudio	SARAS S.p.A.	2,800	-	-	2,800
Camera Giovanni	SARAS S.p.A.	-	-	-	-
Di Martino Michele	SARAS S.p.A.	-	-	-	-
Nova Massimiliano	SARAS S.p.A.	-	-	-	-
Luigi Borrè	SARAS S.p.A.	-	-	-	-
Managers with strategic responsibilities	SARAS S.p.A.	52,760	6,438	12,000	47,198

7.7 Commitments

To mitigate the effects of variations in exchange rates between the euro and the US dollar, and variations in the spreads between raw material and finished product prices, the group has derivative contracts aimed at hedging these risks. As at 31 December 2007 and 31 December 2006, the notional values of these derivative contracts were approximately €34 million and €252 million respectively (for further details please refer to paragraph 5.3.1).

As part of its normal activities, Saras has issued sureties, whose value at 31 December 2007 totalled €42,703 thousand. These mainly comprised €22,130 thousand to subsidiaries, €2,503 thousand to the Cagliari port authorities as a guarantee for state maritime concessions, €217 thousand to Generali Properties S.p.A. as a guarantee for the leasing of offices in Corso V. Emanuele in Milan, €1,024 thousand to various customs authorities by way of tax guarantees and €14,236 thousand to the Industry Ministry as a guarantee for the advance payment of taxes required by the Programme Agreement signed on 10 June 2002.

As of 31 December 2007 and 2006, there were no irrevocable commitments to purchase materials or provide services of a long-term nature.

8. Miscellaneous

In accordance with the article 2428 of Italian Civil Code, please note that the secondary offices of the company are:
Head office, Milan
Public relations and administrative affairs, Rome

Pursuant to article 149-duodecies of the Consob Issuer Regulations, below are the details of the fees relating to 2007 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

Services	Supplier	Recipient	Amount due in 2007 (EUR 000)
Audit	PricewaterhouseCoopers SpA	Saras SpA	256
Certification	PricewaterhouseCoopers SpA	Saras SpA	5
Fiscal consultancy	PricewaterhouseCoopers SpA	Saras SpA	0
Other Services	PricewaterhouseCoopers SpA	Saras SpA	0
Total			**261**

9. Release of Annual Report

On 27 March 2008 Saras S.p.A.'s board of directors approved the publication of the 2007 draft annual report and authorised both the Chairman and the CEO to include in the notes to financial statements and in the report on operations all the necessary further details to improve the quality of the information provided.

For the Board of Directors
The Chairman
Gian Marco Moratti

Reports to the Annual Report 2007

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

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 SpA, 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 2007 to 31 December 2007.

2. In addition, the undersigned declare that the consolidated accounts to 31 December 2007:
   a) accurately represent the figures in the company's accounting records;
   b) were drafted in compliance with international accounting standards, 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 to our knowledge, appropriately give a true and fair view of the assets, liabilities and financial position of Saras SpA and all consolidated companies.

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Date:

Signature: delegated authority

(Dott. Gian Marco Moratti)

(Dott. Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Dott. Corrado Costanzo)

1

Report of the Statutory Auditors to the Consolidated Financial Statements

SARAS S.P.A.

- Raffinerie Sarde -

REPORT OF THE BOARD OF AUDITORS

ON THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

* * *

To the shareholders of SARAS S.p.A.

As you will be aware, the law requires the consolidated accounts to be audited by the same auditing firm that audits the parent company accounts (article 41, paragraph 3 of Legislative Decree 127 of 9 April 1991), which, in the case of companies listed on the stock market, must be carried out by an external auditing firm (articles 154 of Legislative Decree 58 of 24 February 1998) rather than the company's internal Board of Auditors (articles 155 and 156).

Moreover, the Board of Auditors also considered it appropriate to present a short report, in relation to both its duty to supervise compliance with the law and the articles of association, which it is generally responsible for (article 149), and in accordance with the principle, always respected in this company, by which the information or documents submitted by the Directors to the shareholders' meeting, are - usually - subject to examination by the Board of Auditors, which itself reports to the shareholders' meeting.

The Board of Directors, in compliance with Legislative Decree 127 of 9 April 1991, has drawn up the consolidated accounts for the year ending 31 December 2007, which coincides with the financial year-end of the parent company.

