CONSOLIDATED FINANCIAL STATEMENTS OF SARAS GROUP AND SEPARATE FINANCIAL STATEMENTS OF SARAS S.P.A. FOR THE YEAR ENDING 31ST DECEMBER 2010

SARAS

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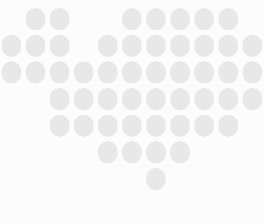

An independent heart in the middle of the Mediterranean

The Saras Group

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

Both directly and through its subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (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 2010 approximately 1.7 million tons of oil products were sold in Italy, through our subsidiary Arcola Petrolifera, which operates solely in the wholesale market, and it manages a tank farm for petroleum products owned by the Group, and located in Arcola (La Spezia), with a capacity of 200,000 cubic metres. A further 2.5 million tons of oil products were sold in the Spanish market through Saras Energia, which is active both in the wholesale and in the retail market. More in details, Saras Energia manages a retail network made by 124 service stations, of which 88 fully owned and 36 on long term lease, mainly located on the Spanish Mediterranean Coast. Furthermore, Saras Energia manages also a biodiesel plant, with a capacity of 200.000 tons per year, located in Cartagena (Spain), and perfectly integrated with an oil products tank farm, also owned by the Group, with a capacity of 112,000 cubic metres.

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

Moreover, still in the island of Sardinia, the Group is also involved in the production of electricity from renewable sources, through a wind farm situated in Ulassai, with a capacity of 72MW (currently being upgraded to 96MW), owned by the subsidiary Parchi Eolici Ulassai S.r.l. (PEU). Finally, Saras operates also in the information technology services sector through its subsidiary Akhela S.r.l., and it provides industrial engineering and scientific research services to the oil, energy and environment industry via its subsidiary Sartec S.p.A..

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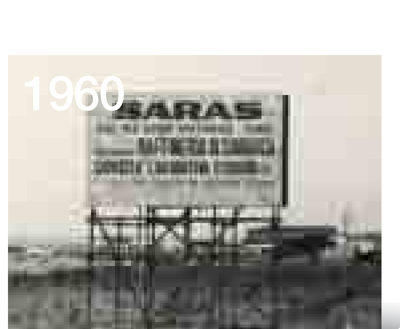
Milestones



Start of operations

1962: Saras is founded by Mr. Angelo Moratti

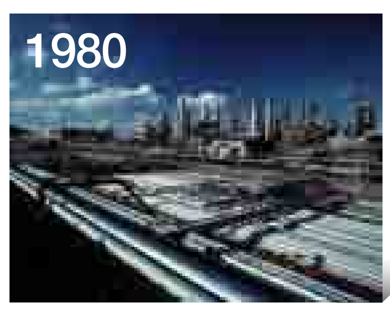
1965: Sarroch refinery begins operations

1968: Start up of a new Topping plant (primary distillation unit) and of the Fluid Catalytic Cracking plant (FCC)

Refining for third parties

1970: refining services are offered to third parties for the first time

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



Increase in conversion capacity

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

Late 1980s: FCC unit capacity is increased up to 94,000 bl/day

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

Environment, new technologies, and expansion into the wholesale market

1992: Start up of the Mildhydrocracking plant (MHC1)

Saras begins operating in the wholesale market in Spain (Saras Energia) and Italy (Arcola Petrolifera)

IPO and further investments in technology and environment

2001: Start up of the Integrated Gasification Combined Cycle plant (IGCC), of a second Mildhydrocracking plant (MHC2), and of an Etherification plant (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: Increased conversion capacity, leading to significant improvements in the production of diesel

2008: Achievement of environmental registration EMAS (Eco Management Audit Schemes), start up of the Tail Gas Treatment Unit and sulphur recovery (TGTU), and of the gasoline desulphurisation unit (U800)

2009: Beginning sales of gasoline and diesel with 10ppm (parts per million) sulphur content, contributing to the reduction of the indirect emissions of SO_2.

- Saras is the first refinery in Italy to obtain AIA authorization (Integrated Environmental Authorization), which is part of a journey to improve technical and structural characteristics of the plant, which will allow 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, for the wind park of Ulassai;
- During the maintenance of the MHC1 plant, a tragic event involving three workers took place at Sarroch refinery;
- Completed an important cycle of maintenance and investments, critical for the future growth of the company, on the following units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2, and VSB

Focus on safety and environment, efficiency and return to profitability

- In the first part of the year, the “Project Focus” starts, 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, with particular focus on energy efficiency.
- Scheduled maintenance and investments cycle on the units: RT2, MHC2, Vacuum2, VSB, MHC1, U700 and to two of the three turbines of the IGCC plant;
- Saras became 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;
- Sardaeolica, fully owned subsidiary of Saras, obtained authorisation for the repowering project of the Ulassai wind farm, from 72 to 96MW, from the Sardinian competent authorities;
- Saras announced a Eurobond transaction restricted to institutional investors, with a total principal amount of EUR 250 million and a maturity of 5 years. The bonds are listed in the Luxembourg Stock Exchange, have a coupon of 5.583%, shall mature on 21st July 2015, and do not carry guarantees or covenants. The proceeds will be used to refinance and extend the maturity of debt, and for general corporate purposes

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Letter to Shareholders

2010 was characterized by a strong and progressive recovery of the global economy, although in a quite disomogeneous manner. Emerging countries achieved a buoyant expansion. On the countrary, advanced economies were able to post only modest growth, unavoidably conditioned by soaring levels of public debt and high unemployment rates.

In the above context, global demand for oil products had a strong rebound, achieving an average of 87.8 million barrels per day (up by 2.8 mbd versus 2009, which represents one of the highest growth rates in the past decades), coming back to 2008 pre-crisis levels. On the other hand, the uneven economic recovery meant that most of the growth in oil products' consumption came from China and other emerging markets, mostly in the Far East. In the Mediterranean basin instead, demand recovery materialized mainly during the second half of the year, while refining margins remained somewhat depressed.

Adding to the aforementioned scenario, 2010 witnessed also the surfacing of deep inequalities in the competitive environment for the global refining industry, following the start-up of new refineries in India, China and other Asian countries, during the second half of 2009. Indeed, in these countries, refineries benefit from state subsidies and reduced taxation. Quite conversely, European refiners feel a growing pressure from a multitude of environmental constraints, which become progressively tighter. These restrictions, together with all other regulations which usually characterise western factories, translate directly into higher production costs, and put the European refining sector into a situation of serious disadvantage versus the new competitors.

To the point, Saras gave its support and contribution to "Unione Petrolifera" and to "Europia" (respectively, the Italian and European category associations), in order to represent to the national and European political Authorities, the dangerous situation of disadvantage for the European industry, and the serious threat of losing technological know-how, qualified workforce, and energy independence.

Moreover, internally, the Saras Group took the opportunity offered by the difficult context, in order to begin an important improvement programme, which began in 2010 and will continue until 2012. This programme, called "Focus", aims at significantly improving production efficiency, operations effectiveness, cost control and the commercial positioning of the company. This ambitious programme is unprecedented in the history of our Group, for its scale, professional efforts, and financial implications.

"Focus" has been greeted with growing enthusiasm by all Saras personnel and, over time, everyone is developing a culture oriented towards the constant search of original and effective solutions, where routine is transformed into innovation, and each problem is approached with new ideas; challenges become improvement opportunities, and every action goes towards the ultimate goal of ensuring sustainability and long term competitivity to our company.

The great efforts made to date, together with very tight cost control and higher plant reliability, allowed Saras Group to end the year 2010 with a very solid net financial position, despite the disappointing refining margins in the Mediterranean region.

Group *comparable* EBITDA stood at EUR 149.2 ml in FY 2010, up 6% versus FY 2009, primarily because of the higher operational efficiency and availability of the refinery (which could also benefit from a lighter programme of scheduled maintenance), and also thanks to the stronger results of the Power Generation segment. The contributions of these two segments more than offset the results of the Marketing segment, which was penalised by the weakness of the oil markets. The Wind segment, instead, confirmed the excellent performance of the previous year.

Group *adjusted* Net Result was EUR -43.9 ml, up 19% versus FY 2009, for the same reasons commented at the EBITDA level, and notwithstanding depreciation and amortisation charges, which in 2010 were EUR 14.3 ml higher than in 2009.

Looking at 2011, the main drivers of Saras business, such as the global oil products' demand, the diesel "crack spread", the conversion premium for the upgrading of fuel oil into middle distillates, and the "heavy-light" price differential between crude oils, are all moving along fundamentally positive trends. As such, forecasts lead to strengthening refining margins, expecially for refineries with higher complexity.

Nonetheless, the recent tragic events in Libya produced a temporary alteration in the aforesaid scenario. The sharp rise in crude oil prices, not completely followed by a corresponding movement for the refined products, had the immediate effect of compressing refining margins.

The Saras Group conducts commercial relationships with Libya since many years. In these days, our primary concern is for the local populations, which are enduring terrible conditions. To the Libyan people go our thoughts, and the wishes that the situation will normalize soon.

At the time of writing this letter, the dramatic developments of the Libyan crisis make impossible the purchase of their crude oil. In particular, some of the Libyan oil has peculiar characteristics and it is traditionally part of the Sarroch refinery crude slate. Even so, our Group, has always demonstrated, among its major strengths, a large operational flexibility and a constant presence in the international oil markets. Therefore, at this stage, our "Supply and Trading" department is already active to optimise the supply of similar crude oils to the refinery, with the objective of maintaining the units at full capacity.

Widening the observation horizon to the remaining part of the year, there are high hopes that the geopolitical situation in North Africa and Middle East could find a solution in the near future, brining back stability and restoring all the positive macro trends, which started in the second half of the last year. In that way, the improved market conditions, together with the passionate efforts of all Saras employees, will allow our Group to post again positive results.

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The Chief Executive Officer
Massimo Moratti

The Chairman
Gian Marco Moratti

Saras Group Report on Operations

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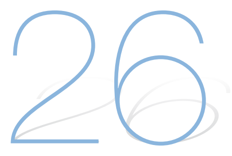
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Outlook

Main financial and operational figures

EUR Million		2010	2009	Change
REVENUES		8,615	5,317	62%
EBITDA		223.5	345.5	-35%
***comparable* EBITDA[1]**		**149.2**	**141.2**	**6%**
EBIT		16.1	152.4	-89%
***comparable* EBIT [1]**		**(58.1)**	**(51.9)**	**-12%**
NET INCOME		(9.5)	72.6	-113%
***adjusted* Net Income[1]**		**(43.9)**	**(54.5)**	**19%**
Outstanding shares, '000,000 (avg. nr.)		928	928	
Adjusted EPS, (EUR)		**(0.05)**	**(0.06)**	
NET FINANCIAL POSITION		**(560)**	**(533)**	
CAPEX		**129**	**317**	
OPERATING CASH FLOW [2]		**102**	**274**	
REFINERY RUNS	Thousand tons	14,340	13,305	8%
	Million bl	104.7	97.1	8%
	Thousand bl/day	287	266	8%
of which:				
Processing for own account	Thousand tons	13,284	9,311	43%
Processing on behalf of third parties	Thousand tons	1,056	3,994	-74%
EXCHANGE RATE	EUR/USD	1.326	1.395	-5%
EMC BENCHMARK MARGIN	$/bl	0.6	0.7	0%
SARAS REFINERY MARGIN	$/bl	1.8	1.8	0%
ELECTRICITY PRODUCTION IGCC	MWh/1000	4,337	4,066	7%
POWER TARIFF IGCC	**Eurocent/KWh**	**9.5**	**10.1**	**-6%**
MARGIN IGCC	$/bl	3.8	4.1	-7%
TOTAL MARKETING SALES	Thousand tons	4,266	3,972	7%
of which in Italy	Thousand tons	1,731	1,239	40%
of which in Spain	Thousand tons	2,535	2,733	-7%

1. *Comparable* and ***Adjusted*** figures are unaudited.

2. Cash Flow reclassified to highlight change in net financial position.

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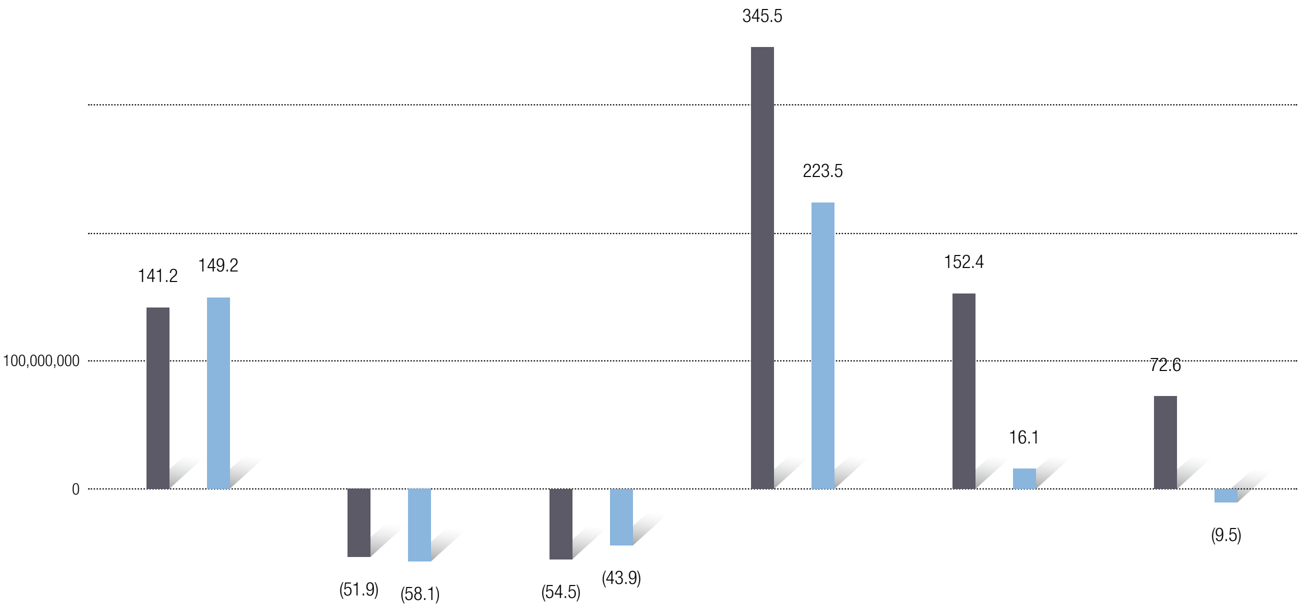
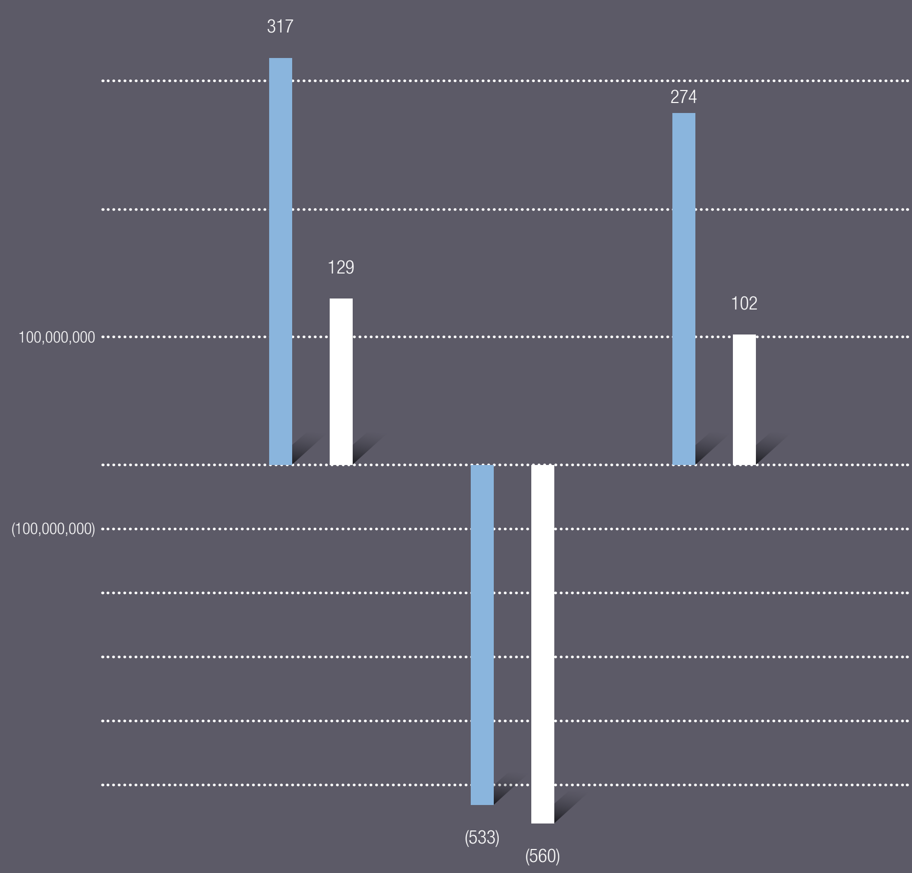
Key financial and non financial indicators

Main Income Statements [2009 > 2010]



3. *Comparable* EBITDA/EBIT calculated with inventories evaluated according to the LIFO methodology and adjusted for non-recurring items. **4. Adjusted net profit**: adjusted for differences between LIFO and FIFO inventory calculations after tax, non-recurring items after tax and changes in the fair value of derivatives after tax. **5. EBITDA** Operating result before Depreciation&Amortization. **6. EBIT** Operating result.

Financial Position and Cash Flow figures [2009 > 2010]



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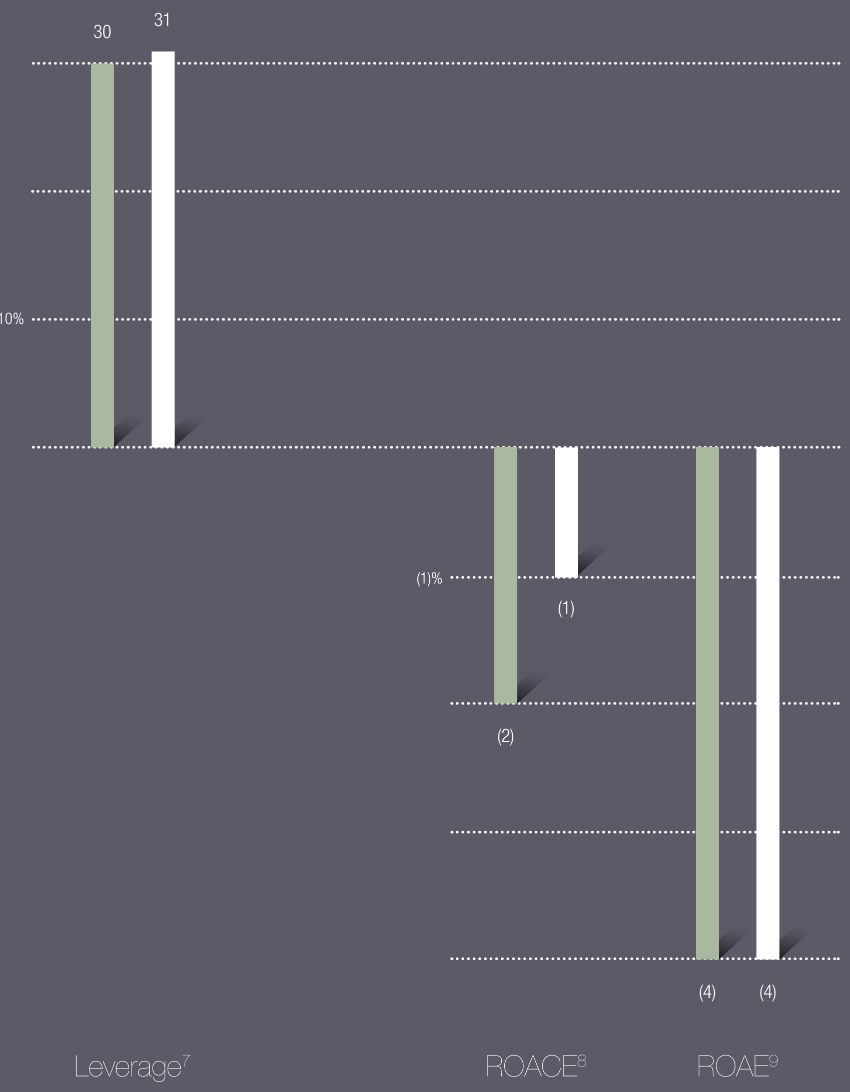
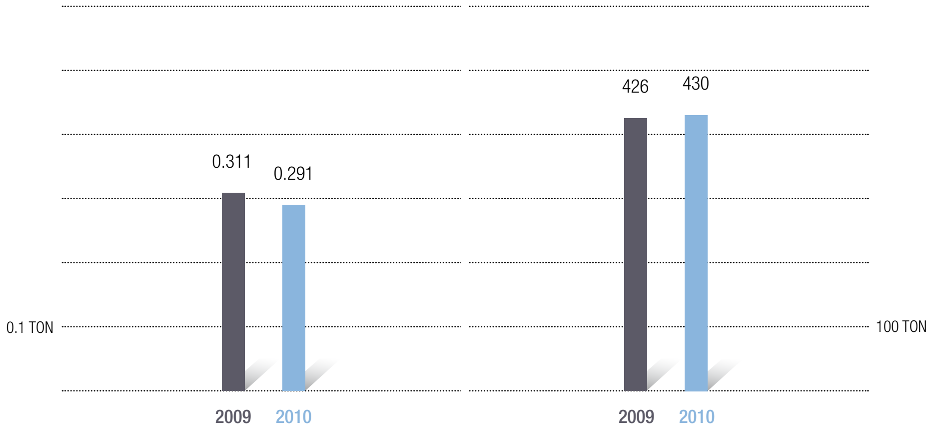
Key financial indicators [2009 > 2010]



7. Leverage: net debt/(net debt+equity) target: 25-50%. **8. ROACE:** return on average capital employed. Target: at least 15%.
9. ROAE: return on average equity. Target: at least 15%.

Environmental indexes



SO_2 Production Index

(tons of SO_2 / thousand tons of refinery runs)

CO_2 Production Index

(tons of CO_2 / thousand tons of refinery runs)

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Board of Directors

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

Board of Statutory Auditors

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

Executive Director responsible for all financials

CORRADO COSTANZO

Independent Auditing Firm

PRICEWATERHOUSECOOPERS S.p.A.

Board of Directors and Top Management

Gian Marco Moratti
Chairman

Massimo Moratti
CEO

Angelo Moratti
Vice Chairman

Angelomario Moratti
Saras Energia Chairman

Gabriele Moratti
Director

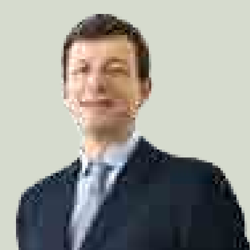
Gabriele Previati
Director

Gilberto Callera
Independent Director

Mario Greco
Independent Director

Giancarlo Cerutti
Independent Director

Dario Scaffardi
Genaral Manager



Corrado Costanzo
Chief Financial Officer

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Corporate Governance

The Company complies with the Code of Conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana S.p.A. in March 2006, as described in the "*Annual Report on Corporate Governance*" prepared by the Board of Directors and published within 15 days of the Shareholders' Meeting called to approve the 2010 Financial Statements.

The "*Annual Report on Corporate Governance*" describes the main characteristics of Saras' Corporate Governance system, and the specific functions of its different components, referring specifically to its compliance with the recommendations contained in the Code of Conduct.

The company organisation of Saras S.p.A. conforms to the provisions contained in the Italian Civil Code and other special regulations applicable to joint-stock companies, specifically those contained in the Legislative Decree no. 58 of 24th February 1998 (the Italian Financial Services Act or "TUF"). The Company is structured according to a traditional business administration and audit model, with a Board of Directors charged with overseeing business management (within which two committees have been set up, namely a Remuneration Committee and an Internal Control Committee), and a Board of Statutory Auditors charged with, among other things, supervising compliance with the law and the Articles of Association and monitoring the adequacy of the Company's organisational structure, the internal audit system and the accounting and administrative system.

The Company has engaged PricewaterhouseCoopers S.p.A. ("PwC") to audit its accounts and consolidated financial statement reports for the years 2006-2014, and provide limited reviews of the half-year reports for the same period.

The report describes in detail the role and tasks of the Board of Directors, listing the functions that have been delegated and those that are not delegated, and provides precise information regarding its composition and the meetings held in 2010 and 2011.

Specifically, the Board includes three independent, nonexecutive directors, Mr Gilberto Callera, Mr Giancarlo Cerutti and Mr Mario Greco, who, together with another non-executive director, Mr Gabriele Previati, make up the Company's Internal Control Committee. Mr Callera, Mr Cerutti and Mr Greco also serve on the Remuneration Committee.

The two Committees act as a consulting and proposal-making body as set forth in the Code of Conduct and met regularly in 2010 and the first quarter of 2011, as illustrated in the "*Annual Report on Corporate Governance*". The Report furthermore describes the Company's internal audit system, the responsibility for which lies with the Board of Directors, which fixes guidelines and periodically checks the appropriateness and effectiveness of the system, with the help of the Internal Audit Committee, the head of internal audit and the internal audit department. The Board has nominated its Chairman as the executive director in charge of overseeing the functioning of the internal audit system.

The Company has also appointed the Chief Financial Officer, Mr Corrado Costanzo, as the manager in charge of preparing the Compnay's accounts in accordance with Article 154-*bis* of the TUF. It has also appointed Mr Massimo Vacca as the Head of Investor Relations, in charge of the relations with equity analysts, retail and institutional investors.

The Company's Code of Ethics also falls within the internal audit system. It expresses the principles and values that Saras recognises as its own, and it has to be observed by all Group employees, external contractors, and all other parties having relationships or dealings with Saras. Also, falling within the internal audit system, is the Organisational, Management and Control Model, which is adopted in accordance with the regulations set out in the "Rules regarding administrative responsibilities of bodies", pursuant to Legislative Decree no. 231/2001, and overseen by a specific supervisory body.

Following the adoption by Consob (the Italian Securities and Exchange Commission) of the "Procedures on Related Parties' Transactions" (Decree no. 17221 of 12th March 2010 – the "Procedure"), the company's Board of Directors, after receiving a favorable opinion from the Committee for the Related Parties' Transactions, which has been constituted in compliance with the above mentioned "Procedure", decided to adopt a series of procedures on related parties' transactions, which are available for consultation on the company website.

Lastly, the "*Annual Report on Corporate Governance*" illustrates the contents of the internal regulation for the management of sensitive information and the institution of a registry of personnel who have access to such information, the Code of Conduct on Internal Dealing, the principles of conduct for dealings with related parties, and also the Code of Conduct for Saras Group directors, adopted by the company's Board of Directors.

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Regulatory Framework

The most significant measures in 2010 relating to the energy sector and to the health and safety at work are as follows:

- Decree issued by the Ministry for Economic Development on 10th September 2010, establishing "*Authorisation guidelines for plants powered by renewable energy sources*". The guidelines detail the single procedure, pursuant to Article 12 of Legislative Decree 387/03, for authorising the construction and operation of plants powered by renewable sources. As well as the ordinary procedure, the guidelines define simplified procedures for particular types of plant, as well as environmental and regional criteria for the location of the plants. They also establish methods and criteria for the payment of compensation to municipalities.

- Decree Law 105/2010, converted by Law 129/2010. The decree sets out urgent measures relating to energy. One of its main provisions aims to execute Constitutional Court ruling 215 of 2010 in relation to Decree Law 78/2009, which sets out urgent measures for power grids. Under the new rules, identification of urgent and non-deferrable measures relating not only to the generation of electricity but also its transmission and distribution must be carried out in agreement with the regional authorities concerned. The decree also establishes an integrated IT system at "Acquirente Unico S.p.A." to manage information flows relating to the electricity and gas markets. Finally, it introduces many specific measures governing energy generation from renewables, including plant construction and incentives offered.

- Following the partial annulment of AEEG (Italian electricity and gas authority) Resolution 154/08 of 21th October 2008 by the Lombardy regional administrative court (TAR), which is relevant to CIP6/92 plants, the AEEG adopted Resolution 50 of 28th April 2009. The resolution establishes the avoided fuel cost adjustment value for 2008 pursuant to section II, point 7, letter b) of CIP6/92, using the methods described in the previous AEEG Resolution 249/06. However, Resolution 50/09 of 28th April 2009 was also annulled by the Lombardy regional administrative court. The AEEG has not yet adopted a new resolution and therefore the rules on determining avoided fuel costs for 2008 have not yet been established. A hearing for the appeals relating to Resolution 154/08 before the Council of State is scheduled for 29th March 2011.

- Legislative Decree 205 of 3rd December 2010: The decree sets out implementation measures for Directive 2008/98/EC of the European Parliament and Council of 19th November 2008 on waste, and amends rules on waste set out in Legislative Decree 152 of 3rd April 2006. Specifically, SISTRI (waste traceability control system) rules, established by the Ministerial Decree of 17th December 2009, are included in the scope of Legislative Decree 152/2006. The deadline for operational launch of the system was extended during the year by decrees issued by the Ministry for the Environment on 9th July 2010, 28th September 2010 and 22nd December 2010.

- Legislative Decree 35 of 27th January 2010, implementing Directive 2008/68/EC on the inland transport of dangerous goods. The new regulations govern, *inter alia*, the loading and unloading of dangerous goods.

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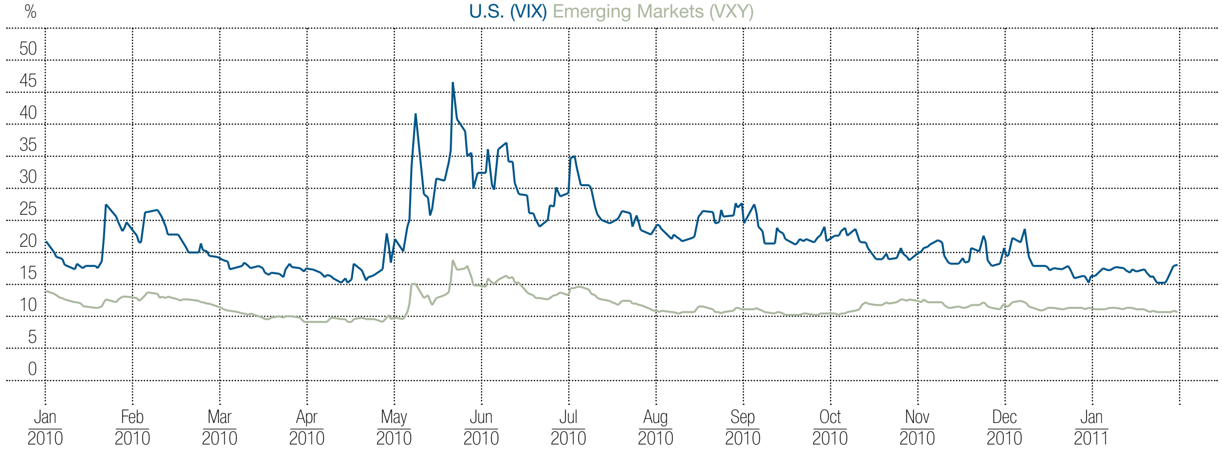
Equity Markets

Towards the end of 2009, thanks to the adoption of expansionary economic policies (ie. *Quantitative Easing*) and supportive measures in favour of the international financial system, the equity markets and the industrial activities managed to come back from the darkest abyss of the global recession. Actually, 2010 opened with a vigorous upwards trend, deriving from renewed confidence in the equity markets, and hopes for a solid recovery of the global economy.

Consequently, with the exception of a short period in February when some downwards pressure reappeared, the equity markets posted substantial gains across all the major economies until the very beginning of April. However, throughout the month of April, strong tensions began to materialize concerning the public debt of some European countries (Greece, more specifically). The situation worsened at the beginning of May, causing a drastic increase in risk adversion on the international markets, and a sharp fall of global equity markets. In particular, losses hit first the European financial sector, and then spread rapidly to all other regions and sectors (with Energy, Construction and Consumer Goods among the sectors with the most severe impacts).

In order to face the Greek crisis, on May 2nd the European Union authorities and the governments of the EuroZone agreed on a three-year plan of financial

Implicit Volatility (Source: Bloomberg, Datastream, IMF)



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

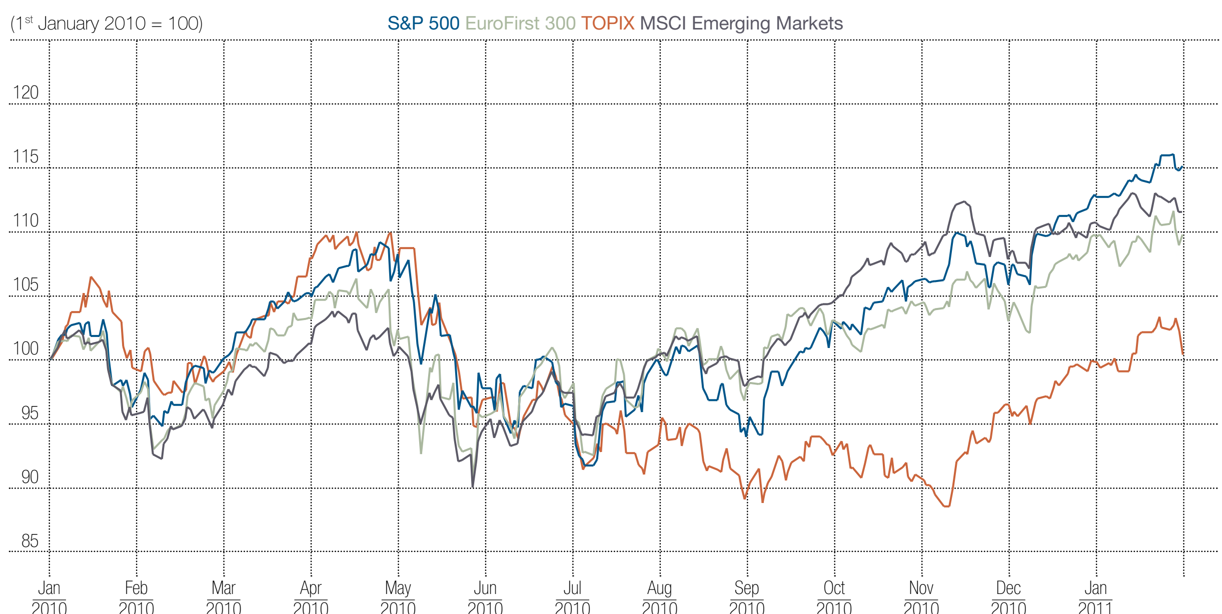
VXY: JPMorgan emerging markets implicit volatility index, a measure of the aggregate volatility in currency markets

support, with the participation of the International Monetary Fund (IMF), for a total amount of EUR 110 billion. Subsequently, the European Council announced the creation of a mechanism which can provide, in case of need, further economic support to EU member states, up to a total amount of EUR 500 billion, with the possible participation of the IMF. On the back of these reassuring news, in the second half of 2010 the equity markets resumed their positive progression.

Nonetheless, in some advanced economies (United States and Europe *in primis*) pockets of vulnerability persisted: real estate markets, unemployment and reduced household income, among the most important ones. Therefore, when financial turbulence reemerged in the periphery of the Euro area (this time in Ireland and Portugal), markets immediately reacted with a new downfall.

This time however, the safety net laid out by the EU and the IMF demonstrated in full its effectiveness and, in a relatively short time, confidence came back to the major markets. The last months of the year displayed an upwards trend, thanks also to the support of positive macroeconomic indicators, and also some "*leading indicators*" which confirmed a favourable outlook for 2011.

Equity Indices (Source: Bloomberg, Datastream, IMF)



TOPIX: Tokyo Stock Exchange Price Index

MSCI Emerging Markets: Emerging Markets Stock Exchange Price Index

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Saras Share Performance

Below are some data concerning prices and daily volumes relating to the Saras share, for the period from 4th January 2010 to 30th December 2010 (the Italian Stock Exchange was closed for holidays on Friday 1st January 2010, and also Friday 31st December 2010).

SHARE PRICE (EUR)	2010
Minimum Price (26/08/2010) *	1.333
Maximum Price (06/01/2010) *	2.305
Average Price	1.689
Closing Price on 30/12/2010	1.575

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

DAILY TRADING VOLUMES	2010
Maximum volume in EUR ml (26/02/2010)	31.6
Maximum volume in number of shares (ml) (26/02/2010)	18.8
Minimum volume in EUR ml (28/12/2010)	0.6
Minimum volume in number of shares (ml) (28/12/2010)	0.4
Average Volume in EUR ml	5.4
Average Volume in number of shares (ml)	3.2

As of 30th December 2010 the market capitalisation was EUR 1,498 million and, at the same date, the number of shares outstanding were approximately 928 million.

In the following graph we compare the daily performance of Saras share price with the FTSE MIB index of the Italian Stock Exchange in Milan. It is possible to note that, starting from the maximum price of EUR 2.305 on the 6th of January, Saras share price moved in parallel with the FTSE MIB Index for the first six months of the year. Subsequently, Saras share performance progressively deteriorated, reaching the minimum value of EUR 1.333 on the 26th of August, due to quarterly results which disattended market expectations.

In the following two months, the Saras share price posted a good recovery, reaching a relative top at EUR 1.635 (on 1st of November 2010). Subsequently, the share price dropped again during the month of November, going as low as EUR 1.340 on the 30th of November, penalised by the disappointing trend of refining margins.

Finally, December saw a new rebound of the share price (+17.5% versus the beginning of the month), and at the end of the year Saras share was worth EUR 1.575. Overall, however, the annual share performance has been negative (-29.7%), unavoidably affected by the uncertainties of the macroeconomic context, and by the disappointing trend of refining margins in Europe.

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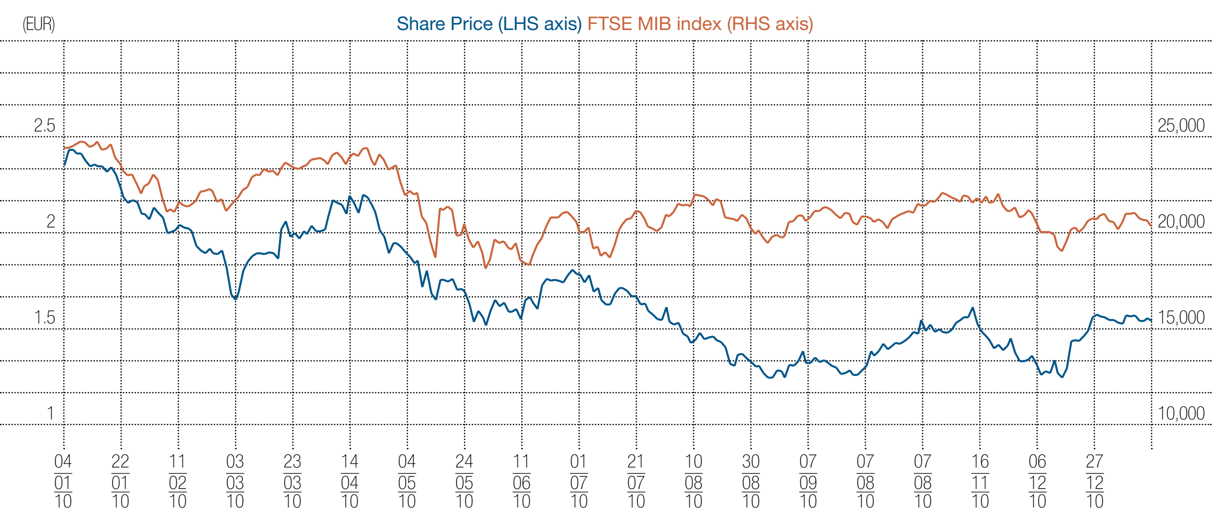


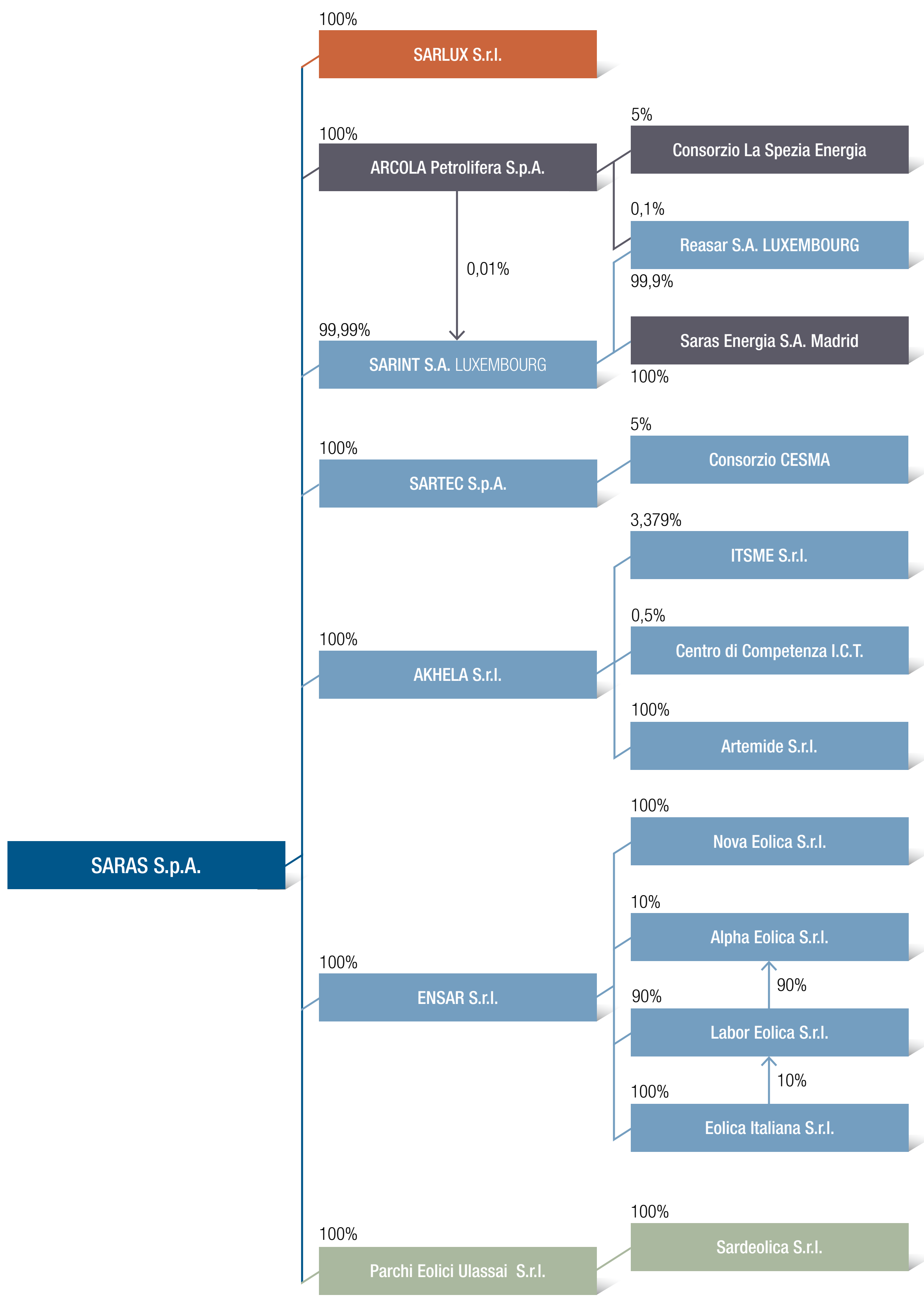
On the 27th April 2010, the Shareholders' meeting of Saras S.p.A. approved a "Share Buyback" programme, up to the maximum limit of 10% of the Company's outstanding shares. This corresponds to a maximum number of 71,911,326 ordinary shares, which takes into consideration the shares already owned by the Company at that date.

As usual, purchased shares wont be cancelled, and they will be used to service the stock plans for managers and employees approved by the Shareholders meeting, and they may be also used for other projects related to operational management and industrial plans, or other investment opportunities, coherently with Company's strategy, as well as for sustaining the liquidity of the stock and controlling the volatility of the Company's share price.

The "Share Buyback" programme can be carried out within 18 months of the approval, as it is common practice for such transactions, in accordance with management decisions, which will take into account prevailing market conditions, as well as the Group's growth plans, both organic and external, with the purpose of creating value for the Shareholders.

Finally, during 2010 there were no purchase of own share. On the contrary, 512,276 shares have been used to service the Share plan for the employees. Therefore, as of 31st December 2010, the total number of shares held in treasury by Saras is 22,676,398, which corresponds to approximately 2.4% of the share capital.

Structure of the Saras Group



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Legal Offices of consolidated companies

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28003 Madrid
Spagna

Sarlux S.r.l.
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09100 Cagliari

Sardeolica S.r.l.
Sesta strada ovest Z.I.
Macchiareddu
09010 Uta – Cagliari

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20122 Milano

Eolica Italiana S.r.l.
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09124 Cagliari

Nova Eolica S.r.l.
Via Roma, 149
09124 Cagliari

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Blvd Ficusului, 44A
Sector 1 - Bucarest
Romania

Alpha Eolica S.r.l.
Blvd Ficusului, 44A
Sector 1 - Bucarest
Romania

Akhela S.r.l.
Sesta strada ovest Z.I.
Macchiareddu
09010 Uta – Cagliari

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00144 Roma

Sarint S.A.
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1219 Luxembourg
Lussemburgo

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

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

Main Events during the year

Jan/10

"Project Focus"
We started an "asset management" programme aimed at improving production efficiency and operational effectiveness. Overall, the programme involves directly the vast majority of Saras personnel, with specific targets to be achieved within the following aspects of refinery operations:

- "**Asset Integrity**" (enhancing both routine and turn-around maintenance procedures)
- "**Asset Efficiency**" (addressing consumption and losses)
- "**Asset Effectiveness**" (addressing productivity and availability)

In the mid-term, "Project Focus" expects to achieve results that can be quantified in approx. EUR 20 ÷ 30 ml deriving from increase in efficiency and productivity, and further EUR 10 ÷ 15 ml from cost reduction measures. "Project Focus" shall continue until 2012.

Apr/10

Appointments to the Board of Directors
The AGM of Saras approved the expansion of the Board of Directors to ten members, and appointed Mr. Gabriele Moratti as a new Director, who will remain in charge until the date of the AGM called for the approval of the Annual Financial Statements for the year 2011.

"Stock Grant" plan for the Management and "Stock Plan" for the employees
The Shareholders' meeting of Saras S.p.A. approved a "Stock Grant" plan directed towards the management of the Company and of its subsidiaries, and a "Stock Plan" for the employees.
The first plan aims at linking managers' benefits to the good development of the Company's results, in order to spur the commitment of all managers towards adding value to the Group. The "Stock Grant" plan will involve the awarding of Company ordinary shares in the years 2010, 2011 and 2012, according to terms and conditions which take into account Saras' share performance. The shares will be delivered in one solution in 2013, and the maximum total number of shares involved in the "Stock Grant" plan is 15 millions, for the three years of the plan.
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 expiry date of the new 2010/2012 "Stock Grant" plan, in exchange for an extraordinary share grant, which will also be delivered at the expiry date of the new 2010/2012 "Stock Grant" plan.
The "Stock Plan" for the employees is a loyalty scheme, aimed to further reinforce sense of belonging to the Group for all employees. Moreover, it will act as a premium for those who invest in the Company's stock. This "Stock Plan" will award one free ordinary share for each six shares bought by the employee, and it is directed towards the employees of the Company and of its subsidiaries, and it will last for three years (2010, 2011 and 2012).

Buyback of own shares
The Shareholders' meeting of Saras S.p.A. approved also a "Share Buyback" programme, up to the maximum limit of 10% of the Company's outstanding shares. This corresponds to a maximum number of 71,911,326 ordinary shares, which takes into consideration the shares already owned by the Company at the time of approval of the above mentioned programme.

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Jul/10

Bond transaction
Saras announced a Eurobond transaction restricted to institutional investors, with a total principal amount of EUR 250 million and a maturity of 5 years. The bonds are listed in the Luxembourg Stock Exchange, have a coupon of 5.583%, shall mature on 21st July 2015, and do not carry guarantees or covenants.

Sep/10

Sarlux: early repayment of loans
On the 15th September 2010, Sarlux S.r.l. proceeded with the early repayment of the residual loans of EUR 32 ml and EUR 47 ml respectively due to E.I.B. (European Investment Bank) and to Banca Intesa San Paolo S.p.A., taken out on the 29th November 1996, for a total original amount of EUR 960 ml. The repayment of these loans resulted in the cancellation of all obligations, guarantees and covenants.

Nov/10

Saras: certified OCIMF inspector
Saras became a certified member of the OCIMF (Oil Companies International Marine Forum), which is an voluntary association, active in the sector of safety sea transportation 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.

Dec/10

Authorisation for the repowering of the Ulassai Wind farm
Sardaeolica, fully owned subsidiary of Saras, obtained authorisation for the repowering project of the Ulassai wind farm, from 72 to 96 MW, from the Sardinian competent authorities. The park will achieve the full capacity of 96 MW during the second quarter of 2011.

Comment to Saras Group Results

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Below are key consolidated economic and financial figures, shown in comparison with the data related to the same period last year. In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the Operating Results (EBITDA and EBIT) and the Net Results are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, as requested by IFRS accounting principles). The LIFO methodology does not include revaluations and write downs and it combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, for the same reason, non recurring items and change of the derivatives' fair value are deducted both from the Operating Results and from Net Results. Operating Results and Net Results calculated as above are called respectively "*comparable*" and "*adjusted*", and they are not subject to audit.

SARAS GROUP CONSOLIDATED INCOME STATEMENT FIGURES:

Eur Million	FY 2010	FY 2009	Change
REVENUES	8,615	5,317	62%
EBITDA	223.5	345.5	-35%
***Comparable* EBITDA**	**149.2**	**141.2**	**6%**
EBIT	16.1	152.4	-89%
***Comparable* EBIT**	**(58.1)**	**(51.9)**	**-12%**
NET RESULT	(9.5)	72.6	-113%
***Adjusted* NET RESULT**	**(43.9)**	**(54.5)**	**19%**

DETAIL OF GROUP NET RESULT ADJUSTMENT:

Eur Million	FY 2010	FY 2009
Reported NET RESULT	(9.5)	72.6
(inventories at LIFO – inventories at FIFO) net of taxes	(49.5)	(128.6)
non recurring items net of taxes	0.0	0.0
change in derivatives fair value net of taxes	15.1	1.5
***Adjusted* NET RESULT**	**(43.9)**	**(54.5)**

DETAIL OF GROUP EBITDA ADJUSTMENT:

Eur Million	FY 2010	FY 2009
Reported EBITDA	**223.5**	**345.5**
inventories at LIFO – inventories at FIFO	(74.3)	(204.3)
non recurring items	0.0	0.0
***Comparable* EBITDA**	**149.2**	**141.2**

OTHER GROUP FIGURES:

Eur Million	FY 2010	FY 2009
NET FINANCIAL POSITION	(560)	(533)
CAPEX	129	317
OPERATING CASH FLOW [10]	102	274

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

Comments to full year 2010 results

The performance of Saras Refining and Marketing segments was unavoidably influenced by a weak market scenario in Europe, with still limited consumption of oil products. On the contrary, the Power Generation segment provided an important effect of stabilization to the overall Group EBITDA and, similarly, the Wind segment achieved a very strong performance, thanks to favourable wind conditions in the first and in the last quarter of the year.

