CONSOLIDATED FINANCIAL STATEMENTS OF SARAS GROUP AND SEPARATE FINANCIAL STATEMENTS OF SARAS S.P.A. FOR THE YEAR ENDING 31ST DECEMBER 2012

SARAS

Contents

05 The Saras Group

06 Milestones

08 Letter to Shareholders

163 Saras S.p.A. Report on Operations

175 Saras S.p.A. Financial Statements as of 31st December 2012

181 Notes to Saras S.p.A. Financial Statements as of 31st December 2012

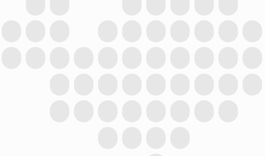
11 Saras Group Report on Operations

96 Saras Group Consolidated Financial Statements as of 31st December 2012

101 Notes to the Consolidated Financial Statements as of 31st December 2012

239 Reports to the Financial Statements as of 31st December 2012

An independent heart in the middle of the Mediterranean



The Saras Group

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

Both directly and through its subsidiaries Arcola Petrolifera S.p.A. and Deposito di Arcola S.r.l. in Italy, and Saras Energia S.A. in Spain, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European and international markets. In particular, in 2012 approximately 2.2 million tons of oil products were sold in Italy, through our subsidiary Arcola Petrolifera, which operates exclusively in the wholesale market. Arcola Petrolifera relies on several logistic bases spread all over Italy, and it also uses a storage deposit with a capacity of 200,000 cubic metres of petroleum products, owned by the Group, managed by the subsidiary Deposito di Arcola S.r.l. and located in Arcola (La Spezia). A further 1.6 million tons of oil products were sold in the Spanish market through Saras Energia, which is active both in the wholesale and in the retail market. More in detail, Saras Energia manages an oil products storage deposit with a capacity of 112,000 cubic metres, owned by the Group and located in Cartagena (Spain). It also uses other storage deposits owned by other major logistic operators (CLH, Decal, Tepsa, etc.), located all over the Spanish territory. Saras Energia also manages a retail network made up of 114 service stations, mainly positioned along the Spanish Mediterranean coast, and a biodiesel plant in Cartagena, with a capacity of 200,000 tons per year.

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

Moreover, also in Sardinia, the Group is involved also in the production of electricity from renewable sources, through a wind farm situated in Ulassai, with an installed capacity of 96MW, managed by the subsidiary Sardeolica S.r.l.. Lastly, Saras Group provides industrial engineering and scientific research services to the oil, energy and environment industry via its subsidiary Sartec S.p.A., and it operates also in the exploration, transport, storage and sale of gaseous hydrocarbons through the subsidiary Sargas S.r.l..

THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

11 SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Milestones

1960

Start of operations

1962: Saras is founded by Mr. Angelo Moratti

1965: The Sarroch refinery begins operations

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

1970

Refining for third parties

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

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

1980

Increase in conversion capacity

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

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

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

1990

Environment, new technologies, and expansion into the wholesale market

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

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

2000

IPO and further investments in high technology and environment

2001:

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

2005: The Ulassai wind farm starts operations, with an installed capacity of 72MW

2006: IPO to grow the business and explore new opportunities

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

2008:

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

2009:

- Sales of gasoline and diesel with 10 ppm (parts per million) sulphur content begin, thus contributing to a meaningful reduction of the indirect emissions of SO_2
- Saras is the first refinery in Italy to obtain the AIA authorization (Integrated Environmental Authorization), which represents part of a journey to improve the technical and structural characteristics of the plant, in order to minimize the environmental impact of the production activities
- Extension of the retail network in the Southern areas of Spain, through the integration of 71 new service stations acquired from ERG
- Inauguration of the artwork "La cattura dell'Ala del Vento" created by the artist Maria Lai, and dedicated to the Ulassai wind farm
- Completion of an important cycle of maintenance and investments, critical for the future growth of the company, on the following Units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2, and VSB

2010

Focus on safety, environment, efficiency and improvements in profitability

2010:

- "Project Focus" starts, in the first part of the year, with the specific aim of improving production efficiency and operations effectiveness. The project involves directly all Saras' personnel, and sets specific targets to be achieved within all the industrial operation aspects
- Saras becomes a certified member of the OCIMF (Oil Companies International Marine Forum), which is a voluntary association, active in the sector of safe transportation at sea of oil products, and which

represents more than 40 oil companies from all over the world. This certification allows Saras to make "vetting" operations within the SIRE programme managed by OCIMF. This is a global database, with more than 12,000 inspections on a yearly basis, covering a fleet of approximately 4,400 oil carriers, made by certified OCIMF inspectors, according to international standards
- Emission of Eurobonds restricted to institutional investors, with a total principal amount of EUR 250 million and a maturity of 5 years. The bonds are listed on the Luxembourg Stock Exchange, have a coupon of 5.583%, shall mature on 21st July 2015, and do not involve collateral or covenants

2011:
- "Project focus" achieves extremely positive results in the area of "cost rationalization" (more than EUR 20 m of savings in FY2011), and also in the area of "operational effectiveness". Its scope is further extended to include also the areas of "Planning" and "Supply & Trading"
- The Group relies on its commercial and operational flexibility to overcome the shortage of Libyan crude oils, as a consequence of the civil war and the restrictive measures imposed by the United Nations and the European Union on commercial transactions
- An important 10-year scheduled maintenance cycle is carried out on the entire IGCC plant. These activities allow the inspection and the repair works needed to bring back to full efficiency all units of the plant, including those which do not have a "spare" unit in parallel
- Sardeolica completes the repowering of the Ulassai wind farm, increasing installed capacity from 72 to 96 MW, with 48 aero-generators
- The Group launches a corporate restructuring programme intended to combine specific and clearly identified activities into separate legal entities, in order to make the necessary enhancements to its organisational, managerial and financial structures. On 15th July 2011, the company "Sargas S.r.l." is created in order to carry out exploration, transport, storage and sale of gaseous hydrocarbons. On 30th September 2011, "Eolica Italiana S.r.l." and "Nova Eolica S.r.l." merge into the subsidiary "Ensar S.r.l.". Finally, on 1st October 2011, a new subsidiary called "Deposito di Arcola Petrolifera S.r.l." is created through a partial de-merger of "Arcola Petrolifera S.p.A.". All the assets, liabilities and employees of the Arcola facility in Liguria are transferred to the new company

2012:
- In a competitive environment which is made increasingly harder by the recession of the Euro Zone, the Saras Group continues to aim at being a leading operator in terms of safety and efficiency within its sector. The quality of Saras Group's personnel remains the fundamental resource needed in order to react rapidly to the changes of the scenario. In this regard, "Project Focus" has become the key instrument used for management and development of human resources, as well as for the introduction of new organizational and behavioural models dedicated to providing support to our processes, which are becoming increasingly more efficient
- In the Refining segment, the activities for the revamping of the MildHydroCracking-2 Unit (MHC2) proceed rapidly and perfectly aligned with cost and time forecasts. Therefore, all new technological enhancements shall become fully operational since the second half of 2013
- The Board of Directors of Saras S.p.A. approved the Group Business Plan 2013 – 2017, which is based on market scenarios elaborated by international consultants who forecast a moderate recovery of the sector. The Plan is focused on activities aimed at improving effectiveness and efficiency, as well as pursuing new commercial opportunities. Capex will be primarily directed at maintaining plants perfectly safe and efficient. Selective investments aimed at increasing energy efficiency will be evaluated on a case-by-case basis
- Finally, in order to achieve organizational, managerial and economic optimisations, an important corporate reorganization programme is launched. The programme consists in transferring all activities relating to the refining business to a subsidiary fully owned by Saras

05 THE SARAS GROUP
MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Letter to the Shareholders

2012 has been a complex year, full of meaningful events and changes. A further drop in industrial activities, the deterioration of the credit and financial fundamentals, geopolitical tensions, and a worsening of social conditions in various countries of the Euro Zone, all concurred in shakingdown the economy and the markets.

MACROECONOMIC CONTEXT AND GLOBAL COMPETITION

Total European demand for refined oil products dropped, as it happens now since the beginning of the global crisis in 2008, the refining margins remained under severe pressure in the Mediterranean basin, and the international competition further strengthened. Several refineries have been forced to shutdown, both in Europe and on the Atlantic coast of the United States, while others chose to massively invest in order to upgrade their conversion capacity and increase productivity.

The latter choice was taken by some important operators in Western Europe, but also and primarily by Russian companies, where the changes in the taxation for exports of crude oil and refined products created a strong incentive to reconfigure the older and more obsolete refineries, bringing them up to absolutely modern specification and in perfectly efficient conditions.

Moreover, in the United States, the growing extraction of shale gas and tight oil, created a double advantage for the local energy intensive industries. On one hand, the abundance of natural gas meant great availability of low cost energy, allowing important reductions in variable costs; on the other hand, the increasing volumes of crude oil produced in the Mid-West of the US continent and the logistic problems in Cushing (Oklahoma) created the conditions for local refineries to procure their feedstock at steep discounts compared with their European competitors, and consequently opened the arbitrage of their gasoil towards Europe.

From a standpoint of a sustainable and ethic operational conduct, all European manufacturers continued to comply with the growing pressure deriving from increasingly more severe and tightening HSE regulations (Health, Safety & Environment). On the contrary, Asian and Middle Eastern countries did not follow similar criteria. Actually, with the objective to pursue growth and development at all costs, they continued to support local companies with incentives, subsidies, and fiscal rebates, which caused deep alterations in the global competitive equilibriums.

EFFICIENCY, SPEED AND REORGANIZATION

In such a difficult context, it became necessary to act quickly, planning and rapidly implementing change programmes aimed at reaching excellent performances both in terms of energy efficiency and operational effectiveness, and also in terms of management and organization.

Therefore, in addition to the implementation of the well known "Project Focus", we also started and important programme of corporate reorganization, whose main objective consists in the transfer of all the activities, connected with the Refining segment to a fully owned subsidiary controlled by Saras, in order to achieve organizational, managerial and economic optimisations.

The corporate reorganization was accompanied by the hiring of new resources in key managerial positions, with the specific task to lead and facilitate the change process started by the company, providing further motivation, determination and energy.

Furthermore, the new corporate structure could also facilitate the development of some forms of strategic cooperation with international partners, both industrial and commercial, which we already started to evaluate some time ago, with the objective to create value for our Group and to achieve our full potential.

SUSTAINABILITY, HEALTH, SAFETY AND ENVIRONMENT

Increasing the operational reliability and energy efficiency of our plants, while at the same time guaranteeing the protection of the environment, of the people who work in our site and of the local communities, are primary values for the Saras Group, and they are actively promoted on a daily basis, through the adoption of an "Integrated Health, Safety and Environment System".

Also in 2012, our Group spread the safety culture at all company levels, thanks to training activities, sharing and verifying constantly the effectiveness of the activities undertaken. Thank to the continued efforts of everybody, in 2012 our industrial site in Sarroch achieved its best result in its history, for injury indexes. The comparison of the latter with the industry data at the European level, allows Saras to proudly affirm the achievement of the highest standards.

CONCLUSIONS

2013 will be another year of important and difficult challenges, which our Group is ready to tackle with courage and determination, and also with the awareness that we must continue along the improvement journey which we have been pursuing already for a few years. We find encouragement in knowing that we hold a solid financial position, and we can count on a team made of people with great energy, professionalism, intelligence and passion.

We are ready to take on the new challenges, doing whatever it takes to accomplish our mandate, while keeping the highest sense of responsibility towards all our stakeholders.

The Chief Executive Officer
Massimo Moratti

The Chairman
Gian Marco Moratti

05 THE SARAS GROUP
06 MILESTONES
LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

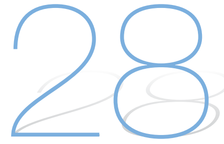
Saras Group Report on Operations

Table of contents of Saras Group Report on Operations

15 Main financial and operating figures

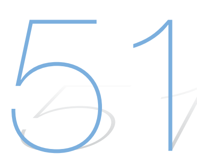
16 Key financial and non financial indicators

21 Statutory Bodies


28 Stock Markets Performance

30 Saras Share Performance

32 Structure of the Saras Group


51 Power Generation

54 Marketing

57 Wind

67 Investments in FY 2012

68 Human Resources

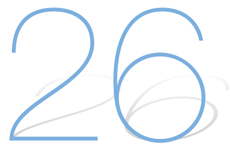
77 Health, Environment and Safety

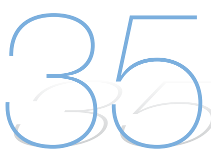
91 Other Information

92 Main events after the end of FY/12

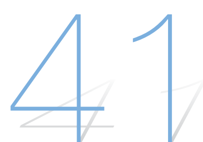
Board of Directors and Top Management

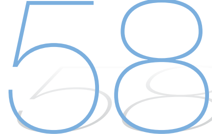
Corporate Governance


Regulatory Framework

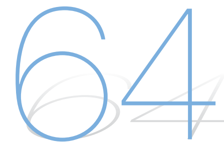

Comment to Saras Group Results

Segment review


Refining


SARTEC (Saras Ricerche e Tecnologie)

63
Net Financial Position


Strategy

Social Responsibility – Activities with the local community

86
Outlook

88
Risk Analysis

05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

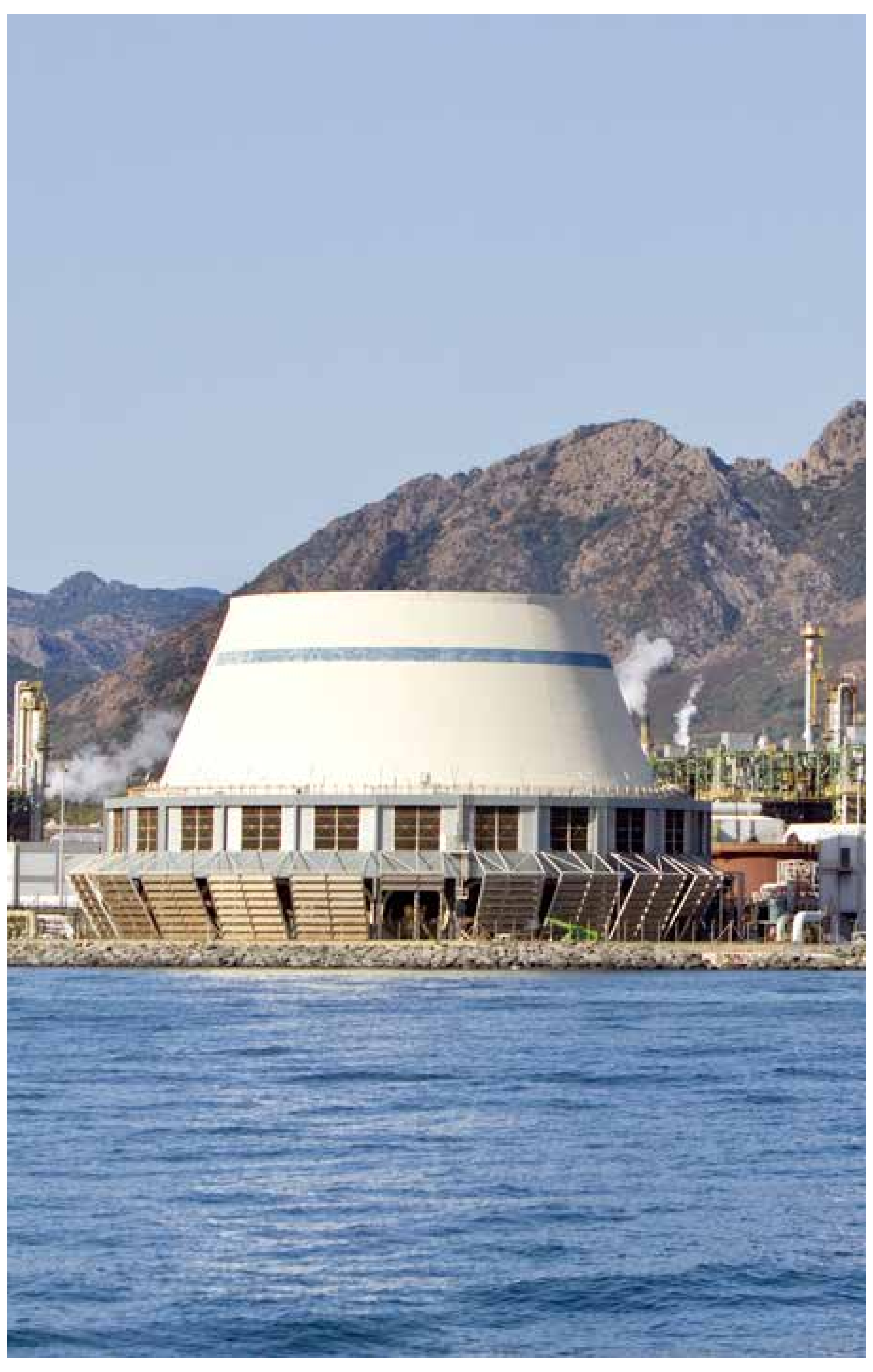
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012



Main financial and operating figures

EUR Million		2012	2011	Change
REVENUES		11,889	11,037	8%
EBITDA		173.6	394.3	-56%
***Comparable* EBITDA[1]**		**217.3**	**267.8**	**-19%**
EBIT		(70.6)	181.0	-139%
***Comparable* EBIT[1]**		**9.1**	**54.5**	**-83%**
Net Income		(90.1)	58.8	-253%
***Adjusted* Net Income [2]**		**(35.2)**	**(17.7)**	**-98%**
Outstanding shares, ‘000,000 (avg. nr.)		928	928	
***Adjusted* EPS, (EUR)**		**(0.04)**	**(0.02)**	
NET FINANCIAL POSITION		**(218)**	**(653)**	
CAPEX		**119**	**105**	
OPERATING CASH FLOW		**534**	**(9)**	
REFINERY RUNS	Thousand tons	13,309	14,006	-5%
	Million bl	97.2	102.2	-5%
	Thousand bl/day	265	280	-5%
EXCHANGE RATE	EUR/USD	1.285	1.392	-8%
EMC BENCHMARK MARGIN	$/bl	0.9	(1.1)	
SARAS REFINERY MARGIN	$/bl	2.1	2.8	
ELECTRICITY PRODUCTION IGCC	MWh/1000	4,194	4,012	5%
POWER TARIFF IGCC	Eurocent/KWh	12.2	10.6	16%
MARGIN IGCC	$/bl	4.2	4.3	
TOTAL MARKETING SALES	Thousand tons	3,794	4,158	-9%
of which in Italy	Thousand tons	2,210	2,367	-7%
of which in Spain	Thousand tons	1,584	1,791	-12%

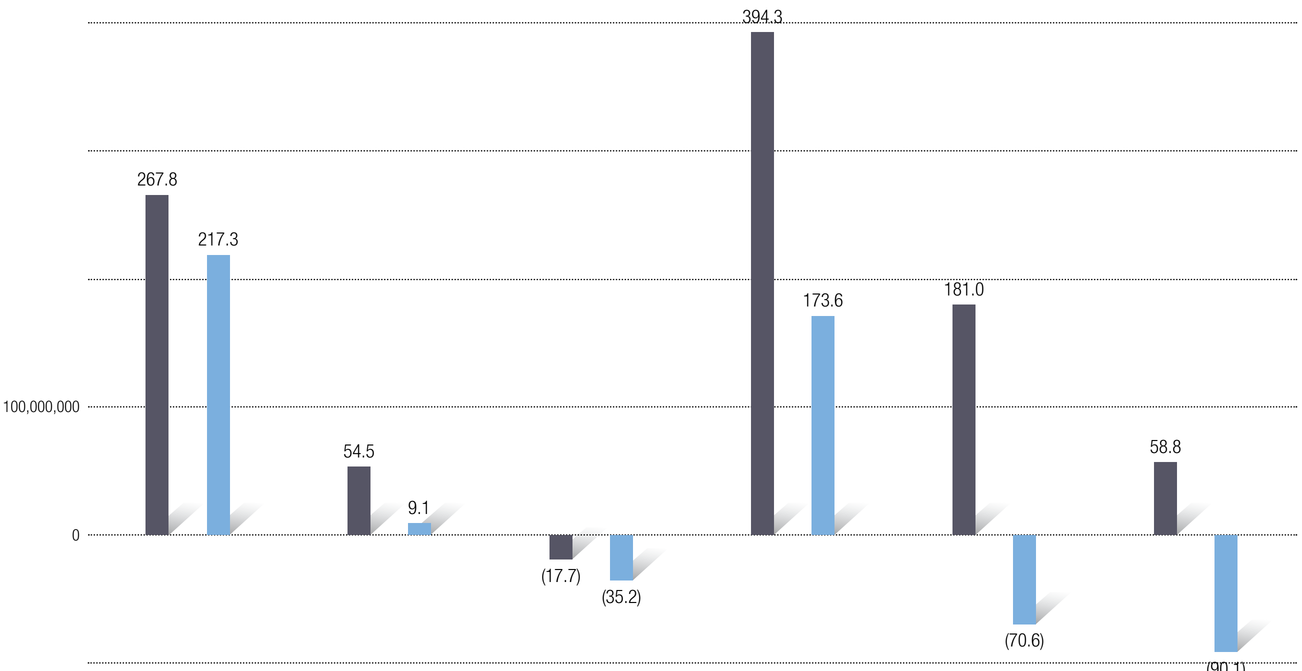
05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

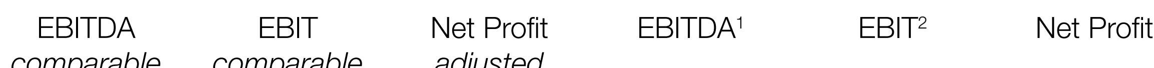
1. ***Comparable* EBITDA/EBIT** calculated in accordance with IFRS, adjusted for non-recurring items, changes in fair value of derivative instruments, and with inventories measured according to the LIFO methodology, which does not include revaluations and write downs.

2. **Adjusted Net Result:** Net Result adjusted for differences between LIFO and FIFO inventory valuations after tax, non-recurring items after tax, and changes in the fair value of derivative instruments after tax. Comparable and adjusted figures are not subject to audit.

Key financial and non financial indicators

Main Income Statement figures [2011 and 2012]

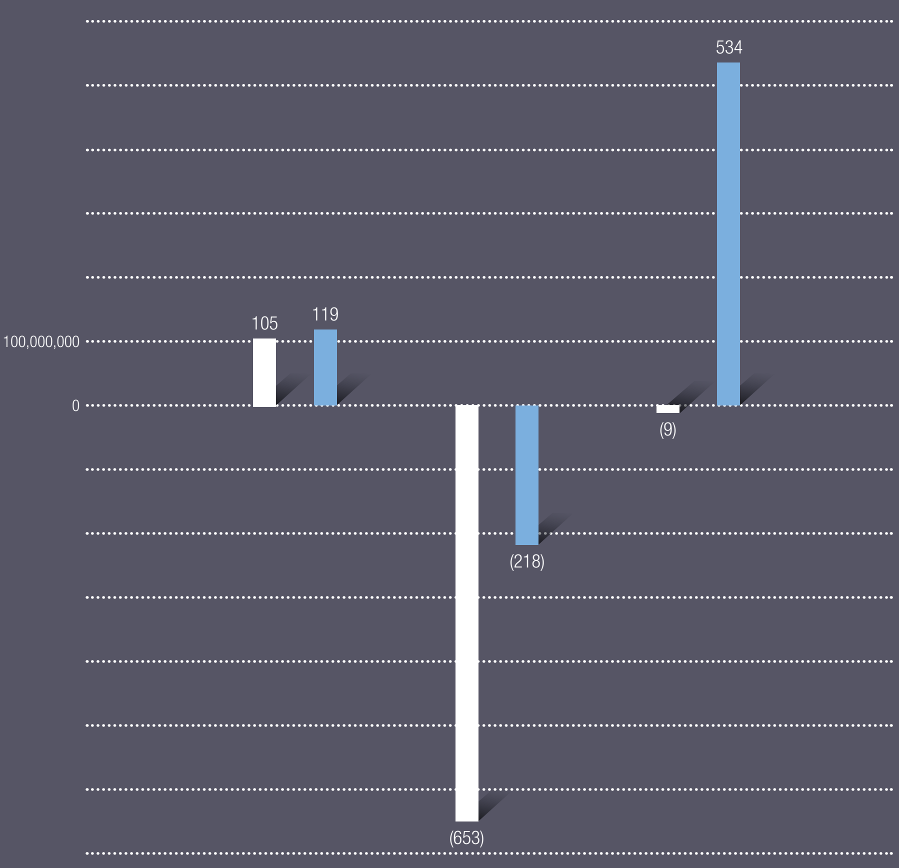




1. EBITDA Operating result before Depreciation&Amortisation.

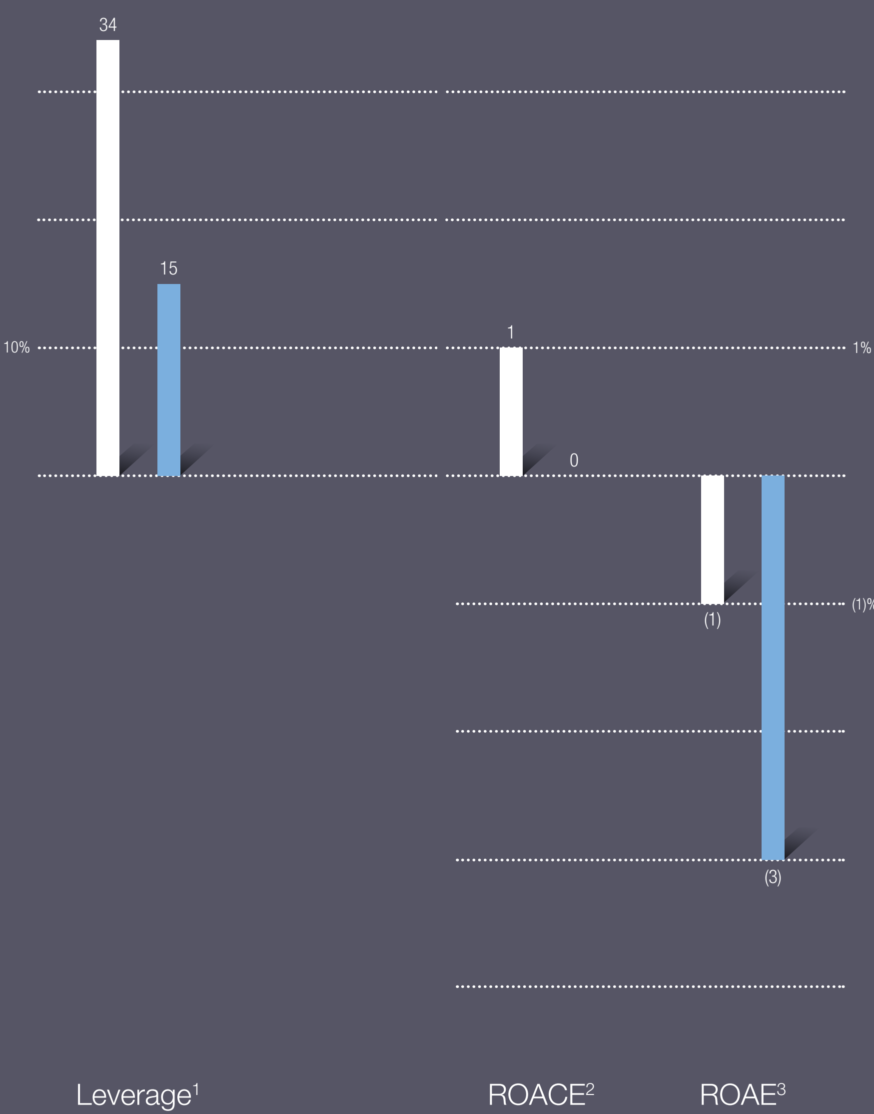
2. EBIT Operating result.

Financial Position and Cash Flow figures [2011 and 2012]



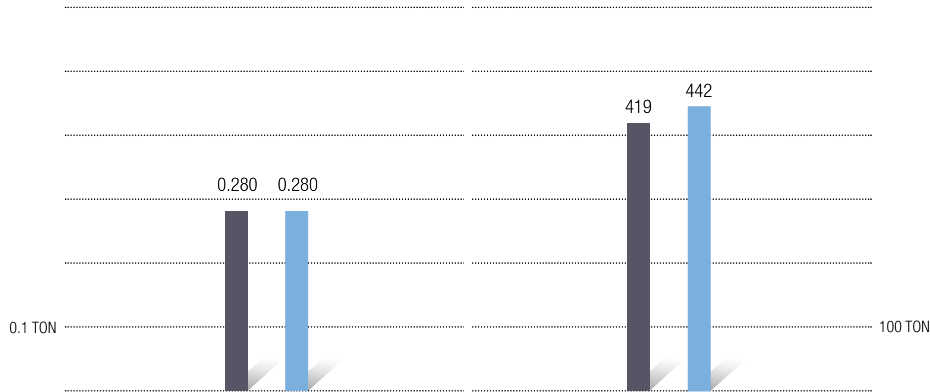
05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Key financial ratios [2011 and 2012]



1. Leverage: net debt/(net debt+equity). Target: 25-50%.
2. ROACE: return on average capital employed. Target: at least 15%.
3. ROAE: return on average equity. Target: at least 15%.

Environmental indicators [2011 and 2012]



SO2 Production rate

(tons of SO_2 / thousand tons of refinery runs)

CO2 Production rate

(tons of CO_2 / thousand tons of refinery runs)

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Statutory Bodies

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Board of Directors

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	CEO and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	General Manager and Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
GABRIELE PREVIATI	Director
GILBERTO CALLERA	Independent Director
GIANCARLO CERUTTI [1]	Independent Director
MARIO GRECO [2]	Independent Director

Board of Statutory Auditors

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

Executive Director responsible for financial reporting

CORRADO COSTANZO	Chief Financial Officer

External auditor

PRICEWATERHOUSECOOPERS S.p.A.

1. Director elected by the list of minority shareholders

2. Director who resigned on 5th March 2013

Board of Directors and Top Management

Gian Marco Moratti
Chairman and Director

Massimo Moratti
CEO and Director

Angelo Moratti
Vice Chairman and Director

Angelomario Moratti
Chairman of Saras Energia and Director

Gabriele Moratti
Director

Gabriele Previati
Director

Gilberto Callera
Indipendent Director

Mario Greco
Indipendent Director

Giancarlo Cerutti
Indipendent Director

Dario Scaffardi
General Manager and Director

Corrado Costanzo
Chief Financial Officer

05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Corporate Governance

The Company adheres to the Code of Conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana S.p.A. in March 2006, as subsequently amended and as set out in the annual report on Corporate Governance drawn up by the Board of Directors and published within 21 days of the General Meeting of Shareholders called to approve the 2012 Financial Statements.

The report, prepared in accordance with article 123-bis, first paragraph of the Legislative Decree 58 of 24th February 1998 and subsequent amendments, describes the main features of Saras' Corporate Governance system, and how its various components function in practical terms, with a specific focus on compliance with the recommendations contained in the Code of Conduct.

The corporate organisation of Saras S.p.A. complies with the provisions of the Italian Civil Code and with other regulations specific to corporations, and in particular with the provisions of Legislative Decree 58 of 24th February 1998 (the Consolidated Finance Act, also called "TUF"). The Company is structured in accordance with the traditional model for administration and control, with a Board of Directors tasked with managing the Company. Within the Board, there is a "Remuneration and Nomination Committee", an "Audit and Risks Committee", and a "Board of Statutory Auditors", whose tasks include monitoring compliance with legislation and with the Articles of Association, and controlling the adequacy of the Company's organisational structure, internal control system and administrative and accounting systems.

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

The report provides details of the role and tasks of the Board of Directors, listing the functions that can and cannot be delegated, and providing up-to-date information on its composition and the meetings held in 2012 and 2013.

Specifically, the Board until 5th March 2013 comprised three independent non-executive directors – Mr. Gilberto Callera, Mr. Giancarlo Cerutti and Mr. Mario Greco. However, on the date indicated above, the independent director Mr. Mario Greco resigned from the Board of Directors and, consequently, also from its internal committees.
The Board of Directors that approved the draft of Saras S.p.A.' Financial Statements for the year ended 31st December 2012, the Report on Operations, as well as the Report on Corporate Governance, resolved not to proceed with the appointment of a new director, pursuant to article 2386 of the Italian Civil Code, and requested the forthcoming Shareholders' Meeting to deliberate with regards to the appointment of a new director to the Board. Therefore, as of today, the "Audit and Risks Committee" is composed by the independent non-executive directors Mr. Gilberto Callera and Mr. Giancarlo Cerutti and

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

by the non-executive director Mr. Gabriele Previati. Moreover, Mr. Callera and Mr. Previati are also members of the "Remuneration and Nomination Committee". Both Committees have consultative and advisory functions, as intended in the Code of Conduct, and met regularly during 2012 and in the first quarter of 2013, as illustrated in detail in the Report on Corporate Governance.

The Report also describes the Company's internal control system, whose responsibility lies with the Board of Directors, which establishes guidelines and regularly checks its suitability and effective operation, relying also on the support provided by the "Audit and Risks Committee" and the "Internal Audit" department. The Board of Directors, at its meeting held on 27th February 2013, appointed the Executive Vice President as the executive director responsible for supervising the operation of the internal control system.

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

Also part of the internal control system is the Company's "Code of Ethics", which sets out the principles and values adopted by Saras, with which every employee, partner and person interacting with Saras must comply. Moreover, to the internal control system relates also the "Organisational, Management and Control Model" adopted to implement the rules on corporate administrative liability laid down in the Legislative Decree 231/2001, and which is monitored by an appropriate oversight body.

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

Lastly, the Report describes the contents of the internal rules for managing inside information and the creation of a register of persons with access to such information, as well as the Code of Conduct on Internal Dealing, procedures for related party transactions, and the Code of Conduct for Saras Group Directors, as adopted by the Company's Board of Directors.

Regulatory Framework

The most important measures in 2012 relating to the environment, energy and health and safety at work were as follows:

- Interministerial decree, which involved the Ministry of Employment and Social Policies, the Ministry of Health and the Internal Affairs Ministry, dated 30th November 2012, containing standardised risk assessment procedures pursuant to art. 29 of Legislative Decree 81/2008.

- Ministry for Economic Development, 20th November 2012. New procedures for calculating the avoided fuel cost component, in accordance with CIP 6/92, and for calculating the adjustment value of said component for 2011 (Official Gazette 280 dated 30th November 2012).

- Ministry for the Environment, Decree 210 of 17th October 2012. Regulation concerning amendments to the Ministry for the Environment Decree 141 of 25th May 2012. The decree contains provisions on the suspension of the payment of contributions for the Sistri waste tracking system.

- Ministry of the Environment, Decree 161 of 10th August 2012. Regulation governing the use of excavated soil and rocks.

- Internal Affairs Ministry, Decree of 7th August 2012. Provisions relating to the methods of submitting applications relating to fire prevention procedures and the documentation to be attached, pursuant to art. 2, para. 7, of Presidential Decree 151 of 1st August 2011.

- Law 134 of 7th August 2012. Conversion into law, with amendments, of Decree Law 83 of 22nd June 2012, containing urgent measures for the country's growth. Sistri's operations were suspended as a result of this decree.

- Ministry of Employment and Social Policies, Decree of 6th August 2012. Implementation of European Commission Directive 2009/161/EU of 17th December 2009, which defines the third list of indicative values of exposure limits, in application of Council Directive 98/24/EC and which amends Commission Directive 2009/39/EC.

- Ministry of Health, Decree of 9th July 2012. Content and procedures for disclosing information on aggregated employee health and risk data, pursuant to art. 40 of Legislative Decree 81/2008 on health and safety at work.

- Directive 2012/18/EU of the European Parliament and of the Council of 4th July 2012. Directive

on the control of the risk of major accidents connected with hazardous substances, containing the amendment and subsequent annulment of Council Directive 96/82/EC. The directive, called "Seveso ter", must be implemented in Italy by 31st May 2015.

- Regulation (EU) No 530/2012 of the European Parliament and of the Council of 13th June 2012. Regulation on the fast-track introduction of legislation on double-hull or equivalent technology for single-hulled oil tankers.

- European Commission, Implementing Decision 2012/249/EU of 7th May 2012. Decision relating to the definition of the start and stop periods pursuant to Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions.

- Law 35 of 4th April 2012, Conversion to law, with modifications, of Decree Law 5 of 9th February 2012, containing urgent simplification and development issues. This Law introduced a number of amendments to Legislative Decree 152/2006 on environmental issues.

- Ministry for Infrastructure and Transport, Decree of 2nd March 2012. General provisions on limiting or prohibiting the transit of cargo ships in order to protect sensitive areas in Italian seas.

- European Commission, Implementing Decision 2012/115/EU of 10th February 2012. Decision relating to the regulations concerning national transit plans pursuant to Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions.

- Council of Ministers, Decree Law 2 of 25th January 2012. Extraordinary, urgent measures on environmental issues. This decree contains provisions applicable to landfill management.

- Council of Ministers, Decree Law 1 of 24th January 2012. Urgent provisions on competitiveness and infrastructure development. The Decree contains regulations on dredging in sites of national interest and on the materials arising from such activity and regulations on excavated earth.

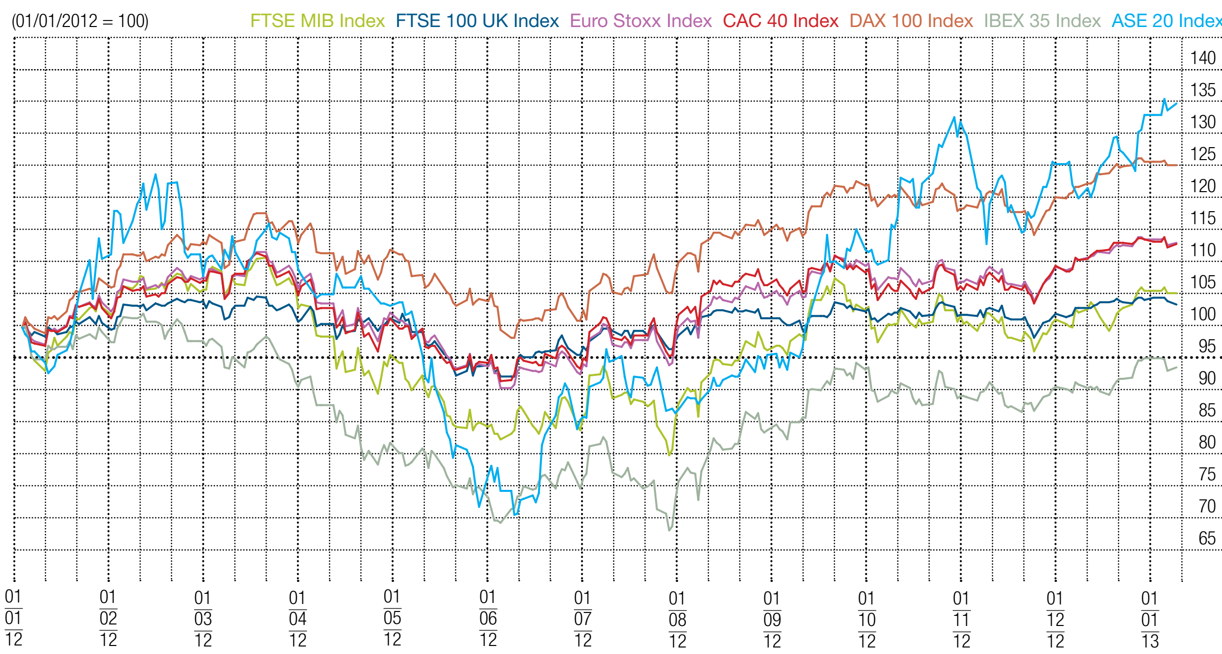
05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Stock Markets Performance

2012 was overall a positive year for financial markets, with all the major stock market indexes posting gains on their closing positions at the end of last year, and notwithstanding the persistent weakness of the global macroeconomic scenario, and a new wave of recession going through Europe and Japan (the so called "double-dip recession").

The positive performance achieved in 2012, however, should take into account that in the fourth quarter of 2011 the markets had a steep downward movement, due to concerns with the financial troubles of the Euro Zone, and in particular with the dramatic situation which brought Greece very close to default. The stock markets thus began 2012 a little depressed, but rallied quickly in the first quarter, especially after the announcement of two "Long Term Repurchase Operations" (LTRO) by Mr. Mario Draghi, the President of the European Central Bank (ECB).

Main European Stock Markets (source: Bloomberg)



FTSE MIB Index: Index of the 40 most representative stocks traded in the Italian market

FTSE 100 UK Index: Index of the 100 most representative stocks traded in the English market

Euro Stoxx Index: Composite Index representing the main 12 countries of the Euro Zone

CAC 40 Index: Index of the 40 most representative stocks traded in the French market

DAX 100 Index: Index of the 100 most representative stocks traded in the German market

IBEX 35 Index: Index of the 35 most representative stocks traded in the Spanish market

ASE 20 Index: Index of the 20 most representative stocks traded in the Greek market

These extraordinary LTRO programmes provided about EUR 1 trillion of liquidity to the European banking system, with 1% interest rate and 3-year maturity. The liquidity was mostly taken up by various banks in the weaker countries of the Euro Zone, and it was subsequently used to buy local government' bonds at much higher yields. Such operations produced double benefits: on the one hand, banks could finally make some robust profits, badly needed in order to improve their troubled balance sheets; on the other hand, the countries involved could find much-needed demand for their government' bonds, thus limiting the growth of the spreads to the German Bund.

After the above described rebound in the first quarter, stock markets started to descend again in the first half of April. Indeed, enthusiasm for the extra LTRO liquidity started to fade, while negative news on the global economy prevailed, and a long stream of economic indicators fell quite short of expectations. Moreover, the difficult political elections in Greece contributed to keep the financial markets under stress. Actually, it took great efforts in order to achieve a coalition majority in Greece in favour of the austerity programme, under the leadership of Mr. Antonis Samaras. Without this sacrifice, Greece would have not managed to obtain the green light for the bailout package granted by the European Union and the International Monetary Fund. Default would have been unavoidable, hence leading to the exit from the Euro Zone.

Subsequently, over the summer, the economic and fiscal conditions in Spain rapidly deteriorated, once again calling into question the survival of the Euro. The situation became so serious that Mr. Draghi decided to announce publicly the strong determination of the European Central Bank to defend the Euro, using any possible means. Today everybody can still remember Mr. Draghi's famous declaration: "*the ECB will do whatever it takes to defend the Euro and, believe me, it will be enough!*"

Notwithstanding the initial opposition of the Bundesbank, a few days after Mr. Draghi's declaration, also Mrs. Angela Merkel, the German Chancellor, stood by the position of the ECB, and the financial markets found again the confidence and the enthusiasm to start another strong rally. The rebound continued during the summer and extended also well into September, thanks to the decision of Mr. Ben Bernanke, United States FED Governor, to continue indefinitely his policy of "quantitative easing", until there has been sufficient recovery for the US rate of unemployment to fall below 6.5%.

Investor sentiment changed again towards the end of October, when the international rating agency Moody's lowered the European Union's outlook from "Stable" to "Negative", while still retaining its "Aaa" rating, citing as a motivation the weakening credit-worthiness of the region's biggest members, namely France and Germany. In that context, the lack of agreement between the European leaders on when to introduce the banking union for the entire Euro Zone certainly did not help.

The uncertainty continued through mid-November, with investors fearing the so called "fiscal cliff" in the United States. This is a series of automatic spending cuts combined with tax increases, summing up to more than USD 600 billion, which would remarkably alter the 2013 economic policies in the USA, with the risk of pushing America into a recession, and potentially spreading on a global scale.

Lastly, towards the end of the year, markets found the strength for a final rebound, possibly thanks to the re-election of Mr. Barack Obama for a new term as US President, and the belief that he could somehow facilitate a compromise between the position of the Democrats, which support greater state intervention, and the Republicans, which instead ask for a leaner central state.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Saras Share Performance

Below are some data concerning daily prices and volumes relating to the Saras share, for the period from January 2nd 2012, to December 28th 2012.

SHARE PRICE (EUR)	2012
Minimum price (26/06/2012) *	0.667
Maximum price (08/02/2012) *	1.238
Average price	0.943
Closing price on 28/12/2012	0.990

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

DAILY TRADING VOLUMES	2012
Maximum volume in EUR m (23/03/2012)	55.1
Maximum volume in number of shares (ml) (04/07/2012)	56.0
Minimum volume in EUR m (30/08/2012)	0.5
Minimum volume in number of shares (ml) (30/08/2012)	0.6
Average volume in EUR m	3.7
Average volume in number of shares (ml)	3.8

As of December 28th 2012 the market capitalisation was EUR 941 million and, at the same date, the shares outstanding were approximately 928 million. Moreover, at the end of FY/12 Saras held in treasury approximately 23 million of shares, which correspond to 2.4 % of the share capital. For the detail of Saras own shares held in treasury and for the related transactions during the year, please refer to the Report on Operations within the Saras S.p.A. Financial Statements.

In the following graph we compare the daily performance of Saras share price with the FTSE Mib Index of the Italian Stock Exchange in Milan.
It is possible to note that, starting from a price of EUR 1.00 on January 2nd 2012, the Saras share moved practically in parallel with the FTSE Mib Index for the entire year.

There was initially a period of appreciation during the first two months, when an optimistic view prevailed in the markets, thanks to the expansive measures adopted by the European Central Bank. The Saras share price outperformed the market, reaching a peak of EUR 1.24 on February 8th, up 24% versus the beginning of the year (while, on that same date, the FTSE Mib Index was up by only 7.9%).

At the end of February, however, investor sentiment radically changed because of the previously mentioned troubles of the Euro Zone. All equity markets were pushed down a steep descending path. Our share, within the general market trend, reached its lowest value of EUR 0.67 on June 26th.

05
THE SARAS
GROUP

06
MILESTONES

08
LETTER TO
SHAREHOLDERS

SARAS GROUP
REPORT ON
OPERATIONS

96
SARAS GROUP
CONSOLIDATED
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

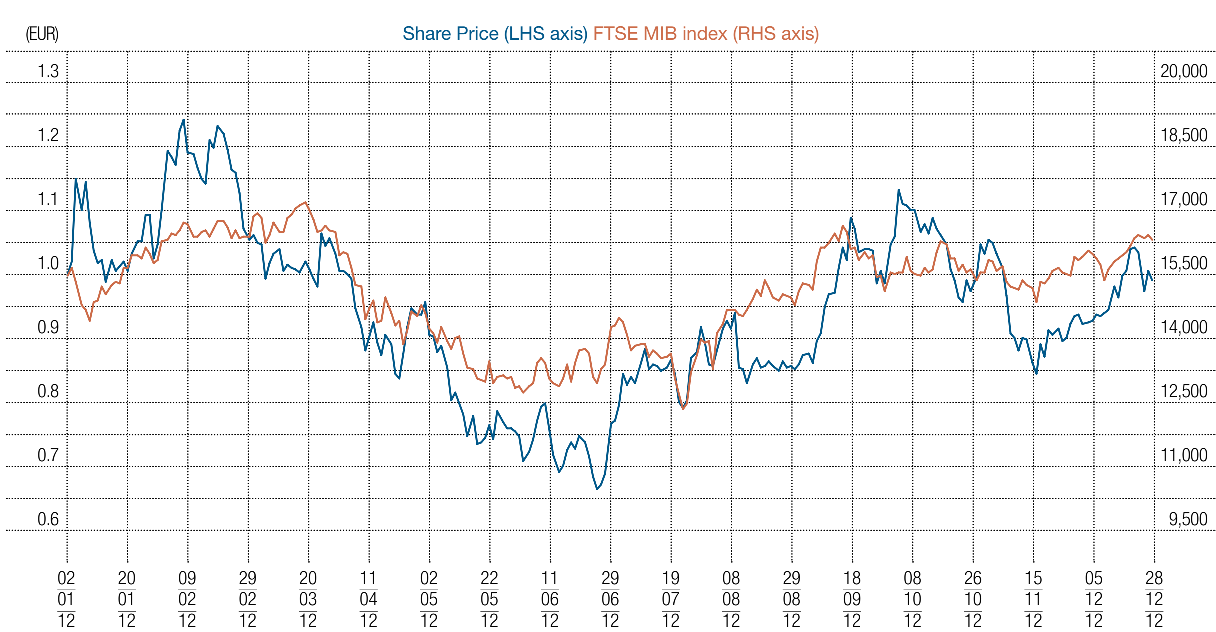
101
NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

163
SARAS S.P.A
REPORT ON
OPERATIONS

175
SARAS S.P.A
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

181
NOTES TO
SARAS S.P.A
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

239
REPORTS
TO THE
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

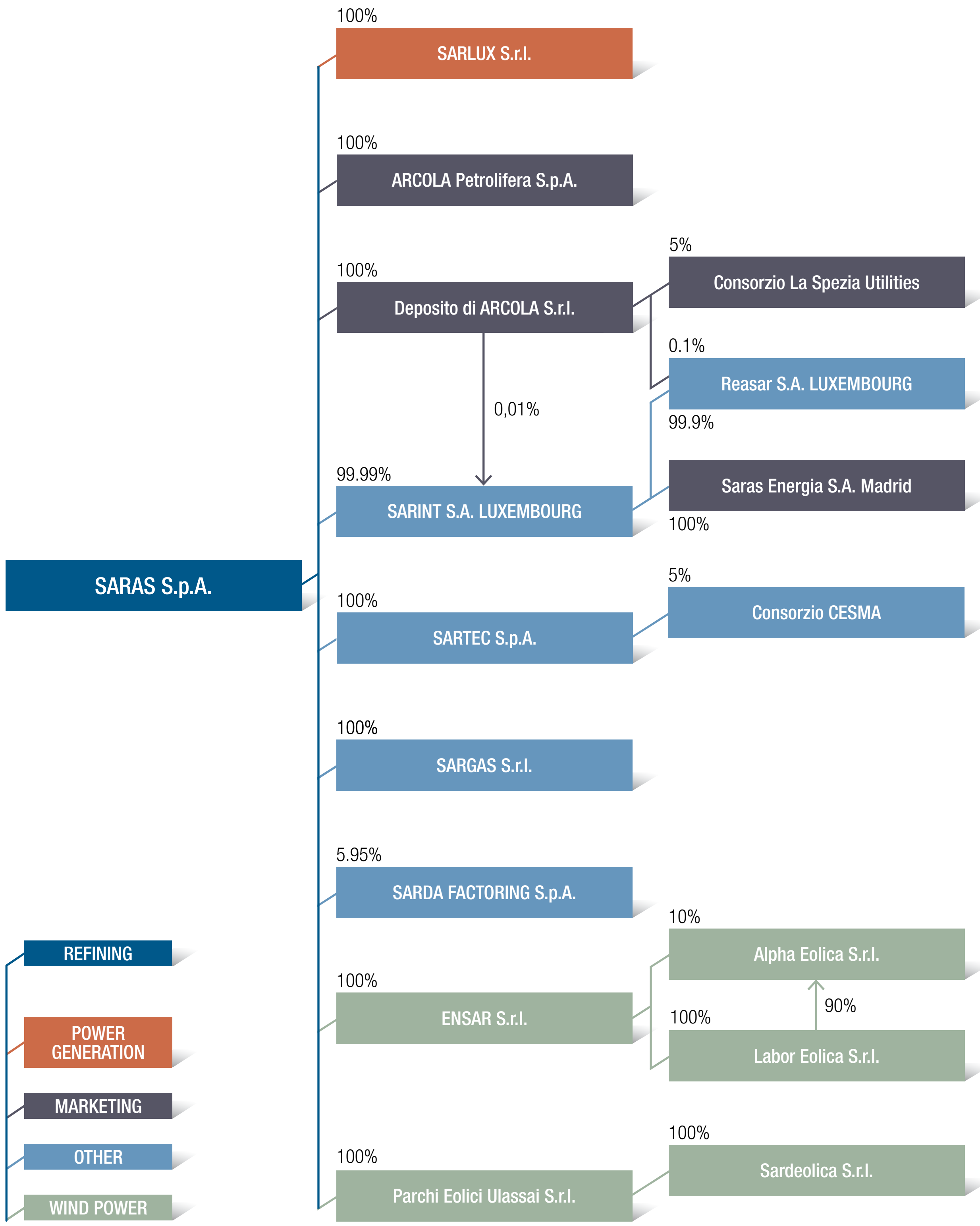


Later on, the Saras share posted a strong rebound (reaching EUR 1.11 on October 4th) thanks to a favourable period for refining margins during the third quarter, at the time of the US "driving season".