With regard to the basis of consolidation, please refer to the comments and explanations in the notes to the consolidated accounts; these contain no observations.

The consolidated accounts for the year ending 31 December 2007 were drawn up in accordance with the international accounting standards (IAS/IFRS) in force on the reporting date, as issued by the IASB and adopted by the European Commission, and according to IFRIC interpretations.

The notes to the accounts explain in detail the methods used in drawing up the accounts. The consolidated accounts showed a net profit of EUR 322,909,000. Revenues totalled EUR 6,699,980,000.

The external auditors, with which the Board of Auditors has been in contact, confirmed to us that the consolidated balance sheet and profit and loss account were properly prepared and consistent with the results of the parent company and with the information submitted by the consolidated subsidiaries for the purposes of consolidation.

Thus, the information and explanations set out in the notes to the accounts and report on operations are consistent with the content of the consolidated accounts.

The shareholders' meeting of 27 April 2007 extended the contract of the auditing firm PriceWaterhouseCoopers for the three years from 2012 to 2014.

The Board of Auditors confirms that the auditors' report has been issued pursuant to article 156 of Legislative Decree 58/98, and that it does not contain observations of any kind. The shareholders should consider the consolidated accounts and accompanying documents for information purposes only, as these are not subject to approval.

Milan, 11 April 2008

THE BOARD OF AUDITORS

Claudio Massimo Fidanza

Giovanni Luigi Camera

Michele Di Martino

Report of the Independent Auditors to the Consolidated Financial Statements

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

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 2007, comprising the consolidated balance sheet, income statement, statement of changes in shareholders' equity, statement of cashflows and related notes. These consolidated financial statements are the responsibility of the directors of Saras SpA. 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. 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 as required by law, reference is made to our report dated 11 April 2007

3 In our opinion, the consolidated financial statements of Saras Group as of 31 December 2007 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, changes in shareholders' equity and cashflows of Saras Group for the year then ended.

Milan, 11 April 2008

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References to the consolidated financial statements in this report refer to the original Italian consolidated financial statements and not to their translation

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 70125 Viale della Repubblica 110 Tel. 0805429863 – Bologna 40122 Via delle Lame 111 Tel. 051526611 – Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 Firenze 50129 Viale Milton 65 Tel. 0554627100 – 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 10129 Corso Montevecchio 37 Tel. [illegible] – Trento 38100 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 37122 Corso Porta Nuova 125 Tel. 0458002561

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Declaration in respect of 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 SpA, 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 2007 to 31 December 2007.

2. In addition, the undersigned declare that the annual accounts to 31 December 2007:
   a) accurately represent the figures in the company's accounting records;
   b) were drafted in compliance with international accounting standards, 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 to our knowledge, appropriately give a true and fair view of the assets, liabilities and financial position of Saras SpA and all consolidated companies.

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Date:

Signature: delegated authority

(Dott. Gian Marco Moratti)

(Dott. Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Dott. Corrado Costanzo)

Report of the Statutory Auditors to the Statements of Saras S.P.A

SARAS S.P.A.

- *Raffinerie Sarde* -

REPORT OF THE BOARD OF AUDITORS

TO THE SHAREHOLDERS' MEETING HELD TO APPROVE THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

(PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/98

AND PARAGRAPH 3 OF ARTICLE 2429 OF THE CIVIL CODE)

* * *

To the shareholders of SARAS S.p.A.

We hereby confirm that the annual accounts of SARAS S.p.A. have been prepared in accordance with the law and the company's memorandum and articles of association. This is the second year that the accounts have been drawn up following the adoption of IAS/IFRS accounting standards, in compliance with Legislative Decree 33 of 28 February 2005. The external auditors did not request any change to the accounting standards applied in the preparation of the 2006 accounts.

In 2007, we adopted the Code of Conduct for Internal Auditors recommended by the National Accounting Board (*Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri*).

We attended meetings, as planned, with the company's external auditing firm, PriceWaterhouseCoopers and also exchanged information on an informal basis during the year; no significant facts or information came to light that require comment in this report. In fulfilling the duties assigned to them, the external auditors have confirmed to us that the accounts accurately reflect the results of operations, as do the quarterly reports approved and published by the Group and filed with Consob.

No observations or requests for information were made by the external auditors' in their report.