Group Revenues in FY 2010 were EUR 8,615 ml up 62% vs. FY 2009, with substantially higher revenues coming from the Refining and Marketing segments, in the light of a reduction in the percentage of third party processing activity, as well as significantly higher oil products' prices (for quick reference, diesel traded at an average of 683 $/ton in FY 2010, versus an average of 533 $/ton in FY 2009, and gasoline priced at 730 $/ton, versus 583 $/ton in FY 2009).

Group reported EBITDA in FY 2010 was EUR 223.5 ml, (down 35% vs. FY 2009). This result comes despite a higher operational performance of the Sarroch refinery in 2010 versus 2009 (thanks to a lighter maintenance schedule, which allowed a better margin capture), and also stronger results in the Power Generation segment. Indeed, 2009 reported results benefited from a much stronger revaluations of the oil inventories at year end, related to the growing trends followed by oil prices throughout the year.

Group reported Net Result stood at EUR -9.5 ml in FY 2010, down 113% vs. EUR 72.6 ml in FY 2009, for the same reason explained at EBITDA level. Moreover, in FY 2010 depreciation and amortization charges stood at EUR 207.3 ml (vs. EUR 193.1 ml in FY 2009).

Group comparable EBITDA amounted to EUR 149.2 ml in FY 2010, up 6% vs. EUR 141.2 ml in FY 2009, and **Group adjusted Net Result was EUR -43.9 ml**, up 19% vs. EUR -54.5 ml in FY 2009. As previously commented, these improvements can be primarily explained with the higher operational efficiency and availability of the refinery, and also with the stronger results from the Power Generation segment. The contributions of these two segments more than offset the weaker results of the Marketing segment.

As mentioned at the beginning of this chapter, *comparable* and *reported* figures differ primarily because of the different methodologies used to evaluate the oil inventories. More specifically, the *reported* (IFRS) figures evaluate oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology. In FY 2010, the above mentioned LIFO/FIFO difference after tax was equal to EUR -49.5 ml, due to the increase in crude and oil products prices. The remaining difference relates to changes in fair value of derivative instruments net of taxes, worth approximately EUR 15.1 ml.

CAPEX in FY 2010 stood at approx. EUR 129 ml, in line with the previously announced 2010 investment programme, and distributed primarily between the Refining segment (EUR 92.5 ml), the Wind segment (EUR 14.9 ml) and the Power Generation segment (EUR 10.3 ml).

On 31st December 2010, the Group Net Financial Position was negative by EUR 560 ml, improved versus the negative figure of EUR 644 ml on 30th September 2010, and substantially in line with the position as of 31st December 2009, which was negative by EUR 533 ml. The year on year change in NFP can be explained primarily by the negative cashflow for the CAPEX of the period (EUR 129 ml), almost entirely compensated by the positive cashflow from operations (EUR 102 ml, related to a decrease in working capital requirements, as well as self-financing from provisions for depreciation and amortisation).

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Reference market

2010 has been characterised by a remarkable rebound in industrial and economic activities on a global scale. However, it should be noted that the recovery proceeded unevenly: in advanced economies, industrial activity and GDP growth remained subdued, amid high unemployment, reduced household income, and limited consumer confidence. Sovereign and financial troubles in peripheral countries of the Euro zone contributed to the downside risks. By contrast, in emerging economies, industrial activity was buoyant, and also job creation, GDP and investments grew significantly, bringing along some unwanted consequences, such as inflationary pressure and signals of overheating.

In the above context, demand for oil products posted a strong come back on a global scale, reaching the levels which preceeded the crisis in the second half of 2008. Official sources of the International Energy Agency (IEA) report that global oil demand in 2010 was equal to 87.8 million barrels per day (mbd), up 3.3% versus 2009 (which corresponds to an increase in consumption of 2.8 mbd). However, when looking in more detail, it is easy to note that behind this robust global rebound, there actually are some remarkable regional differences, in close relation with the previously mentioned uneven growth of GDP and employment levels.

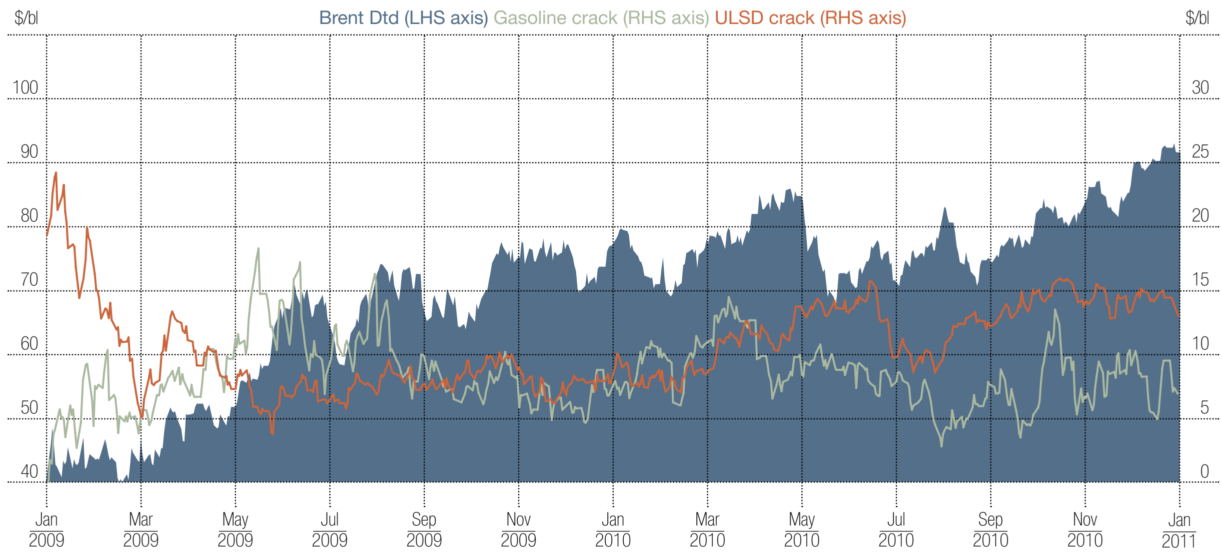
Let's now look in detail to the trends followed by prices of crude oil and of refined products, as well as refining margins. We shall focus specifically on Europe, which represents the reference geographic context for the Refining segment of Saras Group.

Yearly average Values [11]	**2010**	**2009**
Crude oil ($/bl)		
Price of "Brent Dated" crude oil (FOB Med)	79.6	61.7
Price of "Ural" crude oil (CIF Med)	78.4	61.2
"Heavy-Light" price differential	-1.2	-0.5
Prices of refined products ($/ton)		
ULSD	683.0	532.7
Gasolina 10ppm	730.3	583.3
HSFO	436.8	345.3
Crack spreads for refined products ($/bl)		
ULSD	12.2	9.7
Gasoline	7.9	8.0
HSFO	-10.3	-6.9
Other profitability indicators		
EMC Benchmark margin ($/bl)	0.6	0.7
Forex USD/EUR	1.326	1.395

11. Sources: Platts' and **EMC** with specific regard to the "EMC Benchmark" refining margin

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

2009-10: Brent DTD and Gasoline/Diesel crack spreads versus Brent DTD (Source: Platt's)



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

Crude oil

Brent Dated yearly average quotation has been equal to 79.6 $/bl, up by almost 18 $/bl versus 2009 average, as a consequence of the recovery in global oil consumption. However, as it can be observed in the following graph, crude oil prices remained confined within the 70÷85 $/bl trading range for the first nine months of 2010, swinging up and down in accordance with prevailing market sentiments. Only in the last quarter of the year, several bullish factors boosted oil prices to levels not seen since autumn 2008.

A first upward trend started in late January and lasted until the end of April. This was driven primarily by positive expectations of a quick economic recovery on a global scale, which in turn would have boosted oil demand. On such premises, Brent Dated reached 85 $/bl. However, towards the end of April, the European debt crisis caused a steep drop in global equity markets, dragging down also crude oil, as well as the other raw materials. Brent Dated fell sharply throughout the month of May, reaching a low of 67 $/bl on May 20th. Later on, oil prices recovered on the hopes of a quick institutional solution for the debt crisis, and Brent Dated closed the second quarter at approx. 75 $/bl.

In the third quarter, prices continued to increase, reaching a peak of 84 $/bl in early August, aided also by supply disruptions as well as the positive performance of the financial markets. However, August proved to be a troubled month for crude oil prices, which were penalised once again by uninspiring data on global oil inventories, and renewed concerns about the possible slowdown in the economic recovery. On the 24th of August, Brent Dated was down again to 71 $/bl. Shortly afterwards, prices started to increase once more, supported by the weakening US dollar, and by fresh positive readings on various macro-economic indicators. Brent Dated prices closed the third quarter above the 80 $/bl mark, but the upward trend continued also during the fourth quarter. Strong growth in global demand, at a time of tighter Russian export schedules towards Europe, continued to push prices higher in November and December, and ultimately Brent Dated broke the 94$/bl mark by year end (on December 29th).

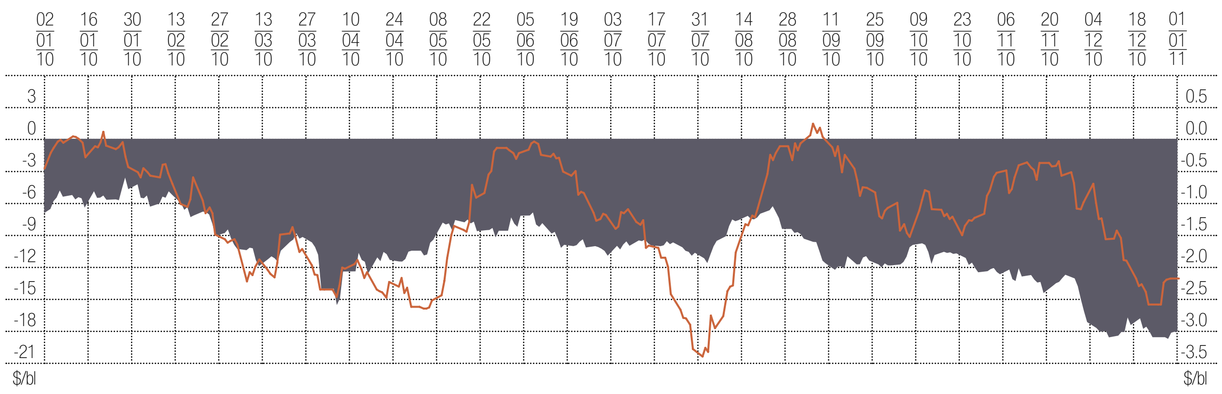
While still on crude oil, it is worth to comment on the price differential between “heavy” and “light” grades (i.e. “Ural” and “Brent” respectively), which is an important indicator of refining profitability. Indeed, the wider is such differential, the higher is the competitive advantage of complex refineries versus their simpler peers.

As it can be observed in the above graph, from early January until the end of April, the “heavy-light” price differential widened to approx. -2.0 $/bl. This remarkable level came after a prolonged period of extremely narrow spreads in 2009 (the yearly average was approx. -0.5 $/bl). The reasons of the above mentioned widening in the differential are primarily related to a higher availability of heavy grades of crude oil, due to low OPEC compliance with their self imposed production quotas.

However, the graph shows that in May and June the differential narrowed again, driven by high speculation in the Ural’s market, as well as lower export schedule from the Russian ports of Primorks and Novorossijsk. Subsequently, European refiners decided to curb runs and reduced buying interest of medium sour grades, due to uneconomic refining margins and, as a consequence, the “heavy-light” differential widened again in July. Only one month later, in August, the differential came again under pressure, and even flipped temporarily into positive territory in early September, due to renewed strength of the Ural crude oil because of its reduced availability (higher export taxes as well as port maintenance at Primorsk).

2009-10: "Ural – Brent DTD" price differential and High Sulphur Fuel Oil (HSFO) crack spread (Source: Platt's)

HSFO crack (LHS axis) Ural-Brent (RHS axis)



Finally, starting in the second half of September, lower demand for fuel oil, together with an increased availability of "heavy sour" crude oils, pushed the "heavy-light" differential to progressively widen, closing the year at approx. -2.5 $/bl.

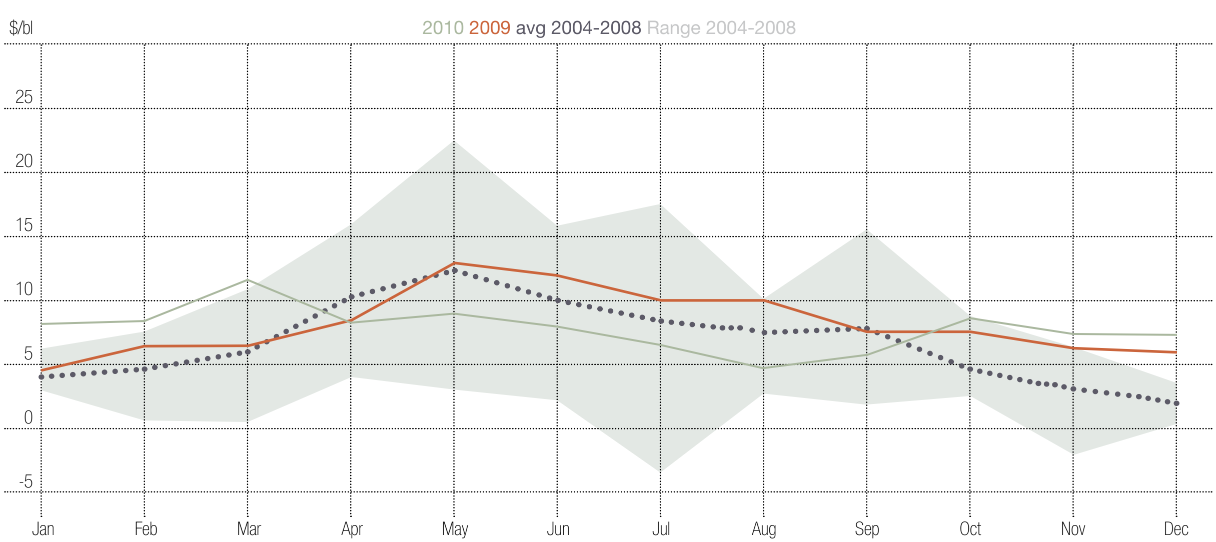
Oil Products

Starting with the lighter products, the following graph shows that gasoline "crack spread" (i.e. the difference between the value of an oil product and the value of the crude oil) remained depressed during January and February, averaging at around 8 $/bl in the MED, not far from the levels seen in Q4/09. Subsequently, the traditional "spring maintenance" for US and European refineries, combined with robust buying interest from West Africa and Middle East, boosted the crack spread in March, pushing the monthly average at 12 $/bl (and a peak value of 14 $/bl on March 19th).

During April, May and June however, the gasoline crack moved back below 10 $/bl, due to uneventful demand in the USA, in spite of the traditional "driving season". Inventories reached record high levels, and the arbitrage windows from Europe closed down. The scenario did not improve in the third quarter, and actually gasoline cracks moved even lower, in August and September, also following the switch to winter grades, and seasonally lower demand patterns.

The fourth quarter however delivered an unexpected surprise: gasoline crack spread spiked as high as 13 $/bl in mid October, on the back of a severe production squeeze, caused by French strikes affecting all refineries in the country, at a time when many other refineries across Europe were undergoing seasonal maintenance. October monthly average settled at 8.6 $/bl (the highest level

Med: Gasoline Crack spread vs Brent monthly averages



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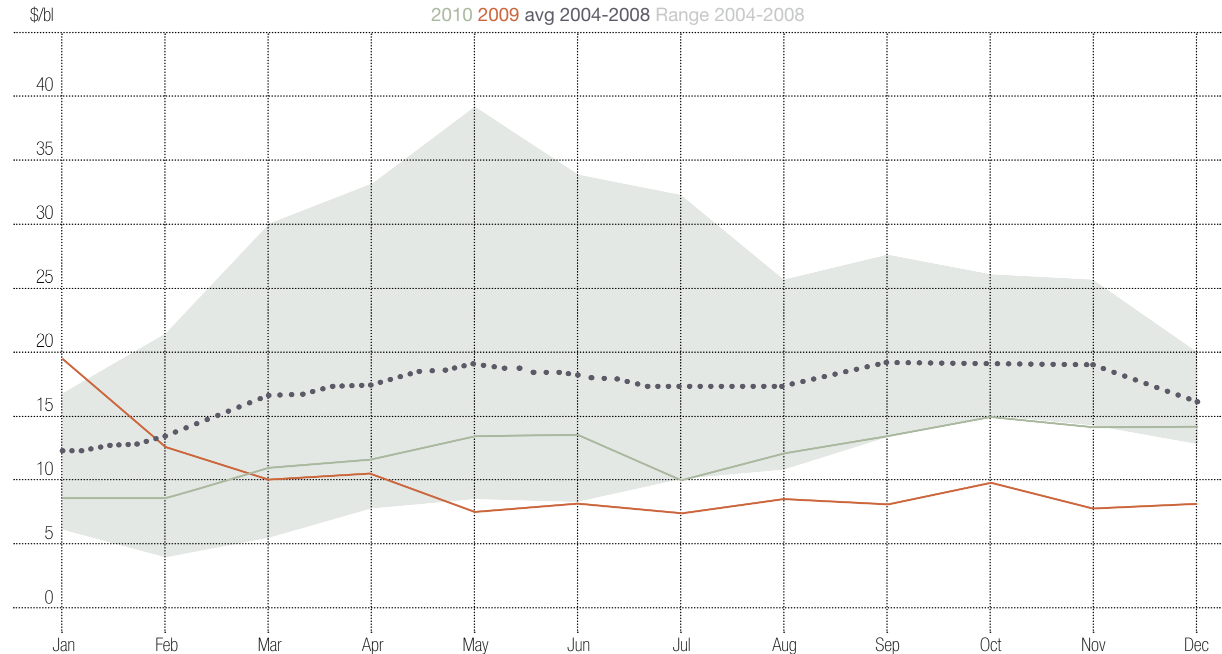
of the 5-year range). Subsequently, in November and December, the gasoline crack spread remained almost flat at around 7.5 $/bl on average, notwithstanding a reduction in export opportunities towards West Africa and the USA.

Middle distillates were quite depressed in the first two months of 2010, due to ample inventories and weak demand trends, which moved in synchrony with the slow pace of the industrial and economic recovery. Later on, in March, the traditional refinery "spring maintenance" played a fundamental role in reducing the massive inventory overhang, more than halving the volumes held in floating storage.

In April, May and June diesel crack spread continued its progressive recovery, amid strong buying interest in Middle East and Asia, combined with a supply reduction of Russian export gasoil. However, in July diesel crack fell below 10 $/bl, although demand was somewhat promising in major regional markets such as Turkey. The fall was largely attributed to burgeoning export volumes from Russia, given the return in production of the Ryazan, Yanos and Moscow refineries. The situation improved slightly in August, and the upward trend continued also in September, thanks to European consumers filling up their heating oil tanks, as it typically happens at that time of the year, in anticipation of cold winter weather.

Subsequently, in October, middle distillates continued their gradual recovery, sustained by the previously mentioned supply squeeze caused by the French strikes and autumn refinery maintenance across Europe.



Finally, in November and December, the coldest winter in three decades actually materialized, keeping demand high. Under the circumstances, middle distillates inventories drastically decreased, also because of delays in the delivery of gasoil cargoes originating in the Black Sea, which could not cross the Bosporus and Dardanelles straits, due to rough sea conditions.

Refining margins:

Finally, 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 average of the EMC margin stood at 0.6 $/bl in FY 2010, actually even lower than the depressed level achieved in FY2009 (when the average stood at 0.7 $/bl). More in details, the EMC margin was negative in January and February, and then there was a gasoline driven spike in March, which brought the Q1/10 average at 0.5 $/bl. Later, in Q2/10, the EMC benchmark climbed at 1.2 $/bl, thanks to cheaper crude oil and growing demand for diesel in Asia and Middle East. Subsequently, the average of the EMC margin dropped to -0.2 $/bl in Q3/10, due to product prices failing to keep pace with crude oil quotations. Finally, the EMC margin recovered to 0.7 $/bl in Q4/10, driven by an healthy rebound in gasoline and middle distillates crack spreads, for the combination of exogenous and structural reasons commented above.

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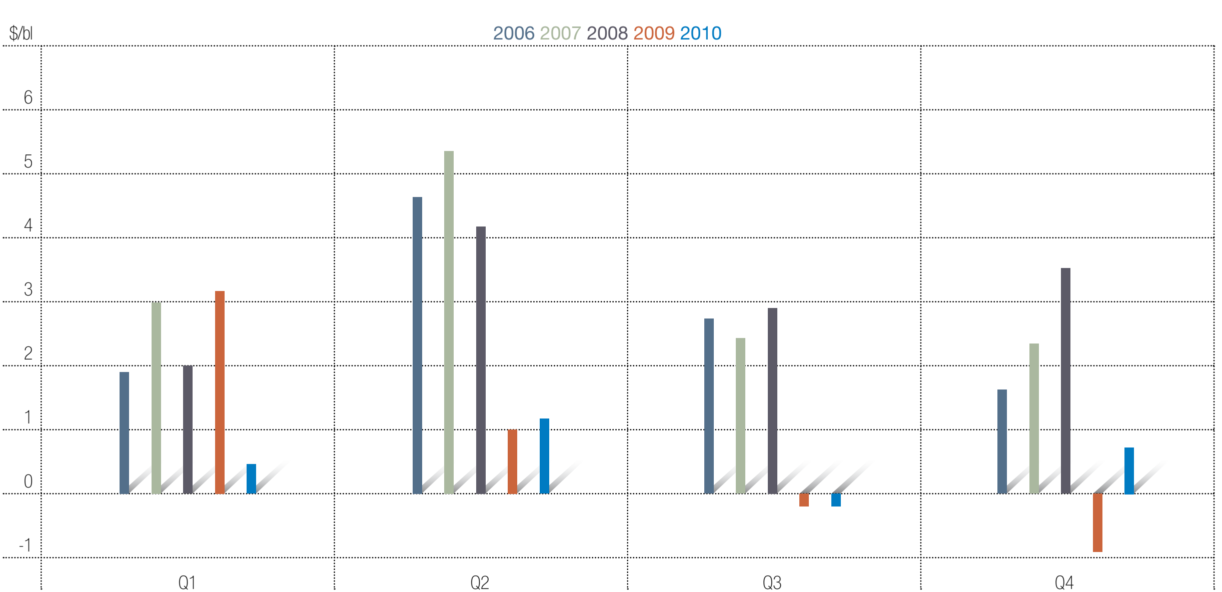
EMC FOB Med Benchmark (Source: EMC-Energy Market Consultants)



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

Summary of the main financial and operational results

Refinery runs in FY 2010 stood at 14.3 ml tons (104.7 ml barrels, corresponding to 287 thousand barrels per day). This operating performance was 8% higher than same period last year, because the scheduled maintenance activities carried out on the crude distillation units in FY 2009 were significantly heavier than in FY 2010, hence causing a larger reduction on runs.

Processing on behalf of third parties went down to 7% of total runs (vs. 30% in FY 2009), because a processing contract expired at the end of 2009 and was not renewed, due to unfavourable market conditions.

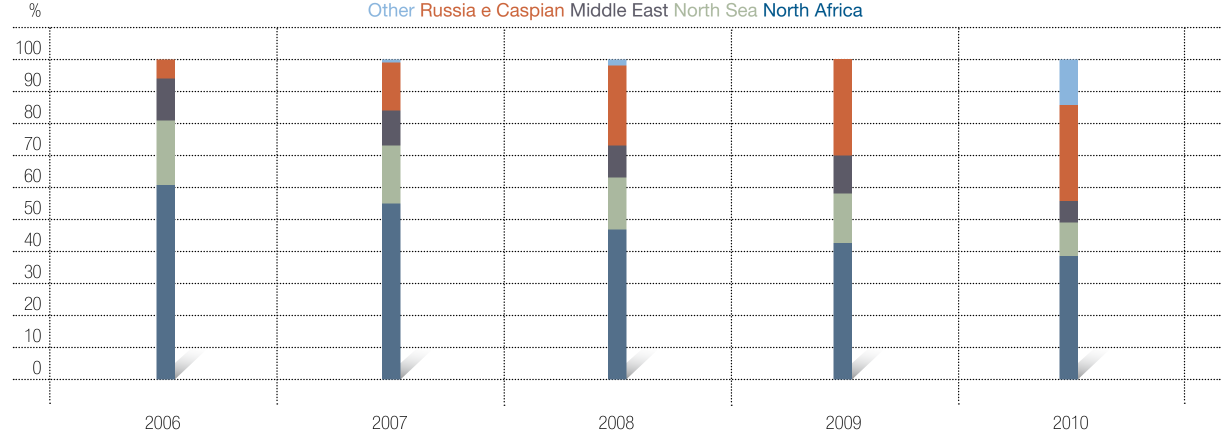
		2010	2009	Change
REFINERY RUNS	Thousand tons	14,340	13,305	8%
	Milion barrels	104.7	97.1	8%
	Thousand barrels/day	287	266	8%
Of which:				
Processing for own account	Thousand tons	13,284	9,311	43%
Processing on behalf of third parties	Thousand tons	1,056	3,994	-74%

Crude oil feedstock by origin

According to the progressive reduction in availability of crude oil from the North Sea and with the lower profitability of this grade of crude oil (tight "heavy-light" price differentials, high value of fuel oil crack spread, etc.), Saras continued to reduce its imports of heavy acidic crude coming from that area.

Pratically unchanged instead the percentage of crude imported from the Caspian Sea (Azeri Light), whose availability and economic advantage versus other alternatives, were confirmed also in 2010. Finally, there was a reduction in volume of crude oil coming from North Africa, in favour of crude oils coming from other origins which, from time to time, offered more attractive procurement opportunities.

Crude oil feedstock by origin

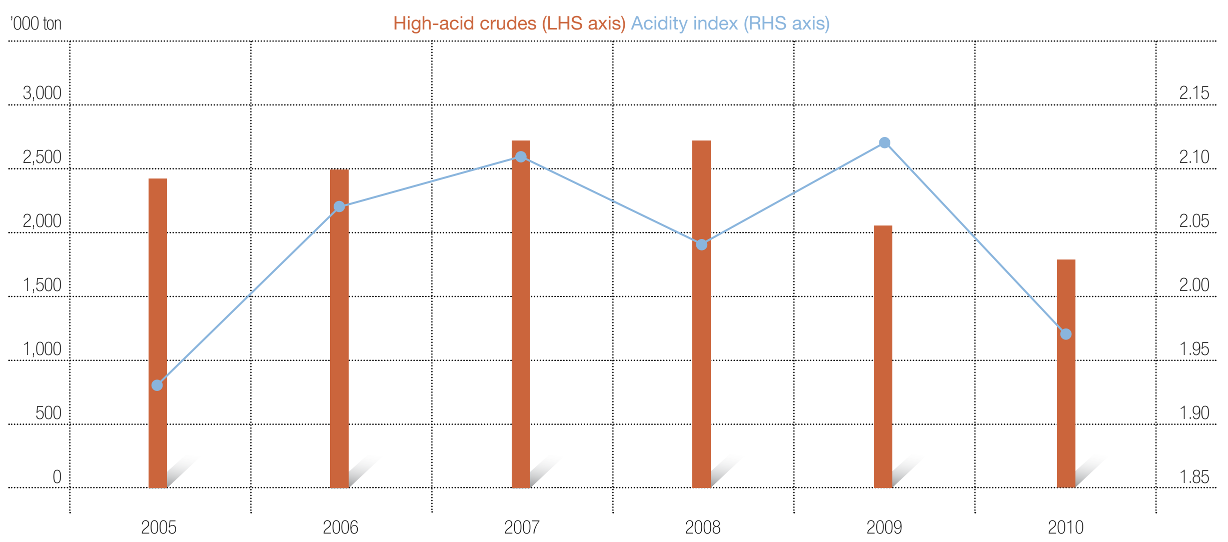


Crude oil slate by grade

With an average density of 32.4°API in FY 2010, the crude mix was overall in line with the average of last year. However, the percentage of "sour" crude oils (both heavy and medium) slightly decreased in FY 2010 vs. FY 2009 levels, mainly to the advantage of "light sweet" crude oils. This switch derives from a decision to use heavier crude oils as a feed for the gasification cycle, and a resulting acquisition of a basket of lighter crude oils, in order to bring the topping units to full utilization.

		2010	2009
Light extra sweet		46.8%	47.5%
Light sweet		2.7%	0.0%
Medium sweet		0.5%	0.0%
Light sour		0.0%	0.0%
Medium sour		26.8%	28.1%
Heavy Sour		23.1%	24.4%
Average Density	°API	32.4	32.4

Acidic crude oil details



Production

Moving on to the product slate, in FY 2010 the middle distillates yield reached 52.4%, while the light distillates yield stood at 28.1%. Therefore, when considering also the production of LPG, we can conclude that the percentage of high value products in FY 2010 reached 82.7%.
When compared to the FY 2009 (during which we had a very important maintenance cycle on the FCC unit), the yields in FY 2010 confirm in full the excellent performance achieved by our conversion plants, mainly FCC and MildHydrocrackers.

		2010	2009
LPG	Thousand tons	323	221
	Yield (%)	2.3%	1.7%
NAPHTHA + GASOLINE	Thousand tons	4,024	3,343
	Yield (%)	28.1%	25.1%
MIDDLE DISTILLATES	Thousand tons	7,517	6,769
	Yield (%)	52.4%	50.9%
FUEL OIL & OTHERS	Thousand tons	463	1,119
	Yield (%)	3.2%	8.4%
TAR	Thousand tons	1,166	1,077
	Yield (%)	8.1%	8.1%

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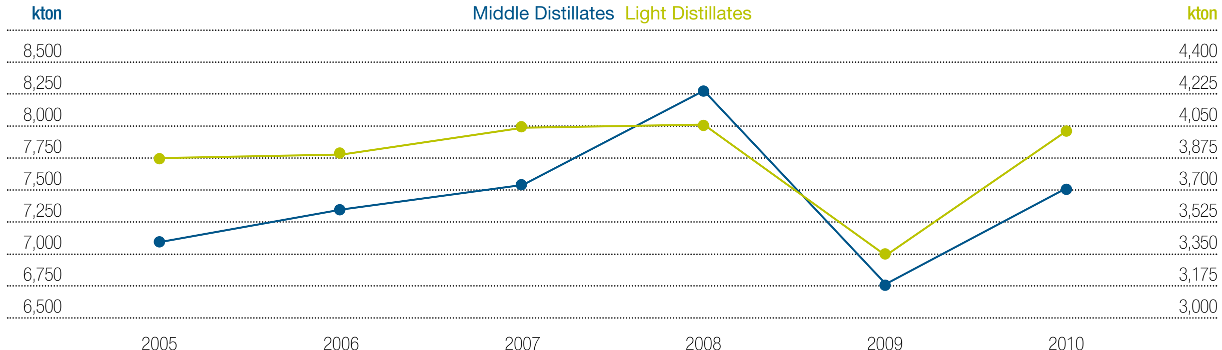
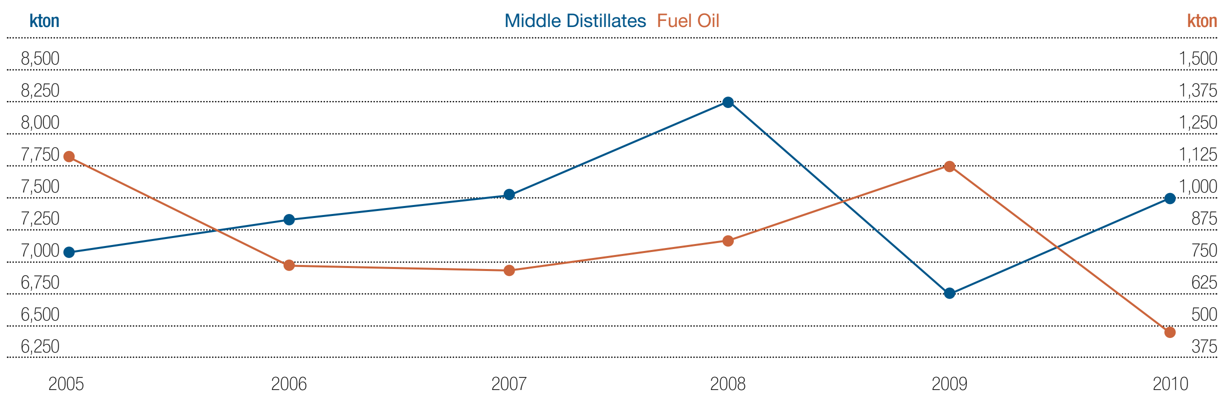
Middle Distillates vs. Light Distillates



Middle Distillates vs. Fuel Oil



Refining margin

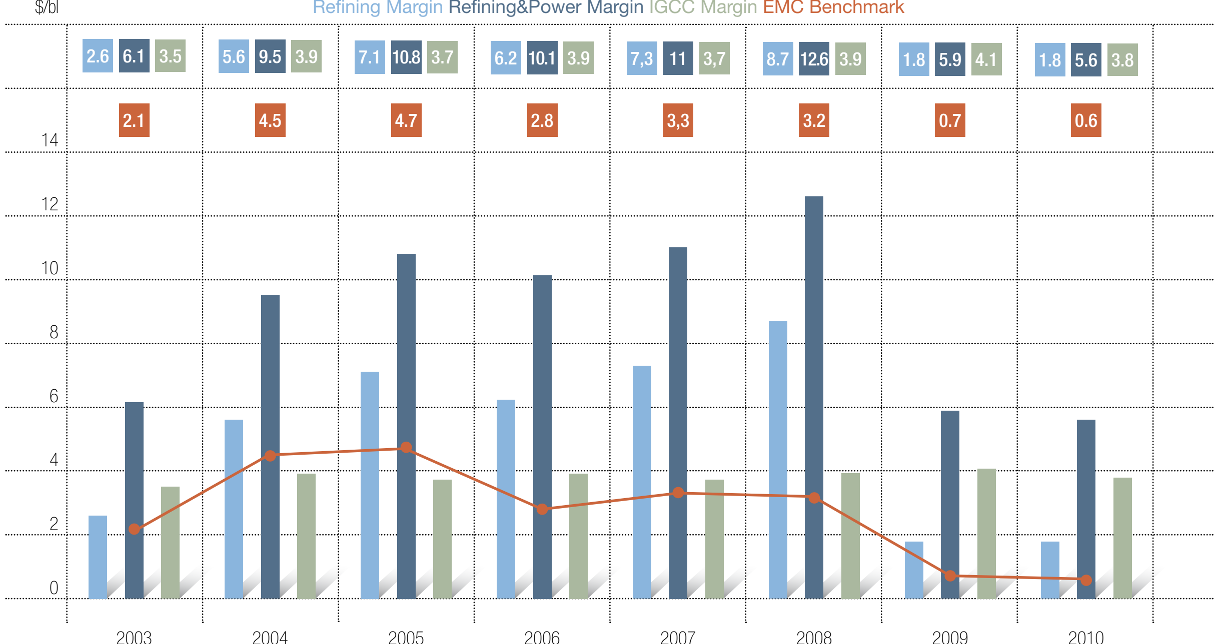
The following graph contains important information related to Saras refining margin and to the premium achieved by Sarroch refinery on top of the EMC benchmark. More specifically, it can be observed that in FY2010 Saras refining margin stood at 1.8 $/bl, exactly in line with the margin achieved in FY 2009. Furthermore, Saras premium above the EMC Benchmark was 1.2 $/bl, only slightly better than the premium of 1.1 $/bl achieved in FY 2009.

The generally depressed level of refining margins was the direct consequence of the unfavourable market conditions, which have been previously discussed in detail, in the charter dedicated to the “Reference Market”. Moreover, the narrow premium that Saras was capable to post on top of the EMC Benchmark margin is due to two factors which continued to happen in 2010, and which did not allow our refinery to take full advantage of its complexity.

Indeed, it should be noted that complex refineries, thanks to the peculiarities of their units of primary distillation, conversion and desulphuration, are capable of processing crude oils of lower quality, such as the “heavy” and “sour” crude oils (with high content of sulphur). Moreover, these refineries can transform the fuel oil in oil products with higher added value, such as the middle distillates (gasoil and kerosene) and the light distillates (gasoline and naphtha).

Obviously, the “complex” refinery configuration is capable of generating returns which depend directly from the “conversion spread” (which is the premium achievable when converting the fuel oil into diesel), and also from the price differential between lower quality (“heavy sour”) and higher quality (“light sweet”) crude oils. With regards to such factors, 2010 (such as 2009) has been characterized once again by a very narrow “heavy-light” price differential (the yearly average was -1.2$/bl), and also an uninspiring “conversion spread” (which averaged at 234 $/ton in FY2010).

Saras: refining margin 2003 - 2010



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

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

EMC Benchmark: margin calculated by EMC (Energy Market Consultants) for a mid-complexity refinery, running 50% Ural and 50% Brent

Main financial data

Comparable EBITDA was EUR -86.8 ml in FY2010, up 16% vs. EUR -103.3 ml in FY 2009. Indeed, even if 2010 proved to be another hard year for refining margins, Saras refinery could successfully achieve an improvement in operational performance, which translated directly in higher refinery availability.

It can also be noted that, during FY2010, the US Dollar strengthened against the Euro. In particular, the 2010 average of the USD/EUR exchange rate stood at 1.326, up 5% versus the 2009 average of 1.395. Such movement brought a positive contribution to the results of the Refining segment, because of the well known exposure of the gross refining margin to the US Dollar.

Finally, FY 2010 CAPEX in the Refining segment stood at EUR 92.5 ml, in line with investment plan for the period, with all detailed explanations available in the chapter specifically dedicated to investments.

EUR Million	2010	2009	Change
EBITDA	(54.4)	78.5	-169%
***Comparable* EBITDA**	**(86.8)**	**(103.3)**	**16%**
EBIT	(161.4)	(17.4)	-828%
***Comparable* EBIT**	**(193.7)**	**(199.2)**	**3%**
CAPEX	**92.5**	**244.4**	
FOREX (EUR/USD)	**1.326**	**1.395**	**-5%**
EMC BENCHMARK MARGIN ($/bl)	**0.6**	**0.7**	
SARAS REFINING MARGIN ($/bl)	**1.8**	**1.8**	

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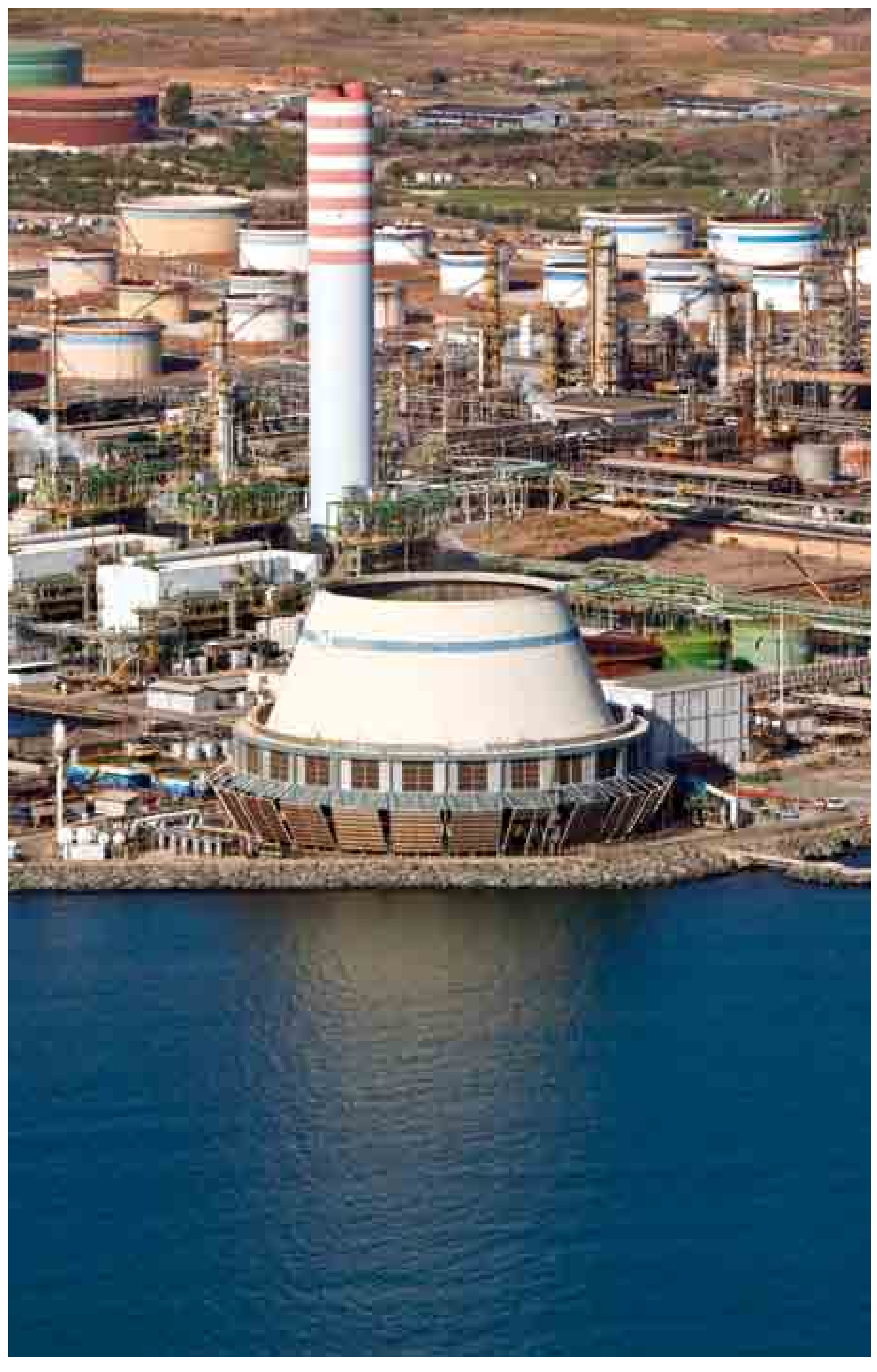

Power Generation

Saras Group is active in the power generation sector, through its subsidiary Sarlux S.r.l., which operates an IGCC (Integrated Gasification Combined Cycle) plant, with a total installed capacity of 575MW, integrated with the Group refinery, and located within the same industrial complex in Sarroch (Sardinia). The IGCC plant used as a feedstock the heavy residues from the refining process, and it transforms them in more than 4 billion kWh/year of electricity, which correspond to more than 30% of the total power consumption in the island of Sardinia.

Reference market

Electricity consumption in Italy in 2010 (including network losses and net of the electricity needed for pumping activities) equaled 326,165 GWh, up 1.8% versus 2009, the highest positive variation from 2007 to date. However, it should be noted that 2009 was characterized by a drastic contraction in energy consumption, expecially from industrial customers, due to the global economic recession, which had a particularly heavy impact in all advanced economies, including Italy.

Leading the increase in demand for electricity was primarily the Lombardy region (+3.0%), the North-West area of the country (Piedmont, Liguria and Valle d'Aosta) with +3.4%, and also the South (excluding islands) which registered the most significant growth with +4.2%. In Triveneto, instead, the increase in electricity demand was much smaller (+1.4%) as well as in Sicily (+1.0%). In the regions of Emilia Romagna and Tuscany (+0.2%) and in Central Italy (Abruzzo, Marche, Lazio, Umbria, Molise) the electricity demand was almost stable, registering -0.1%. Finally, electricity demand dropped slightly (-0.7%) in Sardinia, which represents the reference market for the Saras Group.

In 2010, the electricity demand was met for 68% with thermoelectric production, for 15% with hydroelectric production, for 4% with other renewable sources (geothermal, wind power and photovoltaic production), and for the remaining 13% with the import of electricity from foreign countries.

More in details, the net national production was equal to 286,531 GWh, up by 2.8% versus 2009 (281,107 GWh). To this production, CIP6/92 plants contributed for 36.939 GWh, which is approximately 17% of the total. However, it is of relevance to note that this contribution has been lower by approximately 16% versus 2009.

Summary of the main financial and operational results

Also in 2010, the gasification and power generation plant operated by our subsidiary Sarlux S.r.l. confirmed its crucial role within the Sarroch industrial site. Indeed, besides being a very

Yearly average Values [12]		2010	2009
Italian total Power Demand	GWh	326,165	320,268
Import	GWh	43,944	44,959
Internal Production[13]	GWh	286,531	281,107
Of which: Thermoelectrical	GWh	222,157	216,087
Of which: CIP6/92	GWh	36,939	44,011
National Electricity Tariff (PUN)	EURcent/KWh	6.41	6.37

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

13. Production net of consumption for auxiliary services

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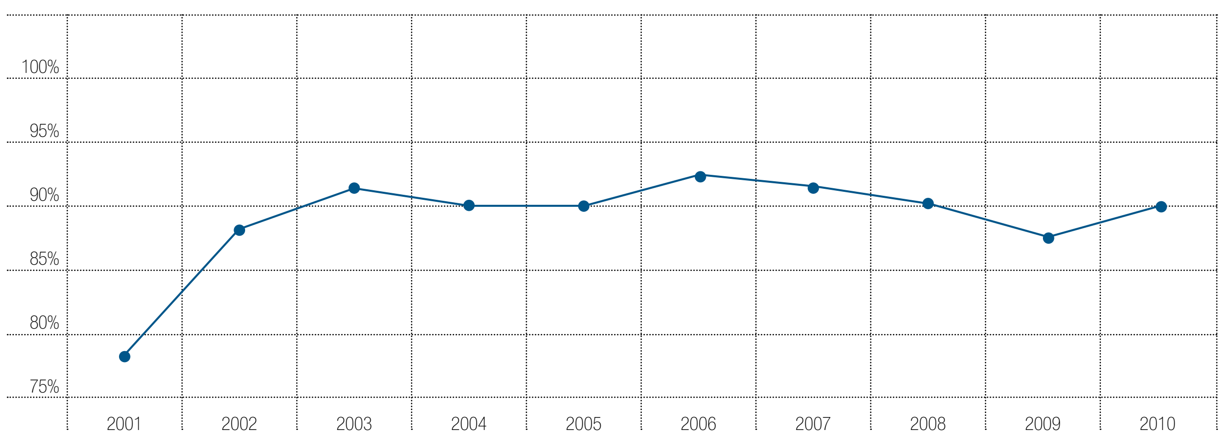
large producer of electricity, the Sarlux plant is also one of the fundamental conversion units of the refinery and, at the same time, it is the most important utility of our industrial site, because it provides high volumes of hydrogen to the "hydrocracking" and "hydrotreating" units of the refinery,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

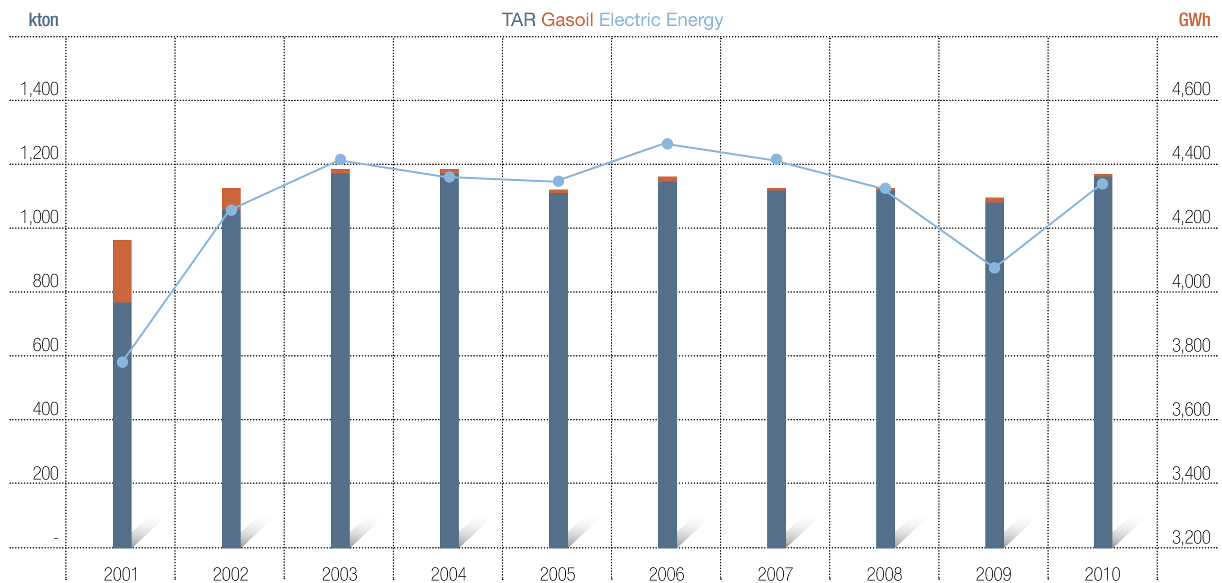
The process of gasification of the heavy residues of the refining process, and the subsequent generation of electricity using trains of combined cycle steam and gas turbines (IGCC) has great stability and efficiency. In particular, after the initial start-up and consolidation phases, which took place in 2001 and 2002, the service factor remained stable above 90% - an excellent value for this kind of plants.

More specifically, also in 2010 the service factor was equal to 90%. This result derives from a perfect operational performance of the plant, as well as from the completion of all scheduled maintenance activities for 2010 perfectly in line with the plans.

Service Factor of Power Generation



Power production & IGCC feedstock



As usual, 2010 maintenance involved two of the three parallel trains of “Gasifier - Turbine”.

The high service factor allowed the IGCC plant to achieve a power production of 4.337 TWh, up 7% vs. FY 2009 figures. Moreover, it is important to notice that the use of gasoil in the turbines was strictly limited to the transition phases related to the transitory phases related to the planned maintenance. On the contrary, power generation under standard operating conditions was achieved using solely synthetic gas (syngas), obtained from the gasification of the heavy hydrocarbons coming from the refinery. This is a further confirmation of the stability and efficiency of the process.