Towards the middle of October, however, the Saras share price fell more than the Italian index, touching a bottom of EUR 0.84 on November 16th. Indeed, notwithstanding very strong financial results in the third quarter of 2012, the deterioration in the economic context and a simultaneous drop in refining margins, convinced investors to reduce the exposure of their portfolios to the European refining sector.

Finally, market rumours about a potential strategic alliance between Saras and some international partners allowed the Saras share price to end the fourth quarter along an ascending path, closing the year at EUR 0.99 on December 28th, which is practically equal to the price at the beginning of the year.

Structure of the Saras Group



Registered offices of consolidated companies

Saras S.p.A.
SS. Sulcitana 195, Km 19
09018 Sarroch – Cagliari

Sarlux S.r.l.
SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Arcola Petrolifera S.p.A
SS. Sulcitana 195, Km 19
09018 Sarroch - Cagliari

Deposito di Arcola S.r.l.
Via XXV Aprile 18
19021 Arcola - La Spezia

Reasar S.A.
6B, route de Trèves
2633 Luxembourg (Senningerberg)
Luxembourg

Sarint S.A.
23, rue Beaumont
1219 Luxembourg
Luxembourg

Saras Enegia S.A.
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Spain

Sartec S.p.A.
Traversa Seconda Strada Est
Zona Industriale Macchiareddu
09032 Assemini – Cagliari

Sargas S.r.l.
Sesta Strada Ovest - Z.I. Macchiareddu
09010 Uta - Cagliari

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05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Comment to Saras Group Results

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Below are key consolidated performance and financial figures, shown in comparison with the data related to the previous year. In order to give a better presentation of the Group's operating performance, and in line with the standard practice in the oil industry, the Operating Results (EBITDA and EBIT) and the Net Results are provided also with a valuation of oil inventories based on the LIFO methodology (instead of the FIFO methodology used in the Financial Statements prepared in accordance with IFRS). The LIFO methodology does not include revaluations and write-downs and combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, for the same reason, non-recurring items and changes in derivatives' fair values are deducted both from the Operating Results and from the Net Results. Operating Results and Net Results calculated as above are called respectively "*comparable*" and "*adjusted*", and they are not subject to audit.

SARAS GROUP CONSOLIDATED INCOME STATEMENT FIGURES:

EUR Million	**2012**	**2011**	**Change**
REVENUES	11,889	11,037	8%
EBITDA	173.6	394.3	-56%
***Comparable* EBITDA**	**217.3**	**267.8**	**-19%**
EBIT	(70.6)	181.0	-139%
***Comparable* EBIT**	**9.1**	**54.5**	**-83%**
NET RESULT	(90.1)	58.8	-253%
***Adjusted* NET RESULT**	**(35.2)**	**(17.7)**	**-98%**

OTHER GROUP FIGURES:

EUR Million	**2012**	**2011**
NET FINANCIAL POSITION	(218)	(653)
CAPEX	119.3	105.0
OPERATING CASH FLOW	534	(9)

Comments to full year 2012 results

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

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

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

Group *comparable* EBITDA amounted to EUR 217.3 m in FY/12, lower than EUR 267.8 m achieved in FY/11. Similarly, **Group *adjusted* Net Result stood at EUR -35.2 m**, down versus the *adjusted* Net Result of EUR -17.7 m in FY/11. The main difference in the two periods under comparison is due to the result of the Refining segment. As mentioned at the beginning of this section, *reported* and *comparable* figures differ primarily because of the different methodologies used to value oil inventories, as well as for non recurring items and changes in fair values of derivative instruments. The relevance of the various items for FY/12 is shown in the dedicated tables.

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

DETAIL OF GROUP NET RESULT ADJUSTMENT:

EUR Million	2012	2011
***Reported* NET RESULT**	**(90.1)**	**58.8**
(inventories at LIFO – inventories at FIFO) net of taxes	27.0	(72.6)
non recurring items net of taxes	25.3	4.4
change in derivatives fair value net of taxes	2.6	(8.3)
***Adjusted* NET RESULT**	**(35.2)**	**(17.7)**

DETAIL OF GROUP EBITDA ADJUSTMENT:

EUR Million	2012	2011
***Reported* EBITDA**	**173.6**	**394.3**
inventories at LIFO – inventories at FIFO	43.7	(126.5)
non recurring items	0.0	0.0
EBITDA *comparable*	**217.3**	**267.8**

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

Segment Review

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Refining

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

REFERENCE MARKET

2012 was a very difficult year for the global economy. Brent Dated had a yearly average of 111.6 $/bl, basically unchanged versus the average in 2011 (111.4 $/bl). This situation came as a consequence of a balance between some factors which supported oil prices (i.e. geopolitical tensions in various regions of the globe, and in particular in Syria, Sudan, Nigeria and Yemen, production problems in various oil fields in the North Sea and also in Brasil and Angola, and obviously also the oil embargo declared by Europe against Iran), and concerns related to the macro-economic context in Southern Europe, the slowdown of Chinese growth, and also the difficulties of the US Congress in reaching an agreement on the fiscal policies required to avoid the so called "fiscal cliff".

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

Crude oil prices (Source Platts):

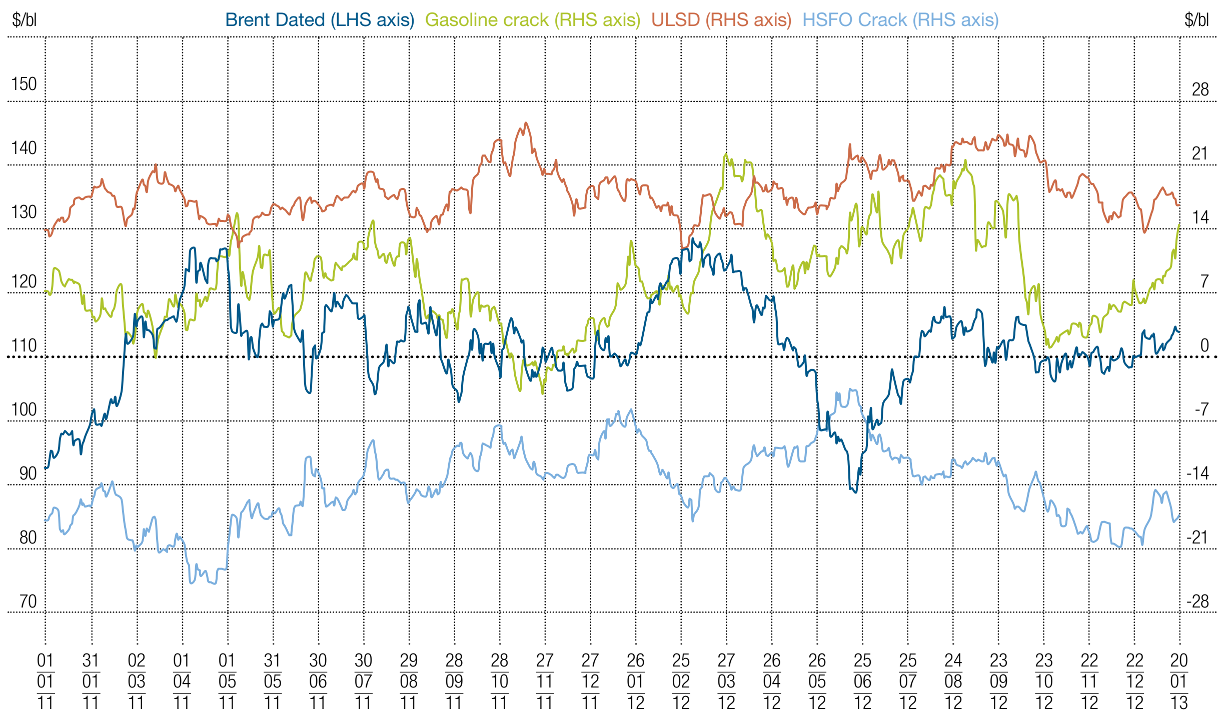
In the first quarter of 2012, crude oil prices registered a strong progression, because supply concerns prevailed on the downward pressures exerted by the deteriorating macro economic conditions. Brent Dated started the period at 106.5 $/bl, and progressively climbed, closing the first quarter at 123.5 $/bl. Among the main events which caused concerns to supply we can mention the following: worsening tensions between Iran and the Western World; the outbreak

Yearly Average Values [1]	2012	2011
Crude Oil ($/bl)		
Price of Brent Dated (FOB Med)	111.6	111.4
Price of Urals (CIF Med)	110.5	109.2
"Heavy-Light" price differential	1.1	2.2
Prices of Refined Products ($/ton)		
ULSD	968.6	957.8
Gasoline 10ppm	1,021.3	979.4
HSFO	624.5	603.7
Crack spreads for refined products ($/bl)		
ULSD	18.6	17.3
Gasoline 10ppm	10.7	5.9
HSFO	-12.5	-15.6
Other profitability indicators		
EMC Benchmark margin ($/bl)	0.9	-1.1
USD/EUR forex	1.285	1.392

1. **Sources: "Platts"** for prices and *crack spreads*, and **"EMC"** for the reference refining margin called "EMC Benchmark"

NB: "Brent Dated" is the light sweet reference crude oil (Platts' FOB Med quotations), while **"Urals"** is the heavy sour reference crude oil (Platts' CIF Med quotations)

2011-12: Brent DTD, Gasoline and ULSD *Crack Spreads* (source: Platts)



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

of riots in Nigeria due to the removal of subsidies on fuel prices; and finally, the geopolitical crises in Syria, Sudan and Yemen, which removed from the markets a combined production of approximately 600 thousand barrels per day.

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

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

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

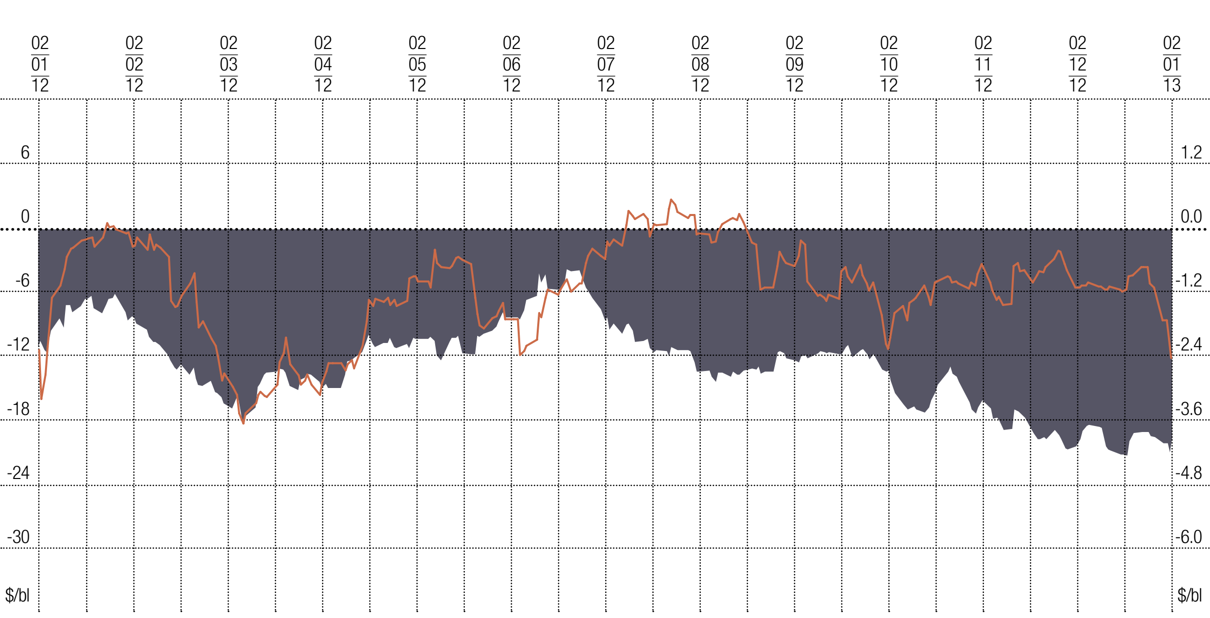
Price differential between "heavy" and "light" crude oil grades (i.e. "Urals" and "Brent" respectively):

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

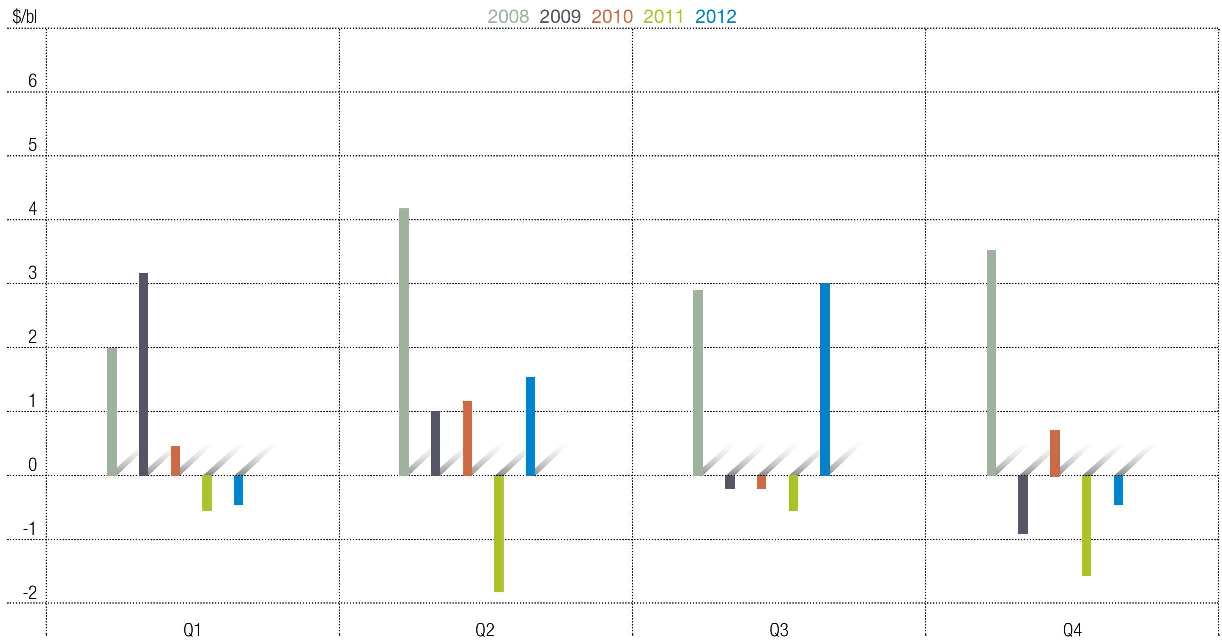
During the second quarter of 2012, the "heavy-light" differential started to shrink again, and it reached a relative minimum of -0.6 $/bl on the 18th of May. In fact, in a market of decreasing oil prices, "Urals" crude oil was more resilient thanks to the progressively reduced availability of heavy and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

During the third quarter, the "heavy-light" differential was initially affected by the Iranian embargo: for the whole month of July and up until the 20th of August, heavy crudes were under pressure, with frequent inversion periods during which Urals crude oil was exchanged at a premium vs. Dated Brent. Afterwards, production problems in the oilfields of the North Sea, attacks to Nigerian oil installations, and escalating tensions in the Kufra district (in the south-eastern part of Cyrenaica region in Libya and close to many

2012: "Ural – Brent DTD" price differential and High Sulphur Fuel Oil (HSFO) crack spread (Source: Platt's)



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



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

oil fields), rekindled market interest for "light" crude oils. The "heavy-light" differential widened, reaching approx. -1.0 $/bl at the end of the quarter. Furthermore, demand for Urals decreased in September, because of maintenance shut-downs in several Russian refineries. This event reduced speculating pressure on the heavy crude oils complex.

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

Refining Margin:

Moving to the profitability analysis of the refining industry, the graph below shows the refining margin after variable costs calculated by EMC (Energy Market Consultants) for a mid-complexity coastal refinery in the Mediterranean Sea. This margin is traditionally used by Saras as a benchmark.
The EMC Benchmark remained weak in Q1/12 (average of -0.5 $/bl vs. -0.6 $/bl in Q1/11) although, in sequential terms, there was a slight progression versus the absolutely depressed levels of late 2011 (-1.5 $/bl in Q4/11). The weakness in the EMC Benchmark margin reflected the difficulties of the European refining sector, squeezed between high prices of crude oil (supported by production problems, supply concerns and geopolitical tensions), and inadequate prices for refined products (as a consequence of the drop in consumption, due to a persistently negative economic scenario).

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

In Q3/12, margins continued to rise driven by gasoline quotations, which posted extraordinary gains due to unexpected production problems in several American refineries (accidents and hurricane Isaac), right at the time when US demand was at its peak. Given that the United States

are the world's largest gasoline consumer, the effects of this production "squeeze" spread all over the world. In Europe, the EMC Benchmark margin climbed to the average of 3.0 $/bl (vs. -0.6 $/bl in Q3/11), a value unseen since 2008.

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

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

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

Concerning the crack spread of middle distillates, it remained at reasonable levels in Q1/12 (average at 16.7 $/bl), thanks to decent seasonal demand for heating oil, as it usually happens during the winter season. Subsequently, it further strengthened in Q2/12 (average at 17.6 $/bl), notwithstanding the contraction in demand due to the worsening economic crisis in the peripheral countries of the Euro Zone, mainly because of the drop in crude oil prices. Then, in the summer, the production difficulties mentioned earlier allowed a further strengthening of the crack spread

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

of diesel, leading its average to 20.9 $/bl in Q3/12. Finally, in Q4/12, the middle distillates crack spread slightly decreased. In fact, the high prices at the pump reduced diesel consumption, while a not particularly cold winter limited consumption of heating oil. The crack spread of diesel closed Q4/12 with an average of 19.1 $/bl.

Main operational results

Refinery runs in FY/12 stood at 13.3 m tons (97.2 m barrels, corresponding to 265 thousand barrels per calendar day), down 5% versus FY/11 because of higher scheduled maintenance activities on the primary distillation units during 2012.

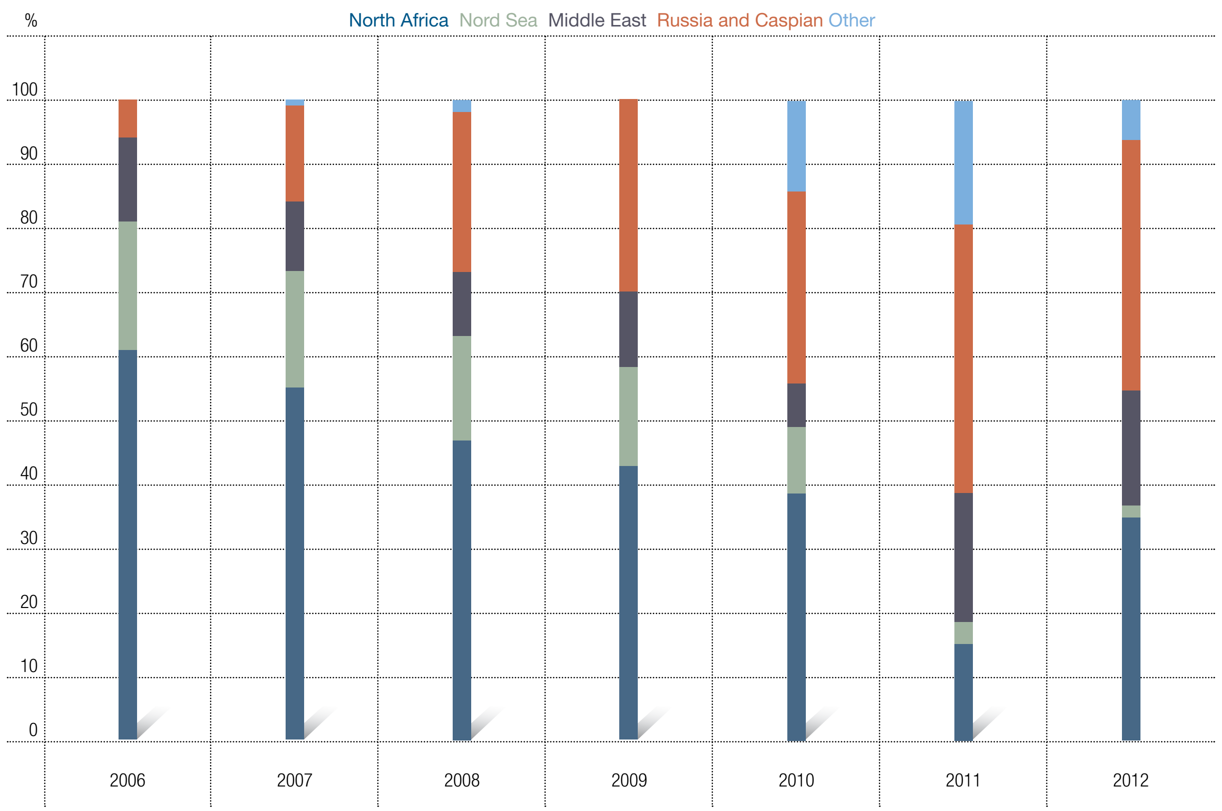
Refinery runs were entirely on Saras account, since all third party processing contracts expired in the previous years and they have not been renewed.

		2012	2011	%
REFINERY RUNS	Thousand tons	13,309	14,006	-5%
	Million barrels	97.2	102.2	-5%
	Thousand barrels/day	265	280	-5%

Crude oil feedstock by grade

		2012	2011
Light extra sweet		51%	46%
Light sweet		3%	2%
Medium sweet/extra sweet		2%	3%
Light sour		0%	0%
Medium sour		29%	30%
Heavy sour/sweet		15%	20%
Average Density	°API	33.1	32.2

Crude oil feedstock by origin



Crude oil feedstock

The crude mix processed in FY/12 had an average density of 33.1°API, up 1°API vs. the average of the previous year, because of the different market conditions in the two periods under comparison. Indeed, in FY/11, the Libyan crisis reduced the availability of "light sweet" crude oils.

Conversely, in FY/12 availability of "heavy sour" crude oils was reduced by the tensions between the European Union and Iran, which brought to the unilateral declaration of a total oil embargo, effective as of July 1st.

Production

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

		2012	2011
GPL	Thousand tons	205	238
	Yield (%)	1.5%	1.7%
NAPHTHA + GASOLINE	Thousand tons	4,002	3,824
	Yield (%)	30.1%	27.3%
MIDDLE DISTILLATES	Thousand tons	6,891	7,415
	Yield (%)	51.8%	52.9%
FUEL OIL & OTHERS	Thousand tons	272	623
	Yield (%)	2.0%	4.4%
TAR	Thousand tons	1,146	1,075
	Yield (%)	8.6%	7.7%

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

Main financial results

***Comparable* EBITDA of the Refining segment was EUR -63.3 m in FY/12** (down from EUR -9.9 m in FY/11), and Saras refining margin stood at 2.1 $/bl (vs. 2.8 $/bl in the previous year), while the EMC Benchmark margin had a yearly average of 0.9 $/bl (vs. -1.1 $/bl in FY/11).

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

When compared with the previous year, the result of the Refining segment in Q1/11 benefited from important trading profits, linked to the time differences between purchases and sales, in a market characterized by oil prices on a steep rising trend. On the other hand, the Libyan crisis dur-

EUR Million	**2012**	**2011**	**%**
EBITDA	(93.3)	123.7	-175%
***Comparable* EBITDA**	**(63.3)**	**(9.9)**	**-541%**
EBIT	(199.1)	13.4	-1,580%
***Comparable* EBIT**	**(169.1)**	**(120.1)**	**-41%**
CAPEX	**97.0**	**64.6**	
FOREX (EUR/USD)	1.285	1.392	-8%
EMC BENCHMARK MARGIN ($/bl)	0.9	(1.1)	
SARAS REFINING MARGIN ($/bl)	2.1	2.8	

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

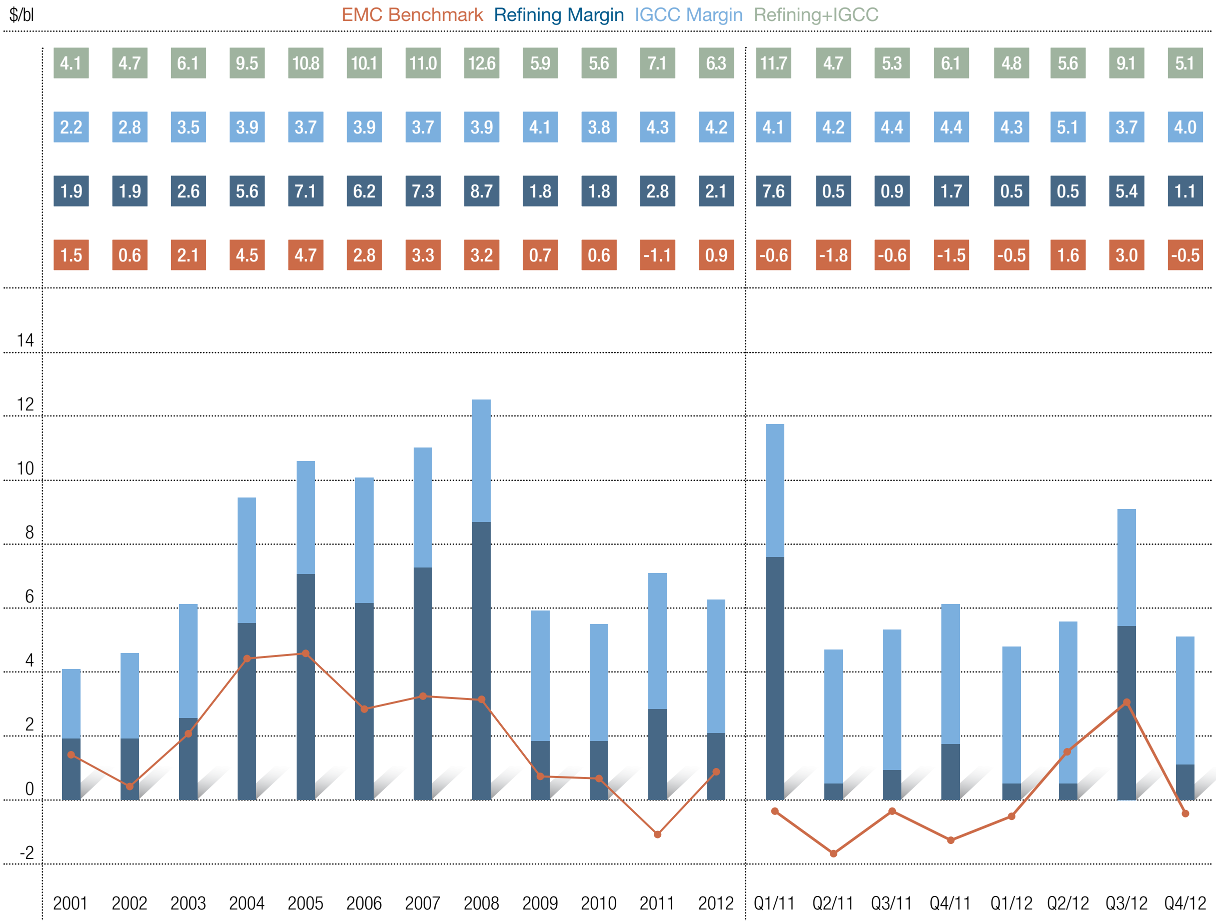
ing the central part of 2011 caused some limitations on the profitability of the Sarroch refinery, due to the unavailability of some Libyan crude oils, whose peculiar characteristics made them hardly replaceable.

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

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

Lastly, the following graph shows the historical trends for the Saras refining margin after variable costs, the IGCC margin, and also the EMC Benchmark margin (which is also net of the variable costs).

Saras Group: Refining Margins 2001 - 2012



Refining Margin: (*comparable* EBITDA Refining + Fixed Costs) / Refinery runs in the period

IGCC Margin: (EBITDA IGCC plant + Fixed Costs) / Refinery runs in the period

EMC Benchmark Margin: refining margin after variable costs, calculated by EMC (Energy Market Consultants), for a Mediterranean coastal refinery of average complexity, with crude oil slate made of 50% Urals and 50% Brent. (Note: quarterly data are not subject to audit)

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

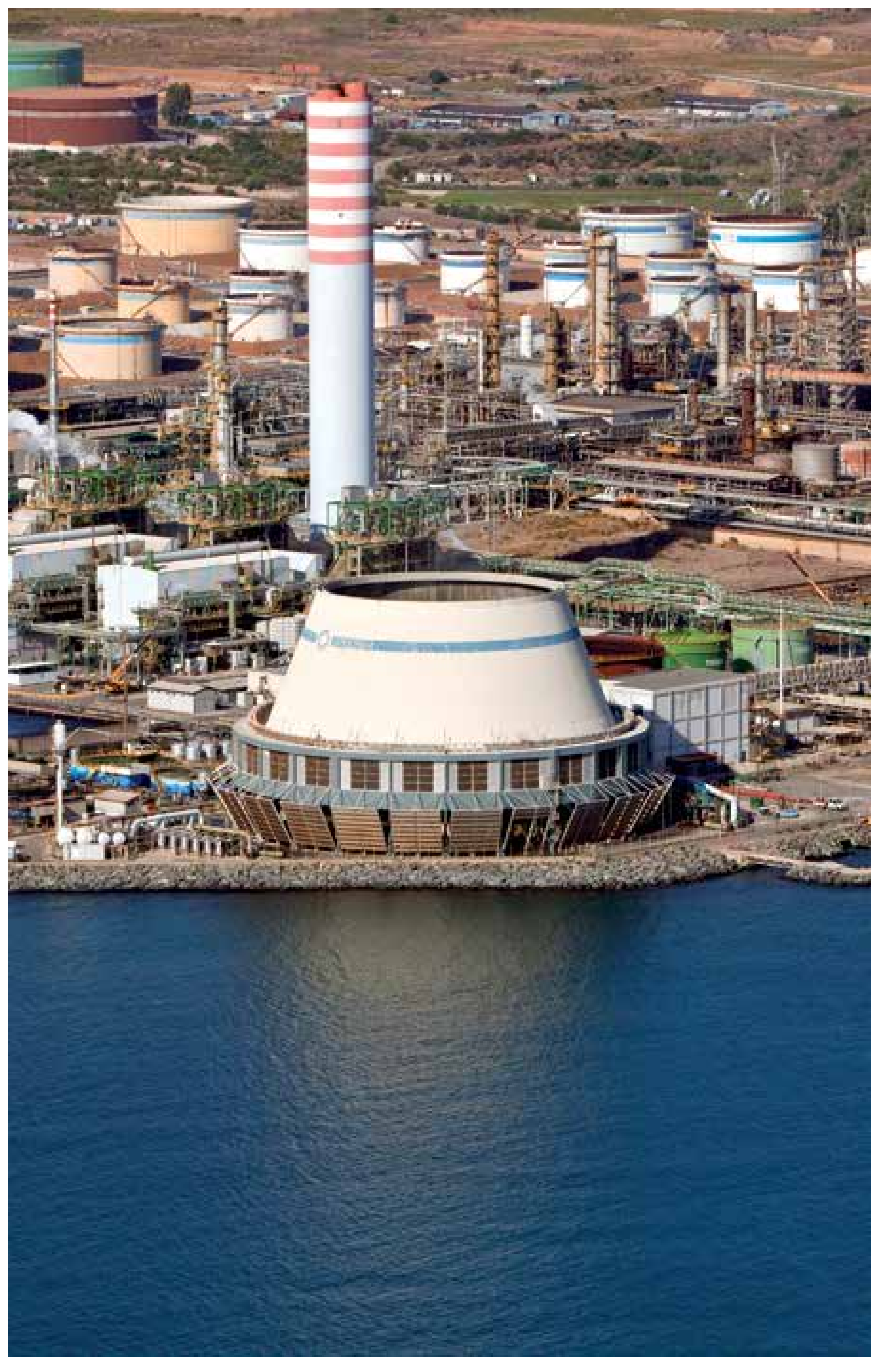
101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012



Power Generation

05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Saras Group is active in the power generation sector, through its subsidiary Sarlux S.r.l., which operates an IGCC plant (Integrated Gasification Combined Cycle), integrated with the Group refinery and located within the same industrial complex in Sarroch (Sardinia). The IGCC plant, with a total installed capacity of 575MW, is one of the largest in the world with its kind of technology, and it produces more than 4 billion kWh/year of electricity, which corresponds to more than 30% of the total power consumption in the island of Sardinia. Besides being a very large generator of electricity, the Sarlux plant is also one of the fundamental conversion units of the refinery and, at the same time, it is the most important utility of our industrial site, because it provides high volumes of hydrogen to the hydrocracking and hydrotreating units of the refinery, and it also produces high quantities of steam, later used by several other units in the refinery.

Reference market

National power demand in 2012 (including network losses and net of the electricity needed for pumping activities) equalled 325,259 GWh. The sharp drop (-2.8%) versus the previous year is due to continuing weak macroeconomic conditions, which caused a slow-down of all industrial and productive activities in almost all the regions of the Country.
Indeed, the increase of demand for electricity was widespread across the country, but in particular, the largest contraction took place in Sardegna (-10.3%). Sharp decreases were recorded also in the North-Western regions of Piemonte, Liguria and Valle d'Aosta (which cumulatively stood at -7.7%), in Triveneto (-5.5%), in Sicilia (-4.2%), and also in the Central regions of Abruzzo, Marche, Lazio, Umbria and Molise (which cumulatively posted -3.5%). Less remarkable contractions took place also in Emilia Romagna and Toscana (-2.0%) and in the Southern regions of Campania, Basilicata, Calabria e Apulia (with a cumulative -0.8%). The only region which was able to post an increase in demand was Lombardia (+1.7%), despite the context characterized by a widespread crisis.

In 2012, demand for electricity was met for 63% with thermoelectric production, for 13% with hydroelectric production, for 11% with other renewable sources (geothermal, wind power and photovoltaic production), and for the remaining 13% with imports of electricity from foreign countries. National net power production, equal to 284,798 GWh, was down by 2.8% versus 2011 (291,446 GWh).

Finally, the average National Electricity Tariff (PUN - Prezzo Unico Nazionale) in 2012 stood at 75.5 EUR/MWh, up by 4.6% versus the value recorded in the previous year (which was 72.2 EUR/MWh).

The results achieved in FY/12 were very satisfactory and power produc-

Yearly Average Values[1]		2012	2011
Italian Total Power Demand	GWh	325,259	334,640
Import	GWh	45,369	47,520
Internal Production[2]	GWh	284,798	291,446
of which: Thermoelectrical	GWh	204,796	218,486
National Electricity Tariff (PUN)[3]	EURcent/KWh	7.55	7.22

1. Data estimated by Terna (www.terna.it), subject to review

2. Production net of consumption for auxiliary services

3. Source: GME S.p.A. (www.mercatoelettrico.org)

EUR Million		2012	2011	Change
EBITDA		226.8	219.2	3%
***Comparable* EBITDA**		**226.8**	**219.2**	**3%**
EBIT		147.0	139.9	5%
***Comparable* EBIT**		**147.0**	**139.9**	**5%**
EBITDA ITALIAN GAAP		**178.3**	**115.8**	**54%**
EBIT ITALIAN GAAP		**133.2**	**71.3**	**87%**
NET RESULT ITALIAN GAAP		**70.8**	**40.2**	**76%**
CAPEX		8.7	31.2	
POWER PRODUCTION	MWh/1000	4,194	4,012	5%
POWER TARIFF	Eurocent/KWh	**12.2**	**10.6**	**16%**
IGCC MARGIN	$/bl	4.2	4.3	-2%

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

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

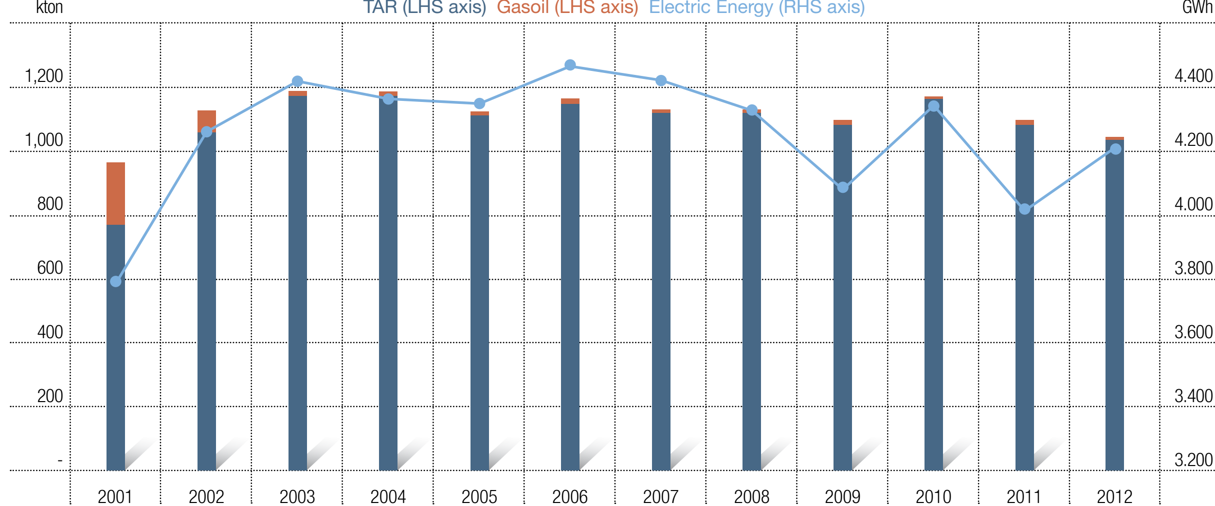
Italian GAAP EBITDA was EUR 178.3 m in FY/12, up 54% vs. FY/11, primarily because of higher power production, as well as the higher value of the CIP6/92 power tariff, which had an average of 12.2 EURcent/kWh (up 16% vs. FY/11). Further support to the results came also from the previously mentioned higher sales of hydrogen and steam.

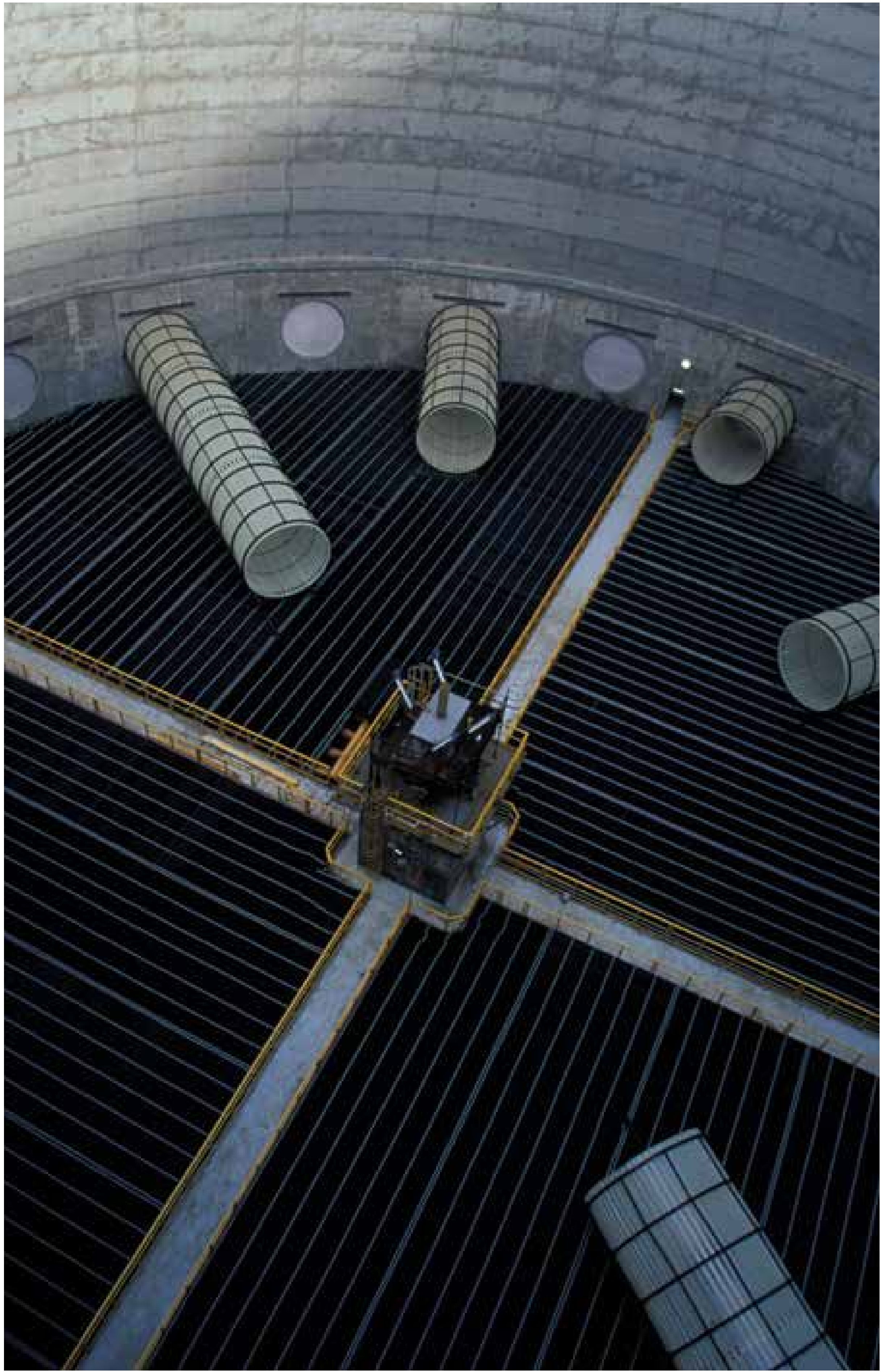
It should be mentioned that, on 20th November 2012, the Ministry for Economic Development issued a Decree that defines the mechanism, as established in the Resolution PAS 9/10 of the Electricity and Gas Authority, for the determination of the avoided fuel component (CEC) of the CIP6/92 tariff for the year 2011, with specific reference to the conventional efficiency of the plants, extending its applicability retroactively also to the year 2010. Such retroactive extension produced a negative impact of approx. EUR 8 m on the Q4/12 Italian GAAP Net Income. Moreover, on 29th January 2013, Sarlux S.r.l. appealed against the Decree.

CAPEX in FY/12 was EUR 8.7 m, in line with the programme.

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

Electricity production and IGCC feedstock





05
THE SARAS
GROUP

06
MILESTONES

08
LETTER TO
SHAREHOLDERS

SARAS GROUP
REPORT ON
OPERATIONS

96
SARAS GROUP
CONSOLIDATED
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

101
NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

163
SARAS S.P.A
REPORT ON
OPERATIONS

175
SARAS S.P.A
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

181
NOTES TO
SARAS S.P.A
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

239
REPORTS
TO THE
FINANCIAL
STATEMENTS
AS OF 31ST
DECEMBER 2012

Marketing

Our Marketing segment is primarily focused on the wholesale business, through our subsidiaries Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A. in Spain. More specifically, the Italian subsidiary uses a coastal depot for oil products owned by the Group and located in Arcola (La Spezia), with a total capacity of 200,000 cubic metres. Moreover, Arcola has some long-term rental contracts for storage space in other depots owned by third parties, and located primarily in the central and northern parts of the Italian peninsula (Livorno, Ravenna, Sannazzaro, Fiorenzuola, Marghera, Torre Annunziata, etc.).

The Spanish subsidiary, Saras Energia, manages a depot owned by the Group and located in Cartagena (Spain), with total capacity of 112,000 cubic metres, and it also uses oil terminals in other Spanish provinces (owned by operators like Decal, Tepsa and CLH), in order to distribute oil products in the entire Iberian peninsula. Saras Energia manages also a retail network composed of 114 service stations (of which 89 fully owned and other 25 on a long term lease), located primarily along the Spanish Mediterranean coast. Finally, operated and managed by Saras Energia, there is also a first generation Biodiesel plant, with a capacity of 200,000 tons/year, well integrated with the existing logistic.

Reference market

Macroeconomic conditions in FY/12 had a negative influence on consumption of oil products in the peripheral economies of the Euro Zone. In particular, sharp contractions of demand took place both in Spain and in Italy, where the Saras Group conducts its marketing activities in the retail and the wholesale channels.

In particular, the Spanish market posted a total decrease of 6.4% versus FY/11, due to a sharp drop in gasoline demand (-7.1%) accompanied by an analogous trend for middle distillates (-6.0%). Similarly, in the Italian market, total demand for oil products lost 8.4% versus FY/11, with heavy contractions for both gasoline (-10.8%) and middle distillates (-9.9%).

Main financial and operational results

In the market context described above, the Marketing segment still managed to post a good performance. Arcola Petrolifera sold 2,210

EUR Million		2012	2011	Change
EBITDA		17.9	37.4	-52%
***Comparable* EBITDA**		**31.6**	**44.5**	**-29%**
EBIT		(30.0)	25.2	-219%
***Comparable* EBIT**		**19.7**	**32.3**	**-39%**
CAPEX		**8.2**	**4.8**	
		2012	**2011**	**Change**
TOTAL SALES	Thousand tons	3,794	4,158	-9%
of which Italy	Thousand tons	2,210	2,367	-7%
of which Spain	Thousand tons	1,584	1,791	-12%

thousand tons (-7% versus FY/11), reducing the volumes sold to other oil companies, while partially compensating with an increase of sales unbranded ("white label") retail stations. Strong competition in a shrinking market, and the growing costs for bio-diesel blending obligations, caused a moderate reduction in gross margin.

Our Spanish subsidiary Saras Energia continued its strategy of optimization in the mix of sale channels, rationalizing volumes sold (-12% vs. FY/11), but improving gross margins (+15%).

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Wind

The Saras Group has been active in the production of electricity from renewable sources since 2005, through its subsidiary Sardeolica S.r.l., which manages a wind farm located in the Municipality of Ulassai (Sardinia) consisting of 48 "Vestas V80" aero-generators, with a total installed capacity of 96MW. New wind power installations in Italy during FY/12 totalled to 1,272 MW, bringing the total cumulative installed capacity in the country up to 8,144 MW.

The Ulassai Wind Park produced in 2012 approx. 171 GWh, which correspond to the needs of about 60,000 households. Since the start of operations in 2005, the cumulative production of electricity has been equal to approximately 1,200 GWh, which translate into savings of about 720,000 barrels of oil. Furthermore, power production from wind avoided emissions of CO_2 for more than 960,000 tons.

Integrated Certification for Safety, Environment and Quality

In 2006 Sardeolica achieved certification of its Environmental Management System according to the international standards ISO 14001:2004. Later, this certification was renewed in 2009 and subsequently, in July 2012, Sardeolica extended the certification of its Management System also to the standards BS OHSAS 18001:2007 (Health and Safety) and ISO 9001:2008 (Quality), using the certification agency "TÜV Austria".

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

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

Production 2012 [MWh]	Equivalent[1] number of Families	TEP[2] "saved"	Barrels of oil[2] "saved"
171,050.0	57,017	14,619.7	106,724

Production 2012 [MWh]	Polluting	Specific emissions[3] [kg/MWh]	Emissions avoided [t]
171,050.0	CO_2	828	141,629.4
	SO_2	3.8	650.0
	NOX	1.9	325.0

Production 2005-2012 [MWh]	Equivalent[1] number of Families	TEP[2] "saved"	Barrels of oil[2] "saved"
1,166,009.0	388,670	99,658.9	727,510

Production 2005-2012 [MWh]	Polluting	Specific emissions[3] [kg/MWh]	Emissions avoided [t]
1,166,009.0	CO_2	828	965,455.5
	SO_2	3.8	4,430.8
	NOX	1.9	2,215.4

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

2. 1 TEP = 7.3 barrels = 11,700 kWh (http://www.galileo2001.it/materiali/documenti/energia/energia_ambiente_01.php)

3. Official Regional Gazette of the Sardinian Autonomous Region, Parts I and II, No. 26, page 31 (30/08/2003)

EUR Million	2012	2011	Change
EBITDA	20.0	14.0	43%
***Comparable* EBITDA**	**20.0**	**14.0**	**43%**
EBIT	9.6	3.8	153%
***Comparable* EBIT**	**9.6**	**3.8**	**153%**
CAPEX	**3.8**	**2.5**	

		2012	2011	Change
ELECTRICITY PRODUCTION	MWh	171,050	140,897	21%
POWER TARIFF	EUR/KWh	7.1	7.5	-4%
GREEN CERTIFICATES	EUR/KWh	7.4	8.0	-7%

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

SARTEC (Saras Ricerche e Tecnologie)

Innovation for progress

SARTEC, a wholly owned subsidiary of the Saras Group, operates in the areas of:

- environmental protection (environmental engineering, environmental analysis and measurement systems, and analytical and monitoring services for the environment); and
- industrial efficiency and energy saving (engineering solutions for plant and automation, process control, energy savings solutions and measures also as an ESCO, supplies of package systems, analysis and proprietary products' systems).

The negative market trend seen in the last two years reversed in FY/12, with a 12% increase in production volumes versus FY/11, deriving primarily from work orders coming from companies which do not belong to the Saras Group. While the activities carried out on behalf of the parent company still played a strategic role, the sales generated in the "non-captive" market grew from 20% to 26% in the year (approx. EUR 1.5 m in absolute terms), thanks also to increased commercial efforts, and still offer interesting development opportunities today, in the reference sectors where the company is active (mainly petrochemicals, including outside Italy).

The Group's portfolio remained focused on plant engineering, automation engineering and environmental engineering solutions (about 74% of the total). In particular, among plant engineering solutions, the most significant activities relate to the supply of process analysis systems, fire and gas systems, electronic control systems for fire detection, and also the engineering and supply of drainage samples for various plants.

With reference to the environmental engineering solutions, the site-specific knowledge developed by SARTEC over the years allowed it to retain a presence in all activities related to the implementation of the solutions designed to meet Integrated Environmental Authorisation (AIA) requirements. In particular, SARTEC continued the monitoring activity for groundwater protection, as well as for fugitive emissions and for air quality. In addition, SARTEC continued to carry out the monitoring of odours, implemented on the basis of a proprietary innovative methodology that, during the year, met also the interest of other Italian refineries.

