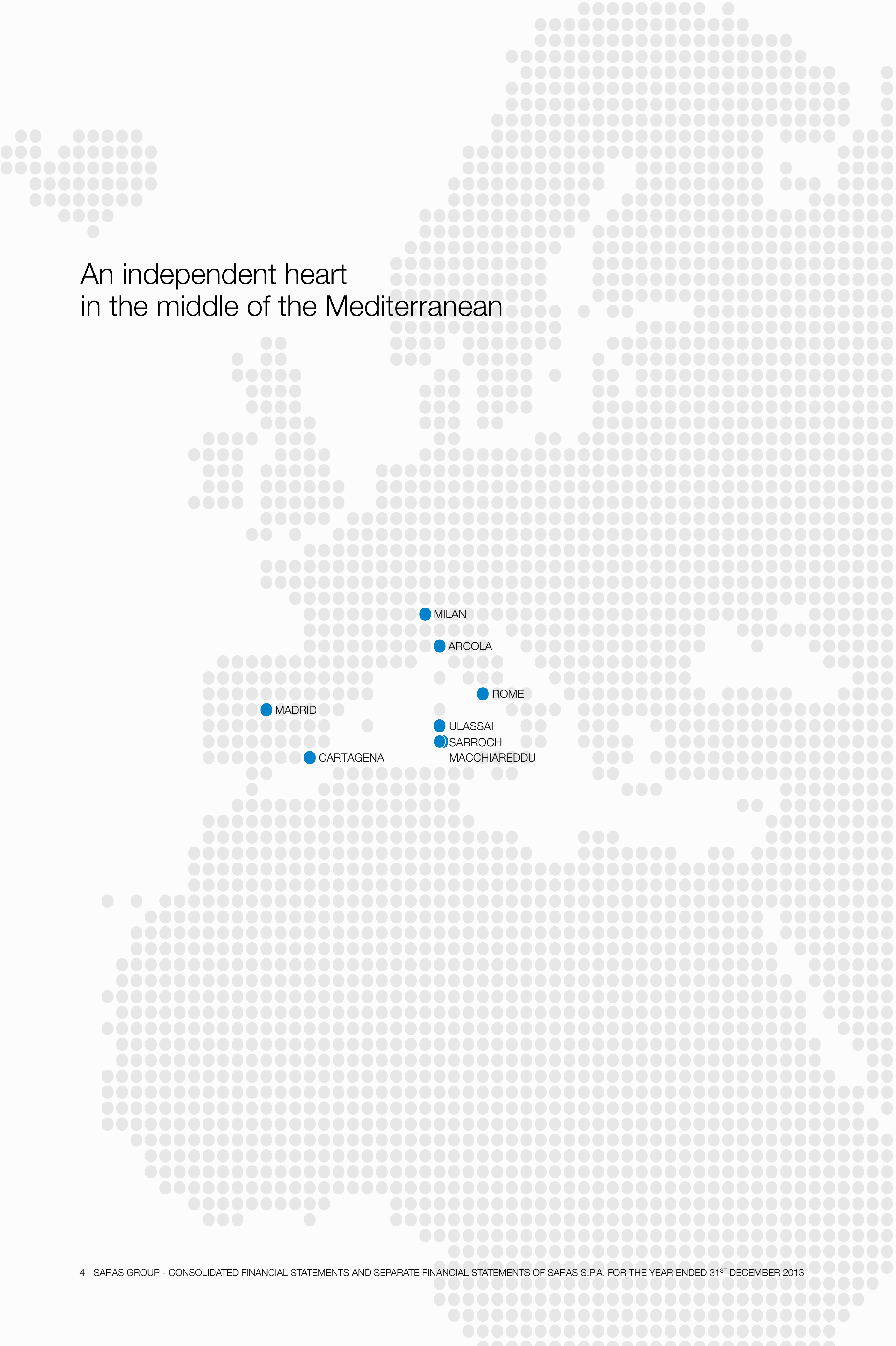
CONSOLIDATED FINANCIAL STATEMENTS OF SARAS GROUP AND SEPARATE FINANCIAL STATEMENTS OF SARAS S.P.A. FOR THE YEAR ENDING 31ST DECEMBER 2013

SARAS

SARAS

Contents

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 Group's 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. The Sarroch refinery is regarded as a model of efficiency and environmental sustainability, thanks to a wealth of know-how, technology and human resources accumulated in almost 50 years of business.

Both directly and through its subsidiaries Arcola Petrolifera Srl and Deposito di Arcola Srl in Italy, and Saras Energia SA in Spain, the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European and international markets. In particular, in 2013 approximately 2.3 million tons of oil products were sold in Italy, through the subsidiary Arcola Petrolifera, which operates exclusively in the wholesale market. Arcola Petrolifera relies on several logistic bases spread all over Italy, and it also uses a storage deposit with a capacity of 200,000 cubic metres of petroleum products, managed by the subsidiary Deposito di Arcola Srl and located in Arcola (La Spezia). A further 1.3 million tons of oil products were sold in the Spanish market through the subsidiary Saras Energia, which is active both in the wholesale and in the retail market. More in detail, Saras Energia owns and manages an oil products storage deposit with a capacity of 112,000 cubic metres, located in Cartagena (Spain). It also uses other storage deposits owned by other major logistics operators (CLH, Decal, Tepsa, etc.), located all over the Spanish territory. Saras Energia also manages a retail network composed of 112 service stations, mainly positioned along the Spanish Mediterranean coast, and a biodiesel plant in Cartagena, with a capacity of 200,000 tons per year.

More than ten years ago, the Saras Group branched out from oil refining and marketing, entering also the power generation sector with an IGCC plant (Integrated Gasification plant with Combined Cycle power generation turbines), with a total installed capacity of 575MW, which is operated by the subsidiary Sarlux Srl. The feedstock used by the IGCC plant is the heavy residue of the refinery, and the plant generates over 4 billion kWh of electricity each year, which corresponds to more than 30% of the electricity requirements in Sardinia.

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

Milestones

The years 1960s – Start of operations

1962: Saras is founded by Mr. Angelo Moratti

1965: The Sarroch refinery begins operations

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

The years 1970s – Refining for third parties

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

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

The years 1980s – Increase in conversion capacity

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

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

Late '80s: Revamping of the FCC Unit, with capacity increased up to 94,000 bl/day

The years 1990s - Environment, new technologies, and expansion into the wholesale market

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

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

The years 2000s - IPO and further investments in high technology and environment

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

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

2006: IPO to grow the business and explore new opportunities

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

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

2009:
- Sales of gasoline and diesel with 10ppm (parts per million) sulphur content begin, thus contributing to a meaningful reduction of indirect emissions of SO_2
- Saras is the first refinery in Italy to obtain the AIA authorization (Integrated Environmental Authorization), which represents part of a journey to improve the technical and structural characteristics of the plant, in order to minimize the environmental impact of production activities
- Extension of the retail network in the Southern areas of Spain, through the integration of 71 new service stations acquired from ERG
- Inauguration of the artwork "La cattura dell'Ala del Vento" created by the artist Maria Lai, and dedicated to the Ulassai wind farm
- Completion of an important cycle of maintenance and investments, critical for the future growth of the company, on the following units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2, and VSB

The years 2010s – Focus on safety, environment, efficiency and improvements in profitability

2010:
- "Project Focus" starts, with specific targets such as improving production efficiency and, effectiveness of operations, and rationalising costs
- Saras becomes a certified member of the OCIMF (Oil Companies International Marine Forum), and it is now allowed to make "vetting" operations within the SIRE programme managed by OCIMF
- Emission of Eurobonds restricted to institutional investors, with a total principal amount of EUR 250 million and a maturity of 5 years. The bonds are listed on the Luxembourg Stock Exchange, have a coupon of 5.583%, shall mature on 21st July 2015, and do not involve collateral or covenants

2011:
- "Project focus" achieves positive results in the area of "cost rationalization" (more than EUR 20 m of savings in FY2011), and also in the area of "operational effectiveness". Its scope is further extended to include also the areas of "Planning" and "Supply & Trading"
- The Group relies on its commercial and operational flexibility to overcome a shortage of Libyan crude oils, as a consequence of the civil war which devastates that country
- An important 10-year scheduled maintenance cycle is carried out on the entire IGCC plant, bringing back to full efficiency all units of the plant
- The subsidiary "Sardeolica Srl" completes the repowering of the Ulassai wind farm, increasing the installed capacity from 72 up to 96 MW, with 48 aero-generators
- The Group launches the first programme of corporate restructuring: On July 15th, "Sargas Srl" is created in order to carry out exploration, transport, storage and commercialisation of gaseous hydrocarbons; On September 30th, "Eolica Italiana Srl" and "Nova Eolica Srl" merge into the subsidiary "Ensar Srl"; Finally, on October 1st, a new

subsidiary called "Deposito di Arcola Petrolifera Srl" is created through a partial de-merger of "Arcola Petrolifera SpA"