Main financial data

Comparable EBITDA in FY 2010 was EUR 200.4 ml, up 9% vs. FY 2009, primarily because of higher sales of Hydrogen and Steam (for approx. EUR 13 ml), whose revenues are not subject to the IFRS equalization procedure. More specifically, in FY 2009 the lower sales were due to a combination of lower requirements from the refinery (while it was undergoing an heavy maintenance cycle), as well as reduced production due to some technical issues in the IGCC plant.

Italian GAAP EBITDA in FY 2010 was EUR 143.4 ml, down 6% versus FY 2009. The slightly lower result can be primarily explained when considering that the “incentive” component of the CIP6/92 tariff expired in April 2009, hence reducing FY 2010 Italian GAAP EBITDA by approx. EUR 40 ml. Consequently, the average value of the total CIP6/92 power tariff in FY 2010, came down by 6% versus the previous year (9.5 EURcent/kWh in FY 2010, vs. 10.1 EURcent/kWh in FY 2009). On the other hand, FY 2010 results could benefit from higher production of electricity (+7% vs. same period last year), and also from a “one-off” pre-tax gain of approx. EUR 23 ml in Q2/10, due to the final determination of the adjustment value of the “fuel component” of the CIP6/92 tariff for the year 2009 (as ratified by the Ministry for Economic Development in July 2010).

It should be noted that, on the 15th September 2010, Sarlux S.r.l. proceeded with the early repayment of the residual loans of EUR 32 ml and EUR 47 ml, respectively due to E.I.B. (European Investment Bank) and to Banca Intesa San Paolo S.p.A., taken out on the 29th November 1996, for a total original amount of EUR 960 ml. The repayment of these loans resulted in the cancellation of the obligations, guarantees and covenants required by the contracts.

Italian GAAP principles require to include in the value of the intangible assets, also the cost of the accessory obligations on the loans, which need to be amortised during the duration of such loans. Therefore, following the above mentioned early repayment of the loans, the residual cost of such accessory obligations has been completely expensed in Q3/10. This led to a decrease of approximately EUR 18 ml on the Italian GAAP EBIT result of the period. By contrast, IFRS principles require to expense part of such costs at the same time when they were incurred.

CAPEX in FY 2010 was EUR 10.3 ml, according to the investment plan for the year.

EUR Million		2010	2009	Change
EBITDA		200.4	184.5	9%
Comparable EBITDA		200.4	184.5	9%
EBIT		123.3	107.7	14%
Comparable EBIT		123.3	107.7	14%
EBITDA ITALIAN GAAP		143.4	152.5	-6%
EBIT ITALIAN GAAP		72.4	95.9	-25%
NET RESULT ITALIAN GAAP		43.4	54.2	-20%
CAPEX		10.3	12.4	
ELECTRICITY PRODUCTION	MWh/1000	4,337	4,066	7%
ELECTRIC TARIFF	EURcent/KWh	9.5	10.1	-6%
IGCC MARGIN	$/bl	3.8	4.1	-7%

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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 manages 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 in the central and northern part of the Italian peninsula (Livorno, Ravenna, Sannazzaro, Fiorenzuola, Marghera, 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. Saras Energia also uses oil terminals in other Spanish provinces (owned by operators like Decal, Tepsa and CLH), in order to distribute our products in the entire Iberia. Saras Energia manages also a retail network composed of 124 service stations (of which 88 fully owned and other 36 on a long term lease), located primarily along the Spanish Mediterranean coast. Finally, operated and managed by Saras Energia, there is also a first generation Biodiesel plant, with a capacity of 200.000 tons/year, perfectly integrated with the existing logistic.

Reference market

The challenging economic conditions witnessed during 2010 in Spain and Italy, led to a contraction in total oil products consumption in these countries, where our Marketing sales are localised.

In particular, the Spanish market posted a 5.6% decrease in gasoline demand vs. FY 2009, and a further 0.2% contraction for middle distillates (split as –0.4% for diesel, and +0.6% for heating oil and agricultural gasoil). Furthermore, in the Italian market, total demand for oil products in FY2010 decreased by 2.4% vs. FY 2009. Gasoline was down by 4.8%, while total middle distillates were down by 0.5% (with a split of -1.3% for wholesale automotive diesel, compensated by a +1.0% of retail transportation diesel; a -4.8% for heating oil, and a -4.9% for agricultural gasoil).

Summary of the main financial and operational results

In the above mentioned difficult market, Saras Energia chose a strategy aimed at optimizing sales channels,

		2010	2009	Change
TOTAL SALES	Thousand tons	4,266	3,972	7%
Italy	Thousand tons	1,731	1,239	40%
Spain	Thousand tons	2,535	2,733	-7%

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EUR Million	2010	2009	Change
EBITDA	54.8	57.6	-5%
Comparable EBITDA	**12.9**	**35.1**	**-63%**
EBIT	42.6	48.5	-12%
Comparable EBIT	**0.7**	**26.0**	**-97%**
CAPEX	**5.1**	**56.6**	

in order to protect margins at reasonable levels. In practical terms, our Spanish subsidiary reduced bulk sales towards commercial operators and major oil companies, while at the same time it increased sales towards more profitable channels (i.e. unbranded service stations, small retail operators, etc.). In absolute terms, sale volumes decreased by approx. 7% (2,535 ktons in FY 2010, versus 2,733 in FY 2009). More specifically, sales of middle distillates went down by 6.5% vs. FY 2009 (split as -4.8% for automotive diesel, and -12.3% for heating and agricultural gasoil), and also sales of gasoline contracted by 12.3%.

Despite the uninspiring scenario, sales of Arcola Petrolifera in Italy were up 39.7% in FY 2010 (at 1,731 ktons), thanks to significant growth of direct sales in the Sardinian market. More in detail, gasoline sales went up by 137.8%, transportation diesel went up by 29.9%, while sales of other gasoil were down by 17.0%, vs. same period last year. Notwithstanding a weak start in Q1/10, due to seasonality effects, gross margins went back up to healthy levels during the rest of the year, and overall FY 2010 gross unit margin was up by approx. 11% vs. FY 2009.

Main financial data

Comparable EBITDA was EUR 12.9 ml in FY 2010, vs. EUR 35.1 ml in FY 2009. The large difference between the periods is mainly related to the effect on oil products inventories' evaluation, deriving from the operational need to increase inventory levels during Q4/10. While this effect could revert in the following quarters, the Q4/10 EBITDA suffered an impact of approx. EUR -7 ml. Moreover, 2010 results were further penalised by a write off for bad debts worth approx. EUR 5 ml, and accounted for entirely in Q4/10 figures. Finally, the biodiesel plant did not provide support to the above results, due to the high cost of feedstock throughout the year, which has been depressing the margins.

CAPEX in FY 2010 was EUR 5.1 ml, in line with the investment plan for the period.

Wind Power

The Saras Group has been active in power production from renewable sources since 2005 through its subsidiary Parchi Eolici Ulassai S.r.l which wholly owns Sardeolica S.r.l.

Located in the Municipality of Ulassai (OG) in the Eastern-central area of Sardinia, the wind farm is fruit of a decade of experience of Saras Group in the energy sector, above all in efficiency and environmental sustainability.

Wind energy is considered to be a renewable source, truly the most competitive with traditional sources. One of the advantages derived from the installation of a wind energy system lies in its reversibility. In fact, at the end of the production cycle, they can be disassembled and the previously existing system can be restored.

The production area of the Wind Farm realised by Sardeolica in the territory of the Ulassai Municipality has a surface area of about 2,900 hectares, but the area effectively occupied by the system is less than 1% of the allowable area.

The park consists of 48 Vestas V80 wind turbines. During 2010 were installed further six turbines as provided by the original project.
Moreover, in the latter part of the year the Sardinia Region has awarded Sardeolica with the license "*Autorizzazione Unica*" allowing the increase of the power plant from 72 MW to 96 MW: the new setup, which includes the installation of a third stall of transformation and changes to the software management system of wind turbines, will be completed by mid 2011.

The system also includes a MV/HV (medium voltage/high voltage) electrical substation and a connection to the existing National Transmission Grid (NTG) at a voltage of 150 kV.

Operating at full capacity the Ulassai Wind Park will produce approximately 190 GWh per year, equivalent to the annual needs of about 65,000 households, representing about 12% of installed wind power capacity in Sardinia, and about 2% of wind power installed in Italy (data as of December 2010, the total wind capacity in Italy has reached 5,797 MW).

The power that the wind farm produces is introduced directly into the National Transmission Grid and sold to the Power Supply Company under the terms and conditions set forth in the agreement drafted by the Italian Electricity and Gas Authority. This agreement has a duration of one year and can be renewed from year to year. At the same time, the plant benefits green certificates for 15 years from the date of the start up.
The Ulassai wind farm is located in one of the windiest areas of the region. These conditions allow power production during most of the year at an higher average compared to the national production.

In 2010 production was 175,934 MWh, bringing the total power production by the commission to more than 854,000 MWh and confirming the estimates of expected production. The excellent result achieved in 2010, exceeding forecasts by more than 11%, is due to good wind conditions recorded over the past year.

As an example, the power produced in 2010 by Ulassai Wind Park corresponds to the annual energy requirements of over 58 thousands families.

The production of wind energy in the 2005-2010 period can be translated into savings of about 530,000 barrels of oil and corresponds to over 707,000 tons of CO_2 avoided emissions.

The Ulassai site contributes significantly to the production of wind energy in Sardinia with about 15% of the production realised in the region during our Wind Farm's period of activity (value reported in December 2010).

Environmental certification ISO 14001:2004

Since the entry into operation of the Ulassai Wind Park, Sardeolica con-

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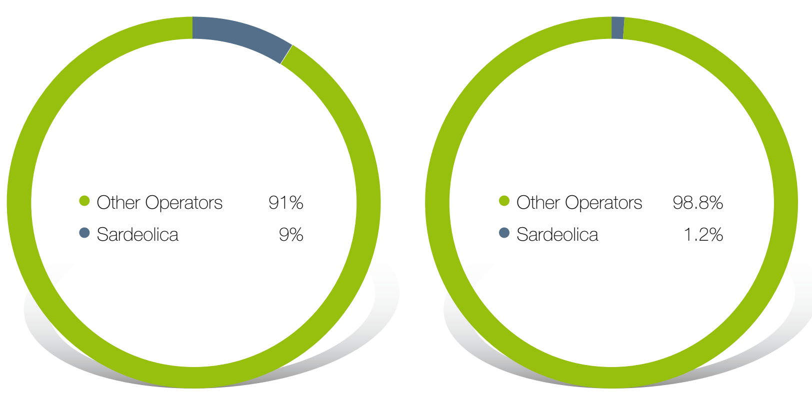


INSTALLED WIND POWER IN SARDINIA: 800 MW

INSTALLED WIND POWER IN ITALY: 5.797 MW

Production August 2005 - December 2010 [MWh]	Equivalent families[14]	TEP15 “saved”	Barrels of oil[14] “saved”
854,022,1	284,674	72,993.3	532,851

Production August 2005 - December 2010 [MWh]	Polluting	Specific emissions[16] [kg/MWh]	Emissions avoided [t]
854.022,1	**CO_2**	**828**	**707,130.3**
	SO_2	**3.8**	**3,245.3**
	NOX	**1.9**	**1,622.6**

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

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

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

sidered important to have an Environmental Management System aimed to achieve continuous improvement of the various environmental aspects: energy consumption, use of water resources and auxiliary materials, waste generation and preventing and reducing any pollution. Since 2006 Sardeolica has achieved certification of its Environmental Management System (EMS) according to international standard ISO 14001:2004, certification renewed in July 2009 positively. As provided in the monitoring activities by the independent certification, the Lloyd's Register Quality Assurance, an annual surveillance visits are made by the same body.

Since March 2006, the company environmental policy has been shared with all employees, which contains the guiding principles and commitments of Sardeolica environmental management, and thereafter the development of procedures for the implementation of the Environmental Management System (EMS) suggesting actions and behaviours for all company personnel.

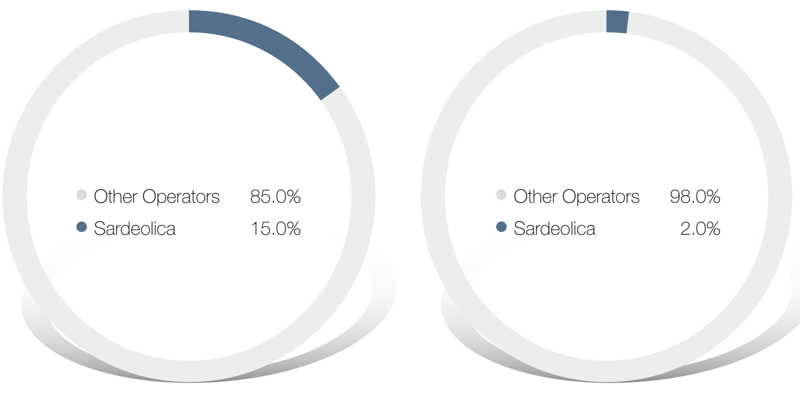
IT security

With a perspective of continuous improvement, also in 2010 continued the activities aimed to improve and increase the efficiency of IT systems, in particular with two assessment on industrial security of information systems and physical infrastructure and subservient to the Park.

Relationship with the territory

With regards to the social impact of the Wind Park on the area, Sardeolica employs 25 workers, mostly young graduates of Ulassai or its immediate vicinity, engaged in the exercise and maintenance of equipment, supervising technical and operational, in environmental monitoring, particularly in related to the Company's Management System and administration, purchasing and procurement. They were also trained design engineers for the studies, feasibility analysis, development and construction of new wind farms, as a support to other companies of Saras Group.

This figure is particularly important because, with this initiative,



WIND ENERGY PRODUCTION IN SARDINIA: DECEMBER 2010

WIND ENERGY PRODUCTION IN ITALY: DECEMBER 2010

EUR Million	FY 2010	FY 2009	var %
EBITDA	21.2	21.0	1%
***Comparable* EBITDA**	**21.2**	**21.0**	**1%**
EBIT	11.8	12.1	-2%
***Comparable* EBIT**	**11.8**	**12.1**	**-2%**
CAPEX	**14.9**	**0.3**	

		FY 2010	FY 2009	var %
ELECTRICITY PRODUCTION	MWh	175,934	155,970	13%
POWER TARIFF	EURcent/KWh	6.9	7.0	-2%
GREEN CERTIFICATES	EURcent/KWh	8.0	8.7	-8%

we created a working Group with advanced technical skills-oriented industry, in an area with a predominantly agro-pastoral vocation, affected by high rates of unemployment and emigration. Among other things, a positive economic impact should be highlighted in terms of increased activity related to the supply of maintenance, catering and tourism (induced employment).

Also in 2010 the park was the subject of many visits by schoolchildren, groups and occasional tourists. They were also hosted, for a short stage, 15 students in a course of higher education for environmental experts financed by the Sardinia Region.

Summary of the main financial and operational results

In FY 2010 the Ulassai wind park posted a strong set of results, with *comparable* EBITDA at EUR 21.2 ml, up 1% vs. FY 2009, thanks to remarkably higher production of electricity (+13%), which more than offset the lower value of the Green Certificates. Moreover, FY 2009 EBITDA received a boost of approx. EUR 1.3 ml from the higher value realized in the sales of Green Certificates related to the year 2008.

Electricity production in FY 2010 stood at 175,934 MWh (up 13% versus the 155,970 MWh produced in FY 2009), due to favourable wind conditions in the first and the fourth quarter of 2010, which more than offset the seasonally lower production in the remaining periods of the year.

The average price of Green Certificates in FY 2010 stood at 8.0 EURcent/kWh (down 8% vs. FY 2009), while the power tariff remained almost unchanged at 6.9 EURcent/kWh (down 2% vs. FY 2009), reflecting a modest demand for electricity in the Italian market, amid still ailing economic conditions throughout 2010.

CAPEX in FY 2010 were EUR 14.9 ml, mainly allocated during Q2 and Q3/10, in order to complete the Ulassai wind park, by installing 6 new aero-generators model "Vestas V80", each one with a nominal capacity of 2MW.

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Other activities: Akhela e Sartec

Akhela: another year of growth in 2010

Akhela is an ICT (Information & Communication Technology) company that has always stood apart for its provision of high-quality services, combined with the most cutting-edge technologies, such as:

- security and datacenter automation services with a focus on the availability, flexibility and efficiency of IT systems;
- solutions aimed at optimizing data and information management through the use of business intelligence and knowledge management technologies;
- complex IT system design services.

In 2010 the ICT Italian Market has continued the trend of negative growth, the latest estimates show a decline of 2% over the previous year (Source SIRMI).

In contrast to this market scenario Akhela, has confirmed the Company expectations, increasing the results in terms of turnover (+15% compared to 2009) which stood at around 24 million Eur.

Among the main factors which have impacted positively on 2010 results the strengthening of the relationship with some major customers, the company's expansion activities in the international markets, and the

+15%
2010 increase
in revenues vs. 2009

know-how combined with the ability to grasp early trends in the market.

Of this framework is also part the opening of the branch in Maranello, which represented a turning point in relations with a major automotive company, while also allowing the expansion of business opportunities through the territorial presence in central Italy.

In the course of the year was also significant the growth enjoyed in the automotive market through the development of components for infotainment inside the car, especially in the French and German markets: an increase in turnover of more than 70% compared to the previous year.

The Finance sector has grown both through the completion of the acquisition of Artemide Information Technology (now owned 100%), and with the development of new projects, compared to those undertaken in the international market (Ukraine) last year. During the year, in this segment were acquired new customers, particularly in the context of application and physical security.

The year 2010 also saw the entry of Akhela in two new areas of supply, which now turned out to be interesting in terms of business results.

One is the segment of the High Performance Computing, a sector that is increasingly attracting the interest of both Hardware and Software vendors, to meet the demand of huge computing power needs, especially requested from customers in the financial sector and industrial complex, more generally by all those who need to develop simulation models with respect to different possible scenarios of alternative realities.
Akhela has initiated several projects with clients in the European Union through a partnership with Microsoft, and the thanks to the ability of the company in the field of managing complex IT infrastructures.

During the year, has been recorded a strong growth of interest from the market including mobile communications applications. The enormous success of the new generation of smartphones and the new tablet PCs, has led to a growing demand for applications to improve productivity in the workplace and no longer confined to just an "end user environment".

Akhela, took this new market demand, and has now developed several applications in both the end user and in a business environment, by exploiting his knowledge of several development platforms on the market today (Apple and Android mainly).

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Saras Ricerche e Tecnologie – SARTEC, innovation for improvement

SARTEC, 100% controlled by Saras, is a Group company that offers support and consultancy to improve industrial performances.
SARTEC provides a wide range of products and solutions for the oil, petrochemical, energy industries in the following fields:

- environmental protection (environmental engineering, environmental analysis systems, analytical and monitoring services);
- industrial efficiency and energy saving (plant engineering and automation solutions, process control, consultancy in the refinery sector, ESCO (Energy Service Company) solutions for energy efficiency);
- industrial safety and reliability (safety system engineering, alarm rationalization, PED, ATEX, Machines Directives compliance assessments).

During 2010 production was affected by the severe market conditions, with a decrease of 23% compared to 2009. The decrease mainly concerned the activities for the parent Company which, in absolute terms, decreased by about 5 M EUR. The decrease in the non-captive market was 0.4 M EUR.
The turnover reduction was accompanied by a decrease in direct costs and a policy of careful control of indirect and G&A costs. This policy resulted in a saving, proportional to the turnover reduction, confirming the Company ability to reach higher margins and added value creation, confronting the negative trend of the market.

The portfolio activities for the Group (approximately 80% of total turnover) remained focused on services and support in environmental protection, plant and automation engineering, process control. During the year, SARTEC continued the "characterization" of the refinery site (qualitative and quantitative analysis of soils and groundwater), monitoring and preserving groundwater activities, fugitive emission and air quality monitoring, consultancy and support for AIA (IPPC) compliance.

SARTEC also carried out specialized studies on refinery process modelling, analysis of crudes, intermediates and finished products and pilot plant tests of refining catalysts.

The remaining 20% of the portfolio activities has been devoted to non-captive market. During 2010, the Company has made a commitment to target business expansion, both in domestic and overseas markets.
Throughout the Country, some opportunities for environmental activities (characterization of industrial sites and consultancy for permitting) and industrial solutions (proprietary products such as sampling devices, tank bottom drainage valves and tank roof drainage systems, multipoint monitoring pollutant analyzers in ATEX classified areas to improve safety of maintenance operations in confined areas) have been identified and practiced.

On the foreign market, the contacts, made in collaboration with business partners, have already generated various processes of technical qualification, successfully passed (e.g. in Groups of refining in Russia, Turkey and Iraq) and cooperation requirements. The company also signed a cooperation agreement with the Department of Natural Resources and Environmental Control State Krasnodovar / Russia, against which were issued two bids for a mobile laboratory supply and an environmental monitoring system for an industrial site.

In 2010 SARTEC enforced scientific collaborations with academic institutions on research and development, through which Sartec continually enriches the knowledge growth for its resources. In particular, in addition to numerous training for undergraduates in chemical engineering, SARTEC, also, financed two scholarships for PhD studies on catalysts for hydroprocessing plants and innovative analytical techniques for the study of crudes and petroleum distillates. The collaboration with the University of Cagliari for the study of a prototype to measure the temperature of the torch continued.

Financial Data Other Activities

EUR million	**2010**	**2009**	**Change%**
EBITDA	1.5	3.9	-62%
***comparable* EBITDA**	**1.5**	**3.9**	**-62%**
EBIT	(0.2)	1.5	-113%
***comparable* EBIT**	**(0.2)**	**1.5**	**-113%**
CAPEX	**6.2**	**3.3**	

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Net Financial Position

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On 31st December 2010, the Group Net Financial Position was negative by EUR 560 ml, improved versus the negative figure of EUR 644 ml on 30th September 2010, and substantially in line with the position as of 31st December 2009, which was negative by EUR 533 ml. The year on year change in NFP can be explained primarily by the negative cashflow for the CAPEX of the period (EUR 129 ml), almost entirely compensated by the positive cashflow from operations (EUR 102 ml, related to a decrease in working capital requirements, as well as self-financing from provisions for depreciation and amortisation).

Once again, despite the continued unfavourable conditions for refining margins, Saras Group demonstrated to be capable of retaining a very tight control on debt levels, and of keeping leverage within an absolutely safe range.

EUR million	**FY 2010**	**FY 2009**
Medium/long term bank loans	(234)	(290)
Bonds	(248)	
Total long term net financial position	**(482)**	**(290)**
Short term bank loans	(8)	(70)
Bank overdrafts	(155)	(276)
Other short term financial liabilities		(31)
Change in derivatives fair value	(25)	1
Other financial assets held for trading	29	21
Cash and cash equivalents	81	111
Total short term net financial position	**(78)**	**(244)**
Total net financial position	**(560)**	**(533)**

Strategy

Saras Group strategy has always been oriented towards the continuous technological development of its units in the Sarroch industrial site. The investment projects dedicated to the above mentioned process of organic growth allowed Saras to become one of the leading operators in the Mediterranean Sea, with highly flexible, efficient and complex units.

Obviously, given the highly "*capital intensive*" nature of the refining business, all investment decisions and strategic plans have always been developed and evaluated on long term horizons, in order to adequately consider the influence of the fundamental factors, which will drive the future evolution of oil products demand.

Following this logic, the Saras Group matured a strong convincement that the profitability of its refinery will be progressively more and more dependent on operational efficiency, asset productivity, conversion capacity of the heavy oils in middle and light distillates, as well as the achievement of a constantly higher degree of energy efficiency, which become of greater importance in a context of growing crude oil prices.

Therefore, considering the above, the Saras Group lauched between the end of 2009 and the start of 2010, a specific programme of "asset management", with the support of world class consultants, aimed at increasing asset integrity (ie. maintenance policies both for standard and turn-around activities), asset efficiency (to optimize consumption and losses) and asset effectiveness (ie. Productivity).

The above asset management programme, called "Project Focus", has already achieved some important results in 2010, improving production efficiency, availability of various refinery units, and reducing some costs, in line with initial expectations. Looking forward, in 2011, "Project Focus" is expected to deliver further results, which are presently quantifiable in approx. EUR 20 ÷ 30 ml from efficiency gains and asset productivity, and further EUR 10 ÷ 15 ml from cost reductions.

In the Marketing segment, with the aim to increase its Italian wholesale business, the Saras Group recently signed a new contract for storage and transit with a tank farm operator in Southern Italy. Moreover, the Group continues to pursue its previously announced strategy of expanding in the Spanish retail segment, considering opportunities which could create meaningful synergies.

In the Wind segment, between the second and third quarter of 2010, the Saras Group completed the construction work of 6 new aero-generators in the Ulassai wind farm. Therefore, pending completion of some other minor work which is currently under way, the Ulassai wind park will achieve the full capacity of 96MW, during second quarter of 2011. We will also proceed with the development of several other projects in our pipeline, both in Italy and abroad.

Finally, regarding gas exploration activities, following the encouraging results achieved during the seismic testing carried out during 2010, the Saras Group has now determined the optimal locations for the first exploration wells, and is now taking steps towards starting drilling activities.

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Investments completed in 2010 and future developments

In 2010 capital expenditures totalled EUR 129 ml, with the split detailed in the following table. This represents a significative reduction versus the programme completed in 2009, and it is a consequence of the decision to achieve a accurate synchronisation of our mid-term strategic plan, with the contingent macroeconomic situation which, in its uncertainty, induced us to adopt a prudent approach in 2010, aimed at preserving a balanced financial position.

In particular, during 2010 the following projects have been completed in the Refining segment:

- **Revamping of the MildHydroCracking2 unit (MHC2)**: in March 2010, the "third reactor" has been completely assembled in the field. This equipment represents the heart of the revamping activities of the MHC2 and, as soon as the tie-ins will be completed and become operational, it will deliver a significant increment of both capacity and conversion. Furthermore, engineering activities for all the various revamping actions have been mostly completed, and progress has been made with the construction work of the foundations for the new units. Finally, during the entire 2011, there will be the assembly process for other main items, and the prefabrication of the piping systems.

- **Revamping of the Visbreaking unit (VSB)**: front-end engineering activities have been completed, based on the "best in class" technologies, as available to date. Moreover, the new compressors of the VSB unit are now completely built and available in the factory. When these new equipments will be installed and operational, they will provide a fundamental contribution to improve the plant reliability, and they will also deliver a capacity upgrade for the gas recovery section.

- **Energy recovery projects**. A series of thermal integration projects, aimed at energy recovery inside the FCC unit, have been completed in 2010 and are now generating savings for approximately 40,000 tons/year of fuel oil. Considering the currently high crude oil prices, the above projects become of even greater relevance.

EUR Million	FY 2010	FY 2009
REFINING	92.5	244.4
POWER GENERATION	10.3	12.4
MARKETING	5.1	56.6
WIND	14.9	0.3
OTHER ACTIVITIES	6.2	3.3
Total	**129.0**	**317.0**

- **Logistic improvements of the refinery to enhance transfer of Biodiesel**: in 2010 we completed the logistic facilities required to receive ships dedicated to the transport of Biodiesel, with maximum deadweight of 40,000 tons, in order to achieve greater synergies with our plant in Cartagena. Furthermore, we allocated specific tanks and piping for the transfer and stocking of Biodiesel produced from palm oil, and we completed construction of the necessary structures of interconnection.

- **New Steam Reforming unit**: detail engineering activities are in progress. Moreover, it has been completed the construction of the elements of the reaction furnace, as well as of the gas purification section.

In the Power Generation segment, FY2010 capital expenditures were approximately EUR 10 ml, related mainly to the completion of the maintenance operations carried out on the sea water filtering system, and also to some technological enhancements for the cooling water tower, and to the updating of the DCS system for the automation of the IGCC plant (in particular, the installation of new consoles and a new dedicated software).
Finally, in the Wind segment, during the second and third quarter of 2010, the Saras Group made investments for approximately EUR 15 ml, for the repowering project of the Ulassai wind park, with the installation of 6 new aerogenerators, model “Vestas V80”, in line with the park layout originally approved. These capital expenditures represent a fundamental step to bring the installed capacity up to 96MW, to be achieved already during the second quarter of 2011, as soon as some final minor activities will be completed (small construction works, the installation of a MT/AT transformer and all the relevant electrical connections).

The projects mentioned here above represent an integral part of the Saras growth strategy, and they are core milestones for the achievement of the mid/long term objectives of the Group.

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Human resources

Saras has set itself the challenge of being one of the best and most efficient operators of the sector, in order to successfully compete in a market undergoing significant change.
We understand that the integrity, energy and innovative drive of staff working within the Group are a fundamental resource to meet the ambitious objectives we have set for the next few years.
We also know that guiding the processes of change, facilitating the assimilation and appropriation of new organisational paradigms and bringing operational models into line with the Group's strategic objectives are priorities for Human Resources and Organisation.

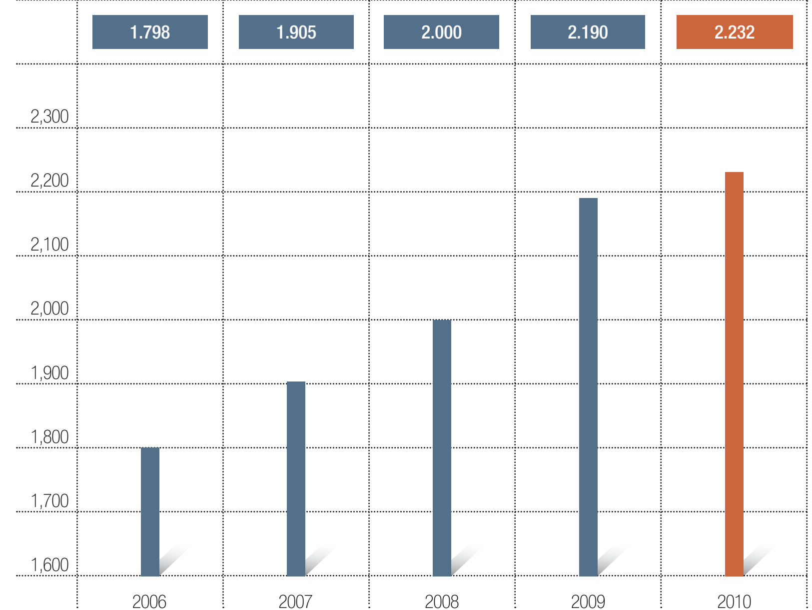
In 2010, all this was implemented through a series of integrated measures, including:

- the representation and sharing, with the company management, of the values, guiding principles and responsibilities that relate to the organisation in the management of change, launched with the "Focus" and "Safety is our Energy" projects;
- the alignment of human resource management and development processes and systems with the new operational model adopted to increase efficiency and reduce costs, as required by the changing competitive environment;
- the support and co-ordination of activities to analyse and redefine the organisation of the refinery, with a view to maximising the effective use of resources available and increasing efficiency.

41 years
The average age
of Group employees

It was an opportunity for HR to act as an important lever and support in relation to the main phenomena of change, confirming its role of stimulating and facilitating company strategy development processes, in accordance with the values and potential expressed by the organisation.
All this took place against a backdrop of continued stable employment, thereby

Trend in Saras Group headcount



guaranteeing the normal turnover of operational resources, the period of shadowing to enable new hires to acquire the capacities required by their roles, and the expansion of company competences thanks to the regular insertion of staff with specific professional skills or potential skills to be developed.

40,000
training hours

Pay policies

Management pay components

Fixed gross annual pay is set by the national collective agreement for industrial managers. This pay may be supplemented by additional benefits and a variable component. The variable portion is established with reference to the strategic objectives and financial results according to an MBO (Management By Objectives) system. In 2010, the employee share plan and the stock grant plan remained in place, in accordance with the approval granted by the shareholders' meeting in April 2010.

Non-management staff pay components

Fixed gross annual pay is set by the applicable CCNL (National Collective Labour Agreement). This pay may be supplemented by additional benefits and a variable component.

The variable component of middle managers' pay is set using an MBO system, with reference to strategic objectives and financial results. In addition, the shareholders' meeting held in April 2010 approved the three-year employee share plan for the entire workforce.

Finally, note that more than 95% of the workforce was employed on permanent contracts.

Breakdown of Saras Group employees

	manual workers	specialised workers	middle managers	managers
%	33%	51%	13%	3%

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Organisational development

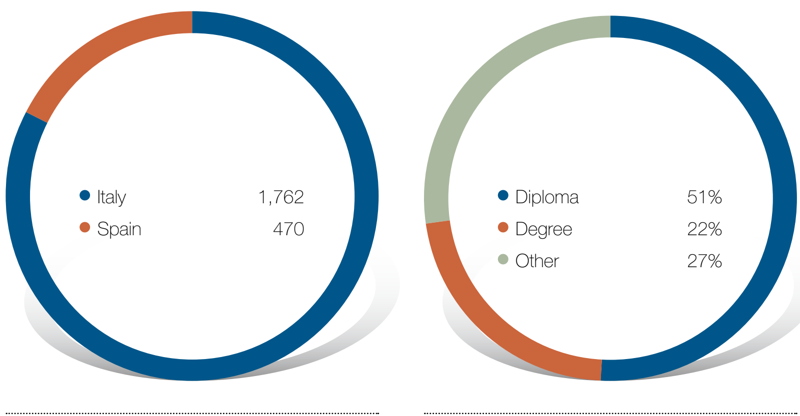
The Focus programme was launched in early 2010 to maximise the plants' availability, reliability, efficiency and productivity over the long term, through more efficient processes supported by new organisational and conduct models, in order to guarantee Saras' competitiveness and future sustainability.
Given the range of issues dealt with over a number of sectors, the programme required the substantial involvement of much of the company workforce, from different levels and departments.

To better manage the complexity of the programme, mainly focused on process, organisation and conduct issues, the Human Resources and Organisation department was entrusted with Programme Management.

Activities relating to human resources, in terms of change management, communication, involvement and training, all with a view to changing behaviour and competencies, have been and continue to be of particular significance. These issues have become even more central following the introduction of the new organisational model, which responds to the objective of improving company performance, focusing on the management of assets, and is inspired by the principles of ownership, clarity in responsibility and accountability for results.

A further area of activity resulting from the required cultural change concerned the updating of the MBO system, which has been redesigned to meet the double objective of spreading the results-focused culture and fostering management responsibility in the process of involving and motivating the entire organisation.

Short surveys of the entire workforce were conducted to monitor the climate and motivation in respect of the changes made. A comparison of these with the results of a questionnaire conducted during the launch of the programme enabled confidence in the project and the effectiveness of the initiatives undertaken since to be measured.



Employees by geographical area

Level of education

Culture and conduct

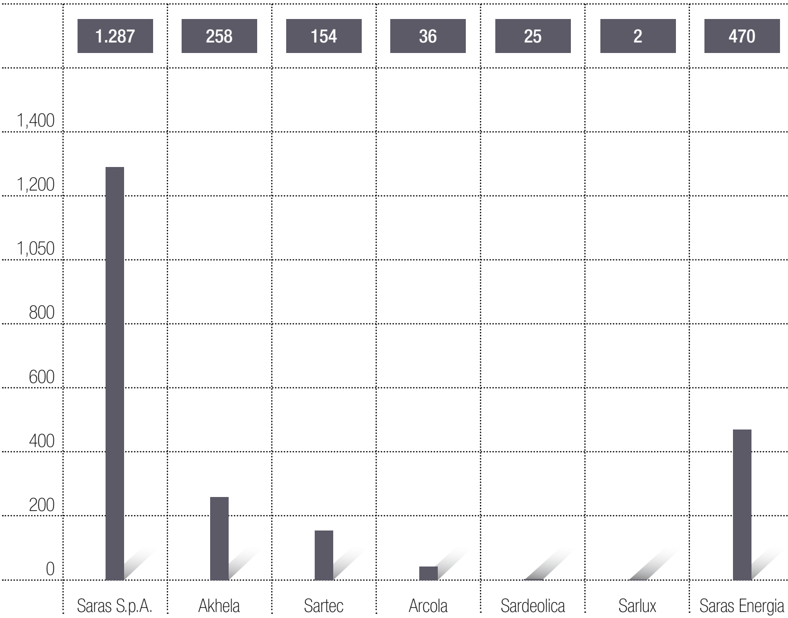
As we have already mentioned, in 2010 Saras focused in particular on developing certain programmes, such as “Purpose”, “Focus” and “Safety is our Energy”, which involved various levels of the company workforce.

HR and Organisation made a significant contribution, in spreading a systemic vision of these programmes within the organisation.

Specifically, with “Purpose”, aimed at Group directors and managers, the focus was on the challenges that Saras will face in the next few years and how we must prepare ourselves to face them. To this end, the Saras management identified the guiding principles and values that must be followed in operations conducted by Saras staff, with the objective of developing the “performance” and “responsibility” culture.

The investment in training in 2010 also translated into measures to ensure employees were more aware of their responsibilities and the results expected in their role.

Breakdown of employees by company



The various initiatives such as training for the position, routine training and refresher courses were centered on the development of skills, conduct and approaches in line with the founding value of the organisation, and in line with the implementation of the operational model resulting from the development of these programmes, and in accordance with legislation on health and safety in the workplace.

With the creation of the Catalogue of Competences and the related training forms, the assessment system was completed for training prior to taking up the positions of plant operator, control panel operator and foreman.

As regards specialist technical aspects, the process of certification for maintenance competences was completed. This measure allowed for the definition of a professional course aimed at acquiring the necessary capacities to fulfil the roles of Maintenance, Reliability and Construction.

In 2010 the company measured some interesting effects of this approach. For example, it registered its best total accident frequency rate in its history. The result is also due to the three-year programme “Safety is our Energy”. Launched in March 2009, by promoting safe conduct during working activities, it has led to continuous

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improvements. According to the statistics, 94% of accidents depend on human factors, and only 6% on technical factors. The real improvement is therefore closely correlated with a shares and widespread change in the conduct of every individual.

Safety: where we are, where we want to be.

Starting from this further objective, Saras undertook numerous initiatives in the area of safety in 2010.

From an organisational viewpoint, the most important factor was the introduction of HSEQ (Health Safety Environment Quality) specialists in every production area, as well as the upgrading of the Prevention and Protection structure. New tools were created with a view to making employees increasingly more responsible, such as the Safety Tours, Safety Talks, the SPP Direct Line and the points-based safety licence.

Training in safe conduct was particularly important, and in particular concerned operations staff. A specific training programme was introduced for workers from external contractors regarding entering in confined spaces. On the issue of accident prevention, we improved the tools and the ways of assessing accidents, thanks to which significant progress was made in the capacity and timing of analyses, the introduction of corrective measures and the monitoring of their implementation.

Furthermore, safety-related communication activities took on a growing importance within the programme. In this regard, of particular significance was the organisation of an event that involved a large number of operators, intended to share and spread the company's safety vision, the fundamental information relating to activities conducted in the area, and the conversion of safety as a value into operational terms. The significance given by the company to safety-related communication was highlighted by the decision to dedicate a working Group to constructing a model of quarterly meetings on HSE (health, safety and environment) issues and another Group to optimising the process of spreading and applying Basic Safety Actions, simple illustrated guides to ensure certain types of work are carried out safely.

In the last quarter of 2010, the new "safety licence" tool was introduced, on an experimental basis, for workers from external contractors involved in plant shutdown activities, an experiment that, in 2011, is to be extended to Saras employees involved in maintenance shutdowns.

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.

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25,000
hours
of safety training

Still in this area, and with the priority objective of promoting safe conduct, particularly in relation to shutdown activities in 2011, significant, new communication activities have been planned and are currently being implemented.

In 2010, training (around 40,000 hours of training were provided overall) was chiefly aimed at developing "safe conduct". Specifically, the programme implemented as part of the "Safety is our Energy" project involved 412 Saras employees and 320 employees from contractor companies. As we have already said, spreading the safety culture translates into continuous training and the creation of working conditions that aim to gradually reduce emergencies and accidents involving the employees of Saras and contractor companies.

Around 25,000 training hours related to safety issues were provided to Saras employees over the year, while those dedicated to training activities for employees of external companies totalled approximately 10,000. These mainly concerned training for roles and positions, and ongoing training on "Safety and the Environment".

In the last few years, safety has become a key factor, including in the process of selecting and assigning a rating to contractor companies.

On this basis, mechanisms rewarding companies for reporting near misses were implemented, as were penalty mechanisms for detected safety anomalies for which the companies are responsible.

Within the framework of Group activities conducted in 2010:

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

10.000
hours of training provided
to employees of other companies

However, we report with great sadness that on 26th May 2009, a day on which maintenance activities were planned for the MHC1, a tragic event occurred that led to the death of three workers from a contractor company.

Finally, the company has not been the subject of any judgement relating to disputes with employees and/or former employees.

Health, Environment and Safety

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A picture of constant improvement

Producing energy in a safe and reliable way is one of the principles that guide our strategic decisions.
Improving reliability and continuity in operations and at the same time guaranteeing territorial and environmental protection is one of the company's priorities. Activities intended to protect the health and safety of all those who work directly and indirectly for the Saras Group fall within this framework.
These decisions are part of a long-term strategy, and also include a commitment to making technological improvements to facilities. Particularly in the last few years, this has enabled us to significantly reduce the impact of our activities on the environment.

In 2010, the substantial improvement in environmental data was confirmed, largely because of a drive to promote energy efficiency, together with investments to make structural improvements to facilities.

The company continued its monitoring of all environmental aspects, a process that has been improved over the years. The results show the improvement of all environmental indices, particularly those relating to atmospheric emissions. These, together with waste water, are immediately obvious, because they relate to the environment in which people live and work every day. Others, such as energy and water consumption, and carbon dioxide (CO_2) emissions, relate to problems of more general concern, and have a more global impact, while direct effects on the local environment are less obvious.

The trend in emissions again improved in 2010, in line with the performance in the last five-year period, in which small fluctuations that can occur from year to year were registered, relating to plant changes and extraordinary maintenance. The improvement in environmental data is due to a series of technical and management measures, which have gradually equipped the refinery with more efficient technology and resources in terms of production and respect for the environment.

Improvements in sulphur dioxide (SO_2) emissions were again significant. Last year's emissions show a constant reduction compared with the average trend of the last four years. In 2010, $S0_2$ production was 0.291 tons per 1,000 tons processed, compared with 0.546 tons in 2006 (see graph showing SO_2 production).

This result was chiefly thanks to the entry into service in December 2008 of the tail-gas treatment and sulphur recovery unit (TGTU), which enabled sulphur emissions to be reduced.

Furthermore, a comparison of the averages registered in the last two years (2009 and 2010) compared with the average of the first five years of the decade (2001 – 2005) show a sharp improvement, with a reduction in SO_2 emissions of more than 60%.

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

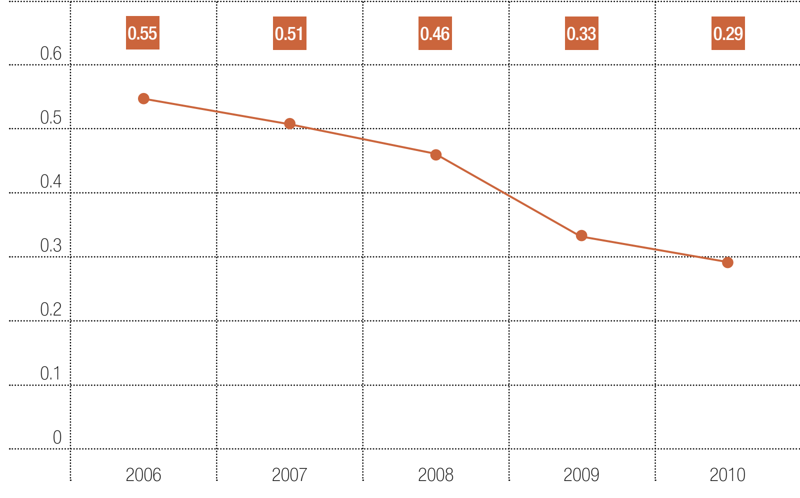
In the last few years, more than EUR 50 million has been invested in Health, Safety and the Environment (HSE). More specifically, investments concerned environmental-protection measures, improvements in energy efficiency with a consequent reduction in the fuel burned (and therefore emissions), the completion of the TGTU, and finally energy recovery in the FCC plant.

Thanks to its environmental protection policy, again in 2010, no situations arose in which the company was held responsible for damage caused to the environment, and neither was it subject to fines or penalties for environmental offences or damage.

The environmental protection policies also require continuous invest-

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

SO_2 Production Index



Certification process

AIA: Environmental Authorisation Permit

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

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

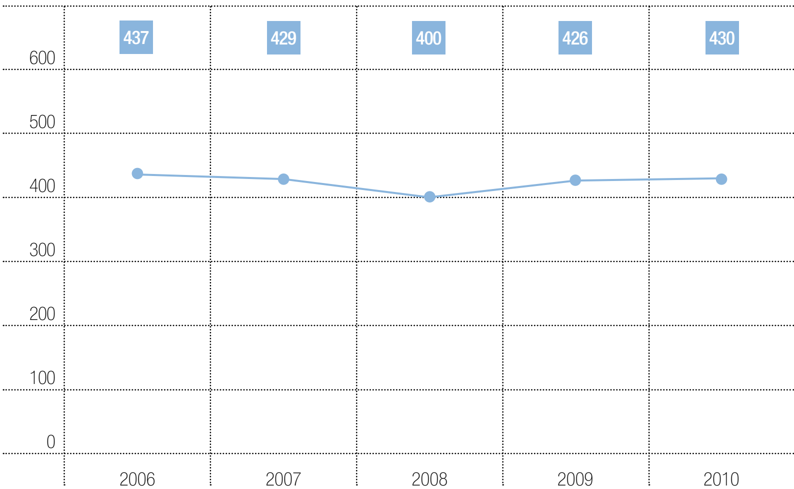
The process was coordinated by the assessment committee, appointed by the Italian Environment Ministry, which involved the local authorities concerned. Following specific meetings between the committee and the local authorities, in which the company's representatives were also involved, the process was successfully completed, and the assessment committee provided the Environment Ministry with a positive opinion, following the session of 15th January 2009.

In 2010, a series of meetings was held with ISPRA (Institute for Environmental Protection and Research) for the implementation of monitoring and control activities, set out by the AIA permit, as part of the drive for complete transparency of the data monitored by the plant.

Certification process

2000 > 2001
Definition of Environmental Policy

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



EMAS registration

In 2010, the company conducted the diligence to maintain EMAS registration, with a view to assessing its activities in relation to the region's environmental sustainability.

As part of the programme to maintain EMAS, numerous activities and commitments must be undertaken, involving many different levels and functions of the company. Specifically, as regards transparency towards the local area and full and prompt compliance with the law, the Environment, 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 environmental aspects that concern the production site's internal and external environments. The Environmental Declaration illustrates to the public and all interested parties all activities conducted by the company, the related direct and indirect environmental aspects, and even more importantly for the purpose of maintaining EMAS registration, the environmental improvement targets that the company has set itself.

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

The Health and Safety at Work System

Safeguarding people's health and preventing any form of accident or mishap (involving both its own staff and those of other companies working at the site) are core values for Saras, which are also promoted through the adoption of an "Occupational Health and Safety Policy". The Health and Safety Management System introduced the "Performance Measure", which consists of setting objectives and targets defined taking into account company performance in compliance with the policy adopted.

As part of the promotion of safety culture, a process has been implemented in the last few years that has enabled the company to gain some important certifications. In 2007, Saras obtained certification for its Health and Safety at Work System based on the OHSAS 18001:2007 standard.
In 2008, it amended the "Organisa-

2004 > 2005
ISO14001
certification

2006 > 2008
Eco-Management
and Audit Scheme
EMAS

2008 > 2009
AIA
Environmental Authorisation Permit

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tion, Management and Control Model", pursuant to Legislative Decree 231/01, to comply with the provisions of Law 123/07 and the subsequent Legislative Decree 81/08, on the protection of health and safety in the work place.

In 2010, Saras renewed certification for its Health and Safety at Work System based on the OHSAS 18001:2007 standard.

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

Against this backdrop, Saras took an active role with Confindustria Energia, INAIL and union organisations in conducting audits to check the application of the "Guidelines for an Integrated Health, Safety and Environmental Management System" above. Three audits were scheduled in 2010 in companies belonging to Confindustria Energia, of which one was conducted on the Saras site.

Between 2007 and 2010, investments aimed at improving safety at our production site totalled approximately EUR 27 million, of which EUR 7.6 million related to 2010.

Greenhouse gas emissions

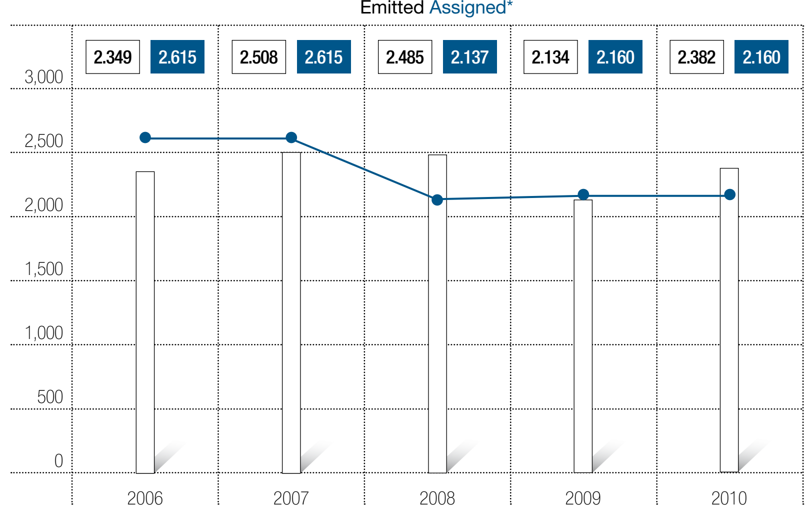
The two activities carried out by the Saras Group at the Sarroch site – the refinery (refining sector) and the IGCC plant (electricity generation sector) – fall within the scope of the European Emissions Trading Directive. The directive was introduced across Europe to control and reduce carbon dioxide emissions as part of the fight against the greenhouse effect and consequent climate change.

Carbon dioxide emissions do not have a direct impact at local level, particularly in terms of air quality around the site, but are connected to global phenomena.

The emissions trading scheme was introduced in 2005 to help member states comply with the requirements of the Kyoto Protocol. It works by assigning an emissions allowance to each individual plant falling within the scope of the directive, set by the member state through 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.
Allocation is decided for each of the reference periods set by the Directive: the first covered the three-year period 2005-2007, while the following ones relate to the current five-year period 2008-2012 and that covering 2013-2020, etc.).