In 2012, also in favour of the parent company, SARTEC continued testing of various catalysts on its pilot plant; moreover, during the first half of 2013, a new pilot plant will be built in order to simulate the process of mild hydrocracking and achieve improvements in testing performance, for both Saras and third party clients.

Supporting activities continued in 2012, in order to obtain energy efficiency credits (TEE) for energy saving projects carried out within the Sarroch refinery. As a result, further 100,000 TEE were accrued. This specific competence, together with the capabilities developed within plant engineering solutions, allowed SARTEC to identify, during the year, new opportunities to develop energy saving projects applied to industrial processes, also within other Italian refineries.

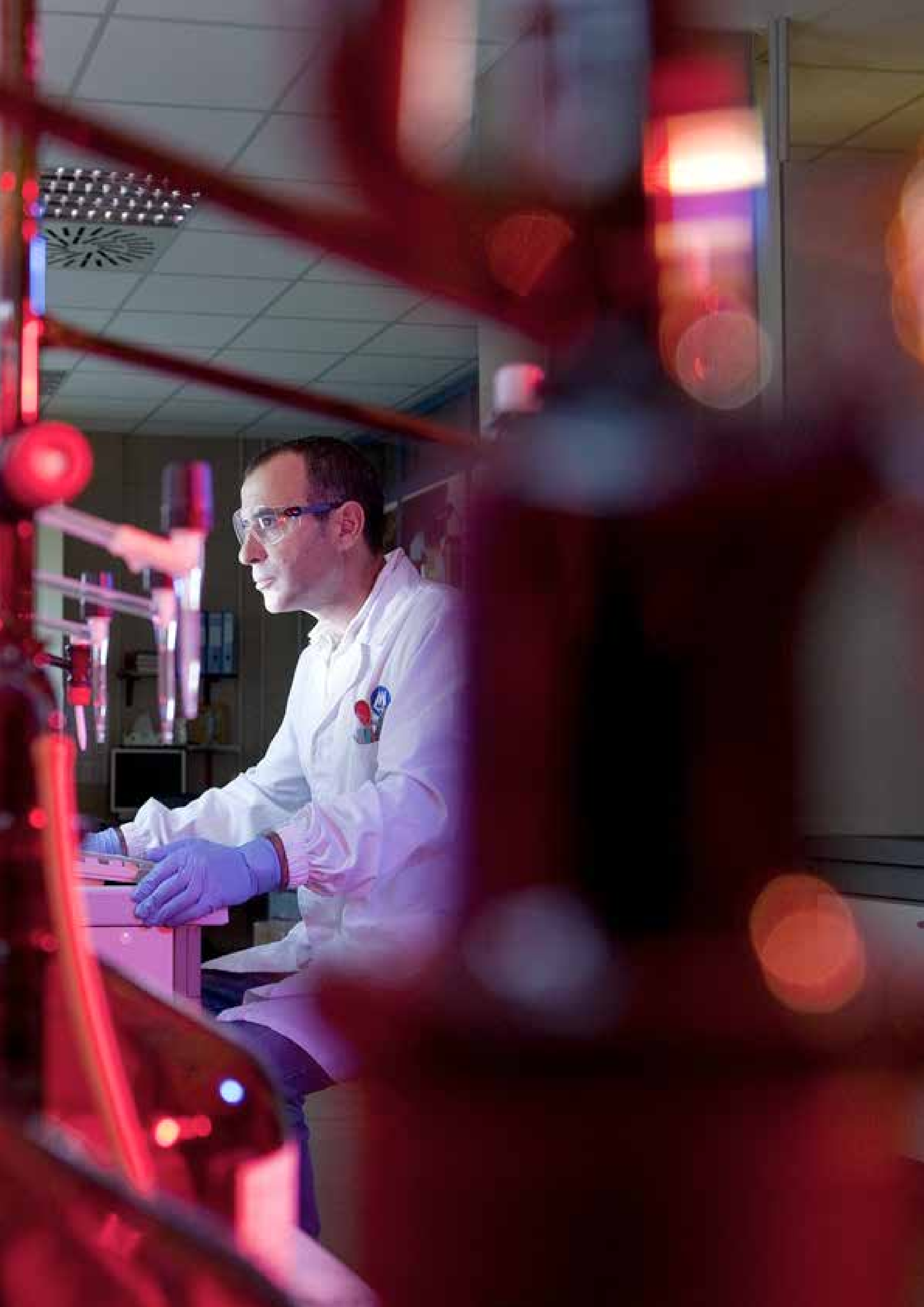
The portfolio of activities implemented in the open markets (i.e. not on behalf of the parent company), grew during the year, with the acquisition of new projects commissioned by industrial clients and public administration bodies. In particular, with regard to the industrial clients, it is worth mentioning the engineering and construction of a package plant dedicated to the filtration process of slurry oil, bespoke for an Italian refinery, for a total value of approximately EUR 1.5 million. Moreover, SARTEC confirmed its successful supplies to various parties of its proprietary products (such as drainage samples and valves) and environmental monitoring activities with innovative characteristics, such as the monitoring of fugitive emissions and odours.

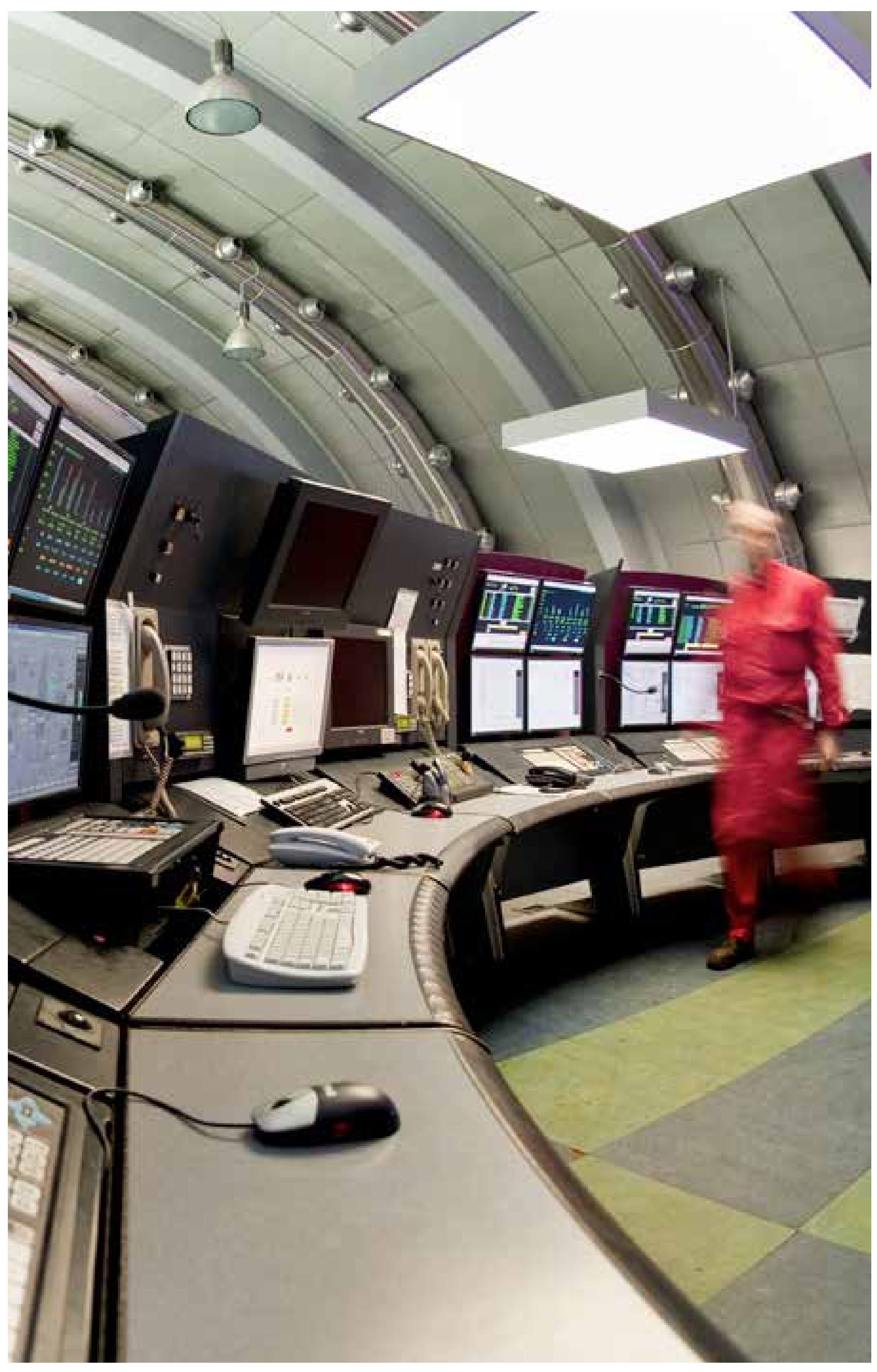
In the public administration sector, in addition to SARTEC's traditional presence in the supply and maintenance of systems for monitoring air quality, there were also some opportunities relating to the supply of energy production systems from renewable sources. Furthermore, SARTEC continued its collaboration with the Department of Mechanical Engineering of the University of Cagliari and with the Sardinia Forestry Commission, aimed at identifying better technical and business solutions for the design of a biomass cogeneration plant.

In foreign markets, the year saw further scouting activities aimed at identifying new business opportunities and maintaining contacts initiated in the past two years, particularly in Turkey and in Russia, as well as in Japan for a major engineering project of a control room which will be installed in a new refinery currently under construction in Saudi Arabia.

With regard to research and development activities carried out in collaboration with university bodies, during the year, SARTEC continued the project with the Department of Physics, Centre for Large Tools, of the University of Cagliari. The project concerns the development of an innovative tool for measuring flashlight temperature in blow down towers. In collaboration with various departments of the University of Cagliari and Sassari, SARTEC also carried out a multidisciplinary study for the assessment of potential impacts on health, environment, landscape, productive activities, and related mitigation measures, in connection with the perforation of an exploration well, for gaseous hydrocarbons in the region of Arborea. Moreover, further collaboration was undertaken with internships, doctorates and researchers, in order to increase knowledge both internally and on the regional territory.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012





Net Financial Position

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

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

EUR million	**31/12/2012**	**31/12/2011**
Medium/long term bank loans	(176)	(37)
Bonds	(249)	(248)
Other financial assets	6	0
Total long term net financial position	**(419)**	**(285)**
Short-term loan	(33)	(198)
Short term bank loans	(82)	(327)
Other Short-term financial liabilities	(6)	(6)
Fair value derivatives	(14)	(10)
Other financial assets held for trading	20	11
Cash and cash equivalents	303	139
Warranty deposits for derivative instruments	14	23
Total short term net financial position	**201**	**(369)**
Total Net Financial Position	**(218)**	**(653)**

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Strategy

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

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

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

In the Wind segment, the Group continues the development of two projects in Sardinia, with a total combined capacity of approx. 100 MW. For both projects the Environmental Impact Assessment ("V.I.A.") procedure is currently in progress. Moreover, regarding the pipeline outside Italy, the Group recently obtained full authorisation to start construction of a wind farm in Romania, with a capacity of approx. 100 MW.
Finally, regarding Gas Exploration, the Group is currently proceeding along the authorisation path to start drilling activities in an area located in Sardinia (the "Eleonora" project), where prudentially it estimates to obtain an annual production of 70 up to 170 million cubic meters of natural gas, for a production period of more than 20 years. Once the authorisation path has been completed with the Environmental Assessment Procedure (V.I.A.), it will then take between 4 and 6 months to drill the exploration well.

05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

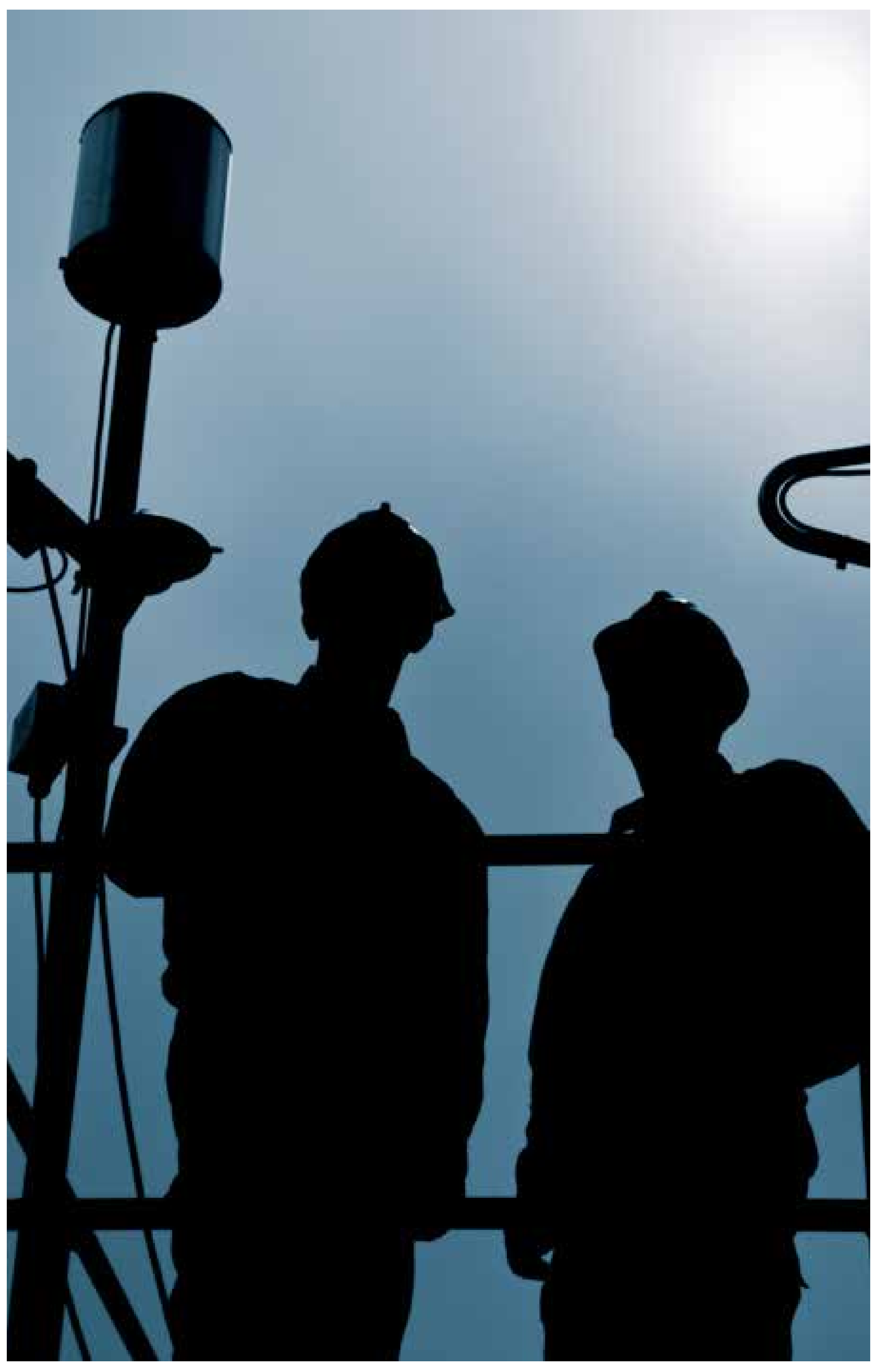
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012



Investments in FY/12

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

In 2012 capital expenditure totalled EUR 119.3 m, with the split detailed in the following table. This represents the continued commitment of Saras Group to keep its plants in perfectly safe and efficient condition, complying also with all the HSE requirements. Furthermore, it was decided to proceed with the implementation of some growth investments, while retaining at all times a sensible attitude aimed at preserving a robust financial position, in consideration of the persistently difficult economic conditions.

In particular, during 2012, in the Refining segment, CAPEX stood at EUR 97 m, of which approx. 30% dedicated to the revamping of the MildHydroCracking2 unit (MHC2). Activities are proceeding in perfect alignment with the programme towards the goal of having all the technical enhancements related to this revamping project fully operational during the second half of 2013.

EUR Million	**2012**	**2011**
REFINING	97.0	64.6
POWER GENERATION	8.7	31.2
MARKETING	8.2	4.8
WIND	3.8	2.5
OTHER	1.6	1.9
Total	**119.3**	**105.0**

Human Resources

Saras continues to tackle the challenging target of being one of the sector's best and most efficient operators so that it can successfully compete in a market that, also in 2012, was characterized by unforeseeable events which made the Company's ordinary activities even more complex. The high qualities of the Group's personnel played a fundamental role in responding quickly to the new scenarios, and in maintaining the ambitious targets set for the coming years.

The ability of the "Human Resources and Organisation" department to quickly find organisational and behaviour models better able to cope with the new scenarios, rapidly implement them, and adjust the defined action plans has been crucial.

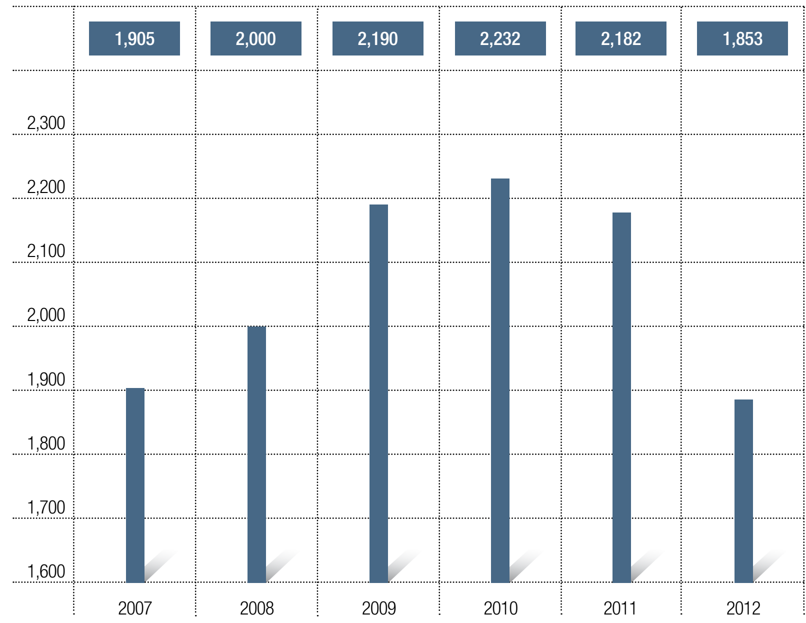
In FY/12 the company continued with the measures initiated in 2010 and further developed in 2011, with a specific "focus" on changing employees' behaviours and the way they carry out their jobs and assume the responsibilities which are required of them by the corporate organizational model. Therefore, starting from themes which were already studied in the previous two years, the following initiatives were designed and implemented, with the objective of:

- strengthening the sharing of the values, guiding principles and responsibilities of the organisation, within the change management process launched under the "Focus" and the "Safety is our Energy" programmes;
- defining the necessary measures required to manage personnel and achieve the recovery of operationing effectiveness and energy efficiency;
- bringing to completion the redefinition of the organizational layout and of its related operational mechanisms, implementing specific changes in Production Areas, strengthening control of operations, while at the same time reducing the number of direct reports to shift leaders, removing some daily roles, and downsizing the number of units

42.4 years
The average age of Group employees

50,929
training hours

Trend in Saras Group headcount



under the responsibilities of each Head of Production Area.

Remuneration Policies

Management Remuneration

Fixed gross annual pay is set by the national collective agreement for industrial managers. This remuneration may be supplemented by additional benefits and a variable component. The variable portion of the remuneration is established according to the strategic objectives and financial results, and is based on a “management by objectives” (MBO) system. In 2012, the “Employees’ Share Plan” and the “Stock Grant Plan” for management ended, as established by the Annual Shareholders Meeting held in April 2010.

Staff Remuneration

Fixed gross annual pay is set by the applicable National Collective Labour Agreement (CCNL). This pay may be supplemented by additional benefits and a variable component. The variable component of the remuneration for the middle management is set using a “management by objectives” (MBO) system, based on strategic objectives and financial results. In addition, for the entire workforce of the Group, the Annual Shareholders Meeting held in April 2010 approved a three-year “Employees’ Share Plan”, which ended in 2012.

Breakdown of Saras Group employees

manual and specialised workers	office staff	middle managers	managers
34%	48%	15%	3%

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Organizational developments

The Focus programme, launched in 2010, with the objective to maximise the plants' availability, reliability, efficiency and productivity over the long term, through more efficient processes supported by new organisational and behavioural models, is the foundation on which all HR management and development activities of the company rest.

In FY/12, efforts continued to be made with the objective to support the organization in the development of a business model capable of delivering greater flexibility and higher responsiveness to the refinery and, at the same time, quicker execution in the Supply, Trading & Oil Logistics departments in order to catch commercial opportunities as they arise. To this end, specific attention was dedicated to the definition of processes to optimize oil inventory management and shipping logistics.

In 2012 the Human Resources & Organisation department, entrusted with continuing the activities of "programme management" and "change management", channelled its efforts towards the improvement of the company's performance, through the use of initiatives aimed at creating a higher degree of involvement of the various organizational roles, starting from those with management responsibilities. In particular, emphasis was put on the development of a sense of ownership and responsibility, and on the contribution that each employee can deliver towards the achievement of goals, as well as on the importance of ensuring that all results of the improvement initiatives can be sustained over a long period of time.

A new experimental project was launched, to achieve higher efficiency and control in the planning and management of the field activities carried out by the external contractors.

Regular information of all employees about the implementation of the improvement initiatives and the results of the related projects was achieved thanks to the use of new corporate communication channels (i.e. newsletters and a network of monitors located in the plant).

Culture and Conduct

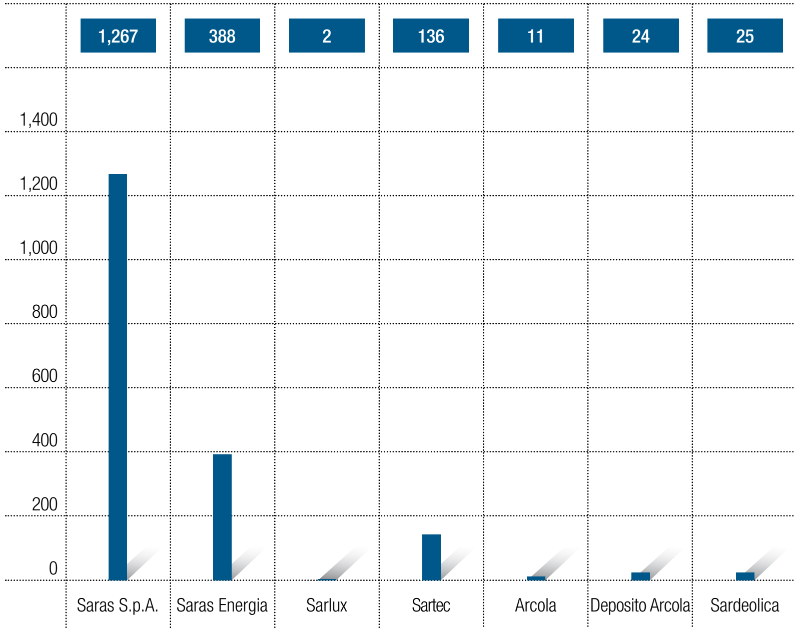
Based on the code of values and conduct of the company, and in order to disseminate behaviours which support a culture of "performance", several workshops took place in FY/12, involving various levels of the company's workforce with operational responsibilities. These workshops represented important occasions to discuss crucial themes, related to the current market conditions, which are extremely difficult. The name chosen for the series of workshops was "Leading our future", with the clear objectives on the one hand to create a company vision which embraces change and, on the other hand, to provide several useful tools and actions needed to support change.

Among the areas which could be explored in greater depth during the workshops, and starting from an evaluation of the results achieved with the projects dedicated to safety, it was decided to give priority to two main themes which have a direct impact for the company: energy efficiency and yields and set-up of the units. During the workshops, several practical actions were identified in order to increase the productivity of Saras. These actions were subsequently grouped into in the following macro areas: initiatives on the unit set-up; controlling initiatives; maintenance best practices; process best practices; internal communication and training; advanced controls/simulations/optimizations; technical yields; instrumentation and assets. Finally, scheduling and prioritisation for the implementation of the proposed initiatives was decided, and ownership of each initiative was subsequently assigned to the relevant corporate function, according to their respective areas of responsibility.

In line with what was discussed during the workshops, towards the end of the year planning started for the creation of a new evaluation system for organizational behaviours. Indeed, one of the key objectives of such system is to provide support to the employees in their adoption of the new organizational and behavioural models. The fundamental principles of the new system were presented towards the end of 2012 to the entire group of middle and senior managers. The system will be used and fully implemented during 2013.

The new system introduces a very important qualitative side to the

Breackdown of employees by company



05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

evaluation process, which comes in addition to the traditional appraisal of quantitative and financial performance. In this way, the objective is set for everybody to pay a correct level of attention, not only to the results as such, but also to the way in which these results are achieved, hence reminding everybody of their responsibilities to always act in compliance with company values, as previously identified.

Moreover, in 2012, the company's newsletter called "visBreaking News", which is now fully operational, and the network of monitors installed during the year, represented two important channels for internal communications. Saras used these tools to promote a culture of "results" and "responsibility". In particular, efforts were made to promote initiatives and behaviours which are essential to reach the improvement goals, both in the area of the operating performance and reduction of consumption and losses, and also in the area of health, safety and environment. Using the two tools in a parallel and synergic manner was a strategic choice. Indeed, levering on the peculiarities of each tool, and creating frequent loops between the one and the other, it was possible to enhance the effectiveness of communication activities, achieving also optimizations in the use of resources.

For the second year running, a specific poster campaign was developed and spread across the company, in order to promote safe conduct, especially during maintenance shutdowns, specifically focused on the key values of responsibility and safety. This campaign was addressed both at Saras personnel and also at the employees of the external contractors.

At the end of the maintenance shutdowns carried out in the first quarter of 2012, with the purpose of reaffirming the importance of the contribution of each single worker towards the achievement of the common goal, the company organized an event for the employees of Saras and of the external contractors involved in the above-mentioned maintenance activities. During the event, the "zero injuries" target was celebrated, at the conclusion of a very relevant cycle of maintenance activities. Furthermore, a survey was conducted on the effectiveness of the communication activities carried out during the maintenance cycle, and the results of the survey will be used to improve future communication campaigns.

Also in 2012, there was an important effort in terms of training activities involving the company's employees, with 33,500 training hours (of which 21,500 dedicated to safety). In compliance with the rules and procedures, the Training Plan for Health, Safety and Environment was approved, including certified processes.

During the year, it became necessary to analyse the training activities undertaken by all employees during the five-year period 2007 to 2011, in order to evaluate their compliance with the regulations contained in the "Agreement between State and Regions" n°. 221 of December 2011. As a result, it was possible to verify and positively confirm that Saras always operated to support Health and Safety workers and the protection of the environment, also through its training activities, ahead of the relevant regulations and legislation. Indeed, as it was revealed by the result of the above analysis, which was carried out during the first half of the year, almost all employees had taken part in training activities, in compliance with the legislation and the recommendations of the National Collective Labour Agreement (CCNL), with regard to duration, content and methodology used for delivering the training courses, as of the date on which the above mentioned "Agreement" became effective.

24,915
hours of safety training

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

The value of the activities completed in the past allowed the company to optimize its commitments related to training activities, achieving all targets set by regulations, and at the same time freeing up some resources, which could be re-directed towards other training needs, specifically aimed at strengthening work-related competencies and skills.
Also in 2012, training activities continued on environmental issues, and in particular on the Integrated Environmental Authorisation ("AIA"), with a view to raising awareness and knowledge of the key environmental factors in the proper management of production activities. The various initiatives in terms of training for positions, continuing training and refresher training, were all focused on the development of skills and conduct in line with the organisation's founding values.

Finally, with regard to Group activities, during the year 2012:

- there were no recorded cases of death at work involving the staff on the company's payroll;
- there were no recorded serious or very serious accidents involving the staff on the company's payroll;
- there were no recorded claims of occupational deseases affecting staff or former staff, or mobbing.

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

On 4th July 2011, the Court of Cagliari, ruling on the incident of 26th May 2009 that resulted in the death of three employees of an external contractor, acquitted two company managers charged in this matter and determined that Saras had no administrative liability pursuant to Legislative Decree 231/2001. The Court of Cagliari handed down two-year suspended sentences to the company's General Manager and to the Refinery Manager, and also to a manager of the external contractor and awarded damages to the plaintiffs. Both the Public Prosecutor and the lawyers for the defendants have appealed against the Court of Cagliari's ruling; the legal proceedings are currently pending and the first court hearing will be held on 16th April 2013.

106

Health, Environment and Safety

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

A constantly improving picture

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

With regard to FY/12, the remarkable improvement of all environmental data was confirmed, as a result of better management activities in the plants built during the previous years.

Detailed and accurate information on all the environmental aspects which, directly or indirectly, affect the environment within and outside the Sarroch plant, is given in the "Environment, Health and Safety Report".

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

More in detail, during 2012, the emission trends remained coherent with the improvements achieved in recent years, thanks to the dedicated investments and the technical and operational actions, which have progressively equipped the refinery with the most advanced tools and efficient technologies, which are required in order to operate in full compliance with all the environmental issues. Year on year, there can obviously be some small fluctuations, linked to specific plant operations and extraordinary maintenance.

Regarding sulphur dioxide (SO_2) emissions, the improvement trend started in the previous years was confirmed also in 2012. The SO_2 emission index was equal to 0.28 (tonnes of SO_2 per 1,000 tonnes of crude oil processed in the refinery), in line with 2011. This represents a more than 45% reduction when compared the index in 2007 (which was equal to 0.51, as can be observed in the dedicated graph, which shows the SO_2 emissions).

This result was achieved and consolidated mainly because of the start-up in December 2008 of the Tail-Gas Treatment Unit (TGTU), dedicated to tail gas treatment and sulphur recovery. This unit enables sulphur emissions to be reduced, and has performed extremely well over the last three years.

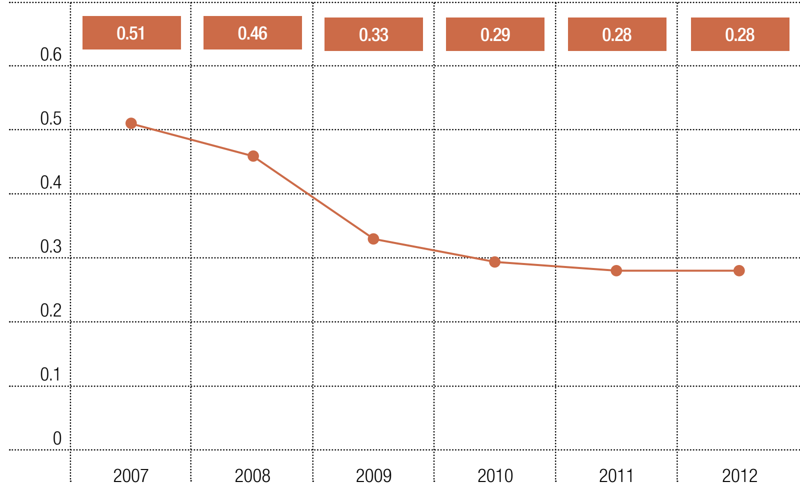
Investments related to the protection of the environment and to health and safety fall within Saras' growth strategy. In this context, issues such as energy saving and environmental sustainability have become even more relevant over the last few years.

In particular, between 2008 and 2012, a large portion of the Group's capital expediture (approx. EUR 78 million) were dedicated to Health, Safety and the Environment (HSE). More specifically, besides the completion of the previously mentioned TGTU plant, other investments were made in environmental-protection measures, improvements in energy efficiency (with a consequent reduction in the level of fuel burned, and therefore of emissions) and, lastly, also in specific measures aimed at energy recovery in the FCC plant.

Thanks to its environmental protection policy, in the financial year 2012, again no situations arose in which the

company was held liable for environmental damage, nor did it receive any fines or penalties for environmental offences or damage.

The environmental protection policies also require continuous investment in staff training, through a process that involves all workers at the refinery (including those of contractor companies) and those of other Group subsidiaries, in order to create a high degree of awareness of environmental issues. Indeed, even the most advanced technological systems must be supported by careful management and control by all those involved in the production cycle.



AIA: Integrated Environmental Authorization

The process of obtaining the Integrated Environmental Authorisation ("AIA") began in early 2007, and was completed in April 2009. Saras was the first company in Italy to obtain the AIA permit, which represents part of a journey to improve the technical and structural characteristics of the various industrial units and of the entire production site, enabling the minimisation of the impact of operations on all environmental matrices. The AIA permit, issued by the Environment Ministry, replaces all other authorisations; it lasts for eight years and is conditional upon maintaining the EMAS (EU Eco-Management and Audit Scheme) registration. This further recognition covers the basic concepts of the Environmental Code, which considers all the elements (air, water, soil, visual impact, etc.) as part of a whole. Furthermore, the company had already obtained the Environmental Certification ISO 14001 in 2004, and subsequently confirmed it in 2007 and in 2010.

The AIA permit uses the European Union's BREFs, (Best Available Techniques Reference Documents), on oil and gas refineries as its main reference point, which make it possible to take into account also certain issues that could become significant in the future.
The process was coordinated by the Assessment Committee appointed by the Italian Environment Ministry, which involved also the relevant local authorities. Following specific meetings between the Committee and the local authorities, in which also the company's representatives were involved, the process was successfully completed. The Assessment Committee provided the Environment Ministry with its positive conclusive opinion after its session held on 15th January 2009.

Monitoring and control activities continued also in 2012 as required for the purposes of the AIA permit.

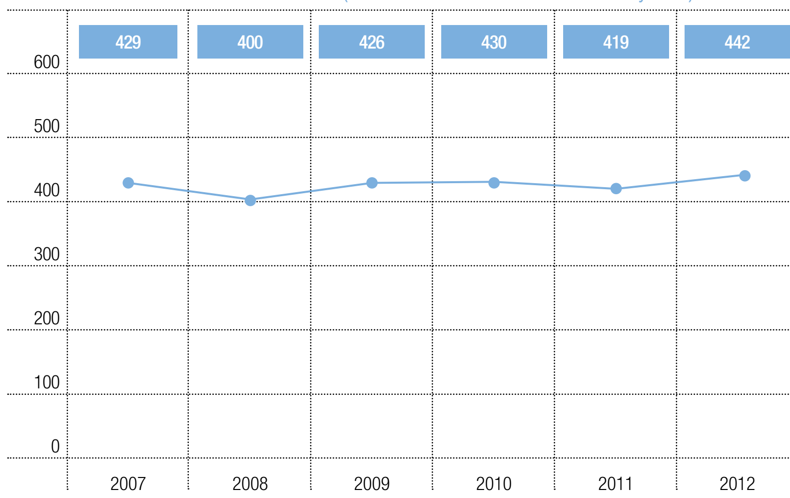
Certification process

2000 > 2001
Definition of the Environmental Policy

2002 > 2003
Environmental Management System
1st Environmental Report

CO_2 Production rate

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



EMAS registration

During 2012, the company carried out the “due diligence” checks required to maintain EMAS registration and designed to assess the activities carried out in order to guarantee environmental sustainability in the local region. As part of the programme to maintain EMAS, numerous activities and commitments must be undertaken, involving many different levels and functions of the company. Specifically, as regards transparency towards the local area and full and prompt compliance with the law, the “Environmental, Health and Safety Report” and the “Environmental Declaration” must be prepared and published.

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

Also with a view to be completely transparent, the site’s main environmental data were regularly submitted to INES (the National Inventory of Emissions and their Sources) throughout the year. This information is sent to the Italian Environment Ministry, which in turn forwards it to the European Commission, where it is entered into the European Pollutant Emission Register (EPER). The Declaration concerned the levels of water and air emissions based on various parameters reflecting the activities carried out.

Health and safety management system in the workplace

Safety is our energy

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

In 2012 the project to improve safety management continued to promote the spreading of the safety culture through internal communication projects initiated in 2010. The key activities in this area were:

- The production of effective and simple leaflets, called “Basic Safety Measures” (ABS), summarising the safe conduct to be adopted, checked and enforced when certain types of working activities are undertaken. These simple guides for immediate use were distribut-

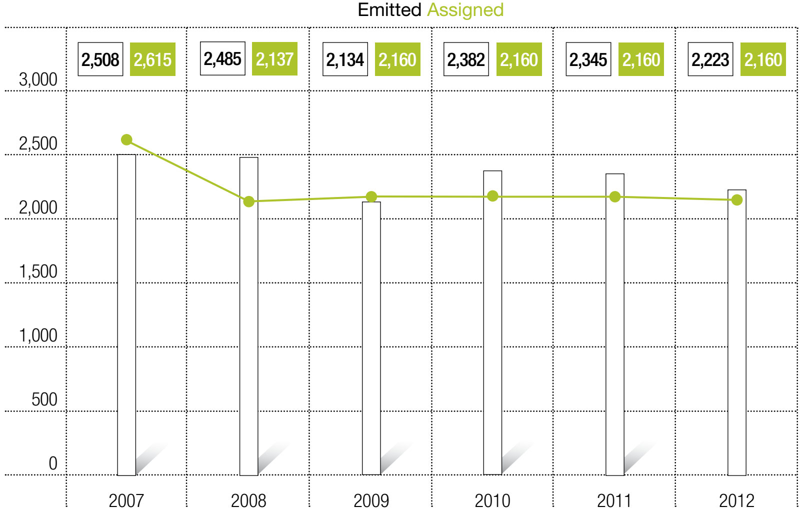
2004
ISO14001Certification
(reconfirmed also in 2007 and 2010)

2006 > 2008
Eco-Management
and Audit Scheme

2008 > 2009
AIA – Integrated Environmental
Authorisation

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

CO_2 Emissions of Refinery (ton / year)



ed to all Saras' employees and contractors' employees working at the Sarroch facility;

- The use of "safety tours" in operational areas, in order to ensure constant monitoring and supervision of safety in all working areas;
- The "safety briefings", which are other tools for spreading the safety culture through direct involvement of employees.

Safeguarding health and preventing any form of accident or mishap (whether involving its own staff or those of other companies working at the site) are core values for Saras. These values are also promoted through the adoption of a "Health and Safety Policy in the Workplace". The "Workplace Health and Safety Management System" introduced a specific "Performance Measurement", which established objectives and targets on the basis of the company's compliance with the policy it has adopted.
To promote a safety culture, a process has been implemented over the last few years that has enabled the company to obtain some important certifications. In 2007, Saras obtained certification for its "Workplace Health and Safety Management System" based on the OHSAS 18001:2007 standard.

In 2008, the "Organisation, Management and Control Model" was amended pursuant to Legislative Decree 231/01, to comply with the provisions of Law 123/07 and the subsequent Legislative Decree 81/08, on the protection of health and safety at the work-place; this was updated again in 2011. Furthermore, in 2011 Saras renewed its certification for its "Workplace Health and Safety Management System" according to OHSAS 18001:2007, and during 2012 the certifying body made its regular "surveillance" visit.

Saras also took an active role in drafting and subsequently amending the "Guidelines for an Integrated Health, Safety and Environmental Management System", based on the agreement signed on 28th June 2007 by INAIL, ASIEP (now Confindustria Energia) and the Trade Union Organisations, which establish a reference framework at national level for the implementation of Integrated Health, Safety and Environmental Management Systems.

Against this backdrop, Saras actively participated with Confindustria Energia, INAIL and the Trade Union Organisations in conducting audits to check the application of the above mentioned "Guidelines for an Integrated Health, Safety and Environmental Management System".

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

Training for specific roles and positions continued, as did ongoing training on "Safety and the Environment". Between 2008 and 2012, investments aimed at improving safety at our production site totalled over EUR 78 m, of which approx. EUR 15 m was spent in FY/12.

During 2012:

- there were no recorded cases of death at work involving the staff on the company's payroll;
- there were no recorded serious or very serious accidents involving the staff on the company's payroll;
- there were no recorded claims

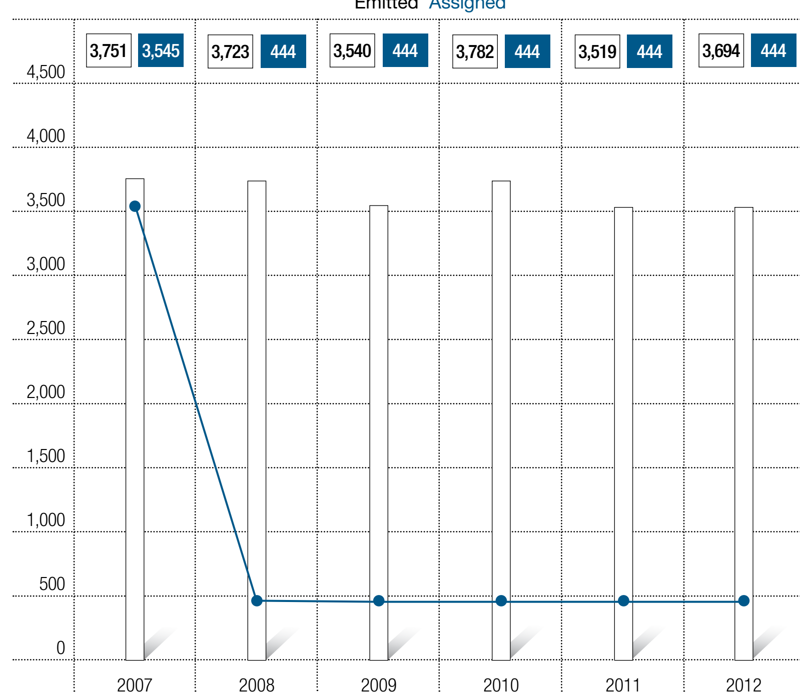
of occupational disease affecting staff or former staff, or mobbing.

In the year 2012 the site recorded the best result in its history, in terms of injury indexes. The comparison of the latter with industry data at the European level (Concawe) demonstrates how Saras achieved the best standards.

Greenhouse gas emissions

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

CO_2 Emissions IGCC (ton / year)



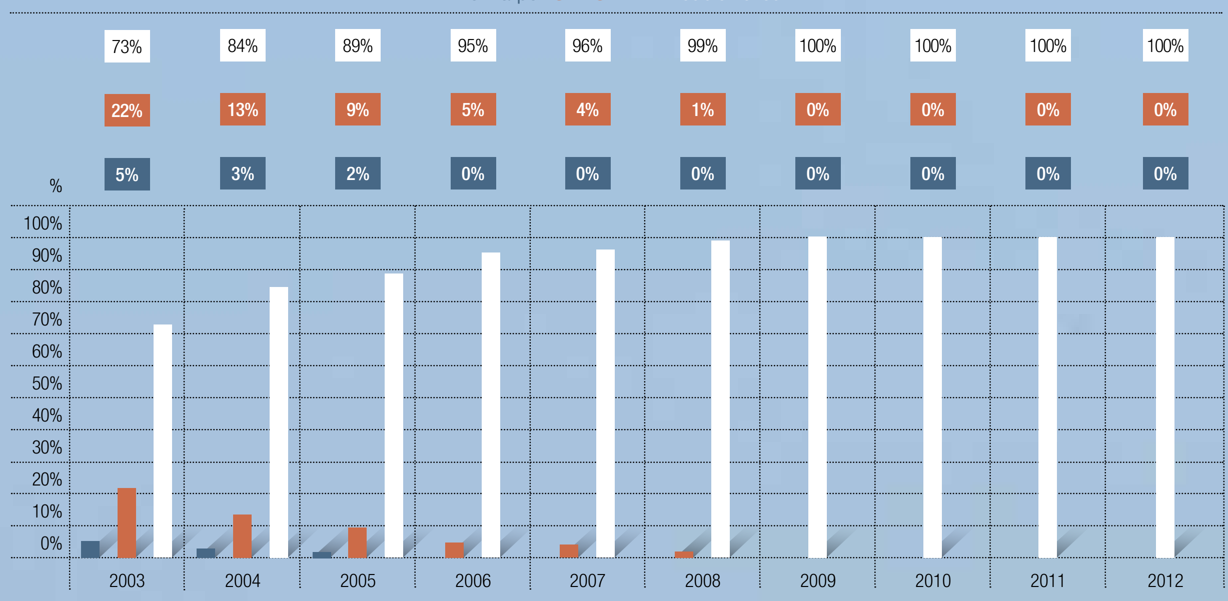
The "Emissions Trading Scheme" was introduced in 2005 to help EU Member States to comply with the requirements of the Kyoto Protocol. It works by allocating emissions allowances to each individual plant falling within the scope of the Directive; the total allowance is set by each Member State of the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

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

Saras believes that controlling and reducing emissions must be achieved by rationalising energy use and by adopting efficient energy-generation systems. Saras has always been heavily involved in such initiatives. The national "Emissions Trading" register, which is freely available for consultation, records both the allowances allocated and the annual CO_2 emissions in the entire Italian country. Saras has been assigned a single position based on the total emissions from all its operations at the Sarroch site. Further details in this regard are provided in the 2012 "Environment, Health and Safety Report".

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Type of ships



*SBT: Segregated Ballast Tanks / PL: Protective Locations

Caring for the sea

We are conscious that we must limit any type of change to the environment, in order to preserve it. For this reason, several years ago we introduced very stringent criteria relating to the shipping of oil and refined products. Starting from 2009, only latest-generation ships have been used, all of which are double-hulled, ahead of legislation on maritime traffic. Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals.

In this regard, "vetting" inspections are regularly carried out at other ports by Saras' trusted personnel, in accordance with international criteria, and also "pre-mooring" inspections are carried out at Sarroch port, on a spotbasis.

Averega age of tankers

05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Social Responsibility – Activities with the local community

Communication with the local community

2012 saw a continuation of the activities aimed at strengthening relations with external parties, in particular with the local community and the neighbouring towns located near the production facility, in line with the obligations set by the EMAS (Eco-Management Audit Schemes) registration.

These initiatives, as part of the Group's drive for transparency, integration and cooperation with the region in which it operates, represent the efforts undertaken by the Group towards a constant improvement of its environmental footprint and towards sustainable development, also through the direct involvement of and dialogue with all the main stakeholders.

In 2012, the Group implemented a structured communications and external relations plan, targeting in particular institutions, organisations, associations, the world of education and the media. This led to the creation and implementation of projects and joint events. In this regard, various meetings were held with local authorities, which presented opportunities for discussion, the exchange of information and communication on issues of common interest, such as health and safety, environmental protection and regional development.

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

"Safe School" Project

In the general policy of external relations, a special space is dedicated to relations with schools. Indeed, over the years, several specific projects

have been carried out, and they became precious opportunities for confrontation and exchange of information with schools.

In particular, during 2012 Saras, which is always interested in the themes concerning the environment and health and safety, in conjunction with the school "Instituto Comprensivo Statale" of Sarroch, the Municipalities of Sarroch and Villa San Pietro, and under the patronage of UNICEF, supported a project dedicated to a "Safe School" devised by the National Fire Service of the Cagliari District.

The project consisted of a health and safety campaign tailor-made

for primary and secondary school children from the local community. The campaign's objective was to make the children aware of the risks around them, at home or at school, and communicate experiences and suggestions about positive actions that can be taken to prevent domestic accidents deriving from the four dangers that cause the largest number of accidents at home: fire, electricity, falls and toxic substances.

The campaign was carried out throughout the year, and among its various activities also it included the distribution and use of five colouring books, each one telling a story involving one of the domestic dangers. Furthermore, during classes, children were shown animated cartoons specifically developed in order to teach such topics in a simple and effective manner.

The project was concluded with a final exhibition, with the participation of all the schools involved, during which gifts were awarded and there was also a safety demonstration performed by the dog units of the Fire Service from the Cagliari District.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

Looking at crude oil prices, at least for the first part of the year 2013, they should remain exposed to the elements that have caused so far high volatility, on the one hand the geopolitical tensions in many producing countries, and on the other hand the economic and financial crisis in the Euro Zone.

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

REFINING

- **Sarroch refinery Maintenance and Operations:** In 2013 there will be a standard programme of scheduled maintenance activities, which will involve two crude distillation units (RT2 and T1), a Vacuum unit (V1), and some other conversion and desulphurisation units (MHC1, MCH2, Alky, VSB, etc.). Overall, total refinery runs are expected to be equal to 14.0 ÷ 14.5 million tons (which corresponds to 102 ÷ 106 million barrels), and EBITDA reduction due to maintenance to be equal to approx. 0.3 ÷ 0.5 $/bl.

- **Crude Oil Slate:** On July 1st 2012 the oil embargo declared by the European Union against Iran became fully effective. The Saras Group used approx. 10% of Iranian grades in its refinery mix, and promptly replaced such crude oils with suitable alternatives. A resolution of the disputes between Europe and Iran is not expected in the near future; therefore, the mix of crude oils which will be used in the Sarroch refinery during 2013 will be similar, overall, to the one used in 2012.

POWER GENERATION

- **IGCC Maintenance and Oper-**

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

ations: there will be scheduled maintenance activities on one of the two "H2S Absorber" Units and, at the same time, standard maintenance will be carried out on one "Gasifier – combined cycle Turbine" train during Q1/13. Subsequently, during Q4/13 there will be standard maintenance on another "Gasifier – combined cycle Turbine" train. Total power production in 2013 shall be, as usual, between 4.05 ÷ 4.55 TWh.

MARKETING

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

WIND

- In Sardinia the Group is developing two projects with a total combined capacity of approx. 100 MW. For both projects the Environmental Assessment Impact (V.I.A.) procedure is in progress. Moreover, regarding the pipeline outside Italy, the Group has recently obtained the authorisation to start construction of a wind farm with a capacity of approx. 100 MW, in Romania

GAS EXPLORATION

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

Risk Analysis

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

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

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

Financial risks

Price fluctuation risk

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

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

Exchange rate risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

Other risks

Risk related to the procurement of crude oil

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

Risks of interruption of production

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

Environmental risk

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

Regulatory risk

The Sarlux S.r.l. subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) on the terms set by the legislation in force (Law N°. 9/1991, law N°. 10/1991, CIP deliberation N°. 6/92 and subsequent modifications, Law N°. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on costs avoided and time-limited incentives, linked to the actual production. The risk is therefore linked to possible unfavourable modifications to the legislation, which could have significant negative effects.

Dependencies on third parties

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

Protection of Personal Data

Pursuant to the provisions of Legislative Decree 196 of the 30th June 2003 "Norms related to the protection of sensitive personal data", the Group, has adopted all minimum safety measures required in the Annex B to the Decree (Article 34). In particular, the Safety Document (DPS) as required by item 19 of the above mentioned Annex B, was updated as of 31st March 2012.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Other Information

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Transactions with related parties
Details are provided in the Notes to the Consolidated Financial Statements, chapter 7.4 "Transactions with Related Parties".

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

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

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

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

Information of Shareholdings held by members of the Board of Directors, Statutory Auditors and senior Management
Details are available in the Notes to the Financial Statements of Saras S.p.A., chapter 7.5.2 "Shareholdings held by members of the Board of Directors, Statutory Auditors, General Manager and senior Management with strategic responsibilities".

Atypical and/or unusual transactions
We highlight that during the year there were no activities originated from atypical and/or unusual transactions, and there are no open positions originating from such transactions.