2012:
- In a competitive environment which becomes increasingly harder due to the recession of the Euro Zone, the Saras Group continues to aim at being a leading operator in terms of safety and efficiency within its sector
- In the Refining segment, the activities for the revamping of the MildHydroCracking-2 Unit (MHC2) proceed perfectly in line with cost and time forecasts
- The Board of Directors of Saras SpA approves the Group Business Plan 2013 – 2017, which is focused on activities aimed at improving effectiveness and efficiency, as well as pursuing new commercial opportunities
- Finally, a new important programme of corporate restructuring is launched, with the aim of transferring all activities relating to the refining business to the "Sarlux Srl" subsidiary, fully owned by Saras, in order to achieve organizational, managerial and economic optimisations

2013:
- In one of the most difficult years for the European refining sector, with low demand for finished oil products and depressed refining margins, the Saras Group keeps its strategy firmly focused on three main areas of activities while, at the same time, some important changes take place in the shareholding structure
- In particular, on the industrial side, the optimal operational performance remains a priority, and the implementation of "Project Focus" continues swiftly. In previous years, this asset management programme has already delivered some meaningful results in terms of cost reduction, improvements of efficiency and effectiveness of industrial operations, and increased coordination between the refinery planning and the supply & trading activities
- On the organizational side, on July 1st 2013 a corporate restructuring comes to completion aimed at transferring the refining business held by Saras SpA to the subsidiary Sarlux Srl, in order to concentrate in a single company all the industrial activities of the Sarroch site, achieving organizational and operational efficiencies. At the end of the reorganization, Saras strengthens its coordination role within the Group, while still retaining direct control over the activities related to supply & trading of crude oil and refined products. The project was implemented through the contribution in kind from Saras SpA to Sarlux Srl of all the assets and liabilities strictly connected with the Refining segment of business. The above mentioned contribution in kind was implemented by writing refining assets and liabilities into Sarlux Srl's accounts, at the same book value at which they were written in financial accounts of Saras SpA. The sworn appraisal, required by Art.2465 of the Civil Code, prepared by two independent statutory auditors, assessed that the economic value of business segment consigned to Sarlux Srl is at least equal to the book value of the Refining assets and liabilities
- Regarding the business model, the Group is developing a commercial partnership with Rosneft, under the format of a 50/50 Joint Venture (the "JV"), aimed at exploiting the potential of each party, respectively in the upstream and in the downstream segments. The JV will leverages Rosneft's privileged access to the production of crude oil and other feedstock, and it will simultaneously leverage the flexibility of Saras' refinery in terms of crude oil processing and trading opportunities. Moreover, the JV will aim to developing marketing activities. With these goals in mind, on June 21st 2013, the President and Chairman of the Management Board of JSC NK Rosneft, Mr. Igor Sechin, and the CEO of Saras SpA Mr. Massimo Moratti, signed the agreement for the establishment of the aforementioned JV in St. Petersburg (Russia)
- With regard to the shareholding structure of the Saras Group, on April 23rd the company Angelo Moratti SapA, Mr. Gian Marco Moratti and Mr. Massimo Moratti complete the sale of 13.70% of the issued share capital of Saras SpA to Rosneft JV Projects SA, an indirect 100% subsidiary of Rosneft. Subsequently, on June 14th the voluntary partial public tender offer, made by Rosneft JV Projects SA, for 7.29% of the issued share capital of Saras SpA is successfully completed
- In light of the significant stake of Saras SpA purchased by Rosneft, on May 14th Mr. Igor Ivanovich Sechin is appointed director of the Board of Saras SpA. Among his various other roles, Mr. Sechin is also President and Chairman of the Management Board of Rosneft, and he can bring his important contribution to the activities of Saras Board, thanks to his extensive expertise in the oil sector, and his deep knowledge of international markets
- Finally, on October 1st, the total non-proportional demerger becomes effective of Angelo Moratti SapA into two newly-incorporated companies – "Gian Marco Moratti SapA di Gian Marco Moratti" and "Massimo Moratti SapA di Massimo Moratti" – whose shares are owned respectively by Mr. Gian Marco Moratti and Mr. Massimo Moratti, as well as their respective sons. As a result of the demerger, all of the assets and liabilities of Angelo Moratti SapA, which included, interalia, also 50.02% of the issued share capital of Saras SpA, are allocated to the two aforementioned beneficiary companies in equal shares, and Angelo Moratti SapA is dissolved. Moreover, in order to ensure continuity with respect to the control of Saras SpA, Gian Marco Moratti SapA and Massimo Moratti SapA enter into a shareholders' agreement, valid for three years, which provides for the joint exercise of voting rights concerning the ordinary shares of Saras SpA and provides also that each of the beneficiary companies is restricted from transferring its shares to third parties, in whole or in part, without the consent of the other company

Letter to the Shareholders

The year 2013 was particularly full of meaningful developments and changes for the Saras Group, which conducted its business activities in an extremely difficult macroeconomic context, characterized by recession in various countries of the euro zone, and worrying geopolitical tensions in several crude oil producing regions. Those circumstances, together with an increasingly stronger global competition, severely penalised the profitability of European operators. Notwithstanding this unfavourable context, the Group did not lose its motivation, and actually made important progress, following a journey of self-renewal and strengthening based upon four main levers: increase of operational efficiency and of industrial performance; extensive corporate restructuring, mainly aimed at achieving organizational optimisations and synergies; entry into the corporate share capital of a new international partner, with a presence in the entire value chain of the oil industry, and with impressive operational, financial and strategic capabilities; review of the business model, also thanks to greater exposure to commercial activities.

OPERATIONAL EXCELLENCE

The extremely harsh crisis shaking Europe since 2009 has served as a painful reminder for all refining companies that the achievement of operational excellence is their only feasible option, in order to compete internationally and to stay in business. The Saras Group was among the first operators to take on this challenge, and to actively commit to achieving high energy efficiency, maximum production performance, and accurate cost control and optimisation. Also in 2013, with renewed enthusiasm and dedication, we continued to implement our well known "Project Focus". The results achieved to date are remarkable in all the areas of the project, thanks primarily to the dedication, the professional skills, and the execution discipline of all our employees.

CORPORATE REORGANISATION

2013 was also the year when the Group completed a complex corporate reorganization programme, aimed at transferring the refining business held by Saras SpA into the subsidiary Sarlux Srl, in order to achieve organizational, operational and economic optimisations. This reorganization, effective as of July 1st, was preceded and accompanied by the arrival at the company of new human resources in key managerial positions, which contributed to leading and facilitating the change process, thanks to their competence, enthusiasm and motivation.

STRENGTHENING OF THE SHAREHOLDING STRUCTURE

Another important development which occurred in 2013 is Rosneft's entry into Saras' share capital, with a shareholding of 21%, in the period between April and May. As is known, Rosneft is a company incorporated under the laws of the Russian Federation, a global leader in the production and export of hydrocarbons. Obviously, the presence of such a prestigious and strong partner significantly strengthens the competitive positioning of the Group, and it also serves as a rewarding acknowledgement for all the committed employees working in it.

REVIEW OF THE BUSINESS MODEL

Yet another meaningful event was the signature, on June 21st in Saint Petersburg, of an agreement for the establishment of a 50/50 Joint Venture between Rosneft and Saras, dedicated to trading of crude oil and refined oil products. The main activities of the Joint Venture shall be trading and commercial operations, based on existing assets and logistics, and access in new markets, leveraging on the capabilities of both parties. Furthermore, the recent announcement of Rosneft's intention to purchase Morgan Stanley's oil commodity trading business further reinforces the programmes to enhance commercial activities, adding new dimensions and opportunities, also for the Saras Group.

SUSTAINABILITY, HEALTH, SAFETY AND ENVIRONMENT

Also in 2013, the Saras Group devoted energy and attention to the dissemination of the safety culture, at all company levels, with dedicated training activities and constant monitoring and assessment of the effectiveness for each one of the activities undertaken.

CONCLUSIONS

Looking forward, in 2014 refining margins are forecasted to gradually improve, also as a consequence of the expected resolution of the geopolitical tensions in various oil producing countries, and of the progressive economic recovery, resulting in a pick-up in demand for oil products. Thanks to the recent CAPEX, which increased conversion capacity, and the improvements in the operations and efficiency of the Sarroch refinery, the Saras Group is confident to take full advantage of future market opportunities.