The directive's second period of application began in 2008, and envis-

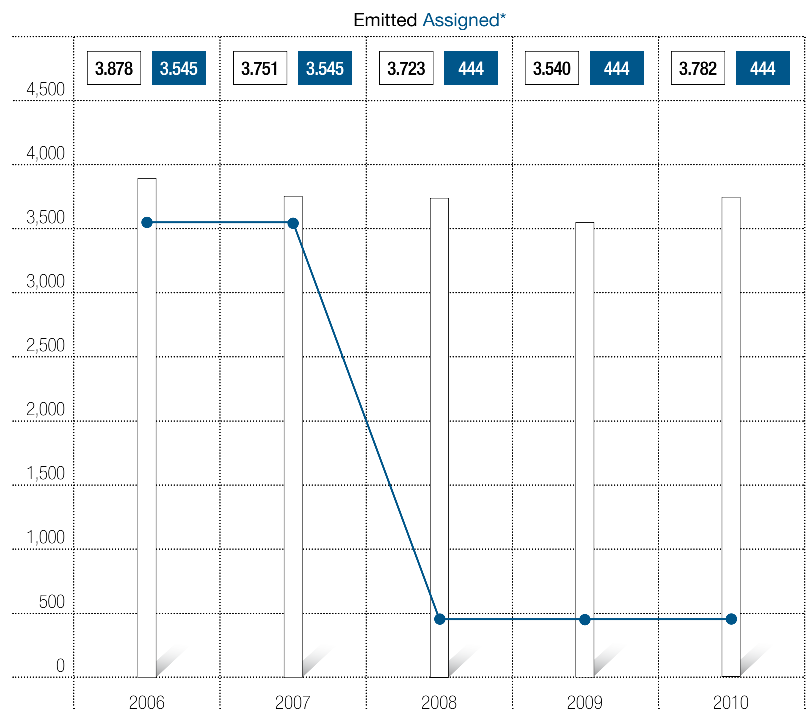


ages tougher allowances based on the objectives set out in the Kyoto Protocol.
Saras keeps a register that records, calculates and monitors CO_2 emissions. The calculation system is certified by accredited independent bodies in accordance with European guidelines.

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

The National Emissions Trading Register, which is available for consultation, records both the allowances assigned and the annual CO_2 emissions in Italy. Saras has been assigned a single position Grouping the total emissions from its operations at the Sarroch site.

More details on this issue are provided in the 2010 Environment, Health and Safety Report.



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Caring for the sea

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

Since 2009, only latest-generation ships have been used; all ships are twin-hulled, anticipating legislation for 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.
Against this backdrop, vetting in-

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spections are regularly carried out at other ports by trusted Saras personnel, in accordance with international criteria, as are spot pre-mooring inspections at the roadstead.

The Saras Group 2010 Environment, Health and Safety Report provides a detailed and up-to-date picture of all aspects that concern the Sarroch site's internal and external environments. It will be available from mid-April on www.saras.it.

Social Responsibility – Activities with the local community

Communication with the local community

As part of the Group's drive for transparency, integration and co-operation with the region in which it operates, activities aimed at strengthening relations with external parties, and in particular the local community living around the production facility, continued in 2010.

These initiatives were also implemented in view of the commitments undertaken in accordance with EMAS (Eco Management Audit Schemes) registration achieved in 2008.

EMAS is an advanced tool that certifies a company's commitment to continuous improvement in terms of the environment and sustainable development, partly by involving and talking to direct and indirect employees, as well as all the main stakeholders.

In 2010, the Group continued to implement a structured communications and external relations plan targeting in particular institutions, organisations, associations, the world of education, the media and specialised publications, which led to the creation of partnerships and common 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 safety, environmental protection and regional development.

These meetings were also an opportunity to reveal both the results achieved, and Saras' environmental programmes and objectives for further improvement, as reported in the two documents "Environmental Declaration" and "Environment and Safety Report" distributed on these occasions.

The main activities conducted in 2010 concerning the local community included:

- a meeting with the Environmental Commission and the Municipality of Sarroch;
- a meeting with the region's environmental, social, cultural and sports associations;
- the publication in local daily newspapers of information regarding current and future environmental improvement programmes;
- the "Saras for School" project, which unfolds during the school year and involves five elementary classes.

Saras for School: School Project – "The Oil Route"

The Saras School Project is now in its twelfth year, and is a tradition that forms part of the company's wider policy of fostering relations with the society in which it operates, with a view to ensuring the highest level of co-operation and transparency.

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

In 2010, the project, entitled "The Oil Route", was part of the activities of around 300 elementary school pupils throughout the school year. Its aim was to explain to them refinery production and in what way oil-based products are used in everyday life, and to raise their awareness of the responsible use of energy sources.

The project is divided into three distinct strands:

- classroom sessions with exercises and laboratory experiments;
- visits to the Saras Group refinery and Sardeolica wind farm;
- closing project show, with presentation and prize-giving for students' work.

During the lessons, pupils were taught about the energy industry, the related products and production processes, and environmental and safety issues. The children were also put to the test on an issue, design or model that they were free to choose, based on their own creativity.

The guided tour of the industrial facilities accompanied by specialist experts was an opportunity for the pupils to experience energy production at first hand.

The final show, held in June, included recreational activities, and exhibition of the work produced by the students, with awards going to the most deserving based on content and originality.

The final event also marked the opening of a technical-scientific laboratory within the Sarroch secondary school, a partnership between Saras and the Municipality of Sarroch, where students conducted experiments in collaboration with experts from the Saras refinery chemical laboratory.

Activities for schools have their own dedicated website, www.sarasperlascuola.it , an information and communication tool aimed at pupils and all those wishing to learn more about one of Sardinia's most important international industrial Groups.

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Outlook

In the latest "World Economic Outlook" (WEO), published on January 25th, the International Monetary Fund (IMF) made a further upwards revision to World growth forecasts, bringing expectations for 2011 at about +4.4% in 2011. Emerging economies will continue to play the largest role in the above mentioned surge (with a very robust projection of +6.5% year on year); nonetheless, also developed economies should bring a respectable contribution, with a progress of 2.5%.

While some downside risks still remain, stronger GDP growth in 2011 should certainly translate into an higher pace of industrial activity, and healthier demand for oil products. Moreover, no significant refinery capacity additions are expected to come on stream during the year. Therefore, the combination of these two factors, should tighten the supply/demand balance for oil products, and provide support for refining margins, especially for "complex" refiners, such as Saras.

REFINING

- **Demand for oil products**: coherently with the IMF forecasts on GDP growth, and with the more-buoyant-than-anticipated readings on global oil consumption, the International Energy Agency (IEA) continues to remain bullish on the future trends for oil products' demand. In their latest "Monthly Oil Market Report", published on February 10th, global oil demand for 2011 is now expected to average at 89.3 mb/d (+1.7% or +1.5 mb/d year on year), while 2010 closed with surprising strength at 87.8 mb/d (+3.3% or +2.8 mb/d vs. 2009), which is one of the highest growth rates in the past decades.

- **Crude supply**: OPEC ministers left crude oil production targets unchanged at their latest meeting in Quito (Equador) on Dec 11th 2010, and agreed to meet again in Vienna on Jun 2nd 2011. However, with prices now beyond 100 $/bbl and with the "oil burden" (nominal expenditures expressed as a percentage of nominal GDP) reaching levels that could cause severe contractions to global economic and industrial activity, there appears to be some tacit recognition among the OPEC oil ministers, that actual production levels are no longer sufficient, and that they should be increased soon. Accordingly, the consensus estimates for the "call on OPEC crude" has been revised up by 0.7 mb/d for 2011, to average 29.9 mb/d. Looking at non-OPEC supply, experts argue that 2011 will probably remain unchanged at 53.5 mb/d, because higher estimated Chinese oil production of nearly 0.1 mb/d will offset the marginally lower output in the OECD Pacific, the FSU, Latin America, as well as the global bio-fuels. Therefore, the above scenario seem to be supportive for complex refineries like Saras, which should benefit from higher availability of heavy crude oils.

- **Oil products inventories**: the physical market has tightened significantly in 2010, with a massive correction of OECD excess cyclical inventories (those above seasonal five-year average levels). In particular, in the second half of the year, we assisted to a global tightening to the tune of 1.1 mb/d, as remarkably strong oil demand (particularly for gasoil and diesel) largely exceeded global supplies. The implied global stock draw averaged 0.5 mb/d in 2010, the largest rate since 2007. Moreover, the OECD stock overhang versus the five-year average has narrowed from 200 mb in early 2009, down to approx. 30 mb in recent weeks (which corresponds to less than one day of "forward demand cover"). Under such conditions, experts are hopeful to see

the supply/demand equation returning soon to normalized levels of price elasticity.

- **Libyan crisis**: the dramatic Libyan crisis, recently developed in the creation of a "no fly zone" over the Libyan territories by the United Nations Organization, and the adoption of restrictive measures imposed by the European Union. Among the companies affected by the above measures, there is also the Libyan national oil company NOC. Therefore, at the moment, the Saras Group suspended purchases of crude oil from NOC. Traditionally, Saras Group refinery runs have been planned using a meaningful quantity of Libyan crude oils (between 35% ÷ 40% of the total runs). Approximately half of this volumes have some peculiar characteristics, such as low sulphur, high content of paraffins, etc. On the other hand, the Saras Group has always demonstrated, among its major strengths, a large operational flexibility (which allows the Sarroch refinery to process more than twenty different crude oils each year), and also a constant presence in the international oil markets. Therefore, at this stage, the Saras "Supply and Trading" department is already active to optimise the supply of crude oil to the refinery, with the objective of maintaining the units at full capacity, and of minimising the potential economic impact of the above mentioned situation. The replacement of the above mentioned crude oils with peculiar characteristics, however, will be possible with similar crude oils, but not exactly equivalent. Therefore, 2011 financial results could be affected by the aforementioned factors, depending on the duration and intensity of the Libyan crisis. However, Libya will eventually restart crude oil production and export activities, since those are a necessary source of revenues for the country. Saras will therefore continue to be an obvious outlet channel for Libyan oil production, also thanks to its logistic position in the Mediterranean sea, and its capacity to adapt to some specific Libyan crude oils.

- **Refining margins**: the worries about possible disruptions in the crude oil supplies, had the immediate effect of pushing up oil prices and, at the same time, compressing refining margins, because refined products were unable to keep the same pace as crude oil. In particular, the EMC benchmark margin stood at 0.2 $/bl in January, -0.6 $/bl in February and, at the time of writing this report, the March average stands at -1.6 $/bl. Notwithstanding the above mentioned short-term bearish risks on oil supply, the underlying trend for refining margins remains positive in the mid term, also thanks to middle distillates demand which continues to materially outpace supply.

- **Saras refinery Maintenance and Operations**: with diesel projected to be the strongest part of the barrel going forward, and high sulphur fuel oil cracks expected to continue their weakening trend, complex refiners like Saras are well positioned to take full benefit of the expected improvements in 2011 market conditions. Additionally, as per previous announcements, 2011 planned maintenance schedule for the Sarroch refinery shall be lighter than the one carried out in 2010. Therefore, thanks to the higher operational availability, 2011 refinery runs are projected between 14.5 ÷ 15.3 million tons (106 ÷ 112 million barrels). Finally, in 2011 Saras Group will make further progress with the implementation of the asset management programme called "Project Focus", which aims to increase production efficiency, operational effectiveness, and availability of the various refinery units. In particular, the expectations for 2011 can be currently quantified in approximately EUR 20 ÷ 30 ml, deriving from increases in efficiency and productivity, and further EUR 10 ÷ 15 ml, deriving from cost reduction initiatives.

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POWER GENERATION

- **IGCC Maintenance and Operations**: after 10 year of continuous operations, the IGCC plant will have a major turnaround during the second quarter of 2011. At that time, all units which do not have a spare will be fully inspected and maintained. Obviously, the 10-year turnaround will be associated with a lower production of electricity (expected at 0.75 ÷ 0.85 TWh in Q2/11). Nevertheless, full year projections for 2011 do not substantially differ from those of a standard year, with total electricity production expected between 4.00 ÷ 4.40 TWh.

- **EBITDA**: due to IFRS linearisation procedure, *comparable* EBITDA is expected at EUR 180÷200 ml per year, stable until 2021. On the contrary, Italian GAAP EBITDA will continue to reflect oil price volatility, due to the formulas used to calculate the CIP6/92 tariff. In particular, the expectation for 2011 currently stand at EUR 130÷150 ml.

- **CIP6/92 power tariff**: the 9-month delay in the formula used to calculate the "fuel component" implies that the CIP/6 power tariff will be range bound for most of 2011, in line with the trend of crude oil prices. Indeed, Brent Dated fluctuated between 65÷75 $/bl for the first nine months of 2010, and then rapidly climbed to almost 100 $/bl in Q4/10, under the boost of several bullish factors, as described in the section dedicated to the oil markets.

MARKETING

- As discussed for the Refining segment, the economic recovery expected in 2011 will have some positive effects on global oil demand, both in the industrial and in the private sectors, even if these effects will probably be less pronounced in developed economies (OECD countries), included Spain and Italy, where the Marketing segment of the Saras Group operates.

- Therefore, 2011 will be a year of consolidation for our Marketing segment, with a moderate growth in terms of sale volumes. It will be continued the policy of optimization in the sales channels, with the objective of protecting our wholesale margins.

- Finally, the Group will continue to pursue its previously announced growth strategy in the Spanish retail segment, considering opportunities to purchase retail stations which could create meaningful synergies with the network already owned and operated.

WIND POWER

- During the second and third quarter of 2010, the Group made relevant progress in the repowering project of the Ulassai wind park, completing the installation of 6 new aero-generators, model “Vestas V80”, in line with the original project.

- On 2nd February 2011, the Sardinian Regional Administration authorised the subsidiary Sardaeolica S.r.l. to operate the Ulassai wind park with the new upgraded capacity of 96MW. Therefore, already during the second quarter of 2011, the Group expects to complete some final work of smaller relevance (minor construction work, the installation of a MT/AT transformer and the relative electrical connections), and subsequently the Ulassai wind park will achieve the full capacity of 96MW, bringing the average annual production of electricity up to approximately 190 GWh.

- Finally, the Group intends to proceed with the development of several other projects in our pipeline, focusing primarily on some sites located in Sardinia, in Central Italy and also overseas (Romania).

GAS EXPLORATION

- The encouraging results obtained during 2009 and in the first part of 2010, from the study of the rocks which could potentially contain gas, and also from the analysis of gas dissolved in deep waters and in the soil, convinced Saras Group to continue our campaigns of geophysical infilling, and also to proceed with deep drilling lines in the “on-shore” areas currently under exploration. In the second half of 2010, Saras Group determined the optimal locations for the first exploration wells, and is now taking steps towards starting drilling activities.

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Risk Analysis

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

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, 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 to reduce such risk. To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of cover 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 process and the price of the raw materials, principally crude oil). In addition, to carry out 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 green certificates and emissions credits.

The risk of price fluctuation and 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 fluctuation, the Saras Group also takes out derivative contracts on commodities.

Exchange rate risk

The Group's oil business is structurally exposed to fluctuations in exchange rates, because the 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. 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.

Interest rate risk

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

Credit risk

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

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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 fulfil contractual obligations deriving from the financing contracts entered into. The capacity for self-financing, together with the low level of debt, lead us to consider that the liquidity risk is moderate.

Other risks

Risk related to the procurement of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economical and social uncertainties, higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential negative effects on the Group's economic and financial position.
In the past few months, dramatic social unrest involved also Libya, which traditionally represents and important sourcing market for the company. The supply of Libyan crude oil could therefore be negatively influenced by such events, with potential negative effects on Saras refining margins.

Risks of interruption of production

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

Environmental risk

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

Regulatory risk

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

Dependencies on third parties

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

Other Information

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Transactions with related parties
Details in the Notes to the Consolidated Financial Statements, chapter 7.4 “Transactions with Related Parties”

Use of financial instruments
Details 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 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 geografic area
Information on the supply market for crude oil and the sale market for refined products are available in chapter 4. “Information by business segment and geographical area” of the Notes to the Consolidated Financial Statements.

Information of Shareholdings held by members of the Board of Directors, Statutory Auditors and senior Management
Details are available in the in Notes to the Financial Statements of Saras S.p.A. chapter 7.7 “Remuneration of senior personnel with strategic responsibilities”.

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

Adoption of the fiscal consolidated
Details are available in the in the chapter 3.2 W “Taxes” in the Notes to the Consolidated Financial Statements.

	Net Result for the year	Shareholders’ Equity
As in Saras S.p.A. Financial Statements as of 31st Dec 2010	**(110,086)**	**801,173**
Differences between book value and Shareholders’ Equity as of 31st Dec 2010 of shareholdings valued at cost in Saras S.p.A. Financial Statements	109,570	429,032
IntraGroup Margin eliminations on inventories	(8,952)	(8,952)
Other	0	(868)
As in the Consolidated Financial Statements as of 31st Dec 2010	**(9,468)**	**1,220,385**

Main Events after the end of the year

On the 2nd of February 2011, the Sardinian Regional Administration authorised the subsidiary Sardaeolica S.r.l. to increase the installed capacity of the Ulassai wind park from 72MW up to 96MW, and to operate the above mentioned wind park for the duration of 20 years from the start date of operations with the upgraded capacity.

In the second half of January 2011, political turmoil and social unrest broke out in various countries of North Africa and Middle East. To date, such events are still undergoing and, among the other countries, also Libya has been involved. The latter represents and important crude oil supplier for Saras. The above mentioned events could influence both the total refinery runs and the refining margins for Saras, as it has been described in the specific section dedicated to "Outlook for 2011".

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Saras Group Consolidated Financial Statements

Statement of Consolidated Financial Position as of 31st December 2010 and as of 31st December 2009

EUR thousand			31/12/2010	31/12/2009
ASSETS	(1)	(2)		
Current assets	5.1		1,936,994	1,405,678
Cash and cash equivalents	5.1.1	A	80,835	111,372
Other financial assets held for trading	5.1.2	B	28,800	21,301
Trade receivables	5.1.3	C	868.537	396,954
of which with related parties:			*107*	*90*
Inventories	5.1.4	D	812,162	732,077
Current tax assets	5.1.5	E	39,266	39,983
Other assets	5.1.6	F	107,394	103,991
Non-current assets	5.2		1,956,224	2,019,986
Property, plant and equipment	5.2.1	H,I	1,473,284	1,525,547
Intangible assets	5.2.2	J	414,206	445,549
Other equity interests	5.2.3.2	K	571	571
Deferred tax assets	5.2.4	W	67,283	46,932
Other financial assets	5.2.5	M	880	1,387
Total assets			3,893,218	3,425,664
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,495,547	1,181,771
Short-term financial liabilities	5.3.1	R	187,790	379,562
Trade and other payables	5.3.2	R	1,123,500	646,992
of which with related parties:			*68*	*30*
Current tax liabilities	5.3.3	W	89,990	67,955
Other liabilities	5.3.4	R	94,267	87,262
Non-current liabilities	5.4		1.177,286	1,015,853
Long-term financial liabilities	5.4.1	R	481,937	289,552
Provisions for risks and charges	5.4.2	P,Z	78,533	41,118
Provisions for employee benefits	5.4.3	Q	30,547	35,420
Other liabilities	5.4.5	R	586,269	649,763
Total liabilities			2,672,833	2,197,624
EQUITY	5.5	N,O,V		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			1,164,297	1,089,884
Profit/(loss) for the year			(9,468)	72,552
Total equity attributable to owners of the company			1,220,385	1,227,992
Minority interest			0	48
Total Equity			1,220,385	1,228,040
Total liabilities and equity			3,893,218	3,425,664

1) Please refer to the Notes to the financial statements chapter 5 "Notes to the financial position"

(2) Please refer to the Notes to the financial statements chapter 3.2 "Summary of accounting principles and valuations polices"

Consolidated Income Statements for the periods: 1st January – 31st December 2010 and 2009

EUR thousand	(1)	(2)	01/01/2010 31/12/2010	of which non recurring	01/01/2009 31/12/2009	of which non recurring
Revenues from ordinary operations	6.1.1	S	8,529,750		5,229,506	
Other income	6.1.2	S	84,888		87,083	
of which with related parties:			*107*		*91*	
Total revenues			8,614,638	0	5,316,589	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(7,629,722)		(4.293,713)	
Cost of services and sundry costs	6.2.2	T,Z	(611,033)		(534,844)	
of which with related parties:			*(1,280)*		*(1,650)*	
Personnel costs	6.2.3	Q,T	(150,482)		(142,499)	
Depreciation, amortization and write-downs	6.2.4	H,J	(207,327)		(193,130)	
Total costs			(8,598,564)	0	(5,164,186)	0
Operating results			16,074	0	152,403	0
Net income (charges) from equity interests	6.3	K,V	0		(3)	
of which with related parties:			*0*		*(3)*	
Financial income	6.4	X	37,463		16,623	
Financial charges	6.4	X	(67,344)		(50,343)	
Profit before taxes			(13,807)	0	118,680	0
Income tax for the year	6.5	W	4,339		(46,122)	
Net profit/(loss) for the year			(9,468)	0	72,558	0
Net profit/(loss) for the year attributable to:						
Equity holders of the company			(9,468)		72,552	
Minority interest			0		6	
Earnings per share - basic (Euro cent)		Y	(1.02)		7.82	
Earnings per share - diluted (Euro cent)		Y	(1.02)		7.82	

Statement of Comprehensive Income for the periods: 1st January - 31st December 2010 and 2009

	2010	2009
Net result of the period (A)	(9,468)	72,558
Effect of exchange rate on financial accounts	(10)	2
Income / (loss), net of fiscal effect (B)	(10)	2
Consolidated Comprehensive Result of the year (A + B)	(9,478)	72,560
Net consolidated Comprehensive Result of the year perteining to :		
Parent Company shareholding	(9,478)	72,554
Minority Interest	0	6

(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 principles and valuations polices”

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Statement of Changes in Consolidated Shareholders' Equity from 31st December 2008 to 31st December 2010

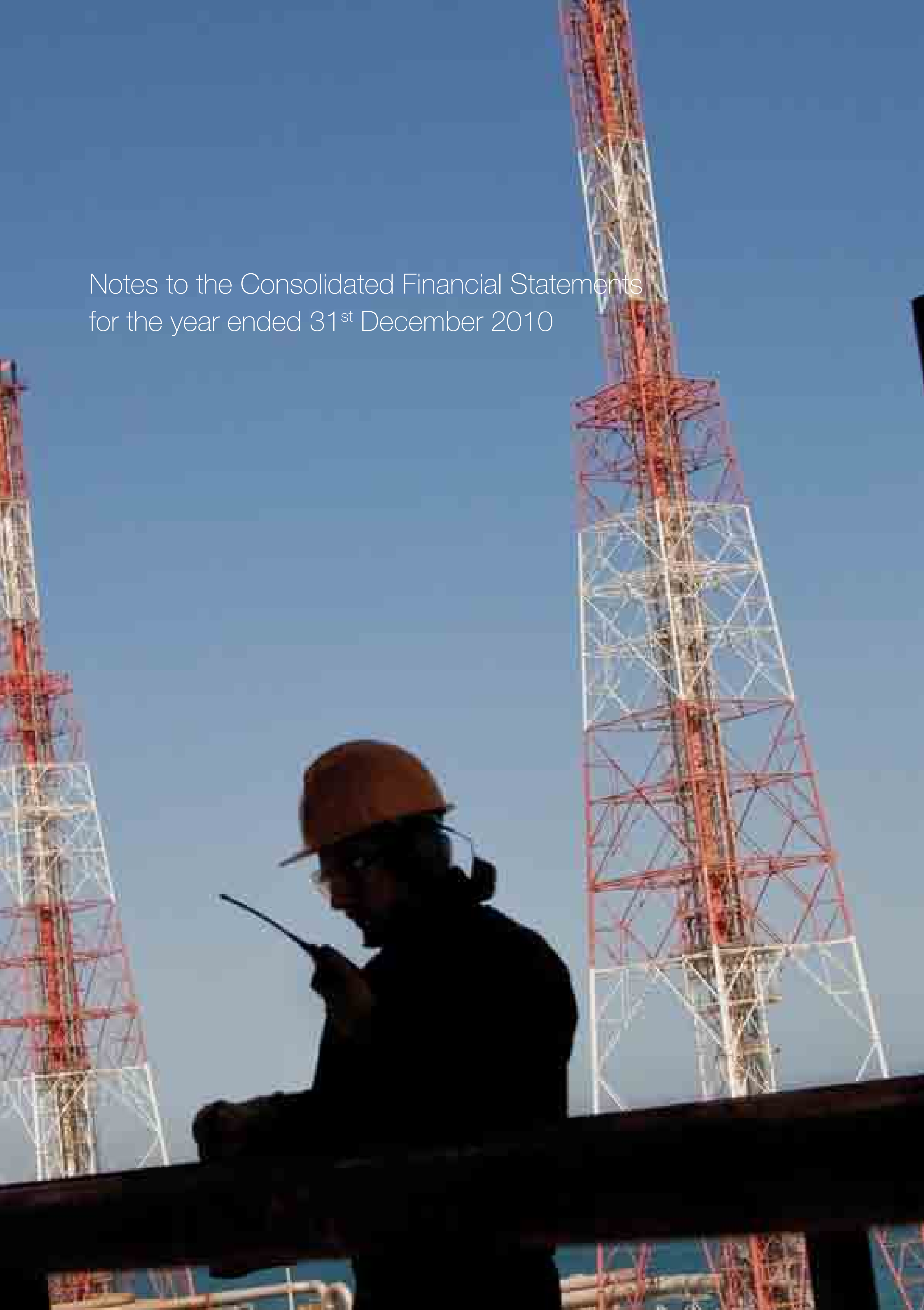
EUR thousand	Share Capital	Legal Reserve	Other Reserves	Profit (Loss)	Total equity attributable to owners of the company	Minority interest	Total Equity
Balance as of 31/12/2008	54,630	10,926	1,183,675	61,822	1,311,053	0	1,311,053
Allocation of previous year profit			61,822	(61,822)			0
Reserve for employees stock plan			2,051		2,051		2,051
Dividends			(157,721)		(157,721)		(157,721)
Effect of Corporate tax rate reduction (IRES)			55		55		55
Minority on Artemide Srl acquisition					0	42	42
Effect of exchange rate on financial accounts			2		2		2
Net profit (loss) for the year				72,552	72,552	6	72,558
Balance as of 31/12/2009	54,630	10,926	1,089,884	72,552	1,227,992	48	1,228,040
Allocation of previous year profit			72,552	(72,552)	0		0
Reserve for employees stock plan			2,219		2,219		2,219
Effect of exchange rate on financial accounts			(10)		(10)		(10)
Acquisition 49% Artemide S.r.l.			(348)		(348)	(48)	(396)
Net profit (loss) for the year				(9,468)	(9,468)		(9,468)
Balance as of 31/12/2010	54,630	10,926	1,164,297	(9,468)	1,220,385	0	1,220,385

Consolidated Cash Flow Statements as of 31st December 2010 and as of 31st December 2009

EUR thousand	(1)	01/01/2010 31/12/2010	01/01/2009 31/12/2009
A - Cash and cash equivalents at the beginning of year		111,372	65,180
B - Cash generated from/(used in) operating activities			
Net Profit / (Loss) for the year	5.5	(9,468)	72,558
Amortization, depreciation and write-down of fixed assets	6.2.4	207,327	193,130
Net (income)/charges from equity interests	6.3	0	3
Net change in provisions for risks and charges	5.4.2	37,415	11,923
Net change in employee benefits	5.4.3	(4,873)	(2,074)
Net change in tax liabilities and tax assets	5.2.4	(20,351)	12,021
Income tax	6.5	(4,339)	46,122
Change in Fair Value of financial assets held for trading, and of financial liabilities		13,561	0
Other non cash items	5.5	2,209	2,150
Profit (Loss) from operating activities before changes in working capital		221,481	335,833
(Increase)/Decrease in trade receivables	5.1.3	(471,583)	242,372
of which with related parties:	*5.1.3*	*(17)*	*183*
(Increase)/Decrease in inventory	5.1.4	(80,085)	(254,987)
Increase/(Decrease) in trade and other payables	5.3.2	476,508	86,125
of which with related parties:	*5.3.2*	*38*	*(211)*
Change in other current assets	5.1.5- 5.1.6	(5,917)	(27,288)
Change in other current liabilities	5.3.3 -5.3.4	71,373	69,570
Income tax paid		(21,943)	(130,250)
Change in other non-current liabilities	5.4.4	(63,494)	(45,785)
Total (B)		126,340	275,590
C - Cash flow from (to) investment activities			
(Investments) in tangible and intangible assets	5.2.1-5.2.2	(128,951)	(316,972)
(Investments) disinvestments in other equity interests		0	529
Change in financial assets	5.1.2- 5.2.5	5,450	1,431
Interest received		213	777
Other non cash items	5.2.1-5.2.2	5,230	1,195
Total (C)		(118,058)	(313,040)
D - Cash generated from/(used in) financing activities			
Increase/(Decrease) in medium/long term borrowings	5.4.1	192,385	120,693
Increase/(Decrease) in short term borrowings	5.3.1	(214,544)	135,582
Dividend distribution to shareholders	5.5	0	(157,721)
Interest paid		(16,264)	(14,912)
Acquisition 49% Artemide S.r.l.	5.2.3.1	(396)	0
Total (D)		(38,819)	83,642
E - Cashflow for the year (B+C+D)		(30,537)	46,192
F - Cash from new consolidated subsidiaries		0	0
G - Cash and cash equivalents at the end of year		80,835	111,372

(1) Please refer to the Notes to the Financial Statements chapter 5 “Notes to the financial position” & 6 “Notes to the Income Statement”

For the Board of Directors - The Chairman
Gian Marco Moratti



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1. Preliminary remarks

Saras S.p.A. (the parent company) is a company limited by shares listed on the Milan stock market. 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 ending 31st December 2010 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, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousand 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 ending 31st December 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 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: income statement items are presented according to their nature;
- cash flow statement: presented using the indirect method, which differentiates between financial flows deriving from operating, investment and financial activities.

The accounting policies shown 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 the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1st January 2010. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning after 1st January 2010.

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Accounting standards, amendments and interpretations applicable from 1st January 2010

The following accounting standards, amendments and interpretations were applied by the Group for the first time from 1st January 2010.

IFRS 3 – Business combinations

The updated version of IFRS 3 introduced important changes, described below, mainly regarding the acquisition of subsidiaries in stages, the option of measuring any minority interests acquired in a partial acquisition at fair value, the allocation of all costs associated with a business combination to the income statement and the recognition of liabilities for conditional payments at the date of acquisition.

Acquisition of a subsidiary in stages

In the case of the acquisition of a subsidiary in stages, IFRS 3 establishes that a business combination occurs only at the time when control is acquired, and that, at this time, all the identifiable net assets of the acquired company must be measured at fair value; minority interests must be measured either on the basis of their fair value or on the basis of their proportional share of the fair value of the identifiable net assets of the acquired company (the method previously allowed under the earlier version of IFRS 3).
In the acquisition of control of a subsidiary in stages, the stake previously held (accounted for until that point in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, or with IAS 28 – Investments in Associates, or with IAS 31 – Investments in Joint Ventures) must be treated as though it had been sold and reacquired on the date that control is acquired. This stake must therefore be measured at fair value on the date of the "sale" and any profit or loss resulting from that valuation must be taken to the income statement. Furthermore, any amounts previously recognised in shareholders' equity, which are to be charged to the income statement following the sale of the assets to which they relate, must be recycled to the income statement. The goodwill or income (in the case of negative goodwill) resulting from the transaction concluded by the subsequent acquisition must be calculated as the sum of the price paid to obtain control, the value of the minority interests (valued using one of the methods permitted by the standard) and the fair value of the non-controlling interest previously held, net of the fair value of the identifiable net assets acquired.
Under the previous version of the standard, the acquisition of control in stages was reported transaction by transaction, as a series of separate acquisitions that all together generated goodwill calculated as the sum of all the goodwill generated by the individual transactions.

Ancillary transaction costs

IFRS 3 sets out that ancillary costs for business combination transactions should be charged to the income statement in the period in which they were incurred. Under the previous version of the standard, these costs were included in the calculation of the cost of acquiring the net assets of the acquired company.

Recognising conditional payments

IFRS 3 establishes that payments that are subject to conditions should be deemed part of the transfer price of the net assets acquired and that these should be measured at fair value on the date of acquisition. Similarly, if the acquisition agreement establishes a right to the reimbursement of certain components of the price if certain conditions occur, this right is disclosed as an asset by the acquirer. Any subsequent changes in fair value must be recognised as a correction of the original accounting treatment only if these changes are the result of greater or better information regarding the fair value and this comes to light within 12 months of the acquisition date; all other changes must be posted to the income statement.
Under the previous version of the standard, conditional payments were recognised at the acquisition date only if payment was deemed likely and the amount could be reliably determined. Furthermore, any subsequent changes in the value of such payments were always recognised as an adjustment of goodwill.
The application of the above amendments had no significant impact.

IAS 27 – Consolidated and Separate Financial Statements

The amendments to IAS 27 relate primarily to the accounting treatment of transactions or events that change the stake held in a subsidiary and the allocation of the subsidiary's losses to minority interests.
IAS 27 establishes that, once control of an entity has been obtained, transactions where the controlling shareholder acquires or sells additional minority interests without losing control of the subsidiary represent transactions with shareholders and must therefore be recognised in shareholders' equity. As a result, the carrying value of the controlling stake and the minority interests must be adjusted to reflect the change in the stake held in the subsidiary and any difference between the change in minority interests and the fair value of the price paid or received in the transaction is posted directly to shareholders' equity and allocated to the controlling shareholder. No adjustment is made to the value of the goodwill and profit or loss reported in the income statement. Ancillary charges resulting from these transactions must also be posted to shareholders' equity in accordance with section 35 of IAS 32.
The application of the above amendments had no significant impact.

IFRS 2 – Share-based Payments: Group cash-settled share-based payment transactions

The amendments aim to:

- clarify the scope of the standard, incorporating into the text the contents of IFRIC 8 – Scope of IFRS 2;
- provide certain guidelines for classifying share-based payments in the consolidated financial statements and individual/separate financial statements of the companies involved;
- define the accounting treatment of equity-settled share-based payment transactions involving several companies in a Group, incorporating and supplementing the contents of IFRIC 11;
- define the accounting treatment of cash-settled share-based payment transactions involving several companies in a Group, which is not covered by IFRIC 11.

The application of the above amendments – which replace the interpretations IFRIC 8 and IFRIC 11 – had no impact on the Group.

Amendment to IAS 39 – Financial Instruments: Recognition and Measurement - Eligible hedged items

This addition to the current version of IAS 39 clarifies the conditions under which financial/non-financial instruments can be considered hedged items in a hedge relationship. In this context, it specifies that a company can also hedge just one type of change in the cash flows or fair value of a hedged item (e.g. if the price of a hedged commodity rises above a pre-determined price). This is known as one-sided risk. In this regard, the IASB also clarifies that a purchased option designated as a hedge in a one-sided hedge relationship is fully effective only if the hedged risk relates exclusively to the change in the intrinsic value of the hedging instrument, and does not also include its time value.
The application of this standard had no impact on the Group.

Accounting standards, amendments and interpretations effective from 1st January 2010 and not relevant for the Group

The following amendments, improvements and interpretations, effective from 1st January 2010, refer to cases and situations that were not relevant to the Group as of the date of these financial statements, but may have accounting effects on future transactions or agreements:

Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Amendment to IAS 28 – Investments in Associates and ***IAS 31 – Investments in joint ventures,*** following the changes made to IAS 27

Improvements to IAS/IFRS

IFRIC 12 – Service Concession Arrangements

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 – Distribution of Non-cash Assets to Owners

IFRIC 18 – Transfers of Assets from Customers

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

On 8th October 2009, the IASB issued an amendment to ***IAS 32 – Financial Instruments: Presentation – Classification of rights issues*** governing the accounting treatment of rights issues (rights, options or warrants) denominated in a currency other than the issuer's functional currency. Previously, these rights were accounted for as liabilities arising from derivatives; the amendment now requires that, under certain conditions, these rights are classified under shareholders' equity, regardless of the currency in which the exercise price is denominated.
The amendment in question must be applied retrospectively from 1st January 2011. It is believed that the adoption of the amendment will have no significant impact on the Group's financial statements.

On 4th November 2009, the IASB issued a revised version of ***IAS 24 – Related Party Disclosures*** that simplifies the type of information required in the event of transactions with related parties that are state-controlled entities and clarifies the definition of related parties. The standard must be applied from 1st January 2011. The adoption of this amendment will have no impact on the valuation of items in the financial statements.

On 12th November 2009, the IASB published accounting standard ***IFRS 9 – Financial Instruments*** on the classification and measurement of financial assets, which is applicable from 1st January 2013. The publication of this standard repre-

sents the first stage of a process to fully replace IAS 39. The new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine the measurement criteria, replacing the various rules established by IAS 39. The new standard also sets out a single method of determining the impairment of financial assets. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the new standard: the impact this will have on the Group's financial statements is currently being assessed.

On 26th November 2009, the IASB issued a minor amendment to ***IFRIC 14 – Prepayment of a Minimum Funding Requirement***, allowing companies making prepayments of a minimum funding requirement to defined benefit pension plans to recognise these payments as assets. The amendment must be applied from 1st January 2011. It is believed that the adoption of the amendment will have no significant impact on the Group's financial statements.

On 26th November 2009, IFRIC issued the interpretation ***IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments***, which provides guidelines regarding the recognition of a financial liability that has been extinguished using equity instruments. The interpretation states that if a company renegotiates the conditions for extinguishing a financial liability and its creditor agrees to extinguish the liability in return for being issued with shares in the company, the shares issued become part of the price paid to extinguish the financial liability and must be valued at fair value; the difference between the carrying value of the extinguished financial liability and the initial value of the equity instruments issued must be taken to the income statement during the period. The interpretation must be applied from 1st January 2011; it is believed that the adoption of the interpretation will have no significant impact on the Group's financial statements.

On 6th May 2010, the IASB issued a series of modifications to the ***IFRS ("*****Improvements"*****)*** that are applicable from 1st January 2011; those listed below contain changes that affect the presentation, recognition and measurement of items in the financial statements, leaving aside those that merely contain terminology changes or editorial amendments with a minimal impact in accounting terms, or those regarding standards or interpretations not applied by the Group:

- IFRS 3 (2008) – *Business Combinations*: the amendment clarifies that the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets must be measured at fair value or in accordance with the applicable accounting standards. For example, in the event of a business combination, a stock option plan for employees must be valued according to the rules of IFRS 2, and the equity portion of a convertible bond must be valued according to IAS 32.
- IFRS 7 – *Financial Instruments*: Disclosures: the amendment highlights the interaction between the qualitative and quantitative information required by the standard regarding the nature and scale of the risks associated with financial instruments. This should help users of the financial statements to link the information presented and should constitute a general description of the nature and scale of the risks deriving from financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and the requirement regarding the fair value of collateral have also been removed.
- IAS 1 – *Presentation of Financial Statements*: the amendment requires that a reconciliation of changes to any component of shareholders' equity must be presented either in the notes to the financial statements or in the financial statements themselves.
- IAS 34 – *Interim Financial Reporting*: a number of examples have been added to clarify the additional information that must be presented in interim financial reports. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the improvements described above: the impact this will have on the Group's financial statements is currently being assessed.

On 7th October 2010, the IASB published a number of amendments to ***IFRS 7 – Financial Instruments: Disclosures***, which apply to financial years starting on or after 1st July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets, 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 at the end of the reporting period. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the amendments.

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 non-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%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiaries:	100%
Nova Eolica S.r.l.	100%
Eolica Italiana S.r.l.	100%
Labor Eolica S.r.l.	100%
Alpha Eolica S.r.l.	100%
Akhela S.r.l. and subsidiary:	100%
Artemide S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%
Other investments: of insignificant value (valued at cost)	
ITSME S.r.l.	3.379%
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Sarda Factoring	5.95%
Centro di Competenza I.C.T.	0.5 %

The following changes, compared with 31st December 2009, took place during the year:
the acquisition by Akhela S.r.l. of the remaining 49% of Artemide S.r.l., which has its registered office in Rome; see note 5.2.3.1 "Acquisitions and company mergers" 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 price paid (which is generally determined on the basis of the fair value at the acquisition date), and the amount of any minority interest valued in proportion to the minority stake in the identifiable net assets of the entity acquired expressed at its fair value, and – in the case of a business combination in stages – the fair value of the stake in the entity already held at the date control is acquired, and;
- the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date control is acquired;

is recognised as goodwill on the date that control of the business is acquired;

[III] gains and losses arising from transactions between companies that are consolidated on a line-by-line basis, which have

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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 transfer of equity interests in consolidated companies are charged to shareholders' equity for amounts corresponding to the difference between the selling price and the percentage of consolidated shareholders' equity effectively transferred.

Investments in subsidiary companies that are not significant and are not consolidated on a line-by-line basis, in companies over which control is exercised jointly with other companies (joint ventures) and in companies over which the Group exercises significant influence (referred to hereinafter as "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 flow; in such instances, the investment is measured at cost. The way in which the equity method is applied is described below:

[I] the carrying amount of an investment is brought into line with the equity of the investee company concerned, adjusted where necessary to reflect the adoption of accounting standards that are 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 dominant influence commences until the day it ceases to exist. Should the company, as a result of losses, report negative equity, the carrying value of the investment concerned is written down and any surplus attributable to the Group allocated to the relevant provision, only where the Group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not allocated to the result posted in the income statement are directly added to or deducted from equity reserves;

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

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

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

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

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

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

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

3.2 Summary of accounting standards and policies

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

The main valuation policies used are described below.

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are reported at fair value with any gains reported in the income statement under "Financial income" and "Financial charges".

Green certificates are allocated in respect of the generation of energy from renewable sources; they are booked when the energy is produced under financial assets held for trading with an offsetting entry under "Other income", in light of GSE's obligation to withdraw green certificates if the company submits a request before 31st March of the following year. The

certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were matured are recorded under “Other income” or “Cost of services and sundry costs” respectively.

C Trade receivables

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

D Inventories

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

E Current tax assets

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

F Other assets

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

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in making the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

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. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the residual value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

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

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

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

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

Land is not depreciated.

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

I Leased assets

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

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

J Intangible assets

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

[I] Goodwill

Goodwill is the excess cost (acquisition cost plus the fair value of any minority interests already held at the point when control is acquired) incurred over net fair value, as recorded on the acquisition date, when acquiring assets and liabilities forming businesses or business units. Goodwill relating to investments valued at equity is included in the value of the investments. It is not systematically amortised but instead undergoes a periodic test to ascertain whether the amount carried on the 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 arising from the test is greater than the amount of goodwill allocated to the cash generating unit, the residual 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.

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 reassessed periodically to identify the possible existence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

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

L Impairment of assets
At each reporting date of the annual financial statements, tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators, originating from 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.

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

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

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

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O Shareholders' equity

[I] **Share capital**

Share capital consists of parent company 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 unallocated profits from previous years.

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

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

P Provisions for risks and charges

Provisions for risks and charges 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, 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, 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 civil code are treated in the same way as defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is entered on the statement of financial position based on their actuarial value, since this can be quantified as a 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 accrued by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the Group's commitments. The present value of the Group's commitments is determined by an external consultant using the projected unit credit method. This method, which comes under the more general area of accrued benefit methods, considers every period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; 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 accrued by current employees and the annual interest accrued 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.

- Allocations accrued since 1st January 2007
  The allocations in question are accounted for using the method adopted for defined contribution pension plans as the amount relating to employees has been transferred in full outside the Group.
  The corresponding liability is determined according to article 2120 of the civil code.

R Financial liabilities, trade and other payables and other liabilities

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

S Revenue recognition

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

T Recognition of costs

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

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

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

V Dividends

[A] **Dividends received**
Dividends 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 statement of financial position of the period in which the distribution was approved by the company's shareholders.

W Taxes

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

Deferred taxes are calculated on all temporary differences 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 residual 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 introduced; the relating effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying tax difference.

Current and deferred taxes are recognised in the income statement, with the exception of those relating 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 taxes 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".

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The parent company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the parent 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 actually 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 consolidated law on income tax.

X Derivatives

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

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

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

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

Y 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 purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while Group net profit is adjusted to take into account the effects of the conversion net of taxes.

Z Emissions 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 market value of the surplus 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 and subject to risks and benefits substantially different from those related to other geographical areas.

3.3 Use of estimates

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

3.4 Most significant accounting policies requiring a greater degree of subjectivity

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

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

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

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

[IV] Revenues from electricity sold by subsidiary Sarlux S.r.l. to Italian grid operator GSE (Gestore dei Servizi Energetici S.p.A.): these revenues are calculated on a linear 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 linear basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs; in the years ahead, oil prices could vary significantly from estimates as a result of events that cannot be predicted at present.

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4. Information by business segment and geographical area

4.1 Preliminary remarks

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

1. **Refining activities** refer to:

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

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

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

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

3. **The generation of power by the combined-cycle plant** relates to:
   - the sale of electricity produced at the Sarroch power 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. **Wind power** is generated:
   - by the Ulassai wind farm owned by subsidiary Sardeolica S.r.l..

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

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

4.2 Segment information

31st DECEMBER 2009	Refining	Marketing	Power Generation	Wind Power	Other	Total
Revenues from ordinary operations	4,478,655	1,735,831	478,647	10,927	48,532	6,752,592
deduction: revenues infrasector	(1,398,720)	(66,666)	(35,148)	0	(22,552)	(1,523,086)
Revenues from third parties	**3,079,935**	**1,669,165**	**443,499**	**10,927**	**25,980**	**5,229,506**
Other revenues	100,374	4,096	54,346	14,968	1,310	175,094
deduction: revenues infrasector	(74,288)	(251)	(12,671)	0	(801)	(88,011)
Other revenues from third parties	**26,086**	**3,845**	**41,675**	**14,968**	**509**	**87,083**
Amortisation and Depreciation	**(95,887)**	**(9,183)**	**(76,784)**	**(8,958)**	**(2,318)**	**(193,130)**
Operating profit (a)	**(17,364)**	**48,460**	**107,742**	**12,074**	**1,491**	**152,403**
Net income from non-consolidated equity investments						
- Hangzhou Dadi Encon Env, Equipment Co,					(26)	(26)
- Consorzio Techno Mobility					(5)	(5)
- Dynergy S,r,l,					28	28
Total					**(3)**	**(3)**
Financial Income (a)	15,962	175	324	96	66	16,623
Financial Charges (a)	(37,601)	(1,704)	(6,319)	(4,629)	(90)	(50,343)
Income taxes	11,422	(15,466)	(38,415)	(2,527)	(1,136)	(46,122)
Net Profit	**(26,313)**	**29,849**	**63,794**	**5,076**	**152**	**72,558**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,592,198**	**535,739**	**1,158,351**	**100,951**	**38,425**	**3,425,664**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,100,357**	**201,549**	**799,869**	**75,030**	**20,819**	**2,197,624**
Investments in tangible assets	243,489	54,030	12,402	287	1,114	**311,322**
Investments in intangible assets	932	2,556	0	5	2,157	**5,650**
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Revenues from ordinary operations	7,394,327	2,712,463	539,656	12,087	53,925	10,712,458
deduction: revenues infrasector	(2,070,035)	(46,946)	(44,836)	0	(20,891)	(2,182,708)
Revenues from third parties	**5,324,292**	**2,665,517**	**494,820**	**12,087**	**33,034**	**8,529,750**
Other revenues	107,957	4,131	63,208	14,242	1,080	190,618
deduction: revenues infrasector	(90,074)	(74)	(15,240)	0	(342)	(105,730)
Other revenues from third parties	**17,883**	**4,057**	**47,968**	**14,242**	**738**	**84,888**
Amortisation and Depreciation	**(106,945)**	**(12,157)**	**(77,167)**	**(9,357)**	**(1,701)**	**(207,327)**
Operating profit (a)	**(161,374)**	**42,597**	**123,258**	**11,828**	**(235)**	**16,074**
Net income from non-consolidated equity investments						**0**
Total						**0**
Financial Income (a)	39,692	1,015	424	156	128	41,415
Financial Charges (a)	(58,949)	(4,895)	(3,618)	(3,499)	(335)	(71,296)
Income taxes	64,037	(12,238)	(45,186)	(1,538)	(736)	4,339
Net Income	**(116,594)**	**26,479**	**74,878**	**6,947**	**(1,178)**	**(9,468)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,975,308**	**679,002**	**1,075,783**	**106,279**	**56,846**	**3,893,218**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,768,141**	**183,658**	**628,419**	**69,262**	**23,353**	**2,672,833**
Investments in tangible assets	92,533	4,182	10,292	14,875	955	**122,837**
Investments in intangible assets	0	908	0	0	5,206	**6,114**

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

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

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4.3 Breakdown by geographical area

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

Directly attributable assets and investments by geographical area.

	31/12/2010	31/12/2009	Change
Directly attributable assets			
Italy	3,452,162	3,019,762	432,400
Rest of EU	441,056	405,902	35,154
Total	**3,893,218**	**3,425,664**	**467,554**
Investments in tangible and intangible assets			
Italy	123,556	261,376	(137,820)
Rest of EU	5,395	55,596	(50,201)
Total	**128,951**	**316,972**	**(188,021)**

Net revenues from ordinary operations by geographical area.

	2010	2009	Change
Sales in Italy	3,607,804	2,476,659	1,131,145
Sales in Spain	2,003,427	1,228,778	774,649
Sales in other EU countries	902,021	581,970	320,051
Sales in non-EU countries	1,873,169	889,847	983,322
Sales in US	143,329	52,252	91,077
Total	**8,529,750**	**5,229,506**	**3,300,244**

Amounts are shown net of intraGroup eliminations.

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

	31/12/2010	31/12/2009	Change
Receivables in Italy	617,525	247,780	369,745
Receivables in Spain	33,010	113,237	(80,227)
Other EU county receivables	96,611	22,257	74,354
Non-EU county receivables	135,886	22,818	113,068
U,S, receivables	572	244	328
Provision for bad debts	(15,067)	(9,382)	(5,685)
Total	**868,537**	**396,954**	**471,583**

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

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2010	31/12/2009	Change
Bank and postal deposits	79,033	110,044	(31,011)
Cash	1,802	1,328	474
Total	**80,835**	**111,372**	**(30,537)**

Bank deposits were mainly attributable to Saras S.p.A. (EUR 46,906 thousand), Arcola Petrolifera S.p.A. (EUR 14,909 thousand), Sardeolica S.r.l. (EUR 5,396 thousand) and Reasar S.A. (EUR 4,650 thousand). The decline compared to the previous year of EUR 30,537 thousand is largely due to the investments made during the year, as well as the funds used in operating activities.
For further details, please refer to section 5.4.1 "Long-term financial liabilities" and the cash flow statement.