Adoption of the national tax consolidation scheme
Details are available in the in the chapter 3.2 X "Taxes" in the Notes to the Consolidated Financial Statements.

	Net Result	Shareholders' Equity
As per Saras S.p.A.'s separated financial Statements as of 31st Dec 2012	**(154,009)**	**609,248**
Differences between book value and Shareholders' Equity as of 31st Dec 2012 of shareholdings valued at cost in Saras' S.p.A. separated financial Statements	65,162	589,466
Eliminations of intragroup margins on inventories	(1,254)	(2,016)
As per the Consolidated Financial Statements as of 31st Dec 2012	**(90,101)**	**1,196,698**

Main events after the end of FY/12

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

On **5th March 2013**, Mr. Mario Greco resigned from the Board of Directors of Saras S.p.A., given his considerable commitments with the reorganization of the Generali Group. Mr. Greco, who acted as a non-executive and independent director, has also resigned from all the positions that he held on various Board Committees. Based on the information currently available to the Company, as of today Mr. Greco does not hold any shares in Saras, either directly or indirectly.

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163
SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Saras Group Consolidated Financial Statements as of 31st December 2012

Consolidated statement of Financial Position: as of 31st December 2012 and 31st December 2011

EUR thousand			12/31/12	12/31/11
ASSETS	**(1)**	**(2)**		
Current assets	5.1		2,209,352	2,348,332
Cash and cash equivalents	5.1.1	A	302,950	139,343
Other financial assets held for trading or available for sale	5.1.2	B	42,326	42,843
Trade receivables	5.1.3	C	820,215	869,738
of which with related parties:			*109*	*154*
Inventories	5.1.4	D	920,891	1,154,350
Current tax assets	5.1.5	E	45,699	36,499
Other assets	5.1.6	F	77,271	105,559
Non-current assets	5.2		1,730,570	1,804,425
Property, plant and equipment	5.2.1	H,I	1,288,758	1,392,317
Intangible assets	5.2.2	J	348,767	378,258
Other equity interests	5.2.3.1	L	526	547
Deferred tax assets	5.2.4	X	86,430	32,407
Other financial assets	5.2.5	M	6,089	896
Total assets			3,939,922	4,152,757
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,817,254	1,996,740
Short-term financial liabilities	5.3.1	R	166,997	573,862
Trade and other payables	5.3.2	R	1,394,342	1,188,503
of which with related parties:			*348*	*8*
Current tax liabilities	5.3.3	X	161,125	141,829
Other liabilities	5.3.4	R	94,790	92,546
Non-current liabilities	5.4		925,970	872,983
Long-term financial liabilities	5.4.1	R	424,891	284,798
Provisions for risks and charges	5.4.2	P, AA	52,391	77,267
Provisions for employee benefits	5.4.3	Q	22,825	23,299
Deferred tax liabilities	5.4.4	X	3,163	4,474
Other liabilities	5.4.5	R	422,700	483,145
Total liabilities			2,743,224	2,869,723
EQUITY	**5.5**	**N,O,W**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			1,221,243	1,158,676
Profit/(loss) for the year			(90,101)	58,802
Total equity attributable to owners of the company			1,196,698	1,283,034
Minority interest			0	0
Total equity			1,196,698	1,283,034
Total liabilities and equity			3,939,922	4,152,757

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

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

Consolidated Income Statement for the periods: 1st January - 31st December 2012 and 2011

EUR thousand	(1)	(2)	01/01/2012 31/12/2012	of which non recurring	01/01/2011 31/12/2011	of which non recurring
Revenues from ordinary operations	6.1.1	S	11,810,717		10,960,866	
of which with related parties:			*0*		*40*	
Other income	6.1.2	S	78,532		76,233	
of which with related parties:			*109*		*106*	
Total revenues			11,889,249	0	11,037,099	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(10,975,704)		(9,907,367)	
Cost of services and sundry costs	6.2.2	T, AA	(601,498)		(576,649)	
of which with related parties:			*(1,549)*		*(1,104)*	
Personnel costs	6.2.3	Q,T	(138,460)		(158,814)	
Depreciation, amortisation and write-downs	6.2.4	H,J	(244,186)	(36,008)	(213,316)	
Total costs			(11,959,848)	(36,008)	(10,856,146)	0
Operating results			(70,599)	(36,008)	180,953	0
Net income/(charges) from equity interests		K, L				
Financial income	6.3	U	248,233		123,730	
Financial charges	6.3	U	(300,117)		(185,294)	(4,419)
Profit before taxes			(122,483)	(36,008)	119,389	(4,419)
Income tax for the period	6.4	X	32,382	10,727	(60,587)	
Net profit/(loss) for the period			(90,101)	(25,281)	58,802	(4,419)
Net profit/(loss) for the period attributable to:						
Equity holders of the company			(90,101)		58,802	
Minority interest			0		0	
Earnings per share - basic (EUR cent)		Z	(9.71)		6.33	
Earnings per share - diluted (EUR cent)		Z	(9.71)		6.33	

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

		2012	2011
Net result for the period (A)		(90,101)	58,802
Effect of translation of f/s in foreign currency	V	(14)	(4)
Income / (loss), net of fiscal effect (B)		(14)	(4)
Consolidated Comprehensive Result for the period (A + B)		(90,115)	58,798
Net consolidated Comprehensive Result for the period attributable to :			
Parent Company shareholding		(90,115)	58,798
Minority Interest		0	0

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

EUR thousand	Share capital	Legal reserve	Other reserve	Profit (Loss)	Total equity attributable to owners of the company	Minority interest	Total equity
Balance as of 31/12/2010	54,630	10,926	1,164,297	(9,468)	1,220,385	0	1,220,385
Period 1/1/2011 - 31/12/2011							
Appropriation of previous year profit			(9,468)	9,468	0		0
Reserve for employee share plan			3,851		3,851		3,851
Effect of translation of f/s in foreign currency			(4)		(4)		(4)
Net profit (loss) for the period				58,802	58,802		58,802
Balance as of 31/12/2011	54,630	10,926	1,158,676	58,802	1,283,034	0	1,283,034
Period 1/1/2012 - 31/12/2012							
Appropriation of previous year profit			58,802	(58,802)	0		0
Reserve for employee share plan			3,779		3,779		3,779
Effect of translation of f/s in foreign currency			(14)		(14)		(14)
Net profit/(loss) for the period				(90,101)	(90,101)		(90,101)
Balance as of 31/12/2012	54,630	10,926	1,221,243	(90,101)	1,196,698	0	1,196,698

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

EUR thousand	(1)	(2)	01/01/2012 31/12/2012	01/01/2011 31/12/2011
A - Cash and cash equivalents at the beginning of year			139,343	80,835
B - Cash generated from/(used in) operating activities				
Net Profit / (Loss) for the period	5.5		(90,101)	58,802
Amortisation, depreciation and write-downs of fixed assets	6.2.4	K, J	244,186	213,316
Net change in provisions for risks and charges	5.4.2	P, AA	(24,866)	(1,266)
Net change in employee benefits	5.4.3	Q	810	(7,248)
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	X	(55,571)	39,350
Net interest gains (losses)		U	30,815	32,996
Income tax	6.4	X	23,189	21,237
Change in fair value of derivatives, greeen certificates and white certificates	5.1.2 - 5.3.1		(5,431)	11,186
Other non cash items	5.5		5,097	3,801
(Increase)/Decrease in trade receivables	5.1.3	C	41,758	(1,201)
of which with related parties:			*45*	*(47)*
(Increase)/Decrease in inventory	5.1.4	D	233,459	(342,188)
Increase/(Decrease) in trade and other payables	5.3.2	R	204,342	65,003
of which with related parties:			*340*	*(60)*
Change in other current assets	5.1.5 - 5.1.6	F	18,961	4,602
Change in other current liabilities	5.3.3 - 5.3.4	R	26,597	42,573
Interest received		U	882	368
Interest paid		U	(36,306)	(33,364)
Tax paid	5.3.2	X	(22,965)	(13,692)
Change in other non-current liabilities	5.4.5	R	(60,526)	(103,124)
Total (B)			534,330	(8,849)
C - Cash flow from (to) investing activities				
(Investments) in tangible and intangible assets	5.2.1-5.2.2	H, I	(105,452)	(105,011)
- of which interest paid capitalized			*(9,634)*	*(7,771)*
(Investments)/disinvestments in other holdings	5.2.1-5.2.2	L	0	74
Change in financial assets	5.1.2	B	52,510	16,889
Other non cash items	5.2.1-5.2.2		0	8,606
Total (C)			(52,942)	(79,442)
D - Cash generated from/(used in) financing activities				
Increase/(Decrease) in medium/long term borrowings	5.4.1	R	171,954	0
Increase/(Decrease) in short term borrowings	5.3.1	R	(489,369)	146,799
Total (D)			(317,414)	146,799
E - Cashflow for the year (B+C+D)			163,974	58,508
F - Net Cash from disposal of Akhela/Artemide			(366)	0
Cash and cash equivalents at the end of year			302,951	139,343

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

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

For the Board of Directors - The Chairman
Gian Marco Moratti

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Notes to the Consolidated Financial Statements to 31st December 2012

Table of contents of the Notes to the Consolidated Financial Statements for the year ended 31st December 2012

1. Preliminary remarks

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

3. Accounting standards applied

3.1 Consolidation method

3.2 Summary of accounting standards and policies

3.3 Use of estimates

3.4 Most significant accounting policies requiring a greater degree of subjectivity

4. Information by business segment and geographical area

4.1 Preliminary remarks

4.2 Segment information

4.3 Breakdown by geographical area

5. Notes to the Consolidated statement of financial position

5.1 Current assets
5.1.1 Cash and cash equivalents
5.1.2 Other financial assets held for trading
5.1.3 Trade receivables
5.1.4 Inventories
5.1.5 Current tax assets
5.1.6 Other assets

5.2 Non-current assets
5.2.1 Property, plant and equipment
5.2.2 Intangible assets
5.2.3 Equity investments
5.2.3.1 Other equity interests
5.2.4 Deferred tax assets
5.2.5 Other financial assets

5.3 Current liabilities
5.3.1 Short-term financial liabilities
5.3.2 Trade and other payables
5.3.3 Current tax liabilities
5.3.4 Other liabilities

5.4 Non-current liabilities
5.4.1 Long-term financial liabilities
5.4.2 Provisions for risks and charges
5.4.3 Provisions for employee benefits
5.4.4 Deferred tax liabilities
5.4.5 Other liabilities

5.5 Shareholders' equity

6. Notes to the Consolidated Income Statement

6.1 Revenues
6.1.1 Revenues from ordinary operations
6.1.2 Other income

6.2 Costs
6.2.1 Purchases of raw materials, spare parts and consumables
6.2.2 Cost of services and sundry costs
6.2.3 Personnel costs
6.2.4 Depreciation and amortisation

6.3 Financial income and charges

6.4 Income tax

7. Additional disclosures

7.1 Main legal actions pending

7.2 Early withdrawal from the CIP6/92 agreement

7.3 Earnings per share

7.4 Transactions with related parties

7.5 Disclosures pursuant to International Financial Reporting Standard 7 – Financial instruments: Disclosures

7.5.1 Information on the statement of financial position
7.5.2 Income statement information
7.5.3 Additional information
7.5.3.1 Accounting for derivative transactions
7.5.3.2 Fair value
7.5.4 Risks deriving from financial instruments
7.5.4.1 Credit risk
7.5.4.2 Liquidity risk
7.5.4.3 Market risk

7.6 Average staff numbers

7.7 Remuneration of senior personnel with strategic responsibilities

7.8 Commitments

7.9 Disclosure of external auditor's fees

7.10 Miscellaneous

8. Publication of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements to 31st December 2012

1. Preliminary remarks

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

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

These consolidated financial statements for the year ended 31st December 2012 are presented in euro, since this is the currency of the economy in which the Group operates. They consist of a statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

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

The consolidated financial statements of the Group for the year ended 31st December 2012 were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002.

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

In accordance with Consob Resolution 15519 of 27th July 2006, the financial statements have been prepared using the following criteria, which are considered to provide a more complete picture of the Group's financial position:
- Statement of financial position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Income statement and statement of comprehensive income: income statement items are presented according to their nature;
- Cash flow statement: presented using the indirect method, which differentiates between cash flows deriving from operating, investing and financing activities.

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

3. Accounting standards applied

The IASB and IFRIC have approved some changes to and interpretations of IFRS, which were published in part in the Official Journal of the European Union and apply for the first time to annual periods beginning on or after 1st January

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

2012. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning on or after 1st January 2013.

Accounting standards, amendments and interpretations relevant and effective from 1st January 2012

On 7th October 2010, the IASB published a number of amendments to **IFRS 7 – Financial instruments: Disclosure**, applicable retrospectively for accounting periods beginning on or after 1st July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets (derecognition), including the possible impact of any risks still borne by the company transferring the assets. The amendments also require more information to be provided in the event that a disproportionate amount of transactions of this type are generated near the end of the reporting period. The adoption of this amendment has not had a significant impact on the financial statements.

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

On 20th December 2010, the IASB issued a minor amendment to **IAS 12 – Income Taxes**, which requires companies to estimate the value of deferred taxes arising from an asset according to the way in which the carrying value of the asset will be recovered (through continued use or sale).
As a result of this amendment, SIC-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply. The amendment is applicable retrospectively from 1st January 2012. The adoption of the amendment has not had a significant impact on the financial statements.

Accounting standards and amendments not yet applicable and not adopted early

On 16th June 2011, the IASB issued an amendment to **IAS 1 – Presentation of Financial Statements**, which requires entities to group all the components presented in the statement of comprehensive income according to whether or not they can subsequently be reclassified to the income statement. The amendment is applicable retrospectively from financial years beginning on or after 1st July 2012. It is believed that the adoption of this amendment will have no significant impact on the financial statements.

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

On 12th November 2009, the IASB published **IFRS 9 – Financial Instruments**, which was then amended on 28th October 2010. The standard represents the first step in a process to fully replace IAS 39.
The main changes introduced by IFRS 9 can be summarised as follows:

- Financial assets can be booked in one of two categories – at fair value or amortised cost. The categories loans and receivables, financial assets available for sale and financial assets held to maturity therefore disappear. Which of the two categories is used depends on the entity's business model and the characteristics of the cash flows generated from its assets. A financial asset is measured at amortised cost if both the following conditions are met: according to the entity's business model, the asset is held for the purpose of collecting the related cash flows (rather than for making trading gains) and its cash flow consists solely of the payment of principal and interest. If this is not the case, the financial asset must be measured at fair value;
- The accounting rules for embedded derivatives have been simplified: an embedded derivative and its "host" financial asset no longer need to be booked separately;
- All equity instruments – both listed and unlisted – must be measured at fair value. IAS 39 establishes, however, that if fair value cannot be reliably determined, unlisted equity instruments are to be measured at cost;
- The entity has the option to recognise in shareholders' equity changes in the fair value of equity instruments that

are not held for trading. This option is not permitted, however, if such instruments are held for trading. Designation as such is permitted upon recognition, can be adopted for individual instruments and is irrevocable. If this option is used, fair value changes in such instruments can never be reclassified from shareholders' equity to the income statement. Dividends will continue to be charged to the income statement;

- IFRS 9 does not permit reclassification between the two categories of financial asset except in rare cases where there is a change in the entity's business model. In such a case, the effects of reclassification are applied prospectively;
- The information requested in the notes has been brought in line with the classification and valuation rules introduced by IFRS 9.

Application is retrospective.

On 16th December 2011, the IASB published Mandatory Effective Date and Transition Disclosures (amendment to IFRS 9 and IFRS 7), which postpone the effective date of IFRS 9 from 1st January 2013 to 1st January 2015; however, early application of IFRS 9 is still permitted. The effects of applying this standard to the financial statements are currently being assessed.

On 12th May 2011, the IASB issued the standard **IFRS 10 – Consolidated Financial Statements**, which will replace SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements, which is to be renamed Separate Financial Statements and will govern the accounting treatment of equity investments in separate financial statements. The new standard moves on from the existing standards, identifying the factor within the concept of control that determines whether or not a company should be consolidated into the Parent Company's consolidated financial statements. This will also provide a guide for determining the existence of control where this is difficult to ascertain. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2014. The adoption of this standard is not expected to have any impact on the financial statements.

On 12th May 2011, the IASB issued the standard **IFRS 11 – Joint Arrangements**, which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers. The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the agreement rather than on the legal form of the agreement itself, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method. IFRS 11 is applicable retrospectively to annual periods beginning on or after 1st January 2014. Following the issue of this standard, IAS 28 – Investments in Associates was amended to include equity investments in jointly controlled entities within its scope of application, from the effective date of application of IFRS 11. The adoption of this standard is not expected to have an impact on the financial statements.

On 12th May 2011, the IASB issued **IFRS 12 – Disclosure of Interests in Other Entities**, a new and complete standard on additional disclosures to be provided on any type of equity investment, including in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2014. It is believed that the adoption of this statement will have no significant impact on the financial statements.

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

On 12th May 2011, the IASB issued **IAS 27 (as amended in 2011) – Separate Financial Statements**, following the issuance of IFRS 10, which includes new rules on consolidated financial statements previously contained in IAS 27. IAS 27 (revised) maintains the rules on accounting for equity investments in subsidiaries, associates and joint ventures in the separate financial statements. The standard is applicable to annual periods beginning on or after 1st January 2014. It is believed that the adoption of this statement will have no significant impact on the financial statements.

On 12th May 2011, the IASB published **IAS 28 Revised "Investments in Associates and Joint Ventures"**, which establishes the criteria for recognising investments in associates and joint ventures. An entity that exercises joint control or significant influence over another entity must recognise its own investment using the equity method. The standard is applicable to annual periods beginning on or after 1st January 2014. It is believed that the adoption of this statement will have no significant impact on the financial statements.

On 19th October 2011, the IASB issued the interpretation **IFRIC 20**, which gives guidelines on stripping costs in the production phase of a surface mine. The adoption of this interpretation is not expected to have an impact on the financial statements.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

On 16th December 2011, the IASB issued amendments to **IFRS 7 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities** and to **IAS 32 – Financial instruments: Presentation: Offsetting Financial Assets and Financial Liabilities**, applicable to annual periods beginning on or after 1st January 2013 and from 1st January 2014, respectively. It is believed that the adoption of these amendments will have no significant impact on the financial statements.

On 12th March 2012, the IASB issued an amendment to **IFRS 1 entitled Government Loans**, applicable to annual periods beginning on or after 1st January 2013, which allows first-time IFRS adopters not to recognise the benefit derived from government loans with below-market rates as a government grant. It is believed that the adoption of this amendment will have no significant impact on the financial statements.

On 21st May 2012, the IASB issued a series of amendments to the **IFRS ("Improvements")**, applicable to annual periods beginning on or after 1st January 2013, the impact of which is currently being evaluated. The amendments relate to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

On 28th June 2012, the IASB issued a number of amendments to **IFRS 10, 11** and **12**, limiting the requirement to provide *adjusted* comparative information to only the preceding period on first application. For disclosures relating to unconsolidated entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments are applicable to annual periods beginning on or after 1st January 2013, and it is believed that they will have no significant impact.

On 31st October 2012, the IASB issued amendments to **IFRS 10, IFRS 12, IAS 27** and **IAS 28**, applicable to annual periods beginning on or after 1st January 2014, introducing an exemption to IFRS 10 whereby investment entities will measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The adoption of these amendments is not expected to have an impact on the financial statements.

3.1 Consolidation method

The consolidated financial statements include the statements of the Parent Company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which said control ceases to exist. In particular, control is exercised by virtue of the Parent Company directly or indirectly owning the majority of shares carrying voting rights and due to the exercise of a dominant influence that is expressed in the power to determine, including indirectly and by virtue of any existing contractual or legal agreements, the financial and operating policies of the entities involved, thereby obtaining benefits from their activities, regardless of shareholding relationships. The existence of any potential voting rights that may be exercised at the reporting date is taken into consideration in determining whether control exists.
The financial statements included in the consolidation have been drawn up at 31st December and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, which are *adjusted* where necessary for the purposes of consistency with the accounting standards adopted by the Parent Company.
Subsidiaries that are consolidated on a line-by-line basis and on consolidated subsidiaries that are included in the Group's basis of consolidation are listed below.

Consolidated on a line-by-line basis	**% owned**
Arcola Petrolifera S.p.A.	100%
Deposito di Arcola S.r.l.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiaries:	100%
Labor Eolica S.r.l.	100%
Alpha Eolica S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%
Sargas S.r.l.	100%
Other investments: of insignificant value (valued at cost)	
Consorzio Cesma	5%
Consorzio La Spezia Utilities	5%
Sarda Factoring	5,95%

On 29th February, the sale of subsidiaries Akhela S.r.l. and Artemide S.r.l. and related equity investments in ITSME S.r.l. and the ICT Competence Centre was completed. The impact on the accounts of the need to align the carrying value of the net assets sold with their sale price was shown in the consolidated financial statements for the year ended 31st December 2011, to which reference should be made for further information.

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

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

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

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

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

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

Investments in subsidiary companies that are not significant and are not consolidated on a line-by-line basis, in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the Group exercises significant influence (referred to hereinafter as "affiliated companies"), which is presumed to exist when a stake of between 20% and 50% is held, are accounted for using the equity method, except where the application of this method does not impact on the Group's financial position, operating results and cash flows; in such instances, the investment is measured at cost. The way in which the equity method is applied is described below:

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

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

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

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

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

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

3.2 Summary of accounting standards and policies

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

The main valuation policies used are described below.

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are *reported* at fair value, except for green certificates, with any gains *reported* in the income statement under “Financial income” and “Financial charges”.

Green certificates are allocated for production of energy from renewable sources: they are booked at the same time as the energy is produced, under financial assets held for trading with an offsetting entry under “Other income”, in light of GSE’s obligation to withdraw green certificates if the company submits a request before 31st March of the following year. The certificates are valued at the price of withdrawal by GSE, which is considered an adequate approximation of their fair value at the end of the year. Decreases due to the sale of green certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under “Other income” or “Costs of services and sundry costs” respectively.

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

C Trade receivables

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

D Inventories

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

E Current tax assets

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

F Other assets

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

White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems.
White certificates are booked on an accrual basis under “Other income”, in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.
The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. Decreases due to the sale of white certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under “Other income” or “Costs of services and sundry costs” respectively.

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

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

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

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

Land is not depreciated.

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

I Leased assets

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the Group, are recognised as Group assets and recorded at their current value or, where lower, at the present value of the minimum lease payments still due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

Leases under which the lessor substantially retains all the risks and benefits associated with ownership of the assets are treated as operating leases. The costs relating to operating leases are charged to the income statement on a straight-line basis over the term of the lease.

J Intangible assets

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

[I] **Goodwill**

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

In the event that the impairment emerging from the test is greater than the amount of goodwill allocated to the cash generating unit, the remaining amount is in turn allocated to the assets included within the cash generating unit, in proportion to their carrying value. The minimum amount for this allocation is the higher of the following:

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

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

[II] **Patent rights, concessions, licences and software (intangible assets with a finite useful life)**

Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life, taken to be the estimated period in which the assets will be used by the company; the recoverability of the carrying value of the assets is ascertained using the same method as that used for the item “Property, plant and equipment”.

[III] **Research and development costs**

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

[IV] **Exploration and valuation of mineral resources**

Costs incurred in the exploration and evaluation of mineral resources, specifically:

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

K Impairment of assets

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

L Other equity interests

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

M Other financial assets

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

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

N Own shares

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

O Shareholders' equity

[I] **Share capital**

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

[II] **Reserves**

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

P Provisions for risks and future liabilities

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

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

Q Provisions for employee benefits

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

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

- Provisions made up to 31st December 2006
  The end-of-service payments due to employees pursuant to article 2120 of the Italian Civil Code are treated in the same way as defined benefit pension plans; these plans are based on the working lives of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is entered on the statement of financial position based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the statement of financial position requires the amount of benefits earned by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the Group's commitments. The present value of the Group's commitments is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of vested benefit methods, considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.
  The costs accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements earned by current employees and the annual interest accruing on the present value of the Group's commitments at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average residual duration of the liabilities.
  The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported in the income statement.

- Benefits vesting since 1st January 2007
  The benefits in question are accounted for using the method adopted for defined contribution pension plans as the amount relating to employees has been transferred in full outside the Group.
  The corresponding liability is determined according to article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally determined.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as a financial liability and the difference is recorded in the income statement as financial income or charges.
Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivative contracts are measured at fair value with an offsetting entry in the income statement at each reporting date.

S Recognition of revenues

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

T Recognition of costs

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

U Interest income and expenses

Interest income and expenses are booked on an accrual basis.

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

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

W Dividends

[A] **Dividends received**
Dividends are recognised on the date on which the resolution approving them is carried by a shareholders' meeting.

[B] **Dividends paid out**
The payment of dividends to Parent Company shareholders is recorded as a liability on the balance sheet for the period in which the distribution was approved by the company's shareholders.

X Taxes

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

Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception of goodwill, and those relating to temporary differences originating from investments in subsidiaries, when the timing of the reversal of such differences is controlled by the Group and it is probable that the differences will not be reversed within a reasonably foreseeable timescale. In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the remaining portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.
Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.
Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially ended; the effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying difference in the tax rate.

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

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

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

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

Z Earnings per share

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

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

AA Emission Trading
Legislative decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase on the market allowances, or credits, representing the excess CO_2.
If the credits allocated and purchased during the year, net of those sold, are insufficient, the market value of the shortfall at the end of the year is recorded under “Provisions for risks”; if, however, the credits allocated and purchased, net of those sold, exceed requirements, the market value of the surplus at the end of the year is recorded under “Intangible assets”.

AB Segment information
An operating segment is a part of an entity:

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

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

3.3 Use of estimates

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

3.4 Most significant accounting policies requiring a greater degree of subjectivity

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

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

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

4. Information by business segment and geographical area

4.1 Preliminary remarks

The Saras Group operates primarily in the following segments:
1. Refining;
2. Marketing;
3. Generation of power by the combined cycle plant;
4. Generation of power by wind farms;
5. Other activities.

1. **Refining activities refer to:**

[A] The sale of oil products obtained:

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

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

[B] Revenues from refining activities undertaken on behalf of third parties, which represent only the income from refining activities that the Parent Company carries out on behalf of third parties.

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

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

4. **The generation of power by wind farms** relates to the activity carried out at the Ulassai wind farm owned by subsidiary Sardeoloica S.r.l.

5. **Other activities** include reinsurance activities undertaken for the Group by Reasar S.A. and research for environmental sectors undertaken by Sartec S.p.A.

Management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the financial statements for the year ended 31st December 2011.

4.2 Segment information

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

31st December 2011	Refining	Marketing	Power Generation	Wind Power	Other	Total
Revenues from ordinary operations	9,932,618	3,347,505	580,633	10,532	47,532	13,918,820
less: intersegment revenues	(2,798,185)	(87,238)	(52,274)	0	(20,257)	(2,957,954)
Revenues from third parties	**7,134,433**	**3,260,267**	**528,359**	**10,532**	**27,275**	**10,960,866**
Other revenues	113,627	2,857	55,882	11,971	1,078	185,415
less: intersegment revenues	(91,723)	(194)	(16,608)	(35)	(622)	(109,182)
Other revenues from third parties	**21,904**	**2,663**	**39,274**	**11,936**	**456**	**76,233**
Amortisation and depreciation	**(110,206)**	**(12,177)**	**(79,270)**	**(10,247)**	**(1,416)**	**(213,316)**
Operating profit (a)	**13,407**	**25,206**	**139,936**	**3,786**	**(1,382)**	**180,953**
Financial income (a)	126,409	3,588	2,205	320	189	132,711
Financial charges (a)	(178,023)	(6,748)	(1,165)	(3,516)	(4,823)	(194,275)
Income taxes	9,652	(10,268)	(57,632)	(1,940)	(399)	(60,587)
Net result for the year (a)	**(28,555)**	**11,778**	**83,344**	**(1,350)**	**(6,415)**	**58,802**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,241,808**	**777,145**	**969,157**	**124,806**	**39,841**	**4,152,757**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,966,394**	**287,373**	**535,009**	**64,375**	**16,572**	**2,869,723**
Investments in tangible assets	63,114	4,012	31,195	1,509	519	100,349
Investments in intangible assets	1,521	789	0	949	1,403	4,662
31 DICEMBRE 2012						
Revenues from ordinary operations	10,679,997	3,109,811	632,704	12,220	20,378	14,455,110
less: intersegment revenues	(2,524,399)	(53,243)	(58,990)	0	(7,761)	(2,644,393)
Revenues from third parties	**8,155,598**	**3,056,568**	**573,714**	**12,220**	**12,617**	**11,810,717**
Other revenues	111,975	3,059	45,461	14,137	691	175,323
less: intersegment revenues	(76,876)	(38)	(19,660)	0	(217)	(96,791)
Other revenues from third parties	**35,099**	**3,021**	**25,801**	**14,137**	**474**	**78,532**
Amortisation and depreciation	**(105,817)**	**(47,941)**	**(79,841)**	**(10,294)**	**(292)**	**(244,185)**
Operating profit (a)	**(199,099)**	**(29,992)**	**146,959**	**9,657**	**1,876**	**(70,599)**
Financial income (a)	251,443	2,747	3,810	720	263	258,983
Financial charges (a)	(297,370)	(8,850)	(1,541)	(3,066)	(40)	(310,867)
Income taxes	92,518	8,309	(63,559)	(4,118)	(768)	32,382
Net result for the year (a)	**(152,508)**	**(27,786)**	**85,669**	**3,193**	**1,331**	**(90,101)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,227,093**	**657,779**	**909,211**	**117,801**	**28,038**	**3,939,922**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,918,611**	**287,146**	**471,423**	**57,904**	**8,140**	**2,743,224**
Investments in tangible assets	96,613	6,944	8,694	476	412	113,139
Investments in intangible assets	423	1,253	0	3,298	1,166	6,140

(a) Calculated without taking into account intersegment eliminations. For valuation of intersegment transactions, see 7.2 of the separate financial statements of Saras S.p.A.

(b) Total assets and liabilities are calculated after intersegment eliminations.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

4.3 Breakdown by geographical area

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

Directly attributable assets and investments by geographical area

	31/12/2012	31/12/2011	Change
Directly attributable assets			
Italy	3,583,954	3,712,851	(128,897)
Rest of EU	355,968	439,906	(83,938)
Total	**3,939,922**	**4,152,757**	**(212,835)**
Investments in tangible and intangible assets			
ItalY	111,112	100,485	10,627
Rest of EU	8,167	4,526	3,641
Total	**119,279**	**105,011**	**14,268**

Net revenues from ordinary operations by geographical area

	2012	2011	Change
Sales in Italy	5,113,772	5,384,981	(271,209)
Sales in Spain	1,745,707	1,797,386	(51,679)
Sales in other EU countries	1,464,248	1,013,198	451,050
Sales in non-EU countries	3,398,777	2,765,301	633,476
Sales in US	88,213	0	88,213
Total	**11,810,717**	**10,960,866**	**849,851**

Amounts are shown net of intragroup eliminations.

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

	31/12/2012	31/12/2011	Change
Receivables in Italy	516,837	639,095	(122,258)
Receivables in Spain	168,065	142,426	25,639
Other EU receivables	16,039	57,943	(41,904)
Non-EU receivables	133,084	49,231	83,853
U.S. receivables	194	194	0
Provision for bad debts	(14,004)	(19,151)	5,147
Total	**820,215**	**869,738**	**(49,523)**

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

5. Notes to the consolidated statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2012	31/12/2011	Change
Bank and postal deposits	299,983	136,963	163,020
Cash	2,967	2,380	587
Total	**302,950**	**139,343**	**163,607**

Bank deposits are mainly attributable to Saras S.p.A. (EUR 209,619 thousand), Arcola Petrolifera S.p.A. (EUR 74,271 thousand) and Sardeolica S.r.l. (EUR 10,096 thousand). For information regarding restrictions on the use of the cash of Sardeolica S.r.l. see paragraph 5.4.1. For further details on the company's net financial position refer to the relevant section of the Report on Operations or to the cash flow statement.

5.1.2 Other financial assets held for trading

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

	31/12/2012	31/12/2011	Change
Securities	0	1	(1)
White Certificates	0	2,315	(2,315)
Green Certificates	10,833	8,592	2,241
Derivative instruments	31,493	31,935	(442)
Total	**42,326**	**42,843**	**(517)**

In this consolidated statement of financial position, white certificates have been reclassified under "Other assets" since there is no obligation on GSE to purchase them, which would constitute an immediate right to receive payment.
Green certificates relate to electricity generation from renewable sources by the subsidiary Sardeolica S.r.l.

They are sold on a specific regulated market or through bilateral agreements between market operators, or through withdrawal by GSE at a pre-determined price; the certificates in the portfolio earned during the reporting period are valued at the price defined for withdrawal by GSE (EUR 80.34/MWh for 2012 compared with EUR 79.24/MWh in 2011). Gains and losses realised for the period, and any write-downs applied in cases where the market value is lower than the carrying value at the end of the period are booked to the income statement under "Other income" or "Cost of services and sundry costs".

Changes in securities and green certificates are shown below.

	Securities	White Certificates	Green Certificates	Total
Balance at 31/12/2010	**15,793**	**480**	**12,527**	**28,800**
Increase	1	2,764	11,206	13,971
Decrease	(15,793)	(929)	(15,141)	(31,863)
Balance at 31/12/2011	**1**	**2,315**	**8,592**	**10,908**
Increase	0	0	10,833	10,833
Decrease	(1)	(2,315)	(8,592)	(10,908)
Balance at 31/12/2012	**0**	**0**	**10,833**	**10,833**

"Derivative instruments" comprises the positive fair value of derivatives outstanding at the end of the financial year. For further details, see 5.3.1.

5.1.3 Trade receivables

This item totalled EUR 820,215 thousand, a decrease of EUR 49,523 thousand compared with the previous year.

The item includes receivables due to the subsidiary Sarlux S.r.l. from GSE for a total of EUR 120,807 thousand. These receivables include:

- Those relating to the 2008 financial year (approximately EUR 6.9 million), still awaiting a ministerial decree defining the electricity sale price following the cancellation of AEEG Resolution 154/09 by the Council of State;
- Those relating to the 2010, 2011 and 2012 financial years (approximately EUR 31.2 million), calculated on the basis of AEEG PAS Resolution 09/10. The subsidiary is waiting for its request to be granted, pursuant to article 3, paragraph 2 of Ministerial Decree of 20th November 2012, and for the application of a more favourable electricity sale price; this has already been taken into account in this statement of financial position, considering that the request is virtually certain to be granted.

Finally, it should be noted that the AEEG has sent the Ministry for Economic Development a proposal for a new calculation of the avoided fuel cost (economically less favourable than the one determined by the current PAS 09/10), the effects of which should be felt from 2013. However, should the resulting decree be applied retrospectively from 1st January 2012, the receivables may need to be adjusted downwards.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during the financial year:

	31/12/2012	31/12/2011	Change
Raw materials, spare parts and consumables	285,889	246,004	39,885
Semi-finished products and work in progress	93,569	101,993	(8,424)
Finished products and goods held for resale	541,189	805,811	(264,622)
Advance payments	244	542	(298)
Total	**920,891**	**1,154,350**	**(233,459)**

The decrease in the value of inventories is mainly attributable to the reduction in the quantities of stocks held.
The recording of inventories at net realisable value included a write-down of around EUR 46.2 million.
This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 929 thousand tons of oil products (valued at around EUR 666 million) held for Group companies and certain third parties in accordance with the obligations laid down in Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 838 thousand tons, valued at around EUR 601 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 3 million at 31st December 2012 (EUR 59 million at 31st December 2011).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	31/12/2012	31/12/2011	Change
VAT	4,254	285	3,969
IRES (income tax foreign companies)	31,984	27,808	4,176
IRAP (regional income tax)	2,659	3,195	(536)
Other tax receivables	6,802	5,211	1,591
Total	**45,699**	**36,499**	**9,200**

The IRES receivables are essentially attributable to excess tax paid in previous years; the increase arises from the recalculation of the substitute tax on oil inventories paid in 2009 pursuant to Legislative Decree 112/2008 (Robin Tax).
The VAT credit arises from the payment of VAT on customs operations in December by the Parent Company, and was offset in the regular payment in January 2013.

5.1.6 Other assets

The balance breaks down as follows:

	31/12/2012	31/12/2011	Change
Accrued income	613	837	(224)
Prepaid expenses	3,776	4,676	(900)
Other receivables	72,882	100,046	(27,164)
Total	**77,271**	**105,559**	**(28,288)**

Deferred charges mainly relate to insurance premiums for the Parent Company.

"Other receivables" mainly comprises:

- A receivable of EUR 23,824 thousand due to the subsidiary Sarlux S.r.l. arising from the recognition pursuant to section II, point 7-bis of CIP Provision 6/92 for the refund of charges applicable to 2012 relating to the application of Directive 2003/87/EC on emissions trading, as per AEEG Resolution 77/08 (EUR 38,905 thousand the previous year);
- Recovery of the amount paid by Sarlux S.r.l. to GSE of EUR 22,667 thousand, as described in section 7.1 (EUR 30,032 thousand the previous year);

- White certificates for EUR 8,737 thousand for energy savings made in the Sarroch refinery by the Parent Company. These are sold on an appropriate regulated market or via bilateral agreements between market operators. The certificates in the portfolio are valued at the average annual market price (EUR 89.70 per certificate in 2012, compared with EUR 103.12 in 2011).
- Deposits to secure derivatives transactions carried out by the Parent Company of EUR 14,247 thousand (EUR 23,054 thousand the previous year).

5.2 Non-current assets

On 31st December 2012, the market capitalisation of the Parent Company Saras S.p.A. was less than the carrying value of shareholders' equity. As this is one of the impairment indicators identified by IAS 36, the Parent Company accordingly carried out impairment testing on each of the Group's main Cash Generating Units (CGUs) defined in accordance with the division of the Group's business into segments.
The results of the analysis – including sensitivity analyses performed on the main assumptions – did not show any impairment or need for reversal/of past write-downs, except as indicated in 5.2.1 below.
For further information on the impairment testing of the CGUs to which goodwill has been allocated, see the relevant note in 5.2.2 below.

5.2.1 Property, plant and equipment

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

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

COST	31/12/2011	Additions	(Disposals)	Revaluations (write-downs)	Other Changes	31/12/2012
Land & buildings	232,717	1,204	(1,371)	(268)	(2,337)	229,945
Plant & machinery	2,702,284	36,220	(2,941)		16,610	2,752,173
Industrial & commercial equipment	33,986	1,060	(369)		2,354	37,031
Other assets	475,249	4,005	(2,828)		3,006	479,432
Work in progress and advances	185,674	70,650			(48,659)	207,665
Total	**3,629,910**	**113,139**	**(7,509)**	**(268)**	**(29,026)**	**3,706,246**

ACCUMULATED DEPRECIATION	31/12/2011	Depreciation	(Disposals)	Revaluations (write-downs)	Other Changes	31/12/2012
Land & buildings	77,829	9,849	(14)	11,398	(2,527)	96,535
Plant & machinery	1,765,126	139,138	(2,830)	22,355	(9,141)	1,914,648
Industrial & commercial equipment	26,099	2,207	(210)		(415)	27,681
Other assets	368,539	19,230	(2,843)	2,068	(8,370)	378,624
Total	**2,237,593**	**170,424**	**(5,897)**	**35,821**	**(20,453)**	**2,417,488**

NET BOOK VALUE	31/12/2011	Additions	(Disposals)	(Depreciation) (write-downs)	Other changes and rev. / (w.d.)	31/12/2012
Land & buildings	154,888	1,204	(1,357)	(21,247)	(78)	133,410
Plant & machinery	937,158	36,220	(111)	(161,493)	25,751	837,525
Industrial & commercial equipment	7,887	1,060	(159)	(2,207)	2,769	9,350
Other assets	106,710	4,005	15	(21,298)	11,376	100,808
Work in progress and advances	185,674	70,650	0	0	(48,659)	207,665
Total	**1,392,317**	**113,139**	**(1,612)**	**(206,245)**	**(8,841)**	**1,288,758**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 160,963 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The net book value of these grants at 31st December 2012 was EUR 2,205 thousand, compared with EUR 4,429 thousand at 31st December 2011.

The item "Land and buildings" chiefly includes industrial buildings, offices and warehouses with a net value of EUR 86,829 thousand, civil buildings in Milan, Cagliari and Rome used as offices with a net value of EUR 10,223 thousand, and land largely relating to the Sarroch and Arcola sites belonging to the Parent Company and the subsidiary Deposito di Arcola S.r.l. respectively worth EUR 36,358 thousand.

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

The item "Industrial and commercial equipment" includes equipment for the chemical laboratory and the control room for the Parent Company's refining activities, as well as miscellaneous production equipment.

"Other assets" mainly includes tanks and pipelines used to carry the products and crude oil of both the Parent Company and the Group companies (Saras Energia S.A. and Deposito Arcola S.r.l.).

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

The item increased by EUR 113,139 thousand year-on-year, mainly reflecting technological work on the Parent Company's plants, in particular the revamping of the MildHydrcracking 2 plant (MHC), which will be completed in 2013.

The decrease of EUR 48 million recorded under "Work in progress - Other changes" relates to work completed during the year and consequently recorded in the related asset class. The other values shown in the "Other changes" columns mainly relate to the exclusion from the scope of consolidation of assets belonging to the subsidiary Akhela S.r.l., which was sold on 29th February 2012.

Write-downs reflect the impairment of assets calculated by comparing the carrying values of assets with their recoverable values, represented by the highest between the fair value net of disposal costs and the value in use, as required by IAS 36. Specifically, the write-downs were posted on the plant and machinery for the production of biofuels at Cartagena, owned by the subsidiary Saras Energia S.A. and by the subsidiary Deposito di Arcola S.r.l. (EUR 33 million and EUR 3 million respectively).

The continuing difficulties in the biofuel production segment and consequent uncertainty about the future scenario caused, not least, by the ongoing delay in applying the quota decree meant that the production plant activities of Saras Energia S.A. had to be written down.
The negative results delivered by Deposito di Arcola S.r.l. in its first two years have demonstrated the need to value the expected profitability and economic performance of its core business, in order to assess whether it will be possible to recover the values recognised as assets.

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs)**: the biofuel production plant (Saras Energia S.A.) and oil product storage plant (Deposito di Arcola S.r.l.) are identified as CGUs, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets.

b) **Determination of the recoverable value of plant based on value in use**: in the absence of a binding agreement to sell the asset and an active reference market on which fair value can be determined, the recoverable value was determined according to the plant's value in use, i.e. the present value of future cash flows expected to be derived from the CGU. In particular, the main assumptions were:

   Cartagena biofuel production plant owned by the subsidiary Saras Energia S.A.:
   - Cash flows were projected for 20 years, until the end of 2032;
   - The end value was determined as the current value of the perpetual income from the cash flows generated at the end of the twentieth year;
   - The discount rate (WACC) was 9%;
   - The biofuel sale price forecast took into account the expected regulatory changes in Spain;
   - An inflation rate of 2% was estimated for the entire period;
   - The tax rate applied was that effective in Spain (30%).

   The value in use thus obtained, at 31st December 2012, was lower than the carrying value of the CGU by around EUR 33 million.

   Oil product storage plant owned by the subsidiary Deposito di Arcola S.r.l.:
   - Cash flows were projected until the end of 2014 a restructuring of the activity may be carried out on the asset after that time;
   - A terminal value of zero;
   - The discount rate (WACC) was 9%;
   - Oil product transport prices were estimated as stable in real terms;
   - An inflation rate of 2% was estimated for the entire period;
   - The tax rate applied was the effective rate (27.5%).

   The value in use thus calculated was negative at 31st December 2012, and this led to a write-down equal to the carrying value of the existing assets (around EUR 3 million).

The main depreciation rates used are as follows:

Industrial buildings (land and buildings)	5,50%
Generic plant (plant and machinery)	8,38% - 6,25%
Highly corrosive plant (plant and machinery)	11,73% - 8,75%
Pipelines and tanks (plant and machinery)	8,38% - 6,25%
Thermoelectric plant (plant and machinery)	4,50%
Wind farm (plant and machinery)	10,00% - 4,00%
Supplies (equipment, plant and machinery)	25,00%
Electronic office equipment (other assets)	20,00%
Office furniture and machinery (other assets)	12,00%
Vehicles (other assets)	25,00%

There are no fixed assets held for sale.

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Financial charges of EUR 9,634 thousand (at an annual weighted average rate of 5.3%) and internal costs of EUR 3,776 thousand were capitalised in 2012.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

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

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

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

COST	31/12/2011	Additions	Disposals	Write-downs	Other changes	31/12/2012
Industrial & other patent rights	51,072	277	(1,603)		(10,609)	39,137
Concessions, licences, trademarks & similar rights	58,521		(69)			58,452
Goodwill	21,909					21,909
Other intangible assets	513,039	985			180	514,204
Assets in progress & payments on account	18,862	4,878	(313)		(1,393)	22,034
Total	**663,403**	**6,140**	**(1,985)**	**0**	**(11,822)**	**655,736**

ACCUMULATED DEPRECIATION	31/12/2011	Amortisation	Disposals	Write-downs	Other changes	31/12/2012
Industrial & other patent rights	49,348	2,236	(1,603)	42	(14,494)	35,529
Concessions, licences, trademarks & similar rights	13,437	2,707	(69)	62	49	16,186
Goodwill	0					0
Other intangible assets	222,360	32,810		84		255,254
Total	**285,145**	**37,753**	**(1,672)**	**188**	**(14,445)**	**306,969**

NET	31/12/2011	Additions	Disposals	Other changes	Amortisation / (write-downs)	31/12/2012
Industrial & other patent rights	1,724	277	0	3,885	(2,278)	3,608
Concessions, licences, trademarks & similar rights	45,084	0	0	(49)	(2,769)	42,266
Goodwill	21,909	0	0	0	0	21,909
Other intangible assets	290,679	985	0	180	(32,894)	258,950
Assets in progress & payments on account	18,862	4,878	(313)	(1,393)		22,034
Total	**378,258**	**6,140**	**(313)**	**2,623**	**(37,941)**	**348,767**

Amortisation of intangible assets totalled EUR 37,753 thousand, and was calculated using the annual rates shown below:

Industrial patent rights and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	3% - 33%
Other intangible assets	6% - 33%

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

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of the item mainly refers to the concessions relating to Estaciones de Servicio Caprabo S.A. (merged into Saras Energia S.A.) for the operation of the service stations in Spain, and to Sardeolica S.r.l. for the operation of the Ulassai wind farm, which will be fully amortised by 2026 and 2035 respectively.

Goodwill

The item mainly relates to goodwill recorded for the subsidiary Parchi Eolici Ulassai S.r.l. (EUR 21,408 thousand), which was paid to acquire this company: the goodwill was justified given the projection of future cash flows by Sardeolica S.r.l. until 2035 when the concessions expire.

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

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs):** the subsidiary Parchi Eolici Ulassai S.r.l. (and its subsidiary Sardeolica S.r.l.) is identified as a single CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The analysis was therefore carried out on the consolidated aggregate figures of Parchi Eolici Ulassai S.r.l. at 31st December 2012.

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

c) **Determination of the recoverable value of goodwill based on value in use:** in the absence of a binding agreement to sell the asset and an active reference market on which fair value can be determined, the recoverable value of the goodwill in question was determined according to value in use, i.e. the present value of future cash flows expected to be derived from the CGU. In particular, the main assumptions were:
   - Cash flows were projected for the period until the end of 2035, coinciding with the expiry of the concession obtained from the Ulassai municipality for the area in which the wind farm is located;
   - The discount rate (WACC) was 9%;
   - The selling prices of the energy produced by the CGU and of its green certificates were projected using a ratio commonly used in the sector and by the Group in its own analyses;
   - An inflation rate of 2% was estimated for the entire period;
   - A terminal value of zero was applied.

   The value in use thus derived, at 31st December 2012, exceeds the carrying value of the CGU by around EUR 30 million.

d) **Sensitivity analysis**: this analysis showed that a change in the key assumptions (revenue projections based on prices and wind strength) results in recoverable values well in excess of the carrying value of the goodwill in question, and would not therefore result in an impairment loss as defined in IAS 36;

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

Intangible assets in progress and payments on account

This item mainly includes the cost of natural gas exploration in Sardinia (EUR 16.601 thousand). These costs include capitalisation of internal costs of EUR 147 thousand incurred during the reporting period. No financial charges were capitalised.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Other intangible assets

This item mainly relates to the booking at fair value of the existing contract between the subsidiary Sarlux S.r.l. and GSE (Gestore dei Servizi Energetici S.p.A.) in 2006, which stood at EUR 248 million at 31st December 2012 net of amortisation (which will be complete in 2020).

5.2.3 Equity investments

The table below shows a list of equity investments held at 31st December 2012, with the main figures relating to each subsidiary.

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

Since 31st December 2011, the investments held in Akhela S.r.l., Artemide S.r.l., I.T.S.M.E. S.r.l. and the I.C.T. Competence Centre have been sold.

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

5.2.3.1 Other equity interests

Other equity interests break down as follows:

	31/12/2012	31/12/2011
Consorzio Cesma	3	3
Consorzio La Spezia Utilities	28	28
Sarda Factoring	495	495
Centro di Competenza I.C.T.	0	21
Total	**526**	**547**

5.2.4 Deferred tax assets

The balance of EUR 86,430 thousand at 31st December 2012 comprises mainly:

- Net deferred tax assets of the Parent Company Saras S.p.A. of EUR 84,402 thousand, including EUR 76,771 thousand on tax losses still to be used under the national tax consolidation scheme (EUR 26,320 thousand), and on the additional IRES applicable to the energy sector (10.5% or EUR 50,451 thousand), excluded from the tax consolidation scheme; the amounts in question should be applicable against future taxable income. Specifically, despite part of this additional amount (4%) being valid for the three tax periods following the one ending on 31st December 2010, the corresponding tax assets are considered to be recoverable both because the tax is expected to be reconfirmed for future tax years and because of the possible impact of oil prices on the valuations of inventories as at 31st December 2013;
- Net deferred tax liabilities of the subsidiary Sarlux S.r.l. of EUR 8,530 thousand, including deferred tax assets of EUR 160,226 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 4 –, and deferred tax liabilities of EUR 95,214 thousand for the booking at fair value of the existing agreement with GSE, and of EUR 74,039 thousand relating to excess and accelerated depreciation.
- Net deferred tax assets of the subsidiary Saras Energia S.A. of EUR 12,707 thousand, including EUR 3,736 thousand on tax losses and EUR 9,900 thousand relating to depreciation of the biofuel production plant.

The change compared with 31st December 2011 of EUR 54,023 thousand is due to the increase in deferred tax assets allocated against tax losses for the year.

The following table provides a breakdown of net deferred tax assets, including EUR 3,163 thousand for the deferred tax of foreign companies, shown as a separate liability under "Deferred tax liabilities".