The Chief Executive Officer
Massimo Moratti

The Chairman
Gian Marco Moratti

Saras Group Report on Operations

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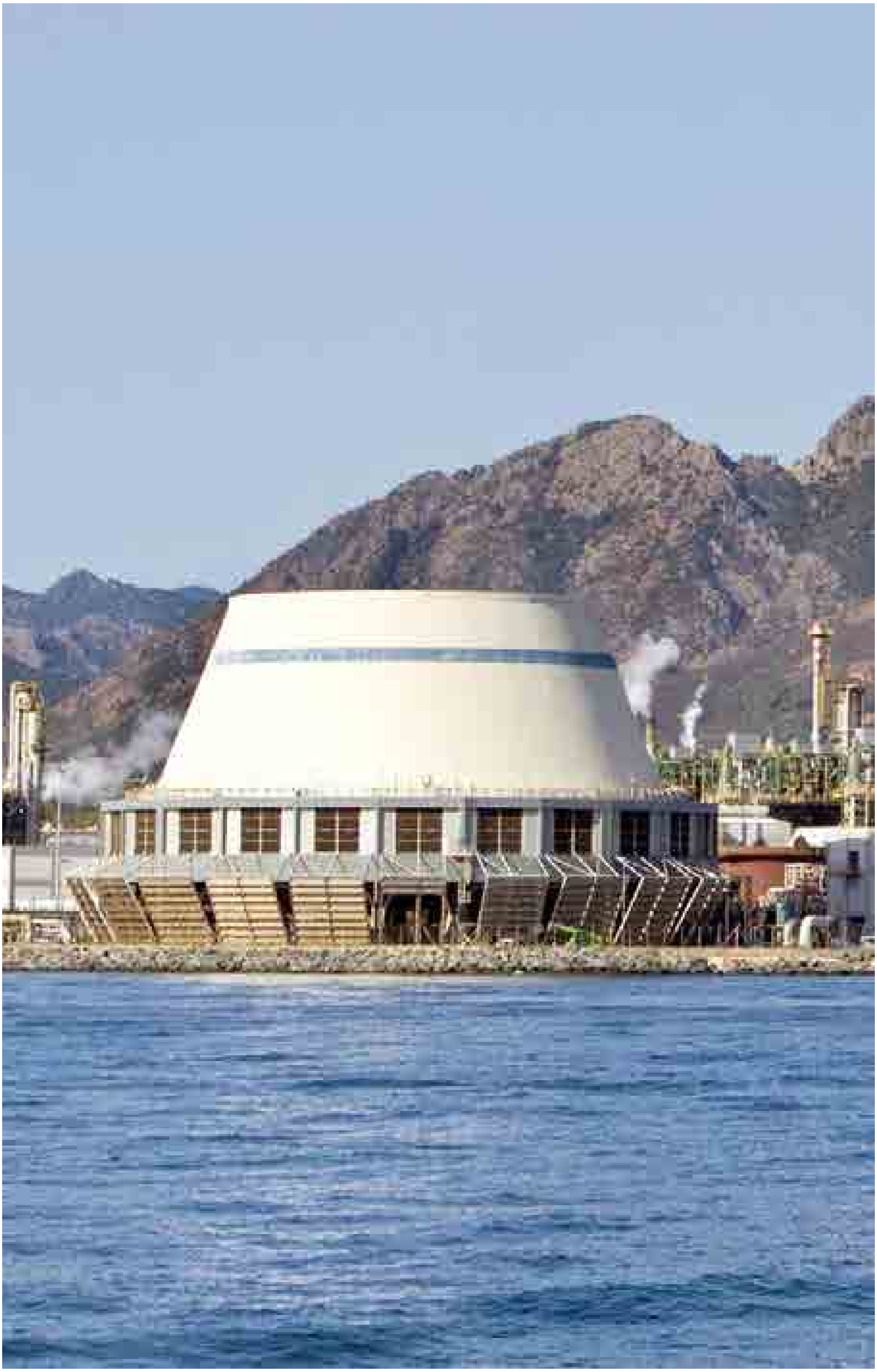


Main financial and operating figures

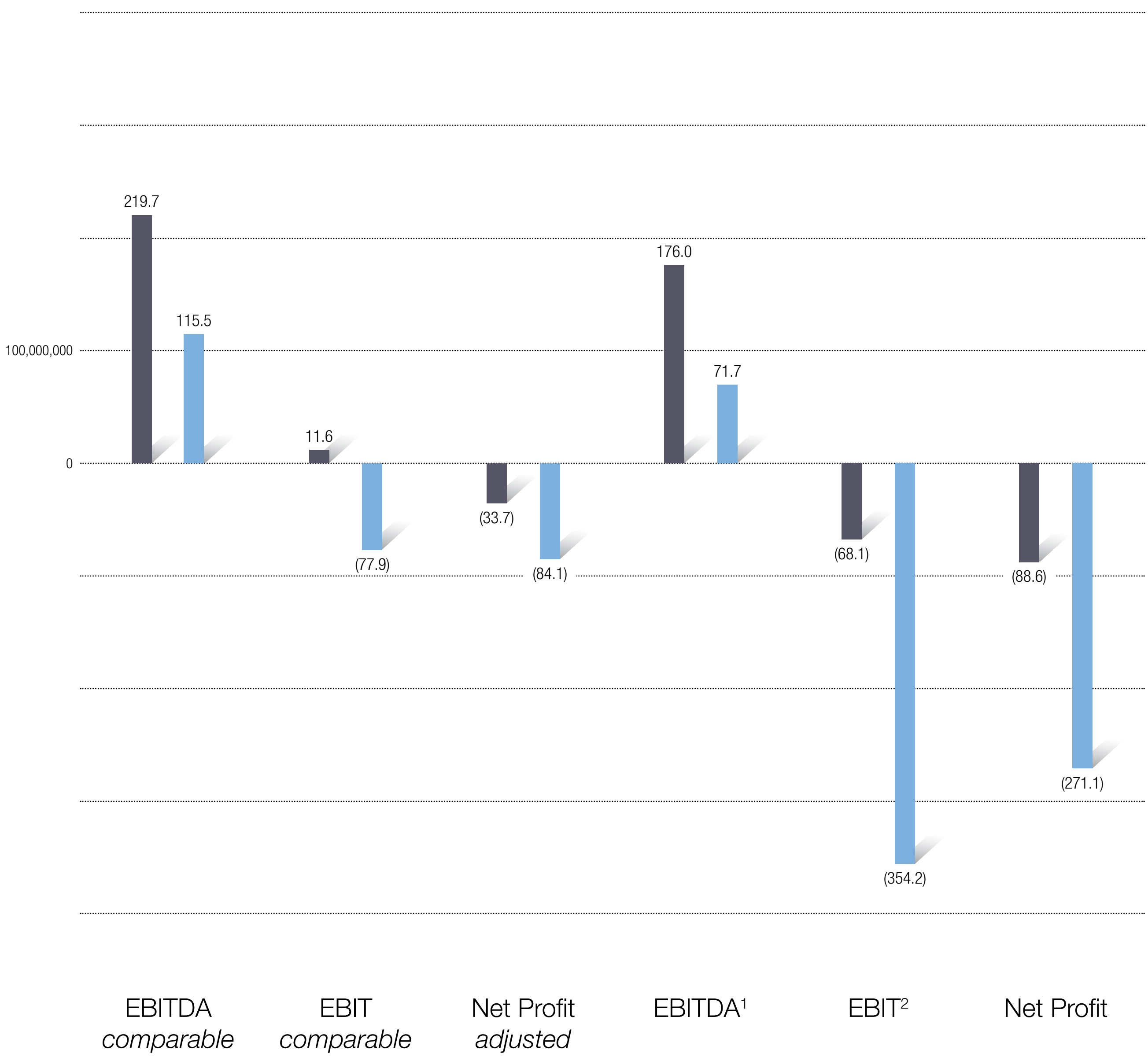
EUR Million		2013	2012	Change
REVENUES		11,230	11,889	-6%
EBITDA		71.7	176.0	-59%
***Comparable* EBITDA[1]**		**115.5**	**219.7**	**-47%**
EBIT		(354.2)	(68.1)	-420%
***Comparable* EBIT [1]**		**(77.9)**	**11.6**	**-774%**
Net Income		(271.1)	(88.6)	-206%
***Adjusted* Net Income[2]**		**(84.1)**	**(33.7)**	**-150%**
Outstanding shares, '000,000 (avg. nr.)		926	928	
***Adjusted*[2] EPS, (EUR)**		**(0.09)**	**(0.04)**	
NET FINANCIAL POSITION		**(8)**	**(218)**	
CAPEX		**110**	**119**	
REFINERY RUNS	Thousand tons	12,980	13,309	-2%
	Million bl	94.8	97.2	-2%
	Thousand bl/day	260	265	-2%
EXCHANGE RATE	EUR/USD	1.328	1.285	3%
EMC BENCHMARK MARGIN	$/bl	(1.2)	0.9	
SARAS REFINERY MARGIN	$/bl	1.5	2.1	
ELECTRICITY PRODUCTION IGCC	MWh/1000	4,217	4,194	1%
POWER TARIFF IGCC	Eurocent/KWh	11.9	12.2	-3%
MARGIN IGCC	$/bl	3.8	4.2	-10%
TOTAL MARKETING SALES	Thousand tons	3,652	3,794	-4%
of which in Italy	Thousand tons	2,342	2,210	6%
of which in Spain	Thousand tons	1,310	1,584	-17%