5.1.2 Other financial assets held for trading

This item (EUR 28,800 thousand) mainly includes Italian and foreign equities and government bonds held by the parent company (EUR 16,273 thousand) and green certificates (EUR 12,527 thousand) obtained by Sardeolica S.r.l. for the generation of energy from renewable sources during the year and still held as of the reporting date.
Gains and losses for the year, together with changes in fair value, are recorded in the income statement under "Financial income" or "Financial charges".
Changes in the item are as follows:

Investments	
Balance at 31/12/2008	**15,852**
Increase for financial year	10,761
Decrease for financial year	(9,064)
Balance at 31/12/2009	**17,549**
Increase for financial year	10,650
Decrease for financial year	(11,926)
Balance at 31/12/2010	**16,273**

Green Certificates	
Balance at 31/12/2008	**4,612**
Increase for financial year	13,557
Decrease for financial year	(14,417)
Balance at 31/12/2009	**3,752**
Increase for financial year	14,065
Decrease for financial year	(5,290)
Balance at 31/12/2010	**12,527**

Green certificates obtained by Sardeolica S.r.l. were sold on an appropriate regulated market or via bilateral agreements between market operators; the certificates held at 31st December were valued at the average annual market price of EUR 82.11/MWh for 2010(EUR 86.30/MWh for 2009).
The decreases due to the sale of green certificates allocated in the period or in previous years, are valued at the sale price. The green certificates pertaining to 2009 still held at the start of the year were sold to GSE during the year, according to the option provided for in the Ministerial Decree of 18th December 2008, whereby holders of green certificates may sell them to GSE at an average price established annually; this sale generated a capital gain of EUR 113 thousand, recorded under "Other income". Sardeolica S.r.l. also intends to sell to GSE certificates obtained in 2010 and still held at the reporting date.

5.1.3 Trade receivables

This item totalled EUR 868,537 thousand, an increase of EUR 471,583 thousand versus the previous year, mainly due to.

- a reduction in processing for third parties at the Sarroch refinery, resulting in an increase in direct sales, against a backdrop of rising prices;
- greater quantities of products sold by the subsidiary Arcola Petrolifera, mostly in Sardinia;
- the rise in electricity sales tariffs by the subsidiary Sarlux S.r.l.

For a breakdown of maturities, please see point 7.5.

In accordance with IFRS 8, at 31st December 2010 the Group had a receivable from GSE that represented more than 10% of total trade receivables recorded in the statement of financial position.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2010.

	31/12/2010	31/12/2009	Change
Raw materials, spare parts and consumables	306,668	213,437	93,231
Semi-finished products and work in progress	70,650	54,647	16,003
Finished products and good held for resale	434,608	453,555	(18,947)
Advance payments	236	10,438	(10,202)
Total	**812,162**	**732,077**	**80,085**

The increase in the value of inventories is attributable to the general increase in prices, mainly raw materials prices.
The recording of inventories at net realisable value did not include any significant write-downs (around EUR 600 thousand). This valuation is thus equivalent to the market value.

No stocks are put up as guarantees for liabilities.

The item "Finished products and goods held for resale" includes around 635,000 tons of oil products (valued at around EUR 380 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 stock amounted to 792,000 tons valued at around EUR 350 million).
The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 130 million at 31st December 2010 (EUR 134 million at 31st December 2009).

5.1.5 Current tax assets

Current tax assets amounting to EUR 39,266 thousand (EUR 39,983 thousand at 31st December 2009) are detailed below.

	31/12/2010	31/12/2009	Change
VAT	239	150	89
IRES	32,768	32,051	717
IRAP (regional income tax)	4,672	5,896	(1,224)
Other tax credits	1,587	1,886	(299)
Total	**39,266**	**39,983**	**(717)**

The IRES and IRAP receivables are essentially attributable to payments on account that exceeded the amounts applicable in the year.

5.1.6 Other assets

The balance is detailed below.

	31/12/2010	31/12/2009	Change
Accrued Income	1,495	991	504
Prepaid expenses	12,842	12,787	55
Other receivables	93,057	90,213	2,844
Total	**107,394**	**103,991**	**3,403**

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

"Other receivables" mainly comprise:
- the receivable of EUR 47,372 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 of the refund of charges applicable to 2010 relating to the application of EC Directive 2003/87 (Emissions Trading), as per AEEG Resolution 77/08;
- the recovery of the amount paid by Sarlux S.r.l. to GSE of EUR 17,701, as described in point 7.1;
- deposits to guarantee derivative transactions carried out by the parent company of EUR 15,798 thousand.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

COST	31/12/2008	Additions	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2009
Land & buildings	159,046	21,202	0		44,407	224,655
Plant & machinery	2,326,263	43,326	(5,670)		178,890	2,542,809
Industrial & commercial equipment	18,663	344	(171)		11,795	30,631
Other assets	449,018	5,469	(2,663)		(8,162)	443,662
Work in progress and advances	177,435	240,981	(81)		(233,176)	185,159
Total	**3,130,425**	**311,322**	**(8,585)**	**0**	**(6,246)**	**3,426,916**

ACCUMULATED DEPRECIATION	31/12/2008	Depreciation	(Disposals)	Revaluations (write-down)	Other Changes	31/12/2009
Land & buildings	48,660	7,713	0		1,627	58,000
Plant & machinery	1,364,958	127,537	(5,660)		(383)	1,486,452
Industrial & commercial equipment	13,973	2,385	(171)		6,852	23,039
Other assets	325,816	18,216	(2,638)		(7,516)	333,878
Total	**1,753,407**	**155,851**	**(8,469)**	**0**	**580**	**1,901,369**

NET BOOK VALUE	31/12/2008	Additions	(Disposals)	(Depreciation)	Other changes revaluations/ write-down	31/12/2009
Land & buildings	110,386	21,202	0	(7,713)	42,780	166,655
Plant & machinery	961,305	43,326	(10)	(127,537)	179,273	1,056,357
Industrial & commercial equipment	4,690	344	0	(2,385)	4,943	7,592
Other assets	123,202	5,469	(25)	(18,216)	(646)	109,784
Work in progress and advances	177,435	240,981	(81)	0	(233,176)	185,159
Total	**1,377,018**	**311,322**	**(116)**	**(155,851)**	**(6,826)**	**1,525,547**

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

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

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

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 167,090 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The residual value of these grants was EUR 6,126 thousand at 31st December 2010, compared with EUR 9,728 thousand at 31st December 2009.

The item "Land and buildings" mainly includes industrial buildings, offices and warehouses (net value: EUR 113,711 thousand), civic buildings in Milan, Cagliari and Rome used as offices (net value: EUR 15,856 thousand) and land largely relating to the Sarroch and Arcola sites belonging to the parent company and subsidiary Arcola Petrolifera S.p.A. respectively (EUR 36,832 thousand).

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

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

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

The increases during the year amount to EUR 122,837 thousand and relate mainly to technical work on the parent company's plants, in particular FCC and Topping 1, as well as to the expansion of the Ulassai wind farm by Sardeolica S.r.l.

The decrease of EUR 112.2 million recorded under "Work in progress - Other changes" refers to work finished during the year and consequently recorded under the related asset class.

The most significant depreciation rates used are as follows:

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

No fixed assets are held for sale.

The Group has a concession from the Cagliari Port Authority allowing it to occupy state-owned areas until 31st December 2015. These areas contain the Sarroch refinery's service facilities (waste-water treatment, seawater desalinisation, blow-down, flare system and landing stage). Currently there is no reason to believe that the concession will not be renewed on expiry.
Leased assets, booked as "Vehicles", totalled EUR 14,663 thousand, with a residual net value of zero.

Financial charges of EUR 4,971 thousand (at a rate of 3.23%) and internal costs of EUR 12,807 thousand were capitalised in 2010.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

CATEGORY	31/12/2008	Additions	Disposals	Other Changes	(Amortisation)	31/12/2009
Industrial & other patent rights	0	0	0	4,759	(1,808)	2,951
Concessions, licences, trademarks & similar rights	50,504	856	0	459	(1,457)	50,362
Goodwill	23,483	926	0	0	0	24,409
Assets in progress & payments on account	10,699	1,998	(637)	1,818	0	13,878
Other intangible assets	399,889	1,870	0	(13,796)	(34,014)	353,949
Total	**484,575**	**5,650**	**(637)**	**(6,760)**	**(37,279)**	**445,549**

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

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 with Saras Energia S.A.) for the operation of the service stations in Spain, and to Sardeolica S.r.l. for the operation of the Ulassai wind farm.

Goodwill

This item mainly refers to goodwill paid for the purchase of 30% of Parchi Eolici Ulassai S.r.l. (EUR 20,946 thousand): the goodwill was calculated using a projection of future cash flows by Sardeolica until 2035 when the concessions expire.

In accordance with the accounting standards applied by the Group, particularly IAS 36, this goodwill was subject to an evaluation as of the date of these financial statements to ascertain whether impairment had occurred. The analysis showed

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that no impairment had taken place, and – as in previous years – it was therefore unnecessary to make any write-downs.

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs)**: the subsidiary Parchi Eolici Ulassai S.r.l. (and its subsidiary Sardeolica S.r.l.) is identified as a single CGU, i.e. as the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The analysis was therefore carried out on the consolidated figures of Parchi Eolici Ulassai S.r.l. at 31st December 2010.

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

c) **Determination of the recoverable value of goodwill based on value in use**: in the absence of a binding agreement to sell the asset and an active reference market based on which the 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;
   - a discount rate (WACC) of 8%;
   - the selling prices of the energy produced by the CGU and of its green certificates were projected using a report commonly used in the sector and by the Group in its own analyses;
   - an inflation rate of between 1.6% and 2.0% for the entire period;
   - the tax rate was held constant at the current level for the entire period;
   - a terminal value of zero.

   The value in use thus derived, at 31st December 2010, exceeds the carrying value of the CGU by around EUR 66 million.

d) **Sensitivity analysis**: this analysis showed that changes, which are reasonably possible, in the main assumptions (notably the WACC and revenue projections) for determining the recoverable value of the goodwill in question, would not result in an impairment loss as defined in IAS 36.

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

Intangible assets with a non-finite useful life are not amortised, but are subject to annual impairment tests at the end of every financial year, or whenever there are indications of losses in value.
As of 31st December 2010, there were no such indications.

Other intangible assets

This item largely refers to the booking at fair value of the existing agreement between Sarlux S.r.l. and GSE (Gestore dei Servizi Energetici S.p.A.), which stood at EUR 310 million at 31st December 2010.

Intangible assets in progress and payments on account

This item mainly includes the cost of natural gas exploration in Sardinia (EUR 14,293 thousand).

No financial charges were capitalised during 2010.

Amortisation of intangible assets totalled EUR 37,646 thousand, and was calculated using the annual rates shown below.

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

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

5.2.3 Equity interests

The table below shows a list of equity investments held at 31st December 2010, with the main figures relating to each subsidiary.

Company name	Registered office	Currency	Share Capital	% owned by Group as of 12-10	% owned by Group as of 12-09	% share Capital	Shareholder	% of voting rights	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	EUR	10,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	Leu	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l. and subsidiaries:	Uta (CA)	EUR	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Artemide S.r.l.	Rome	EUR	20,000	100.00%	51.00%	100.00%	Akhela S.r.l.	100.00%	Indirect Subsidiary
ITSME S.r.l.	Milan	EUR	39,632	3.38%	3.38%	3.38%	Akhela S.r.l.	3.38%	Other Interests
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
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Other Interests
Consorzio La Spezia Energia	La Spezia	EUR	50,000	5.00%	5.00%	5.00%	Arcola Petrolifera S.p.A.	5.00%	Other Interests
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other Interests
Centro di Competenza I.C.T.	Cagliari	EUR	20,000	0.50%	0.50%	0.50%	Akhela S.r.l.	0.50%	Other Interests

5.2.3.1 Acquisitions and company mergers

On 18th November 2010, the subsidiary Akhela S.r.l., through an updated agreement to the previous contract, acquired the remaining 49% of the share capital of Artemide S.r.l., thereby acquiring full control. The agreement contained the payment in full of EUR 280 thousand and the elimination of the variable price component contained in the previous contract of EUR 395 thousand as the sale price for the remaining 49%.

In accordance with the revised version of IAS 27, since this did not involve the acquisition of control of the company, the difference between the price paid to acquire the remaining capital and the value of that percentage of the net assets acquired was charged to shareholders' equity.

5.2.3.2 Other equity interests

Other investments break down as follows:

	31/12/2010	31/12/2009
ITSME S.r.l.	50	50
Consorzio Cesma	3	3
Consorzio La Spezia Energia	2	2
Sarda Factoring	495	495
Centro di Competenza I.C.T.	21	21
Total	**571**	**571**

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5.2.4 Deferred tax assets

Deferred tax assets (EUR 67,283 thousand at 31st December 2010 and EUR 46,932 thousand at 31st December 2009) are shown net of deferred tax liabilities, and break down as follows:

	Amounts at 31/12/2009	Additions	Deductions	Other Changes	Amounts at 31/12/2010
Deferred tax liabilities					
Excess and accelerated depreciation	(75,755)	(9,181)	3,081	(4,533)	(86,388)
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)				(10,861)
Fiscal evaluation of inventories at the end of the period	(9,420)	(246)	8,321	4,821	3,476
Adjustments for scheduled plant and equipment maintenance	(2,130)		2,130		0
Write-off of provision for risks related to subsidiaries	(1,756)	(437)			(2,193)
Employee benefits and bonuses	(79)	0	86	(27)	(20)
Unrealised currency losses	(0)	(1,875)	0		(1,875)
Derivatives Fair value	412	78	0		490
Fair value of Sarlux contract with GSE	(129,214)		11,747		(117,467)
Write-off of goodwill amortisation	(86)	(14)	0		(100)
Sardeolica valuations (IFRS 3 on 30% PEU)	(6,397)		256		(6,141)
Other	0	(1,360)		(280)	(1,640)
Total deferred tax liabilities	**(235,287)**	**(13,035)**	**25,621**	**(19)**	**(222,720)**
Deferred tax assets					
Provisions for risks and write-downs	10,448	16,850	(9,019)		18,279
Derecognition of intangibile assets	(4,081)	134	(317)	5,125	861
Reclassification of grants previously carried as equity	404		(224)	(1)	179
Cost of dismantling and removing tangible assets	5,734	171			5,905
Adjustments for scheduled plant and equipment maintenance	0	905			905
Employee benefits and bonuses	3,961	3,114	(2,836)		4,239
Unrealised currency gains/losses	1,415	0	(948)		467
Linearisation of Sarlux (as per IAS 17 and IFRIC 4)	242,861		(21,790)		221,071
IPO costs charged directly to shareholders' equity	2,123		(2,123)		0
Exceeding maintenance costs	4,499		(1,905)		2,594
Deferred tax asset on tax loss of Saras S.p.A. (for the additional 6.5%)	3,644	9,425			13,069
Tax asset relating to Consolidated net loss IRES		16,305			16,305
Deferred tax asset on tax loss of Saras Energia	6,033		0	(5,321)	712
Other	5,178	656	(369)	(48)	5,417
Total deferred tax assets	**282,219**	**47,560**	**(39,531)**	**(245)**	**290,003**
Net total	**46,932**	**34,525**	**(13,910)**	**(264)**	**67,283**

The most significant changes were due to:

- the use of deferred taxes in relation to the fair value of the contract between Sarlux and GSE;
- the use of deferred tax assets for linear reporting in relation to Sarlux (IAS 17 and IFRIC 4);
- the increase in provisions for costs relating to the obligation to purchase CO_2 allowances;
- the recording of the increase in tax assets on the tax losses of the parent company Saras S.p.A., not transferable under the IRES consolidation scheme (additional 6.5%), which should be applicable in respect of its future taxable income under the terms of the law;
- the recording of tax assets on the tax losses generated under the consolidated law on income tax, which can be used to offset Group taxable income that can reasonably be expected to be generated during the next five years.

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

Subsidiary	Start date	End date
Akhela S.r.l.	01/01/2010	31/12/2012
Arcola Petrolifera S.p.A.	01/01/2010	31/12/2012
Ensar S.r.l.	01/01/2010	31/12/2012
Eolica Italiana S.r.l.	01/01/2010	31/12/2012
Parchi Eolici Ulassai S.r.l.	01/01/2008	31/12/2010
Saras Ricerche e Tecnologie S.p.A.	01/01/2010	31/12/2012
Sardeolica S.r.l.	01/01/2008	31/12/2010
Sarlux S.r.l.	01/01/2009	31/12/2011

In relation to the two companies whose agreements expired on 31st December 2010, the parent company has already proposed the renewal of inclusion in the scheme, via a Board of Directors' resolution; the option granted to Parchi Eolici Ulassai S.r.l. and Sardeolica S.r.l. must be exercised by the end of June.

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2010 and 2009:

	2010 Short Term	2010 Medium Long Term	2009 Short Term	2009 Medium Long Term
Deferred tax liabilities				
Excess and accelerated depreciation	(6,755)	(79,633)	(3,197)	(72,558)
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	3,476		(9,420)	
Adjustment for scheduled plant and equipment maintenance			(1,599)	(532)
Unrealised currency losses	(1,875)			
Fair value of derivatives	490		412	
Fair value of Sarlux contract with GSE	(11,747)	(105,720)	(11,747)	(117,468)
Sardeolica valuations (IFRS 3 on acquisition of 30% PEU)	(256)	(5,885)	(258)	(6,139)
Other	(1,380)	(2,573)		(1,842)
Total deferred tax liabilities	**(18,047)**	**(204,673)**	**(25,808)**	**(209,400)**
Deferred tax assets				
Provisions for risks and write-downs	16,542	1,738	5,519	4,929
Derecognition of intangibile assets	(344)	1,205	(65)	(4,016)
Reclassification of grants previously carried as equity	179		224	179
Costs for the dismantling and removal of tangible assets		5,905		5,734
Adjustment for scheduled plant and equipment maintenance		905		
Employee benefits and bonuses	4,239		3,961	(79)
Unrealised currency losses	467		1,415	
Linearisation Sarlux (as per IAS 17 and IFRIC 4)	22,750	198,321	28,411	214,450
IPO costs charged directly to shareholders' equity			2,123	
Exceeding maintenance costs	690	1,904	1,905	2,594
Deferred tax asset on tax loss of Saras S.p.A. (on additional tax 6.5%)	13,069		3,644	
Tax asset relating to tax IRES Consolidated loss	16,305			
Deferred tax asset on tax loss of Saras Energia	712		6,033	
Other	433	4,984	152	5,026
Total deferred tax assets	**75,042**	**214,961**	**53,322**	**228,817**

5.2.5 Other financial assets

The balance at 31st December 2010 was EUR 880 thousand (EUR 1,387 thousand in the previous year) and is chiefly represented by deposits paid by the parent company Saras S.p.A. and its subsidiary Energia S.A..

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5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities.

	31/12/2010	31/12/2009	Change
Bank loans	7,977	69,598	(61,621)
Bank accounts	154,501	276,038	(121,537)
Financial Derivatives	25,312	2,540	22,772
Other short term financial liabilities	0	31,386	(31,386)
Total short-term financial liabilities	**187,790**	**379,562**	**(191,772)**
Total long-term financial liabilities	**481,937**	**289,552**	**192,385**
Total fiancial liabilities	**669,727**	**669,114**	**613**

The terms and conditions of the company's loans are explained in the note on the item "Long-term financial liabilities".
During the year, the Group refinanced and extended the term of its debt by issuing a bond in the second half of the year. For more information, see the note below on "Long-term financial liabilities".

The "Financial derivatives" item includes the fair value of the financial derivatives in place at the reporting date.
The breakdown of this item is shown below.

	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Fair value of forward purchases and sales of commodities oil & other oil products)		(21,637)	2,986	
Interest rate swaps	11	(3,675)		(2,540)
Fair value of interest rate options			245	
Total	**11**	**(25,312)**	**3,231**	**(2,540)**

The valuation at fair value of the derivatives outstanding at 31st December 2010 had a negative net impact on the income statement of EUR 23,860 thousand (versus a negative net impact of EUR 2,233 thousand the previous year), as shown in section 6.4 below.

The following tables show notional values and relative fair values for derivatives outstanding at 31st December 2010 and 31st December 2009.

Type of transaction	**Interest rate**			**Other**			
Figures at 31/12/2009	**Notional value**	**Fair value**		**Notional value**		***Fair value***	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(318,841)	250,892	2,986	
Swap							
Interest rates	182,843		(2,540)				
Options							
Interest rates	50,000	245					
Total	**232,843**	**245**	**(2,540)**	**(318,841)**	**250,892**	**2,986**	**0**

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

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	31/12/2010	31/12/2009	Change
Advances from clients: portion due within the year	29,264	16,661	12,603
Payables to suppliers: portion due within the year	1,094,236	630,331	463,905
Total	**1,123,500**	**646,992**	**476,508**

The item "Customer advances" refers to payments on account received from the parent company's customers for the supply of oil products.
The increase in trade payables is mainly due to the higher quantity of raw materials acquired by the parent company during the last part of the year (compared to the same period the year before) and the general rise in oil prices.

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

	31/12/2010	31/12/2009	Change
Payables to Italian suppliers	243,717	247,343	(3,626)
Payables to Spanish suppliers	151,642	84,959	66,683
Payables to other EU country suppliers	149,669	71,704	77,965
Payables to non-EU country suppliers	578,438	242,381	336,057
Payables to US suppliers	34	605	(571)
Total	**1,123,500**	**646,992**	**476,508**

5.3.3 Current tax liabilities

This item is broken down below.

	31/12/2010	31/12/2009	Change
VAT payables	38,167	40,890	(2,723)
IRES (Corporate Tax)	297	218	79
IRAP (Regional Tax)	438	191	247
Other tax payables	51,088	26,656	24,432
Total	**89,990**	**67,955**	**22,035**

The item "VAT payables" is chiefly attributable to the payable to the Spanish tax authorities of Saras Energia S.A. on retail sales for service station network.

The item "Other tax payables" mainly includes excise duties on products introduced into the market by the Italian subsidiary Arcola Petrolifera S.p.A. and the Spanish subsidiary Saras Energia S.A. The change compared to the previous year is largely due to the significant increase in the quantities sold by Arcola Petrolifera, particularly on the Sardinian market.

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5.3.4 Other liabilities

A breakdown of other current liabilities is shown below.

	31/12/2010	31/12/2009	Change
Amount payable to welfare and social security bodies: portions due within the year	8,050	9,936	(1,886)
Due to personnel	17,658	16,598	1,060
Payables to Ministry for grants	43,141	42,197	944
Other payables	17,520	16,714	806
Other accrued liabilities	7,448	1,226	6,222
Other deferred income	450	591	(141)
Total	**94,267**	**87,262**	**7,005**

The item "Payables to personnel" includes salaries not yet paid for December and the portion of additional monthly payments accrued.

The item "Payables to ministry for grants" includes advances received from the Ministry of Productive Activities:

- by the parent company in connection with the programme agreement signed on 10th June 2002, for which the final concession decree has yet to be granted (EUR 24,736 thousand);
- by the subsidiary Sardeolica S.r.l. for the construction of the Ulassai wind farm (EUR 15,679 thousand).

The increase on the previous year refers mainly to the payment on account received by Sartec S.p.A. in respect of the third programme agreement signed with the above-mentioned ministry.

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

	31/12/2010	31/12/2009	Change
Euro Bond	247,725	0	247,725
Bank loans	234,212	289,552	(55,340)
Total long-term financial liabilities	**481,937**	**289,552**	**192,385**

On 16th July 2010, the parent company Saras S.p.A., an unrated company, carried out a bond issue aimed solely at institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bond, which is listed on the Luxembourg stock exchange, has a coupon of 5.583% and will mature on 21th July 2015. It is not supported by a guarantee and does not foresee any covenants.
The bond issue is recorded net of issue charges incurred.

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

Figures in iEUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/2009	Outstanding 31/12/2010	1 year	Maturity from 1 to 5 years	beyond 5 years	Collateral
Saras S.p.A.									
IntesaSanPaolo in pool	3-giu-09	100.0	Euribor 6M	99.4	99.7		99.7		
IntesaSanPaolo in pool	16-giu-09	90.0	Euribor 6M	89.4	89.6		89.6		
				188.8	**189.3**	**-**	**189.3**	**-**	
Sartec S.p.A.									
San Paolo Imi	30-giu-01	1.7	2.35%	0.1	-				
				0.1	**-**	**-**	**-**	**-**	
Akhela S.r.l.									
Unicredit	6-ago-08	0.2	0.74%	0.2	0.2	0.2			
				0.2	**0.2**	**0.2**	**-**	**-**	
Artemide S.r.l.									
Banca Intesa	11-apr-07	0.3	Euribor 3M	0.2	0.1	0.1			
				0.2	**0.1**	**0.1**	**-**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-set-02	10.0	Euribor 6M	3.3	2.2	1.1	1.1		
				3.3	**2.2**	**1.1**	**1.1**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-dic-05	90.0	Euribor 6M	56.7	50.4	6.6	24.4	19.4	
				56.7	**50.4**	**6.6**	**24.4**	**19.4**	
Sarlux S.r.l.									
Banca Intesa	29-nov-96	572.0	Libor 3M	65.5	-				
BEI	29-nov-96	180.0	7.35%	22.3	-				
BEI	29-nov-96	208.0	Euribor 3M	22.1	-				
				109.9	-	-	-	-	
Total payables to banks for loans				**359.2**	**242.2**	**8.0**	**214.8**	**19.4**	

The weighted average interest rate at 31st December 2010 was 3.53% (including guarantees and commitment fees for the subsidiary Sarlux S.r.l.).

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

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

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

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

- financial (mainly liquidity parameters set out in the agreement and a prohibition on carrying out derivatives transactions unless authorised by the pool of banks);
- operational, as regards the management of the wind farm and the obligation to provide insurance cover;
- in relation to the corporate structure, specifically a prohibition 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 restrictions, 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.

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At the last contractual date for assessing compliance with the restrictions relating to the above-mentioned loans, the conditions had been met.

On 15th September 2010, the subsidiary Sarlux S.r.l. took up its option to make early repayment of its existing loans with the European Investment Bank (EIB) and Banca Intesa San Paolo S.p.A., which were taken out on 29th November 1996 for a total of EUR 960 million. The repayments totalled EUR 32 million and EUR 47 million respectively.
Settlement of the loans removed the obligations, guarantees and covenants stipulated by the contracts.

The table below shows the composition of the Group's net debt at 31st December 2010 and 31st December 2009.

	31/12/2010	31/12/2009
Medium-/long-term bank loans	(234,212)	(289,552)
Euro Bond	(247,725)	
Short-term bank loans	(7,977)	(69,598)
Bank overdrafts	(154,501)	(276,038)
Other financial debts		(31,386)
Fair value net derivatives	(25,312)	691
Other held for trading financial assets	28,800	21,301
Cash and equivalents	80,835	111,372
Total net debt	**(560,092)**	**(533,210)**

The change is largely attributable to investments made during the year, partially offset by cash flow from operations. For further details, please see the cash flow statement.

5.4.2 Provisions for risks and charges

Provisions for risks and charges break down as follows:

	31/12/2008	Additions	Decrease for use	Other changes	31/12/2009
Provisions for dismantling of plants	16,826				16,826
Provisions for CO_2 quotas	5,135	18,713	(5,135)		18,713
Other risk provisions	7,234	672	(2,327)		5,579
Total	**29,195**	**19,385**	**(7,462)**	**0**	**41,118**

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

The provisions for dismantling plants relate to the future costs of dismantling plants and machinery, which are made wherever there is a legal and implicit obligation to be met in this regard. This was adjusted during the year on the basis of inflation changes (ISTAT).

The provision for CO_2 emission quotas, EUR 46,978 thousand in respect of the parent company, was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, the parent company Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l..
For 2010, 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 2,381,988 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of sales and purchases, of 2,420,581 tons, worth EUR 32,741 thousand;
- 444,404 tons of CO_2 for the cogeneration plants owned by the Sarlux S.r.l., which had emitted 3,781,835 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of purchases, of 1,046,855 tons, worth EUR 14,237 thousand.

During the year, allowances for 2,635,770 tons of CO_2 were purchased for Sarlux, and EUR 18,713 thousand was used from the provisions (EUR 4,200 thousand for Sarlux and EUR 14,513 thousand for Saras).

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.

(Tons)	Refinery plant Saras S.p.A.	IGCC plant Sarlux S.r.l.	Total
Assigned in 2009	2,159,696	444,404	2,604,100
Deficit coverage of certificates from previous year	(227,872)	0	(227,872)
Purchase	0	2,750,000	2,750,000
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,136,367)	(3,542,181)	(5,678,548)
Deficit as of 31st December 2009	**(1,204,543)**	**(347,777)**	**(1,552,320)**
Assigned in 2010	2,159,696	444,404	2,604,100
Deficit coverage of certificates from previous year	(1,198,289)	(345,194)	(1,543,483)
Purchase	0	2,635,770	2,635,770
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,381,988)	(3,781,835)	(6,163,823)
Deficit as of 31st December 2010	**(2,420,581)**	**(1,046,855)**	**(3,467,436)**

The item "Other risk provisions" mainly relates to provisions made for probable legal and tax liabilities.
In particular, although the parent company accepts no responsibility for the causes behind the tragic event on 26th May 2009 that led to the deaths of three workers, in order to prevent and/or bring to a close any and every dispute in this regard, in a final and irrevocable settlement of any damages, in February the parent company reached an agreement with the claimants, paying compensation to the civil law parties. The full amount for this transaction, together with the associated legal costs, has been set aside under "Other risk provisions".

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	31/12/2010	31/12/2009	Change
Employee end-of-service payments	14,529	15,412	(883)
Other complementary provisions	16,018	20,008	(3,990)
Total	**30,547**	**35,420**	**(4,873)**

Employee end-of-service payments are governed by article 2120 of the civil code and reflect the estimated amount, based on actuarial estimates, that the company will be required to pay employees when they leave their employment.
On 30th June 2010, following the cancellation by the parent company of the agreement establishing CPAS, the company's supplementary employee pension fund, the fund was dissolved and put into liquidation, with workers given the option of transferring the contributions accrued up until that date to another supplementary pension scheme or of redeeming the funds completely. The trade unions contested 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 31/12/2008	**17,480**
Accrual for the year	6,722
Amount used during the year	(8,790)
Balance at 31/12/2009	**15,412**
Accrual for the year	7,287
Amount used during the year	(8,170)
Balance at 31/12/2010	**14,529**

The table below shows changes in the CPAS fund.

Balance at 31/12/2008	**20,014**
Accrual for the year	2,077
Amount used during the year	(2,083)
Balance at 31/12/2009	**20,008**
Accrual for the year	1,214
Amount used during the year / Settlement	(5,204)
Balance at 31/12/2010	**16,018**

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

	31/12/2010	31/12/2009
ECONOMIC ASSUMPTIONS		
Cost of living increases	2.00%	2.00%
Discount rate	4.60%	5.10%
Salary increases	3.00%	3.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	ISTAT index for 2002, by gender
Probability of invalidity:	INPS model for projections to 2010
Probability of resignations:	annual staff turnover of 0.5% for all Group Companies
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of early retirement:	3% per annum for all Group companies

At 31st December 2010 the discount rate used was the iBOXX Eurozone AA 10+ (4.60%).
Given the accounting method used (see the section entitled “Summary of accounting standards and policies” and point Q “Provisions for employee benefits”), at 31st December 2010 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

For details of changes in this item, please see section 5.2.4 “Deferred tax assets”.

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2010	31/12/2009	Change
Advances from clients: portion due in future years	0	5,822	(5,822)
Payables to welfare and social security bodies	357	347	10
Deferred income	583,300	640,876	(57,576)
Other	2,612	2,718	(106)
Total	**586,269**	**649,763**	**(63,494)**

The change compared to 31st December 2009 is mainly due to the decrease in “Deferred income” posted by the subsidiary Sarlux S.r.l. The item in question relates to the agreement for the sale of energy between Sarlux S.r.l. and GSE (Gestore dei Servizi Energetici S.p.A.), which was accounted for according to IFRIC 4. Revenues from the sale of energy are calculated on a linear 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 linear 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.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2010	31/12/2009	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,164,297	1,089,884	74,413
Profit (Loss) for the year	(9,468)	72,552	(82,020)
	1,220,385	**1,227,992**	**(7,607)**
Share capital and reserves attributable to minority interests		42	(42)
Profit (loss) for year attributable to minority interests		6	(6)
Total minority interests	**0**	**48**	**(48)**
Total Shareholders Equity	**1,220,385**	**1,228,040**	**(7,655)**

Share capital
At 31st December 2010, 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 1,164,297 thousand, a net increase of EUR 74,413 thousand compared with the previous year. The net increase was the combined result of:

- an increase of EUR 72,552 thousand due to the allocation of profit from the previous year;
- an increase of EUR 2,219 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grant plans;
- a decrease of EUR 348 thousand due to the acquisition of 49% of the subsidiary Artemide S.r.l.;
- a decrease of EUR 10 thousand owing to the translation of the financial statements of subsidiaries in foreign currency.

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

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

Net loss
The consolidated net loss totalled EUR 9,468 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 reserves as per article 7, paragraph 6 of Legislative Decree 38/05" is distributable solely to cover losses or increase share capital.

Dividends
On 27th April 2010 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 28th April 2011 not to pay a dividend for 2010.

No own shares were acquired or sold during the year 2010.

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The table below provides the net loss and shareholders' equity figures for Saras S.p.A. and the Group as of 31st December 2010.

	Profit (Loss) for the year	Shareholders' equity
As in Saras S.p.A. Financial Statements as of 31st December 2010	**(110,086)**	**801,173**
Difference between carrying value and shareholders' equity of subsidiaries valued at cost in Saras S.p.A. accounts at 31st December 2010	109,570	429,032
Elimination of inter-company profits on inventories	(8,952)	(8,952)
Other	0	(868)
Saras Group Consolidated Annual Report as of 31st December 2010	**(9,468)**	**1,220,385**

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:

	2010	2009	Change
Sales and services revenues	7,978,827	4,682,725	3,296,102
Processing fee from third parties	8,965	53,557	(44,592)
Sale of electricity	506,064	454,035	52,029
Other revenues	36,359	39,021	(2,662)
Change in construction contracts	(465)	168	(633)
Total	**8,529,750**	**5,229,506**	**3,300,244**

Sales and services revenues came to EUR 3,296,102 thousand compared to the previous year. The change was largely due to price trends over the period and higher product volumes sold by the parent company.
Payment for processing for third parties total EUR 8,965 thousand and relates to refining services carried out by the parent company for third parties; the change versus the previous year was due to the lower quantities processed for third parties.

Revenues from the sale of electricity include EUR 493,977 thousand relating to the gasification plant of subsidiary Sarlux S.r.l. and EUR 12,087 thousand relating to the wind farm owned by subsidiary Sardeolica S.r.l.

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

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

In general terms, in 2010 the global economic recovery progressed at different rates in different places. In advanced economies, industrial activity and GDP growth remained modest, reflecting high unemployment rates, cuts in household income and weak consumer confidence. This was exacerbated by the public debt problems facing a number of peripheral eurozone countries, maintaining the risk of a double-dip recession. Emerging economies, in contrast, saw a sharp increase in industrial activity. At the same time, employment, GDP and investment all grew strongly, to the point of generating undesirable consequences such as inflationary pressures. Against this backdrop, demand for oil products followed the same geographical trends as GDP growth: so in Europe, refining margins recorded no improvement compared with the previous year; indeed, the EMC benchmark refining margin was 0.6 $/bl in 2010, even lower than the already disappointing average of 0.7 $/bl seen in 2009.

The results of the Saras Group's refining and marketing segments were inevitably affected by the weak market environment described above. The electricity generation segment, on the other hand, played an important part in stabilising the Group's results, as did the wind power segment, which made an excellent contribution, partly thanks to the favourable weather conditions in the first and fourth quarters of the year.

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

In accordance with IFRS 8, the Group has specified that Eni Group accounted for more than 10% of its revenues in the refining and marketing segments.

6.1.2 Other income

The following table shows a breakdown of other income.

	2010	2009	Change
Revenues for stocking of mandatory supplies	1,249	2,707	(1,458)
Sales of sundry materials	1,837	577	1,260
Grants	16,039	14,905	1,134
Chartering of tanker	2,925	4,466	(1,541)
Recover for demages and compensation	4,728	834	3,894
Reimbursment of emission trading charges	47,372	40,953	6,419
Other income	10,738	22,641	(11,903)
Total	**84,888**	**87,083**	**(2,195)**

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

The item "Reimbursements for accidents and compensation" related primarily to insurance reimbursements for the settlement reached with claimants in relation to the deaths of three workers on 26th May 2009.

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

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

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2010	2009	Change
Purchases of raw materials	6,075,796	3,051,063	3,024,733
Purchases of semifinished materials	27,130	22,881	4,249
Purchases of replacement parts and consumables	62,312	70,983	(8,671)
Purchases of finished products	1,554,577	1,404,684	149,893
Other purchases	194	154	40
Inventory's change	(90,287)	(256,052)	165,765
Total	**7,629,722**	**4,293,713**	**3,336,009**

As already mentioned under revenues, the change in this item was mainly due to price trends over the period and higher volumes processed by the parent company.

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6.2.2 Cost of services and sundry costs

	2010	2009	Change
Service costs	517,090	437,807	79,283
Use of third-party assets	15,982	14,297	1,685
Provisions for risks and charges	57,303	19,385	37,918
Other operating charges	20,658	63,355	(42,697)
Total	**611,033**	**534,844**	**76,189**

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

The item "Cost for use of third-party assets" 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).
In 2010, the parent company incurred a charge of EUR 2,075 thousand relating to rental of the building that houses the new registered office in Milan. The cost has been reported on a linear basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 8,625 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees. There are no options for contract renewal or acquisition.

"Provisions for risks and charges" mainly consist of a provision relating to CO_2 allowances applicable to 2010 that had not yet been purchased as of 31st December 2010.

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

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2010	2009	Change
Wages and salaries	101,021	94,191	6,830
Social security	29,454	27,995	1,459
Staff several indemnity	7,287	6,722	565
Pensions and similar	1,214	2,077	(863)
Other costs	5,635	5,705	(70)
Directors' remuneration	5,871	5,809	62
Total	**150,482**	**142,499**	**7,983**

The increase in personnel costs is mainly due to provisions for performance-related bonuses for staff (no provisions were made in the previous year), the rise in the headcount at Akhela and the higher costs sustained by Saras Energia during the year in relation to the employees of the Erg network in Spain, which was acquired in the second half of the previous year.

On 27th April 2010, the shareholders' meeting of the parent company approved the plans for the bonus allocation of ordinary shares in the company:

- to employees of the company and its Italian subsidiaries (the "employee share plan");
- to the management of the Saras Group (the "stock grant plan 2010/2012").

The employee share plan provides for a bonus allocation to employees:

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

Under the employee share plan, the total value of the shares allocated to each beneficiary cannot exceed EUR 2,065 each year. Furthermore, the maximum value of the shares assignable overall may never exceed the sum of EUR 2 million. In 2010, 156,286 shares were allocated under the plan, at a total cost of EUR 259 thousand.

The Stock Grant Plan 2010/2012 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to the difference between the change in value of the parent company's shares and that of the shares of a Group of comparable companies.
This plan will involve the allocation of 1,512,000 shares, at a cost for the period of EUR 1,643 thousand.

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until 2013, in return for a one-off premium to be paid in shares as part of the current plan.
In June 2010, 355,890 shares were delivered; the transfer of the remaining 1,409,590 shares was voluntarily deferred until 2013. This plan will involve the allocation of 918,700 shares, at a cost for the period of EUR 317 thousand.

The restatement required by the amendments to IFRS 2 (retrospective application) was not carried out because the related effects were not deemed to be significant.

6.2.4 Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs figures are shown below.

	2010	2009	Change
Amortisation of intangible assets	37,646	37,279	367
Depreciation of tangible assets	169,681	155,851	13,830
Total	**207,327**	**193,130**	**14,197**

The increase in the "Depreciation and amortisation" item is largely due to the start of depreciation on investments made in the alkalisation, FCC and Topping 1 plants at the end of 2009 and during 2010.

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below.

	2010	2009	Change
Income and Write-downs:			
Hangzhou Dadi Encon Environmental Equipment Co.	0	(26)	26
Consorzio Techno Mobility	0	(5)	5
Dynergy S.r.l. (for dividends distribution)	0	23	(23)
Dynergy S.r.l. (capital gains from disposal of equity investments)	0	5	(5)
Total	**0**	**(3)**	**3**

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6.4 Financial income and charges

A breakdown of financial income and charges is shown below.

	2010	2009	Change
Financial income :			
- from financial assets recorded under current assets	27	191	(164)
Other income			
- interest on bank and post office accounts	163	595	(432)
- fair value of held for trading financial assets	199	1,200	(1,001)
- positive differences on derivatives	24,413	9,835	14,578
- other income	551	70	481
Exchange rate gains	12,110	4,732	7,378
Total Financial Income	**37,463**	**16,623**	**20,840**
Financial charges :			
- fair value of derivatives outstanding on reporting date	(23,860)	(2,223)	(21,637)
- fair value of held for trading financial assets	(284)	(66)	(218)
- negative differences on derivatives	(16,337)	(17,682)	1,345
- other (interest on loans, arrears, etc.)	(22,749)	(18,237)	(4,512)
Exchange rate losses	(4,114)	(12,135)	8,021
Total Financial Charges	**(67,344)**	**(50,343)**	**(17,001)**
Total	**(29,881)**	**(33,720)**	**3,839**

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

	2010	2009	Change
Net interest gains (losses)	(22,586)	(17,642)	(4,944)
Net result from derivative financial instruments	(15,784)	(10,070)	(5,714)
- realised	*8,076*	*(7,847)*	*15,923*
- fair value of the open positions	*(23,860)*	*(2,223)*	*(21,637)*
Net exchange rate gains (losses)	7,996	(7,403)	15,399
Other	493	1,395	(902)
Total	**(29,881)**	**(33,720)**	**3,839**

As shown above, the main changes relate to exchange rate differences, partially offset by higher net interest expenses and gains/losses on financial derivatives (both in terms of realised gains/losses and the fair value of financial derivatives still held at the reporting date). The financial derivatives in question relate to hedging transactions to which hedge accounting procedures are not applied.

6.5 Income tax

Income tax can be shown as follows:

	2010	2009	Change
Current taxes	16,276	33,884	(17,608)
Net deferred taxes	(20,615)	12,238	(32,853)
Total	**(4,339)**	**46,122**	**(50,461)**

Current taxes consist of taxes calculated on the taxable income of the companies, including the additional IRES tax for Italian companies, where due, which rose from 5.5% to 6.5% at the beginning of 2010 (EUR 6,201 thousand).

Deferred tax assets/liabilities refer to changes during the year in the temporary differences between values recorded in the accounts and those recognised for tax purposes; the most significant changes regard the reversal of deferred tax assets for the linear reporting of Sarlux's margin (EUR 21,790 thousand) and the booking of the tax asset on the tax loss under the consolidated law on income tax (EUR 16,305 thousand).

Temporary differences in the Income Statement:		**TAX 2010**			**TAX 2009**
	Temporary Differencies 2010	**Deferred tax assets (liabilities)**	**Temporary Differencies 2009**	**Deferred tax assets (liabilities)**	**Effect of change in tax rates on previous figures**
Excess and accelerated depreciation on assets	(16,813)	(6,100)	(40,753)	3,106	(2,066)
Adjustment of land value at fair value (as deemed cost)					(287)
Measurement of inventory at end of period	(23,730)	8,075	37,853	(9,218)	(6)
Adjustments for cycle plant and equipment maintenance	(8,004)	3,035	(9,085)	3,352	(56)
Reclassification of grants previously carried as equity	592	(224)	1,624	(599)	11
Employee benefits and bonuses	(1,367)	364	(962)	488	27
Fair value of derivative contracts	(253)	78	(4,510)	1,089	242
Unrealised currency losses	8,300	(2,823)	(9,616)	3,516	8
Fair value of Sarlux contracts with GSE	(30,994)	11,747	(30,994)	11,436	(3,409)
Linearisation - Sarlux (as per IAS 17 and IFRIC 4)	57,493	(21,790)	32,387	(11,951)	6,408
IPO cost charged directly to shareholders' equity	5,600	(2,123)	5,600	(2,066)	
Asset maintenance costs deductible in future years	5,059	(1,905)	5,059	(1,854)	120
Valuation licences Sardeolica (IFRS 3 on acquisistion of 30% PEU)	(815)	256	(815)	256	
Deferred tax asset on tax loss of Saras S.p.A. (additional 6.5% IRES)	(145,000)	9,425	56,062	3,644	
Tax asset relating to Consolidated net loss IRES	(59,291)	16,305			
Deferred tax asset on tax loss of Saras Energia		0	45,437	(13,631)	
Taxation change in Spain			(2,487)	746	
Other temporary differences	(16,609)	6,295	3,946	(1,979)	434
TOTAL		**20,615**		**(13,664)**	**1,426**

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

IRES	2010	2009
PRE-TAX NET RESULT [A]	**(13.8)**	**118.7**
THEORETICAL CORPORATION TAX IRES [A*34%] [B]	(4.7)	40.4
THEORETICAL TAX RATE [B/A*100] %	**34.0%**	**34.0%**
EFFECTIVE INCOME TAXES [C]	**(11.9)**	**37.2**
EFFECTIVE TAX RATE [C/A*100] %	**86.2%**	**31.3%**

	2010		2009	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**(4.7)**	**34.0%**	**40.4**	**34.0%**
Effect of different tax rate for foreign and Italian companies not subject to additional	(1.3)	9.08%	(1.2)	-0.99%
Effect on restatement of capital grants	(0.2)	1.62%	(0.6)	-0.51%
Tax relief on investments from the so called “Tremonti-ter” (art. 5 D.L. 78/09)	(6.7)	48.55%	(3.9)	-3.32%
Effect recalculation of inventories (“Robin Hood Tax”)	0.3	-2.01%	0.9	0.75%
Effect additional IRES on deferred tax	0.0	0.00%	(1.2)	-1.01%
Non-income taxes	0.0	0.00%	1.3	1.10%
Taxes previous year (Sarlux)	(0.9)	6.52%	0.0	0.00%
Other Permanent differences	1.6	-11.59%	1.6	1.31%
Effective taxes	**(11.9)**	**86.2%**	**37.2**	**31.3%**

IRAP	2010	2009
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**16.1**	**152.4**
TOTAL PERSONNEL COSTS	**150.5**	**142.5**
RECTIFIED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)	**166.6**	**294.9**
THEORETICAL REGIONAL INCOME TAX IRAP [A*3,9%] [B]	**6.5**	**11.5**
THEORETICAL TAX RATE [B/A*100] %	**3.9%**	**3.9%**
EFFECTIVE INCOME TAXES [C]	**7.6**	**8.9**
EFFECTIVE TAX RATE [C/A*100] %	**4.6%**	**3.0%**

	2010		2009	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**6.5**	**3.9%**	**11.5**	**3.9%**
IRAP effect on value of production of foreign companies	(0.9)	-0.53%	(1.3)	-0.44%
IRAP effect on IFRS adjustments			0.5	0.17%
Effect return “cuneo fiscale” on IRAP	(0.3)	-0.18%	(1.5)	-0.51%
Not recognized IRAP tax assets for companies with negative EBIT	1.6	0.96%	0.0	0.00%
Other Permanent differences	0.7	0.40%	(0.3)	-0.10%
Effective taxes	**7.6**	**4.6%**	**8.9**	**3.0%**

7. Other information

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

7.1 Main legal actions pending

Parent company Saras S.p.A. and subsidiaries Arcola Petrolifera S.p.A., Sarlux S.r.l. and Akhela S.r.l. were subject to tax inspections and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that liabilities, while possible, are not probable.
Moreover, 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. Sarlux believes that it is not subject to this obligation, but a specially created AEEG committee, which subsequently came to a different interpretation of the resolution, deemed the subsidiary subject to this obligation for the years 2002-2006.
The subsidiary has taken steps to acquire the necessary green certificates, but has appealed against this interpretation, based on the opinion of its advisers, and believes that its appeal will be successful. Thus in these financial statements the cost of acquiring the green certificates mentioned above (EUR 32 million) has been suspended to “Other current assets”. 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. However, these liabilities would qualify for partial relief pursuant to section II, point 7-*bis* of CIP Provision 6/92: the subsidiary has already received a refund for the initial period (2002-2005) of EUR 14 million, which has also been suspended to other current assets and used to reduce the above-mentioned charge, while the refund for 2009 would amount to around EUR 5 million.

7.2 Early withdrawal from CIP 6/92 agreement

As provided for in article 3, paragraph 1 of the Ministry of Economic Development Decree of 2nd December 2009, Sarlux S.r.l., as a party to an agreement signed under the CIP 6/92 programme valid as of 1st January 2010 for the plants that use process fuels from residues expressed its interest in an early withdrawal from the agreement to GSE S.p.A., on a non-binding basis.
A subsequent decree from the Ministry of Economic Development will determine the payments with which early withdrawal may be settled; Sarlux S.r.l. will have the option to present a binding application in this regard to the GSE.

7.3 Earnings per share

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

Earnings loss per share totalled -1.02 euro cents for the 2010 financial year, and 7.82 euro cents in 2009.
The average number of shares outstanding was 928,033,267 in 2010 and 927,788,536 in 2009. At 31st December 2010, Saras S.p.A held 22,676,398 own shares in relation to the bonus allocation of shares to employees and management of Group companies.
Diluted earnings per share do not vary significantly from basic earnings per share.