	Amounts at 31/12/2011	Provision	Utilisation	Other Changes	Amounts at 31/12/2012
Deferred tax liabilities					
Excess and accelerated depreciation	(81,751)		7,714		(74,037)
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)				(10,861)
Measurement of inventories at the end of the period at FIFO for tax purposes	(9,170)			9,170	0
Adjustments for scheduled plant and equipment maintenance	(2,356)		965		(1,391)
Write-off of provision for risks related to subsidiaries	(2,651)	(512)			(3,163)
Employee benefits and bonuses	(185)		87	106	8
Unrealised exchange losses	(765)	(61)	764		(62)
Fair value of derivatives	816	(7)		0	809
Fair value of Sarlux contract with GSE	(108,201)		12,987		(95,214)
Write-off of goodwill amortisation	(158)	(20)			(178)
Measurement of Sardeolica concessions (IFRS 3 on 30% PEU)	(7,169)		341		(6,828)
Other	(367)		58		(309)
Total deferred tax liabilities	**(222,818)**	**(600)**	**22,916**	**9,276**	**(191,226)**
Deferred tax assets					
Provisions for risks and write-downs	10,302	11,321	(7,210)		14,413
Write-off of equity investment	16		0	(16)	0
Evaluation of inventory at end of the period at FIFO for tax purposes		710	8,561	(9,170)	101
Derecognition of intangibile assets	1,818	128	(546)	(845)	555
Reclassification of grants previously carried as equity	119		(44)		75
Cost of dismantling and removing tangible assets	6,150	225			6,375
Adjustments for scheduled plant and equipment maintenance	229	597			826
Employee benefits and bonuses	3,835	3,089	(2,568)		4,356
Unrealised exchange gains/losses	9,774	200	(9,519)		455
Reporting of revenues of Sarlux on a straight-line basis (as per IAS 17 and IFRIC 4)	185,434		(25,208)		160,226
Excess maintenance costs	765		(642)		123
Deferred tax asset on tax loss of Saras S.p.A. (for the IRES surcharges 10,5%)	24,802	25,649			50,451
Tax asset relating to IRES Consolidated tax loss	0	26,602			26,602
Deferred tax asset on tax loss of Saras Energia	838	2,898			3,736
Other	6,669	103	(647)	74	6,199
Total deferred tax assets	**250,751**	**71,522**	**(37,823)**	**(9,957)**	**274,493**
Net total	**27,933**	**70,922**	**(14,907)**	**(681)**	**83,267**

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

Subsidiary	Start date	End date
Arcola Petrolifera S.p.A.	01/01/2010	31/12/2012
Deposito di Arcola S.r.l.	01/10/2011	31/12/2012
Ensar S.r.l.	01/01/2010	31/12/2012
Parchi Eolici Ulassai S.r.l.	01/01/2011	31/12/2013
Saras Ricerche e Tecnologie S.p.A.	01/01/2010	31/12/2012
Sardeolica S.r.l.	01/01/2011	31/12/2013
Sarlux S.r.l.	01/01/2012	31/12/2014

The Parent Company has already proposed, by a resolution of the Board of Directors, that Arcola Petrolifera S.p.A., Deposito di Arcola S.r.l., Ensar S.r.l. and Saras Ricerche e Tecnologie S.p.A. renew their participation in the national tax consolidation scheme following expiry of their agreements on 31st December 2012. The option granted to the subsidiaries, if taken up, must be exercised by June 2012.

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2012 and 2011:

	2012 Short term	2012 Medium Long term	2011 Short term	2011 Medium Long term
Deferred tax liabilities				
Excess and accelerated depreciation	(6,206)	(67,831)	(7,734)	(74,018)
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,861)
Measurement of inventory at end of period at FIFO cost			(9,170)	
Adjustment for scheduled plant and equipment maintenance	(470)	(921)	(965)	(1,391)
Write-off of provision for risks related to subsidiaries		(3,163)		
Employee benefits and bonuses	8			
Unrealised exchange losses	(62)		(765)	
Fair value of derivatives	809		816	
Fair value of Sarlux contract with GSE	(12,987)	(82,227)	(12,987)	(95,214)
Write-off of goodwill amortisation		(178)		
Measurement of Sardeolica concessions (IFRS 3 on acquisition of 30% PEU)	(341)	(6,487)	(341)	(6,828)
Other	(309)		(552)	(2,809)
Total deferred tax liabilities	**(19,558)**	**(171,668)**	**(31,698)**	**(191,121)**
Deferred tax assets				
Provisions for risks and write-downs	1,345	13,068	7,755	2,547
Measurement of inventory at end of period at FIFO cost	101			
Derecognition of intangibile assets	60	495	85	1,733
Reclassification of grants previously carried as equity	75		119	
Costs for the dismantling and removal of tangible assets		6,375		6,150
Adjustment for scheduled plant and equipment maintenance		826		229
Employee benefits and bonuses	2,831	1,525	3,835	
Unrealised exchange losses	455		9,774	
Reporting of revenues of Sarlux on a straight-line basis (as per IAS 17 and IFRIC 4)	19,491	140,735	11,319	174,116
Excess maintenance costs	123		642	123
Deferred tax asset on tax loss of Saras S.p.A. (on IRES surcharge of 10,5%)	50,451		24,802	
Tax asset relating to IRES consolidated tax loss	26,602			
Deferred tax asset on tax loss of Saras Energia	3,736			
Other	6,199		6,808	715
Total deferred tax assets	**111,469**	**163,024**	**65,139**	**185,613**

5.2.5 Other financial assets

At 31st December 2012, the balance of this item was EUR 6,089 thousand (EUR 896 thousand in the previous year) and is chiefly represented by the long-term portion of the financial receivable of the Parent Company Saras S.p.A. from Akhela S.r.l. (EUR 5,339 thousand) no longer consolidated at 31st December 2012, and security deposits granted by the Parent Company Saras S.p.A. and its subsidiary Saras Energia S.A..

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table provides a breakdown of short-term financial liabilities.

	31/12/2012	31/12/2011	Change
Bank loans	33,239	198,054	(164,815)
Bank accounts	81,893	327,441	(245,548)
Derivative investments	45,632	42,134	3,498
Other short term financial liabilities	6,233	6,233	0
Total short-term financial liabilities	**166,997**	**573,862**	**(406,865)**
Total long-term financial liabilities	**424,891**	**284,798**	**140,093**
Total fiancial liabilities	**591,888**	**858,660**	**(266,772)**

The decrease in "Bank loans" was mainly due to the repayment of a loan, originally for EUR 190 million, which fell due on 30th June 2012.
The increase in "Long-term liabilities" was due to the taking out of a loan for EUR 170 million.
The terms and conditions of the company's loans are explained in the note on the item "5.4.1 - Long-term financial liabilities".

"Derivative instruments" includes the negative fair value of the derivatives held at the reporting date.

	31/12/2012	31/12/2012	31/12/2011	31/12/2011
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	6	(4,866)	0	(2,484)
Fair value of forward purchases and sales of commodities (oil & other oil products)	30,855	(38,121)	24,358	(38,504)
Fair value of derivative instruments involving foreign currencies	632	(2,645)	7,577	(1,146)
Total	**31,493**	**(45,632)**	**31,935**	**(42,134)**

The following tables show the notional values and corresponding fair values of derivatives outstanding at 31st December 2012 and 31st December 2011.

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Type of transaction	Interest rate			Other			
Figures at 31/12/2012	Notional value	*Fair value*		Notional value		*Fair value*	
		Pos.	Neg.	Purchases	Sales	Pos.	Neg.
Futures							
Oil products and crude oil				(1,584,022)	1,860,290	24,147	(29,996)
Foreign currencies				(513,768)		632	(2,645)
Swaps							
Oil products and crude oil				(255,232)	373,101	5,996	(8,113)
Interest rates	224,800	6	(4,866)				
Options							
Oil products and crude oil				(19)	1,069	712	(12)
Total	**224,800**	**6**	**(4,866)**	**(2,353,041)**	**2,234,460**	**31,487**	**(40,766)**

"Short-term financial liabilities" mainly comprises the interest accrued on the bond issued by the Parent Company.

For further details, please see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2012	31/12/2011	Change
Advances from customers: portion due within the year	6,526	53,512	(46,986)
Payables to suppliers: portion due within the year	1,387,816	1,134,991	252,825
Total	**1,394,342**	**1,188,503**	**205,839**

The item "Advances from customers" relates to payments on account received from the Parent Company's customers for the supply of oil products.
The increase in trade payables is also due, to a significant extent, to difficulties encountered during the year in paying for crude oil purchased in Iran, owing to the restrictions on international banking networks ahead of the total oil embargo decided by the European Union.

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

	31/12/2012	31/12/2011	Change
Payables to Italian suppliers	239,829	235,894	3,935
Payables to Spanish suppliers	102,888	125,162	(22,274)
Payables to other EU country suppliers	20,987	64,462	(43,475)
Payables to non-EU country suppliers	1,030,451	762,825	267,626
Payables to US suppliers	187	160	27
Total	**1,394,342**	**1,188,503**	**205,839**

5.3.3 Current tax liabilities

This item breaks down as shown below:

	31/12/2012	31/12/2011	Change
VAT payables	81,180	61,698	19,482
IRES (Corporation Tax) and income tax of foreign companies	5,885	5,882	3
IRAP (Regional Income Tax)	2,042	41	2,001
Other tax payables	72,018	74,208	(2,190)
Total	**161,125**	**141,829**	**19,296**

The change in "VAT payables" is due to adoption of the "VAT warehouse" regime for oil imports from September, which will improve the management of customs procedures and optimise the tax position (also preventing the accumulation of huge credit balances).

IRES liabilities include the balance owed by Italian companies in the energy sector for the 10.5% surcharge (Robin Hood tax) relating to the year.

IRAP payables rose due to the tax calculated on the taxable income of Italian companies for the period.

The item "Other tax payables" chiefly includes excise duties on products introduced into the market by the subsidiary Arcola Petrolifera S.p.A . (EUR 57,260 thousand) and by the subsidiary Saras Energia S.A. (EUR 8,742 thousand).

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below:

	31/12/2012	31/12/2011	Change
Social security payables: portions due within one year	9,494	9,903	(409)
Due to personnel	17,066	16,865	201
Payables to Ministry for grants	41,297	43,546	(2,249)
Other payables	25,402	19,815	5,587
Other accrued liabilities	798	1,695	(897)
Other deferred income	733	722	11
Total	**94,790**	**92,546**	**2,244**

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

The item "Payables to Ministry for grants" mainly includes advances received from the Ministry for Economic Development, for which the final decrees have yet to be issued:

- by the Parent Company in connection with the programme agreement signed on 10th June 2002 for EUR 24,736 thousand;
- by the subsidiary Sardeolica S.r.l. for the construction of the Ulassai wind farm (EUR 15,679 thousand).

The decrease versus the previous year is due to the exclusion from the scope of consolidation of Akhela S.r.l., which was sold during the year and which showed a balance of EUR 2,249 thousand at 31st December 2011.

The item "Other payables" mainly relates to port duties as determined by the customs authority in respect of the Parent Company (EUR 15,115 thousand); please note that the initial phase of the company's longstanding dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.
In the second phase of the dispute, the Court of Cassation ruled against the Parent Company in March 2012, in part due to regulatory amendments that had been introduced in the intervening period.
As a result of the outcome of this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has always been booked on an accrual basis under "Cost of services and sundry costs".

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as follows:

	31/12/2012	31/12/2011	Change
Euro Bond	248,724	248,223	501
Bank loans	176,167	36,575	139,592
Total long-term financial liabilities	**424,891**	**284,798**	**140,093**

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

In June, a simple loan for a nominal amount of EUR 190 million was repaid according to the terms of the agreement by the Parent Company Saras S.p.A.

On 27th June 2012, the company signed a five-year loan agreement, disbursed on 3rd July, for EUR 170 million with a group of leading national and international banks. This is a senior loan that is not backed by collateral. It carries an interest rate equal to EURIBOR plus a fixed annual component, is repayable in nine half-yearly instalments, of which the first, equal to 5% of the capital, is due on 27th June 2013 and the last on 27th June 2017.

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

Figures in Euro million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/2011	Net book value at 31/12/2012	Maturity			Collateral
						1 year	from 1 to 5 years	beyond 5 years	
Saras S.p.A.									
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	100.0	-				
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.8	-				
				189.8	**-**				
Saras S.p.A.									
Loan in pool	3-Jul-12	170.0	Euribor 6M	-	167.8	24.8	143.0		
				-	**167.8**	**24.8**	**143.0**		
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	1.1	-				
Banco Santander	27-Jul-12	5.0	Euribor 12M	-	5.0	0.6	4.4		
				1.1	**5.0**	**0.6**	**4.4**		
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	43.8	36.6	7.8	28.8		
				43.8	**36.6**	**7.8**	**28.8**		
Total payables to banks for loans				**234.7**	**209.4**	**33.2**	**176.2**		

The weighted average interest rate at 31st December 2012 was 4.85%.

Saras S.p.A.'s loan agreement for EUR 170 million is subject to covenants:

- In financial terms, the company will have to meet the following ratios: net debt/EBITDA < 3.25 and net debt/shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements at 30th June and 31st December each year;
- In corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets;
- As regards dividends, the company is allowed to pay out a maximum amount of 60% of consolidated adjusted net profit provided that, after distribution, it still complies with the net debt/EBITDA ratio covenant. Note that the covenant in question is consistent with the policy adopted some time ago by the Parent Company.

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

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

- Financial (mainly comprising liquidity parameters to be checked every six months and a ban on carrying out derivatives transactions unless authorised by the pool of banks);
- Operational, as regards the operation of the wind farm and the obligation to provide insurance cover;
- Corporate, connected to the company's ownership structure, specifically a ban on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the company needs to carry out the project.

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

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

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

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

	31/12/2011	Addiotions	Decrease for use and reversals	Other Changes	31/12/2012
Provisions for dismantling of plants	18,429	407	0	0	18,836
Provisions for CO_2 allowances	45,818	17,924	(39,934)	78	23,886
Other risk provisions	13,020	1,143	(4,462)	(32)	9,669
Total	**77,267**	**19,474**	**(44,396)**	**46**	**52,391**

The provisions for dismantling of plants relate to the future costs of dismantling plants and machinery, which are made wherever there is a legal and constructive obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes. The year-on-year increase comprises EUR 407 thousand due to the above-mentioned ISTAT adjustment for the Parent Company Saras S.p.A. (EUR 327 thousand) and for the subsidiary Sarlux S.r.l. (EUR 80 thousand).

The provision for CO_2 allowances (EUR 23,886 thousand in respect of the Parent Company) was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, the Parent Company, Saras S.p.A., receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the entire Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.
For 2012, the CO_2 allowances assigned under the National Allocation Plan for the period 2008-2012 were:

- 2,159,696 tons of CO_2 for the refinery plants owned by the Parent Company, which had emitted 2,222,020 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 551,927 tons, worth EUR 2,816 thousand;
- 444,404 tons of CO_2 for the cogeneration plants owned by the subsidiary Sarlux S.r.l., which had emitted 3,694,000 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 3,652,218 tons, worth EUR 21,069 thousand).

During the year, allowances for 893,418 tons of CO_2 were purchased for Saras, and 3,119,880 for Sarlux. EUR 39,334 thousand was used from the provisions (EUR 13,024 thousand for Saras and EUR 26,910 thousand for Sarlux).
NB: CO_2 allowances already held by the Group are taken into account in determining the provision.

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

Quotas (Tons)	Refinery plant Saras S.p.A.	IGCC plant Sarlux S.r.l.	Total
Deficit as of 31st December 2010	**(2,420,581)**	**(1,046,855)**	**(3,467,436)**
Allowances allocated in 2011	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(2,407,374)	(1,047,775)	(3,455,149)
Purchase	1,211,842	1,398,503	2,610,345
Transfer	0	0	0
Emissions in the year	(2,342,140)	(3,519,230)	(5,861,370)
Deficit as of 31st December 2011	**(1,377,976)**	**(2,724,098)**	**(4,102,074)**
Allowances allocated in 2012	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(1,383,021)	(2,730,321)	(4,113,342)
Purchase (with delivery)	893,418	3,119,880	4,013,298
Transfer	0	0	0
Emissions in the year	(2,222,020)	(3,694,000)	(5,916,020)
Deficit as of 31st December 2012	**(551,927)**	**(2,860,037)**	**(3,411,964)**

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

The decrease compared with 31st December 2011 is mainly due to the release of the provision of EUR 2,381 thousand posted previously by Arcola Petrolifera S.p.A. in relation to the requirement to use biofuels for 2011. This was recovered through the release of biofuels for sale to consumers in 2012. The remaining variation was due to an adjustment to the provisions for risks relating to legal disputes.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2012	31/12/2011	Change
Employee end-of-service payments	13,833	12,852	981
Other supplementary provisions	8,992	10,447	(1,455)
Total	**22,825**	**23,299**	**(474)**

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 change is due mainly to the sale of Akhela S.r.l..
On 30th June 2010, following the cancellation by the Parent Company of the agreement establishing CPAS the company’s supplementary employee pension fund, the fund was dissolved and put into liquidation, with workers given the option of transferring the benefits earned until that date to another supplementary pension scheme or of redeeming the entire amount. The trade unions disputed the cancellation of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. Having taken legal advice from the lawyers assisting the company in this matter, the company is confident that the correctness of its actions will be upheld in court.

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

Balance at 31.12.2010	**14,529**
Accruals for defined contribution plan (TFR)	5,929
Interest	789
Actuarial (gains) / losses	(626)
Deductions	(1,840)
Payments to supplementary pension schemes (such as INPS treasury fund)	(5,929)
Balance at 31.12.2011	**12,852**
Accruals for defined contribution plan (TFR)	5,379
Interests	573
Actuarial (gains) / losses	2,459
Deductions	(2,051)
Payments to supplementary pension schemes (such as INPS treasury fund)	(5,379)
Balance at 31.12.2012	**13,833**

The table below shows the changes in the CPAS fund, which is a defined contribution plan:

Balance at 31.12.2010	**16,018**
Accrual for the year	0
Amount used during the year	(5,571)
Balance at 31.12.2011	**10,447**
Accrual for the year	0
Amount used during the year	(1,455)
Balance at 31.12.2012	**8,992**

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

	31/12/2012	31/12/2011
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	3.25%	4.60%
Salary increase:	3.00%	3.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	As recorded by ISTAT observing Italian population in 2002
Probability of disability:	INPS model for projections to 2010
Probability of resignation:	annual staff turnover of 0.5%
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of advance payments:	3% per annum

At 31st December 2012, the discount rate used was the iBOXX Eurozone Corporates A10+ (3.25%).
The actuarial calculation takes into account the recently issued changes to pensions legislation (Decree Law 201/2011). Given the accounting method used (see the paragraph entitled "Summary of accounting standards and policies" and point Q "Provisions for employee benefits"), at 31st December 2012 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,163 thousand, relate to the foreign subsidiaries. For more details, please see section 5.2.4 "Deferred tax assets".

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2012	31/12/2011	Change
Payables to welfare and social security bodies: portion due after one year	75	357	(282)
Deferred income	420,012	480,175	(60,163)
Other	2,613	2,613	0
Total	**422,700**	**483,145**	**(60,445)**

The change compared with 31st December 2011 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux S.r.l. The item in question relates to the agreement for the sale of electricity between Sarlux S.r.l. and GSE (Gestore dei Servizi Energetici S.p.A.), which was accounted for according to IFRIC 4. Revenues from the sale of electricity are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2012	31/12/2011	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,221,243	1,158,676	62,567
Profit/(Loss) for the year	(90,101)	58,802	(148,903)
Total Shareholders Equity	**1,196,698**	**1,283,034**	**(86,336)**

Share capital

At 31st December 2012, the share capital of EUR 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no nominal value.

Legal reserve

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

Other reserves

This item totalled EUR 1,221,243 thousand, a net increase of EUR 62,587 thousand compared with the previous period. The net increase was the combined result of:

- The appropriation of the profit from the previous year of EUR 58,802 thousand;
- An increase of EUR 3,779 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the companies' Stock Grant Plans;
- A decrease of EUR 14 thousand due to the translation of the financial statements of subsidiaries into foreign currency.

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

Net profit/(loss)

The net loss for the year totalled EUR 90,101 thousand.

Restrictions on the distribution of equity reserves

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

- The legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- The item "Locked-in reserve pursuant to article 7, paragraph 6 of Legislative Decree 38/05", totalling EUR 19.7 million and included in "Other reserves", is distributable solely to cover losses or to increase share capital;
- Pursuant to article 2426, paragraph 1, point 5 of the Italian Civil Code, an amount of EUR 15.7 million corresponding to research costs recorded under assets cannot be distributed.

Dividends

On 27th April 2012, the ordinary shareholders' meeting of Saras S.p.A. voted not to pay any dividends.

The Board of Directors of the Parent Company has made a proposal to the shareholders' meeting scheduled for 24th April 2013 not to pay a dividend for the year 2012.

No own shares were acquired or sold during the period.

6. Notes to the consolidated income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item "Revenues from ordinary operations" breaks down as follows:

	2012	2011	Change
Sales and services revenues	11,213,819	10,393,505	820,314
Sale of electricity	584,487	537,761	46,726
Other revenues	12,007	29,455	(17,448)
Change in contract work in progress	404	145	259
Total	**11,810,717**	**10,960,866**	**849,851**

Sales and services revenues increased by EUR 849,851 thousand compared to the previous year. The change was broadly due to the rise in oil product prices over the period.

Revenues from the sale of electricity include EUR 572,267 thousand relating to the gasification plant of the subsidiary Sarlux S.r.l. and EUR 12,220 thousand relating to the wind farm owned by the subsidiary Sardeolica S.r.l..

Revenues from the sale of electricity by Sarlux S.r.l. reflect the reporting of figures on a straight-line basis, calculated according to the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and projections of the EUR/USD exchange rate until the contract expires. Note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component, as indicated in section 5.1.3 "Trade receivables", for the purposes of these financial statements, revenues from the sale of electricity were determined in accordance with AEEG Resolution PAS 09/10.

Other payments are mainly attributable to revenues posted by the subsidiaries Sartec S.p.A. and Reasar S.A. in their respective segments. The decrease is mainly due to the exclusion of Akhela S.r.l. from the scope of consolidation.

The 2012 result of the refining sector was affected by major planned maintenance works carried out on numerous refinery units, in particular during the first half of the year. This maintenance work reduced both processing and conversion capacity by a total of about EUR 70 million for the whole year. The second half saw further difficulties arise from the temporary disruption of the heavy crude market, due to the oil embargo imposed by the European Union on Iran. In contrast, the results in the third quarter were extremely positive with refining margins staging a robust recovery.

Note that the first quarter of 2011 had benefited from substantial profits arising from timing differences between sales and purchases, in a market of soaring oil prices. However, during the middle part of 2011, the Libyan crisis imposed limitations on the profitability of the Sarroch refinery. This was due to the lack of Libyan crude oil, whose specific characteristics make it difficult to substitute.

The marketing segment performed relatively well, despite the continuing difficult macroeconomic conditions in the peripheral eurozone countries. Specifically, there were significant falls in demand for oil products in both Italy and Spain, where the Saras Group carries out marketing in the retail and wholesale markets.

The power generation segment produced highly satisfactory results in 2012, with electricity production rising 5% year-on-year to 4.194 TWh. The change in production is mainly due to the major 10-yearly cycle of maintenance performed on the entire IGCC plant in 2011, and ordinary maintenance was also carried out on two Gasifier – Combined Cycle Turbine trains in the second and fourth quarter of 2012 respectively.

Finally, the wind segment performed extremely well thanks to more favourable weather conditions which allowed the production of 171,050 MWh, up 21% compared with 2011. It is also important to remember that revenues in 2011 were penalised by a write-down of around EUR 3 million in the fourth quarter in relation to a number of projects in the pipeline of one of the Group subsidiaries, which, under the new rules of the Region of Sardinia, no longer fall within the "authorised areas" for the construction of wind farms.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

In accordance with IFRS 8, please note that none of the Group's customers accounted for more than 10% of its revenues.

6.1.2 Other income

The following table shows a breakdown of other income:

	2012	2011	Change
Revenues for stocking of mandatory supplies	7,013	2,096	4,917
Sales of sundry materials	5,438	4,169	1,269
Grants	14,223	11,738	2,485
Chartering of tankers	1,841	7,559	(5,718)
Recovery for claims and damages	956	823	133
Reimbursment of emission trading charges	23,824	38,905	(15,081)
Other income	25,237	10,943	14,294
Total	**78,532**	**76,233**	**2,299**

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

The item "Reimbursement of emissions trading charges" comprises income posted by the subsidiary Sarlux S.r.l., deriving from the reimbursement – pursuant to section II, point 7-bis of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08. The decrease compared with the previous year was chiefly due to the fall in the price of allowances (from EUR 12.65 per allowance in 2011 to EUR 7.33 per allowance in 2012).

The item "Other income" mainly includes the income from energy efficiency credits (white certificates) earned in the year by the Parent Company Saras S.p.A..

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2012	2011	Change
Purchases of raw materials	8,990,467	8,563,598	426,869
Purchases of semifinished materials	133,018	22,441	110,577
Purchases of spare parts and consumables	68,485	58,338	10,147
Purchases of finished products	1,549,616	1,604,484	(54,868)
Other purchases	125	156	(31)
Change in inventories	233,993	(341,650)	575,643
Total	**10,975,704**	**9,907,367**	**1,068,337**

Costs relating to the purchase of raw materials, spare parts and consumables totalled EUR 10,975,704 thousand, an increase of EUR 1,068,337 thousand compared with the previous year, mainly due to both the change in inventories and changes in the average price of crude.

6.2.2 Cost of services and sundry costs

	2012	2011	Change
Service costs	538,099	497,864	40,235
Rent, leasing and similar costs	14,210	14,460	(250)
Provisions for risks and charges	19,056	52,119	(33,063)
Other operating charges	30,133	12,206	17,927
Total	**601,498**	**576,649**	**24,849**

Service costs mainly comprise maintenance, rentals, freight, electricity and utilities, as well as costs for bank charges. The rise of EUR 40,235 thousand compared with the previous year was mainly due to the increase in the costs of electricity, hydrogen and steam energy.

The item "Rent, leasing and similar costs" includes the costs incurred by the Parent Company (for the lease of its offices in Milan and Rome, the state concession at the Sarroch site and the leasing of equipment) and by the subsidiary Saras Energia (for rents on the distribution network).
The item "Use of third-party assets" includes EUR 2,075 thousand in costs relating to rental of the building that houses the registered office of the Parent Company Saras S.p.A. in Milan. The cost has been reported on a straight-line basis according to IAS 17 – Leases, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 4,025 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual and clerical workers; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months' notice prior to the expiry date.

"Provisions for risks" mainly consist of a provision relating to CO_2 allowances applicable to 2012 that had not yet been purchased as of 31st December 2012. The change from the previous year is mainly due to the fall in the price of allowances.

The item "Other operating charges" chiefly comprises non-income taxes (local property taxes, atmospheric emission taxes) and membership fees. The change compared with the previous year is essentially due to higher non-income taxes.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2012	2011	Change
Wages and salaries	94,186	110,222	(16,036)
Social security	27,831	30,965	(3,134)
Employee end-of-service payments	8,411	6,092	2,319
Other costs	4,292	5,664	(1,372)
Directors' remuneration	3,740	5,871	(2,131)
Total	**138,460**	**158,814**	**(20,354)**

The decrease in the item is mainly due to the exit from the scope of consolidation of Akhela S.r.l. and Artemide S.r.l., which were sold during the year.

On 27th April 2010, the shareholders' meeting approved the plans for the bonus allocation of ordinary shares in the company:
- to employees of the company and its Italian subsidiaries (the "Employee Share Plan");
- to the management of the Saras Group (the "Stock Grant Plan 2010-2012").

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Under the Employee Share Plan, the total value of the shares allocated to each beneficiary must not exceed EUR 2,065 each year. Furthermore, the maximum value of the shares allocable overall must never exceed the sum of EUR 2 million. In 2012, 25,128 shares were allocated under the plan, at a total cost of EUR 78 thousand.

The Stock Grant Plan 2010/2012 (for directors of the Parent Company, and directors and managers individually specified by the Board of Directors of the Parent Company and the subsidiaries) sets out the allocation of a “base number of shares” for each beneficiary, which is amended according to the difference between the change in value of the Parent Company’s shares and that of the shares of a group of comparable companies.
The plan will involve the allocation of:
- 1,505,000 shares for the 2010 plan, at a cost of EUR 2,248 thousand;
- 1,962,800 shares for the 2011, plan, at a cost of EUR 3,474 thousand (of which EUR 773 thousand relates to 2012);
- 3,611,766 shares for the 2012 plan, at a cost of EUR 3,671 thousand (of which EUR 2,753 thousand relates to 2012).

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until the first half of 2013 in return for a one-off premium to be paid in shares as part of the current plan.
This option would involve the allocation of 769,000 shares, at a cost of EUR 1,149 thousand (of which EUR 255 thousand relates to 2012).

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below:

	2012	2011	Change
Amortisation of intangible assets	37,753	37,044	709
Write-downs of intangible assets	188	0	188
Depreciation of tangible assets	170,424	176,272	(5,848)
Write-downs of tangible assets	35,821	0	35,821
Total	**244,186**	**213,316**	**30,870**

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

	2012	2011	Change
Financial income:			
- from financial assets recorded under current assets	2	71	(69)
Other income			
- Interest on bank and post office accounts	882	322	560
- Fair value of derivatives held at the reporting date	31,493	17,232	14,261
- Positive differences on derivatives	94,630	103,736	(9,106)
- Other income	454	327	127
Exchange gains	120,772	2,042	118,730
Total Financial Income	**248,233**	**123,730**	**124,503**
Financial charges :			
- Fair value of derivatives held at the reporting date	(45,632)	(4,559)	(41,073)
- Negative differences on derivatives	(124,368)	(110,292)	(14,076)
- Other (interest on loans, late payment interest, etc.)	(30,131)	(34,100)	3,969
Exchange losses	(99,986)	(36,343)	(63,643)
Total Financial Charges	**(300,117)**	**(185,294)**	**(114,823)**
Total	**(51,884)**	**(61,564)**	**9,680**

The table below shows net income/charges by type:

	2012	2011	Change
Net interest income / (expense)	(29,249)	(33,778)	4,529
Net result from derivative financial instruments	(43,877)	6,117	(49,994)
- realised	*(29,738)*	*(6,556)*	*(23,182)*
- fair value of the open positions	*(14,139)*	*12,673*	*(26,812)*
Net exchange gains/(losses)	20,786	(34,301)	55,087
Other	456	398	58
Total	**(51,884)**	**(61,564)**	**9,680**

The fair value of derivative instruments existing at 31st December 2012 represented a net cost of EUR 14,139 thousand (compared with net income of EUR 12,673 thousand the previous year).
As shown, the main changes relate to net exchange rate differences partially offset by gains/losses on derivatives. The derivatives in question relate to hedging transactions to which hedge accounting is not applied.

6.4 Income tax

Income tax can be shown as follows:

	2012	2011	Change
Current taxes	23,633	38,881	(15,248)
Deferred tax (assets)/liabilities, net	(56,015)	21,706	(77,721)
Total	**(32,382)**	**60,587**	**(92,969)**

Current taxes consist mainly of an IRES surcharge calculated, where due, on the taxable income of Italian companies, which temporarily increased from 6.5% to 10.5% for the three-year period 2011-2013 (EUR 15,938 thousand), and of IRAP (EUR 7,695 thousand).
The change is due to the effect of the net loss for the period reported under the national tax consolidation scheme, compared with the taxable income generated in the same period of the previous year.
Deferred tax assets/liabilities relate to changes during the period in the temporary differences between the values recorded in the accounts and those recognised for tax purposes; the change is mainly due to net deferred tax assets for the period, to be used against losses for the period, of which EUR 26,602 thousand relates to the national tax consolidation scheme and EUR 25,649 thousand to the IRES surcharge of the Parent Company Saras S.p.A., as well as to EUR 8,616 thousand in exchange losses arising and booked in previous years.

The following table shows the temporary differences in the income statement:

Temporary differences in the Income Statement:	**TAX 2012**	**TAX 2011**	
	Deferred tax assets/ (liabilities)	**Deferred tax assets/ (liabilities)**	**Effect of chenge in tax rates on previous figures**
Excess and accelerated depreciation on assets	7,714	5,673	(1,036)
Measurement of inventory at end of period	9,271	(11,417)	316
Adjustments for scheduled plant and equipment maintenance	1,562	(3,032)	0
Reclassification of grants previously carried as equity	(44)	(72)	12
Employee benefits and bonuses	608	(702)	133
Fair value of derivative contracts	(7)	137	170
Unrealised exchange differences	(8,616)	10,417	
Fair value of Sarlux contract with GSE	12,987	11,747	(2,480)
Straight-line reporting of Sarlux revenues (as per IAS 17 and IFRIC 4)	(25,208)	(39,084)	3,448
Asset maintenance costs deductible in future years	(642)	(1,905)	76
Valuation of licences of Sardeolica (IFRS 3 on acquisistion of 30% PEU)	341	341	(1,369)
Provisions for risks and charges	4,111	(8,184)	
Deferred tax asset on tax loss of Saras S.p.A. (additional 10.5% IRES)	25,649	3,753	7,980
Tax asset relating to IRES consolidated net loss	26,602	(424)	
Other temporary differences	1,687	3,077	719
TOTAL	**56,015**	**(29,675)**	**7,969**

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

IRES	2012	2011
PRE-TAX NET RESULT [A]	**(122.5)**	**119.4**
THEORETICAL CORPORATION TAX IRES [A*38%] [B]	**(46.6)**	**45.4**
THEORETICAL TAX RATE [B/A*100] %	**38.0%**	**38.0%**
EFFECTIVE INCOME TAXES [C]	**(38.7)**	**47.6**
EFFECTIVE TAX RATE [C/A*100] %	**31.6%**	**39.9%**

	2012		2011	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**(46.6)**	**38.0%**	**45.4**	**38.0%**
Effect of different tax rate for foreign and Italian companies not subject to IRES surcharges	4.6	-3.71%	0.6	0.49%
Effect of reclassification of grants on assets	0.0	0.00%	(0.1)	-0.06%
Effect of depreciation of Akhela's assets	0.0	0.00%	1.7	1.40%
Effect of A.C.E. tax deduction (art. 1 D.L. 201/11)	0.0	0.00%	(0.7)	-0.59%
Effect of recalculation of inventories ("Robin Hood Tax")	0.0	0.00%	3.8	3.19%
Effect of non-deduction of financial charges due to art. 96 TUIR (on IRES surcharge)	2.3	-1.89%	-	-
Effect of IRAP deduction on IRES (art. 2 D.L.201/2011)	(3.2)	2.61%	-	-
Effect of increase of IRES surcharge on deferred tax (art. 7 D.L. 138/11)	0.0	0.00%	(6.0)	-4.98%
Taxes of previous years (Saras)	1.5	-1.22%	0.0	0.00%
Other Permanent differences	2.7	-2.18%	2.9	2.45%
Effective taxes	**(38.7)**	**31.6%**	**47.6**	**39.9%**

IRAP	2012	2011
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	(70.6)	181.0
TOTAL PERSONNEL COSTS	138.4	158.8
***ADJUSTED* DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)**	**67.8**	**339.8**
THEORETICAL REGIONAL INCOME TAX IRAP [A*3,9%] [B]	**2.6**	**13.3**
THEORETICAL TAX RATE [B/A*100] %	**3.9%**	**3.9%**
EFFECTIVE INCOME TAXES [C]	6.3	13.0
EFFECTIVE TAX RATE [C/A*100] %	**9.3%**	**3.8%%**

	2012		2011	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**2.6**	**3.9%**	**13.3**	**3.9%**
IRAP effect on value of production of foreign companies	1.1	1.62%	(0.2)	-0.07%
IRAP effect on IFRS adjustments	0.0	0.00%	(0.4)	-0.11%
Effect of refund of "tax wedge" on IRAP	(0.2)	-0.25%	(1.3)	-0.38%
Effect of "Robin Hood Tax" on inventories	0.0	0.00%	0.7	0.20%
IRAP tax assets not recognizable in companies with negative EBIT	3.4	5.06%	0.2	0.06%
Other permanent differences	(0.7)	-1.03%	0.7	0.22%
Effective taxes	**6.3**	**9.3%**	**13.0**	**3.8%**

7. Additional disclosures

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

7.1 Main legal actions pending

The Parent Company Saras S.p.A. and its subsidiaries Arcola Petrolifera S.p.A. and Sarlux S.r.l., were subjected to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that any liability is likely to be remote.
Moreover, with reference to the subsidiary Sarlux S.r.l., please note that companies producing electricity that is not from renewable sources or cogeneration (as defined by AEEG Resolution 42/02) are required to purchase green certificates in respect of a certain percentage of electricity introduced into the grid. In 2007, a specially created AEEG committee, in coming subsequently to a different interpretation of the resolution, deemed the subsidiary subject to this obligation for the years 2002-2005. Sarlux appealed against this interpretation to the Lombardy regional administrative court (TAR); the appeal was rejected on 14th June 2011. The liabilities arising from this dispute, as determined by GSE, which has already adopted this interpretation, are estimated as about EUR 32 million (for the acquisition of green certificates that have already been bought, as required by GSE); however, these liabilities would qualify for partial relief pursuant to section II, point 7-bis of CIP Provision 6/92 in respect of costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by AEEG Resolution ARG/elt 80/08, of around EUR 14 million (the refund was made during the previous year through the compensation fund for the electricity sector – CCSE). If the interpretation of the above-mentioned AEEG committee is confirmed, the obligation in question would be extended to 2009, adding a further potential liability of around EUR 12 million, with the related refund estimated at around EUR 7 million.
Based on the considerations expressed by its advisors on the TAR's rejection of the appeal, Sarlux appealed against the TAR's ruling to the highest administrative court (Consiglio di Stato) and believes that its appeal will be successful. As a result, no provision was made in the financial statements at 31st December 2012 for this case.

7.2 Early withdrawal from CIP 6/92 agreement

As provided for in article 3, paragraph 1 of the Ministry for Economic Development's Decree of 2nd December 2009, Sarlux S.r.l., as a party to an agreement signed under the CIP 6/92 programme valid as of 1st January 2010 for plants that use process fuels from residues, expressed its interest in an early withdrawal from the agreement to GSE S.p.A., on a non-binding basis.
GSE has established the fees payable to settle this decision; the Ministry for Economic Development has extended the deadline for presentation by Sarlux S.r.l. of the binding application for voluntary early withdrawal from the CIP6 agreement firstly until 30th June 2012 and subsequently to 31st March 2013.
The company's managers are currently assessing the various alternatives available based on affordability. This assessment is ongoing to date.

7.3 Earnings per share

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

The loss per share totalled 9.71 euro cents for the 2012 financial year, compared with earnings per share of 6.33 euro cents in 2011.
The average number of shares outstanding was 928,285,276 in 2012 and 928,317,120 in 20011. At 31st December 2012, Saras S.p.A held 22,619,460 own shares due to the bonus share allocation to employees and management of Group companies.
Diluted earnings per share do not vary significantly from basic earnings per share.

7.4 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of ser-

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

vices and arrangements of a financial nature.

The figures for trade, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.

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

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR./000) and % of item in statements				Item	Business reason
	31/12/2012		31/12/2011			
IMMOBILIARE ELLECI S.p.A.						
Rent	(11)	0.00%	(11)	0.00%	Cost of services and sundry costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	22	0.03%	22	0.03%	Other income	Staff on secondment
Rent	(582)	0.10%	(570)	0.10%	Cost of services and sundry costs	Rental of building and parking spaces in Milan
Receivables for goods & services supplied	22	0.00%	22	0.00%	Current trade receivables	Trade receivables
F.C. INTERNAZIONALE S.p.A.						
Services rendered	0	0.00%	40	0.00%	Revenues from ordinary operations	Consultancy
Receivables for goods & services supplied	0	0.00%	48	0.01%	Current trade receivables	Trade receivables
Services received	(7)	0.00%	(8)	0.00%	Cost of services and sundry costs	Purchase of tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	37	0.05%	36	0.05%	Other income	Staff on secondment
Receivables for goods & services supplied	37	0.00%	36	0.00%	Current trade receivables	Trade receivables
MANTA S.r.l.						
Services rendered by staff	50	0.06%	48	0.06%	Other income	Staff on secondment
Services received	(937)	0.16%	(507)	0.09%	Cost of services and sundry costs	Security services
Receivables for goods & services supplied	50	0.01%	48	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(339)	0.02%	0	0.00%	Trade payables and other current payables	Trade payables
CIGOGNOLA S.R.L.						
Services received	(9)	0.00%	(8)	0.00%	Cost of services and sundry costs	Gifts and gadgets supply
Payables for supply of goods and services	(9)	0.00%	(8)	0.00%	Trade payables and other current payables	Trade payables
DE SANTIS S.R.L.						
Services received	(3)	0.00%	0	0.00%	Cost of services and sundry costs	Catering services

Transactions with related parties shown above took place at arm's lenght conditions.

No provisions for doubtful debts were made regarding existing balances given that there are no reasons for such provisions; no losses were registered relating to doubtful or bad debts for related parties.

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

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

	31/12/2012			31/12/2011		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Current trade receivables	820,215	109	0.0%	869,738	154	0.0%
Trade and other current payables	1,394,342	348	0.0%	1,188,503	8	0.0%

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

	31/12/2012			31/12/2011		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	11,810,717	0	0.0%	10,960,866	40	0.0%
Other income	78,532	109	0.1%	76,233	106	0.1%
Cost of services and sundry costs	(601,498)	(1,549)	0.3%	576,649	1,104	0.2%

The main cash flows with related parties are shown in the table below:

Cash flows with related parties	2012	2011
Net (income) / charges from equity interests	0	0
(Increase) / Decrease in trade receivables	45	(47)
Increase / (Decrease) in trade payables and other payables	340	(60)
Changes in other current assets	0	0
Changes in other non current liabilities	0	0
Cash flows from / (used in) operating activities	**385**	**(107)**
Interest received / (paid)	0	0
Cash flows from / (used in) investments	**0**	**0**
Increase / (Decrease) in short term financial debts	0	0
Cash flows from / (used in) financial assets	**0**	**0**
Total cash flows vs related parties	**385**	**(107)**

The effects of cash flows with related parties are shown in the table below:

	31/12/2012			31/12/2011		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Cash flows from / (used in) operating activities	534,330	385	0.00	(8,849)	(107)	0.01
Cash flows from / (used in) investing activities	(52,942)	0	n.a.	(79,442)	0	n.a.
Cash flows from / (used in) financing assets	(317,414)	0	n.a.	146,799	0	n.a.

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

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

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

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

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

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

7.5.1 Information on the statement of financial position

Sections 8-19 of IFRS 7 state that the carrying values of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities at fair value through profit or loss, or where it has reclassified financial assets or derecognised them. Statement of financial position figures for Group Saras S.p.A. at 31st December 2012 and 31st December 2011 are shown below, with details of the Group's financial instruments:

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

31/12/2012	Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2012
	Designated at Fair Value	Held for trading						
ASSETS								
Current assets	**0**	**42,326**	**0**	**1,187,310**	**0**	**0**	**979,716**	**2,209,352**
Cash and cash equivalents				302,950				302,950
Other financial assets held for trading		42,326						42,326
Securities held for trading								
Green Certificates		*10,833*						
Derivative instruments		*31,493*						
Trade receivables				820,215				820,215
Inventories							920,891	920,891
Current tax assets							45,699	45,699
Other assets		0		64,145			13,126	77,271
Emission Trading credits				*23,824*				
Deposits to assure derivative instruments				*14,247*				
White Certificates							*8,737*	
Other receivables				*26,074*			*4,389*	
Non-current assets	**0**	**0**	**0**	**6,089**	**526**	**0**	**1,723,955**	**1,730,570**
Property, plant and equipment							1,288,758	1,288,758
Intangible assets							348,767	348,767
Investments carried at equity						0	0	
Other equity interests					526			526
Deferred tax assets							86,430	86,430
Other financial assets				6,089				6,089
Loans				*5,339*				
Other receivables				*750*				
Total financial assets	**0**	**42,326**	**0**	**1,193,399**	**526**	**0**	**2,703,671**	**3,939,922**
LIABILITIES								
Current liabilities	**0**	**45,632**	**0**	**0**	**0**	**1,608,966**	**162,656**	**1,817,254**
Short-term financial liabilities		45,632				121,365		166,997
Bank loans (guaranteed)						*7,671*		
Bank loans						*107,461*		
Overdrafts								
Loans from non-consolidated companies and other payables						*6,233*		
Derivative instruments		*45,632*						
Trade and other payables						1,394,342		1,394,342
Current tax liabilities							161,125	161,125
Other liabilities						93,259	1,531	94,790
Other payables						*93,259*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**427,579**	**495,228**	**925,970**
Long-term financial liabilities						424,891		424,891
Bank loans (guaranteed)						*28,766*		
Bank loans						*147,401*		
Bonds						*248,724*		
Provisions for risks							52,391	52,391
Provisions for employee benefits							22,825	22,825
Deferred tax liabilities							3,163	3,163
Other liabilities						2,688	420,012	422,700
Other payables						*2,688*		
Total financial liabilities	**0**	**45,632**	**0**	**0**	**0**	**2,036,545**	**657,884**	**2,743,224**

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

05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

11 SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

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

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

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

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

All financial assets are booked at the trade date.

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

7.5.2 Income statement information

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

2012	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	Balance at 31/12/2012
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations							0	11,810,717	11,810,717
Other income		13,635					13,635	64,897	78,532
Total revenues	**0**	**13,635**	**0**	**0**	**0**	**0**	**13,635**	**11,875,614**	**11,889,249**
Purchases of raw materials, spare parts and consumables							0	(10,975,704)	(10,975,704)
Cost of services and sundry costs				(1,269)			(1,269)	(600,229)	(601,498)
Personnel costs							0	(138,460)	(138,460)
Depreciation, amortisation and write-downs							0	(244,186)	(244,186))
Total costs	**0**	**0**	**0**	**(1,269)**	**0**	**0**	**(1,269)**	**(10,853,162)**	**(11,959,848)**
Operating results	**0**	**13,635**	**0**	**(1,269)**	**0**	**0**	**12,366**	**1,022,452**	**(70,599)**
Net income (charges) from equity interests									
Other net financial income (charges)		(87,754)		17,174		(25,637)	(52,340)	456	(51,884)
from securities held for trading									
- of which									
realized gains									
change in fair value									
from current account interest				*882*			*882*		
from derivative instruments		*(43,877)*					*(43,877)*		
- of which									
realized losses		*(29,738)*							
change in fair value		*(14,139)*							
from other financial assets							*0*		
from interest on loans						*(25,637)*	*(25,637)*		
from interest on factoring transactions				*(2,877)*			*(2,877)*		
from other receivables/payables				*19,169*			*19,169*		
Profit/(loss) before taxes	**0**	**(74,119)**	**0**	**15,905**	**0**	**(25,637)**	**(39,974)**	**1,022,908**	**(122,483)**
Income tax								32,382	32,382
Net profit/(loss)									**(90,101)**

2011	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	Balance at 31/12/2011
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations							0	10,960,866	10,960,866
Other income		11,207					11,207	65,026	76,233
Total revenues	**0**	**11,207**	**0**	**0**	**0**	**0**	**11,207**	**11,025,892**	**11,037,099**
Purchases of raw materials, spare parts and consumables							0	(9,907,367)	(9,907,367)
Cost of services and sundry costs				(4,234)			(4,234)	(572,415)	(576,649)
Personnel costs							0	(158,814)	(158,814)
Depreciation, amortisation and write-downs							0	(213,316)	(213,316)
Total costs	**0**	**0**	**0**	**(4,234)**	**0**	**0**	**(4,234)**	**(10,853,162)**	**(10,856,146)**
Operating results	**0**	**11,207**	**0**	**(4,234)**	**0**	**0**	**6,973**	**172,730**	**180,953**
Net income (charges) from equity interests									
Other net financial income (charges)						(29,681)	(57,427)	(4,137)	(61,564)
from securities held for trading		*0*					*0*		
- of which:									
realized gains									
change in fair value									
from current account interest				*367*			*367*		
from derivative instruments		*6,117*					*6,117*		
- of which:									
realized losses		*(6,556)*							
change in fair value		*12,673*							
from interest on loans						*(29,681)*	*(29,681)*		
from other receivables/payables				*(34,230)*			*(34,230)*		
Profit/(loss) before taxes	**0**	**17,324**	**0**	**(38,097)**	**0**	**(29,681)**	**(50,454)**	**168,593**	**119,389**
Income tax								(60,587)	(60,587)
Net profit/(loss)									**58,802**

Financial instruments recognised at fair value through profit or loss generated net losses of EUR 43,877 thousand (compared with net losses of EUR 6,117 thousand in 2011), mainly due to changes in the fair value of the derivatives.

Financial instruments recorded under “Loans” generated gains of EUR 15,905 thousand (versus losses of EUR 38,097 thousand in the previous year), chiefly owing to exchange rate differences on trade accounts.

Other financial liabilities valued at amortised cost generated losses of EUR 25,637 thousand (EUR 29,681 thousand in the previous year), mainly due to interest on loans.

7.5.3 Additional information

7.5.3.1 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, on the EUR/USD exchange rate to hedge against the risks relating to its currency positions, and on interest rates to hedge against interest rate risk on its loans.

At 31st December 2012, outstanding derivative contracts included derivatives on all three types of underlying assets, classified as financial instruments held for sale.
Moreover, the subsidiary Sardeolica S.r.l. has outstanding derivative contracts comprising variable interest rate swaps to hedge interest rate risk on loans obtained for the construction of the company’s wind farm.

These instruments are recorded at fair value: changes in fair value during the period are recorded in the income statement under financial income or financial charges.

The outstanding positions on commodities and foreign currencies at the reporting date are expected to be closed by the end of the first quarter of 2013, while the interest rate swaps have the same duration as the underlying loans.

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

7.5.3.2 *Fair value*

Financial assets held by the Group are booked at fair value or amortised cost, which, where used, did not differ from the fair value as of 31st December 2012.

Financial liabilities, with the exception of derivatives, are recognised at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31st December 2012.
Note that the bond loan carries a fixed rate and that market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

As stipulated by IFRS 7, financial instruments recognised at fair value have been classified using a hierarchy reflecting the significance of the input data used in the measurement:

- Level 1: the financial instrument is listed on an active market;
- Level 2: fair value is measured with techniques that use observable market parameters other than the quoted prices of the financial instrument;
- Level 3: fair value is measured with techniques using unobservable market parameters.

There were no transfers between the different levels during 2012.

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

7.5.4 Risks deriving from financial instruments

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

7.5.4.1 Credit risk

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

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

	Book value at 31/12/2012		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instruments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guarantees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**2,209,352**	**1,229,636**	**1,243,640**	**198,032**	**1,147,456**	**66,326**	**6,718**	**2,129**	**21,011**	**1,229,636**		
Cash and cash equivalents	302,950	302,950	302,950		302,950					302,950		
Other financial assets held for trading	42,326	42,326	42,326		42,326					42,326		
Trade receivables	820,215	834,219	834,219	198,032	738,035	66,326	6,718	2,129	21,011	834,219		
Provisions for doubtful receivables		(14,004)								(14,004)	(1,269)	(14,004)
Inventories	920,891	0										
Current tax assets	45,699	0										
Other assets	77,271	64,145	64,145		64,145					64,145		
Non-current assets	**1,730,570**	**6,615**	**6,615**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,288,758	0										
Intangible assets	348,767	0										
Equity investments valued at equity	0	0										
Other equity interests	526	526	526									
Deferred tax assets	86,430	0										
Other financial assets	6,089	6,089	6,089							0		
Total assets	**3,939,922**	**1,236,251**	**1,250,255**	**198,032**	**1,147,456**	**66,326**	**6,718**	**2,129**	**21,011**	**1,229,636**		

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

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

During the year the bad debt provision increased by EUR 1,269 thousand and decreased by EUR 593 thousand as a result of the deconsolidation of Akhela S.r.l., by EUR 2,016 thousand for releases made by the Parent Company and by EUR 3.807 million for uses.