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

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

Key financial and non-financial indicators

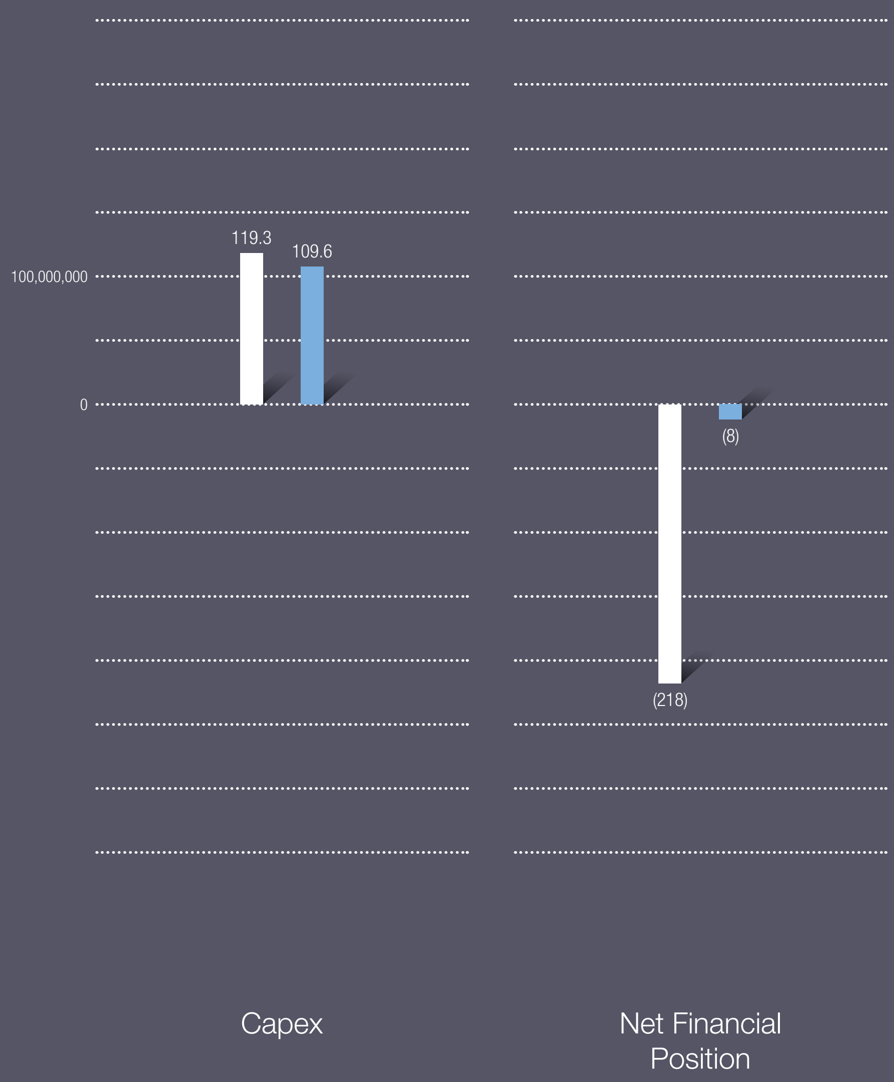
Main Income Statement figures [2012 and 2013]



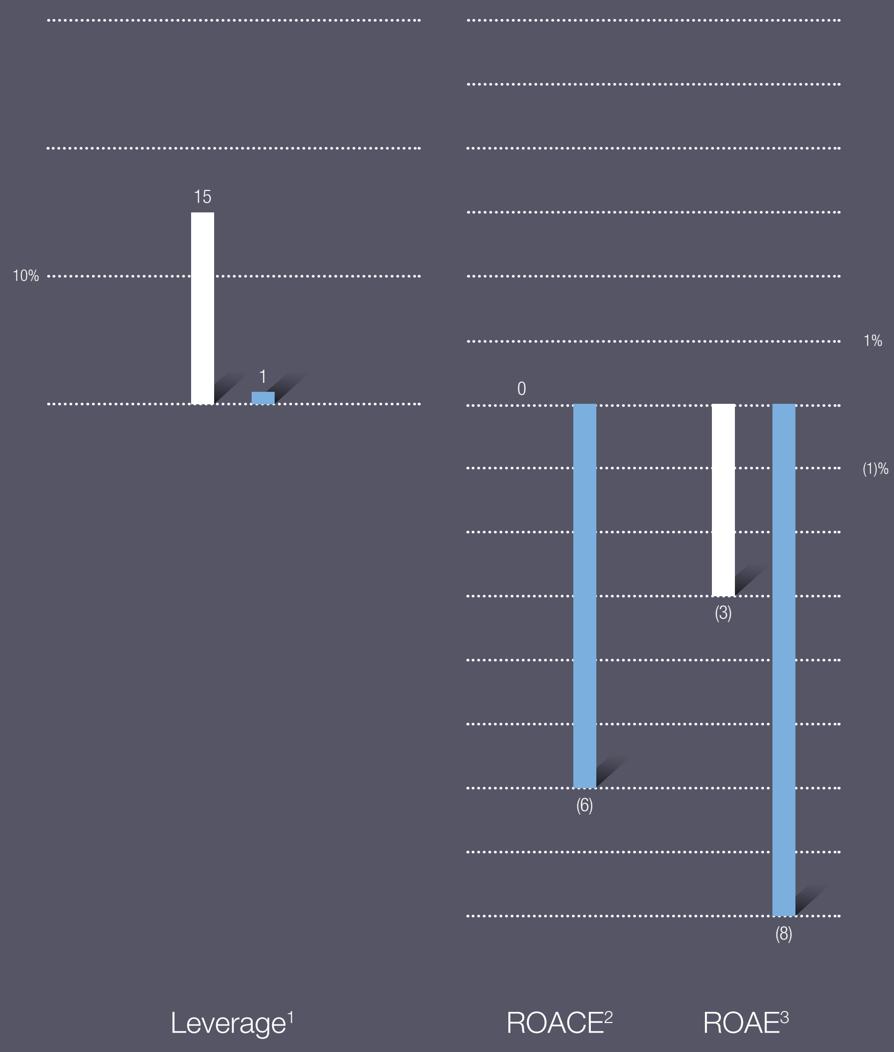
1. EBITDA Operating result before Depreciation&Amortisation.

2. EBIT Operating result.

Financial Position [2012 and 2013]



Key financial ratios [2012 and 2013]

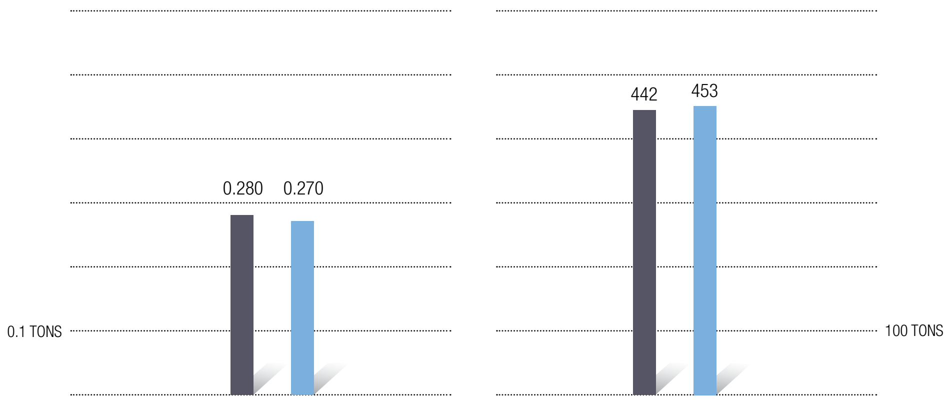


1. Leverage: net debt/(net debt+equity). Target: 25-50%.

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

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

Environmental indicators [2012 and 2013]



SO2 Production rate
(tons of SO2 / thousand tons of refinery runs)

CO2 Production rate
(tons of CO2 / thousand tons of refinery runs)