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7.4 Transactions with related parties

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

Description	Absolute value (EUR ./000) and % of item in statements				Item	Business reason
	31/12/2010		31/12/2009			
IMMOBILIARE ELLECI S.p.A.						
Rent	(178)	0.03%	(234)	0.04%	Service and miscellaneous costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	21	0.02%	17	0.02%	Other income	Staff on secondment
Rent	(644)	0.10%	(640)	0.12%	Service and miscellaneous costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	21	0.00%	17	0.00%	Current trade receivables	Trade receivables
Payables for goods & services supply	0		0		Trade payables and other current payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Services rendered by staff	0	0.00%	4	0.00%	Other income	Staff on secondment
Receivables for goods & services supply	0	0.00%	4	0.00%	Current trade receivables	Trade receivables
Received services	(19)	0.00%	(53)	0.01%	Service and miscellaneous costs	Purchase of tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	34	0.04%	28	0.03%	Other income	Staff on secondment
Receivables for goods & services supply	34	0.00%	28	0.01%	Current trade receivables	Trade receivables
DYNERGY S.r.l.						
Rendered services	0	0.00%	1	0.00%	Other income	Exchange rate gains
Received services	0	0.00%	(531)	0.10%	Service and miscellaneous costs	Support for refining activities
Dividends	0	0.00%	23	766.67%	Net income (charges) on equity investments	Dividend distribution
Capital gains on disposal of equity investments	0	0.00%	5	166.67%	Net income (charges) on equity investments	Equity investment disposal
MANTA S.r.l.						
Services rendered by staff	52	0.06%	41	0.05%	Other income	Staff on secondment
Received services	(439)	0.07%	(192)	0.04%	Service and miscellaneous costs	Security services
Receivables for supply of goods and services	52	0.01%	41	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(68)	0.01%	(30)	0.00%	Trade payables and other current payables	Trade payables
CONSORZIO TECHNO MOBILITY						
Equity investment disposal	0	0.00%	(5)	166.67%	Net income (charges) on equity investments	Equity investment disposal
HANGZHOU DADI ENCON ENVIRONMENTAL EQUIPMENT CO. LTD - Cina						
Equity investment disposal	0	0.00%	(26)	0.00%	Net income (charges) on equity investments	Equity investment disposal

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 passed on in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

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

	31/12/2010			31/12/2009		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Current trade receivables	868,537	107	0.0%	396,954	90	0.0%
Trade and other current payables	1,123,500	68	0.0%	646,992	30	0.0%

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

	2010			2009		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Other income	84,888	107	0.1%	87,083	91	0.1%
Purchases of raw materials, supplies and consumables	623,541	1,280	0.2%	534,844	1,650	0.3%
Net income (charges) from equity investment	0	0	n.a.	(3)	(3)	100.0%

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

Flows with related parties	2010	2009
Net (Income) / charges from equity interests	0	3
(Increase) Decrease of trade receivables	(17)	183
Increase (Decrease) of trade payables and other payables	38	(211)
Changes of other current assets	0	0
Changes other non current liabilities	0	0
Monetary flows from (to) operating activities	**21**	**(25)**
Interest received \ (paid)	0	0
Monetary flows from (to) investments	**0**	**0**
Increase / (decrease) short term financial debts	0	0
Monetary flows from (to) financial assets	**0**	**0**
Total financial flows vs related parties	**21**	**(25)**

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

	2010			2009		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Monetary flows from (to) operating activities assets	126,340	21	0.0%	275,590	(25)	n.a.
Monetary flows from (to) investment activities	(118,224)	0	n.a.	(313,040)	0	n.a.
Monetary flows from (to) financing assets	(38,819)	0	n.a.	83,642	0	n.a.

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

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

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

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

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

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

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

7.5.1 Information on the statement of financial position

Paragraphs 8-19 of IFRS 7 state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or eliminated them from the accounts. The statement of financial position of the Saras Group at 31st December 2010 and 31st December 2009 is shown below, with details of the Group's financial instruments:

31/12/2010	Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivable	Available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2010
	Designated at Fair Value	Held for trading						
ASSETS								
Current assets	**0**	**28,800**	**0**	**1,042,430**	**0**	**0**	**865,764**	**1,936,994**
Cash and cash equivalents				80,835				80,835
Other financial assets held for trading		28,800			0			28,800
Securities held for trading		*16,273*						
Green certificates		*12,527*						
Trade receivables				868,537				868,537
Inventories							812,162	812,162
Current tax assets							39,266	39,266
Other assets		0		93,058			14,336	107,394
Derivative instruments				*0*				
Emission Trading credits				*65,073*				
Other receivables				*27,985*				
Non-current assets	**0**	**0**	**0**	**880**	**0**	**0**	**1,955,344**	**1,956,224**
Property, plant and equipment							1,473,284	1,473,284
Intangible assets							414,206	414,206
Equity investments valued at equity								0
Other equity interests							571	571
Deferred tax assets							67,283	67,283
Other financial assets				880				880
Other receivables				*880*				
Total financial assets	**0**	**28,800**	**0**	**1,043,310**	**0**	**0**	**2,821,108**	**3,893,218**
LIABILITIES								
Current liabilities	**0**	**25,312**	**0**	**0**	**0**	**1,372,347**	**97,888**	**1,495,547**
Short-term financial liabilities		25,312				162,478		187,790
Bank loans (guaranteed)						*7,977*		
Overdrafts						*154,501*		
Payables to non-consolidated companies and other payables								
Derivative instruments		*25,312*						
Trade and other payables						1,123,500		1,123,500
Current tax liabilities							89,990	89,990
Other liabilities						86,369	7,898	94,267
Other payables						*86,369*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**484,549**	**692,737**	**1,177,286**
Long-term financial liabilities						481,937		481,937
Bank loans						*234,212*		
Bond						*247,725*		
Provisions for risks and charges							78,533	78,533
Provisions for employee benefits							30,547	30,547
Other liabilities						2,612	583,657	586,269
Other payables						*2,612*		
Total financial liabilities	**0**	**25,312**	**0**	**0**	**0**	**1,856,896**	**790,625**	**2,672,833**

31/12/2009	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 receivable	Available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2009
	Designated at Fair Value	Held for trading						
ASSETS								
current assets	**0**	**24,532**	**0**	**609,086**	**0**	**0**	**772,060**	**1,405,678**
Cash and cash equivalents				111,372				111,372
Other financial assets held for trading		21,301			0			21,301
Securities held for trading		*17,549*						
Green Certificates		*3,752*						
Trade receivables				396,954				396,954
Inventories							732,077	732,077
Current tax assets							39,983	39,983
Other assets		3,231		100,760				103,991
Derivative instruments		3,231						
Emission Trading credits				72,890				
Other receivables				27,870				
Non-current assets	**0**	**0**	**0**	**1,387**	**0**	**0**	**2,018,599**	**2,019,986**
Property, plant and equipment							1,525,547	1,525,547
Intangible assets							445,549	445,549
Equity investments valued at equity								0
Other equity interests							571	571
Deferred tax assets							46,932	46,932
Other financial assets				1,387				1,387
Other receivables				*1,387*				
Total financial assets	**0**	**24,532**	**0**	**609,086**	**0**	**0**	**2,792,046**	**3,425,664**
LIABILITIES								
Current liabilities	**0**	**2,540**	**0**	**0**	**0**	**1,111,276**	**67,955**	**1,181,771**
Short-term financial liabilities		2,540				377,022		379,562
Bank loans (guaranteed)						*69,598*		
Overdrafts						*276,038*		
Payables to non-consolidated companies and other payables						*31,386*		
Derivative instruments		*2,540*						
Trade and other payables						646,992		646,992
Current tax liabilities							67,955	67,955
Other liabilities						87,262		87,262
Other payables						*87,262*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**292,270**	**723,583**	**1,015,853**
Long-term financial liabilities						289,552		289,552
Bank loans (guaranteed)						*289,552*		
Bond						*0*		
Provisions for risks							41,118	41,118
Provisions for employee benefits							35,420	35,420
Other liabilities						2,718	647,045	649,763
Other payables						*2,718*		
Total financial liabilities	**0**	**2,540**	**0**	**0**	**0**	**1,403,546**	**791,538**	**2,197,624**

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

- Italian and foreign equities and government bonds, held mainly by the parent company and valued at fair value since, as established by IAS 39, they are deemed to be financial assets purchased for sale or repurchase in the near term, and part of a portfolio of identified financial assets that are managed together, and for which there is evidence of a recent and effective strategy to generate a profit in the near term;
- 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 and interest rates; the former 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); and the latter were entered into by Saras and Sardeolica to hedge interest rate risk on loans.

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

Assets available for sale include green certificates obtained and not yet sold by the subsidiary Sardeolica S.r.l.

Other financial liabilities valued at amortised cost include all the Group's financial and commercial liabilities arising from contractual obligations by the Group to deliver cash or other financial assets to another entity.

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

All financial assets are booked by trade date.

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

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.

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

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2009	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivable	Available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	2009
	Designated at Fair Value	Held for trading						
Revenues from ordinary operations								5,229,506
Other income								87,083
Total revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,316,589**
Purchases of raw materials, spare parts and consumables								(4,293,713)
Cost of services and sundry costs				(340)			(340)	(534,844)
Personnel costs								(142,499)
Depreciation, amortisation and write-downs								(193,130)
Total costs	**0**	**0**	**0**	**(340)**	**0**	**0**	**(340)**	**(5,164,186)**
Operating results	**0**	**0**	**0**	**(340)**	**0**	**0**	**(340)**	**152,403**
Net income (charges) from equity interests								(3)
Other Net Financial income (charges)							(33,720)	(33,720)
from securities held for trading		1,134					1,134	
- of which:								
Realized gains								
change in fair value		*1,134*						
from current account interest				595			595	
from loans granted to Group companies							0	
from derivative instruments		(10,070)					(10,070)	
- of which:								
realized losses		*(7,847)*						
change in fair value		*(2,223)*						
from interest on loans						(18,237)	(18,237)	
from other receivables/payables				(7,142)			(7,142)	
Profit (loss) before taxes	**0**	**(8,936)**	**0**	**(6,887)**	**0**	**(18,237)**	**(34,060)**	**118,680**
Income tax								(46,122)
Net profit (loss)								**72,558**

The financial instruments recorded at fair value in the income statement generated net losses of EUR 15,869 thousand (net losses of EUR 8,936 thousand in 2009), including:

a) net losses of EUR 85 thousand (EUR 1,134 thousand in the previous year), owing to valuation differences and changes in the fair value of securities held for trading;
b) net losses of EUR 15,784 thousand (EUR 10,070 thousand in the previous year), due to valuation differences and changes in the fair value of derivatives.

Financial instruments recorded under “Loans” generated gains of EUR 3,728 thousand (versus net losses of EUR 6,887 thousand the previous year), chiefly owing to exchange rate differences on commercial positions.

Other financial liabilities valued at amortised cost generated losses of EUR 22,749 thousand (EUR 18,237 thousand 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 2010, the derivative contracts outstanding were mainly derivatives on commodities, classified as financial instruments held for trading.

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.

Changes in the fair value during the period are recorded in the income statement under financial income and financial charges.

The outstanding positions on commodities at the reporting date are expected to be closed out by the end of the first quarter of 2011, while the interest rate swaps have the same duration as the loans with which they are associated.

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

7.5.3.2 Fair value

Financial assets held by the Group are booked at fair value or amortised cost, which, where used, did not differ from the fair value as of 31st December 2010.

Financial liabilities are stated at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short-term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31st December 2010.

In accordance with the amendment to IFRS 7 implemented in the EU with EC Regulation 1165 of 27th November 2009, it should be noted that all financial instruments booked at fair value are measured using valuation techniques that refer to parameters observable on the market that differ from the prices of these instruments, except for the securities recorded under "Other financial assets held for trading" and the commodity derivatives classified under "Other current assets" or "Short-term financial liabilities", which are valued on the basis of prices on an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.5.4 Risks deriving from financial instruments

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

a. credit risk: i.e. the risk that the Group will incur a loss in the event that a counterparty to a financial instrument defaults;
b. liquidity risk: i.e. the risk that the Group will be unable to service payment obligations arising from the agreed maturities of its financial liabilities;
c. market risk: i.e. the risk relating to the performance of markets in which the Group operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

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

7.5.4.1 Credit risk

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

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

	Book value at 31/12/2010		Credit risk		Breakdown of maturities of financial assets pursuant to ex par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks disregarding guarantee or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	31-60 gg	61-90 gg	over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,936,994**	**1,071,230**	**1,071,230**	**184,474**	**984,840**	**73,136**	**7,997**	**1,865**	**18,459**	**1,071,230**		
Cash and cash equivalents	80,835	80,835	80,835		80,835					80,835		
Other financial assets held for trading	28,800	28,800	28,800		28,800					28,800		
Trade receivables	868,537	883,604	868,537	285,945	782,147	73,136	7,997	1,865	18,459	883,604		
Provisions for doubtful receivables		(15,067)								(15,067)	(5,009)	(15,067)
Inventories	812,162											
Current tax assets	39,266											
Other assets	107,394	93,058	93,058		93,058					93,058		
Non-current assets	**1,956,224**	**880**	**880**			**0**	**0**	**0**	**0**	**0**	**0**	
Property, plant and equipment	1,473,284											
Intangible assets	414,206											
Equity investments valued at equity	0											
Other equity interests	571											
Deferred tax assets	67,283											
Other financial assets	880	880	880							0		
Total assets	**3,893,218**	**1,072,110**	**1,072,110**		**984,840**	**73,136**	**7,997**	**1,865**	**18,459**	**1,071,230**		

	Book value at 31/12/2009		Credit risk		Breakdown of maturities of financial assets pursuant to ex par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks disregarding guarantee or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	31-60 gg	61-90 gg	over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,405,678**	**633,618**	**633,618**	**36,218**	**595,102**	**23,123**	**5,827**	**4,094**	**14,854**	**633,618**		
Cash and cash equivalents	111,372	111,372	111,372		111,372					111,372		
Other financial assets held for trading	21,301	21,301	21,301		21,301					21,301		
Trade receivables	396,954	406,336	396,954	36,218	358,438	23,123	5,827	4,094	14,854	406,336		
Provisions for doubtful receivables		(9,382)								(9,382)		(9,382)
Inventories	732,077											
Current tax assets	39,983											
Other assets	103,991	103,991	103,991		103,991					103,991		
Non-current assets	**2,019,986**	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,525,547											
Intangible assets	445,549											
Equity investments valued at equity	0											
Other equity interests	571											
Deferred tax assets	46,932											
Other financial assets	1,387	0	0							0		
Total assets	**3,425,664**	**633,618**	**633,618**		**595,102**	**23,123**	**5,827**	**4,094**	**14,854**	**633,618**		

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

7.5.4.2 Liquidity risk

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

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

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

	Book value at 31/12/2010		Liquidity risk		Analysis of maturities of financial assets pursuant to ex par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2011	2012	2013	2014	2015	over 5 years
LIABILITIES										
Current liabilities	**1,495,547**	**1,397,659**	**1,397,659**		**1,403,394**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	187,790	187,790								
Bank loans (guaranteed)		*7,977*	*7,977*		*7,977*					
Overdrafts		*154,501*	*154,501*		*154,501*					
Interest (weighted average yearly rate: = 3.53%)					*5,735*					
Loans from non consolidated Group Companies & other payables		*0*	*0*		*0*					
Derivative instruments		*25,312*	*25,312*	*15,798*	*25,312*					
Trade and other payables	1,123,500	1,123,500	1,123,500		1,123,500					
Current tax liabilities	89,990									
Other liabilities	94,267	86,369	86,369		86,369					
Non-current liabilities	**1,177,286**	**484,549**	**489,815**			**216,628**	**22,810**	**20,416**	**261,462**	**22,916**
Long-term financial liabilities	481,937	481,937	487,203							
Bank loans (guaranteed)		*234,212*	*237,203*			*199,155*	*8,551*	*6,238*	*3,647*	*19,612*
Bond		*247,725*	*250,000*						*250,000*	
Interest on mid/long term loans (weighted average yearly rate: = 3.53%)					*7,030*	*3,515*	*302*	*220*	*129*	*692*
Interest on Bond (weighted average yearly rate: = 5.583%)					*13,958*	*13,958*	*13,958*	*13,958*	*7,686*	
Provisions for risks and charges	78,533									
Provisions for employee benefits	30,547									
Other liabilities	586,269	2,612	2,612							2,612
Total liabilities	**2,672,833**	**1,882,208**	**1,887,474**		**1,403,394**	**216,628**	**22,810**	**20,416**	**261,462**	**22,916**

	Book value at 31/12/2009		Liquidity risk		Analysis of maturities of financial assets pursuant to ex par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2010	2011	2012	2013	2014	over 5 years
LIABILITIES										
Current liabilities	**1,181,771**	**1,113,816**	**1,111,276**		**1,122,233**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	379,562	379,562								
Bank loans (guaranteed)		69,598	69,598	69,598	69,598					
Overdrafts		276,038	276,038		276,038					
Interest (weighted average yearly rate: = 3.17%)					*10,957*					
Loans from non consolidated Group Companies & other payables		*31,386*	*31,386*		*31,386*					
Derivative instruments	0	0	0		0					
Trade and other payables	646,992	646,992	646,992		646,992					
Current tax liabilities	67,955									
Other liabilities	87,262	87,262	87,262		87,262					
Non-current liabilities	**1,015,853**	**292,270**	**292,270**		**5,985**	**64,458**	**200,738**	**8,208**	**5,988**	**22,330**
Long-term financial liabilities	289,552	289,552	289,552	289,552		56,677	197,471	7,956	5,804	21,644
Interest (weighted average yearly rate: = 3.17%)					*5,985*	*7,781*	*3,267*	*252*	*184*	*686*
Provisions for risks and charges	41,118									
Provisions for employee benefits	35,420									
Other liabilities	649,763	2,718	2,718							
Total liabilities	**2,197,624**	**1,406,086**	**1,403,546**		**1,128,217**	**64,458**	**200,738**	**8,208**	**5,988**	**22.330**

7.5.4.3 Market risk

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

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

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

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 +/- 20% in the EUR/USD exchange rate at the end of the year, which was used to convert currency positions for the preparation of the financial position.

EUR / US Dollar exchange rate				Change in benchmark	
					31/12/2010
Balance sheet items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-20%	+20%
Net position in foreign currency	(650,119)		(486,543)		
Effect on profit before taxes				(121,636)	81,091
Effect on net profit (and shareholders' equity)				(80,280)	53,520

The table below shows the simulation at 31st December 2009:

EUR / US Dollar exchange rate				Change in benchmark	
					31/12/209
Balance sheet items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-20%	+20%
Net position in foreign currency	(316,879)		(219,963)		
Effect on profit before taxes				(54,991)	36,661
Effect on net profit (and shareholders' equity)				(36,844)	24,563

The Group is exposed to short-term and medium-/long-term interest rates. It pays variable rates indexed to Euribor on these positions.
The Group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/- 20% in rates.

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

VARIABLE INTEREST RATES			Change in benchmark 31/12/2010	
	Average annual interest rate 2010	Annual interest charge	-20%	+20%
Short-and medium / long - term financial liabilities	3.53%	(22,749)		
Effect on profit before taxes			4,550	(4,550)
Effect on net profit (and Shareholders Equity)			3,003	(3,003)

The table below shows the simulation at 31st December 2009:

VARIABLE INTEREST RATES			Change in benchmark 31/12/2009	
	Average annual interest rate 2009	Annual interest charge	-20%	+20%
Short-and medium / long - term financial liabilities	3.17%	(18,237)		
Effect on profit before taxes			3,647	(3,647)
Effect on net profit (and Shareholders Equity)			2,444	(2,444)

In addition, the fair value of the interest rate swaps and options outstanding at the reporting date relating to the parent company and to Sardeolica S.r.l. is affected by movements in the Euribor rate: the Group carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20 basis points in rates.
The results of the simulation are shown in the table below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2010**	**-20 bps**	**+20 bps**
Fair value on Interest rate swaps	(3,664)	(3,918)	(2,946)
	(3,664)	**(3,918)**	**(2,946)**
Effect on profit before taxes		**(3,918)**	**(2,946)**
Effect on net profit (and Shareholders Equity)		**(2,586)**	**(1,945)**

The simulation as of 31st December 2009 is shown below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2009**	**-20 bps**	**+20 bps**
Fair value on Interest rate swaps	(2,540)	(839)	813
Fair value on Interest Options	245	(57)	65
	(2,295)	**(896)**	**878**
Effect on profit before taxes		**(896)**	**878**
Effect on net profit (and Shareholders Equity)		**(600)**	**588**

Oil prices, on the other hand, affect the fair value of derivative financial instruments outstanding at the reporting date and the relevant differences recognised in the income statement: derivative financial instruments at 31st December 2010 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.

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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 the parameters.
The results of the simulation are shown in the tables below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2010**	**-20%**	**+20%**
Oil and oil products	(21,637)	13,636	(56,919)
	(21,637)	**13,636**	**(56,919)**
Effect on profit before taxes		**13,636**	**(56,919)**
Effect on net profit (and Shareholders Equity)		**9,000**	**(37,567)**

The simulation as of 31st December 2009 is shown below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2009**	**-20%**	**+20%**
Oil and oil products	2,986	(10,031)	10,005
	2,986	**(10,031)**	**10,005**
Effect on profit before taxes		**(10,031)**	**10,005**
Effect on net profit (and Shareholders Equity)		**(6,720)**	**6,703**

The above analysis of the Group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk.

7.6 Average staff numbers

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

	31/12/2010	31/12/2009
Managers	72	95
Office staff	1,465	1,351
Specialised workers	13	16
Workers	759	662
Total	**2,309**	**2,124**

The number of employees at the Group rose from 2,244 at the end of 2009 to 2,288 at 31st December 2010; the rise was chiefly due to staff hiring by the subsidiaries Saras Energia S.A. and Akhela S.r.l..

7.7 Remuneration of senior personnel with strategic responsibilities

In 2010, senior personnel with strategic responsibilities received remuneration totalling EUR 1,297 thousand. For further details please see section 7.5.1 of the notes to the financial statements of Saras S.p.A..

According to the attachment 3 C of the Issuers' Regulations "Schemes related to the information on the remuneration paid to, and shares held by Directors and Control Bodies, General Manager and Managers with strategic positions" please find here below the shares assigned according to the Share Plan and the Stock Grant Plan.

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	General Manager	183,225	119,200	302,425
Corrado Costanzo	Chief Financial Officer	122,325	79,700	202,025

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 Information on Proprietary Assets ex art. 123-*bis* of D. Lgs. of 24th February 1998, n. 58.

7.8 Commitments

At 31st December 2010 and 31st December 2009 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. has issued sureties, whose value at 31st December 2010 totalled EUR 98,345 thousand, mainly comprising EUR 89,299 thousand to subsidiaries, EUR 3,162 thousand to Cagliari port authorities as a guarantee for state maritime concessions and EUR 2,630 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 2009 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

Services	Supplier	Recipient	Amount due in 2010
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	342
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	207
	Network PricewaterhouseCoopers	Foreign subsidiaries	143
Total			**692**
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	17
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	37
	Network PricewaterhouseCoopers	Foreign subsidiaries	12
Total			**66**
Other Services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	61
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	0
	Network PricewaterhouseCoopers	Foreign subsidiaries	35
Total			**96**
TOTAL			**854**

8. Publication of the consolidated financial statements

At its meeting on 24th March 2011, the Board of Directors of Saras authorised the publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the report on operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

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Comment on Saras S.p.A. results

Saras S.p.A. is the parent company and is also directly active in the refinery sector, as it was already analyzed in detail in the Saras Group Report on Operations, and to which we refer you to for additional information on an up-to-date analysis of the market, the reference "Regulatory Framework", the "Main Events during the year", the "Main events after the end of the year", and the "Outlook".

MAIN DATA OF INCOME STATEMENT

EUR million	2010	2009	Change%
Revenues	7.502	4.579	64%
EBITDA	(41)	78	-153%
EBIT	(148)	(18)	-722%
NET RESULT	(110)	78	-241%

In 2010 the company processed 104.7 million barrels of crude oil (14.3 million tons), which represents an increase of 8% compared to last year, mainly because the maintenance activities carried out in 2009 on the primary distilling unit were significantly more intense that the ones carries out in 2010, hence leading to a more significant reduction of refinery runs.

Processing on behalf of third parties went down to 7% of total runs (vs. 30% in FY 2009), because a processing contract expired at the end of 2009 and was not renewed, due to unfavourable market conditions.

With an average density of 32.4°API in FY 2010, the crude mix was overall in line with the average of last year. However, the percentage of "sour" crude oils (both heavy and medium) slightly decreased in FY 2010 vs. FY 2009 levels, mainly to the advantage of "light sweet" crude oils. This switch derives from a decision to use heavier crude oils as a feed for the gasification cycle, and a resulting acquisition of a basket of lighter crude oils, in order to bring the topping units to full utilization.

Revenues of Saras S.p.A. were EUR 7,502 ml in FY 2010, up by 64% versus FY 2009. This increase can be explained primarily with the trends followed by oil prices during the year, and also because of the above mentioned reduction in the percentage of third party processing activity.

EBITDA was EUR -41 ml, significantly down versus FY 2009 (-153%). This result is mainly related to a negative effect of inventory evaluations, due to the trends followed by oil prices during FY 2010.

The average USD/EUR exchange rate was 1.326 in FY 2010, versus the average of 1.395 in FY 2009.

Saras S.p.A. **Net Result** was EUR -110.1 ml, down 241% versus the EUR 78.0 ml profit in the previous year.

CAPEX in FY 2010 amounted to approx. EUR 95 ml (EUR 244 ml in FY 2009), in line with the investment plan for the period.

The **Net Financial position** as of 31st December 2010 was **negative by EUR 501 ml**, compared to the negative position of EUR 345 ml at the end of 2009, primarily because of the investments for the period and the negative cashflow from the company's operations.

	31/12/2010	31/12/2009
Medium/long term bank loans	(189,280)	(188,795)
Bonds	(247,725)	0
Medium/long term financial receivables from Group Consolidated companies	75,350	70,000
Medium/long term Net financial position	**(361,655)**	**(118,795)**
Short-term bank loans	0	0
Payables to banks for overdrafts on current accounts	(151,039)	(238,748)
Loans from Group companies	(110,979)	(74,040)
Other short-term financial liabilities (net of derivatives Fair value)	0	(31,317)
Net derivatives Fair value	(23,624)	2,001
Receivables from Group companies	82,688	75,585
Other financial assets held for trading	16,243	17,541
Cash and cash equivalents	46,906	22,104
Short term Net financial position	**(139,805)**	**(226,874)**
Net financial position	**(501,460)**	**(345,669)**

Pursuant to article 2428 of the Italian Civil Code, we hereby provide the following information:

- Intangible assets under construction include the research costs relating to gas exploration and research in Sardinia, which amounted to EUR 14,293 thousands;
- The relations 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";
- Following are the details and movements of the treasury shares held by the company during the year, as of 31st December 2010:

Date	Transaction	N° of Shares	Total Nominal value (EUR)	Total Consideration (EUR)
01/01/2010	Initial Situation	23,188,674	1,331,053	72,158,208
31/05/2010	Transfer	(355,890)	(20,428)	(1,107,454)
30/11/2010	Transfer	(156,386)	(8,977)	(486,329)
TOTAL		**22,676,398**	**1,301,648**	**70,564,425**

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On the 27th April 2010, the Shareholders' Meeting approved the stock plans, for the distribution of the company's ordinary shares, as follows:

- The "Stock Plan" for the employees of the Company and of its subsidiaries;
- The "2010/2012 Stock Grant Plan", for the management of the Company and of its subsidiaries.

The "Stock Plan" for the employees will award free ordinary shares:
- for the year 2010, one share for each six shares held by the employee as of 31st 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 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.

For information relating to the use of financial instruments by the company, please see the section with the title "Risk Analysis" herein.

The companies other offices are:
- General and Administrative Headquarter – Milan, Galleria de Cristoforis 1
- Public Relations and Administrative Affairs - Rome, Salita San Nicola da Tolentino 1/b

The information required by Attachment 3C of Consob Regulation 11971 of 14th May 1999 and subsequent amendments, is provided in the Notes to the Separate Financial Statements of Saras S.p.A. under paragraph 7.5 "Tables showing information on the remuneration and shareholdings of directors and auditors, general managers and senior managers with strategic responsibilities".

In addition, please refer to point 7.1 "Main legal actions pending" in the Notes, for the review of pending lawsuits.

Finally, please refer to the appropriate section of the Consolidated Financial Statements of the Saras Group for all relevant information on:
- Corporate Governance;
- Group Structure;
- Atypical and/or unusual transactions;
- Performance indicators and non financial indicators;
- Information on the personnel;
- Information on the environment.

Risk Analysis

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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 Group’s top management, to create the prerequisites for their management and to assess the acceptable residual risk.
In addition to the guidelines to risk management, there are specific directives related to the management of financial risks, such as the “interest risk” and the “credit risk”.

Financial risks

Sustainable growth, productivity, profitability and the quality of financial data are among the company’s priorities.
Therefore, the financial structures are aimed at ensuring the maximum efficiency insofar as the implementation and use of credit lines for the development of the commercial side of the business and the maximum possible reduction of the financial risks that are connected to industrial management (adverse risk).
The company operates internationally in the oil sector and is consequently exposed to currency risk and changes in interest rates, borrowing rates and in the prices of crude and oil products.

Price fluctuation risk

The results 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 process and the price of the raw materals, principally crude oil). In addition, to carry out 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 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 fluctuation, the company also takes out derivative contracts on commodities, which consist in the purchase and sale of crude oil and finished oil products.

Exchange rate risk

The oil activity is subject to currency fluctuations as the reference prices for the purchase of oil and part of the product sales are quoted in or connected to the US Dollar.
In order to decrease the currency risk relating to the transactions that are scheduled to 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 com-

pany sets up derivative instruments for the forward purchase and sale of foreign currency (US Dollar).
Transactions expressed in foreign currencies other than the US Dollar are of minor significance and can only marginally influence the result for the year.

Interest rate risk

The risks relating to the changes in cash flows from fluctuations in the interest rates are due to loans. Variable rate loans expose the company to the risk of changes in the cashflow, due to changes in interest rates. Fixed rate loans expose the company to the risk that the fair value of the loans will change.
The contracts in existence have been concluded at variable and also at fixed rates. The company's policy is to use derivative instruments in order to reduce the risk of changes in the cash flows from interest.

Credit risk

The market in which the company operates is composed mainly of multinational companies that operate in the oil sector. The transactions that take place are generally settled within a very short time and are often guaranteed by major credit institutions. Furthermore, the receivables are monitored daily by the financial department in a systematic way. We consider that such a risk is marginal and does not constitute a significant element in the business that the company is active in.

Liquidity risk

The company finances its own activities through cash flows generated from its operations and through recourse to external sources of financing and is therefore exposed to the liquidity risk consisting of the ability to fulfil the contractual obligations that derive from the loan contracts concluded. However, the capacity for self-financing, together with the traditional respect of contractual deadlines related to loans repayment, lead us to consider that the liquidity risk is marginal.

Other risks

Risk related to the procurement of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economical and social uncertainties, higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential negative effects on the Group's economic and financial position.
In the past few months, dramatic social unrest involved also Libya, which traditionally represents and important sourcing market for the company. The supply of Libyan crude oil could therefore be negatively influenced by such events, with potential negative effects on Saras refining margins.

Risks of interruption of production

The activity of the company depends heavily on its refinery located in Sardinia, which produces almost 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 is a part of the activity and there is no certainty that significant costs and liabilities relating to the environment will not be incurred in the future.
The company has however heavily invested, and it plans to continue to invest in order to comply with all the environmental laws; moreover, Saras has significant insurance coverage for such risks.

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Direction and Control

On the date of this report, Angelo Moratti S.a.p.a. holds 62.46% of the share capital of Saras.

Article 2497-sexies of the Italian Civil Code states that "*unless there is proof of the contrary, it is assumed that the activity of direction and coordination of companies is carried out by the company or entity that is responsible for consolidating their financial statements or which exercises control over them pursuant to art. 2359.*" The Board of Directors of Saras considers however that Angelo Moratti S.a.p.a. never exercised the activity of direction and control, as, among other things, Angelo Moratti S.a.p.a. does not provide directives to its own subsidiary and there is no significant organizational and functional connection between the two companies. Consequently, Saras considers that is has always operated under conditions of corporate and entrepreneurial autonomy in respect of its parent company Angelo Moratti S.a.p.a.. Indeed, the relations with the latter are limited exclusively to the normal exercise by Angelo Moratti S.a.p.a. of the administrative and equity rights of a shareholder and the receipt by the organs delegated by Angelo Moratti S.a.p.a. of information provided by the Issuer, in compliance with the provisions of article 2381, par. 5 of the Italian Civil Code.

Proposals of the Board of Directors

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Dear Shareholders,
The financial statements of your company for the year ended 31st December 2010, showed a net loss of EUR 110,086,524.
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 2010;
- the report of the Board of Statutory Auditors presented to the Shareholders' Meeting pursuant to art. 153 of legislative decree 58/1998 (The Italian Financial Services Act, known as "TUF");
- and the auditor's report on the separate financial statements for the year that ended on 31st December 2010;

and hereby resolves:

to approve the separate financial statements of the company for the year ended on 31st December 2010 in their entirety and insofar as the individual items therein, and to carry forward the loss for the year of EUR 110,086,524.

for the Board of Directors
The Chairman
Gian Marco Moratti

Saras S.p.A. Financial Statements as of 31st December 2010

Saras S.p.A. Statement of Financial Position as of 31st December 2010 and as of 31st December 2009

EUR thousand			31/12/2010	31/12/2009
ASSETS	(1)	(2)		
Current assets	5.1		1,533,695	960,959
Cash and cash equivalents	5.1.1	A	46,906	22,104
Other financial assets held for trading	5.1.2	B	16,243	17,541
Trade receivables	5.1.3	C	699,119	244,975
of which with related parties:			*309,763*	*130,695*
Inventories	5.1.4	D	622,652	552,613
Current tax assets	5.1.5	E	36,843	35,610
Other assets	5.1.6	F	111,932	88,116
of which with related parties:			*82,687*	*60,999*
Non-current assets	5.2		1,217,243	1,194,562
Property, plant and equipment	5.2.1	H, I	771,727	787,909
Intangible assets	5.2.2	J	15,602	11,490
Equity interests carried at cost	5.2.3.1	K	303,891	306,336
Other equity interests	5.2.3.2	K	495	495
Deferred tax assets	5.2.4	W	49,764	17,917
Other financial assets	5.2.5	M	75,764	70,415
of which with related parties:			*75,350*	*70,000*
Total assets			2,750,938	2,155,521
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,374,703	947,094
Short-term financial liabilities	5.3.1	R	285,642	345,335
of which with related parties:			*151,012*	*59,440*
Trade and other payables	5.3.2	R	1,004,720	520,373
of which with related parties:			*30,208*	*26,991*
Current tax liabilities	5.3.3	W	14,034	17,469
Other liabilities	5.3.4	R	70,307	63,917
Non-current liabilities	5.4		575,062	299,387
Long-term financial liabilities	5.4.1	R	437,005	188,795
Provisions for risks and charges	5.4.2	P, Z	69,649	32,239
Provisions for employee benefits	5.4.3	Q	28,013	32,996
Other liabilities	5.4.4	R	40,395	45,357
of which with related parties:			*40,034*	*45,005*
Total liabilities			1,949,765	1,246,481
EQUITY	5.5	O, V, N		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			845,703	765,443
Profit/(loss) for the year			(110,086)	78,041
Total Shareholders' Equity			801,173	909,040
Total liabilities and Shareholders' Equity			2,750,938	2,155,521

(1) Please refer to chapter 5 "Notes regarding the statement of financial position"

(2) Please refer to chapter 3.1 "Summary of the main accounting standards and valuation criteria adopted"

Saras S.p.A. Income Statements for the periods: 1st January – 31st December 2010 and 2009

EUR Thousand	(1)	(2)	01/01/2010 31/12/2010	of which non recurring	01/01/2009 31/12/2009	of which non recurring
Revenues from ordinary operations	6.1.1	S	7,394,327		4,478,195	
of which with related parties:			*2,070,034*		*1,398,720*	
Other income	6.1.2	S	107,958		100,374	
of which with related parties:			*90,181*		*74,427*	
Total revenues			7,502,285	0	4,578,569	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(6,975,911)		(4,006,871)	
of which with related parties:			*(36,904)*		*(55,646)*	
Cost of services and sundry costs	6.2.2	T, Z	(461,265)		(390,225)	
of which with related parties:			*(77,233)*		*(69,725)*	
Personnel costs	6.2.3	T, Q	(105,860)		(103,688)	
Depreciation, amortization and write-downs	6.2.4	H, J, T	(106,945)		(95,887)	
Total costs			(7,649,981)	0	(4,596,671)	0
Operating results			(147,696)	0	(18,102)	0
Net income (charges) from equity interests	6.3	K, V	(2,445)		103,549	
of which with related parties:			*(2,445)*		*103,549*	
Financial income	6.4	X	39,232		18,547	
of which with related parties:			*2,686*		*2,093*	
Financial charges	6.4	X	(58,948)		(36,882)	
of which with related parties:			*(1,240)*		*(865)*	
Profit before taxes			(169,857)	0	67,112	0
Income tax for the year	6.5	W	59,771		10,929	
Net profit/(loss) for the year			(110,086)	0	78,041	0

SARAS S.p.A. - STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS: 1ST JANUARY - 31ST DECEMBER 2010 AND 2009

	2010	2009
Result of the year (A)	(110,086)	78,041
Income / (loss), net of fiscal effect (B)	0	0
Consolidated Comprehensive Result of the year (A + B)	(110,086)	78,041

(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 principles and valuations polices”

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Saras S.p.A. Statement of changes in Shareholders' Equity for the period from 31st December 2008 to 31st December 2010

(EUR thousand)	Share Capital	Legal Reserves	Other Reserves	Profit (loss) for the year	Totale equity
Balance as of 31/12/2008	54,630	10,926	860,223	60,834	986,613
Allocation of previous year profit			60,834	(60,834)	0
Reserve for employees stock plan			2,052		2,052
Dividends			(157,721)		(157,721)
Effect of Corporate tax rate reduction (IRES)			55		55
Profit (loss) for the year				78,041	78,041
Balance as of 31/12/2009	54,630	10,926	765,443	78,041	909,040
Allocation of previous year profit			78,041	(78,041)	0
Reserve for employees stock plan			2,219		2,219
Profit (loss) for the year				(110,086)	(110,086)
Balance as of 31/12/2010	54,630	10,926	845,703	(110,086)	801,173

Saras S.p.A. Cash Flow Statements as of 31st December 2010 and 31st December 2009

(EUR thousand)	(1)	(2)	01/01/2010 31/12/2010	01/01/2009 31/12/2009
A - Cash and cash equivalents at the beginning of year	5.1.1	A	22,104	3,316
B - Cash generated from/(used in) operating activities				
Profit (Loss) for the year	5.5		(110,086)	78,041
Amortization, depreciation and write-down of fixed assets	6.2.4	H, J, T	106,945	95,887
Net (income) charges from equity interests	6.3	K	2,445	(3,549)
of which with related parties:			*2,445*	*(3,549)*
Net change in provisions for risks and charges	5.4.2	P, Z	37,410	13,578
Net change in employee benefits	5.4.3	Q	(4,983)	(2,068)
Net Change in tax liabilities and tax assets	5.2.4	W	(31,847)	3,876
Dividends from subsidiaries	6.3	V	0	(100,000)
of which with related parties:			*0*	*(100,000)*
Income tax	6.5	W	(59,771)	(10,929)
Change in Fair Value of financial assets held for trading and of financial liabilities			25,710	
Other non cash items	5.5		2,219	2,107
Profit (Loss) from operating activities before changes in working capital			(31,958)	76,943
(Increase) Decrease in trade receivables	5.1.3	C	(454,144)	217,280
of which with related parties:			*(179,068)*	*64,589*
(Increase) Decrease in inventory	5.1.4	D	(70,039)	(226,777)
Increase (Decrease) in trade and other payables	5.3.2	R	484,347	26,800
of which with related parties:			*3,217*	*(12,765)*
Change in other current assets	5.1.5 - 5.1.6	E, F	(28,280)	(73,732)
of which with related parties:			*(5,350)*	*(32,401)*
Change in other current liabilities	5.3.3 - 5.3.4	W, R	83,246	94,101
Income tax paid		E, W	(10,097)	(94,728)
Change in other non-current liabilities	5.4.4	R	(4,962)	(18,289)
of which with related parties:			*(5,021)*	*(4,972)*
Total (B)			(31,887)	1,598
C - Cash Flow from (to) investment activities				
Investments in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(94,502)	(244,421)
Dividends	6.3	V	0	100,000
of which with related parties:			*0*	*100,000*
Change in Equity interests	5.2.3.1	K	0	(1,000)
Change in financial assets	5.1.2 - 5.2.5	B, M	(4,136)	(1,708)
of which with related parties:			*0*	*0*
Interest received			2,718	2,347
of which with related parties:			*2,686*	*2,093*
Other non monetary movements	5.2.1 - 5.2.2		(373)	11
Total (C)			(96,293)	(144,771)
D - Cash generated from (usedin) financing activities				
Increase (Decrease) in medium/long term borrowings	5.4.1	R	248,210	188,795
Increase (Decrease) in short term borrowings	5.3.1	R	(82,087)	139,588
of which with related parties:			*91,572*	*842*
Dividend distribution to shareholders	5.5	V	0	(157,721)
Interest paid			(13,141)	(8,701)
of which with related parties:			*(1,240)*	*(865)*
Total (D)			152,982	161,961
E - Cashflow for the year (B+C+D)			24,802	18,788
F - Cash and cash equivalents at the end of year			46,906	22,104

(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 the main accounting standards and valuation criteria adopted”

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For the Board of Directors - The Chairman
Gian Marco Moratti

Notes to the Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2010

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Notes to the separate financial statements of Saras S.p.A. for the year ended 31st December 2010

1. Preliminary remarks

Saras S.p.A. is a company limited by shares listed on the Milan stock market. Its registered office is at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and it is 62.46% owned (excluding own shares) by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan). The company is established, as stated in its incorporation documents, until 31st December 2056.

Saras S.p.A. operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process; the company also owns the entire share capital (directly and indirectly) of companies that in turn operate in:

- the sale of oil products in the retail and wholesale markets in Italy (Arcola Petrolifera S.p.A.) and in Spain (Saras Energia S.A.);
- the generation and sale of electricity via an integrated gasification combined cycle (IGCC) plant (Sarlux S.r.l.) and a wind farm (Parchi Eolici Ulassai S.r.l., through the subsidiary Sardeolica S.r.l.);
- the fields of information technology (Akhela S.r.l.), environmental research (Sartec S.p.A.) and reinsurance (Reasar S.A.).

These financial statements for the year ending 31st December 2010 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, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousand 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 2010 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 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 financial position:

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

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

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3. Accounting standards applied

The IASB and IFRIC have approved some changes to and interpretations of the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1st January 2010. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning after 1st January 2010.

Accounting standards, amendments and interpretations applicable from 1st January 2010

The following accounting standards, amendments and interpretations were applied by the company for the first time from 1st January 2010.

IFRS 3 – Business combinations

The updated version of IFRS 3 introduced important changes, described below, mainly regarding the acquisition of subsidiaries in stages, the option of measuring any minority interests acquired in a partial acquisition at fair value, the allocation of all costs associated with a business combination to the income statement and the recognition of liabilities for conditional payments at the date of acquisition.

Acquisition of a subsidiary in stages

In the case of the acquisition of a subsidiary in stages, IFRS 3 establishes that a business combination occurs only at the time when control is acquired, and that, at this time, all the identifiable net assets of the acquired company must be measured at fair value; minority interests must be measured either on the basis of their fair value or on the basis of their proportional share of the fair value of the identifiable net assets of the acquired company (the method previously allowed under the earlier version of IFRS 3).

In the acquisition of control of a subsidiary in stages, the stake previously held (accounted for until that point in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, or with IAS 28 – Investments in Associates, or with IAS 31 – Investments in Joint Ventures) must be treated as though it had been sold and reacquired on the date that control is acquired. This stake must therefore be measured at fair value on the date of the "sale" and any profit or loss resulting from that valuation must be taken to the income statement. Furthermore, any amounts previously recognised in shareholders' equity, which are to be charged to the income statement following the sale of the assets to which they relate, must be recycled to the income statement. The goodwill or income (in the case of negative goodwill) resulting from the transaction concluded by the subsequent acquisition must be calculated as the sum of the price paid to obtain control, the value of the minority interests (valued using one of the methods permitted by the standard) and the fair value of the non-controlling interest previously held, net of the fair value of the identifiable net assets acquired.

Under the previous version of the standard, the acquisition of control in stages was reported transaction by transaction, as a series of separate acquisitions that all together generated goodwill calculated as the sum of all the goodwill generated by the individual transactions.

Ancillary transaction costs

IFRS 3 sets out that ancillary costs for business combination transactions should be charged to the income statement in the period in which they were incurred. Under the previous version of the standard, these costs were included in the calculation of the cost of acquiring the net assets of the acquired company.

Recognising conditional payments

IFRS 3 establishes that payments that are subject to conditions should be deemed part of the transfer price of the net assets acquired and that these should be measured at fair value on the date of acquisition. Similarly, if the acquisition agreement establishes a right to the reimbursement of certain components of the price if certain conditions occur, this right is disclosed as an asset by the acquirer. Any subsequent changes in fair value must be recognised as a correction of the original accounting treatment only if these changes are the result of greater or better information regarding the fair value and this comes to light within 12 months of the acquisition date; all other changes must be posted to the income statement.

Under the previous version of the standard, conditional payments were recognised at the acquisition date only if payment was deemed likely and the amount could be reliably determined. Furthermore, any subsequent changes in the value of such payments were always recognised as an adjustment of goodwill.

The application of the above amendments had no significant impact.

IAS 27 – Consolidated and Separate Financial Statements

The amendments to IAS 27 relate primarily to the accounting treatment of transactions or events that change the stake held in a subsidiary and the allocation of the subsidiary's losses to minority interests.

IAS 27 establishes that, once control of an entity has been obtained, transactions where the controlling shareholder acquires or sells additional minority interests without losing control of the subsidiary represent transactions with shareholders

and must therefore be recognised in shareholders' equity. As a result, the carrying value of the controlling stake and the minority interests must be adjusted to reflect the change in the stake held in the subsidiary and any difference between the change in minority interests and the fair value of the price paid or received in the transaction is posted directly to shareholders' equity and allocated to the controlling shareholder. No adjustment is made to the value of the goodwill and profit or loss reported in the income statement. Ancillary charges resulting from these transactions must also be posted to shareholders' equity in accordance with section 35 of IAS 32.
The application of the above amendments had no significant impact.

IFRS 2 – Share-based Payments: Group cash-settled share-based payment transactions
The amendments aim to:
- clarify the scope of the standard, incorporating into the text the contents of IFRIC 8 – Scope of IFRS 2;
- provide certain guidelines for classifying share-based payments in the consolidated financial statements and individual/separate financial statements of the companies involved;
- define the accounting treatment of equity-settled share-based payment transactions involving several companies in a Group, incorporating and supplementing the contents of IFRIC 11;
- define the accounting treatment of cash-settled share-based payment transactions involving several companies in a Group, which is not covered by IFRIC 11.

The application of the above amendments – which replace the interpretations IFRIC 8 and IFRIC 11 – had no impact on the Group.

Amendment to IAS 39 – Financial Instruments: Recognition and Measurement - Eligible hedged items
This addition to the current version of IAS 39 clarifies the conditions under which financial/non-financial instruments can be considered hedged items in a hedge relationship. In this context, it specifies that a company can also hedge just one type of change in the cash flows or fair value of a hedged item (e.g. if the price of a hedged commodity rises above a pre-determined price). This is known as one-sided risk. In this regard, the IASB also clarifies that a purchased option designated as a hedge in a one-sided hedge relationship is fully effective only if the hedged risk relates exclusively to the change in the intrinsic value of the hedging instrument, and does not also include its time value.

The application of this standard had no impact.

Accounting standards, amendments and interpretations effective from 1st January 2010 and not relevant for the company

The following amendments, improvements and interpretations, effective from 1st January 2010, refer to cases and situations that were not relevant to the company as of the date of these financial statements, but may have accounting effects on future transactions or agreements:

Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Amendment to IAS 28 – Investments in Associates and ***IAS 31 – Investments in joint ventures,*** following the changes made to ***IAS 27***

Improvements to IAS/IFRS (2009)

IFRIC 12 – Service Concession Arrangements

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 – Distribution of Non-cash Assets to Owners

IFRIC 18 – Transfers of Assets from Customers

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the company

On 8th October 2009, the IASB issued an amendment to **IAS 32 – Financial Instruments: Presentation – Classification of rights issues** governing the accounting treatment of rights issues (rights, options or warrants) denominated in a currency other than the issuer's functional currency. Previously, these rights were accounted for as liabilities arising from derivatives; the amendment now requires that, under certain conditions, these rights are classified under shareholders' equity, regardless of the currency in which the exercise price is denominated.
The amendment in question must be applied retrospectively from 1st January 2011. It is believed that the adoption of the amendment will have no significant impact on the company's financial statements.

On 4th November 2009, the IASB issued a revised version of **IAS 24 – Related Party Disclosures** that simplifies the type of information required in the event of transactions with related parties that are state-controlled entities and clarifies the definition of related parties. The standard must be applied from 1st January 2011. The adoption of this amendment will have no impact on the valuation of items in the financial statements.

On 12nd November 2009, the IASB published accounting standard **IFRS 9 – Financial Instruments** on the classification and measurement of financial assets, which is applicable from 1st January 2013. The publication of this standard represents the first stage of a process to fully replace IAS 39. The new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine the measurement criteria, replacing the various rules established by IAS 39. The new standard also sets out a single method of determining the impairment of financial assets. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the new standard: the impact this will have on the company's financial statements is currently being assessed.

On 26th November 2009, the IASB issued a minor amendment to **IFRIC 14 – Prepayment of a Minimum Funding Requirement**, allowing companies making prepayments of a minimum funding requirement to defined benefit pension plans to recognise these payments as assets. The amendment must be applied from 1st January 2011. It is believed that the adoption of the amendment will have no significant impact on the company's financial statements.

On 26th November 2009, IFRIC issued the interpretation **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments**, which provides guidelines regarding the recognition of a financial liability that has been extinguished using equity instruments. The interpretation states that if a company renegotiates the conditions for extinguishing a financial liability and its creditor agrees to extinguish the liability in return for being issued with shares in the company, the shares issued become part of the price paid to extinguish the financial liability and must be valued at fair value; the difference between the carrying value of the extinguished financial liability and the initial value of the equity instruments issued must be taken to the income statement during the period. The interpretation must be applied from 1st January 2011; it is believed that the adoption of the interpretation will have no significant impact on the company's financial statements.