7.5.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. However, given the company's considerable self-financing capacity, coupled with the limited level of debt, the liquidity risk is moderate.

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

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

	Book value at 31/12/2012		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guar-antees	2013	2014	2015	2016	2017	over 5 years
LIABILITIES										
Current liabilities	**1,817,254**	**1,654,598**	**1,656,216**	**22,798**	**1,658,885**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	166,997	166,997		22,798	171,284					
Bank loans (guaranteed)		*7,671*	*8,551*	*8,551*	*8,551*					
Bank loans		*107,461*	*108,199*		*108,199*					
Overdrafts		*0*	*0*		*0*					
Interest (weighted average yearly rate: =4,26%)					*2,669*					
Loans from non consolidated Group Companies & other payables		*6,233*	*6,233*		*6,233*					
Derivative instruments		*45,632*	*45,632*	*14,247*	*45,632*					
Trade and other payables	1,394,342	1,394,342	1,394,342		1,394,342					
Current tax liabilities	161,125									
Other liabilities	94,790	93,259	93,259		93,259					
Non-current liabilities	**925,970**	**427,579**	**431,061**	**29,498**	**13,958**	**62,315**	**49,992**	**336,850**	**34,835**	**0**
Long-term financial liabilities	424,891	424,891	428,373	29,498	13,958	62,315	49,992	334,162	34,835	0
Bank loans (guaranteed)		*28,766*	*29,498*	*29,498*		*6,238*	*3,647*	*20,345*		
Bank loans		*147,401*	*148,875*			*33,950*	*30,775*	*56,100*	*28,050*	
Bond		*248,724*	*250,000*					*250,000*		
Interest on medium/long term loans ((weighted average yearly rate = 4,58%)						*8,169*	*7,884*	*7,717*	*6,785*	
Interest on Bond (rate= 5,583%)					*13,958*	*13,958*	*7,686*			
Provisions for risks and charges	52,391									
Provisions for employee benefits	22,825									
Deferred tax liabilities	3,163									
Other liabilities	422,700	2,688	2,688					2,688		
Total liabilities	**2,743,224**	**2,082,177**	**2,087,277**	**52,296**	**1,672,842**	**62,315**	**49,992**	**336,850**	**34,835**	**0**

	Book value at 31/12/2011		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2012	2013	2014	2015	2016	over 5 years
LIABILITIES										
Current liabilities	**1,996,740**	**1,854,911**	**1,855,829**	**31,098**	**1,875,222**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	573,862	573,862			594,173					
Bank loans (guaranteed)		*7,362*	*8,044*	*8,044*	*8,044*					
Bank loans		*190,692*	*190,928*		*190,928*					
Overdrafts		*327,441*	*327,441*		*327,441*					
Interest (weighted average yearly rate: = 4.50%)					*19,393*					
Loans from non consolidated Group Companies & other payables		*6,233*	*6,233*		*6,233*					
Derivative instruments		*42,134*	*42,134*	*23,054*	*42,134*					
Trade and other payables	1,188,503	1,188,503	1,188,503		1,188,503					
Current tax liabilities	141,829									
Other liabilities	92,546	92,546	92,546		92,546					
Non-current liabilities	**872,983**	**287,398**	**290,648**	**38,048**	**13,958**	**24,221**	**21,523**	**262,380**	**23,212**	**0**
Long-term financial liabilities	284,798	284,798	288,048	*38,048*	13,958	24,221	21,523	262,380	20,612	0
Bank loans (guaranteed)		*36,575*	*38,048*	*38,048*		*8,551*	*6,238*	*3,647*	*19,612*	
Bond		*248,223*	*250,000*					*250,000*		
Interest on medium/long term loans (weighted average yearly rate: =4.50%)						*1,712*	*1,327*	*1,047*	*1,000*	
Interest on Bond (weighted average yearly rate: =5.583%)					*13,958*	*13,958*	*13,958*	*7,686*		
Provisions for risks and charges	77,267									
Provisions for employee benefits	23,299									
Deferred tax liabilities	4,474									
Other liabilities	483,145	2,600	2,600						2,600	
Total liabilities	**2,869,723**	**2,142,309**	**2,146,477**	**69,146**	**1,889,179**	**24,221**	**21,523**	**268,651**	**23,212**	**0**

Note that the derivative hedging instruments included in short-term financial liabilities for EUR 45,632 thousand include interest rate swaps related to the loan contracted by the Parent Company and by the subsidiary Sardeolica S.r.l.: the nominal future interest flows on this loan are already included under the medium- to-long-term loan interest, shown in the "Non-current liabilities" section of the table.

7.5.4.3 Market risk

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

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

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

Euro/dollar exchange rate

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

2012					
EUR / US Dollar exchange rate				Change in benchmark	
Statements of financial position items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(1,027,233)	1.3194	(778,560)		
Effect on profit before taxes				(86,507)	70,778
Effect on net profit (and shareholders' equity)				(53,634)	43,882

The table below shows the simulation at 31st December 2011:

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

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

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

		Change in benchmark	
Derivatives on:	Fair Value as of 31/12/2012	-10%	+10%
Exchance rates	(2,316)	63,085	(87,944)
	(2,316)	63,085	(87,944)
Effect on profit before taxes		63,085	(87,944)
Effect on net profit (and shareholders' equity)		39,113	(54,525)

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Interest rates

The Group has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.
A simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 50 bps in rates.
The results of the simulation are shown in the table below.

2012				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2011	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	4.45%	(17,407)		
Effect on profit before taxes			**1,956**	**(1,956)**
Effect on net profit (and shareholders' equity)			**1,213**	**(1,213)**

The table below shows the simulation at 31st December 2011:

2011				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2011	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	4.50%	(15,225)		
Effect on profit before taxes			**1,692**	**(1,692)**
Effect on net profit (and shareholders' equity)			**1,049**	**(1,049)**

In addition, the fair value of the interest rate swaps (IRS) and options outstanding at the reporting date relating to the Parent Company and to Sardeolica S.r.l. is affected by movements in the Euribor rate: a simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 50 bps in rates.
The results of the simulation are shown in the table below:

2012		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2012**	**-50bps**	**+50bps**
Fair value of Interest rate swaps	(4,866)	(1,057)	1,057
	(4,866)	**(1,057)**	**1,057**
Effect on profit before taxes		**(1,057)**	**1,057**
Effect on net profit (and shareholders' equity)		**(655)**	**655**

The simulation at 31st December 2011 is shown below:

2011		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2011**	**-50bps**	**+50bps**
Fair value of Interest rate swaps	(2,484)	(817)	824
	(2,484)	**(817)**	**824**
Effect on profit before taxes		**(817)**	**824**
Effect on net profit (and shareholders' equity)		**(507)**	**511**

Prices of crude and oil products

Oil prices, on the other hand, affect the fair value of derivative instruments outstanding at the reporting date and the relevant differences recognised in the income statement: derivative instruments at 31st December 2012 consisted of oil product futures, swaps and options, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.
The Group therefore carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20% in oil prices.

The results of the simulation are shown in the tables below:

2012		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2012**	**-20%**	**+20%**
Oil and oil products	(7,917)	1,484	(1,517)
	(7,917)	**1,484**	**(1,517)**
Effect on profit before taxes		**1,484**	**(1,517)**
Effect on net profit (and shareholders' equity)		**920**	**(941)**

2011		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2011**	**-20%**	**+20%**
Oil and oil products	(10,199)	45,233	(45,233)
	(10,199)	**45,233**	**(45,233)**
Effect on profit before taxes		**45,233**	**(45,233)**
Effect on net profit (and shareholders' equity)		**28,044**	**(28,044))**

The above analysis of the Group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the concentration of risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.6 Average staff numbers

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

	2012	2011
Managers	60	68
Office staff	1,210	1,480
Specialised workers	9	11
Workers	659	707
Total	**1,938**	**2,266**

The number of employees at the Group decreased from 2,241 at the end of 2011 to 1,854 at 31st December 2012; the decrease was chiefly due to the exclusion from the scope of consolidation of the subsidiary Akhela S.r.l., which was sold on 29th February 2012.

7.7 Remuneration of senior personnel with strategic responsibilities

In 2012, senior personnel with strategic responsibilities received remuneration totalling EUR 1,338 thousand. For further details, please see section 7.5.1 of the notes to the financial statements of Saras S.p.A.

A summary of bonus shares allocated under the Stock Grant Plans for employees and managers to members of the management and control bodies, general managers and senior managers with strategic responsibilities is shown below:

Surname / Name	Role	N. of shares at the start of the year	N. of shares assigned during the year	N. of shares at the end of the year
Dario Scaffardi	Director - General Manager	541,125	354,640	895,765
Corrado Costanzo	Chief Financial Officer	365,825	243,360	609,185

For information on indemnities in the event of the early termination of employment of directors and succession plans for executive directors (pursuant to article 114, para. 5 of Legislative Decree 58 of 24th February 1998), see the annual report on corporate governance and the information on ownership structure prepared pursuant to article 123-bis of Legislative Decree 58 of 24th February 1998.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

7.8 Commitments

At 31st December 2012 and 2011, the Group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company Saras S.p.A. had issued sureties totalling EUR 300,600 thousand at 31st December 2012, mainly comprising EUR 240,708 thousand to subsidiaries, EUR 3,162 thousand to the Cagliari Port Authority as a guarantee for state maritime concessions, EUR 52,000 thousand to the customs authorities, EUR 1,930 thousand to the Ministry of Defence and EUR 695 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant.

7.9 Disclosure of external auditor's fees

Pursuant to article 149-duodecies of the Consob Issuer Regulations, the table below provides details of the fees relating to 2012 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services provided.

Services	Supplier	Recipient	Amount due in 2012
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	386
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	194
	PricewaterhouseCoopers Network	Foreign subsidiaries	158
Total			**738**
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	12
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	35
	PricewaterhouseCoopers Network	Foreign subsidiaries	13
Total			**60**
Other Services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	0
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	0
	PricewaterhouseCoopers Network	Foreign subsidiaries	35
Total			**35**
TOTAL			**833**

7.10 Miscellaneous

Please refer to the Report on Operations of the Consolidated Financial Statements for details on atypical and/or unusual transactions as well as accidents that occurred in 2009 and 2011.

8. Publication of the consolidated financial statements

At its meeting on 18th March 2013, the Board of Directors of Saras authorised the publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

10

Saras S.p.A. Report on Operations

Table of contents of Saras S.p.A. Report on Operations

166 Comment on Saras S.p.A. results

170 Risk Analysis

172 Direction and Control

173 Proposals of the Board of Directors

Comment to Saras S.p.A. results

Saras S.p.A. is the parent company and it is also directly active in the refining business, which was already analyzed in depth in the Saras Group Report on Operations, and to which we refer you for additional information, as well as for a detailed market analysis, the "Regulatory Framework", the milestones during the year, the "Main events after the end of the year", and the "Outlook".

Main Income Statement data

EUR Million	2012	2011	Change
Revenues	10.792	10.046	7%
EBITDA	(93)	112	n/d
EBIT	(199)	2	n/d
NET Income	(154)	(46)	235%

In FY/12 Saras S.p.A. refined 97.2 million barrels of crude oil (equivalent to 13.3 million tons); this operational performance was 5% lower than in the previous year, substantially influenced by the important scheduled maintenance activities carried out on various refinery units, especially during the first half of the year.

The crude mix processed in FY/12 in the Sarroch refinery had an average density of 33.1°API, up 1°API vs. the average in 2011, because of the different market conditions in the two years under comparison. Indeed, in FY/11, the Libyan crisis reduced the availability of "light sweet" crude oils. Conversely, in FY/12 availability of "heavy sour" crude oils was reduced in the European market, due to the tensions between the European Union and Iran, which brought to the unilateral declaration of a total oil embargo, effective from July 1st.

Revenues of Saras S.p.A. were EUR 10,792 m in FY/12, up by 7% versus FY/11. The increase can be mainly explained with the trends followed by oil prices.

EBITDA, equal to EUR -93 m, largely decreased compared to the FY/11. This result can be primarily attributed to the drop of Saras' refining margin, which stood at 2.1 $/bl in FY/12, versus 2.8 $/bl in the previous year.

The average USD/EUR exchange rate in FY/12 was 1.284, which compares with an average of 1.392 in FY/11.

The Net Result for Saras S.p.A was EUR -154 m, down 235% versus the EUR -46 m in the previous year.

CAPEX in FY/12 was EUR 97 m (vs. EUR 66 m in FY/11), in line with the programme for the year.

The Net Financial Position of Saras S.p.A. as of 31st December 2012 was EUR -471 million, as shown in the corresponding table. The large improvement versus the position at the end of 2011 (EUR – 693 m) comes mainly from the positive cashflow generated from operations, which benefited from some delays in the payments of crude oil, related to the Iranian embargo, and also from a reduction in working capital due to the optimisation of oil inventories. Furthermore, self-financing from provisions for depreciation and amortisation, more than compensated for CAPEX of the period.

	31/12/2012	31/12/2011
Medium/long term bank loans	(143,026)	0
Bonds	(248,724)	(248,223)
Medium/long term financial receivables from Group Consolidated companies	70,000	75,550
Other loans	5,339	
Medium/long term Net Financial Position	**(316,411)**	**(172,673)**
Short-term bank loans	(24,762)	(189,764)
Payables to banks for overdrafts on current accounts	(16,859)	(256,660)
Loans from Group companies	(377,609)	(225,469)
Other short-term financial liabilities (net of derivatives Fair value)	(6,233)	(6,233)
Net derivatives Fair value	(11,912)	(8,202)
Receivables from Group companies	50,321	43,047
Other financial assets held for trading	8,737	2,315
Cash and cash equivalents	209,660	97,285
Other loans	270	0
Warranty deposits for derivative instruments	14,247	23,054
Short term Net Financial Position	**(154,140)**	**(520,627)**
Net Financial Position	**(470,551)**	**(693,300)**

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Pursuant to the provisions of article 2428 of the Italian Civil Code, we provide the following information:

- Under "intangible assets" we include also the research costs relating to gas exploration activities in Sardinia, which amounted to EUR 16,601 thousand;
- Transactions with subsidiaries, associates, parent company and companies under the control of the latter are indicated in the Notes to the Separate Financial Statements of Saras S.p.A. under par. 7.2 "Transaction with related parties";
- Details and movements of the shares held in treasury by the company during the year and as of the 31st of December 2012 are reported here below:

Date	Transactions	N° of Shares	Total Nominal value (EUR)	Total Consideration (EUR)
01/01/2012	Initial Situation	**22,644,588**	**1,299,822**	**70,465,135**
01/10/2012	Transfer	(25,128)	(1,438)	(78,193)
TOTAL		**22,619,460**	**1,298,384**	**70,386,942**

On 27th April 2010, the Shareholders' Meeting approved stock plans for the distribution of the company's ordinary shares, as follows:

- The "Employee Share Plan" for the employees of the Company and of its subsidiaries;
- The "2010/2012 Stock Grant Plan", for the management of the Company and of its subsidiaries.

The "Employee Share Plan" for the employees will award free ordinary shares:

- For the year 2010, one share for each six shares held by the employee as of the 31st of December 2009;
- For the years 2011 and 2012, one share for each six new shares bought by the employee, respectively during the years 2010 and 2011, provided that each calendar day of a given year, the number of shares held by the employee has never been lower that the number of shared held on the 31st of December of the previous year.

Moreover, it has been offered to the managers involved in the "2007/2009 Stock Grant Plan", the opportunity to delay the transfer of the shares matured according to that plan until the first half of 2013, in exchange for an extraordinary share grant, which will also be delivered at the expiry date of the new "2010/2012 Stock Grant Plan".

Please refer to the Notes to the Separate Financial Statements of Saras S.p.A. under par. 6.2.3 "Personnel Costs" for further details on the movements of the shares held in treasury.

For information relating to the use of financial instruments by the company, please see the section with the title "Risk Analysis" herein.

The company's secondary offices are:

- General and Administrative Headquarter – Milan, Galleria de Cristoforis 1
- Public Relations and Administrative Affairs – Rome, Salita San Nicola da Tolentino 1/b.

Information about the remuneration and equity investments of directors and auditors, general managers and senior managers with strategic responsibilities is reported in the Notes to the Separate Financial Statements of Saras S.p.A. under par. 7.5.

In addition, please refer to par. 7.1 "Main legal actions pending" in the Notes to the Separate Financial Statements of Saras S.p.A. for the review of pending lawsuits. Finally, please refer to the appropriate section of the Consolidated Financial Statements of the Saras Group for all relevant information on:

- Corporate Governance;
- Group Structure;
- Atypical and/or unusual transactions;
- Performance indicators and non financial indicators;
- Information on personnel;
- Information on the environment.

05
THE SARAS GROUP

06
MILESTONES

08
LETTER TO SHAREHOLDERS

11
SARAS GROUP REPORT ON OPERATIONS

96
SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

SARAS S.P.A REPORT ON OPERATIONS

175
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

239
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible reduction or elimination of the principal risks associated with the strategic, operational and financial areas.

Management of the risks found in the company processes is based on the principle by which the operational or financial risk is managed by the person responsible for the related process (the "process owner").

The principal risks are reported to and discussed by the top management, in order to create the prerequisites for their management and to assess the acceptable residual risk. In addition to the guidelines to risk management, there are specific directives related to the management of financial risks, such as the "interest risk" and the "credit risk".

Financial risks

Sustainable growth, productivity, profitability and the quality of financial data are among the company's priorities. Therefore, the financial structures aim at ensuring the maximum efficiency in the implementation and use of credit lines for the development of the commercial side of the business, as well as the maximum possible reduction of the financial risks that are connected to industrial operations (adverse risk). The company operates internationally in the oil sector and is consequently exposed to currency risk and changes in interest rates, borrowing rates and in the prices of crude oil and refined oil products.

Price fluctuation risk

The results are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining activity and the price of the raw materials, principally crude oil). In addition, to carry out its production, the company is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices.

The risk of price fluctuation and the risk of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices.

To mitigate the risks deriving from price fluctuations, Saras also takes out derivative contracts on commodities, which consist in the purchase and sale of crude oil and finished oil products in a given time-frame.

Exchange rate risk

The oil activity is subject to currency fluctuations because the reference prices for the purchase of crude oil and part of the sales of refined oil products are quoted in or connected to the US Dollar. In order to decrease the currency risk relating to the transactions that are scheduled to take place in the future and the risk originating from the debits and credits expressed in a currency other than the functional currency of each entity, the company sets up derivative instruments for the forward purchase and sale of foreign currency (US Dollar).

Transactions expressed in foreign currencies other than the US Dollar are of minor significance and they could have only a marginal influence on the company's results for the year.

Interest rate risk

The risks relating to the changes in cash flows from fluctuations in the interest rates are due to loans. Variable rate loans expose the company to the risk of changes in cash flows, due to changes in interest rates. Fixed rate loans expose the company to the risk that the fair value of the loans will change.

The contracts in existence have been concluded at variable and also at fixed rates. The company's policy is to use derivative instruments in order

to reduce the risk of changes in cash flows deriving from interest.

Credit risk

The market in which the company operates is composed mainly of multinational companies that operate in the oil sector. The transactions that take place are generally settled within a very short time and are often guaranteed by major credit institutions. Furthermore, the receivables are monitored daily by the financial department in a systematic way. Therefore, we consider that the credit risk is marginal and does not constitute a significant element in the business that the company is active in.

Liquidity risk

The company finances its own activities through cash flows generated from its operations and also through recourse to external sources of financing. Therefore the company is exposed to liquidity risk, consisting of the ability to fulfil the contractual obligations that derive from the loans taken out.

However, the high self-financing capabilities, together with the traditional respect of contractual deadlines related to loan repayments, lead us to consider that the company's liquidity risk is marginal.

Other risks

Risk related to the procurement of crude oil

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

Risks of interruption of production

The activity of the company depends heavily on its refinery located in Sardinia, which produces practically all the petroleum products that are sold. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns. Saras believes that the complexity of its refinery limits the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition, Saras has a major programme of insurance cover in place to offset such risks.

Environmental risk

The activities of the company are regulated by many European, national, regional and local laws regarding the environment. Although the company considers that its activities are carried out in compliance with all the environmental legislation, the risk of costs and environmental liabilities intrinsic to this business, and there can be no certainty that significant costs and liabilities relating to the environment will not be incurred in the future. The company has, however, heavily invested, and it plans to continue to invest, in order to comply with all the environmental laws; moreover, Saras has a major insurance coverage for such risks.

Protection of Personal Data

Pursuant to the provisions of Legislative Decree 196 of the 30th June 2003 "Norms related to the protection of sensitive personal data", the Group adopted all minimum safety measures required in the Annex B of such Decree (Article 34), and in particular, the Safety Document (DPS) as required by the item 19 of the above mentioned Annex B, has been updated as of 31st March 2012.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Direction and Control

On the date of this report, Angelo Moratti S.a.p.a. holds 62.46% of the share capital of Saras.

Article 2497-sexies of the Italian Civil Code states that "unless there is proof of the contrary, it is assumed that the activity of direction and coordination of companies is carried out by the company or entity that is responsible for consolidating their financial statements or which exercises control over them pursuant to art. 2359." The Board of Directors of Saras considers however that Angelo Moratti S.a.p.a. never exercised the activity of direction and control, as, among other things, Angelo Moratti S.a.p.a. does not provide directives to its own subsidiary and there is no significant organizational and functional connection between the two companies. Consequently, Saras considers that is has always operated under conditions of corporate and entrepreneurial autonomy in respect of its parent company Angelo Moratti S.a.p.a.. Indeed, the relations with the latter are limited exclusively to the normal exercise by Angelo Moratti S.a.p.a. of the administrative and equity rights of a shareholder and the receipt by the organs delegated by Angelo Moratti S.a.p.a. of information provided by the Issuer, in compliance with the provisions of article 2381, par. 5, of the Italian Civil Code.

Proposals of the Board of Directors

Dear Shareholders,
The financial statements of your company for the year ended 31st December 2012, show a net loss of EUR 154,009,279. If you are in agreement with the criteria used in drawing up the financial statements and the accounting principles adopted, we invite you to approve the following resolutions:

"The Shareholders' Meeting has examined:

- the separate financial statements of the company for the year ended 31st December 2012;
- the report of the Board of Statutory Auditors presented to the Shareholders' Meeting pursuant to art. 153 of legislative decree 58/1998 (The Italian Financial Services Act, known as "TUF");
- the auditor's report on the separate financial statements for the year that ended on 31st December 2012;

and hereby resolves:

to approve the separate financial statements of the company for the year ended on 31st December 2012 in their entirety and insofar as the individual items therein, and to carry forward the loss for the year of EUR 154,009,279."

for the Board of Directors
The Chairman
Gian Marco Moratti

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Saras S.p.A. Financial Statements as of 31st December 2012

Saras S.p.A. Statement of Financial Position as of 31st December 2012 and 31st December 2011

(EUR Thousand)			31/12/2012	31/12/2011
ASSETS	(1)	(2)		
Current assets	5.1		1,776,770	1,869,857
Cash and cash equivalents	5.1.1	A	209,660	97,285
Other financial assets held for trading	5.1.2	B	31,493	34,250
Trade receivables	5.1.3	C	637,818	672,471
of which with related parties:			*303,105*	*347,280*
Inventories	5.1.4	D	777,054	959,832
Current tax assets	5.1.5	E	40,882	33,393
Other assets	5.1.6	F	79,863	72,626
of which with related parties:			*52,382*	*43,047*
Non-current assets	5.2		1,195,553	1,157,708
Property, plant and equipment	5.2.1	H, I	715,305	725,320
Intangible assets	5.2.2	J	18,538	17,722
Equity interests at cost	5.2.3.1	L	302,421	300,944
Other equity interests	5.2.3.2	L	495	495
Deferred tax assets	5.2.4	X	83,057	37,267
Other financial assets	5.2.5	M	75,737	75,960
of which with related parties:			*70,000*	*75,550*
Total assets			2,972,323	3,027,565
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,877,119	1,897,829
Short-term financial liabilities	5.3.1	R	468,868	718,263
of which with related parties:			*377,450*	*225,468*
Trade and other payables	5.3.2	R	1,279,553	1,070,526
of which with related parties:			*36,660*	*41,789*
Current tax liabilities	5.3.3	X	63,300	44,152
Other liabilities	5.3.4	R	65,398	64,888
Non-current liabilities	5.4		485,956	370,259
Long-term financial liabilities	5.4.1	R	391,750	248,223
Provisions for risks and charges	5.4.2	P, Z	42,854	65,893
Provisions for employee benefits	5.4.3	Q	21,180	20,719
Other liabilities	5.4.4	R	30,172	35,424
of which with related parties:			*30,092*	*35,063*
Total liabilities			2,363,075	2,268,088
EQUITY	5.5	N, O, W		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			697,701	739,468
Profit/(loss) for the period			(154,009)	(45,547)
Total equity			609,248	759,477
Total liabilities and equity			2,972,323	3,027,565

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

(2) Refer to the Notes, chapter 3.1 "Summary of accounting standards and policies"

Saras S.p.a. - Income Statement for the periods: 1st January - 31st December 2012 and 2011

(EUR Thousand)	(1)	(2)	01/01/2012 31/12/2012	of wich non recurring	01/01/2011 31/12/2011	of wich non recurring
Revenues from ordinary operations	6.1.1	S	10,679,997		9,932,619	
of which with related parties:			*2,524,399*		*2,798,186*	
Other income	6.1.2	S	111,975		113,660	
of which with related parties:			*76,984*		*91,857*	
Total revenues			10,791,972	0	10,046,279	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(10,301,834)		(9,367,250)	
of which with related parties:			*(51,526)*		*(75,213)*	
Cost of services and sundry costs	6.2.2	T, Z	(470,244)		(454,529)	
of which with related parties:			*(84,974)*		*(83,751)*	
Personnel costs	6.2.3	T, Q	(113,117)		(112,164)	
Depreciation, amortisation and write-downs	6.2.4	H, J	(105,817)		(110,206)	
Total costs			(10,991,012)	0	(10,044,149)	0
Operating results			(199,040)	0	2,130	0
Net income/(charges) from equity interests	6.3	L, W	1,042	(939)	(7,457)	(7,353)
Other financial income	6.4	U, Y	251,443		126,395	
of which with related parties:			*3,742*		*3,579*	
Other financial charges	6.4	U, Y	(299,343)	(2,060)	(180,236)	
of which with related parties:			*(9,453)*		*(6,731)*	
Profit before taxes			(245,898)	(2,999)	(59,168)	(7,353)
Income tax for the period	6.5	X	91,889		13,621	
Net profit/(loss) for the year			(154,009)	(2,999)	(45,547)	(7,353)

Saras S.p.A. Statement of Comprehensive Income for the periods: 1st January - 31st December 2012 and 2011

	2012	2011
Result for the year (A)	(154,009)	(45,547)
Income / (loss), net of fiscal effect (B)	0	0
Comprehensive Result for the period (A + B)	(154,009)	(45,547)

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

(2) Refer to the Notes, chapter 3.1 “Summary of accounting principles and valuations polices”

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Saras S.p.A. Statement of Changes in Shareholders' Equity: from 31st December 2010 to 31st December 2012

(EUR thousand)	Share Capital	Legal Reserves	Other Reserves	Profit (loss)	Total equity
Balance as of 31/12/2010	54,630	10,926	845,703	(110,086)	801,173
Period 1/1/2011 - 31/12/2011					
Appropriation of previous year profit			(110,086)	110,086	0
Reserve for employee share plan			3,851		3,851
Profit/(loss) for the year				(45,547)	(45,547)
Balance as of 31/12/2011	54,630	10,926	739,468	(45,547)	759,477
Period 1/1/2012 - 31/12/2012					
Appropriation of previous year profit			(45,547)	45,547	0
Reserve for employee share plan			3,780		3,780
Profit/(loss) for the year				(154,009)	(154,009)
Balance as of 31/12/2012	54,630	10,926	697,701	(154,009)	609,248

Saras S.p.A. Cash Flow Statements as of: 31st December 2012 and 31st December 2011

(EUR Thousand)	(1)	(2)	01/01/2012 31/12/2012	01/01/2011 31/12/2011
A - Cash and cash equivalents at the beginning of year	5.1.1	A	97,285	46,906
B - Cash generated from/(used in) operating activities				
Profit/ (Loss) for the period	5.5		(154,009)	(45,547)
Amortisation, depreciation and write-downs of fixed assets	6.2.4	H, J	105,817	110,206
Net (income)/charges from equity interests	6.3	L	(1,042)	8,306
of which with related parties:			*1,042*	*7,457*
Net change in provisions for risks and charges	5.4.2	P, Z	(23,039)	(3,756)
Net change in employee benefits	5.4.3	Q	461	(7,294)
Net change in tax liabilities and tax assets	5.2.4	X	(45,790)	12,497
Dividends from subsidiaries	6.3	W	0	0
of which with related parties:			*0*	*0*
Net interest gains (losses)		U, Y	19,208	29,423
Income tax	6.5	X	(46,099)	(26,118)
Change in Fair Value of negotiable financial assets, and of financial liabilities			3,172	5,876
Other non cash items	5.5		7,383	4,350
Increase) / Decrease in trade receivables	5.1.3	C	34,653	26,648
of which with related parties:			*44,175*	*(37,517)*
(Increase) / Decrease in inventory	5.1.4	D	182,778	(337,180)
Increase / (Decrease) in trade and other payables	5.3.2	R	209,027	65,806
of which with related parties:			*(5,129)*	*11,581*
Change in other current assets	5.1.5 - 5.1.6	E, F	35,982	6,886
of which with related parties:			*(9,335)*	*39,640*
Change in other current liabilities	5.3.3 - 5.3.4	X, R	19,658	57,050
Interest received		U, Y	3,515	3,728
of which with related parties:			*0*	*3,579*
Interest paid		U, Y	(36,918)	(33,151)
of which with related parties:			*(7,393)*	*(6,216)*
Income tax paid		E, X	(544)	0
Change in other non-current liabilities	5.4.4	R	(5,252)	(4,971)
of which with related parties:			*(4,971)*	*(200)*
Other non cash items			0	0
Total (B)			308,961	(127,241)
C - Cash flow from / (to) investing activities				
Investments in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(87,209)	(66,011)
- of which interest paid capitalized			(9,634)	(7,771)
Changes in equity interests	5.2.3.1	L	700	(510)
Change in financial assets	5.1.2 - 5.2.5	B, M	34,635	47,079
Other cash items	5.2.1 - 5.2.2		0	92
Total (C)			(51,874)	(19,350)
D - Cash generated from / (used in) financing activities				
Increase / (Decrease) in medium/long term borrowings	5.4.1	R	167,578	0
Increase / (Decrease) in short term borrowings	5.3.1	R	(312,291)	196,970
of which with related parties:			151,982	74,457
Total (D)			(144,712)	196,970
E - Cashflow for the year (B+C+D)			112,375	50,379
F - Cash and cash equivalents at the end of the year			209,660	97,285

(1) Please refer to the Notes to the Financial Statements chapter 5 “Notes to the financial position” & 6 “Notes to the Income Statement”

(2) Refer to the Notes, chapter 3.1 “Summary of accounting standards and policies”

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

For the Board of Directors - The Chairman
Gian Marco Moratti

Notes to the Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2012

Table of contents of the Notes to the Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2012

1. Preliminary remarks

2. General criteria for the preparation of the Separate Financial Statements

3. Accounting standards applied

3.1 Summary of accounting standards and policies

3.2 Use of estimates

3.3 Most significant accounting policies requiring a greater degree of subjectivity

4. Information by business segment and geographical area

4.1 Preliminary remarks

4.2 Breakdown by geographical area

5. Notes to the statement of financial position

5.1 Current assets
5.1.1 Cash and cash equivalents
5.1.2 Other financial assets held for trading
5.1.3 Trade receivables
5.1.4 Inventories
5.1.5 Current tax assets
5.1.6 Other assets

5.2 Non-current assets
5.2.1 Property, plant and equipment
5.2.2 Intangible assets
5.2.3 Equity investments
5.2.3.1 Equity investments valued at cost
5.2.3.2 Other equity interests
5.2.4 Deferred tax assets
5.2.5 Other financial assets

5.3 Current liabilities
5.3.1 Short-term financial liabilities
5.3.2 Trade and other payables
5.3.3 Current tax liabilities
5.3.4 Other liabilities

5.4 Non-current liabilities
5.4.1 Long-term financial liabilities
5.4.2 Provisions for risks and future liabilities
5.4.3 Provisions for employee benefits
5.4.4 Other liabilities

5.5 Shareholders' equity

6. Notes to the Income Statement

6.1 Revenues
6.1.1 Revenues from ordinary operations
6.1.2 Other income

6.2 Costs
6.2.1 Purchases of raw materials, spare parts and consumables
6.2.2 Cost of services and sundry costs
6.2.3 Personnel costs
6.2.4 Depreciation and amortisation

6.3 Net income (charges) from equity interests

6.4 Financial income and charges

6.5 Income tax

7. Additional disclosures

7.1 Main legal actions pending

7.2 Transactions with related parties

7.3 Disclosure pursuant to *International Financial Reporting Standard 7 – Financial Instruments: Disclosures*
7.3.1 Information on the statement of financial position
7.3.2 Income statement information
7.3.3 Additional information
7.3.3.1 Accounting for derivative transactions
7.3.3.2 Fair value
7.3.4 Risks deriving from financial instruments
7.3.4.1 Credit risk
7.3.4.2 Liquidity risk
7.3.4.3 Market risk

7.4 Average staff numbers

7.5 Tables showing information on the remuneration and shareholdings of the members of the board of directors and statutory auditors, general managers and senior managers with strategic responsibilities
7.5.1 Remuneration paid to the members of the board of directors and statutory auditors, general managers and senior managers with strategic responsibilities
7.5.2 Shareholdings held by the members of the board of directors and statutory auditors, general managers and senior managers with strategic responsibilities

7.6 Commitments

7.7 Other

8. Miscellaneous

9. Publication of the financial statements

Notes to the separate financial statements of Saras S.p.A. to 31st December 2012

1. Preliminary remarks

Saras S.p.A. is a company limited by shares with registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is 62.46% owned (excluding own shares) by Angelo Moratti S.A.P.A., registered office Foro Bonaparte 69, Milan (MI). The company is established, as stated in its incorporation documents, until 31st December 2056.

Saras S.p.A. operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process; the company also owns the entire share capital (directly and indirectly) of companies that in turn operate in:

- the sale of oil products in the retail and wholesale markets in Italy (Arcola Petrolifera S.p.A.) and in Spain (Saras Energia S.A.);
- the generation and sale of electricity via an integrated gasification combined cycle (IGCC) plant (Sarlux S.r.l.) and a wind farm (Parchi Eolici Ulassai S.r.l., through the subsidiary Sardeolica S.r.l.);
- environmental research (Sartec S.p.A.) and reinsurance (Reasar S.A.).

These financial statements for the year ended 31st December 2012 are presented in euro, since this is the currency of the economy in which the company operates. They consist of a statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

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

The separate accounts of Saras S.p.A. for the year ending 31st December 2012 were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002.

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

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

3. Accounting standards applied

The IASB and IFRIC have approved some changes to and interpretations of the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time to annual periods beginning on or after 1st January 2012. They have also approved some changes in interpretations already issued but applicable to financial statements for periods beginning on or after 1st January 2013.

Accounting standards, amendments and related interpretations applicable from 1st January 2012

On 7th October 2010, the IASB published a number of amendments to **IFRS 7 – Financial Instruments: Disclosure**: applicable retrospectively for accounting periods beginning on or after 1st July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets (derecognition), including the possible impact of any risks still borne by the company transferring the assets. The amendments also require more information to be provided in the event that a disproportionate amount of transactions of this type are generated near the end of the reporting period. The adoption of this amendment has not had a significant impact on the financial statements.

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

On 20th December 2010, the IASB issued a minor amendment to **IAS 12 – Income Taxes**, which requires the company to estimate the value of deferred taxes arising from an asset according to the way in which the carrying value of the asset will be recovered (through continued use or sale).
As a result of this amendment, SIC-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply. The amendment is applicable retrospectively from 1st January 2012. The adoption of the amendment did not have a significant impact on the financial statements.

Accounting standards and amendments not yet applicable and not adopted early

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

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

On 12th November 2009, the IASB published **IFRS 9 – Financial Instruments**, which was then amended on 28th October 2010. The standard represents the first step in a process to fully replace IAS 39.
The main features introduced by IFRS 9 can be summarised as follows:

- Financial assets can be booked in one of two categories – at fair value or amortised cost. The categories loans and receivables, financial assets available for sale and financial assets held to maturity therefore disappear. Which of the two categories is used depends on the entity's business model and the characteristics of the cashflows generated from its assets. A financial asset is measured at amortised cost if both the following conditions are met: according to the entity's business model, the financial asset is held for the purpose of collecting the related cash flows (rather than for making trading gains) and the cash flow of the assets consists solely of payments of principal and interest. If this is not the case, the financial asset must be measured at fair value;
- The accounting rules for embedded derivatives have been simplified: an embedded derivative and its "host" financial

asset no longer need to be booked separately;
- All equity instruments – both listed and unlisted – must be measured at fair value. IAS 39 establishes, however, that if fair value cannot be reliably determined, unlisted equity instruments are to be measured at cost;
- The entity has the option to recognise in shareholders' equity changes in the fair value of equity instruments that are not held for trading. This option is not permitted, however, if such instruments are held for trading. Designation as such is permitted upon initial recognition, can be adopted for individual instruments and is irrevocable. If we use this option, fair value changes in such instruments can never be reclassified from shareholders' equity to the income statement. Dividends, however, will continue to be charged to the income statement;
- IFRS 9 does not permit reclassification between the two categories of financial asset except in rare cases where there is a change in the entity's business model. In such a case, the effects of reclassification are applied prospectively;
- The information required in the notes has been brought into line with the classification and the measurement rules introduced by IFRS 9.

Application is to be retrospective.
On 16th December 2011, the IASB published the Mandatory Effective Date and Transition Disclosures (amendment to IFRS 9 and IFRS 7), which defer the effective date of IFRS 9 from 1st January 2013 to 1st January 2015; however, early application of IFRS 9 is still permitted. The effects of applying this standard to the financial statements are currently being assessed.

On 12th May 2011, the IASB issued the standard **IFRS 10 – Consolidated Financial Statements**, which will replace SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements, which is to be renamed Separate Financial Statements and will govern the accounting treatment of equity investments in separate financial statements. The new standard moves on from the existing standards, identifying the factor within the concept of control that determines whether or not a company should be consolidated into the Parent Company's consolidated financial statements. This will also provide a guide for determining the existence of control where this is difficult to ascertain. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2014. The adoption of this standard is not expected to have any impact on the financial statements.

On 12th May 2011, the IASB issued the standard **IFRS 11 – Joint Arrangements**, which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers. The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the agreement rather than on the legal form of the agreement itself, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method. IFRS 11 is applicable retrospectively to annual periods beginning on or after 1st January 2014. Following the issue of this standard, IAS 28 – Investments in Associates was amended to include equity investments in jointly controlled entities within its scope of application, from the effective date of application of IFRS 11. The adoption of this standard is not expected to have an impact on the financial statements.

In May 2011, the IASB issued **IFRS 12 – Disclosure of Interests in Other Entities**, a new and complete standard on additional disclosures to be provided on any type of equity investment, including in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. The standard is applicable retrospectively to annual periods beginning on or after 1st January 2014. It is believed that the adoption of this statement will have no significant impact on the financial statements.

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

On 12th May 2011, the IASB issued **IAS 27 (as amended in 2011) – Separate Financial Statements**, following the issuance of IFRS 10, which includes new rules on consolidated financial statements previously contained in IAS 27. IAS 27 (revised) maintains the rules on accounting for equity investments in subsidiaries, associates and joint ventures in the separate financial statements. The standard is applicable to annual periods beginning on or after 1st January 2014. It is believed that the adoption of this statement will have no significant impact on the financial statements.

On 12th May 2011, the IASB published **IAS 28 Revised "Investments in Associates and Joint Ventures"**, which establishes the criteria for recognising investments in associates and joint ventures. An entity that exercises joint control or significant influence over another entity must recognise its own investment using the equity method. The standard is applicable to annual periods beginning on or after 1st January 2014. It is believed that the adoption of this statement will have no significant impact on the financial statements.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

On 19th October 2011, the IASB issued the interpretation **IFRIC 20**, which gives guidelines on stripping costs in the production phase of a surface mine. The adoption of this interpretation is not expected to have an impact on the financial statements.

On 16th December 2011, the IASB issued amendments to **IFRS 7 – Financial Instruments: Offsetting financial assets and liabilities** and to **IAS 32 – Financial instruments: Presentation: Offsetting financial assets and liabilities**, applicable to annual periods beginning on or after 1st January 2013 and 1st January 2014, respectively. It is believed that the adoption of these amendments will have no significant impact on the financial statements.

On 12th March 2012, the IASB issued an amendment to **IFRS 1 entitled Government Loans**, applicable to annual periods beginning on or after 1st January 2013, which allows first-time IFRS adopters not to recognise the benefit derived from government loans with below-market rates as a government grant. It is believed that the adoption of this amendment will have no significant impact on the financial statements.

On 21st May 2012, the IASB issued a series of amendments to the **IFRS ("Improvements")**, applicable to annual periods beginning on or after 1st January 2013, the impact of which is currently being evaluated. The amendments relate to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

On 28th June 2012, the IASB issued a number of amendments to **IFRS 10, 11** and **12**, limiting the obligation to provide adjusted comparative information to only the preceding period on first application. For disclosures relating to unconsolidated entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments are applicable to annual periods beginning on or after 1st January 2013, and it is believed that they will have no significant impact.

On 31st October 2012, the IASB issued a number of amendments to **IFRS 10, IFRS 12, IAS 27** and **IAS 28**, applicable to annual periods beginning on or after 1st January 2014, which introduce an exemption to IFRS 10 whereby investment entities will measure particular subsidiaries at fair value through profit and loss, rather than consolidate them. The adoption of these amendments is not expected to have an impact on the financial statements.

3.1 Summary of accounting standards and policies

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

The main valuation policies used are described below.

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are *reported* at fair value, except for Green Certificates, with any gains *reported* in the income statement under "Financial income" and "Financial charges".
Financial assets held for trading consist entirely of derivative contracts, which are discussed in the appropriate section below.

C Trade receivables

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

D Inventories

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

E Current tax assets

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

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.
White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems. White certificates are booked on an accrual basis under "Other income", in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.
The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. Decreases due to the sale of white certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under "Other income" or "Costs of services and sundry costs" respectively.

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

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

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

Buildings	**18 years**
Generic plant	**12 years**
Highly corrosive plant	**9 years**
Office furniture and machinery	**4-8 years**
Vehicles	**4 years**
Other assets	**12 years**
Leasehold improvements	**The shorter of the duration of the lease and the asset's useful life**

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

Land is not depreciated.

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

I Leased assets

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the company, are recognised as assets and recorded at their current value or, where lower, at the present value of the minimum lease payments due. The corresponding liability to the lessor is recognised on the statement of financial position under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

Leases under which the lessor substantially retains all the risks and benefits associated with ownership of the assets are treated as operating leases. The costs relating to operating leases are charged to the income statement on a straight-line basis over the term of the lease.

J Intangible assets

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

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

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

[III] **Exploration and valuation of mineral resources**
Costs incurred in the exploration and evaluation of mineral resources, specifically:
[A] Acquisition of exploration rights;
[B] Photographic, geological, geochemical and geophysical studies;
[C] Explorative drilling;
[D] Digging;
[E] Sampling;

[F] Activities related to the evaluation of technical and commercial feasibility of mineral resource extraction;
are recorded under tangible or intangible assets according to their nature, as required by IFRS 6. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Impairment of assets

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

L Equity investments

Investments in subsidiaries, associates and joint ventures are recorded at cost, and may be reduced for losses according to the provisions of IAS 36.
The investments included under "Other equity interests" are measured at fair value through profit or loss. Where fair value cannot be determined reliably or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These investments are reassessed from time to time to identify the possible emergence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value. When the reasons that led to a write-down in previous periods no longer exist, the write-down of the investment is reversed in the income statement.

M Other financial assets

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

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

N Own shares

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

O Shareholders' equity

[I] Share capital

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

[II] Reserves

Reserves comprise sums set aside for a specific purpose; they include the unappropriated portion of net profit from previous years.

[III] Stock plans for employees and management

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

P Provisions for risks and future liabilities

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

Those risks in respect of which a future liability is only possible are disclosed in the section on commitments and risks; no provision is made for these risks.

Q Provisions for employee benefits

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

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

- Provisions made up to 31st December 2006

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

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

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

- Benefits vesting since 1st January 2007

  The benefits in question are accounted for using the method adopted for defined contribution pension plans, as the amount relating to employees has been transferred in full outside the company.

  The corresponding liability is determined according to article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new estimated future cash flows and the internal rate of return originally determined.

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as a financial liability and the difference is recorded in the income statement as financial income or charges.

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

S Recognition of revenues

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.
The recognition of revenues from services is based on the stage of completion reached.
Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

T Recognition of costs

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

U Interest income and expenses

Interest income and expenses are booked on an accrual basis.

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

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

W Dividends

[A] **Dividends received**
Dividends received from subsidiaries, joint ventures, affiliates and other holdings are recorded in the income statement when the right of shareholders to receive the payment has been established.

[B] **Dividends paid out**
The payment of dividends to company shareholders is recorded as a liability on the statement of financial position of the period in which the distribution was approved by the company's shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date. Deferred taxes are calculated on all temporary differences between the tax value of an asset or liability and its carrying value. In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the remaining portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.
Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.
Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to shareholders' equity, in which case the tax effect is taken directly to shareholders' equity. Current and deferred taxe assets and liabilities are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.
Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying difference in the tax rate.
Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".
The Parent Company allows its Italian subsidiaries to participate in a tax consolidation scheme (the "national tax consolidation scheme") for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the Parent Company and certain Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. Specifically as regards the transfer of tax losses, the agreements in force provide for remuneration commensurate with the ordinary IRES tax rate, equal to the portion of the loss of each subsidiary that was genuinely offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the Parent Company and remuneration for these losses is deferred until the year that they are actually used in the tax consolidation scheme.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

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

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

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

Z Emission Trading
Legislative decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase on the market allowances, or credits, representing the excess CO_2.
If the credits allocated and purchased during the period, net of those sold, are insufficient, the market value of the shortfall at the end of the year is recorded under "Provisions for risks"; or if the credits allocated and purchased, net of those sold, exceed requirements, the value of the surplus, measured at purchase cost in line with the market value at the end of the year, is recorded under "Intangible assets".

AA Segment information
An operating segment is a part of an entity:

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

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area.

3.2 Use of estimates

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

3.3 Most significant accounting policies requiring a greater degree of subjectivity

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

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

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

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

4. Information by business segment and geographical area

4.1 Preliminary remarks

The company operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process and a provider of refining services for third parties. It is therefore deemed that the company operates in just one segment.

4.2 Breakdown by geographical area

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

Net revenues from ordinary operations by geographical area:

	2012	2011	Change
Sales in Italy	4,706,459	4,955,552	(249,093)
Sales in Spain	1,031,174	1,209,049	(177,875)
Other EU sales	1,455,380	1,002,933	452,447
Non-EU sales	3,398,771	2,765,085	633,686
US Sales	88,213	0	88,213
Total	**10,679,997**	**9,932,619**	**747,378**

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

	31/12/2012	31/12/2011	Change
Receivables in Italy	436,405	517,194	(80,789)
Receivables in Spain	52,108	50,294	1,814
Other EU receivables	16,034	57,717	(41,683)
Non-EU receivables	133,077	49,088	83,989
U.S. receivables	194	194	0
Provision for bad debts		(2,016)	2,016
Total	**637,818**	**672,471**	**(34,653)**

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2012	31/12/2011	Change
Bank and postal deposits	209,619	97,232	112,387
Cash	41	53	(12)
Total	**209,660**	**97,285**	**112,375**

For further details on the company's net financial position, please refer to the appropriate section of the Report on Operations or to the cash flow statement.

5.1.2 Other financial assets held for trading

Other financial assets held for trading break down as follows:

	31/12/2012	31/12/2011	Change
Securities	0	2,315	(2,315)
Derivative instruments	31,493	31,935	(442)
Total	**31,493**	**34,250**	**(2,757)**

In these financial statements, white certificates have been reclassified as "Other assets" since there is no obligation on GSE to purchase them, which would constitute an immediate right to receive payment.

The table below shows changes in the item Securities:

	Securities	White Certicates	Total
Balance at 31/12/2010	**15,763**	**480**	**16,243**
Increase	0	2,764	2,764
Decrease	(15,763)	(929)	(16,692)
Balance at 31/12/2011	**0**	**2,315**	**2,315**
Increase	0	0	0
Decrease	0	(2,315)	(2,315)
Balance at 31/12/2012	**0**	**0**	**0**

The item "Derivative instruments" comprises the positive fair value of derivatives outstanding at the reporting date. For further details, please see section 5.3.1.

5.1.3 Trade receivables

The balance of trade receivables breaks shown as follow:

	31/12/2012	31/12/2011	Change
From trade debtors	334,821	325,297	9,524
From Group companies	302,997	347,174	(44,177)
Total	**637,818**	**672,471**	**(34,653)**

The balance of receivables from Group companies mainly relates to receivables from the subsidiaries Arcola Petrolifera S.p.A. (EUR 182,750 thousand) and Saras Energia S.A. (EUR 25,846 thousand) for the supply of oil products, and from Sarlux S.r.l. (EUR 93,773 thousand) for the supply of raw materials and recharges of costs for the purchase of CO_2 allowances.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2012:

	31/12/2012	31/12/2011	Change
Raw materials, spare parts and consumables	239,825	202,273	37,552
Semi-finished products	92,872	100,738	(7,866)
Finished products and goods held for resale	444,189	656,279	(212,090)
Advance payments	168	542	(374)
Total	**777,054**	**959,832**	**(182,778)**

The decrease in the value of inventories is mainly attributable to the reduction in the quantities of stocks held.
The recording of inventories at net realisable value included write-downs of around EUR 44.5 million. This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The item "Finished products and goods held for resale" includes around 929 thousand tons of oil products (valued at around EUR 666 million) held for Group companies and certain third parties in accordance with the obligations laid down in Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 838 thousand tons, valued at around EUR 601 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 3 million at 31st December 2012 (EUR 59 million at 31st December 2011).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets:

	31/12/2012	31/12/2011	Change
IVA receivables	3,049	0	3,049
IRES receivables	31,434	28,439	2,995
IRAP receivables	2,328	1,784	544
Other tax receivables	4,071	3,170	901
Total	**40,882**	**33,393**	**7,489**

The IRES receivables are essentially attributable to excess tax paid in previous years and the increase was caused by the mechanism for recalculating the substitute tax on oil inventories paid in 2009 pursuant to Legislative Decree 112/2008 (the "Robin Tax"); the VAT credit is due to the payment of VAT on December customs operations, which was offset in the regular payment in January 2013.