Statutory Bodies

Board of Directors

GIAN MARCO MORATTI	Chairman and Director
MASSIMO MORATTI	CEO and Director
ANGELO MORATTI	Vice Chairman and Director
DARIO SCAFFARDI	Executive Vice President, General Manager and Director
ANGELOMARIO MORATTI	Chairman of Saras Energia and Director
GABRIELE MORATTI	Director
IGOR IVANOVICH SECHIN	Director
GABRIELE PREVIATI	Director
GILBERTO CALLERA	Independent Director
GIANCARLO CERUTTI (1)	Independent Director

Board of Statutory Auditors

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

Executive Director responsible for financial reporting

CORRADO COSTANZO	Chief Financial Officer

External auditor

PRICEWATERHOUSECOOPERS SpA

1. Director elected by the list of minority shareholders

Board of Directors and Top Management

Gian Marco Moratti
Chairman and Director

Massimo Moratti
CEO and Director

Angelo Moratti
Vice Chairman and Director

Angelomario Moratti
Chairman of Saras Energia and Director

Gabriele Moratti
Director

Igor Ivanovich Sechin
Director

Gabriele Previati
Director

Gilberto Callera
Indipendent Director

Giancarlo Cerutti
Indipendent Director

Dario Scaffardi
Executive Vice President,
General Manager and Director

Corrado Costanzo
Chief Financial Officer

Corporate Governance

The Company adheres to the Code of Conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana SpA in March 2006, as subsequently amended and as set out in the annual report on Corporate Governance drawn up by the Board of Directors and published within 15 days of the General Meeting of Shareholders called to approve the 2013 Financial Statements.

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

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

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

The report provides details of the role and tasks of the Board of Directors, listing the functions that can and cannot be delegated, and providing up-to-date information on its composition and the meetings held in 2013 and in the first months of 2014.

Specifically, the Board until 5th March 2013 comprised three independent non-executive directors – Mr. Gilberto Callera, Mr. Giancarlo Cerutti and Mr. Mario Greco.
Following the resignation of Mr. Mario Greco as independent director, on 14th May 2013 the Board of Directors resolved to co-opt Mr. Igor Ivanovich Sechin, pursuant to article 2386 of the Italian Civil Code. The appointment was also confirmed by the Shareholders' meeting of 15th October 2013.

Moreover, during the meeting of 8th August 2013, the Board of Director appointed Mr. Carlo Cerutti as a member of the "Remuneration and Nomination Committee".

Therefore, as of today, the "Audit and Risk Committee" is composed by independent non-executive directors, Mr. Gilberto Callera and Mr. Giancarlo Cerutti and by the non-executive director Mr. Gabriele Previati. Moreover, Mr. Callera, Mr. Cerutti and Mr. Previati are also members of the "Remuneration and Nomination Committee".

Both Committees have consultative and advisory functions, as intended in the Code of Conduct, and met regularly during 2013 and in the first quarter of 2014, as illustrated in detail in the Report on the Corporate Governance.

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

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

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

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

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

Regulatory Framework

The most important regulation issued in 2013 relating to the environment, energy and health and safety at work are as follows:

- Law 147 of 27th December 2013 (Stability Law 2014) establishing, inter alia, measures relating to site remediation, waste tax, local services, energy, efficient use of energy in construction and public tenders.

- Legislative Decree 145 of 23rd December 2013, establishing urgent measures for launching the "Destination Italy" plan. The decree contains measures relating to electricity tariffs, energy certification in the construction industry and remediation, with particular reference to sites of national interest, and related reindustrialisation.

- Legislative Decree 136 of 10th December 2013, establishing urgent provisions to tackle environmental and industrial emergencies and to define the crime of illegal burning of waste.

- European Parliament and Council Resolution 1359/2013/EU, containing amendments to EC Directive 2003/87, which creates a scheme for greenhouse gas emission allowances trading.

- European Commission Regulation 1123/2013/EU on emissions trading and international credit entitlements.

- European Commission Decision 2013/634/EU, on adjustments to Member States' annual emission allocations for the period 2013-2020 pursuant to Decision 406/2009/EC.

- Law 125 of 30th October 2013, converting into law, with amendments, Legislative Decree 101/2013, which contains the new operating regulations for SISTRI, relating to companies of national strategic importance.

- Law 98 of 9th August 2013, converting into law, with amendments, Legislative Decree 69/2013, which establishes urgent provisions for relaunching the economy. This law amended certain articles of Legislative Decree 152/2006 on the remediation of contaminated sites and regulations governing excavated soil and rocks.

- Law 97 of 6th August 2013, establishing provisions for complying with the obligations resulting from Italy's membership of the European Union (European Law 2013), including those relating to industrial emissions.

- Legislative Decree 69 of 21st June 2013, establishing urgent provisions for relaunching the economy (known as the "Decree of Doing"). This decree contains provisions on the gas and fuel market, safety at work, contaminated site remediation and excavated soil and rocks. It also sets out the methods of calculating the avoided fuel cost component, which is part of the CIP 6 tariff.

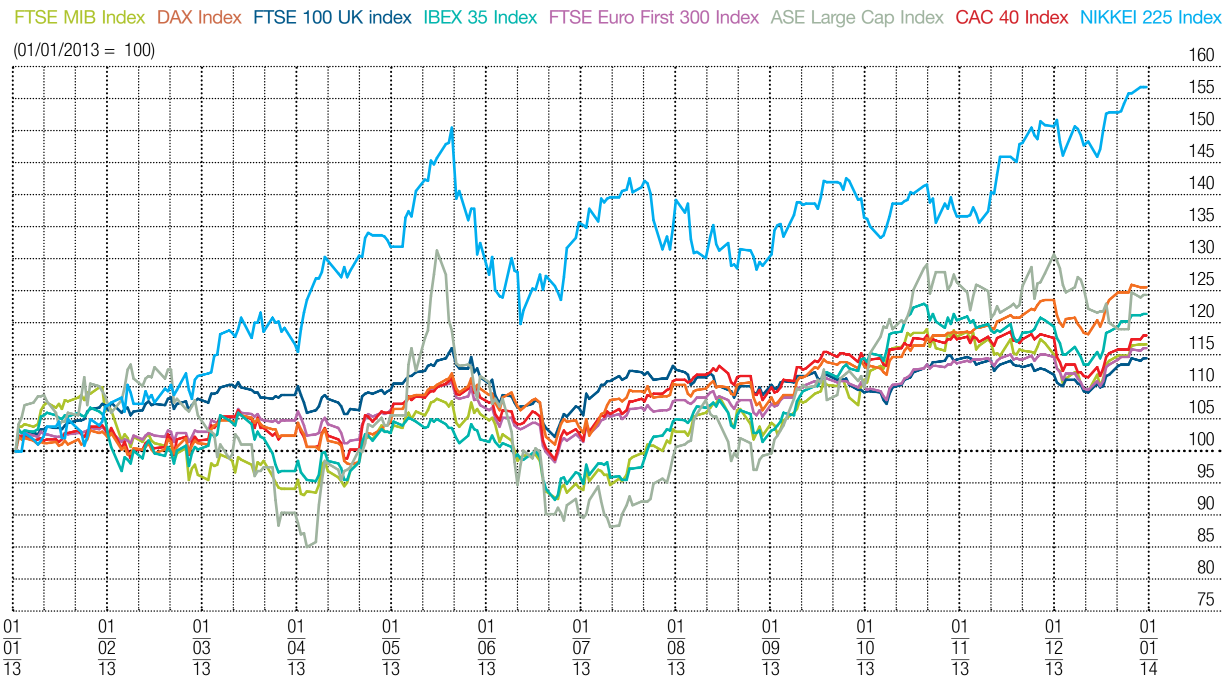
- Presidential Decree 59 of 13th March 2013, incorporating the Regulations on standardised environmental permits.

- Directive of the European Parliament and Council 2013/30/EU, incorporating the change to Directive 2004/35/EC on serious accidents at sea in the hydrocarbons sector and related environmental damage.

Stock Markets Performance

2013 was a volatile year, especially in the first half, but then overall it turned out to be extremely positive for the international financial markets. All the main stock indexes posted large gains versus their closing positions, at the end of the previous year. In particular, the Italian FTSE Mib achieved a remarkable +16.6%, an order of magnitude had not been seen for many years. If on one hand, renewed appetite for risk supported the growth trends in the stock markets, on the other hand, this very same attitude to risk penalised the quotations

Main European Stock Markets (Source: Bloomberg)



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

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

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

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

FTSE Euro First 300 Index: Composite index representing the 300 largest european companies in terms of market capitalisation

ASE Large Cap Index: Index of the 25 most representative stocks traded in the Greek market

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

NIKKEI 225 Index: Index of the 225 most representative stocks traded in the Japanese market for gold, traditionally considered a safe-heaven commodity, which lost significantly its appeal throughout the year. The graphs provides a visual representation of the trends for the main international stock markets during FY2013, taking January 1st as reference point ("base 100").