On 6th May 2010, the IASB issued a series of modifications to the **IFRS ("Improvements")** that are applicable from 1st January 2011; those listed below contain changes that affect the presentation, recognition and measurement of items in the financial statements, leaving aside those that merely contain terminology changes or editorial amendments with a minimal impact in accounting terms, or those regarding standards or interpretations not applied by the company:

IFRS 3 (2008) – Business Combinations: the amendment clarifies that the components of minority interests that do not give holders the right to receive a proportional share of the subsidiary's net assets must be measured at fair value or in accordance with the applicable accounting standards. For example, in the event of a business combination, a stock option plan for employees must be valued according to the rules of IFRS 2, and the equity portion of a convertible bond must be valued according to IAS 32.

IFRS 7 – Financial Instruments: Disclosures: the amendment highlights the interaction between the qualitative and quantitative information required by the standard regarding the nature and scale of the risks associated with financial instruments. This should help users of the financial statements to link the information presented and should constitute a general description of the nature and scale of the risks deriving from financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and the requirement regarding the fair value of collateral have also been removed.

IAS 1 – Presentation of Financial Statements: the amendment requires that a reconciliation of changes to any component of shareholders' equity must be presented either in the notes to the financial statements or in the financial statements themselves.

IAS 34 – Interim Financial Reporting: a number of examples have been added to clarify the additional information that must be presented in interim financial reports. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the improvements described above: the impact this will have on the company's financial statements is currently being assessed.

On 7th October 2010, the IASB published a number of amendments to **IFRS 7 – Financial Instruments: Disclosures**, which apply to financial years starting on or after 1st July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets, 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 at the end of the reporting period. At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the amendments.

3.1 Summary of accounting standards and policies

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

The main valuation policies used are described below.

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are reported at fair value with any gains reported in the income statement under "Financial income" and "Financial charges".

C Trade receivables

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

D Inventories

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

E Current tax assets

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

F Other assets

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

G Derecognition of financial assets and liabilities

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

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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 are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes all expenses incurred directly in making the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

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. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the residual value of components thus replaced is charged to the income statement. Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

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

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

Buildings	18 years
Generic plant	12 years
Highly corrosive plant	9 years
Office furniture and machinery	4-8 years
Vehicles	4 years
Other assets	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

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

Land is not depreciated.

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

I Leased assets

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

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

J Intangible assets

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

Intangible assets are recognised when required with the approval of the board of statutory auditors.

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

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

[III] **Exploration and valuation of mineral resources**
Costs incurred in the exploration and evaluation of mineral resources, specifically:
[A] acquisition of exploration rights;
[B] photographic, geological, geochemical and geophysical studies;
[C] explorative drilling;
[D] digging;
[E] sampling;
[F] activities related to the evaluation of the technical and commercial feasibility of mineral resource extraction;
are recorded under tangible or intangible assets according to their nature, as required by IFRS 6. These costs are reassessed periodically to identify the possible existence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

K Equity interests
Investments in subsidiaries, associates and joint ventures are entered 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 costs are reassessed periodically to identify the possible exsistence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

L Impairment of assets
At each reporting date of the annual financial statements, tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators, originating from 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.

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

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

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O Shareholders' equity

[I] **Share capital**

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

[II] **Reserves**

Reserves comprise sums set aside for a specific purpose; they include the unallocated portion of net profit from previous years.

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

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

P Provisions for risks and charges

Provisions for risks and charges 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 civil code are treated in the same way as defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is entered on the statement of financial position based on their actuarial value, since this can be quantified as a 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 accrued 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 accrued benefit methods, considers every period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; 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 on the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued 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 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.

- Allocations accrued since 1st January 2007
  The allocations in question are accounted for using the method adopted for defined contribution pension plans, as the amount relating to employees has been transferred in full outside the company.

The corresponding liability is determined according to article 2120 of the civil code.

R Financial liabilities, trade and other payables and other liabilities

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

S Revenue Recognition

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

T Recognition of costs

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

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

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

V Dividends

[A] **Dividends received**
Dividends received from subsidiaries, joint ventures, 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.

W Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.
Deferred taxes are calculated on all temporary differences between the tax value of an asset or liability and its carrying value.
In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual 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 relating 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 taxes 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 introduced; the relating effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying tax difference.
Other taxes not related to income, such as property taxes, are included under "Cost of services and sundry costs".
The parent company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the parent 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

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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 actually 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 consolidated law on income tax.

X Derivatives

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

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

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

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

Y Earnings per share

[I] **Basic EPS**

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

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

3.3 Most significant accounting policies requiring a greater degree of subjectivity

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

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

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

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

4. Information by business segment and geographical area

4.1 Preliminary remarks

The company operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process and a provider of refining services to third parties. It is therefore deemed that the company operates in just one segment.

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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:

	2010	2009	Change
Sales in Italy	3,158,058	2,061,669	1,096,389
Sales in Spain	1,318,919	904,253	414,666
Other EU country sales	900,903	570,173	330,730
Non-EU country sales	1,873,118	889,847	983,271
US Sales	143,329	52,253	91,076
Total	**7,394,327**	**4,478,195**	**2,916,132**

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

	31/12/2010	31/12/2009	Change
Receivables in Italy	376,856	160,085	216,771
Receivables in Spain	92,034	46,042	45,992
Other EU county receivables	95,887	17,808	78,079
Non-EU county receivables	135,786	22,812	112,974
U.S. receivables	572	244	328
Provision for bad debts	(2,016)	(2,016)	0
Total	**699,119**	**244,975**	**454,144**

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

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	31/12/2010	31/12/2009	Change
Bank and postal deposits	46,870	22,045	24,825
Cash	36	59	(23)
Total	**46,906**	**22,104**	**24,802**

For further details on the company's financial position, please refer to section 5.4.1 "Long-term financial liabilities" and the cash flow statement.

5.1.2 Other financial assets held for trading

This item includes Italian and foreign equities and government bonds.
Gains and losses for the period, together with changes in fair value occurring during the year, are recorded in the income statement under the items "Financial income" and "Financial charges".
Changes in the item are as follows:

Balance at 31/12/2008	**15,844**
Increases for financial year	10,761
Decreases for financial year	(9,064)
Balance at 31/12/2009	**17,541**
Increases for financial year	10,629
Decreases for financial year	(11,927)
Balance at 31/12/2010	**16,243**

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2010	31/12/2009	Change
From trade debtors	389,463	114,364	275,099
From Group Companies	309,656	130,611	179,045
Total	**699,119**	**244,975**	**454,144**

The rise in receivables from customers compared to the previous year was largely due to the reduction in processing for third parties at the refinery, which resulted in an increase in direct sales, against a backdrop of rising prices.
The balance of receivables from Group companies mainly refers to receivables from Arcola Petrolifera S.p.A. (EUR 125,855 thousand) and Saras Energia S.A. (EUR 65,512 thousand) for the supply of oil products, and from Sarlux S.r.l. (EUR 117,161 thousand) for the supply of raw materials and charges for the purchase of CO_2 allowances.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2010.

	31/12/2010	31/12/2009	Change
Raw materials, spare parts and consumables	257,626	165,533	92,093
Semi-finished products	69,624	54,077	15,547
Finished products and goods held for resale	295,166	322,564	(27,398)
Advance payments	236	10,439	(10,203)
Total	**622,652**	**552,613**	**70,039**

The increase in the value of inventories is attributable to the general increase in prices, mainly raw materials prices.
The recording of inventories at net realisable value did not include any significant write-downs (around EUR 600 thousand). This valuation is thus equivalent to the market value.

No stocks are put up as guarantees for liabilities.

The item "Finished products and goods held for resale" includes around 635,000 tons of oil products (valued at around EUR 380 million) held for Group companies and certain third parties in accordance with the obligations laid down in Legislative Decree 22nd of 31st January 2001 (in the previous year, these stock amounted to 792,000 tons valued at around EUR 350 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of EUR 130 million at 31st December 2010 (EUR 134 million at 31st December 2009).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	31/12/2010	31/12/2009	Change
IRES receivables	32,231	30,724	1,507
IRAP receivables	4,112	4,112	0
Other tax receivables	500	774	(274)
Total	**36,843**	**35,610**	**1,233**

The IRES and IRAP receivables are essentially attributable to payments on account made in previous years that exceeded the amounts applicable in the year.

5.1.6. Other assets

The balance is detailed below.

	31/12/2010	31/12/2009	Change
Accrued income	231	109	122
Deferred charges	7,408	6,903	505
Other receivables	21,605	5,519	16,086
Financial receivables from Group Companies	82,688	75,585	7,103
Total	**111,932**	**88,116**	**23,816**

Deferred charges mainly refer to insurance premiums (EUR 3,806 thousand).

"Financial receivables from Group companies" include receivables from Saras Energia S.A. (EUR 55,000 thousand), Saras Ricerche e Tecnologie S.p.A. (EUR 282 thousand), Arcola Petrolifera S.p.A. (EUR 15,002 thousand), Akhela S.r.l. (EUR 6,758 thousand), Ensar S.r.l. (EUR 2,430 thousand), Eolica italiana S.r.l. (EUR 446 thousand), Artemide S.r.l. (EUR 800 thousand), Nova Eolica S.r.l. (EUR 1,950 thousand) and Sarint S.A. (EUR 20 thousand). These receivables from Group companies carry interest charged at market rates, and are due in the next year.

"Other receivables" mainly comprise deposits to guarantee derivatives outstanding at 31st December 2010, totalling EUR 15,798 thousand.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

COST	31/12/2008	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2009
Land and buildings	101,795				15,108	116,903
Plant and equipment	1,344,415	40,288	(5,610)		127,049	1,506,142
Industrial and commercial equipment	14,294	84	(41)		526	14,863
Other assets	392,908	253	(2,471)		8,403	399,093
Assets under construction and payments on account	113,405	202,864			(151,086)	165,183
Total	**1,966,817**	**243,489**	**(8,122)**	**0**	**0**	**2,202,184**

ACCUMULATED DEPRECIATION	31/12/2008	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	31/12/2009
Land and buildings	35,084	4,869				39,953
Plant and equipment	996,484	71,599	(5,610)			1,062,473
Industrial and commercial equipment	11,427	1,517	(41)			12,903
Other assets	284,550	16,856	(2,460)			298,946
Total	**1,327,545**	**94,841**	**(8,111)**	**0**	**0**	**1,414,275**

NET BOOK VALUE	31/12/2008	Additions	(Disposals)	(Depreciation)	Other changes and rev. / (w.d.)	31/12/2009
Land and buildings	66,711	0	0	(4,869)	15,108	76,950
Plant and equipment	347,931	40,288	0	(71,599)	127,049	443,669
Industrial and commercial equipment	2,867	84	0	(1,517)	526	1,960
Other assets	108,358	253	(11)	(16,856)	8,403	100,147
Assets under construction and payments on account	113,405	202,864	0		(151,086)	165,183
Total	**639,272**	**243,489**	**(11)**	**(94,841)**	**0**	**787,909**

COST	31/12/2009	Additions	(Disposals)	Revaluations (write-down)	Other changes	31/12/2010
Land and buildings	116,903	6			7,399	124,308
Plant and equipment	1,506,142	3,667	(2,400)		72,354	1,579,763
Industrial and commercial equipment	14,863	3			1,291	16,157
Other assets	399,093	207	(74)		22,130	421,356
Assets under construction and payments on account	165,183	86,160			(103,174)	148,169
Total	**2,202,184**	**90,043**	**(2,474)**	**0**	**0**	**2,289,753**

ACCUMULATED DEPRECIATION	31/12/2009	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	31/12/2010
Land and buildings	39,953	5,364				45,317
Plant and equipment	1,062,473	82,038	(2,400)			1,142,111
Industrial and commercial equipment	12,903	1,187				14,090
Other assets	298,946	17,636	(74)			316,508
Total	**1,414,275**	**106,225**	**(2,474)**	**0**	**0**	**1,518,026**

NET BOOK VALUE	31/12/2009	Additions	(Disposals)	(Depreciation)	Other changes and rev. / (w.d.)	31/12/2010
Land and buildings	76,950	6	0	(5,364)	7,399	78,991
Plant and equipment	443,669	3,667	0	(82,038)	72,354	437,652
Industrial and commercial equipment	1,960	3	0	(1,187)	1,291	2,067
Other assets	100,147	207	0	(17,636)	22,130	104,848
Assets under construction and payments on account	165,183	86,160	0		(103,174)	148,169
Total	**787,909**	**90,043**	**0**	**(106,225)**	**0**	**771,727**

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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 residual value of these grants was EUR 5,190 thousand at 31st December 2010, compared with EUR 8,755 thousand at 31st December 2009.

The item "Land and buildings" includes industrial buildings, offices and warehouses and warehouses (net value: EUR 45,602 thousand), civic buildings in Milan, Cagliari and Rome used as offices (net value: EUR 2,536 thousand) and land largely relating to the Sarroch site (net value: EUR 30,853 thousand).

The item "Plant and equipment" mainly relates to the refining plants in Sarroch.

The item "Industrial and commercial equipment" includes equipment for the chemicals laboratory and the control room, plus miscellaneous production equipment.

The item "Other assets" mainly includes tanks, pipelines used to carry products and crude.

The item "Work in progress and advances" reflects costs incurred for investments not yet brought into operation at 31st December 2010.

This item rose EUR 90,043 thousand during the year, primarily in relation to investments to upgrade the technology of the FCC and Topping1.

The decrease of EUR 103,174 thousand recorded under "Other changes" refers to work finished during the year and consequently recorded under 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 equipment)	**8.38%**
Highly corrosive plant (plant and equipment)	**11.73%**
Pipeline and storage (plant and equipment)	**8.38%**
Supplies (equipment)	**25.00%**
Electronic office equipment (other assets)	**20.00%**
Office furniture and machinery (other assets)	**12.00%**
Vehicles (other assets)	**25.00%**

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

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

Financial charges of EUR 4,971 thousand (at a rate of 3.23%) and internal costs of EUR 12,807 thousand were capitalised in 2010.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

CATEGORY	31/12/2008	Additions	Disposals	Other changes	(Amortisation)	31/12/2009
Industrial and other patent rights	1,106			783	(916)	973
Intangible assets in progress and payments on account	10,368	932		(783)		10,517
Other intangible assets	130				(130)	0
Total	**11,604**	**932**	**0**	**0**	**(1,046)**	**11,490**

CATEGORY	31/12/2009	Additions	Disposals	Other changes	(Amortisation)	31/12/2010
Industrial and other patent rights	973			373	(720)	626
Intangible assets in progress and payments on account	10,517	4,459				14,976
Total	**11,490**	**4,459**	**0**	**373**	**(720)**	**15,602**

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of this item relates mainly to the costs sustained to acquire software licences.

Intangible assets in progress and advances

This item mainly includes the cost of natural gas exploration in Sardinia (EUR 14,293 thousand).

No financial charges were capitalised during 2010.

Amortisation of intangible assets totalled EUR 720 thousand, and was calculated using the annual rates shown below.

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

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

5.2.3 Equity investments

5.2.3.1 Equity interests at cost

The table below shows a list of equity investments held at 31st December 2010, with the main figures relating to each subsidiary.

EQUITY INVESTMENTS

Name	HQ	Currency	Share Capital	Portion owned	Business Relationship	Total assets	Total liabilities	Shareholders' equity	Net profit/ (loss) last FY	Book value Saras S.p.A.
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	subsidiary	250,451,364	181,122,446	69,328,918	11,881,816	11,497,213
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	subsidiary	850,924,081	232,779,545	618,144,536	43,364,162	211,806,086
Sarint S.A.	Luxembourg	EUR	50,705,314	99,9% (*)	subsidiary	106,411,293	171,514	106,239,779	14,889,862	37,750,614
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	subsidiary	14,117,556	7,431,857	6,685,699	878,737	5,863,506
Ensar S.r.l.	Cagliari	EUR	100,000	100.00%	subsidiary	3,318,263	2,621,111	697,152	(850,809)	104,212
Parchi Eolici Ulassai S.r.l.	Cagliari	EUR	500,000	100.00%	subsidiary	31,269,435	50,079	31,219,356	7,709,430	32,815,696
Akhela S.r.l.	Cagliari	EUR	3,000,000	100.00%	subsidiary	27,194,181	23,086,272	4,107,909	(1,519,495)	4,053,996
										303,891,323

(*) The remaining 0.1% stake in Sarint S.A. is owned by subsidiary Arcola Petrolifera S.p.A.

A comparison with the figures for the previous year is shown below.

	Legal HQ	% owned	31/12/2010	31/12/2009
Akhela S.r.l.	Cagliari	100%	4,053	5,895
Arcola Petrolifera S.p.A.	Sarroch (CA)	100%	11,497	11,497
Ensar S.r.l.	Cagliari	100%	104	707
Parchi Eolici Ulassai S.r.l.	Cagliari	100%	32,816	32,816
Sarint S.A.	Luxembourg	99.9%	37,750	37,750
Sarlux S.r.l.	Sarroch (CA)	100%	211,808	211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	100%	5,863	5,863
Total			**303,891**	**306,336**

The changes in carrying value are as follows:

	31/12/2008	Acquisitions and subscriptions	Revaluations	Write-downs	Other changes	31/12/2009
Akhela S.r.l.	6,255			(360)		5,895
Arcola Petrolifera S.p.A.	11,497					11,497
Ensar S.r.l.	0	1,000		(293)		707
Parchi Eolici Ulassai S.r.l.	32,816					32,816
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	1,661		4,202			5,863
Total	**301,787**	**1,000**	**4,202**	**(653)**	**0**	**306,336**

	31/12/2009	Acquisitions and subscriptions	Revaluations	Write-downs	Other changes	31/12/2010
Akhela S.r.l.	5,895			(1,842)		4,053
Arcola Petrolifera S.p.A.	11,497					11,497
Ensar S.r.l.	707			(603)		104
Parchi Eolici Ulassai S.r.l.	32,816					32,816
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	5,863					5,863
Total	**306,336**	**0**	**0**	**(2,445)**	**0**	**303,891**

The carrying values of the equity investments in Akhela S.r.l. and Ensar S.r.l. have been reduced owing to impairment.

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

This loan agreement imposes certain restrictions on the subsidiary:

- financial (mainly liquidity parameters set out in the agreement and a prohibition on carrying out derivatives transactions unless authorised by the pool of banks);
- operational, as regards the management of the wind farm and the obligation to provide insurance cover;
- in relation to the corporate structure, specifically a prohibition 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 restrictions, the pool of lending banks has the right to demand early repayment of the loan.

At the last contractual date for assessing compliance with the restrictions relating to the above-mentioned loans, the conditions had been met.

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.

On 15th September 2010, the subsidiary Sarlux S.r.l. took up its option to make early repayment of its existing loans with the European Investment Bank (EIB) and Banca Intesa San Paolo S.p.A., which were taken out on 29th November 1996 for a total of EUR 960 million. The repayments totalled EUR 32 million and EUR 47 million respectively.

Settlement of the loans removed the obligations, guarantees and covenants stipulated by the contracts.

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 49,764 thousand at 31st December 2010 and EUR 17,917 thousand at 31st December 2009) are shown net of deferred tax liabilities, and break down as follows:

	Amounts at 31/12/2009	Additions	Deductions	Amounts at 31/12/2010
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	(2,129)		2,129	0
Measurement of inventory at end of period	(4,052)	0	4,052	0
Unrealised currency losses	1,201	(2,821)	0	(1,620)
Other	(300)	(1,360)	20	(1,640)
Total deferred tax liabilities	**(16,141)**	**(4,181)**	**6,201**	**(14,121)**
Deferred tax assets				
Higher fiscal costs on inventories	0	176	0	176
Provisions for risks and charges	8,638	14,323	(7,224)	15,737
Derecognition of intangible assets	6		(6)	0
Adjustments for scheduled plant and equipment maintenance		905		905
Reclassification of grants previously classified as equity	405		(225)	180
Costs for the dismantling and removal of tangible assets	5,126	87		5,213
Employee benefits and bonuses	3,877	3,073	(2,835)	4,115
Exceeding maintenance costs	4,499		(1,905)	2,594
I.P.O. costs charged directly to shareholders' equity	2,122		(2,122)	0
Tax asset relating to Consolidated net loss IRES		15,990		15,990
Tax Asset relating to tax loss (additional IRES 6,5%)	3,644	9,424		13,068
Port duties provision	5,519			5,519
Other	222	412	(246)	388
Total deferred tax assets	**34,058**	**44,390**	**(14,563)**	**63,885**
Net total	**17,917**	**40,209**	**(8,362)**	**49,764**

The most significant changes were due to:

- the recording of tax assets on the tax losses transferred under the consolidated law on income tax, which exceeded the amounts necessary to offset the taxable income of the other consolidated companies. It is believed that the expected Group taxable income for the next five years will be sufficient for the tax assets to be used;
- the increase in tax assets on tax losses, which cannot be transferred under the consolidated law on income tax (additional 6.5%) but which should be applicable in respect of future taxable income within the legal deadlines;
- the increase in provisions for costs relating to the obligation to purchase CO_2 allowances.

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The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2010 and 2009.

	2010 Short term	2010 Medium/long term	2009 Short term	2009 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			(1,597)	(532)
Measurement of inventory at end of period at F.I.F.O. cost			(4,052)	
Unrealised currency losses	(1,620)			
Other	(1,640)		(300)	
Total deferred tax liabilities	**(3,260)**	**(10,861)**	**(5,949)**	**(11,393)**

	2010 Short term	2010 Medium/long term	2009 Short term	2009 Medium/long term
Deferred tax assets				
Higher fiscal costs on inventories	176			
Provisions for risks and charges	14,323	1,414	5,500	3,138
Derecognition of intangibile assets			6	
Reclassification of grants previously carried as equity	72	108	224	181
Costs for the dismantling and removal cost of tangible assets		5,213		5,126
Adjustments for scheduled plant and equipment maintenance		905		
Employee benefits and bonuses	4,115		3,877	
Unrealised currency losses			1,201	
Exceeding Maintenance costs	690	1,904	1,905	2,594
I.P.O. costs charged directly to shareholders' equity			2,122	
Tax asset relating to Consolidated net loss IRES	15,990			
Tax asset relating to tax loss (additional IRES 6,5%)	13,068		3,644	
Port dulies provision		5,519		5,519
Other	388	0	11	211
Total deferred tax assets	**48,822**	**15,063**	**18,491**	**16,768**

5.2.5 Other financial assets

At 31st December 2010, the balance of this item is EUR 75,764 thousand (EUR 70,415 thousand the previous year) and relates mainly to the long-term portion of the financial receivable from Saras Energia S.A. of EUR 70,000 thousand. This receivable carries interest charged at market rates.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities.

	31/12/2010	31/12/2009	Change
Bank overdrafts	151,039	238,748	(87,709)
Loans from Group companies	110,979	74,040	36,939
Other loans	23,624	32,547	(8,923)
Total short-term financial liabilities	**285,642**	**345,335**	**(59,693)**
Total long-term financial liabilities	**437,005**	**188,795**	**248,210**
Total financial liabilities	**722,647**	**534,130**	**188,517**

The terms and conditions of the company's loans are explained in note 5.4.1 "Long-term financial liabilities".
During the year, the company refinanced and extended the term of its debt by issuing a bond in the second half of the year. For more information, see the note below on "Long-term financial liabilities".

The item "Loans from Group companies" includes loans from Sarlux S.r.l. (EUR 81,158 thousand), Sarint S.A. (EUR 15,100 thousand), Sardeolica S.r.l. (EUR 7,276 thousand), Reasar S.A. (EUR 5,470 thousand), Sartec S.p.A. (EUR 765 thousand), Arcola Petrolifera S.p.A (EUR 626 thousand), Eolica Italiana S.r.l. (EUR 432 thousand), Ensar S.r.l. (EUR 137 thousand) and Parchi Eolici Ulassai S.r.l. (EUR 15 thousand).

These loans from Group companies carry interest charged at market rates, and mature in the next year.

“Other short-term financial liabilities” mainly comprise derivative transactions.

The table below shows the fair value of derivatives recorded under “Other current assets” and “Short-term financial liabilities” (for more information see section 5.3.1).

	31/12/2010		31/12/2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	11	(1,986)		(1,230)
Fair value of interest rate options			245	
Fair value of forward purchases and sales of commodities (oil & other oil products)		(21,638)	2,986	
Total	**11**	**(23,624)**	**3,231**	**(1,230)**

The valuation at fair value of the derivatives outstanding at 31st December 2010 had a negative net impact on the income statement of EUR 20,661 thousand (versus a negative impact of EUR 1,455 thousand the previous year), as shown in section 6.4 below.

The following tables show notional values and relative fair values for derivatives outstanding at 31st December 2010 and 31st December 2009.

Type of transaction	**Interest rate**			**Other**			
Figures at 31/12/2009	**Notional value**	**Fair value**		**Notional value**		***Fair value***	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(318,841)	250,892	2,986	
Options							
Interest rates	(140,000)		(1,230)				
Swaps							
Interest rates	(50,000)	245					
Total	**(190,000)**	**245**	**(1,230)**	**(318,841)**	**250,892**	**2,986**	**0**

Type of transaction	**Interest rate**			**Other**			
Figures at 31/12/2010	**Notional value**	**Fair value**		**Notional value**		***Fair value***	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(343,275)	227,384		(13,798)
Options							
Oil products and crude oil				(6,212)	71,016	725	
Interest rates							
Swaps							
Oil products and crude oil				(196,234)	232,467		(8,565)
Interest rates	(190,000)	11	(1,986)				
Total	**(190,000)**	**11**	**(1,986)**	**(545,721)**	**530,867**	**725**	**(22,363)**

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	31/12/2010	31/12/2009	Change
Advances from clients: portion due within the year	28,903	16,124	12,779
Payables to suppliers: portion due within the year	945,677	477,258	468,419
Trade payables to Group Companies	30,140	26,991	3,149
Total	**1,004,720**	**520,373**	**484,347**

The item “Customer advances” refers to payments on account received from customers for the supply of oil products. The increase in trade payables is mainly due to the higher quantity of raw materials acquired during the last part of the year (compared to the same period the year before) and the general rise in oil prices.

The item “Payables to Group companies” chiefly comprises payables to Sarlux S.r.l. (EUR 19,923 thousand), Sartec S.p.A. (EUR 4,698 thousand), Akhela S.r.l. (EUR 4,745 thousand) and Saras Energia S.A. (EUR 479 thousand).

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

	31/12/2010	31/12/2009	Change
Payables to Italian suppliers	155,971	162,824	(6,853)
Payables to Spanish suppliers	62,064	162	61,902
Payables to other EU country suppliers	149,219	39,994	109,225
Payables to non-EU country suppliers	578,389	273,697	304,692
Payables to US suppliers	34	581	(547)
Total	**945,677**	**477,258**	**468,419**

5.3.3 Current tax liabilities

This item is broken down below.

	31/12/2010	31/12/2009	Change
VAT payables	10,889	5,399	5,490
Other tax payables	3,145	12,070	(8,925)
Total	**14,034**	**17,469**	**(3,435)**

“VAT payables” relate to the position accrued for the settlement for December.

The item “Other tax payables” mainly includes the payable relating to personal income tax (IRPEF), and the change compared with the previous year is caused by the payment during the year of the third and final instalment of the substitute tax on tax differences (EUR 9.6 million).

5.3.4 Other liabilities

A breakdown of other liabilities is shown below.

	31/12/2010	31/12/2009	Change
Amount payable to welfare and social security bodies: portions due within the year	6,135	8,097	(1,962)
Due to personnel	14,340	13,237	1,103
Payables to Ministry for grants	24,736	24,736	0
Other payables	17,675	16,340	1,335
Other accrued liabilities	7,369	976	6,393
Other deferred income	52	531	(479)
Total	**70,307**	**63,917**	**6,390**

The item “Payables to personnel” includes salaries not yet paid for December and the portion of additional monthly payments accrued.

The item “Payables to ministry for grants” includes advances received from the Ministry of Productive Activities in connec-

tion with the programme agreement signed on 10th June 2002, for which the final concession decree has yet to be granted (EUR 24,736 thousand).

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

	31/12/2010	31/12/2009	Change
Bond	247,725	0	247,725
Bank loans	189,280	188,795	485
Long-term financial liabilities	**437,005**	**188,795**	**248,210**

On 16th July 2010, Saras S.p.A., an unrated company, carried out a bond issue aimed solely at institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bond, which is listed on the Luxembourg stock exchange, has a coupon of 5.583% and will mature on 21st July 2015. It is not supported by a guarantee and does not foresee any covenants.
The bond issue is recorded net of issue charges incurred.

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

Figures in EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/2009	Outstanding 31/12/2010	Maturity 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years	Security
IntesaSanPaolo in pool	3-giu-09	100.0	Euribor 6M	99.4	99.7		99.7		
IntesaSanPaolo in pool	16-giu-09	90.0	Euribor 6M	89.4	89.6		89.6		
				188.8	**189.3**	**-**	**189.3**	**-**	

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

- in financial terms, it will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders’ equity < 1.5;
- in corporate terms, mainly in relation to ownership structure, a prohibition on changes in business activities, reductions in share capital and extraordinary operations.

If the company fails to comply with these restrictions, the pool of lending banks has the right to demand early repayment of the loan. At 31st December 2010, the company was in compliance with these restrictions.
On 3rd June 2009, EUR 100 million of the loan was drawn down and the remaining EUR 90 million was used on 16th June 2009. The loan is recorded in the financial statements at amortised cost, net of the charges incurred to obtain it.

The weighted average interest rate at 31st December 2010 was 4.00% (2.07% in the previous year).

The table below shows the composition of net debt at 31st December 2010 and 31st December 2009.

	31/12/2010	31/12/2009
Medium/long term bank loans	(189,280)	(188,795)
Bond	(247,725)	0
Medium/long term financial receivables from Group companies	75,350	70,000
Medium/long term Net financial position	**(361,655)**	**(118,795)**
Short-term bank loans	0	0
Payables to banks for overdrafts on current accounts	(151,039)	(238,748)
Loans from Group companies	(110,979)	(74,040)
Other short-term financial liabilities (net of derivatives Fair value)	0	(31,317)
Net derivatives Fair value	(23,624)	2,001
Receivables from Group Companies	82,688	75,585
Other financial assets held for trading	16,243	17,541
Cash and cash equivalents	46,906	22,104
Short term Net financial position	**(139,805)**	**(226,874)**
Net financial position	**(501,460)**	**(345,669)**

The change is primarily due to the investments made during the year and the funds used in operating activities. For further details, please see the cash flow statement.

5.4.2 Provisions for risks and charges

Provisions for risks and charges are broken down as follows:

	31/12/2008	Additions	Use	Movements	31/12/2009
Provisions for dismantling of plants	13,526				13,526
Provisions for CO_2 quotas	5,135	18,713	(5,135)		18,713
Total	**18,661**	**18,713**	**(5,135)**	**0**	**32,239**

	31/12/2009	Additions	Use	Movements	31/12/2010
Provisions for dismantling of plants	13,526	257			13,783
Provisions for CO_2 quotas	18,713	46,978	(18,713)		46,978
Other risk provisions	0	5,050		3,838	8,888
Total	**32,239**	**52,285**	**(18,713)**	**3,838**	**69,649**

The provisions for dismantling plants of EUR 13,783 thousand relate to the future costs of dismantling plant and equipment, which are made wherever there is a legal and implicit obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes.

The provision for CO_2 emission quotas, EUR 46,978 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, 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 2010, 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 company, which had emitted 2,381,988 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of sales and purchases, of 2,420,581 tons, worth EUR 32,741 thousand;
- 444,404 tons of CO_2 for the cogeneration plants owned by the Sarlux S.r.l., which had emitted 3,781,835 tons of CO_2 as of 31st December. A provision was made for the shortfall for the year, net of purchases, of 1,046,855 tons, worth EUR 14,237 thousand.

During the year, allowances for 2,635,770 tons of CO_2 were purchased for Sarlux, and EUR 18,713 thousand was used from the provisions (EUR 4,200 thousand for Sarlux and EUR 14,513 thousand for Saras).

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
Assigned in 2009	2,159,696	444,404	2,604,100
Deficit coverage previous year	(227,872)	0	(227,872)
Purchase	0	2,750,000	2,750,000
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,136,367)	(3,542,181)	(5,678,548)
Deficit as of 31st December 2009	**(1,204,543)**	**(347,777)**	**(1,552,320)**
Assigned in 2010	2,159,696	444,404	2,604,100
Deficit coverage previous year	(1,198,289)	(345,194)	(1,543,483)
Purchase	0	2,635,770	2,635,770
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,381,988)	(3,781,835)	(6,163,823)
Deficit as of 31st December 2010	**(2,420,581)**	**(1,046,855)**	**(3,467,436)**

The item “Other risk provisions” mainly relates to provisions made for probable legal liabilities.

In particular, although Saras S.p.A. accepts no responsibility for the causes behind the tragic event on 26th May 2009 that led to the deaths of three workers, in order to prevent and/or bring to a close any and every dispute in this regard, in a final and irrevocable settlement of any damages, in February 2011 the parent company reached an agreement with the claimants, paying compensation to the civil law parties. The full amount for this transaction, together with the associated legal costs, has been set aside under “Other risk provisions”.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	31/12/2010	31/12/2009	Change
Employee end-of-service payments	11,994	12,988	(994)
Other indemnities	16,019	20,008	(3,989)
Total	**28,013**	**32,996**	**(4,983)**

Employee end-of-service payments are governed by article 2120 of the civil code and reflect the estimated amount, based on actuarial estimates, that the company will be required to pay employees when they leave their employment.

On 30th June 2010, following the cancellation by the 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 contributions accrued up until that date to another supplementary pension scheme or of redeeming the funds completely. The trade unions contested 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 31/12/2008	**15,050**
Accrual for the year	5,501
Utilisations for the year	(7,563)
Balance at 31/12/2009	**12,988**
Accrual for the year	5,779
Utilisations for the year	(6,773)
Balance at 31/12/2010	**11,994**

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The table below shows changes in the CPAS fund.

Balance at 31/12/2008	**20,014**
Accrual for the year	1,955
Utilisations for the year	(1,961)
Balance at 31/12/2009	**20,008**
Accrual for the year	1,089
Utilisations for the year / settlement	(5,078)
Balance at 31/12/2010	**16,019**

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

	31/12/2010	31/12/2009
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	4.60%	5.10%
Pay increase:	3.00%	3.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	ISTAT index for 2002, by gender
Probability of invalidity:	INPS model for projections to 2010
Probability of resignations:	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 2010 the discount rate used was the iBOXX Eurozone AA 10+ (4.60%).
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 2010 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Other liabilities

Other liabilities break down as follows:

	31/12/2010	31/12/2009	Change
Advances from Group companies	40,034	45,005	(4,971)
Liabilities to insurance companies and social security; portions for future year	356	347	9
Other	5	5	0
Total	**40,395**	**45,357**	**(4,962)**

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:

	31/12/2010	31/12/2009	Change
Share Capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	845,703	765,443	80,260
Profit (Loss) for the year	(110,086)	78,041	(188,127)
Total	**801,173**	**909,040**	**(107,867)**

Share capital

At 31st December 2010, 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 845,703 thousand, a total increase of EUR 80,260 thousand compared with the previous year. This increase is the result of:

- the allocation of profit from the previous year of EUR 78,041 thousand;
- a rise of EUR 2,219 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grant plans.

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

Net profit/(loss)

The net loss for the year totalled EUR 110,086 thousand.

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Restrictions on the distribution of equity reserves

The table below breaks down equity reserves at 31st December 2010 into the available portion, the non-distributable portion and the distributable portion:

Items in Shareholders' equity	Amount	Utilisation potential	Portion available	Summary of utilisations made in the past three financial year:	
				For loss coverage	For other reasons
Share Capital	**54,629,667**				
Reserves of capital:					
Share premium reserve	338,672,775	A - B - C	338,672,775		
Reserves of profits:					
Revaluation reserve	64,037,748	A - B - C			
Legal reserves	10,925,934	B			
Profit/(Losses) carried forward	**78,601,182**	**A - B - C**	**78,601,182**		
Other reserves :					
Extraordinary reserve	377,047,929				(96,887,052)
Own shares	(70,564,425)				
IFRS transition effects	(72,653,587)				
	233,829,917	A - B - C	233,829,917 (*)		
Employee share grant reserve	6,557,559				
Locked-in reserves as per art. 7, c. 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	**911,258,791**		**775,107,883**		
Non-distributable portion			33,952,384 (**)		
Residual distributable portion			741,155,499		

Legend : A - for capital increase
B - to cover losses
C - for distribution to shareholders

(*): of which relevant to taxation is equal to zero

(**): includes EUR 19.6 millions for "Locked-in-reserves as per ex art. 7,c.6 D.Lgs. 38/05" and EUR 14.3 millions from Art.2426 comma 1 n.5 of the Italian Civil Code.

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

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item "Locked-in reserves as per article 7, paragraph 6 of Legislative Decree 38/05" is distributable solely to cover losses or to increase share capital;
- pursuant to article 2426, paragraph 1, point 5 of the Italian civil code, an amount of EUR 14.3 million earmarked for research costs is recorded under assets.

Dividends

On 27th April 2010 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 28th April 2011 not to pay a dividend for the reporting period.

The average number of shares outstanding was 928,033,267 in 2010 and 927,788,536 in 2009. At 31st December 2010, Saras S.p.A held 22,676,398 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:

	2010	2009	Change
Sales and services revenues	7,385,362	4,410,294	2,975,068
Processing fees from third parties	8,965	53,557	(44,592)
Other revenues		14,344	(14,344)
Total	**7,394,327**	**4,478,195**	**2,916,132**

Sales and services revenues came to EUR 2,975,068 thousand compared to the previous year. The change was largely due to price trends over the period and higher product volumes sold.
Payment for processing for third parties totalled EUR 8,965 thousand and relates to refining services carried out for third parties. The change versus the previous year was due to the lower quantities processed for third parties.

In general terms, in 2010 the global economic recovery progressed at different rates in different places. In advanced economies, industrial activity and GDP growth remained modest, reflecting high unemployment rates, cuts in household income and weak consumer confidence. This was exacerbated by the public debt problems facing a number of peripheral eurozone countries, maintaining the risk of a double-dip recession. Emerging economies, in contrast, saw a sharp increase in industrial activity. At the same time, employment, GDP and investment all grew strongly, to the point of generating undesirable consequences such as inflationary pressures. Against this backdrop, demand for oil products followed the same geographical trends as GDP growth: so in Europe, refining margins recorded no improvement compared with the previous year; indeed, the EMC benchmark refining margin was 0.6 $/bl in 2010, even lower than the already disappointing average of 0.7 $/bl seen in 2009. The company’s results were inevitably affected by the weak market environment described above.

Revenues from ordinary operations are broken down by geographical area in section 4 above.

In accordance with IFRS 8, the company has specified that the following customers accounted for more than 10% of its revenues:
- Saras Energia S.A.;
- Arcola Petrolifera S.p.A;
- Eni Group.

6.1.2 Other income

The following table shows a breakdown of other income.

	2010	2009	Change
Revenues for stocking of mandatory supplies	4,594	4,517	77
Chartering of tankers	2,925	4,466	(1,541)
Sale of sundry materials	2,215	815	1,400
Other revenues	98,224	90,576	7,648
Total	**107,958**	**100,374**	**7,584**

The item “Other income” essentially comprises charges to Sarlux S.r.l. for the purchase of CO_2 allowances pertaining to that company (EUR 48,006 thousand) and for services under contracts that expire in 2020 (services rendered by Saras staff: EUR 7,348 thousand, and services rendered: EUR 16,035 thousand). The item also includes shipping costs charged to Arcola Petrolifera S.p.A. (EUR 14,125 thousand).

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6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2010	2009	Change
Purchase of raw materials	6,003,127	2,995,895	3,007,232
Purchase of semifinished products	29,310	23,749	5,561
Purchases of spare parts and consumables	42,191	53,851	(11,660)
Purchase of finished products	981,334	1,160,572	(179,238)
Other purchases	252	181	71
Change of inventories	(80,303)	(227,377)	147,074
Total	**6,975,911**	**4,006,871**	**2,969,040**

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

6.2.2 Cost of services and sundry costs

	2010	2009	Change
Service costs	386,368	320,789	65,579
Rent, leasing and similar costs	8,351	8,488	(137)
Provisions for risks and charges	52,028	18,713	33,315
Other operating costs	14,518	42,235	(27,717)
Total	**461,265**	**390,225**	**71,040**

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 “Use of third-party assets” includes EUR 2,075 thousand in costs relating to rental of the building that houses the registered office in Milan. The cost has been reported on a linear basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 8,625 thousand for the following years up to five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months’ notice prior to the expiry date.
“Provisions for risks and charges” mainly consist of a provision relating to CO_2 allowances applicable to 2010 that had not yet been purchased as of 31st December 2010.
The item “Other operating charges” chiefly comprises the costs of purchasing CO_2 allowances (EUR 18,810 thousand for the year under review, versus EUR 34,117 thousand in 2009); for further details, see note 5.4.2 above. The item also includes non-income taxes (property taxes, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2010	2009	Change
Wages and salaries	69,709	67,144	2,565
Social security	20,098	19,744	354
Employee end-of-employment payments	5,779	5,501	278
Pensions and similar obligations	1,089	1,955	(866)
Other costs	3,525	3,720	(195)
Directors' remuneration	5,660	5,624	36
Total	**105,860**	**103,688**	**2,172**

The rise in personnel costs is largely due to provisions for performance-related bonuses for staff (no provisions were made in the previous 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, a share for every six held by the beneficiary at 31st December 2009;
- for the years 2011 and 2012, a share for every six additional shares purchased by the beneficiary in 2010 and 2011, on condition that the number of shares held by the beneficiary on a daily basis during each of these years is never lower than the number of shares held at 31st December of the previous year.

Under the employee share plan, the total value of the shares allocated to each beneficiary cannot exceed EUR 2,065 each year. Furthermore, the maximum value of the shares assignable overall may never exceed the sum of EUR 2 million. In 2010, 131,614 shares were allocated under the plan, at a total cost of EUR 218 thousand.

The Stock Grant Plan 2010/2012 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to the difference between the change in value of the parent company's shares and that of the shares of a Group of comparable companies.
This plan will involve the allocation of 1,351,000 shares, at a cost for the period of EUR 1,468 thousand.

Furthermore, beneficiaries who also participated in the 2007/2009 Stock Grant Plan were offered the opportunity of postponing the transfer of the shares that they are entitled to receive until 2013, in return for a one-off premium to be paid in shares as part of the current plan.
In June 2010, 264,795 shares were delivered; the transfer of the remaining 1,267,120 shares was voluntarily deferred until 2013. This plan will involve the allocation of 830,400 shares, at a cost for the period of EUR 286 thousand.

The restatement required by the amendments to IFRS 2 (retrospective application) was not carried out because the related effects were not deemed to be significant.

6.2.4 Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs figures are shown below.

	2010	2009	Change
Amortisation - intangible assets	720	1,046	(326)
Depreciation - tangible assets	106,225	94,841	11,384
Total	**106,945**	**95,887**	**11,058**

The increase in the "Depreciation and amortisation" item is largely due to the entry into service of the alkalisation and Topping 1 plants at the end of 2009 and during 2010.

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6.3 Net income (charges) from equity investments

This item is shown in detail in the table below.

Net income (charges) from equity interests	2010	2009	Change
Dividends :			
- Sarlux S.r.l.	0	100,000	(100,000)
	0	100,000	(100,000)
Reversal of write-downs:			
- Sartec-Saras Ricerche e Tecnologie S.p.A.	0	4,202	(4,202)
	0	4,202	(4,202)
Impairment:			
- Ensar S.r.l.	(603)	(293)	(310)
- Akhela S.r.l.	(1,842)	(360)	(1,482)
	(2,445)	(653)	(1,792)
Total	**(2,445)**	**103,549**	**(105,994)**

6.4 Financial income and charges

A breakdown of financial income and charges is shown below.

	2010	2009	Change
Financial income:			
- from current financial assets	2	161	(159)
Other sundry financial income			
- from subsidiaries	2,702	2,125	577
- interest on current accounts held with bank and post offices	14	61	(47)
- fair value of derivatives recorded at year-end	0	0	0
- fair value of financial assets held for trading	199	1,200	(1,001)
- realized gains on derivatives	24,413	9,835	14,578
- other income	576	539	37
Exchange rate gains	11,326	4,626	6,700
Total financial income	**39,232**	**18,547**	**20,685**
Financial charges:			
- to subsidiaries	(780)	(857)	77
- fair value of derivatives recorded at year-end	(22,581)	(1,455)	(21,126)
- fair value of financial assets held for trading	(284)	(66)	(218)
- realized loss on derivatives	(16,797)	(17,090)	293
- other (interest on loans, interest on arrears, etc,)	(15,568)	(5,618)	(9,950)
Exchange rate loss	(2,938)	(11,796)	8,858
Total financial charges	**(58,948)**	**(36,882)**	**(22,066)**
Total	**(19,716)**	**(18,335)**	**(1,381)**

The change in net financial income and charges is mainly attributable to positive changes in exchange rate differences (EUR 15,558 thousand), net of the negative changes in the fair value of financial instruments outstanding at the reporting date (EUR 21,126 thousand) and interest on loans (EUR 9,343 thousand). The financial derivatives in question relate to hedging transactions to which hedge accounting procedures are not applied.

6.5 Income tax

Income tax can be shown as follows:

	2010	2009	Change
Current taxes	0	559	(559)
Effect of Group tax consolidation	(27,924)	(15,419)	(12,505)
Deferred tax assets/liabilities	(31,847)	3,931	(35,778)
Total	**(59,771)**	**(10,929)**	**(48,842)**

There are no current taxes because there was no taxable income subject to IRAP either.
The item "Effect of Group tax consolidation" comprises the benefit deriving from the tax loss, calculated at 27.5%, that is offset under the consolidated law on income tax.

Deferred tax assets/liabilities refer to changes during the year in the temporary differences between values recorded in the accounts and those recognised for tax purposes; the most significant changes arise from the recognition of tax assets on the tax losses for the year that cannot be offset under the consolidated law on income tax, amounting to EUR 15,990 thousand for the portion that exceeds the consolidated taxable income, and EUR 9,424 thousand for the portion discounted for the purposed of additional IRES at 6.5%.

Temporary differences in the Income Statement:		**2010**		**2009**	
	Temporary Differencies	**Deferred tax assets/ (liabilities)**	**Temporary Differencies**	**Deferred tax assets/ (liabilities)**	**Effect of tax rate changes**
Adjustment land value at fair value (as deemed cost)					(287)
Provision for risk and charges	(18,730)	7,099	(9,573)	3,631	83
Different fiscal costs on inventories	(11,157)	4,228	38,076	(14,157)	0
Adjustments for scheduled plant and equipment maintenance	(8,003)	3,034	(9,085)	3,353	(56)
Derecognition of intangible assets	16	(6)	43	(16)	
Reclassification of grants previously carried as equity	592	(225)	1,625	(599)	10
Costs for dismantling and removing tangible assets	(257)	87	(370)	140	131
Exceeding maintenance costs	5,059	(1,905)	5,059	(1,854)	120
I.P.O. costs charged directly to Shareholders' Equity	5,600	(2,122)	5,600	(2,066)	
Employee benefits and bonuses	(701)	238	(1,038)	405	26
Unrealised currency losses/gains	8,299	(2,821)	(10,500)	3,499	2
Tax asset relating to Consolidated net loss IRES		15,990			
Tax assets on tax loss (additional IRES 6.5%)		9,424		3,644	
Port duty provision					146
Other temporary differences	3,377	(1,174)	243	(80)	(6)
TOTAL		**31,847**		**(4,100)**	**169**

The change in deferred tax assets and liabilities compared to the previous year is largely the result of the recognition of the above-mentioned deferred tax assets on tax losses.

The effective tax rate was 35.7%, while the theoretical tax rate was 35.0%, obtained by applying a tax rate of 34% (IRES plus additional rate) to pre-tax profit and 3.9% (IRAP) to the net value of production as per Italian legislation in force.

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

DETERMINATION OF THEORETICAL AND EFFECTIVE TAX RATE	31/12/2010	31/12/2009
PROFIT (LOSS) BEFORE TAXES [A]	(169.9)	67.10
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	(147.7)	(18.1)
TOTAL PERSONNEL COSTS	105.9	103.7
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION [B]	(41.8)	85.6
THEORETICAL CORPORATION TAX IRES [A*34%]	(57.8)	22.8
THEORETICAL REGIONAL INCOME TAX IRAP [B*3,9%]	(1.6)	3.3
TOTAL THEORETICAL TAXES [C]	(59.4)	26.2
THEORETICAL TAX RATE [C/A*100] %	35.0%	39.0%
EFFECTIVE INCOME TAXES [D]	(59.8)	(10.9)
EFFECTIVE TAX RATE [D/A*100] %	35.2%	-16.2%

DIFFERENCES BETWEEN THE THEORETICAL AND EFFECTIVE TAX RATE		31/12/2010		31/12/2009
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	(59.4)	35.0%	26.2	39.0%
Dividend	0.0	0.00%	(32.3)	-48.14%
Equity investments valuations	0.8	-0.49%	(1.2)	-1.77%
Permanent differences IRES	1.2	-0.68%	0.4	0.61%
Permanent differences IRAP	0.0	0.00%	0.1	0.13%
Other IRAP effect on IFRS adjustments	0.0	0.00%	(0.2)	-0.23%
Not recognized IRAP tax assets	1.6	-0.94%	0.0	0.00%
(Permanent) Tax relief on investments from the so called "Tremonti-ter" (art. 5 D.L. 78/09)	(4.4)	2.56%	(3.4)	-5.02%
Effect return "cuneo fiscale" on IRAP	0.0	0.00%	(1.2)	-1.77%
Effect recalculation of inventories ("Robin Hood Tax")	0.3	-0.20%	0.9	1.33%
Effect additional IRES on deferred tax	0.0	0.00%	(0.2)	-0.30%
Effective taxes	(59.8)	35.2%	(10.9)	-16.2%

7. Other information

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

7.1 Main legal actions pending

The company was subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that liabilities are remote.

7.2 Transactions with related parties

The transactions carried out by Saras with related parties mainly concern the exchange of goods, the provision of services and arrangements of a financial nature. For information on guarantees given to and received from related parties, see point 7.6 "Commitments" below.

The figures for commercial, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.