5.1.6. Other assets

The balance is detailed below:

	31/12/2012	31/12/2011	Change
Accrued income	192	194	(2)
Prepaid expenses	2,947	3,181	(234)
Other receivables	26,403	26,204	199
Financial receivables from Group companies	50,321	43,047	7,274
Total	**79,863**	**72,626**	**7,237**

"Other receivables" mainly comprises deposits to secure derivatives outstanding at 31st December 2012, totalling EUR 14,247 thousand (EUR 23,054 thousand at 31st December 2011), as well as white certificates (EUR 8,737 thousand) relating to energy savings made by the Sarroch refinery. These certificates are sold on an appropriate regulated market or through bilateral agreements between market operators. The certificates in the portfolio are valued at the average annual market price (EUR 89.70 in 2012, compared with EUR 103.12 in 2011 per certificate).

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

"Financial receivables from Group companies" chiefly comprises receivables from Saras Ricerche e Tecnologie S.p.A. (EUR 2,229 thousand), Arcola Petrolifera S.p.A. (EUR 24,054 thousand), Ensar S.r.l. (EUR 7,159 thousand) and Sarlux S.r.l. (EUR 15,423 thousand). These receivables from Group companies carry interest charged at market rates, and are due in the next year.

5.2 Non-current assets

On 31st December 2012, market capitalisation was less than the carrying value of shareholders' equity. As this is one of the impairment indicators identified by IAS 36, the company carried out an impairment test on the Cash Generating Unit (CGU) that represents the main fixed assets, as stipulated by that accounting standard.
The results of the analysis – including sensitivity analyses performed on the main assumptions – did not show any impairment or the need for a reversal of previous write-downs.

5.2.1 Property, plant and equipment

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

COST	31/12/2010	Additions	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2011
Land and buildings	124,308		(92)		1,121	125,337
Plant and equipment	1,579,763	6,492	(113)		16,287	1,602,429
Industrial and commercial equipment	16,157	21	(47)		141	16,272
Other assets	421,356	117	(234)		12,062	433,301
Assets under construction and payments on account	148,169	56,484			(29,611)	175,042
Total	**2,289,753**	**63,114**	**(486)**	**0**	**0**	**2,352,381**

ACCUMULATED DEPRECIATION	31/12/2010	Depreciation	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2011
Land and buildings	45,317	5,749				51,066
Plant and equipment	1,142,111	84,319	(113)			1,226,317
Industrial and commercial equipment	14,090	903	(47)			14,946
Other assets	316,508	18,458	(234)			334,732
Total	**1,518,026**	**109,429**	**(394)**	**0**	**0**	**1,627,061**

NET BOOK VALUE	31/12/2010	Additions	(Disposals)	(Depreciation)	Other changes and rev. / (w.d.)	31/12/2011
Land and buildings	78,991	0	(92)	(5,749)	1,121	74,271
Plant and equipment	437,652	6,492	0	(84,319)	16,287	376,112
Industrial and commercial equipment	2,067	21	0	(903)	141	1,326
Other assets	104,848	117	0	(18,458)	12,062	98,569
Assets under construction and payments on account	148,169	56,484	0		(29,611)	175,042
Total	**771,727**	**63,114**	**(92)**	**(109,429)**	**0**	**725,320**

COST	31/12/2011	Additions	(Disposals)	Revaluations	Other changes	31/12/2012
Land and buildings	125,337	164	(1,314)		2,839	127,026
Plant and equipment	1,602,429	29,243	(2,605)		21,112	1,650,179
Industrial and commercial equipment	16,272	8			2,619	18,899
Other assets	433,301	3,544	(1,782)		11,406	446,469
Assets under construction and payments on account	175,042	63,655			(38,499)	200,198
Total	**2,352,381**	**96,614**	**(5,701)**	**0**	**(523)**	**2,442,771**

ACCUMULATED DEPRECIATION	31/12/2011	Depreciation	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2012
Land and buildings	51,066	5,776				56,842
Plant and equipment	1,226,317	80,032	(2,605)			1,303,744
Industrial and commercial equipment	14,946	992				15,938
Other assets	334,732	17,992	(1,782)			350,942
Total	**1,627,061**	**104,792**	**(4,387)**	**0**	**0**	**1,727,466**

NET BOOK VALUE	31/12/2011	Additions	(Disposals)	(Depreciation)	Other changes	31/12/2012
Land and buildings	74,271	164	(1,314)	(5,776)	2,839	70,184
Plant and equipment	376,112	29,243	0	(80,032)	21,112	346,435
Industrial and commercial equipment	1,326	8	0	(992)	2,619	2,961
Other assets	98,569	3,544	0	(17,992)	11,406	95,527
Assets under construction and payments on account	175,042	63,655	0		(38,499)	200,198
Total	**725,320**	**96,614**	**(1,314)**	**(104,792)**	**(523)**	**715,305**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 160,963 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The net book value of these grants at 31st December 2012 was EUR 2,205 thousand, compared with EUR 3,528 thousand at 31st December 2011.

The item "Land and buildings" includes industrial buildings, offices and warehouses (net value: EUR 38,200 thousand), civil buildings in Milan, Cagliari and Rome used as offices (net value: EUR 1,223 thousand) and land largely relating to the Sarroch site (net value: EUR 30,761 thousand).

The item "Plant and equipment" mainly relates to the refining plants in Sarroch.

The item "Industrial and commercial equipment" includes equipment for the chemical laboratory and the control room, plus miscellaneous production equipment.

The item "Other assets" mainly includes tanks and pipelines used to carry products and crude.

The item "Work in progress and advances" reflects costs incurred for investments not yet brought into operation at 31st December 2012.

The item increased by EUR 96,614 thousand year-on-year, mainly reflecting technological work on plants, in particular the revamping of the MildHydrocracking 2 (MHC) plant, which will be completed during 2013.

The decrease of EUR 38,499 thousand recorded under "Other changes" refers to work finished during the year and consequently recorded in the related asset class.

The most significant annual depreciation rates used are shown below:

Industrial buildings (land and buildings)	5,50%
Generic plant (plant and machinery)	8,38%
Highly corrosive plant (plant and machinery)	11,73%
Pipelines and tanks (plant and machinery)	8,38%
Supplies (equipment)	25,00%
Electronic office equipment (other assets)	20,00%
Office furniture and machinery (other assets)	12,00%
Vehicles (other assets)	25,00%

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

Financial charges of EUR 9,634 thousand (at a rate of 5.30%) and internal costs of EUR 3,776 thousand were capitalised in 2012.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

COST	31/12/2010	Additions	Disposals	Write-downs	Other changes	31/12/2011
Industrial and other patent rights	18,898				824	19,722
Intangible assets in progress and payments on account	14,976	2,897			(824)	17,049
Total	**33,874**	**2,897**	**0**	**0**	**0**	**36,771**

ACCUMULATED DEPRECIATION	31/12/2010	Ammortisation	Disposals	Write-downs	Other changes	31/12/2011
Industrial and other patent rights	18,272	777				19,049
Total	**18,272**	**777**	**0**	**0**	**0**	**19,049**

NET BOOK VALUE	31/12/2010	Additions	Disposals and write downs	Other changes	Amortisation	31/12/2011
Industrial and other patent rights	626	0	0	824	(777)	673
Intangible assets in progress and payments on account	14,976	2,897	0	(824)	0	17,049
Total	**15,602**	**2,897**	**0**	**0**	**(777)**	**17,722**

COST	31/12/2011	Additions	Disposals	Write-downs	Other changes	31/12/2012
Industrial and other patent rights	19,722				1,878	21,600
Intangible assets in progress and payments on account	17,049	1,580	(225)		(1,392)	17,012
Total	**36,771**	**1,580**	**(225)**	**0**	**486**	**38,612**

ACCUMULATED DEPRECIATION	31/12/2011	Ammortisation	Disposals	Write-downs	Other changes	31/12/2012
Industrial and other patent rights	19,049	1,025				20,074
Total	**19,049**	**1,025**	**0**	**0**	**0**	**20,074**

NET BOOK VALUE	31/12/2011	Additions	Disposals and write downs	Other changes	Amortisation	31/12/2012
Industrial and other patent rights	673	0	0	1,878	(1,025)	1,526
Intangible assets in progress and payments on account	17,049	1,580	(225)	(1,392)	0	17,012
Total	**17,722**	**1,580**	**(225)**	**486**	**(1,025)**	**18,538**

Amortisation of intangible assets totalled EUR 1,025 thousand, and was calculated using the annual rates shown below:

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

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of this item relates mainly to the costs incurred to purchase software licences.

Intangible assets in progress and payments on account

This item mainly includes the cost of natural gas exploration in Sardinia (EUR 16,601 thousand).

Internal costs capitalised in 2012 totalled EUR 147 thousand. No financial charges were capitalised.

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

5.2.3 Equity investments

5.2.3.1 Equity investments valued at cost

The table below shows a list of equity investments held at 31st December 2012, with the main figures relating to each subsidiary:

EQUITY INVESTMENTS

Denomination	HQ	Currency	Share Capital	% owned	Category	Total assets	Total liabilities	Shareholders' equity	Net profit/ (loss) last FY	Carrying amount in Saras S.p.A.
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	subsidiary	382,701,244	294,504,885	88,196,359	11,597,985	10,557,891
Deposito di Arcola S.r.l.	Arcola (SP)	EUR	1,000,000	100.00%	subsidiary	4,680,271	4,070,433	609,838	(4,205,183)	0
Ensar S.r.l.	Cagliari	EUR	100,000	100.00%	subsidiary	8,255,992	7,306,807	949,185	(186,571)	1,135,756
Parchi Eolici Ulassai S.r.l.	Cagliari	EUR	500,000	100.00%	subsidiary	39,464,539	54,078	39,410,461	4,881,807	33,613,000
Sargas S.r.l.	Uta (CA)	EUR	10,000	100.00%	subsidiary	582,679	83,554	499,125	(9,509)	510,000
Sarint S.A.	Luxemburg	EUR	50,705,314	99,9% (*)	subsidiary	71,690,053	204,950	71,485,103	(34,378,431)	37,750,614
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	subsidiary	950,170,733	220,998,299	729,172,434	70,835,153	211,806,086
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	subsidiary	15,259,988	8,082,818	7,177,170	513,575	7,047,875
										302,421,222

(*) The remaining 0.1% stake in Sarint S.A. is owned by the subsidiary Deposito di Arcola S.r.l.

A comparison with the figures for the previous year is shown below:

	Registered office	% owned	31/12/2012	31/12/2011
Akhela S.r.l.	Cagliari	0%	0	700
Arcola Petrolifera S.p.A.	Sarroch (CA)	100%	10,558	10,558
Deposito di Arcola S.r.l.	Arcola (SP)	100%	0	939
Ensar S.r.l.	Cagliari	100%	1,135	0
Parchi Eolici Ulassai S.r.l.	Cagliari	100%	33,613	32,816
Sargas S.r.l.	Uta (CA)	100%	510	510
Sarint S.A.	Luxemburg	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%	7,047	5,863
Total			**302,421**	**300,944**

The changes in carrying value are as follows:

	31/12/2010	Acquisitions and subscripions	Revaluations	Impairment losses	Other changes	31/12/2011
Akhela S.r.l.	4,053			(7,353)	4,000	700
Arcola Petrolifera S.p.A.	11,497				(939)	10,558
Deposito di Arcola S.r.l.	0				939	939
Ensar S.r.l.	104			(104)		0
Parchi Eolici Ulassai S.r.l.	32,816					32,816
Sargas S.r.l.	0	510				510
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	5,863					5,863
Total	**303,891**	**510**	**0**	**(7,457)**	**4,000**	**300,944**

	31/12/2011	Acquisitions and subscripions	Revaluations	Impairment losses	Other changes	31/12/2012
Akhela S.r.l.	700				(700)	0
Arcola Petrolifera S.p.A.	10,558					10,558
Deposito di Arcola S.r.l.	939			(939)		0
Ensar S.r.l.	0				1,135	1,135
Parchi Eolici Ulassai S.r.l.	32,816		797			33,613
Sargas S.r.l.	510					510
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	5,863		1,184			7,047
Total	**300,944**	**0**	**1,981**	**(939)**	**435**	**302,421**

The balance as at 31st December 2012 is shown net of write-downs applied in the current year, which totalled EUR 14,138 thousand (EUR 939 thousand for Deposito di Arcola S.r.l., EUR 2,864 thousand for Ensar S.r.l. and EUR 10,335 for Sartec S.p.A.).

On 29th February 2012, the subsidiary Akhela S.r.l. was sold; its carrying value was adjusted to the selling price during 2011. The carrying value of the investment in Deposito di Arcola S.r.l. was reduced by way of an adjustment to its recoverable value, based on an appropriate impairment test that took into account forecasts for the company's future profitability. With respect to the investments in Parchi Eolici Ulassai S.r.l. and Saras Ricerche e Tecnologie S.p.A., which were partially written down in previous years, the adjustment to the recoverable value entailed a reversal of previous write-downs.

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

- Financial (mainly comprising liquidity parameters to be checked every six months and a ban on carrying out derivatives transactions unless authorised by the pool of banks);
- Operational, as regards the operation of the wind farm and the obligation to provide insurance cover;
- Corporate, connected to the company's ownership structure, specifically a ban on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the company needs to carry out the project.

If the company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.
At the last contractual deadline, the covenants relating to the above-mentioned loans had been complied with.
In addition, to guarantee the loan taken out by Sardeolica, all of the shares in the company were pledged as collateral to the financing banks.

None of the direct or indirect subsidiaries of Saras S.p.A. is listed on a regulated market.

5.2.3.2 Other equity interests

This item includes the 5.95% stake in Sarda Factoring S.p.A. (EUR 495 thousand).

5.2.4 Deferred tax assets

Deferred tax assets (EUR 83,057 thousand at 31st December 2012 and EUR 37,267 thousand at 31st December 2011) are shown net of deferred tax liabilities, and break down as follows:

	Amount at 31/12/2011	Additions	Deductions	Other changes	Deductions 31/12/2012
Deferred tax liabilities					
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)				(10,861)
Adjustment for scheduled plant and equipment maintenance	(2,356)		965		(1,391)
Measurement of inventory at end of the period at FIFO for tax purposes	(6,935)		6,935		0
Other	(367)		58		(309)
Total deferred tax liabilities	**(20,519)**	**0**	**7,958**	**0**	**(12,561)**
Deferred tax assets					
Measurement of inventory at end of the period at FIFO for tax purposes	0	786			786
Provisions for risks and charges	7,100	530	(6,294)		1,336
Reclassification of grants previously classified as equity	119		(44)		75
Costs for the dismantling and removal of tangible assets	5,368	125			5,493
Employee benefits and bonuses	3,836	3,079	(2,566)		4,349
Unrealised exchange losses	9,004	142	(8,755)		391
Excess maintenance costs	765		(642)		123
Tax asset relating to IRES Consolidated net loss		26,320			26,320
Tax asset relating to tax loss (IRES surcharge of 10.5%)	24,802	25,649			50,451
Provision for port duties	6,101				6,101
Other	691	66	(564)		193
Total deferred tax assets	**57,786**	**56,697**	**(18,865)**	**0**	**95,618**
Net total	**37,267**	**56,697**	**(10,907)**	**0**	**83,057**

The most significant changes were due to:

- The recognition of tax assets on the portion of the net loss for the year, under the national tax consolidation scheme tax (IRES), which should be applicable in respect of future taxable income;
- The recognition of tax assets on tax losses in 2012, which cannot be transferred under the national tax consolidation scheme (10.5% surcharge) but which should be applicable in respect of future taxable income. Specifically, despite part of this surcharge (4%) being valid for the three tax periods following the one ended 31st December 2010, the corresponding tax assets are considered to be recoverable both because the tax is expected to be reconfirmed for future tax years and because of the possible impact of oil prices on the valuations of inventories as at 31st December 2013;
- The release of deferred tax assets recognised on exchange rate differences in previous years to bring the value of assets and liabilities denominated in foreign currency in line with the exchange rate at the end of the year;
- The release of the deferred tax liabilities calculated on the difference between the tax value of final inventories of The previous year and their lower carrying amount, as this difference has been reabsorbed;
- The use of provisions for costs relating to the obligation to purchase CO_2 allowances.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2012 and 2011:

	2012 Short Term	2012 Medium/long term	2011 Short Term	2011 Medium/long term
Deferred tax liabilities				
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,861)
Adjustments for scheduled plant and equipment maintenance	(470)	(921)	(965)	(1,391)
Measurement of inventory at end of period at F.I.F.O. cost			(6,935)	
Other	(309)		(367)	
Total deferred tax liabilities	**(779)**	**(11,782)**	**(8,267)**	**(12,252)**

	2012 Short Term	2012 Medium/long term	2011 Short Term	2011 Medium/long term
Deferred tax assets				
Measurement of inventory at end of the period at FIFO for tax purposes	786			
Provisions for risks and charges	1,336		7,100	
Reclassification of grants previously carried as equity	75		119	
Costs for the dismantling and removal of tangible assets		5,493		5,368
Employee benefiits and bonuses	2,831	1,518	3,438	398
Unrealised exchange losses	391		9,004	
Excess maintenance costs	123		642	123
Tax asset relating to IRES consolidated net loss	26,320			
Tax asset relating to tax loss (IRES surcharge of 10.5%)	50,451		24,802	
Provision for port dulies	6,101		6,101	
Other	193		691	
Total deferred tax assets	**88,607**	**7,011**	**51,897**	**5,889**

5.2.5 Other financial assets

At 31st December 2012, the balance of this item was EUR 75,737 thousand (EUR 75,960 thousand the previous year) and relates mainly to the long-term portion of financial receivables from Saras Energia S.A. of EUR 70,000 thousand and from Akhela S.r.l of EUR 5,339 thousand.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities:

	31/12/2012	31/12/2011	Change
Short-term bank loans	24,762	189,764	(165,002)
Bank overdrafts	16,859	256,660	(239,801)
Loans from Group companies	377,609	225,469	152,140
Derivative instruments	43,405	40,137	3,268
Other short-term financial liabilities	6,233	6,233	0
Total short-term financial liabilities	**468,868**	**718,263**	**(249,395)**
Total long-term financial liabilities	**391,750**	**248,223**	**143,527**
Total financial liabilities	**860,618**	**966,486**	**(105,868)**

The decrease in “Short-term bank loans” was mainly due to the repayment of a loan, originally for EUR 190 million, which expired on 30th June 2012.
The increase in “Long-term financial liabilities” was mainly due to the taking out of a loan of EUR 170 million.
The terms and conditions of the company’s loans are explained in note 5.4.1 “Long-term financial liabilities”.
The item “Loans from Group companies” includes loans from Sarlux S.r.l. (EUR 257,473 thousand), Sarint S.A. (EUR 14,880 thousand), Sardeolica S.r.l. (EUR 17,854 thousand), Reasar S.A. (EUR 10,470 thousand), Sartec S.p.A. (EUR 159 thousand), Arcola Petrolifera S.p.A (EUR 76,289 thousand), Ensar S.r.l. (EUR 53 thousand), Deposito di Arcola S.r.l. (EUR 415 thousand) and Parchi Eolici Ulassai S.r.l. (EUR 16 thousand).
These loans from Group companies, with the exception of the loan from Sarint S.A., carry interest charged at market

rates, and mature in the next year.
"Derivative instruments" includes the negative fair value of the derivatives held at the reporting date.
The table below shows the fair value of the derivative financial instruments recognised as either assets (recorded under "Other financial assets held for trading", as described in section 5.1.2) or liabilities:

	31/12/2012 Assets	31/12/2012 Liabilities	31/12/2011 Assets	31/12/2011 Liabilities
Interest rate swaps	6	(2,337)	0	(487)
Fair value of forward purchases and sales of commodities (oil & other oil products)	30,855	(38,121)	24,358	(38,504)
Fair value of forward purchases and sales of exchange rate	632	(2,947)	7,577	(1,146)
Total	**31,493**	**(43,405)**	**31,935**	**(40,137)**

The following tables show the notional values and corresponding fair values of derivatives outstanding at 31st December 2012 and 31st December 2011:

Type of transaction	Interest rate			Other			
Figures at 31/12/2011	**Notional value**	***Fair value***		**Notional value**		***Fair value***	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(444,099)	614,981	12,048	(22,010)
Exchange rate				(664,657)	154,571	7,577	(1,146)
Swaps							
Oil products and crude oil				(32,338)	13,349	10,945	(16,468)
Interest rates	180,000		(487)				
Options							
Oil products and crude oil				(112,036)	0	1,365	(26)
Total	**180,000**	**0**	**(487)**	**(1,253,130)**	**782,901**	**31,935**	**(39,650)**

Type of transaction	Interest rate			Other			
Figures at 31/12/2012	**Notional value**	***Fair value***		**Notional value**		***Fair value***	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(1,583,977)	1,860,290	23,945	(29,777)
Exchange rate				(513,768)		632	(2,947)
Swaps							
Oil products and crude oil				(255,277)	373,101	6,198	(8,332)
Interest rates	170,000	6	(2,337)				
Options							
Oil products and crude oil				(19)	1,069	712	(12)
Total	**170,000**	**6**	**(2,337)**	**(2,353,041)**	**2,234,460**	**31,487**	**(41,068)**

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2012	31/12/2011	Change
Advances from customers: portion due within the year	6,515	53,305	(46,790)
Payables to suppliers: portion due within the year	1,236,645	975,438	261,207
Trade payables to Group Companies	36,393	41,783	(5,390)
Total	**1,279,553**	**1,070,526**	**209,027**

The item "Advances from customers" refers to payments on account received from customers for the supply of oil products.
The increase in trade payables is also due, to a significant extent, to difficulties encountered during the year in paying for crude oil purchased in Iran, owing to the restrictions on international banking networks ahead of the total oil embargo decided by the European Union.

The item "Trade payables to Group companies" essentially includes payables to Sarlux S.r.l. (EUR 24,061 thousand),

Sartec S.p.A. (EUR 6,250 thousand), Arcola Petrolifera S.p.A. (618 thousand), Reasar S.A. (EUR 56 thousand), Sardeolica S.r.l. (EUR 99 thousand) and Saras Energia S.A. (EUR 5 thousand).

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

	31/12/2012	31/12/2011	Change
Payables to Italian suppliers	185,984	180,968	5,016
Payables to Spanish suppliers	109	18,393	(18,284)
Payables to other EU country suppliers	19,914	64,105	(44,191)
Payables to non-EU country suppliers	1,030,451	711,813	318,638
Payables to US suppliers	187	159	28
Total	**1,236,645**	**975,438**	**261,207**

5.3.3 Current tax liabilities

This item breaks down as shown below:

	31/12/2012	31/12/2011	Change
VAT payables	57,688	40,950	16,738
Other tax payables	5,612	3,202	2,410
Total	**63,300**	**44,152**	**19,148**

"VAT payables" relate to the position accrued for the settlement in December; the increase is attributable to the implementation of the "VAT warehouse" regime for crude oil imports, which allows raw materials to be brought in before payment of customs duties. This was adopted in September to improve management of customs procedures and to optimise the tax position (and also to prevent the cumulative of huge credit balances).

The item "Other tax payables" mainly includes the payable relating to employees' personal income tax (IRPEF).

5.3.4 Other liabilities

A breakdown of other liabilities is shown below:

	31/12/2012	31/12/2011	Change
Social security payables: portions due within one year	7,631	7,357	274
Due to personnel	12,746	12,300	446
Payables to Ministry for grants	24,736	24,736	0
Other payables	19,509	19,132	377
Other accrued liabilities	738	1,363	(625)
Other deferred income	38	0	38
Total	**65,398**	**64,888**	**510**

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

The item "Payables to Ministry for grants" includes advances received from the Ministry for Economic Development in connection with the programme agreement signed on 10th June 2002, for which the final decree has yet to be issued (EUR 24,736 thousand).

The item "Other payables" mainly relates to port duties as determined by the customs authority in respect of the company (EUR 15,115 thousand); please note that the initial phase of the company's long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.
In the second phase of the dispute, the Court of Cassation ruled against Saras in March 2012, in part due to regulatory amendments that had been introduced in the intervening period.
As a result of this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has always been booked on an accrual basis under "Cost of services and sundry costs".

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as follows:

	31/12/2012	31/12/2011	Change
Euro Bond	248,724	248,223	501
Bank loans	143,026	0	143,026
Long-term financial liabilities	**391,750**	**248,223**	**143,527**

On 16th July 2010, Saras S.p.A., an unrated company, carried out a bond issue reserved for institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bond, which is listed on the Luxembourg stock exchange, has a coupon of 5.583% and will mature on 21st July 2015. It is not supported by a guarantee and is not subject to any covenants.
The bond issue is recorded net of issue charges incurred.
Note that market values from the relevant stock market are not available for the bond loan. The value of the related cash flows discounted to present value using the market rate is not significantly different from the carrying value in the financial statements.

In June, a simple loan for a nominal amount of EUR 190 million was repaid in accordance with the terms of the agreement.

On 27th June 2012, the company signed a five-year loan agreement, disbursed on 3rd July, for EUR 170 million with a group of leading national and international banks. This is a senior loan is not backed by collateral. It carries an interest rate of EURIBOR plus a fixed annual component and is repayable in nine half-yearly instalments, of which the first, equal to 5% of the capital, is due on 27th June 2013 and the last on 27th June 2017.

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

Figures in EUR million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/2011	Net book value at 31/12/2012	Maturity			Collateral
						1 year	from 1 to 5 years	beyond 5 years	
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	100.0		-			
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	89.8		-			
				189.8	-	-	-	-	
Loan in pool	3-Jul-12	170.0	Euribor 6M	-	167.8	24.8	143.0		
				-	167.8	24.8	143.0		
Total				**189.8**	**167.8**	**24.8**	**143.0**	**0,0**	

The weighted average interest rate at 31st December 2012 was 5.04%.

The EUR 170 million loan agreement imposes certain covenants:
- in financial terms, the company will have to meet the following ratios: net debt/EBITDA < 3.25 and net debt/shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements) at 30th June and 31st December each year;
- in corporate terms, mainly in relation to the company's ownership structure, a ban on changing business activities, reducing share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets;
- as regards dividends, the company is allowed to pay out a maximum amount of 60% consolidated adjusted net profit provided that it complies with the net debt/EBITDA ratio covenant even after this distribution. Note that the covenant in question is consistent with the policy adopted some time ago by the Parent Company.

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

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

5.4.2 Provisions for risks and future liabilities

Provisions for risks and charges break down as follows:

	31/12/2010	Additions	Use and reversals	Movements	31/12/2011
Provisions for dismantling of plants	13,783	455			14,238
Provisions for CO_2 allowances	46,978	45,817	(46,809)	(169)	45,817
Other risk provisions	8,888	2,000	(5,050)		5,838
Total	**69,649**	**48,272**	**(51,859)**	**(169)**	**65,893**

	31/12/2011	Additions	Use and reversals	Movements	31/12/2012
Provisions for dismantling of plants	14,238	327			14,565
Provisions for CO_2 allowances	45,817	17,924	(39,934)	78	23,885
Other risk provisions	5,838	566	(2,000)		4,404
Total	**65,893**	**18,817**	**(41,934)**	**78**	**42,854**

The provisions for dismantling of plants of EUR 14,565 thousand relate to the future costs of dismantling plant and equipment, which are made wherever there is a legal and constructive obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes.

The provision for CO_2 allowances (EUR 23,885 thousand) was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.
For 2012, the CO_2 allowances assigned under the National Allocation Plan for the period 2008-2012 were:
- 2,159,696 tons of CO_2 for the refinery plants owned by the Parent Company, which had emitted 2,222,020 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 551,927 tons, worth EUR 2,816 thousand.
- 444,404 tons of CO_2 for the cogeneration plants owned by the Sarlux S.r.l., which had emitted 3,694,000 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of purchases, of 3,652,218 tons, worth EUR 21,069 thousand.

During the year, allowances for 893,418 tons of CO_2 were purchased for Saras, and EUR 3,119,880 for Sarlux. EUR 39,334 thousand was used from the provisions (EUR 13,024 thousand for Saras and EUR 26,910 thousand for Sarlux). CO_2 quotas already held by the Group are taken into account in determining the provision.
The changes in CO_2 allowances, where one allowance equals one ton, are shown below:

Quotas (Tons)	Refinery plant Saras S.p.A.	IGCC plant Sarlux S.r.l.	Total
Deficit as of 31st December 2010	**(2,420,581)**	**(1,046,855)**	**(3,467,436)**
Allowances allocated in 2011	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(2,407,374)	(1,047,775)	(3,455,149)
Purchase	1,211,842	1,398,503	2,610,345
Transfer	0	0	0
Emissions in the year	(2,342,140)	(3,519,230)	(5,861,370)
Deficit as of 31st December 2011	**(1,377,976)**	**(2,724,098)**	**(4,102,074)**
Allowances allocated in 2012	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(1,383,021)	(2,730,321)	(4,113,342)
Purchase (with delivery)	893,418	3,119,880	4,013,298
Transfer	0	0	0
Emissions in the year	(2,222,020)	(3,694,000)	(5,916,020)
Deficit as of 31st December 2012	**(551,927)**	**(2,860,037)**	**(3,411,964)**

The item "Other risk provisions" mainly relates to provisions made for potential legal liabilities.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2012	31/12/2011	Change
Employee end-of-service payments	12,188	10,272	1,916
Other supplementary funds	8,992	10,447	(1,455)
Total	**21,180**	**20,719**	**461**

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 CPAS fund is the company's supplementary employee pension fund.

On 30th June 2010, following the cancellation by the company of the agreement establishing CPAS, the company's supplementary employee pension fund, the fund was dissolved and put into liquidation, with workers given the option of transferring the benefits earned until that date to another supplementary pension scheme or of redeeming the entire amount. The trade unions disputed the cancellation of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. Having taken legal advice from the lawyers acting for the company in this matter, the company is confident that the propriety of its actions will be upheld in court.

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

Balance at 31.12.2010	**11,994**
Accruals for defined contribution plan (TFR)	4,788
Interests	552
Actuarial (gains) / losses	(611)
Utilisations for the year	(1,663)
Payments to supplementary pension schemes (such as INPS treasury fund)	(4.,788)
Balance at 31.12.2011	**10,272**
Accruals for defined contribution plan (TFR)	4,980
Interests	473
Actuarial (gains) / losses	2,126
Utilisations for the year	(683)
Payments to supplementary pension schemes (such as INPS treasury fund)	(4,980)
Balance at 31.12.2012	**12,188**

The table below shows the changes in the CPAS fund, which is a defined contribution plan:

Balance at 31.12.2010	**16,019**
Accrual for the year	0
Utilisations for the year / settlement	(5,572)
Balance at 31.12.2011	**10,447**
Accrual for the year	0
Utilisations for the year / settlement	(1,455)
Balance at 31.12.2012	**8,992**

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

	31/12/2012	31/12/2011
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	3.25%	4.60%
Salary increase:	3.00%	3.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	As recorded by ISTAT observing Italian population in 2002
Probability of disability:	INPS model for projections to 2010
Probability of resignation:	annual staff turnover of 0.5%
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of advance payments:	3% per annum

At 31st December 2012, the discount rate used was the iBOXX Eurozone Corporates A10+ (3.25%).
The actuarial calculation takes into account the recently issued changes to pensions legislation (Decree Law 201/2011). Given the accounting method used (see section 3.1 "Summary of accounting standards and policies" and point Q "Provisions for employee benefits"), at 31st December 2012 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Other liabilities

Other liabilities break down as follows:

	31/12/2012	31/12/2011	Change
Advances from Group companies	30,092	35,063	(4,971)
Payables to welfare and social security bodies: portion due after one year	75	356	(281)
Other	5	5	0
Total	**30,172**	**35,424**	**(5,252)**

Advances from Group companies refer to the long-term portion of the payable to Sarlux S.r.l. relating to the contracts "Feedstock Supply Agreement" and "Key Facility Agreement". The change compared with the previous year is due to the reclassification of the portion for the following period from long- to short-term.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2012	31/12/2011	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	697,701	739,468	(41,767)
Profit/(Loss) for the year	(154,009)	(45,547)	(108,462)
Total	**609,248**	**759,477**	**(150,229)**

Share capital

At 31st December 2012, the share capital of EUR 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no nominal value.

Legal reserve

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

Other reserves

This item totalled EUR 697,701 thousand, a total decrease of EUR 41,767 thousand compared with the previous period. This increase is the result of:

- The appropriation of the loss from the previous year of EUR 45,547 thousand;
- An increase of EUR 3,780 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the Stock Grant Plans.

Net profit/(loss)

The net loss for the year totalled EUR 154,009 thousand.

Restrictions on the distribution of equity reserves

The table below breaks down equity reserves at 31st December 2012 into the available portion, the non-distributable portion and the distributable portion:

Items in Shareholders' equity	Amount	Possible use	Portion available	Summary of utilisations made in the past three financial year:	
				For loss coverage	For other reasons
Share Capital	**54,629,667**				
Reserves of capital:					
Share premium reserve	338,672,775	A - B - C	338,672,775		
Reserves of profits:					
Revaluation reserve	64,037,748	A - B - C	64,037,748		
Legal reserves	10,925,934	B			
Profit/(Losses) carried forward	(76,605,717)	A - B - C			
Other reserves :					
Extraordinary reserve	377,047,929				(96,887,052)
Own shares	(70,386,935)				
IFRS transition effects	(72,653,587)				
	234,007,407	A - B - C	234,007,407 (*)		
Employee share grant reserve	13,585,507				
Locked-in reserves as per ex art. 7, paragraph 6, D.Lgs. 38/05	19,658,569	A - B	19,658,569		
Other Reserves	104,345,440	A - B - C	104,345,440		
TOTAL	**763,257,330**		**760,721,939**		
Non-distributable portion			36,259,908 (**)		
Distributable portion	708,627,663		724,462,031		

Legend: A - for capital increase / B - to cover losses / C - for distribution to shareholders

(*) : whereof the amount on which taxation is suspended is equal to zero

(**) : includes EUR 19.6 millions for "Locked-in-reserves as per ex art. 7, paragraph 6 D.Lgs. 38/05" and EUR 15.7 millions from Art.2426 paragraph 1, n.5 of the Italian Civil Code.

Dividends

On 27th April 2012, the ordinary shareholders' meeting of Saras S.p.A. voted not to pay any dividends.

The Board of Directors has made a proposal to the shareholders' meeting scheduled for 24th April 2013 not to pay a dividend for the reporting period.

The average number of shares outstanding was 928,285,276 in 2012 and 928,317,120 in 2011. At 31st December 2012, Saras S.p.A held 22,619,460 own shares in relation to the bonus allocation of shares to employees and management of Group companies.

No own shares were acquired or sold during the year.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item "Revenues from ordinary operations" breaks down as follows:

	2012	2011	Change
Sales and services revenues	10,679,997	9,932,489	747,508
Processing fees from third parties	0	130	(130)
Total	**10,679,997**	**9,932,619**	**747,378**

Sales and services revenues increased by EUR 747,378 thousand compared to the previous year. The change was broadly due to price trends over the period.

The 2012 result was affected by major planned maintenance work carried out on numerous refinery units, in particular during the first half of the year. This maintenance work reduced both processing and conversion capacity by a total of about EUR 70 million for the whole year. The second half saw further difficulties arise from the temporary disruption of the heavy crude market, due to the oil embargo imposed by the European Union on Iran. In contrast, the results in the third quarter were extremely positive with refining margins staging a robust recovery.

Note that the first quarter of 2011 had benefited from substantial profits arising from timing differences between sales and purchases, in a market of soaring oil prices. However, during the middle part of 2011, the Libyan crisis imposed limitations on the profitability of the Sarroch refinery. This was due to the lack of Libyan crude oil, whose specific characteristics make it difficult to substitute.

Revenues from ordinary operations are broken down by geographical area in section 4 above.

In accordance with IFRS 8, please note that Arcola Petrolifera S.p.A. accounted for 16% of the company's revenues.

6.1.2 Other income

The following table shows a breakdown of other income:

	2012	2011	Change
Revenues for stocking of mandatory supplies	10,922	7,614	3,308
Chartering of tankers	1,841	7,559	(5,718)
Sale of sundry materials	5,655	4,528	1,127
Other revenues	93,557	93,959	(402)
Total	**111,975**	**113,660**	**(1,685)**

The item "Other income" essentially comprises charges to Sarlux S.r.l. for the purchase of CO_2 allowances forme by that company (EUR 22,599 thousand) and for services under contracts that expire in 2020 (Saras employees: EUR 7,345 thousand, and services: EUR 16,556 thousand). The item also includes shipping costs charged to Arcola Petrolifera S.p.A. (EUR 28,065 thousand).

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2012	2011	Change
Purchase of raw materials	8,957,123	8,469,220	487,903
Purchase of semifinished products	137,051	25,623	111,428
Purchases of spare parts and consumables	53,169	44,704	8,465
Purchase of finished products	971,961	1,164,438	(192,477)
Other purchases	127	140	(13)
Change in inventories	182,403	(336,875)	519,278
Total	**10,301,834**	**9,367,250**	**934,584**

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

6.2.2 Cost of services and sundry costs

	2012	2011	Change
Service costs	431,037	391,544	39,493
Rent, leasing and similar costs	7,412	7,429	(17)
Provisions for risks and charges	18,491	48,272	(29,781)
Other operating costs	13,304	7,284	6,020
Total	**470,244**	**454,529**	**15,715**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities.
The cost of rentals and freight rose as a result of the higher quantities of crude acquired and products sold; there was a similar increase in the cost of utilities, essentially electricity and water, due both to the greater volumes used and to the rise in prices.
The item "Rent, leasing and similar costs" includes EUR 2,075 thousand in costs relating to rental of the building that houses the registered office of Parent Company Saras S.p.A. in Milan. The cost has been reported on a straight line basis according to *IAS 17 – Leases*, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 4,025 thousand for the following years up to five years. The annual rental payments are pegged to the ISTAT consumer price index for the families of manual and clerical workers; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months' notice prior to the expiry date.
"Provisions for risks" mainly consist of a provision relating to CO_2 allowances applicable to 2012 that had not yet been purchased as of 31st December 2012.
The item "Other operating charges" comprises non-income taxes (combined municipal tax on property (IMU), atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2012	2011	Change
Wages and salaries	76,819	77,142	(323)
Social security	21,878	21,258	620
Employee end-of-service payments	7,579	4,729	2,850
Other costs	3,281	3,375	(94)
Directors' remuneration	3,560	5,660	(2,100)
Total	**113,117**	**112,164**	**953**

On 27th April 2010, the shareholders' meeting approved the plans for the bonus allocation of ordinary shares in the company:

- to employees of the company and its Italian subsidiaries (the "Employee Share Plan");
- to the management of the Saras Group (the "Stock Grant Plan 2010/2012").

The Employee Share Plan provided for a bonus allocation to employees:

- for the year 2010, one share for every six held by the beneficiary at 31st December 2009;
- for the years 2011 and 2012, one share for every six additional shares purchased by the beneficiary in 2010 and 2011, on condition that the number of shares held by the beneficiary on a daily basis during each of these years was never lower than the number of shares held at 31st December of the previous year.

Under the Employee Share Plan, the total value of the shares allocated to each beneficiary was not allowed to exceed EUR 2,065 in any given year. Furthermore, the value of the total shares that could be allocated could never exceed the sum of EUR 2 million. Shares related to the year 2012 were allocated in the last quarter of the year.
In 2012, 25,128 shares were allocated under the plan, at a cost of EUR 78 thousand.

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

- 1,505,000 shares for the 2010 plan, at a cost of EUR 2,248 thousand;
- 1,870,800 shares for the 2011 plan, at a cost of EUR 3,311 thousand (of which EUR 732 thousand relates to 2012).
- 3,476,616 shares for the 2012 plan, at a cost of EUR 3,533 thousand (of which EUR 2,650 thousand relates to 2012).

Furthermore, beneficiaries who had participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until the first half of 2013, in return for a one-off premium to be paid in shares as part of the current plan.
This option would involve the allocation of 715,900 shares, at a cost of EUR 1,069 thousand (of which EUR 237 thousand relates to 2012).

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below:

	2012	2011	Change
Amortisation - intangible assets	1,025	777	248
Depreciation - tangible assets	104,792	109,429	(4,637)
Total	**105,817**	**110,206**	**(4,389)**

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below:

Net income (charges) from equity interests	**2012**	**2011**	**Change**
Revaluations:			
- Parchi Eolici Ulassai S.r.l.	797	0	797
- Sartec-Saras Ricerche e Tecnologie S.p.A.	1,184	0	1,184
	1,981	**0**	**1,981**
Impairment:			
- Deposito di Arcola S.r.l.	(939)	0	(939)
- Ensar S.r.l.	0	(104)	104
- Akhela S.r.l.	0	(7,353)	7,353
	(939)	**(7,457)**	**6,518**
Total	**1,042**	**(7,457)**	**8,499**

6.4 Financial income and charges

A breakdown of financial income and charges is shown below:

	2012	2011	Change
Financial income:			
- from current financial assets	0	57	(57)
Other sundry financial income			
- from subsidiaries	2,794	3,579	(785)
- interest on current accounts held with bank and post offices	588	138	450
- fair value on derivative instruments at the end of the year	31,493	17,232	14,261
- realised gains on derivatives	95,423	103,736	(8,313)
- other income	406	159	247
Exchange gains	120,739	1,494	119,245
Total financial income	**251,443**	**126,395**	**125,048**
Financial charges:			
- to subsidiaries	(5,991)	(3,162)	(2,829)
- fair value on derivative instruments at the end of the year	(43,405)	(4,869)	(38,536)
- realised loss on derivatives	(124,547)	(111,111)	(13,436)
- other (interest on loans, late payments interest, etc,)	(26,375)	(25,945)	(430)
Exchange losses	(99,025)	(35,149)	(63,876)
Total financial charges	**(299,343)**	**(180,236)**	**(119,107)**
Total	**(47,900)**	**(53,841)**	**5,941**

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

	2012	2011	Change
Net interest gains (losses)	(28,984)	(25,390)	(3,594)
Net result from derivative financial instruments	(41,036)	4,988	(46,024)
- realised	*(29,124)*	*(7,375)*	*(21,749)*
- fair value of the open positions	*(11,912)*	*12,363*	*(24,275)*
Net exchange rate gains/(losses)	21,714	(33,655)	55,369
Other	406	216	190
Total	**(47,900)**	**(53,841)**	**5,941**

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

6.5 Income tax

Income tax can be shown as follows:

	2012	2011	Change
Current taxes	(1,014)	2,328	(3,342)
Effect of Group tax consolidation	(45,085)	(12,880)	(32,205)
Deferred tax (assets) / liabilities, net	(45,790)	(3,069)	(42,721)
Total	**(91,889)**	**(13,621)**	**(78,268)**

The amount stated as "Current taxes" is the net balance of the sum of EUR 2,473 thousand expected by way of a IRES refund in relation to the application submitted for recognition of deductibility of IRAP from personnel costs for the years 2007-2011 (Article 2 of Decree Law 201/2011) and the amount of EUR 1,459 thousand paid in taxes for previous years to settle a number of tax disputes regarding previous years.

The item "Effect of Group tax consolidation" comprises the benefit deriving from the tax loss, calculated at 27.5%, which is offset under the national tax consolidation scheme.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Deferred tax assets/liabilities relate to changes in temporary differences between the values recorded in the financial statements and those recognised for tax purposes. The most significant changes are mainly generated, on the deferred tax assets side, by the lower tax value of changes in the year in oil stocks and the application of the lower tax value of oil stocks at the end of the previous year (EUR 7,721 thousand) and, on the deferred tax liabilities side, by the adjustment of assets and liabilities denominated in foreign currency to the year-end exchange rate (EUR 8,613 thousand).
Deferred tax assets on the portion of the net loss for the year under the national tax consolidation scheme, amounting to EUR 26,320 thousand, and tax assets on tax losses in 2012 which cannot be transferred under the aforementioned national tax consolidation scheme (10.5% IRES surcharge), amounting to EUR 25,649 thousand, both of which should be applicable in respect of future deferred taxable income, are shown separately;

Temporary differences in the Income Statement:		TAX 2012	TAX 2011
	Deferred tax assets/ (liabilities)	Effect of tax rate changes	Defered tax assets/ (liabilities)
Provisions for risk and charges	(5,764)	(8,637)	
Measurement of inventories at end of period at FIFO for tax purposes	7,721	(7,111)	
Adjustments for scheduled plant and equipment maintenance	965	(3,261)	
Reclassification of grants previously carried as equity	(44)	(72)	11
Cost of dismantling and removing tangible assets	125	155	
Excess maintenance costs	(642)	(1,905)	76
Employee benefits and bonuses	513	(412)	133
Unrealised exchange differencies	(8,613)	10,624	
Tax asset relating to IRES consolidated net loss	26,320	(424)	
Tax assets on tax loss (additional IRES)	25,649	3,754	7,980
Other temporary differences	(440)	1,600	(24)
TOTAL	**45,790**	**(5,689)**	**8,758**

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

IRES	31/12/2012	31/12/2011
PROFIT (LOSS) BEFORE TAXES [A]	(245.9)	(59.2)
THEORETICAL CORPORATION TAX IRES [A*38%] [B]	(93.4)	(22.5)
THEORETICAL TAX RATE [B/A*100] %	38.0%	38.0%
EFFECTIVE INCOME TAXES [C]	(91.9)	(18.0)
EFFECTIVE TAX RATE [C/A*100] %	37.4%	30.4%

	31/12/2012		31/12/2011	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**(93.4)**	**38.0%**	**(22.5)**	**38.0%**
Equity investments valuations	0.4	-0.16%	3.7	-6.23%
Effect of recalculation of inventories (“Robin Hood Tax”)	0.0	0.00%	3.8	-6.38%
Effect of increase in IRES surcharge on deferred tax (art. 7 D.L. 138/11)	0.0	0.00%	(4.2)	7.15%
Effect of IRAP deduction on IRES (art. 2 D.L.201/2011)	(2.6)	1.06%	0.0	0.00%
Effect of non-deduction of financial charges due to art. 96 TUIR (on IRES surcharge)	2.3	-0.94%	0.0	0.00%
Taxes of previous years	1.4	-0.57%	0.0	0.00%
Permanent differences	0.0	0.00%	1.2	-2.09%
Effective taxes	**(91.9)**	**37.4%**	**(18.0)**	**30.4%**

IRAP	31/12/2012	31/12/2011
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	(199.0)	2.1
TOTAL PERSONNEL COSTS	113.1	112.2
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)	(85.9)	114.3
THEORETICAL INCOME TAX IRAP [A*3,9%] [B]	(3.4)	4.5
THEORETICAL TAX RATE [B/A*100] %	3.9%	3.9%
EFFECTIVE INCOME TAXES [C]	0.0	4.4
EFFECTIVE TAX RATE [C/A*100] %	0.0%	3.8%

	31/12/2012		31/12/2011	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**(3.4)**	**3.9%**	**4.5**	**3.9%**
IRAP effect on IFRS adjustments	0.0	0.00%	(0.4)	-0.35%
Effect of refund of “tax wedge” on IRAP	0.0	0.00%	(1.2)	-1.05%
Effect of recalculation of inventories (“Robin Hood Tax”)	0.0	0.00%	0.7	0.61%
IRAP tax assets not recognizable in companies with negative EBIT	3.4	-3.90%	0.0	0.00%
Permanent differences	0.0	0.00%	0.8	0.70%
Effective taxes	**0.0**	**0.0%**	**4.4**	**3.8%**

7. Additional disclosures

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

7.1 Main legal actions pending

The company was subjected to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that any liability is likely to be remote.