During the year ending 31 December 2007, we carried out the supervisory activities required by law, in accordance with the Code of Conduct for Internal Auditors recommended by the National Accounting Board.

Moreover, pursuant to Consob regulations, we wish to report the following.

- We have monitored compliance with the law and the articles of association.
- We have obtained from the Directors, in accordance with the procedures established in the articles of association, a report on activities carried out, describing any significant transactions affecting the business or financial position of the company (and its subsidiaries), and we can therefore reasonably assert that the actions approved and implemented comply with the law and the articles of association, and that they 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.
- In the course of the meetings of the Board of Directors that we attended, we obtained from the Directors, in good time, appropriate information on the company's operations, general performance, prospects and significant transactions, by size or nature, implemented by the company and its subsidiaries, in accordance with paragraph 5 of article 2381 of the Civil Code.
- We examined and monitored, within the parameters of our remit, the effectiveness of the company's organisational structure, compliance

with good administrative practice and the appropriateness of the instructions given by the company to its subsidiaries, pursuant to paragraph 2 of article 114 of Legislative Decree 58/98, by collating 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.

The company has established:

- an internal audit committee
- a supervisory committee, pursuant to Legislative Decree 231/01
- a remuneration committee

- 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 operations, by obtaining information from the heads of the various functions, examining company documents and analysing the results of the work carried out by the external auditors, as well as supervising the activities of those responsible for internal controls, and in this regard we have no particular observations to report.

We have not discovered any atypical or unusual transactions carried out with group companies or related parties.

- No reports of irregularities pursuant to article 2408 of the Civil Code were received or submitted by third parties.

- The company has adopted the Code of Conduct for the Corporate Governance of Listed Companies.
- On the express declaration of the Directors, and as confirmed by the external auditors, we report that no further assignments were given to the external auditing firm, with the exception of the extension of the auditing contract for the three years from 2012 to 2014, as proposed to you by the Board of Auditors and approved at the shareholders meeting of 27 April 2007.
- On the express declaration of the Directors, and as confirmed by the external auditors, no contracts have been given to entities that have long-standing dealings with the external auditing firm.
- The Board of Auditors has not been required to express any specific opinion or approval.

The supervisory activities described above were carried out at five meetings of the Board of Auditors (whose members also carried out work individually) and through attendance at the meetings of the Board of Directors pursuant to paragraph 2 of article 149 of Legislative Decree 58/98, of which seven were held. Furthermore, one shareholders' meeting was held during the year.

With particular reference to the accounts for the year ending 31 December 2007, we wish to report the following:

- although it is not our task to carry out an analytical control of the content of the accounts, we have supervised the general presentation, with regard to overall compliance with the law in respect of the form and structure of the accounts, and in this regard we have no particular observations to make;

- we have verified that the law on preparing the report on operations has been respected, and that this report is consistent with the resolutions adopted by the Board of Directors, and with the information provided in the annual accounts. We have no particular observations to make in this regard;
- to the best of our knowledge, in preparing the annual report and accounts, the Directors have not deviated from the law pursuant to paragraph 4 of article 2423 of the Civil Code.

  The distribution of dividends approved in 2007 was carried out in accordance with the law;
- we have verified that the accounts reflect the facts and information of which we are aware through the fulfilment of our tasks and we have no observations to make in this regard;
- research expenditures were booked with our approval;
- we have examined the plan of the Board of Directors to purchase own shares, and we have no objections to raise in this regard;
- pursuant to paragraph 2b of article 82 of Consob Resolution 11971/1999, the draft accounts and consolidated accounts for the year ending 31 December 2007 approved by the Board of Directors were made available at the company's registered office, head office and Borsa Italiana SpA, within 90 days of the end of the year.

Dear Shareholders

Further to the results of the work carried out by the external auditors and contained in the report accompanying the annual accounts under review, we hereby invite you to approve the annual report and accounts for the year ended 31 December 2007, as drafted by the Directors, and we hereby confirm our agreement with the Directors' proposal for the allocation of net profit for the year.

Milan, 11 April 2008

THE BOARD OF AUDITORS

Claudio Massimo Fidanza

Giovanni Luigi Camera

Michele Di Martino

Report of The Independent Auditors to the Financial Statements of Saras S.P.A.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

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To the shareholders of
Saras SpA

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2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. 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.

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Milan, 11 April 2008

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

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