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

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2010		31/12/2009			
SARLUX S.r.l.						
Supply of goods	172,513	2.33%	129,655	2.90%	Revenues from ordinary operations	Supply of raw material as per Project Financing agreement
Services rendered by staff	8,378	6.95%	8,012	7.98%	Other income	Outsourcing of services as per Project Financing agreement
Rendered services	64,236	53.32%	56,444	56.23%	Other income	Outsourcing of services as per Project Financing agreement
Dividends	0	0.00%	100,000	96.57%	Net income (charges) from equity interest	Dividend distribution
Purchases of goods	(1,731)	0.02%	(1,113)	0.03%	Purchases of raw materials, spare parts and consumables	Supply of sulfur as per Project Financing agreement
Utilities	(58,011)	12.24%	(45,370)	11.63%	Cost of services and various costs	Supply of steam, hydrogen as per project financing agreement
Received services	(319)	0.07%	(1,337)	0.34%	Cost of services and various costs	Supply of various services
Financial charge	(361)	0.61%	(461)	1.25%	Other net financial income (charges)	Interest on intrercompany loans
Receivables for goods & services supply	117,161	16.76%	23.347	9.53%	Current trade receivables	Goods supply
IRES/VAT receivables from tax consolidation	0	0.00%	9,407	10.68%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(19,922)	1.98%	(3,176)	0.61%	Trade and other current payables	Trade payables
Payables for goods & services supply	(40,034)	99.11%	(45,055)	99.33%	Other non current liabilities	Trade payables
Loan	(73,648)	25.78%	(29,056)	8.41%	Short term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(7,509)	2.63%	0	0.00%	Short term financial liabilities	IRES/VAT payables from tax consolidation
ARCOLA PETROLIFERA S.p.A.						
Supply of goods	899,134	12.16%	447,835	10.00%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	110	0.09%	138	0.14%	Other income	Staff on secondment
Rendered services	14,348	11.91%	7,737	7.71%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	40	0.10%	14	0.08%	Other net financial income (charges)	Interest on intercompany line of credit
Received services	(382)	0.08%	(699)	0.18%	Received services and various costs	Charges on sales
Financial charge	(234)	0.40%	(242)	0.66%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	125,855	18.00%	45,093	18.41%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	15,002	13.40%	8,582	9.74%	Other current assets	IRES/VAT receivables from tax consolidation
Loan	(626)	0.22%	(8,787)	9.97%	Short term financial liabilities	Intercompany loans
Payables for goods & services supply	(176)	0.02%	(83)	0.02%	Trade and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Services rendered by staff	248	0.21%	410	0.41%	Other income	Staff on secondment
Rendered services	145	0.12%	165	0.16%	Other income	Outsourcing of services
Measurement of equity investments	0	0.00%	4,202	4.06%	Income (charges) on equity investments	Write-downs on equity investments
Financial income	32	0.08%	81	0.44%	Other net financial income (charges)	Interest on intercomany line of credit
Purchases of goods	(140)	0.00%	(381)	0.01%	Purchases of raw materials, spare parts and consumables	Supply of consumables
Received services	(8,558)	1.81%	(11,669)	2.99%	Cost of services and various costs	Outsourcing of engeneering services
Financial charges	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany credit lines
Receivables for goods & services supply	313	0.04%	618	0.25%	Current trade reveivables	Trade receivables
IRES/VAT receivables from tax consolidation	282	0.25%	854	0.97%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	(765)	0.27%	1,910	2.17%	Short term financial liabilities	Intercompany credit lines
Payables for goods & services supply	(4,699)	0.47%	(8,427)	1.62%	Trade and other current payables	Trade payables
AKHELA S.r.l.						
Services rendered by staff	299	0.28%	115	0.11%	Other income	Staff on secondment
Rendered services	4	0.00%	5	0.00%	Other income	Outsourcing of services
Financial income	172	0.44%	116	0.63%	Other net financial income (charges)	Interest on intercompany line of credit
Purchases of goods	(1)	0.00%	(2)	0.00%	Purchases of raw materials, spare parts and consumables	Consumables supply
Received services	(8,637)	1.87%	(8,449)	2.17%	Cost of services and various costs	IT support Outsourcing
Measurement of equity investments	(1,842)	75.34%	(360)	0.35%	Net income (charges) on equity investments	Write-down on equity investments
Financial charges	0	0.00%	(8)	0.02%	Other net financial income (charges)	Interest on intercompany loans
Receivables for goods & services supply	431	0.06%	153	0.06%	Current trade receivables	Trade receivables
Financing	6,314	5.64%	7,148	8.11%	Other current assets	Intercompany line of credit
Financing	5,350	7.06%	0	0.00%	Other financial assets	Intercompany line of credit
IRES/VAT receivables from tax consolidation	443	0.40%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidations
Payables for goods & services supply	(4,745)	0.47%	(2,333)	0.45%	Trade and other current payables	Trade payables
IRES/VAT payable from tax consolidation	0	0.00%	(347)	0.54%	Short-term financial liabilities	IRES/VAT payables from tax consolidations

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2010		31/12/2009			
EOLICA ITALIANA S.r.l.						
Rendered services	31	0.03%	31	0.03%	Other income	Outsourcing of services
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany line of credit
Financial charges	(1)	0.00%	(3)	0.01%	Other net financial income (charges)	Interest on intercompany loans
Receivables for goods & services supply	35	0.01%	31	0.01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0.00%	6	0.01%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(2)	0.00%	(2)	0.00%	Trade and other current payables	Trade payables
Financing	446	0.40%	180	0.20%	Other current assets	Intercompany line of credit
Financing	(411)	0.14%	(411)	0.12%	Short-term financial liabilities	Intercompany line of credit
IRES/VAT payables from tax consolidation	(21)	0.01%	0	0.00%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
ENSAR S.r.l.						
Services rendered by staff	64	0.16%	222	0.22%	Other income	Staff on secondment
Rendered services	12	0.01%	61	0.06%	Other income	Outsourcing of services
Measurement of equity investment	(603)	24.66%	(293)	0.28%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	24	0.06%	28	0.15%	Other net financial income (charges	Interest on intercompany line of credit
Receivables for goods & services supply	99	0.01%	291	0.12%	Current trade receivables	Trade receivables
Financing	2,430	2.17%	1,439	1.63%	Other current assets	Intercompany line of credit
IRES/VAT payable from tax consolidation	(137)	0.05%	(250)	0.07%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
NOVA EOLICA S.r.l.						
Received services	0	0.00%	(500)	0.00%	Cost of services and various costs	Receivable Waiver
Financial Income	7	0.02%	6	0.03%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	185	0.03%	163	0.07%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	0	0.00%	Trade and other current payables	Trade payables
Financing	1,950	1.74%	1,900	2.16%	Other current assets	Intercompany line of credit
SARDEOLICA S.r.l.						
Rendered services	50	0.04%	55	0.05%	Other income	Outsourcing of services
Services rendered by staff	7	0.01%	25	0.02%	Other income	Staff on secondment
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany line of credit
Financial charges	(120)	0.20%	(63)	0.17%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	54	0.01%	76	0.03%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0.00%	3,083	3.50%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(98)	0.01%	(39)	0.01%	Trade and other current payables	Trade payables
Loan	(6,122)	2.14%	(14,600)	4.23%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(1,154)	0.40%	0	0.00%	Short-term financial liabilities	IRES/VAT receivables from tax consolidation
PARCHI EOLICI ULASSAI S.r.l.						
Rendered services	6	0.00%	6	0.01%	Other income	Outsourcing of services
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	7	0.00%	7	0.00%	Current trade receivables	Trade receivables
IRES/VAT payables from tax consolidation	(15)	0.01%	(19)	0.01%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
IMMOBILIARE ELLECI S.p.A.						
Rent	(178)	0.04%	(234)	0.06%	Cost of services and various costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	21	0.02%	17	0.02%	Other income	Staff on secondment
Rent	(644)	0.14%	(640)	0.16%	Cost of services and various costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	21	0.00%	17	0.01%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	0	0.00%	Trade and other current payables	Trade payables

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2010		31/12/2009			
F.C. INTERNAZIONALE S.p.A.						
Received services	(19)	0.00%	(41)	0.01%	Cost of services and various costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	34	0.03%	28	0.03%	Other income	Staff on secondment
Receivables for goods & services supply	34	0.00%	28	0.01%	Current trade receivables	Trade receivables
DYNERGY S.r.l.						
Services rendered by staff	0	0.00%	0	0.00%	Other income	Management fee
Rendered services	0	0.00%	1	0.00%	Other income	Positive exchange rate differences
Rendered services	0	0.00%	(531)	0.14%	Cost of services and various costs	Support for refining process activities
ARTEMIDE S.r.l.						
Financial income	13	0.03%	4	0.02%	Other net financial income (charges)	Interests on intercompany financing
Receivables for goods & services supply			4	0.00%	Current trade receivables	Trade receivables
Receivables for goods & services supply	4	0.00%	0	0.00%	Current trade receivables	Trade receivables
Financing	800	0.71%	1,050	1.19%	Other current assets	Intercompany loans
MANTA S.r.l.						
Services rendered by staff	52	0.04%	41	0.04%	Other income	Personnel on secondment
Rendered services	(439)	0.09%	(192)	0.05%	Service and miscellaneous costs	Security services
Receivables for supply of goods and services	52	0.01%	41	0.02%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(68)	0.01%	(30)	-0.01%	Trade payables and other current payables	Trade payables
SARAS ENERGIA S.A. (Spain)						
Supply of goods	998,387	13.50%	821,230	18.34%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	209	0.17%	245	0.24%	Other income	Staff on secondment
Rendered services	1,927	1.60%	669	0.67%	Other income	Payment for stocking of mandatory supplies and demurrage
Financing income	2,398	6.11%	1,844	9.94%	Other net financial income (charges)	Intercompany financing
Purchases of goods	(35,032)	0.50%	(54,150)	1.35%	Purchases of raw materials, spare parts and consumables	Repayment of operational loans on Sarroch
Received services	(15)	0.00%	0	0.00%	Cost of services and various costs	Staff on secondment
Received services	(31)	0.01%	(33)	0.01%	Cost of services and various costs	Charges on sales and marketing research
Financial charges	(460)	0.78%	0	0.00%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	65,512	9.37%	44,742	18.26%	Current trade receivables	Supply of oil products
Financing	55,000	49.14%	40,000	45.39%	Other current assets	Intercompany financing
Financing	70,000	92.39%	70,000	99.41%	Other financial assets	Intercompany financing
Payables for goods & services supply	(479)	0.05%	(4,184)	0.80%	Trade payables and other current payables	Trade payables
SARINT S.A. (Luxembourg)						
Financial charges	0		0	0.00%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	0		0	0.00%	Trade and other current payables	Trade payables
Financing	20	0.02%	0	0.00%	Other current assets	Intercompany financing
Loan	(15,100)	5.29%	(15,100)	4.37%	Short-term financial liabilities	Intercompany loans
REASAR S.A. (Luxembourg)						
Financial charges	(64)	0.11%	(88)	0.24%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	(19)	0.00%	(15)	0.00%	Trade and other current payables	Trade payables
Loan	(5,470)	1.91%	(5,470)	1.58%	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 passed on in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

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

			31/12/2010			31/12/2009
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Trade receivables	699,119	309,763	44.3%	244,975	130,695	53.4%
Other current assets	111,932	82,687	73.9%	88,116	60,999	69.2%
Other financial income	75,764	75,350	99.5%	70,415	70,000	99.4%
Short-term financial liabilities	285,642	151,012	52.9%	345,335	59,440	17.2%
Trade and other current payables	1,004,720	30,208	3.0%	520,373	26,991	5.2%
Other non-current liabilities	40,395	40,034	99.1%	45,357	45,055	99.3%

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

			2010			2009
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	7,394,327	2,070,034	28.0%	4,478,195	1,398,720	31.2%
Other income	107,958	90,181	83.5%	100,374	74,427	74.1%
Purchases of raw materials, spare parts and consumables	6,975,911	36,904	0.5%	4,006,871	55,646	1.4%
Cost of services and sundry costs	461,265	77,233	16.7%	390,225	69,725	17.9%
Net income (charges) from equity investment	(2,445)	(2,445)	100.0%	103,549	103,549	100.0%
Financial income	39,232	2,686	6.8%	18,547	2,093	11.3%
Financial charges	58,948	1,240	2.1%	36,882	865	2.3%

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

Flows with related parties	**2010**	**2009**
Net (Income) charges from equity interests	(2,445)	(3,549)
Dividends from investments	0	(100,000)
(Increase) Decrease of trade receivables	(179,068)	64,589
Increase (Decrease) of trade payables and other payables	3,217	(12,765)
Changes of other current assets	(5,350)	(32,401)
Changes other non current liabilities	(5,021)	(4,972)
Monetary flows from (to) operating activities	**(188,667)**	**(89,098)**
Dividends	0	100,000
Interest received	2,686	2,093
Monetary flows from (to) Investment activities	**2,686**	**102,093**
Increase/(decrease) short term financial borrowings	91,572	842
Interest paid	(1,240)	(865)
Monetary flows from (to) financing activities	**90,332**	**(23)**
Total financial flows vs related parties	**(95,649)**	**12,972**

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

Incidence of Cash Flows		**2010**			**2009**	
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Monetary flows from (to) operating activities	(31,887)	(188,667)	591.7%	1,598	(89,098)	n.a.
Monetary flows from (to) Investment activities	(96,293)	2,686	n.a.	(144,771)	102,093	n.a.
Monetary flows from (to) financing activities	152,982	90,332	59.0%	161,961	(23)	n.a.

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

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

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

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

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

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

Where the carrying value of financial assets and liabilities does not correspond to fair value, it nonetheless represents a reasonable approximation; the fair value is determined using methods normally adopted for the classes of instruments mentioned, i.e. with reference to market values or prices on active markets where available, or alternative valuation methods based on discounting future cash flows.

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7.3.1 Information on the statement of financial position

Paragraphs 8-19 of IFRS 7 require the company to disclose the carrying value of all financial instruments belonging to the categories set out in IAS 39, as well as detailed information where the company has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets, or where financial assets have been derecognised. Statement of financial position figures for Saras S.p.A. at 31st December 2010 and 31st December 2009 are shown below, with details of the company's financial instruments.

31/12/2010	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivable	Held for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2010
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**16,243**	**0**	**850,319**	**0**	**0**	**667,133**	**1,533,695**
Cash and cash equivalents				46,906				46,906
Other financial assets held for trading		*16,243*						*16,243*
Securities held for trading		16,243						
Trade receivables				699,119				699,119
Receivables from clients				*391,479*				
Bad-debt provision				*(2,016)*				
Financial receivables from Group companies				*309,656*				
Inventories							622,652	622,652
Current tax assets							36,843	36,843
Other assets				104,294			7,638	111,932
Derivative instruments								
Other receivables				*104,294*				
Non-current assets	**0**	**0**	**0**	**75,764**	**0**	**0**	**1,141,479**	**1,217,243**
Property, plant and equipment							771,727	771,727
Intangible assets							15,602	15,602
Equity Interests carried at cost							303,891	303,891
Other equity interests							495	495
Deferred tax assets							49,764	49,764
Other financial assets				75,764			0	75,764
Financial receivables from Group companies				*75,350*				
Deposits				*414*				
Total financial assets	**0**	**16,243**	**0**	**926,083**	**0**	**0**	**1,808,612**	**2,750,938**
LIABILITIES								
Current liabilities	**0**	**23,624**	**0**	**0**	**0**	**1,329,624**	**21,455**	**1,374,703**
Short-term financial liabilities		23,624				262,018		285,642
Bank loans (guaranteed)								
Overdrafts						*151,039*		
Loans from Group companies and other payables						*110,979*		
Derivative instruments		*23,624*						
Other financial liabilities								
Trade and other payables						1,004,720		1,004,720
Current tax liabilities							14,034	14,034
Other liabilities						62,886	7,421	70,307
Other payables						*62,886*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**477,400**	**97,662**	**575,062**
Long-term financial liabilities						437,005		437,005
Bank loans						*189,280*		
Bond						247,725		
Provisions for risks and charges							69,649	69,649
Provisions for employee benefits							28,013	28,013
Other liabilities						40,395		40,395
Total financial liabilities	**0**	**23,624**	**0**	**0**	**0**	**1,807,024**	**119,117**	**1,949,765**

31/12/2009	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivable	Held for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2009
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**20,772**	**0**	**351,964**	**0**	**0**	**588,223**	**960,959**
Cash and cash equivalents				22,104				22,104
Other financial assets held for trading		17,541						17,541
Securities held for trading		*17,541*						
Trade receivables				244,975				244,975
Receivables from clients				*116,380*				
Bad-debt provision				*(2,016)*				
Financial receivables from Group companies				*130,611*				
Inventories							552,613	552,613
Current tax assets							35,610	35,610
Other assets		3,231		84,885				88,116
Derivative instruments		*3,231*						
Other receivables				*84,885*				
Non-current assets	**0**	**0**	**0**	**70,415**	**0**	**0**	**1,124,147**	**1,194,562**
Property, plant and equipment							787,909	787,909
Intangible assets							11,490	11,490
Equity Interests carried at cost							306,336	306,336
Other equity interests							495	495
Deferred tax assets							17,917	17,917
Other financial assets				70,415			0	70,415
Financial receivables from Group companies				*70,000*				
Deposits				*415*				
Total financial assets	**0**	**20,772**	**0**	**422,379**	**0**	**0**	**1,712,370**	**2,155,521**
LIABILITIES								
Current liabilities	**0**	**1,230**	**0**	**0**	**0**	**928,395**	**17,469**	**947,094**
Short-term financial liabilities		1,230				344,105		345,335
Bank loans (guaranteed)								
Overdrafts						*238,749*		
Loans from Group companies and other payables						*74,040*		
Derivative instruments		*1,230*						
Other financial liabilities						*31,316*		
Trade and other payables						520,373		520,373
Current tax liabilities							17,469	17,469
Other liabilities						63,917		63,917
Other payables						*63,917*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**234,152**	**65,235**	**299,387**
Long-term financial liabilities						188,795		188,795
Bank loans						*188,795*		
Provisions for risks and charges							32,239	32,239
Provisions for employee benefits							32,996	32,996
Other liabilities						45,357		45,357
Total financial liabilities	**0**	**1,230**	**0**	**0**	**0**	**1,162,547**	**82,704**	**1,246,481**

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

- Italian and foreign equities and government bonds, held by the parent company and valued at fair value since, as required by IAS 39, they are deemed to be financial assets purchased for sale or repurchased in the near term, and part of a portfolio of identified financial assets that are managed together, and for which there is evidence of a recent and effective strategy to generate a profit in the near term;
- derivative instruments taken out by the company, described in section 5.3.1 above. The derivatives contracts relate to commodities and interest rates, and were entered into by the company to mitigate the risks inherent in the business in which it operates.

All trade receivables and most other current and non-current receivables are classed as “Loans” since they consist of non-derivative financial assets with fixed or determinable payments that are not listed on any active market.

Other financial liabilities valued at amortised cost include all the company’s financial liabilities and trade payables arising from the company’s contractual obligations to deliver cash or other financial assets to another entity.

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

All financial assets are booked by 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 year.

7.3.2 Information on the income statement

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.

2010	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivable	Available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	2010
	Designated at Fair Value	Held for trading						
Revenues from ordinary operations								7,394,327
Other Income								107,958
Total Revenues							**0**	**7,502,285**
Purchases of raw materials, spare parts and consumables								(6,975,911)
Cost of services and sundry costs								(461,265)
Personnel costs								(105,860)
Depreciation, amortisation and write-downs								(106,945)
Total costs							**0**	**(7,649,981)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(147,696)**
Net income (charges) from equity interests								(2,445)
Other net financial income (charges)							(19,716)	(19,716)
from securities held for trading		*(85)*					*(85)*	
of which								
realized gains								
change in fair value		*(85)*						
from current account interest				*16*			*16*	
from loans granted to Group companies				*2,702*			*2,702*	
from derivative instruments		*(14,965)*					*(14,965)*	
of which								
ralized losses		*7,616*						
change in fair value		*(22,581)*						
from other financial assets				*576*			*576*	
from interest on loans from banks						*(15,568)*	*(15,568)*	
from interest on loans from Group companies						*(780)*	*(780)*	
from other receivables/payables				*8,388*			*8,388*	
Profit/(loss) before taxes	**0**	**(15,050)**	**0**	**11,682**	**0**	**(16,348)**	**(19,716)**	**(169,857)**
Income tax								59,771
Net profit/(loss)								**(110,086)**

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2009	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments held to maturity	Loans and receivable	Available for sale	Other liabilities recognised at amortised cost	Total from Financial Instruments	2009
	Designated at Fair Value	Held for trading						
Revenues from ordinary operations								4,478,195
Other Income								100,374
Total Revenues							**0**	**4,578,569**
Purchases of raw materials, spare parts and consumables								(4,006,871)
Cost of services and sundry costs								(390,225)
Personnel costs								(103,688)
Depreciation, amortisation and write-downs								(95,887)
Total costs							**0**	**(4,596,671)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(18,102)**
Net income (charges) from equity interests								103,549
Other net financial income (charges)							(18,335)	(18,335)
from securities held for trading		*1,134*					*1,134*	
of which								
realized gains								
change in fair value		*1,134*						
from current account interest				*61*			*61*	
from loans granted to Group companies				*2,125*			*2,125*	
from derivative instruments		*(8,710)*					*(8,710)*	
of which								
realized losses		*(7,255)*						
change in fair value		*(1,455)*						
from other financial assets				*700*			*700*	
from interest on loans from banks						*(5,618)*	*(5,618)*	
from interest on loans from Group companies						*(857)*	*(857)*	
from other receivables/payables				*(7,170)*			*(7,170)*	
Profit/(loss) before taxes	**0**	**(7,576)**	**0**	**(4,284)**	**0**	**(6,475)**	**(18,335)**	**67,112**
Income tax								10,929
Net profit/(loss)								**78,041**

Financial instruments recognised at fair value through profit and loss generated net losses of EUR 12,670 thousand (versus net losses of EUR 7,576 thousand the previous year), mainly due to changes in the fair value of derivatives.

Financial instruments recorded under “Loans” generated gains of EUR 11,682 thousand (versus net losses of EUR 4,284 thousand the previous year), chiefly owing to unrealised exchange rate differences on commercial positions.

Other financial liabilities valued at amortised cost generated losses of EUR 18,728 thousand (EUR 6,475 thousand the previous year), mainly due to financial charges on loans.

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 2010, outstanding derivatives contracts mainly comprised:
- futures, options and swaps on oil products, classified as financial instruments held for trading;
- interest rate swaps and options on interest rates.

Changes in the fair value during the period are recorded in the income statement under financial income and charges.

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 2010.
Financial liabilities are stated at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or financial liabilities subject to interest rates in line with current market rates, amortised cost does not differ from the fair value at 31st December 2010.

In accordance with the amendment to IFRS 7 implemented in the EU with EC Regulation 1165 of 27th November 2009, it should be noted that all financial instruments booked at fair value are measured using valuation techniques that refer to parameters observable on the market that differ from the prices of these instruments, except for the securities recorded under “Other financial assets held for trading” and futures on commodities classified under “Financial liabilities”, which are valued on the basis of prices on an active market; moreover, during the year there were no changes in valuation methods compared with the previous year.

7.3.4 Risks deriving from financial instruments

The risks deriving from the financial instruments to which the company is exposed are:

a. credit risk, i.e. the risk that the company will incur a loss in the event that a counterparty to a financial instrument defaults;
b. liquidity risk, i.e. the risk that the company is not able to service payment obligations arising from the agreed maturities of its financial liabilities;
c. market risk, i.e. the risk relating to the performance of markets in which the company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

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

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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 31/12/2010		Credit risk		Breakdown of maturities of financial assets pursuant to ex par. 37 b) IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risks disregarding guarantee or other similar instruments	Guarantees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognised during the year	Cumulative
Current assets	**1,533,695**	**866,562**	**866,562**		**779,069**	**85,901**	**1,505**	**1,174**	**928**	**866,562**	**0**	**(2,016)**
Cash and cash equivalents	46,906	46,906	46,906		46,906					46,906	0	0
Other Financial assets held for trading	16,243	16,243	16,243		16,243					16,243	0	0
Trade receivables	701,135	701,135	701,135	101,471	611,626	85,901	1,505	1,174	928	701,135	0	(2,016)
Provisions for doubtful receivables	(2,016)	(2,016)	(2,016)							(2,016)		
Inventory	622,652											
Current tax assets	36,843											
Other assets	111,932	104,294	104,294		104,294					104,294	0	0
Non Current assets	**1,217,243**	**75,764**	**75,764**		**75,764**	**0**	**0**	**0**	**0**	**75,764**		
Property, plant and equipment	771,727											
Intangible assets	15,602											
Equity interests carried at cost	303,891											
Other equity interests	495											
Deferred tax assets	49,764											
Other financial assets	75,764	75,764	75,764		75,764					75,764		
Total assets	**2,750,938**	**942,326**	**942,326**		**854,833**	**85,901**	**1,505**	**1,174**	**928**	**942,326**		

	Book value at 31/12/2009		Credit risk		Breakdown of maturities of financial assets pursuant to ex par. 37 b) IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risks disregarding guarantee or other	Guarantees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognised during the year	Cumulative
Current assets	**960,959**	**372,736**	**372,736**		**321,781**	**51,149**	**526**	**520**	**776**	**372,736**	**0**	**(2,016)**
Cash and cash equivalents	22,104	22,104	22,104		22,104					22,104	0	0
Other Financial assets held for trading	17,541	17,541	17,541		17,541					17,541	0	0
Trade receivables	246,991	246,991	246,991		194,020	51,149	526	520	776	246,991	0	(2,016)
Provisions for doubtful receivables	(2,016)	(2,016)	(2,016)							(2,016)		
Inventory	552,613											
Current tax assets	35,610											
Other assets	88,116	88,116	88,116		88,116					88,116	0	0
Non Current assets	**1,194,562**	**70,415**	**70,415**		**70,415**	**0**	**0**	**0**	**0**	**70,415**		
Property, plant and equipment	787,909											
Intangible assets	11,490											
Equity interests carried at cost	306,336											
Other equity interests	495											
Deferred tax assets	17,917											
Other financial assets	70,415	70,415	70,415		70,415					70,415		
Total assets	**2,155,521**	**443,151**	**443,151**		**392,196**	**51,149**	**526**	**520**	**776**	**443,151**		

Guarantees on receivables are represented by letters of credit obtained by the company in relation to deliveries to certain customers.

7.3.4.2 Liquidity risk

The company's exposure to liquidity risk relates mainly to trade payables and bank loans.
The company complied with all its obligations with respect to scheduled repayments of loans outstanding at the end of the period.
The quantitative disclosures required by paragraph 39 of IFRS 7 are set out in the table below:

	Book value at 31/12/2010		Liquidity risk		Analysis of maturities of financial assets pursuant to ex par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2011	2012	2013	2014	2015	over 5 years
Liabilities										
Current liabilities	**1,374,703**	**1,353,248**	**1,353,248**	**15,798**	**1,395,045**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	285,642	285,642								
Bank loans		*0*	*0*		*0*					
Overdrafts		*151,039*	*151,039*		*151,039*					
Loans from non consolidated Group Companies & other payables		*110,979*	*110,979*		*110,979*					
Interest (weighted average yearly rate: = 4.00%)					*10,481*					
Derivatives		*23,624*	*23,624*	*15,798*	*23,624*					
Other financial liabilities		*0*	*0*		*31,316*					
Trade and other payables	1,004,720	1,004,720	1,004,720		1,004,720					
Current tax liabilities	14,034									
Other liabilities	70,307	62,886	62,886		62,886					
Non-current liabilities	**575,062**	**477,400**	**480,395**	**0**	**21,558**	**213,080**	**18,928**	**18,928**	**262,656**	**20,163**
Long-term financial liabilities	437,005	437,005	440,000							
Bank loans		189,280	190,000			190,000				
Bond		247,725	250,000						250,000	
Interest on mid/long term loans (weighted average yearly rate: = 4.00%)					*7,600*	*3,800*				
Interest on Bond (weighted average yearly rate: = 5.583%)					*13,958*	*13,958*	*13,958*	*13,958*	*7,686*	
Provisions for risks and charges	69,649									
Provisions for employees benefits	28,013									
Other liabilities	40,395	40,395	40,395			5,322	4,970	4,970	4,970	20,163
Total liabilities	**1,949,765**	**1,830,648**	**1,833,643**	**15,798**	**1,416,602**	**213,080**	**18,928**	**18,928**	**262,656**	**20,163**

	Book value at 31/12/2009		Liquidity risk		Analysis of maturities of financial assets pursuant to ex par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guar-antees	2010	2011	2012	2013	2014	over 5 years
Liabilities										
Current liabilities	**947,094**	**929,625**	**929,625**	**0**	**936,100**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	345,335	345,335								
Bank loans		*0*	*0*		*0*					
Overdrafts		*238,749*	*238,749*		*238,749*					
Loans from non consolidated Group Companies & other payables		*74,040*	*74,040*		*74,040*					
Interest (weighted average yearly rate: = 2.07%)					*6,475*					
Derivatives		*1,230*	*1,230*		*1,230*					
Other financial liabilities		*31,316*	*31,316*		*31,316*					
Trade and other payables	520,373	520,373	520,373		520,373					
Current tax liabilities	17,469									
Other liabilities	63,917	63,917	63,917		63,917					
Non-current liabilities	**299,387**	**234,152**	**234,152**	**188,795**	**3,908**	**9,230**	**195,719**	**4,970**	**4,970**	**25,125**
Long-term financial liabilities	188,795	188,795	188,795	188,795			188,795			
Interest (weighted average yearly rate: = 2.07%)					*3,908*	*3,908*	*1,954*			
Provisions for risks and charges	32,239									
Provisions for employees benefits	32,996									
Liabilities for deferred taxes	0									
Other liabilities	45,357	45,357	45,357			5,322	4,970	4,970	4,970	25,125
Total liabilities	**1,246,481**	**1,163,777**	**1,163,777**	**188,795**	**940,008**	**9,230**	**195,719**	**4,970**	**4,970**	**25,125**

The fair value of derivatives recognised in the financial statements mainly relates to current positions.

7.3.4.3 **Market risk**

As explained above, the market risks to which the company is exposed through its holdings of financial instruments relate to:

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

As required by paragraph 40 of IFRS 7, a sensitivity analysis for every type of risk to which the 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 forecasts. The results of the analysis are shown in the tables below.

With respect to the EUR/USD exchange rate, at the reporting date Saras S.p.A. held financial instruments denominated in USD, which were included in cash and cash equivalents (current accounts), trade receivables and payables, and foreign currency overdrafts classified as short-term financial liabilities.

The simulation of the effect on net profit for the year and, consequently, Saras S.p.A.'s shareholders' equity, was made by assuming a change of +/- 20% in the EUR/USD year-end exchange rate used to translate foreign currency balances when preparing the financial statements.

EUR/US Dollar exchange rate				Change in benchmark 31/12/2010	
Balance sheet items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-20%	+20%
Net position in foreign currency			(486,543)		
Effect on profit before taxes				(121,636)	81,091
Effect on net profit (and shareholders' equity)				(80,280)	53,520

The table below shows the simulation at 31st December 2009:

EUR/US Dollar exchange rate				Change in benchmark 31/12/2009	
Balance sheet items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-20%	+20%
Net position in foreign currency	(317,250)		(220,221)		
Effect on profit before taxes				(55,055)	36,703
Effect on net profit (and shareholders' equity)				(36,887)	24,591

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 carried out, assuming a change of +/- 20% in rates.
The results of the simulation are shown in the table below.

VARIABLE INTEREST RATES			Change in benchmark 31/12/2010	
	Average annual interest rate 2010	Annual interest charge	-20%	+20%
Short-and medium / long - term financial liabilities	4.00%	(17,948)	3,590	(3,590)
Effect on profit before taxes			**3,590**	**(3,590)**
Effect on net profit (and Shareholders Equity)			**2,369**	**(2,369)**

The table below shows the simulation at 31st December 2009:

VARIABLE INTEREST RATES			Change in benchmark 31/12/2009	
	Average annual interest rate 2009	Annual interest charge	-20%	+20%
Short-and medium / long - term financial liabilities	2.07%	(5,618)	1,124	(1,124)
Effect on profit before taxes			**1,124**	**(1,124)**
Effect on net profit (and Shareholders Equity)			**753**	**(753)**

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 +/- 20 basis points in rates.
The results of the simulation are shown in the table below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2010**	**-20 bps**	**+20 bps**
Interest rate swaps fair value	(1,975)	(2,233)	(1,663)
	(1,975)	**(2,233)**	**(1,663)**
Effect on profit before taxes		**(2,233)**	**(1,663)**
Effect on net profit (and Shareholders Equity)		**(1,474)**	**(1,098)**

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2009**	**-20 bps**	**+20 bps**
Interest rate swaps fair value	(1,230)	(574)	546
Interest Options fair value	245	(57)	65
	(985)	**(631)**	**611**
Effect on profit before taxes		**(631)**	**611**
Effect on net profit (and Shareholders Equity)		**(423)**	**409**

Oil prices, on the other hand, affect the fair value of derivative financial instruments outstanding at the reporting date and the relevant differences recognised in the income statement: derivative financial instruments at 31st December 2010 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.

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

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2010**	**-20%**	**+20%**
Crude oil and oil products	(21,637)	13,636	(56,919)
	(21,637)	**13,636**	**(56,919)**
Effect on profit before taxes		**13,636**	**(56,919)**
Effect on net profit (and Shareholders Equity)		**9,000**	**(37,567)**

The simulation as of 31st December 2009 is shown below.

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2009**	**-20%**	**+20%**
Crude oil and oil products	2,986	(10,031)	10,005
	2,986	**(10,031)**	**10,005**
Effect on profit before taxes		**(10,031)**	**10,005**
Effect on net profit (and Shareholders Equity)		**(6,720)**	**6,703**

The above analysis of the company's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk.

7.4 Average staff numbers

The average number of employees, by category, is shown below.

	2010	**2009**
Managers	56	58
Office staff	815	806
Specialised workers	12	15
Workers	392	394
Total	**1,275**	**1,273**

The number of employees increased from 1,278 at the end of 2009 to 1,272 at 31st December 2010.

7.5 Tables showing remuneration and shareholdings of directors and 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 and the General Manager.

7.5.1 Remuneration paid to directors and auditors, general managers and senior managers with strategic responsibilities

(A) Name and Surname	(B) Role	(C) Period in this role	(D) End of term	(1) Remuneration for role in the Group	(2) Non-monetary benefits	(3) Bonus and other incentives	(4) Other remuneration
Board of Directors						(*)	(*)
GIAN MARCO MORATTI	CHAIRMAN	01-01-10 / 31-12-10	approv, statement FY 2011	2,536,000			
MASSIMO MORATTI	CEO	01-01-10 / 31-12-10	approv, statement FY 2011	2,536,000			
ANGELO MORATTI	VICE CHAIRMAN	01-01-10 / 31-12-10	approv, statement FY 2011	336,000		-	688,494
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	01-01-10 / 31-12-10	approv, statement FY 2011	36,000		-	703,432
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	01-01-10 / 31-12-10	approv, statement FY 2011	36,000			
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	01-01-10 / 31-12-10	approv, statement FY 2011	36,000		-	204,385
GABRIELE MORATTI	NON-EXECUTIVE DIRECTOR	27-04-10 / 31-12-10	approv, statement FY 2011	36,000		-	132,372
GILBERTO CALLERA	INDEPENDENT DIRECTOR	01-01-10 / 31-12-10	approv, statement FY 2011	36,000			
MARIO GRECO	INDEPENDENT DIRECTOR	01-01-10 / 31-12-10	approv, statement FY 2011	36,000			
GIANCARLO CERUTTI	INDEPENDENT DIRECTOR	01-01-10 / 31-12-10	approv, statement FY 2011	36,000			
(*) remuneration for subordinate work							
Statutory Auditors							(**)
FERDINANDO SUPERTI FURGA	CHAIRMAN	01-01-10 / 31-12-10	approv, statement FY 2011	62,400			
MICHELE DI MARTINO	STANDING AUDITOR	01-01-10 / 31-12-10	approv, statement FY 2011	48,538			15,509
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	01-01-10 / 31-12-10	approv, statement FY 2011	43,753			104,270
LUIGI BORRÈ	SUBSTITUTE AUDITOR	01-01-10 / 31-12-10	approv, statement FY 2011				18,920
MARCO VISENTIN	SUBSTITUTE AUDITOR	01-01-10 / 31-12-10	approv, statement FY 2011				
(**) for auditing services for other Group companies							
Supervisory board							(***)
GABRIELE PREVIATI	CHAIRMAN	01-01-10 / 31-12-10	approv, statement FY 2011	30,000			
CLAUDIO MASSIMO FIDANZA	MEMBER	01-01-10 / 31-12-10	approv, statement FY 2011	20,800			190,749
ENRICO PADOVA	MEMBER	13-05-10 / 31-12-10	approv, statement FY 2011				
FERRUCCIO BELLELLI	MEMBER	13-05-10 / 31-12-10	approv, statement FY 2011				
CONCETTO SIRACUSA	MEMBER	01-01-10 / 13-05-10	approv, statement FY 2011	-			152,559
(***) including remunerations of other Group Companies							
Internal Audit Committee							
GABRIELE PREVIATI	CHAIRMAN	01-01-10 / 31-12-10	approv, statement FY 2011	21,000			
MARIO GRECO	MEMBER	01-01-10 / 31-12-10	approv, statement FY 2011	14,000			
GILBERTO CALLERA	MEMBER	01-01-10 / 31-12-10	approv, statement FY 2011	14,000			
GIANCARLO CERUTTI	MEMBER	01-01-10 / 31-12-10	approv, statement FY 2011	14,000			
Remuneration Committee							
GILBERTO CALLERA	CHAIRMAN	01-01-10 / 31-12-10	approv, statement FY 2011	21,000			
MARIO GRECO	MEMBER	01-01-10 / 31-12-10	approv, statement FY 2011	14,000			
GABRIELE PREVIATI	MEMBER	01-01-10 / 31-12-10	approv, statement FY 2011	14,000			
Managers with strategic responsibilities						-	593,685

At the reporting date, end-of-service entitlements (not included in the table above) totalling EUR 558 thousand had not yet been paid.

7.5.2 Shareholdings held by directors and auditors, general managers and senior managers with strategic responsibilities

Surname / Name	Company	N. of shares held at the end of the previous year	N. of shares acquired	N. of shares sold	N. of shares held at the end of the current year
	Equity interest				
Moratti Gian Marco	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Massimo	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Angelo	SARAS S.p.A.	-	-	-	-
Moratti Angelomario	SARAS S.p.A.	-	-	-	-
Moratti Gabriele	SARAS S.p.A.				
Callera Gilberto	SARAS S.p.A.	-	-	-	-
Greco Mario	SARAS S.p.A.	-	-	-	-
Cerutti Giancarlo	SARAS S.p.A.	-	-	-	-
Previati Gabriele	SARAS S.p.A.	18,000	-	-	18,000
Scaffardi Dario	SARAS S.p.A.	1,425	-	-	1,425
Superti Furga Ferdinando	SARAS S.p.A.	-	-	-	-
Camera Giovanni	SARAS S.p.A.	-	-	-	-
Di Martino Michele	SARAS S.p.A.	-	-	-	-
Borrè Luigi	SARAS S.p.A.	-	-	-	-
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 2010 totalled EUR 98,345 thousand, mainly comprising EUR 89,299 thousand to subsidiaries, EUR 3,162 thousand to Cagliari port authorities as a guarantee for state maritime concessions and EUR 2,630 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant.

At 31st December 2010 and 31st December 2009 the company had made no irrevocable, multi-year commitments to purchase materials or services.

8. Other

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 2010 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

INFORMATION PURSUANT TO ART. 149 - DUODECIES OF CONSOB ISSUER REGULATIONS

Services	Supplier	Recipient	Amount due in 2010 (EUR thousand)
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	342
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	17
Other services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	61
Total			**420**

9. Publication of the financial statements

At its meeting on 24th March 2011, the Board of Directors of Saras authorised the publication of the financial statements. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the report on operations and/or the notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

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Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Saras S.p.A.

Head Office

Galleria de Cristoforis 1
I-20122 Milan
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 2010 to 31 December 2010.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2010:

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.

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

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Registered office
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Telephone 070 90911
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Public Relations and Administrative
Affairs Department
Salita S. Nicola da Tolentino 1/b
I-00187 Rome
Telephone 06 4203521
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Share capital Euro 54.629.666,67 fully paid up
Cagliari Company Reg., Tax ID and VAT N°:
IT 00136440922

Saras S.p.A.

Head Office

Galleria de Cristoforis 1
I-20122 Milan
Telefono 02 77371

Milan, 25 March 2011

Signature: delegated authority

(Gian Marco Moratti)

(Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Corrado Costanzo)

Refinery
Registered office
S.S. Sulcitana n. 195 - Km.19°
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Telephone 070 90911
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Share capital Euro 54.629.666,67 fully paid up
Cagliari Company Reg., Tax ID and VAT N°:
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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1. We have audited the consolidated financial statements of Saras SpA and its subsidiaries ("Saras Group") as of 31 December 2010, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholders' equity, cashflow statement and related notes. The directors of Saras SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 9 April 2010.

3. In our opinion, the consolidated financial statements of Saras SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of the Saras Group for the year then ended.

4. The directors of Saras SpA are responsible for the preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, presented in the corporate governance report,

PricewaterhouseCoopers SpA

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with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession, *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the consolidated financial statements of Saras SpA as of 31 December 2010.

Milan, 6 April 2011

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

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Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Saras S.p.A.

Head Office

Galleria de Cristoforis 1
I-20122 Milan
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 2010 to 31 December 2010.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2010:

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.

This declaration is made pursuant to article 154-*bis*, paragraphs 2 and 5, of Legislative Decree 58 of 24 February 1998.

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Cagliari Company Reg., Tax ID and VAT N°:
IT 00136440922

Saras S.p.A.

Head Office

Galleria de Cristoforis 1
I-20122 Milan
Telefono 02 77371

Milan, 25 March 2011

Signature: delegated authority

(Gian Marco Moratti)

(Massimo Moratti)

Signature: director responsible for drawing up the accounting statements

(Corrado Costanzo)

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SARAS S.P.A.

Registered office: S.S. 195 "SULCITANA" KM 19 - SARROCH (CA)
Share capital: EUR 54,629,666.67, fully paid up

Report by the Board of Statutory Auditors to the shareholders' meeting pursuant to article 153 of Legislative Decree 58/98 and article 2429, paragraph 2 of the Italian Civil Code

To the shareholders of Saras S.p.A.

During the year ending 31st December 2010, 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.
Moreover, in compliance with the instruction provided in Consob communication 1025564 of 6 April 2001, we wish to report the following.

- We have monitored compliance with the law and the articles of association.
- We have obtained from the Directors, at least every three months, a report on activities carried out, describing any significant transactions affecting the business or financial position of the company (and its subsidiaries), and we can therefore reasonably assert that the actions approved and implemented comply with the law and the articles of association, and that they were not imprudent or risky, did not represent a potential conflict of interest, did not run counter to resolutions adopted by shareholders, and did not jeopardise the company's assets.

  We examined and monitored, within the parameters of our remit, the effectiveness of the company's organisational structure, in compliance with good administrative practice, and the appropriateness of the instructions given by the company to its subsidiaries, pursuant to paragraph 2 of article 114 of Legislative Decree 58/98, by collating information received from the heads of the various functions and meeting with the external auditors in order to share relevant information, and we have no particular observations to make in this regard.

  In relation to the company's main subsidiaries, the Board of Statutory Auditors obtained information on the organisational structure and the management control system, and we have no particular observations to make in this regard.
- We have assessed and monitored the effectiveness of the internal audit, administrative and accounting systems, and the reliability of the accounting system in terms of accurately representing the results of operations, by:

(i) examining the report by the head of Internal Audit on the internal audit system at Saras
(ii) examining the statements from Internal Audit and the information on the results of activities to monitor the implementation of corrective measures identified following audit activities
(iii) obtaining information from the heads of the various functions
(iv) examining company documents
(v) analysing the results of the work conducted by the external auditors
(vi) sharing information with the audit bodies of subsidiaries, pursuant to paragraphs 1 and 2 of article 151 of Legislative Decree 58/98
We have no particular observations to make in this regard.

- The Internal Control Committee and the Remuneration Committee have been established by the Board of Directors.
- We held meetings with representatives of the external auditors, pursuant to article 150, paragraph 2 of Legislative Decree 58/98, and no significant information emerged that ought to be included in this report.
- We have not discovered any atypical or unusual transactions carried out with third parties, group companies or related parties.
- In the notes to the accounts, the Directors indicate and explain the existence of an extensive exchange of goods and services between the company, other group companies and related parties, and specify that this was governed by appropriate conditions as indicated in the notes to the accounts in light of the nature of the goods and services provided.
- We have obtained and reviewed information from the Supervisory Body regarding organisational and procedural activities implemented pursuant to Legislative Decree 231/01, as subsequently amended, relating to the administrative responsibility of entities for the crimes covered by the decree. The report by the Supervisory Body on the activities carried out during 2010 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 regularly met and shared information with representatives of the external auditors, PricewaterhouseCoopers, and – although the audit reports on the annual and consolidated accounts are not yet available – the Board has good reason to believe that the external auditors will issue an unqualified opinion on both.
- The Board of Statutory Auditors has received no complaints or accusations pursuant to article 2408 of the Italian Civil Code.
- Based on the express declaration of the Directors, we can report that the external auditors have also been charged with the following additional duties:

- checking the separate consolidated accounting statements relating to activities in the electricity sector for remuneration of EUR 6,585
- signing tax declarations for remuneration of EUR 10,069

- During the year, the Board of Statutory Auditors issued the opinions required by law.
- By means of direct checks and information obtained from the external auditors, the Board of Statutory Auditors has verified compliance with legal requirements regarding the preparation and presentation of the company's annual financial statements and the report on operations that accompanies them. The Board of Statutory Auditors has also examined the valuation criteria used in preparing the financial statements to ensure that it meets legal requirements and is appropriate for the company's financial situation.
- 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 confirms that the company has taken steps during the year to verify the independence of the independent directors.
- During the course of its supervisory activities and on the basis of the information obtained from the external auditors, the Board uncovered no omissions and/or reprehensible acts and/or irregularities or significant events that it deemed necessary to report to the audit bodies or mention in this report.
- The Board of Statutory Auditors met ten times and attended six meetings of the Internal Control Committee, five meetings of the Board of Directors, one shareholders' meeting, two meetings of the Remuneration Committee, one meeting of the independent directors and one meeting of the Committee for Related-Party Transactions.

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 light of the above, the Board of Statutory Auditors raises no objection to the approval of the financial statements to 31st December 2010, which show a loss to be carried forward of EUR 110,086,524.

Milan, 4th April 2011

The Board of Statutory Auditors

Ferdinando Superti Furga

Giovanni Luigi Camera

Michele Di Martino

List of assignment hold to the Board of Statutory Auditors within companies as at book V of the Codice Civile as at 06/04/2011

Prof. Ferdinando Superti Furga

COMPANY NAME	ASSIGNMENT HOLD	EXPIRATION
ARNOLDO MONDADORI EDITORE S.p.A.	CHAIRMAN BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2011)
SARAS S.p.A.	CHAIRMAN BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2011)
FININVEST S.p.A.	CHAIRMAN BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2012)
PUBLITALIA '80 S.p.A.	CHAIRMAN BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 30/06/2012)
BINDA S.p.A. IN LIQUIDATION	CHAIRMAN BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2011)
TELECOM ITALIA S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2011)
PARMALAT S.p.A.	INDEPENDENT DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
GIUSEPPE CITTERIO SRL	INDEPENDENT DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2011)
LUISA SPAGNOLI S.p.A.	INDEPENDENT DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2009)
SPA.IM S.r.l.	INDEPENDENT DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
SPA.MA S.r.l.	INDEPENDENT DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
SPA.PI S.r.l.	INDEPENDENT DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
SUPERTI FURGA E PARTNERS	CHAIRMAN	IN CHARGE UP TO CALL OFF

TOTAL NUMBER OF ASSIGNMENTS HELD IN LISTED COMPANIES: **4**

TOTAL ASSIGNMENTS: **13**

Dott. Michele Di Martino

COMPANY NAME	ASSIGNMENT HOLD	EXPIRATION
MERIDIANA S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
GEASAR S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2011)
CORTESA S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
SARAS S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 30/06/2011)
SARTEC – SARAS RICERCHE E TECNOLOGIE S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
EOLICA ITALIANA S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
ENSAR S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)

TOTAL NUMBER OF ASSIGNMENTS HELD IN LISTED COMPANIES: **1**

TOTAL ASSIGNMENTS: **7**

Dott. Giovanni Camera

COMPANY NAME	ASSIGNMENT HOLD	SCADENZA
ARCOLA S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
A.I.M.P.E.S. ASSOC.MANUFATTURIERI PELLI	AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
ASANSIRO S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 30/06/2012)
ASPREMARE ONLUS	AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2011)
CMC S.p.A.	DIRECTOR	IN CHARGE (ANNUAL REPORT 31/12/2011)
CONSORZIO S. SIRO 2000	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 30/06/2012)
COOP. SOC. SAN PATRIGNANO S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
COOP. SOCIALE SAN PATRIGNANO PRODOTTI E SERVIZI S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
CREO S.p.A.0	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2012)
DYNERGY S.r.l.	PERMANENT AUDITOR	IN CHARGE
ENSAR S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
EOLICA ITALIANA S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
F.C. INTERNAZIONALE MILANO S.p.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 30/06/2011)
FONDAZIONE CARDINALE FEDERICO BORROMEO	AUDITOR	IN CHARGE (ANNUAL REPORT 30/06/2011)
INTENDIS S.p.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2012)
INTENDIS MANUFACTURING S.p.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2012)
INTERNAZIONALE HOLDING S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 30/06/2012)
MONDINI CAVI S.p.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2011)
NOVA EOLICA S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
PARCHI EOLICI ULASSAI S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
SARAS S.p.A.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2011)
SARDEOLICA S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2012)
SARLUX S.P.A	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
SARTEC S.r.l.	PERMANENT AUDITOR	IN CHARGE (ANNUAL REPORT 31/12/2010)
SHINE SIM S.p.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE (ANNUAL REPORT 31/12/2012)
UBS ITALIA S.p.A.	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	IN CHARGE(ANNUAL REPORT 31/12/2010)
	PERMANENT AUDITOR	

TOTAL NUMBER OF ASSIGNMENTS HELD IN LISTED COMPANIES: **4**

TOTAL ASSIGNMENTS: **13**

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

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2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 9 April 2010.

3 In our opinion, the financial statements of Saras SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Saras SpA for the year then ended.

4 The directors of Saras SpA are responsible for the preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, presented in the corporate governance report, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting

PricewaterhouseCoopers SpA

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profession, *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the financial statements of Saras SpA as of 31 December 2010.

Milan, 6 April 2011

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

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