The most remarkable performance in 2013 belongs to the Japanese stock exchange, with the Nikkei Index rebounding by a stunning +56.7% and climbing back above 16,300 basis points (a level which dates back to 2007), thanks to the unconditional support received from the Bank of Japan (BoJ) and the Government of Prime Minister Shinzo Abe. In Europe, good results were achieved by the Dax Index in Frankfurt which, during the twelve months, managed to set a new record, and finally closed the year with a +25.5% increase. A similar progress was recorded also on the Spanish stock exchange, where the IBEX 35 Index grew by 21.4%, and also the other main European markets displayed excellent results, although with slightly lower percentage increases. More specifically, the French CAC 40 Index posted a +18% increase, the London FTSE 100 Index grew by 14.4%, and the FTSE Mib Index in Milan closed the year 2013 with a progress of 16.6%, as previously commented. Also in the United States, the stocks which represent the S&P 500 Index increased their value by approx. 3,700 billion US dollars (+29.6%), which is the largest increase since 1997.

The above market trends, as usual, can be explained primarily with economic and political factors. In particular, in Q1/13, there were signals of a structural improvement in the economies of the United States and also of some emerging countries. Nonetheless, the optimism was somewhat constrained by uncertainties on the development of US budget policies, and also by the European sovereign debt crisis.

Towards the end of the quarter, however, new tensions shook the European stock markets, deriving from the disappointing results of the Italian political elections and, to a greater degree, from the economic crisis in Cyprus, which clearly showed the difficulties in coordinating European and national authorities. The downward movement of the stock markets extended well into the first part of the second quarter.

Negative sentiment originated also from the slow-down of some emerging economies in Asia, from the uncertainties on the future of the "quantitative easing" policies in the United States, and from the decision of Standard & Poor's to review the credit rating of Italian sovereign debt downwards.

Nevertheless, in the months leading to the summer and also during the entire third quarter, the European stock markets started to rally again, thanks to signals of recovery in various countries of the Euro Zone, where GDP finally resumed growing after six quarters in negative territory. Markets also welcomed the decision from the ECB Governing Council, which clearly stated that official interest rates would stay low for a considerable period of time, in order to counter the prospects of low inflation, the widespread weakness of the economies, and the rather poor monetary growth.

Subsequently, the upward trend extended also into the fourth quarter of the year, thanks to the accommodating monetary policies of the ECB, the progress achieved in the governance of the Euro Zone, and the stabilization of the internal affairs of various countries (including Italy). Finally, financial markets received very well the compromise agreement reached in mid December by the EcoFin Council of the European Union, on the characteristics of the Single Resolution Mechanism (SRM) for the resolution of banks. Such agreement, which should be finalized and ratified before the end of the current legislation of the European Parliament (in May 2014), represents an essential step towards the completion of the European Banking Union.

Saras Share Performance

Below are some data concerning daily prices and volumes for Saras' shares, for the period from January 2nd 2013, until December 30th 2013.

SHARE PRICE (EUR)	2013
Minimum price (18/12/2013) *	0.818
Maximum price (30/05/2013) *	1.154
Average price	0.959
Closing price on 30/12/2013	0.831

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

DAILY TRADING VOLUMES	2013
Maximum volume in EUR m (15/04/2013)	18.0
Maximum volume in number of shares (m) (15/04/2013)	17.3
Minimum volume in EUR m (10/12/2013)	0.2
Minimum volume in number of shares (m) (10/12/2013)	0.3
Average volume in EUR m	1.6
Average volume in number of shares (m)	1.6

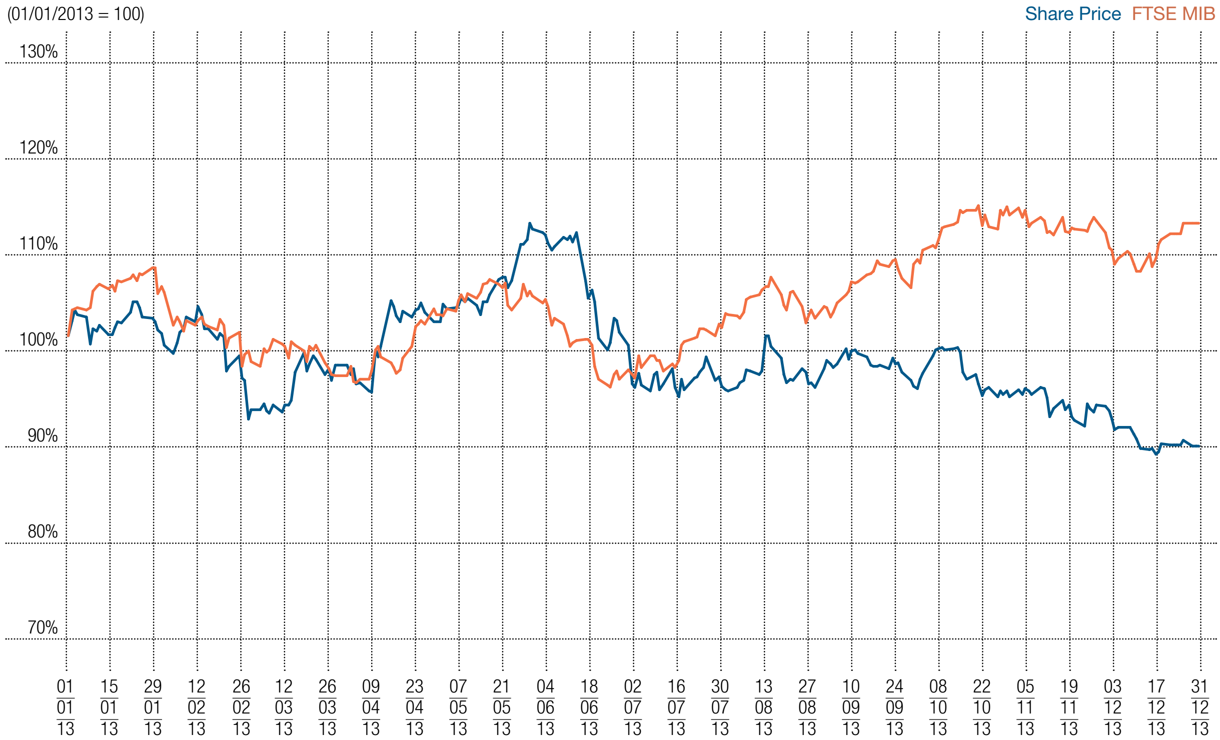
As of December 30th 2013 the market capitalisation was EUR 790 million and, at the same date, the shares outstanding were approximately 926 million. Moreover, at the end of FY2013 Saras SpA held in treasury 19,245,774 own shares, equal to 2.024% of the issued share capital. For details on the own shares held in treasury and on the share movements during the year, please refer to the Report on Operations of Saras SpA.

The following graph shows a comparison between the daily performance of Saras' share price and the FTSE Mib Index of the Italian stock exchange in Milan.

Saras share started the year 2013 on January 1st with a unit price equal to EUR 0.990. Subsequently, until approximately mid April, the Saras share moved practically in parallel with the FTSE Mib Index, initially with a downward motion, followed by a recovery.

Afterwards, on April 15th, the signing was announced of a sale and purchase agreement between Rosneft JV Projects SA, an indirect 100% subsidiary of Rosneft, and the controlling shareholders of Saras SpA (the company Angelo Moratti SapA, Mr. Gian Marco Moratti and Mr. Massimo Moratti). On the basis of this agreement, on April 23rd, Rosneft purchased 13.70% of the issued share capital of Saras SpA, for a price of EUR 1.370 per share, while Angelo Moratti SapA retained a controlling stake in Saras SpA equal to 50.02% of the issued share capital.

Simultaneously with the announcement of the signing of the sale and purchase agreement, Rosneft JV Projects SA made a partial public tender offer (PTO) for 69,310,933 shares of Saras SpA, corresponding to 7.29% of the issued share capital, at a price equal to EUR 1.370 per share, which is the



same unit price paid to the controlling shareholders in the previously mentioned purchase transaction.