7.2 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. For information on guarantees given to and received from related parties, see point 7.6 “Commitments” below.
The figures for trade, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.
The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below:

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2012		31/12/2011			
SARLUX S.r.l.						
Supply of goods	235,116	2.20%	205,216	2.07%	Revenues from ordinary operations	Supply of raw material as per agreement
Services rendered by staff	9,080	8.11%	9,278	8.16%	Other income	Outsourcing of services as per agreement
Services rendered	37,682	33.65%	53,215	46.82%	Other income	Outsourcing of services as per agreement
Purchases of goods	(4,039)	0.04%	(2,968)	0.03%	Purchases of raw materials, spare parts and consumables	Supply of sulphur as per agreement
Utilities	(74,308)	15.80%	(65,468)	14.40%	Cost of services and sundry costs	Supply of steam, hydrogen and oxygen as per agreement
Services received	(299)	0.06%	(343)	0.08%	Cost of services and sundry costs	Supply of various services
Financial charge	(3,809)	1.27%	(2,112)	1.18%	Financial charges	Interest on intrercompany loans
Receivables for goods & services supplied	93,773	14.70%	104,912	15.60%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	15,423	19.31%	373	0.50%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(24,061)	1.88%	(27,172)	2.54%	Trade and other current payables	Trade payables
Payables for goods & services supply	(30,092)	99.73%	(35,063)	98.98%	Other non current liabilities	Trade payables
Loan	(257,473)	54.91%	(163,462)	22.78%	Short term financial liabilities	Intercompany loans
ARCOLA PETROLIFERA S.p.A.						
Supply of goods	1,719,133	16.10%	1,656,883	16.68%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	249	0.22%	227	0.20%	Other income	Staff on secondment
Services rendered	28,551	25.50%	26,167	23.02%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	22	0.01%	75	0.06%	Financial income	Interest on intercompany line of credit
Purchases of goods	(4,893)	0.05%	0	0.00%	Purchases of raw materials, spare parts and consumables	Purchase of oil products
Services received	(21)	0.00%	(271)	0.06%	Cost of services and sundry costs	Charges on sales
Financial charge	(1,743)	0.58%	(779)	0.44%	Financial charges	Interest on intercompany line of credit
Receivables for goods & services supplied	182,750	28.65%	196,425	29.21%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	24,054	30.12%	18,943	25.60%	Other current assets	IRES/VAT receivables from tax consolidation
Loan	(76,289)	16.27%	(26,723)	3.72%	Short term financial liabilities	Intercompany loans
Payables for goods & services supply	(618)	0.05%	(303)	0.03%	Trade and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Services rendered by staff	158	0.14%	197	0.17%	Other income	Staff on secondment
Services rendered	200	0.18%	225	0.20%	Other income	Outsourcing of services
Measurement of equity investments	1,184	113.63%	0	0.00%	Net income (charges) on equity investments	Revaluation on equity investments
Financial income	29	0.01%	21	0.02%	Financial income	Interest on intercomany line of credit
Purchases of goods	(16)	0.00%	(40)	0.00%	Purchases of raw materials, spare parts and consumables	Supply of consumables
Services received	(7,154)	1.52%	(7,722)	1.70%	Cost of services and sundry costs	Outsourcing of engeneering services
Financial charges	0	0.00%	(2)	0.00%	Financial charges	Interest on intercompany credit lines
Receivables for goods & services supplied	404	0.06%	491	0.07%	Current trade reveivables	Trade receivables
Financing	2,229	2.79%	0	0.00%	Other current assets	Intercompany credit lines
IRES/VAT receivables from tax consolidation	0	0.00%	1,449	1.96%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	0	0.00%	(362)	0.05%	Short term financial liabilities	Intercompany credit lines
Payables for goods & services supply	(6,250)	0.49%	(5,634)	0.53%	Trade and other current payables	Trade payables
IRES/VAT payables from tax consolidation	(159)	0.03%	0	0.00%	Short term financial liabilities	IRES/VAT payables from tax consolidation
AKHELA S.r.l.						
Services rendered by staff	0	0.00%	0	0.00%	Other income	Staff on secondment
Services rendered	0	0.00%	16	0.01%	Other income	Outsourcing of services
Financial income	0	0.00%	311	0.25%	Financial income	Interest on intercompany line of credit
Purchases of goods	0	0.00%	0	0.00%	Purchases of raw materials, spare parts and consumables	Consumables supply
Services received	0	0.00%	(8,790)	1.93%	Cost of services and sundry costs	Outsourcing of IT support
Measurement of equity investments	0	0.00%	(7,353)	98.61%	Net income (charges) on equity investments	Write-down on equity investments
Write-off of trade receivables	0	0.00%	(849)	0.47%	Financial charges	Write-off of trade receivables
Receivables for goods & services supplied	0	0.00%	123	0.02%	Current trade receivables	Trade receivables
Financing	0	0.00%	2,095	2.83%	Other current assets	Intercompany line of credit
Financing	0	0.00%	5,550	7.31%	Other financial assets	Intercompany line of credit
IRES/VAT receivables from tax consolidation	0	0.00%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidations
Payables for goods & services supply	0	0.00%	(2,176)	0.20%	Trade and other current payables	Trade payables
IRES/VAT payable from tax consolidation	0	0.00%	(81)	0.12%	Short-term financial liabilities	IRES/VAT payables from tax consolidations

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2012		31/12/2011			
EOLICA ITALIANA S.r.l.						
Services rendered	0	0.00%	3	0.00%	Other income	Outsourcing of services
ENSAR S.r.l.						
Services rendered	13	0.01%	33	0.03%	Other income	Outsourcing of services
Measurement of equity investment	0	0.00%	(104)	1.39%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	118	0.05%	83	0.07%	Financial income	Interest on intercompany line of credit
Receivables for goods & services supplied	48	0.01%	69	0.01%	Current trade receivables	Trade receivables
Financing	7,159	8.96%	5,551	7.50%	Other current assets	Intercompany line of credit
Payables for goods & services supply	0	0.00%	(2)	0.00%	Trade and other current payables	Trade payables
IRES/VAT payable from tax consolidation	(53)	0.01%	(221)	0.33%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
SARDEOLICA S.r.l.						
Services rendered	50	0.04%	50	0.04%	Other income	Outsourcing of services
Financial charges	(189)	0.06%	(129)	0.07%	Financial charge	Interest on intercompany line of credit
Receivables for goods & services supplied	47	0.01%	46	0.01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	1,307	1.64%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(99)	0.01%	(81)	0.01%	Trade and other current payables	Trade payables
Loan	(17,854)	3.81%	(7,157)	1.00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	0	0.00%	(1,121)	0.16%	Short-term financial liabilities	IRES/VAT receivables from tax consolidation
PARCHI EOLICI ULASSAI S.r.l.						
Services rendered	6	0.01%	6	0.01%	Other income	Outsourcing of services
Receivables for goods & services supplied	7	0.00%	7	0.00%	Current trade receivables	Trade receivables
Measurement of equity investments	797	76.49%	0	0.00%	Net income (charges) on equity investments	Revaluation on equity investments
IRES/VAT payables from tax consolidation	(16)	0.00%	(34)	0.00%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
DEPOSITO DI ARCOLA S.r.l.						
Services rendered	27	0.02%	0	0.00%	Other income	Outsourcing of services
Financial income	37	0.01%	1	0.00%	Other net financial income (charges)	Interest on intrercompany loans
Services rendered	(1,618)	0.34%	(58)	0.10%	Cost of services and sundry costs	Outsourcing of services
Measurement of equity investments	(939)	-90.12%	0	0.00%	Net income (charges) on equity investments	Write-down on equity investments
Write-off of trade receivables	(2,060)	0.69%	0	0.00%	Financial charges	Write-off of trade receivables
Receivables for goods & services supplied	43	0.01%	1	0.00%	Current trade receivables	Trade receivables
Loan	2,060	2.58%	400	0.54%	Other current assets	Intercompany credit lines
Payables for goods & services supply	0	0.00%	(70)	0.01%	Trade and other current payables	Trade payables
IRES/VAT receivables from tax consolidation	(415)	0.09%	(326)	0.05%	Short term financial liabilities	IRES/VAT payables from tax consolidation
SARGAS S.r.l.						
Services rendered by staff	78	0.07%	0	0.00%	Other income	Staff on secondment
Receivables for goods & services supplied	78	0.01%	0	0.00%	Current trade receivables	Trade receivables
IMMOBILIARE ELLECI S.p.A.						
Rent	11	0.00%	(11)	0.00%	Cost of services and sundry costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	22	0.02%	22	0.02%	Other income	Staff on secondment
Rent	(582)	0.12%	(570)	0.13%	Cost of services and sundry costs	Rental of building and parking spaces in Milan
Receivables for goods & services supplied	22	0.00%	22	0.00%	Current trade receivables	Trade receivables
F.C. INTERNAZIONALE S.p.A.						
Received services	(1)	0.00%	(2)	0.00%	Cost of services and sundry costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	37	0.03%	36	0.03%	Other income	Staff on secondment
Receivables for goods & services supplied	37	0.01%	36	0.01%	Current trade receivables	Trade receivables

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2012		31/12/2011			
ARTEMIDE S.r.l.						
Financial income	0	0.00%	14	0.01%	Financial income	Interests on intercompany financing
Receivables for goods & services supplied	0	0.00%	4	0.00%	Current trade receivables	Trade receivables
Financing	0	0.00%	600	0.81%	Other current assets	Intercompany loans
MANTA S.r.l.						
Services rendered by staff	50	0.04%	48	0.04%	Other income	Trade payables and other current payables
Services rendered	(937)	0.20%	(507)	0.11%	Costs of services and sundry costs	Security services
Receivables for supplied goods and services	50	0.01%	48	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(339)	0.03%	0	0.00%	Trade payables and other current payables	Trade payables
CIGOGNOLA S.r.l.						
Services rendered	(9)	0.00%	(8)	0.00%	Cost of services and sundry costs	Gifts and gadgets supply
Payables for goods & services supply	(9)	0.00%	(8)	0.00%	Trade and other current payables	Trade payables
DE SANTIS S.r.l.						
Services rendered	(3)	0.00%	0	0.00%	Cost of services and sundry costs	Catering services
SARAS ENERGIA S.A. (Spain)						
Supply of goods	570,150	5.34%	936,087	9.42%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	116	0.10%	283	0.25%	Other income	Staff on secondment
Services rendered	667	0.60%	2,051	1.80%	Other income	Payment for stocking of mandatory supplies and demurrage
Financing income	3,536	1.41%	3,075	2.43%	Financial income	Intercompany financing
Purchases of goods	(42,578)	0.41%	(72,205)	0.77%	Purchases of raw materials, spare parts and consumables	Repayment of operational loans on Sarroch
Services received	(53)	0.01%	(1)	0.00%	Cost of services and sundry costs	Charges on sales and marketing research
Financial charges	(1,403)	0.47%	(2,204)	1.23%	Financial charges	Interest on intercompany line of credit
Receivables for goods & services supplied	25,846	4.05%	45,097	6.71%	Current trade receivables	Supply of oil products
Financing	0	0.00%	15,000	20.27%	Other current assets	Intercompany financing
Financing	70,000	92.43%	70,000	92.15%	Other financial assets	Intercompany financing
Payables for goods & services supply	(5,228)	0.41%	(6,204)	0.58%	Trade payables and other current payables	Trade payables
SARINT S.A. (Lussemburgo)						
Financing	150	0.19%	0	0.00%	Other current assets	Intercompany financing
Loan	(14,880)	3.17%	(14,880)	2.07%	Short-term financial liabilities	Intercompany loans
REASAR S.A. (Lussemburgo)						
Financial charges	(249)	0.08%	(141)	0.08%	Financial charges	Interest on intercompany loans
Payables for goods & services supply	(56)	0.00%	(141)	0.01%	Trade and other current payables	Trade payables
Loan	(10,470)	2.23%	(10,470)	1.46%	Short-term financial liabilities	Intercompany loans

No provisions for doubtful loans were made regarding existing balances given that there are no reasons for such provisions; no losses were registered relating to doubtful or bad loans for related parties.

With regard to the above-mentioned transactions, the agreements governing sales of oil and oil products reflect market conditions; where a market price is not available the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses recharged on in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

Related parties include both the directors and auditors, whose remuneration is stated in 7.5.1 "Remuneration paid to directors and auditors, general managers and managers with strategic responsibilities".
The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below:

	31/12/2012			31/12/2011		
	Total	Related Parties	%	Total	Related Parties	%
Trade receivables	637,818	303,105	47.5%	672,471	347,280	51.6%
Other current assets	79,863	52,382	65.6%	72,626	43,047	59.3%
Other financial income	75,737	70,000	92.4%	75,960	75,550	99.5%
Short-term financial liabilities	468,868	377,450	80.5%	718,263	225,469	31.4%
Trade and other current payables	1,279,553	36,660	2.9%	1,070,526	41,789	3.9%
Other non-current liabilities	65,398	30,092	46.0%	35,424	35,063	99.0%

The percentage shares of income statement items of transactions or positions with related parties are summarised in the table below:

	31/12/2012			31/12/2011		
	Total	Related Parties	%	Total	Related Parties	%
Revenues from ordinary operations	10,679,997	2,524,399	23.6%	9,932,619	2,798,186	28.2%
Other income	111,975	76,984	68.8%	113,660	91,857	80.8%
Purchases of raw materials spare parts and consumables	10,301,834	51,526	0.5%	9,367,250	75,213	0.8%
Cost of services and sundry costs	470,244	84,974	18.1%	454,529	83,751	18.4%
Net income / (charges) from equity investment	(1,042)	(1,042)	100.0%	7,457	7,457	100.0%
Financial income	251,443	3,742	1.5%	126,395	3,579	2.8%
Financial charges	299,343	9,453	3.2%	180,236	6,731	3.7%

The main cash flows with related parties are shown in the table below:

Cash flows with related parties	**2012**	**2011**
Net (income) / charges from equity interests	1,042	(7,457)
Dividends from investments	0	0
(Increase) / Decrease in trade receivables	44,175	(37,517)
Increase / (Decrease) in trade and other payables	(5,129)	11,581
Changes in other current assets	(9,335)	39,640
Changes in other non current liabilities	(4,971)	(200)
Interest received	3,742	3,579
Interest paid	(7,393)	(6,216)
Cash flows from / (used in) operating activities	**22,131**	**3,410**
Dividends	0	0
Cash flows from / (used in) investing activities	**0**	**0**
Increase / (Decrease) in short-term financial borrowings	151,982	74,457
Cash flows from / (used in) financing activities	**151,982**	**74,457**
Total cash flows with related parties	**174,113**	**77,867**

The percentage shares of cash flows with related parties are shown in the table below:

Cash Flows %	31/12/2012			31/12/2011		
	Total	Related Parties	%	Total	Related Parties	%
Cash flows from / (used in) operating activities	308,961	22,131	7.2%	(127,241)	3,410	n.a.
Cash flows from / (used in) Investment activities	(51,874)	0	n.a.	(19,350)	0	n.a.
Cash flows from / (used in) financing activities	(144,712)	151,982	n.a.	196,970	74,457	37.8%

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

7.3 Disclosures pursuant to International Financial Reporting Standard 7 – Financial Instruments: Disclosures

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

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

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

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

The standard applies to all entities and all types of financial instruments, except for 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).

7.3.1 Information on the statement of financial position

Paragraphs 8-19 of IFRS 7 require the company to disclose the carrying values 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 or loss, or where it has reclassified financial assets, or where financial assets have been derecognised. Statement of financial position figures for Saras S.p.A. at 31st December 2012 and 31st December 2011 are shown below, with details of the company's financial instruments:

31/12/2012	Book Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2012
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**31,493**	**0**	**915,465**	**0**	**0**	**829,812**	**1,776,770**
Cash and cash equivalents				209,660				209,660
Other financial assets held for trading		31,493						31,493
Derivative instruments		*31,493*						
Trade receivables				637,818				637,818
Trade receivables from third parties				*334,821*				
Bad-debt provision				*0*				
Trade receivables from Group companies				*302,997*				
Inventories							777,054	777,054
Current tax assets							40,882	40,882
Other assets				67,987			11,876	79,863
Financial receivables from Group companies				*50,321*				
Deposits to secure derivatives				*14,247*				
White certificates							*8,737*	
Other receivables				*3,419*			*3,139*	
Non-current assets	**0**	**0**	**0**	**75,737**	**495**	**0**	**1,119,321**	**1,195,553**
Property, plant and equipment							715,305	715,305
Intangible assets							18,538	18,538
Equity Interests carried at cost							302,421	302,421
Other equity interests					495			495
Deferred tax assets							83,057	83,057
Other financial assets				75,737			0	75,737
Loans to subsidiaries				*70,000*				
Other receivables				*5,737*				
Total financial assets	**0**	**31,493**	**0**	**991,202**	**495**	**0**	**1,949,133**	**2,972,323**
LIABILITIES								
Current liabilities	**0**	**43,405**	**0**	**0**	**0**	**1,769,638**	**64,076**	**1,877,119**
Short-term financial liabilities		43,405				425,463		468,868
Bank loans						*24,762*		
Overdrafts						*16,859*		
Loans from Group companies						*377,609*		
Derivative instruments		*43,405*						
Other financial liabilities						*6,233*		
Trade and other payables						1,279,553		1,279,553
Current tax liabilities							63,300	63,300
Other liabilities						64,622	776	65,398
Other payables						*64,622*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**421,922**	**64,034**	**485,956**
Long-term financial liabilities						391,750		391,750
Bank loans						*143,026*		
Bonds						*248,724*		
Provisions for risks and charges							42,854	42,854
Provisions for employee benefits							21,180	21,180
Other liabilities						30,172		30,172
Total financial liabilities	**0**	**43,405**	**0**	**0**	**0**	**2,191,560**	**128,110**	**2,363,075**

31/12/2011	Book Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2011
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**34,250**	**0**	**840,370**	**0**	**0**	**995,237**	**1,869,857**
Cash and cash equivalents				97,285				97,285
Other financial assets held for trading		34,250						34,250
White Ccrtificates		*2,315*						
Derivative instruments		*31,935*						
Trade receivables				672,471				672,471
Trade receivables from third parties				*327,313*				
Bad-debt provision				*(2,016)*				
Trade receivables from Group companies				*347,174*				
Inventories							959,832	959,832
Current tax assets							33,393	33,393
Other assets				70,614			2,012	72,626
Financial receivables from Group companies				*44,411*				
Deposits to secure derivatives				*23,054*				
Other receivables				*3,149*				
Non-current assets	**0**	**0**	**0**	**75,960**	**495**	**0**	**1,081,253**	**1,157,708**
Property, plant and equipment							725,320	725,320
Intangible assets							17,722	17,722
Equity Interests carried at cost							300,944	300,944
Other equity interests					495			495
Deferred tax assets							37,267	37,267
Other financial assets				75,960			0	75,960
Loans to subsidiaries				*75,550*				
Deposits				*410*				
Total financial assets	**0**	**34,250**	**0**	**916,330**	**495**	**0**	**2,076,490**	**3,027,565**
LIABILITIES								
Current liabilities	**0**	**40,137**	**0**	**0**	**0**	**1,812,177**	**45,515**	**1,897,829**
Short-term financial liabilities		*40,137*				*678,126*		*718,263*
Bank loans						*189,764*		
Overdrafts						*256,660*		
Loans from Group companies and other payables						*225,469*		
Derivative instruments		*40,137*						
Other financial liabilities						*6,233*		
Trade and other payables						1,070,526		1,070,526
Current tax liabilities							44,152	44,152
Other liabilities						63,525	1,363	64,888
Other payables						63,525		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**283,647**	**86,612**	**370,259**
Long-term financial liabilities						248,223		248,223
Bank loans						*0*		
Bonds						*248,223*		
Provisions for risks and charges							65,893	65,893
Provisions for employee benefits							20,719	20,719
Other liabilities						35,424		35,424
Total financial liabilities	**0**	**40,137**	**0**	**0**	**0**	**2,095,824**	**132,127**	**2,268,088**

Financial instruments recorded at fair value in the income statement comprise derivative instruments held by the company, as described in paragraph 5.3.1. above. The derivatives contracts on interest rates and exchange rates were entered into to mitigate the risks inherent in the business in which it operates, arising from changes in the price of crude and oil products (futures, options and swaps), to hedge interest rate risk on loans taken out and to hedge exchange rate risk relating to its currency positions.

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

Other financial liabilities valued at amortised cost include all the company’s financial liabilities and trade payables arising from the company’s contractual obligations to deliver cash or other financial assets to another entity. The value recorded in the financial statements is close to fair value.

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

All financial assets are booked at the trade date.

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

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

7.3.2 Income statement information

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

2012	Net profits or losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	2012
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations								10,679,997	10,679,997
Other Income								111,975	111,975
Total Revenues								**10,791,972**	**10,791,972**
Purchases of raw materials, spare parts and consumables								(10,301,834)	(10,301,834)
Cost of services and sundry costs								(470,244)	(470,244)
Personnel costs								(113,117)	(113,117)
Depreciation, amortisation and write-downs								(105,817)	(105,817)
Total costs								**(10,991,012)**	**(10,991,012)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(199,040)**	**(199,040)**
Net income (charges) from equity interests								1,042	1,042
Other net financial income (charges)							(47,900)		(47,900)
from securities held for trading									
- of which:									
Realized gains									
change in fair value									
from current account interest				*588*			*588*		
from loans granted to Group companies				*2,794*			*2,794*		
from derivative instruments		*(41,036)*					*(41,036)*		
- of which:									
realized losses		*(29,124)*							
change in fair value		*(11,912)*							
from other financial assets				*406*			*406*		
from interest on loans from banks						*(22,698)*	*(22,698)*		*0*
from interest on loans from Group companies						*(5,991)*	*(5,991)*		
from other receivables/payables				*18,037*			*18,037*		
Profit/(loss) before taxes	**0**	**(41,036)**	**0**	**21,825**	**0**	**(28,689)**	**(47,900)**	**(199,040)**	**(245,898)**
Income tax									**91,889**
Net profit/(loss)									**(154,009)**

2011	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	2011
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations									9,932,619
Other Income									113,660
Total Revenues								**10,046,279**	**10,046,279**
Purchases of raw materials, spare parts and consumables									(9,367,250)
Cost of services and sundry costs									(454,529)
Personnel costs									(112,164)
Depreciation, amortisation and write-downs									(110,206)
Total costs								**(10,044,149)**	**(10,044,149)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,130**	**2,130**
Net income (charges) from equity interests									(7,457)
Other net financial income (charges)							*(53,841)*		*(53,841)*
from securities held for trading									
- of which:									
realised gains									
change in fair value									
from current account interest				*138*			*138*		
from loans granted to Group companies				*3,579*			*3,579*		
from derivative instruments		*4,988*					*4,988*		
- of which:									
realised losses		*(7,375)*							
change in fair value		*12,363*							
from other financial assets				*216*			*216*		
from interest on loans from banks						*(25,945)*	*(25,945)*		*0*
from interest on loans from Group companies						*(3,162)*	*(3,162)*		
from other receivables/payables				*(33,655)*			*(33,655)*		
Profit/(loss) before taxes	**0**	**4,988**	**0**	**(29,722)**	**0**	**(29,107)**	**(53,841)**	**(5,327)**	**(59,168)**
Income tax									13,621
Net profit/(loss)									**(45,547)**

Financial instruments recognised at fair value through profit or loss generated net gains of EUR 41,036 thousand (versus net losses of EUR 4,988 thousand in the previous year), mainly due to changes in the fair value of derivatives.

Financial instruments recorded under “Loans” generated gains of EUR 21,825 thousand (versus net losses of EUR 29,722 thousand in the previous year), chiefly owing to unrealised exchange differences on trade accounts.

Other financial liabilities valued at amortised cost generated a loss of EUR 28,689 thousand (EUR 29,107 thousand in the previous year), mainly due to financial charges on loans.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

7.3.3 Additional information

7.3.3.1 Accounting for derivative transactions

As described above, the company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude and oil products, and on interest rates to hedge the interest rate risks relating to the loans obtained.

At 31st December 2012, outstanding derivative contracts mainly comprised:

- Futures, options and swaps on oil products, classified as financial instruments held for trading;
- Interest rate swaps and options;
- Forwards on the EUR/USD exchange rate.

These instruments are recorded at fair value: changes in fair value during the period are recorded in the income statement under financial income or charges.

The outstanding positions on commodities and foreign currencies at the reporting date are expected to be closed by the end of the first quarter of 2013, while the interest rate swaps have the same duration as the underlying loans.

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

7.3.3.2 *Fair value*

Financial assets held by the company are booked at fair value or amortised cost, which, where used, did not differ from the fair value as of 31st December 2012.
Financial liabilities, with the exception of derivatives, are recognised at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or financial liabilities subject to interest rates in line with current market rates, amortised cost does not differ from the fair value at 31st December 2012.
Note that the bond loan carries a fixed rate and that market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

As stipulated by IFRS 7, financial instruments recognised at fair value have been classified using a hierarchy reflecting the significance of the input data used in the measurement:

- Level 1: the financial instrument is listed in an active market;
- Level 2: fair value is measured with techniques using observable market parameters other than the quoted prices of the financial instrument;
- Level 3: fair value is measured with techniques using unobservable market parameters;

There were no transfers between the different levels during 2012.

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

7.3.4 Risks deriving from financial instruments

The risks deriving from the financial instruments to which the company is exposed are:

a. Credit risk, i.e. the risk that the company will incur a loss in the event that a counterparty to a financial instrument defaults;
b. Liquidity risk, i.e. the risk that the company is not able to service payment obligations arising from the agreed maturities of its financial liabilities;
c. Market risk, i.e. the risk relating to the performance of markets in which the company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

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

7.3.4.1 Credit risk

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

The information required by paragraphs 36-38 is shown in the tables below:

	Book value at 31/12/2012		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instruments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guarantees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,776,770**	**946,958**	**946,958**		**885,792**	**52,550**	**3,801**	**612**	**4,203**	**946,958**	**0**	**0**
Cash and cash equivalents	209,660	209,660	209,660		209,660					209,660		
Other financial assets held for trading	31,493	31,493	31,493		31,493					31,493		
Trade receivables	637,818	637,818	637,818	71,679	576,652	52,550	3,801	612	4,203	637,818		
Provisions for doubtful receivables	0	0	0							0	0	0
Inventory	777,054											
Current tax assets	40,882											
Other assets	79,863	67,987	67,987		67,987					67,987		
Non Current assets	**1,195,553**	**76,232**	**76,232**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	715,305											
Intangible assets	18,538											
Equity investments carried at cost	302,421											
Other equity interests	495	495	495									
Deferred tax assets	83,057											
Other financial assets	75,737	75,737	75,737							0		
Total assets	**2,972,323**	**1,023,190**	**1,023,190**		**885,792**	**52,550**	**3,801**	**612**	**4,203**	**946,958**		

	Book value at 31/12/2011		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instruments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guarantees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,869,857**	**874,620**	**874,620**		**819,170**	**57,466**	**0**	**0**	**0**	**874,620**	**0**	**(2,016)**
Cash and cash equivalents	97,285	97,285	97,285		97,285					97,285		
Other financial assets held for trading	34,250	34,250	34,250		34,250					34,250		
Trade receivables	674,487	674,487	674,487	44,630	617,021	57,466				674,487		
Provisions for doubtful receivables	(2,016)	(2,016)	(2,016)							(2,016)	0	(2,016)
Inventory	959,832											
Current tax assets	33,393											
Other assets	72,626	70,614	70,614		70,614					70,614		
Non Current assets	**1,157,708**	**76,455**	**76,455**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	725,320											
Intangible assets	17,722											
Equity investments carried at cost	300,944											
Other equity interests	495	495	495									
Deferred tax assets	37,267											
Other financial assets	75,960	75,960	75,960							0		
Total assets	**3,027,565**	**951,075**	**951,075**		**819,170**	**57,466**	**0**	**0**	**0**	**874,620**		

Guarantees securing receivables are represented by letters of credit obtained by the company in relation to deliveries to certain customers.

During the year, the bad debt provision was released as the reasons for its creation no longer existed.

7.3.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans. However, given the company's considerable self-financing capacity, coupled with the limited level of debt, the liquidity risk is moderate.

The company complied with all its obligations with respect to scheduled repayments of loans outstanding at the end of the period.

The quantitative disclosures required by paragraph 39 of IFRS 7 are set out in the table below:

	Book value at 31/12/2012		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guar-antees	2013	2014	2015	2016	2017	over 5 years
LIABILITIES										
Current liabilities	**1,877,119**	**1,813,043**	**1,813,781**	**14,247**	**1,827,052**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	468,868	468,868								
Bank loans		*24,762*	*25,500*		*25,500*					
Overdrafts		*16,859*	*16,859*		*16,859*					
Loans from non consolidated Group Companies		*377,609*	*377,609*		*377,609*					
Interest (weighted average yearly rate: = 3,16%)					*13,271*					
Derivatives		*43,405*	*43,405*	*14,247*	*43,405*					
Other financial liabilities		*6,233*	*6,233*		*6,233*					
Trade and other payables	*1,279,553*	*1,279,553*	*1,279,553*		*1,279,553*					
Current tax liabilities	63,300									
Other liabilities	65,398	64,622	64,622		64,622					
Non-current liabilities	**485,956**	**421,922**	**424,672**	**0**	**20,956**	**57,253**	**46,789**	**314,573**	**33,719**	**10,292**
Long-term financial liabilities	391,750	391,750	394,500							
Bank loans		*143,026*	*144,500*			*31,450*	*28,900*	*56,100*	*28,050*	
Bond		*248,724*	*250,000*					*250,000*		
Interest on medium/long term loans (rate = 4,93%)					*6,999*	*6,875*	*5,233*	*3,503*	*699*	
Interest on Bond (rate = 5,583%)					*13,958*	*13,958*	*7,686*			
Provisions for risks and charges	42,854									
Provisions for employees benefits	21,180									
Other liabilities	30,172	30,172	30,172			4,970	4,970	4,970	4,970	10,292
Total liabilities	**2,363,075**	**2,234,965**	**2,238,453**	**14,247**	**1,848,008**	**57,253**	**46,789**	**314,573**	**33,719**	**10,292**

	Book value at 31/12/2011		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guar-antees	2012	2013	2014	2015	2016	over 5 years
LIABILITIES										
Current liabilities	**1,897,829**	**1,852,314**	**1,852,550**	**347.174**	**1,884,342**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	718,263	718,263								
Bank loans		*189,764*	*190,000*		*190,000*					
Overdrafts		*256,660*	*256,660*		*256,660*					
Loans from non consolidated Group Companies & other payables		*225,469*	*225,469*		*225,469*					
Interest (weighted average yearly rate: = 4.73%)					*31,792*					
Derivatives		*40,137*	*40,137*	*347.174*	*40,137*					
Other financial liabilities		*6,233*	*6,233*		*6,233*					
Trade and other payables	1,070,526	1,070,526	1,070,526		1,070,526					
Current tax liabilities	44,152									
Other liabilities	64,888	63,525	63,525		63,525					
Non-current liabilities	**370,259**	**283,647**	**285,424**	**0**	**13,958**	**18,928**	**18,928**	**262.656**	**4,970**	**15,544**
Long-term financial liabilities	248,223	248,223	250,000							
Bank loans		*0*								
Bond		*248,223*	*250,000*					*250,000*		
Interest on medium/long term loans (weighted average yearly rate:= 4.73%)										
Interest on Bond (weighted average yearly rate: = 5.583%)					*13,958*	*13,958*	*13,958*	*7.686*		
Provisions for risks and charges	65,893									
Provisions for employees benefits	20,719									
Other liabilities	35,424	35,424	35,424			4,970	4,970	4,970	4,970	15,544
Total liabilities	**2,268,088**	**2,135,961**	**2,137,974**	**347.174**	**1,898,299**	**18,928**	**18,928**	**262.656**	**4,970**	**15,544**

The fair value of derivatives recognised in the financial statements mainly relates to current positions.
Note that the derivative hedging instruments included in short-term financial liabilities for EUR 43,405 thousand include interest rate swaps related to the company's loan: the nominal future interest flows on this loan are already included under the medium- to-long-term loan interest, shown in the "Non-current liabilities" section of the table.

7.3.4.3 Market risk

As explained above, the market risks to which the company is exposed through its holdings of financial instruments relate to:

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

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

Euro/dollar exchange rate

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

2012					
EUR / US Dollar exchange rate				**Change in benchmark**	
Statement of financial position items	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-10%**	**+10%**
Net position in foreign currency	**(1,027,233)**	**1.3194**	**(778,560)**		
Effect on profit before taxes				**(86,507)**	**70,778**
Effect on net profit (and shareholders' equity)				**(53,634)**	**43,882**

The table below shows the simulation at 31st December 2011:

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

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

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

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2012**	**-10%**	**+10%**
Exchange rate	(2,316)	63,085	(87,944)
	(2,316)	63,085	(87,944)
Effect on profit before taxes		63,085	(87,944)
Effect on net profit (and shareholders' equity)		39,113	(54,525)

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

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

Interest rates

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

2012				
VARIABLE INTEREST RATES			Change in benchmark	
	Average annual interest rate 2012	Annual interest charge	-50bps	+50bps
Short-and medium / long - term financial liabilities	3,.65%	(21,490)		
Effect on profit before taxes			**2,944**	**(2,944)**
Effect on net profit (and shareholders' equity,			**1,825**	**(1,825)**

The table below shows the simulation at 31st December 2011:

2011				
VARIABLE INTEREST RATES			Change in benchmark	
	Average annual interest rate 2011	Annual interest charge	-50bps	+50bps
Short-and medium / long - term financial liabilities	4.73%	(18,695)		
Effect on profit before taxes			**1,976**	**(1,976)**
Effect on net profit (and shareholders' equity)			**1,225**	**(1,225)**

In addition, the fair value of the interest rate swaps and options outstanding at the reporting date is affected by movements in the Euribor rate: a simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 50% in rates.

At 31st December 2011, this simulation generated a zero value, as the difference between the existing interest rate swaps at that date, which all expire in 2012, was already fixed, thus the instruments were no longer subject to changes in value due to the variability of the rate.

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

2012		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2012**	**-50bps**	**+50bps**
Fair value di *Interest rate swaps*	(2,331)	925	(925)
	(2,331)	**925**	**(925)**
Effect on profit before taxes		**925**	**(925)**
Effect on net profit (and shareholders' equity)		**574**	**(574)**

The simulation as of 31st December 2011 is shown below:

2011		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2011**	**-50bps**	**+50bps**
Fair value di Interest rate swaps	*(487)*	*0*	*0*
	(487)	**0**	**0**
Effect on profit before taxes		**0**	**0**
Effect on net profit (and shareholders' equity)		**0**	**0**

Prices of crude and oil products

Oil prices, on the other hand, affect the fair value of derivative instruments outstanding at the reporting date and the relevant differences recognised in the income statement: derivative instruments at 31st December 2012 consisted of oil product futures, swaps and options, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.
The company therefore carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20% in oil prices.
The results of the simulation are shown in the tables below.

2012		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2012**	**-20%**	**+20%**
Crude oil and oil products	(7,917)	1,484	(1,517)
	(7,917)	**1,484**	**(1,517)**
Effect on profit before taxes		**1,484**	**(1,517)**
Effect on net profit (and shareholders' equity)		**920**	**(941)**

The simulation as of 31st December 2011 is shown below.

2011		**Change in benchmark**	
Derivatives on:	**Fair Value as of 31/12/2011**	**-20%**	**+20%**
Crude oil and oil products	(10,199)	45,233	(45,233)
	(10,199)	**45,233**	**(45,233)**
Effect on profit before taxes		**45,233**	**(45,233)**
Effect on net profit (and shareholders' equity)		**28,044**	**(28,044)**

The above analysis of the company's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the concentration of risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.4 Average staff numbers

The average number of employees, by category, is shown below:

	2012	**2011**
Managers	52	54
Office staff	838	826
Specialised worker	8	10
Workers	371	390
Total	**1.269**	**1.280**

The number of employees decreased from 1,270 at the end of 2011 to 1,267 at 31st December 2012.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

7.5 Tables showing remuneration and shareholdings of the members of the boards of directors and statutory auditors, general managers and senior managers with strategic responsibilities

The tables below provide information on remuneration and shareholdings of directors and auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer.

7.5.1 Remuneration paid to the members of the boards of directors and statutory auditors, general managers and senior managers with strategic responsibilities

(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)
Name and Surname	Role	Period in this role	End of term	Remuneration for role in the Group	Non-monetary benefits	Bonus and other incentives	Other remuneration
Board of Directors						(*)	(*)
GIAN MARCO MORATTI	CHAIRMAN	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	1.536,000			
MASSIMO MORATTI	CEO	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	1.536,000			
ANGELO MORATTI	VICE CHAIRMAN	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	236,000		-	689,872
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	36,000		-	751,885
GABRIELE MORATTI	NON-EXECUTIVE DIRECTOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	36,000		-	132,601
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	36,000		-	204,845
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	36,000			
GILBERTO CALLERA	INDEPENDENT DIRECTOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	36,000			
MARIO GRECO	INDEPENDENT DIRECTOR	01/01/12 - 31/12/12	Resigned 5th March 2013	36,000			
GIANCARLO CERUTTI	INDEPENDENT DIRECTOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	36,000			
(*) remuneration for subordinate work							
Statutory Auditors							(**)
FERDINANDO SUPERTI FURGA	CHAIRMAN	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	62,400			
MICHELE DI MARTINO	STANDING AUDITOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	40,000			34,484
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	41,600			128,726
LUIGI BORRÈ	SUBSTITUTE AUDITOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014				88,950
MARCO VISENTIN	SUBSTITUTE AUDITOR	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014				
(**) for auditing services for other Group companies							
Supervisory board							(***)
GABRIELE PREVIATI	CHAIRMAN	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	45,000			
GIOVANNI LUIGI CAMERA	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	26,000			27,040
SIRACUSA CONCETTO	MEMBER	27/04/12 - 31/12/12	Date of approval of F/S for FY 2014	35,000			35,967
ENRICO PADOVA	MEMBER	01/01/12 - 12/11/12	Date of approval of F/S for FY 2014				147,143
MARCO TONELLOTTO	MEMBER	12/11/12 - 31/12/12	Date of approval of F/S for FY 2014	4,223			
FERRUCCIO BELLELLI	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014				112,416
(***) including remunerations of other Group Companies							
Internal Audit Committee							
GABRIELE PREVIATI	CHAIRMAN	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	21,000			
MARIO GRECO	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	14,000			
GILBERTO CALLERA	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	14,000			
GIANCARLO CERUTTI	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	14,000			
Remuneration Committee							
GILBERTO CALLERA	CHAIRMAN	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	21,000			
MARIO GRECO	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	14,000			
GABRIELE PREVIATI	MEMBER	01/01/12 - 31/12/12	Date of approval of F/S for FY 2014	14,000			
Managers with strategic responsibilities						-	586,261

At the reporting date, end-of-service entitlements (not included in the table above) totalling EUR 615 thousand had not yet been paid.

7.5.2 Equity investments held by the members of the boards of directors and statutory auditors, general managers and senior managers with strategic responsibilities

Surname / Name	Company	N. of shares held at the end of the previous year	N. of shares acquired	N. of shares sold	N. of shares held at the end of the current year
	Partecipata				
Moratti Gian Marco	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Massimo	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Angelo	SARAS S.p.A.	-	-	-	-
Moratti Angelomario	SARAS S.p.A.	-	-	-	-
Moratti Gabriele	SARAS S.p.A.				
Callera Gilberto	SARAS S.p.A.	-	-	-	-
Greco Mario	SARAS S.p.A.	-	-	-	-
Cerutti Giancarlo	SARAS S.p.A.	-	-	-	-
Previati Gabriele	SARAS S.p.A.	18,000	-	-	18,000
Scaffardi Dario	SARAS S.p.A.	1,425	-	-	1,425
Superti Furga Ferdinando	SARAS S.p.A.	-	-	-	-
Camera Giovanni	SARAS S.p.A.	-	-	-	-
Di Martino Michele	SARAS S.p.A.	-	-	-	-
Borrè Luigi	SARAS S.p.A.	10,000		-	10,000
Visentin Marco	SARAS S.p.A.	-	-	-	-
Managers with strategic responsibilities	SARAS S.p.A.	2,125	-	-	2,125

7.6 Commitments

As part of its normal activities, Saras has issued sureties, whose value at 31st December 2012 totalled EUR 300,600 thousand, mainly comprising EUR 240,708 thousand to subsidiaries, EUR 3,162 thousand the Cagliari Port Authority as a guarantee for state maritime concessions, EUR 52,000 thousand to the Customs Authority, EUR 1,930 thousand to the Ministry of Defence, and EUR 695 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant.

At 31st December 2012 and 2011, the Group had made no irrevocable, multi-year commitments to purchase materials or services.

7.7 Other

Please refer to the Report on Operations of the Consolidated Financial Statements for details on atypical and/or unusual transactions as well as accidents that occurred in 2009 and 2011.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
239 REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

8. Miscellaneous

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

Pursuant to article 2428 of the civil code, please note that the other offices of the company are:
General and Administrative Headquarters - Milan
Public Relations and Administrative Affairs - Rome

Pursuant to article 149-duodecies of the Consob Issuer Regulations, the table below provides details of the fees relating to 2011 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

NFORMATION PURSUANT TO ART. 149 - DUODECIES OF CONSOB ISSUER REGULATIONS

Services	Supplier	Recipient	Amount due in 2012 (EUR thousand)
Audit	PricewaterhouseCoopers SpA	Saras SpA	386
Attestation	PricewaterhouseCoopers SpA	Saras SpA	13
Other services	PricewaterhouseCoopers SpA	Saras SpA	0
Total			**399**

9. Publication of the financial statements

At its meeting on 18th March 2013, the Board of Directors of Saras authorised the publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on Operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

Reports to the Financial Statements as of 31st December 2012

Statement by the Executive Manager responsible for the preparation of the Consolidated Financial Statements

Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

Declaration in respect of the consolidated accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO and Corrado Costanzo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- to the appropriateness in respect of the type of company and
- the efficient application

of the administrative and accounting procedures for the preparation of the consolidated accounts for the period 1 January 2012 to 31 December 2012.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2012:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July 2006, and give a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies.

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

1

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Direzione ralazioni pubbliche e
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Cap. Soc. Euro 54.629.666,67 int. vers.
Reg. Imprese Cagliari, Cod. Fisc. e
P. Iva 00136440922

Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 18 March 2013

Signature: delegated authority

(Gian Marco Moratti)

(Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Corrado Costanzo)

2

Raffineria
Sede legale
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05 THE SARAS GROUP

06 MILESTONES

08 LETTER TO SHAREHOLDERS

11 SARAS GROUP REPORT ON OPERATIONS

96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

163 SARAS S.P.A REPORT ON OPERATIONS

175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Report of the Independent Auditors to the Consolidated Financial Statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1 We have audited the consolidated financial statements of Saras SpA and its subsidiaries ("Saras Group") as of 31 December 2012 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 5 April 2012.

3 In our opinion, the consolidated financial statements of the Saras Group as of 31 December 2012 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 n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Saras Group for the period then ended.

PricewaterhouseCoopers SpA

www.pwc.com/it

4 The directors of Saras SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Saras SpA as of 31 December 2012.

Milan, 2 April 2013

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

2 of 2

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

Declaration in respect the annual accounts pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

1. The undersigned, Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, CEO and Corrado Costanzo, the Director responsible for drawing up the accounting statements of Saras S.p.A., hereby attest, pursuant also to the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- to the appropriateness in respect of the type of company and
- the efficient application

of the administrative and accounting procedures for the preparation of the annual accounts for the period 1 January 2012 to 31 December 2012.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2012:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002

b) accurately represent the figures in the company's accounting records

c) were drafted in compliance with Consob Resolution 15519 of 27 July 2006, the regulations adopted by Consob with Resolution 11971 of 14 May 1999, as subsequently amended, and with Consob Communication DEM/6064293 of 28 July 2006, and give a true and fair view of the assets, liabilities and financial position of Saras S.p.A. and all consolidated companies

2.2 the report on operations includes a reliable analysis of the performance, operating profit and current position of Saras S.p.A. and of all companies included in consolidation together with a description of the main risks and uncertainties to which they are exposed.

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Saras S.p.A.

Direzione generale
Sede amministrativa

I-20122 Milano
Galleria de Cristoforis 1
Telefono 02 77371

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

Milan, 18 March 2013

Signature: delegated authority

(Gian Marco Moratti)

(Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Corrado Costanzo)

Raffineria
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05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Report of the Statutory Auditors to the Statements of Saras S.p.A

SARAS S.p.A.

Registered office: S.S. 195 "SULCITANA" KM 19 - SARROCH (CA)

Share capital: EUR 54,629,666.67 (fully paid up)

Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree 58/98

To the shareholders' meeting of Saras S.p.A.

During the year ended 31 December 2012, we carried out the supervisory activities required by law, updated by Legislative Decree 39/2010, in accordance with the Code of Conduct for Internal Auditors recommended by the National Accounting Board.

SUPERVISORY ACTIVITIES

Specifically, in compliance with the instructions provided in Consob Communications 1025564 of 6 April 2001, 3021582 of 4 April 2003 and 6031329 of 7 April 2006, we wish to report the following.

We monitored compliance with legislation, the articles of association and the principles of correct practice in administering corporate activities.

We attended shareholders' meetings and meetings of the Board of Directors and the board committees, and obtained from the directors, on at least a quarterly basis and pursuant to art. 150 of Legislative Decree 58/1998, information on general operating performance and the outlook for this performance, and on significant transactions affecting the Company's business and financial position, ensuring that the resolutions approved and implemented were not imprudent or risky, did not represent a potential conflict of interest, did not run counter to resolutions adopted by shareholders and did not jeopardise the Company's assets.

We examined and monitored, within the parameters of our remit, the effectiveness of the company's organisational structure in compliance with good administrative practice, by 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 Board of Statutory Auditors examined and monitored the adequacy of the instructions given by the Company to its subsidiaries, pursuant to art. 114, para. 2 of Legislative Decree 58/98, and obtained information on the organisational structure and the management control system, and has no particular observations to make in this regard.

We have assessed and monitored the effectiveness of the internal control, administration and accounting systems, and the reliability of the accounting system in terms of accurately representing the results of operations, by:

(i) examining the report by the Internal Control Manager on the internal control system at Saras

(ii) examining the reports from Internal Audit and information on the results of activities to monitor the implementation of corrective measures identified as a result of audit activities

(iii) obtaining information from the heads of the various functions

(iv) examining Company documents

(v) analysing the results of the work carried out by the external auditors

(vi) sharing information with the control bodies of subsidiaries, pursuant to paras. 1 and 2 of art. 151 of Legislative Decree 58/98.

We have no particular observations to make in this regard.

The Internal Control Committee, the Remuneration Committee and the Risk Control Committee were created within the Board of Directors. The Board of Statutory Auditors, having examined the new corporate standards and regulations, has verified the Company's compliance activities in this regard and notes that it has reviewed the remuneration policy for Directors and senior managers with strategic responsibilities approved by the Board of Directors, in line with the Corporate Governance Code for Listed Companies and on the recommendation of the Remuneration Committee, in the work of which the Board of Statutory Auditors took part.

We held meetings with representatives of the external auditors, pursuant to art. 150, para. 3 of Legislative Decree 58/98, and no significant information or issues emerged that ought to be included in this report.

We have not discovered any atypical or unusual transactions carried out with third parties, Group companies or related parties.

In the notes to the accounts, the Directors indicate and explain numerous exchanges of goods and services between the Company, other Group companies and related parties, and specify that these were governed by appropriate conditions as indicated in the notes to the accounts in light of the nature of the goods and services provided.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

We have obtained and reviewed information from the Supervisory Body regarding organisational and procedural activities implemented pursuant to Legislative Decree 231/01, as subsequently amended, relating to the administrative responsibility of entities for offences covered by the decree. The report by the Supervisory Body on the activities carried out during 2012 and the meetings between the Supervisory Body and the Board of Statutory Auditors did not reveal any significant issues that ought to be mentioned in this report.

The Board of Statutory Auditors received an analysis of the impairment testing carried out by the Company to confirm the value of goodwill and some significant fixed assets included in the financial statements. The Directors have provided the relative details in the notes to the financial statements, in line with the recommendations of the International Accounting Standards and Consob.

The Board of Statutory Auditors has received no complaints or accusations pursuant to art. 2408 of the Italian Civil Code.

Based on the express declaration of the directors, we can report that the external auditors have also been assigned the following additional duties:

- > checking the separate and consolidated financial statements relating to activities in the electricity sector for remuneration of EUR 6,960
- > signing tax declarations for remuneration of EUR 5,680.

We issued favourable opinions on the following during the year:

- the existence of the requirements for independent directors
- the annual remuneration of directors sitting on board committees, pursuant to art. 2389, para. 3 of the Italian Civil Code.

By means of direct checks and information obtained from the external auditors, we have verified compliance with legal requirements regarding the preparation and presentation of the Company's annual financial statements and the report on operations that accompanies them. The Board of Statutory Auditors has also examined the valuation criteria used to prepare the financial statements to ensure that they meet legal requirements and are appropriate for the Company's financial situation, with a particular focus on the criteria and assumptions used to plan impairment testing.

In the risk analysis section, the directors describe the main risks and uncertainties to which the Company and the Group are exposed, including operational, financial (price volatility, credit, liquidity, exchange rate, interest rate) and general risks.

The Board of Statutory Auditors notes the Company's commitment to continuously improving its environmental and safety systems.

The Board of Statutory Auditors held ten meetings, also with the bodies of the subsidiaries, and attended six meetings of the Board of Directors, one shareholders' meeting, two meetings of the Internal Control Committee, three meetings of the Remuneration Committee and three meetings of the Risk Control Committee.

The report on operations provides sufficient information on the Company's operations and is appropriate for the scope and complexity of the Company's affairs.

In February 2013, the Board of Directors launched a major corporate reorganisation programme that includes, inter alia, a restructuring of the delegation of operational authority within the Company, appointing and conferring wide-ranging powers upon the new Executive Vice President. The directors provided the appropriate information on this programme in the notes to the financial statements.

Annual financial statements

We have reviewed the draft financial statements for the year ended 31 December 2012, which have been provided to you pursuant to art. 2429 of the Italian Civil Code, with regard to which we note the following:

Since we have not been engaged to audit the financial statements, we have monitored their presentation and the general legal compliance of their preparation and structure, and we have no specific observations to make in this regard.

In preparing these financial statements, the directors have not deviated from the law pursuant to art. 2423, para. 4 of the Italian Civil Code.

The annual financial statements to 31/12/2012 closed on a loss of EUR 154,009,279.

Conclusions

The external auditors have issued their report today with an unqualified opinion.

The Board of Statutory Auditors has raised no objection to the approval of the financial statements and the earnings allocation proposed by the Board of Directors.

Milan, 2 April 2013

The Board of Statutory Auditors
Ferdinando Superti Furga
Giovanni Luigi Camera
Michele Di Martino.

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

List of positions held by the members of the Board of Statutory Auditors in companies as referred to book V in the Civil Code as at 18th March 2013

Prof. Ferdinando Superti Furga

COMPANY NAME	ASSIGNMENT HOLD
Arnoldo Mondadori Editore S.p.A.	Chairman of the Board of Statutory Auditors
Binda S.p.A. in Liq.	Chairman of the Board of Statutory Auditors
Fininvest S.p.A..	Chairman of the Board of Statutory Auditors
Saras S.p.A.	Chairman of the Board of Statutory Auditors
Publitalia '80 S.p.A.	Chairman of the Board of Statutory Auditors
Giuseppe Citterio S.r.l.	Independent Director
Luisa Spagnoli S.p.A.	Independent Director
Spa.Im S.r.l.	Independent Director
Spa.Ma S.r.l.	Independent Director
Spa.Pi S.r.l.	Independent Director
Telecom Italia S.p.A.	Permanent Auditor
Superti Furga e Partners S.r.l.	Chairman

Dott. Michele Di Martino

COMPANY NAME	ASSIGNMENT HOLD
Cortesa S.r.l.	Permanent Auditor
Saras S.p.A.	Permanent Auditor
Sarlux S.r.l.	Permanent Auditor
Ensar S.r.l.	Permanent Auditor

Dott. Giovanni Camera

COMPANY NAME	ASSIGNMENT HOLD
Arcola Petrolifera S.p.A.	Chairman of the Board of Statutory Auditors
CMC S.p.A.	Auditor
Coop. Sociale San Patrignano S.r.l.	Chairman of the Board of Statutory Auditors
Coop. Sociale San Patrignano Prodotti E Servizi S.r.l.	Chairman of the Board of Statutory Auditors
Creo S.p.A	Chairman of the Board of Statutory Auditors
Deposito Di Arcola S.r.l.	Chairman of the Board of Statutory Auditors
Ensar S.r.l.	Chairman of the Board of Statutory Auditors
F.C. Internazionale Milano S.p.A.	Chairman of the Board of Statutory Auditors
Intendis Manifacturing S.p.A.	Chairman of the Board of Statutory Auditors
Internazionale Holding S.r.l.	Permanent Auditor
M-I- Stadio S.r.l.	Chairman of the Board of Statutory Auditors
Mondini Cavi S.p.A.	Chairman of the Board of Statutory Auditors
Parchi Eolici Ulassai S.r.l.	Chairman of the Board of Statutory Auditors
Saras S.p.A.	Permanent Auditor
Sardeolica S.r.l.	Chairman of the Board of Statutory Auditors
Sarlux S.r.l.	Chairman of the Board of Statutory Auditors
Sartec S.p.A.	Chairman of the Board of Statutory Auditors
Shine Sim S.p.A.	Chairman of the Board of Statutory Auditors

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
163 SARAS S.P.A REPORT ON OPERATIONS
175 SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
181 NOTES TO SARAS S.P.A FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
REPORTS TO THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012

Report of The Independent Auditors to the Financial Statements of Saras S.p.A.

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1 We have audited the separate financial statements of Saras SpA as of 31 December 2012 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 5 April 2012.

3 In our opinion, the separate financial statements of Saras SpA as of 31 December 2012 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 n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Saras SpA for the period then ended.

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4 The directors of Saras SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Saras SpA as of 31 December 2012.

Milan, 2 April 2013

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

2 of 2

05 THE SARAS GROUP
06 MILESTONES
08 LETTER TO SHAREHOLDERS
11 SARAS GROUP REPORT ON OPERATIONS
96 SARAS GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
101 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2012
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