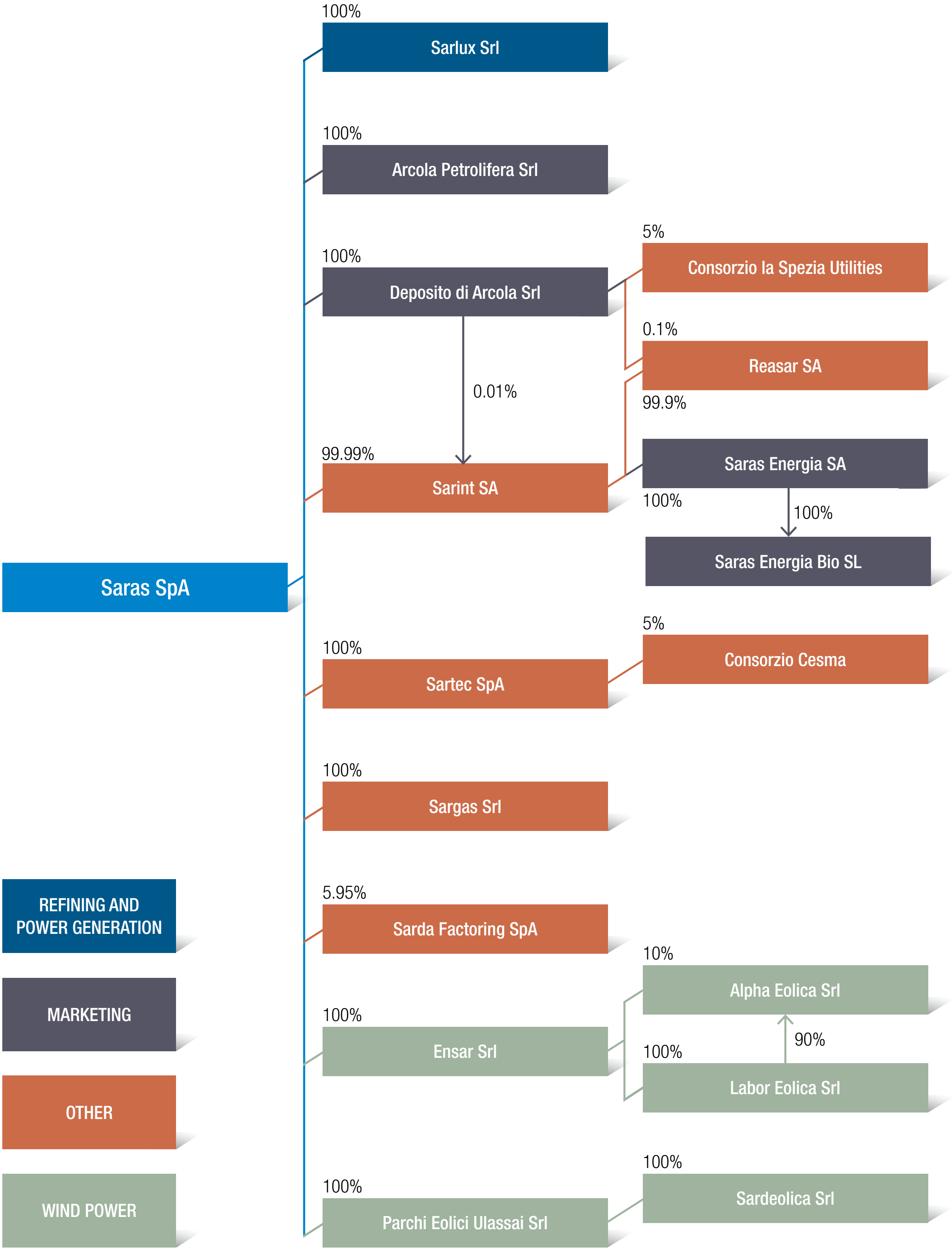
This news triggered an immediate reaction of the Saras share which, on the day of the announcements, posted a trading gain of approx. 7%. The upward movement continued during the entire period of the PTO, which came to a conclusion on June 14th. During those weeks, the Saras share largely over-performed the FTSE Mib Index, reaching its yearly peak value (equal to EUR 1.154) on May 30th.

In the period following the conclusion of the PTO, and up until mid July, the quotations of Saras share moved downwards, coming back in line with the main index of the Italian Stock Exchange (FTSE Mib).

Afterwards, the Saras share price remained practically range-bound, between EUR 0.90 and 0.99, until approximately mid November. This came as a consequence of a steep decline in refining margins and an overall deterioration of the economic environment, which convinced the international investors to decrease their exposure of their portfolios towards the European refining sector.

Finally, towards the year-end, the Saras share feel below par, in the absence of any significant signal of economic recovery, or any other positive news which could somehow support quotations. The closing price on December 30th was equal to EUR 0.831, down by 16% from the opening price at the beginning of the year.

Structure of the Saras Group



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Comment to Saras Group Results

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

SARAS GROUP CONSOLIDATED FINANCIAL FIGURES:		
EUR Million	**2013**	**2012**
REVENUES	**11,230**	**11,889**
EBITDA	71.7	176.0
***Comparable* EBITDA**	**115.5**	**219.7**
EBIT	(354.2)	(68.1)
***Comparable* EBIT**	**(77.9)**	**11.6**
NET RESULT	(271.1)	(88.6)
***Adjusted* NET RESULT**	**(84.1)**	**(33.7)**
NET FINANCIAL POSITION	**(8)**	**(218)**
CAPEX	**109.6**	**119.3**

Comments to full year 2013 results

Group Revenues in FY2013 were EUR 11,230 m, down 6% vs. FY2012. This change is primarily due to the decrease in revenues generated by the Refining and Marketing segments, as a consequence of lower prices for refined oil products. In particular, in FY2013 the average price for gasoline stood at 982 $/ton versus 1,021 $/ton in FY2012, while diesel traded at an average price of 930 $/ton versus 969 $/ton in FY2012. Moreover, also the Power Generation segment generated lower revenues, due to the new calculation methodology applied to the CIP6/92 tariff, which regulates the sale of electricity from the Sarlux subsidiary to the national grid operator GSE (Gestore dei Servizi Energetici SpA), as required by Legislative Decree 69/2013.

Group *reported* EBITDA in FY2013 was EUR 71.7 m, down vs. EUR 176.0 m in FY2012. The main difference between the two years under comparison is due to the steep deterioration of refining margins in 2013 (approx. EUR 60 m), which penalised the results of the Refining segment. The rest of the difference is almost entirely related to the Power Generation segment, which achieved lower results vs. FY2012, due to the previously mentioned change in the CIP6/92 tariff. Further details are provided in the dedicated sections.

Group *reported* Net Result stood at EUR -271.1 m, down from EUR -88.6 m in FY2012, because of the same reasons discussed at EBITDA level, and also because of the write-off of the CIP6/92 contract and its effects on deferred tax assets. Indeed, as established by an independent appraisal, the revision of the CIP6/92 tariff according to the new calculation methodology; required by the Legislative Decree 69/2013, determined a write-off of approx. EUR 232 m (pre tax) of the above mentioned contract, which was entirely recognised into Q2/13 results. Further details on this process were given in previous Financial Statements.

Moving to the analysis of the “Financial Charges and Income”, which include also the net FOREX result and the result of the derivative instruments used for hedging purposes, in FY2013 Net Financial Charges were equal to EUR 29.4 m, while in FY2012 the charges stood at EUR 51.9 m. The change in Net Financial Charges is due mainly to positive results on FOREX and derivatives.

Group *comparable* EBITDA amounted to EUR 115.5 m in FY2013, down from EUR 219.7 m in FY2012. As with previous comments, the main difference comes from the Refining segment, which operated against extremely penalising market conditions. Moreover, also the Power Generation segment generated lower results compared to FY2012, due to the previously discussed changes in the calculation methodology for the CIP6/92 tariff. Furthermore, it should be mentioned that for the Power Generation segment the *comparable* EBITDA is coincident with the *reported* EBITDA.

Finally, the Group's *adjusted* Net Result stood at EUR -84.1 m, down from the Group's *adjusted* Net Result in FY2012 (equal to EUR -33.7 m), mainly because of the weaker EBITDA results, which were partially compensated by lower Net Financial Charges in FY2013, as shown above, and also by lower depreciation of tangible and intangible assets.

As mentioned at the beginning of this section, *reported* and *comparable* figures differ primarily because of the different methodologies used to measure oil inventories, as well as for non recurring items and changes in fair values of derivative instruments. The significance of the various items for FY2013 is shown in the dedicated tables.

CAPEX in FY2013 was EUR 109.6 m, in line with the investment programme for 2013. These CAPEX were primarily dedicated to the Refining segment (EUR 87.1 m) as well as, to a lesser extent, to the Power Generation segment (EUR 16.9 m).

DETAILS OF THE CALCULATION OF THE GROUP'S *ADJUSTED* NET RESULT:

EUR Million	2013	2012
***Reported* NET RESULT**	**(271.1)**	**(88.6)**
(inventories at LIFO – inventories at FIFO) net of taxes	43.4	27.0
non recurring items net of taxes	148.3	25.3
change in derivatives fair value net of taxes	(4.7)	2.6
***Adjusted* NET RESULT**	**(84.1)**	**(33.7)**

Note: Non recurring items net of taxes, in FY 2013, include mainly the write-off of the CIP6/92 contract, which took place in Q2/13, and the reversal of the deferred tax assets ("Robin Tax at 4%") which occurred in Q4/13.

DETAILS OF THE CALCULATION OF THE GROUP'S *COMPARABLE* EBITDA

EUR Million	2013	2012
***Reported* EBITDA**	**71.7**	**176.0**
inventories at LIFO – inventories at FIFO	67.4	43.7
non recurring items	(23.6)	0.0
***Comparable* EBITDA**	**115.5**	**219.7**

Net Financial Position

The Net Financial Position at 31st December 2013 stood at EUR -8 m, a remarkable improvement on the position at the beginning of the year (EUR -218 m) and also on the position at 30th September (EUR -171 m). The main contribution comes from the optimisations achieved on working capital. Moreover, the self-financing stemming from depreciation and amortisations more than offset the CAPEX for the year.

It should be noted, however, that some payments for crude oil are still outstanding, due to the oil embargo declared by the European Union against Iran, starting from July 2012.

EUR Million	**31/12/2013**	**31/12/2012**
Medium/long term bank loans	(137)	(176)
Bonds	(249)	(249)
Other medium/long term financial activities	6	6
Long term Net Financial Position	**(380)**	**(419)**
Short-term bank loans	(39)	(33)
Payables to banks for overdrafts on current accounts	(110)	(82)
Other short-term financial liabilities	(11)	(6)
Net derivatives Fair value	(8)	(14)
Other financial assets held for trading	22	20
Cash and cash equivalents	507	303
Warranty deposits for derivative instruments	11	14
Short term Net Financial Position	**372**	**201**
Net Financial Position	**(8)**	**(218)**

Segment Review

Within the corporate reorganisation project approved by the Board of Directors of Saras SpA in January 2013, all the refining activities held by Saras SpA have been contributed to the subsidiary Sarlux Srl on 1st July 2013, in order to concentrate in a single company all the industrial activities carried out at the Sarroch site, with the aim to achieve higher organisational and operational efficiency. However, with the purpose of providing a consistent analysis of each individual business of the Saras Group, the following information has been organised according to the business segments which have always been used in the previous Financial Reports.

With the aim of presenting the profitability pertaining uniquely to the Refining segment and, separately, also the one pertaining uniquely to the Power Generation segment, the results of the year 2013 have been calculated including also intercompany services, which ceased to exist as a consequence of the contribution in kind, using the same economic conditions as applicable in the previously existing contracts.

Refining

REFERENCE MARKET

Continuing weakness in the global economy and geopolitical tensions in various oil-producing countries were the main drivers of crude oil prices during 2013. After an initial period when Brent Dated was range-bound between 100 ÷ 120 $/bl, quotations moved sharply downwards in the lead-up to the summer, due to worrying signals of a slow-down in the growth pace of the emerging economies, especially China, which came at the same time as renewed concerns regarding the economic conditions of developed countries. However, worsening conflicts in Syria and domestic unrest in Libya supported crude oil prices during the summer months. Finally, towards the end of the year, quotations eased again down to approx. 105 $/bl, thanks to a sequence of positive developments regarding Syria and Libya, and the gradual restart of negotiations between Iran and the Western countries, in the hope to find a rapid solution to the dispute related to the Iranian nuclear programme. Indeed, said solution could lead to the end of the oil embargo against Teheran. Overall, the yearly average of Brent Dated in 2013 was equal to 108.6 $/bl, down by 3 $/bl versus the average of the previous year.

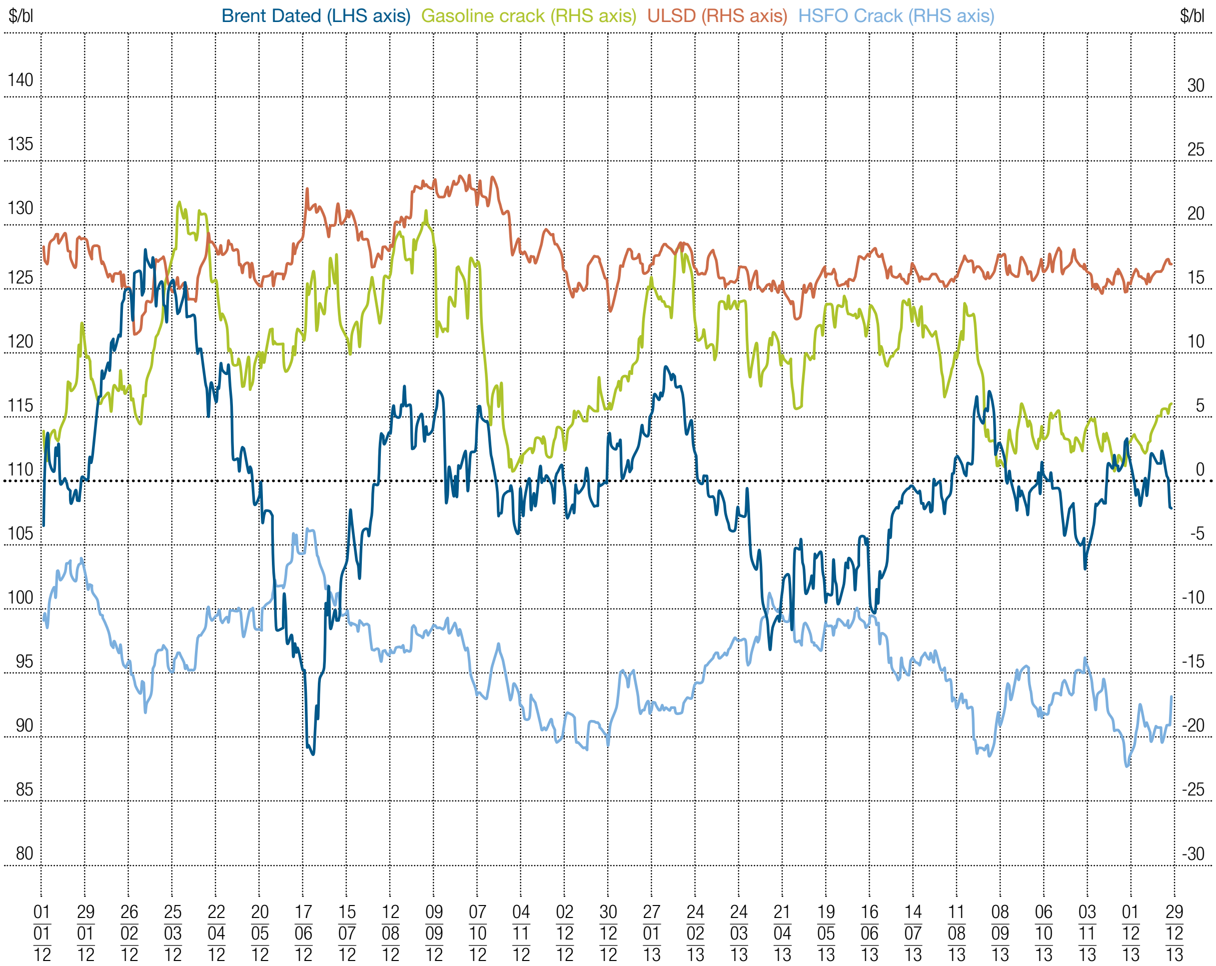
Here below there is a detailed analysis of the trends followed by crude oil and refined products prices, as well as the European benchmark refining margin (EMC Benchmark), which is the most relevant for the geographical context in which the Saras Group's refining segment conducts its operations.

Yearly Average Values [1]	2013	2012
Crude Oil ($/bl)		
Price of Brent Dated (FOB Med)	108.6	111.6
Price of Urals (CIF Med)	108.0	110.5
"Heavy-Light" price differential	0.6	1.1
Prices of Refined Products ($/ton)		
ULSD	930.4	968.6
Gasoline 10ppm	981.5	1.021.3
HSFO	587.7	624.5
Crack spreads for refined products ($/bl)		
ULSD	16.4	18.6
Gasoline 10ppm	8.9	10.7
HSFO	-15.4	-12.5
Other profitability indicators		
EMC Benchmark margin ($/bl)	-1.2	0.9
USD/EUR forex	1.328	1.285

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

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

2012-13: Brent DTD, Gasoline and ULSD crack spreads vs. Brent (Source: Platts)



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

CRUDE OIL PRICES (SOURCE PLATTS):

In Q1/13, crude oil prices initially moved along an ascending path, starting from 110 $/bl at the beginning of the quarter, and reaching the peak of 119 $/bl on the 8th of February. Behind this trend there was a combination of factors that affected both supply and demand. In particular, on the supply side the concerns related to the geopolitical scenario remained high; in contrast on the demand side, there were encouraging signals both from China and from the United States. Moreover, the cold temperatures registered in the northern hemisphere at the end of January and in the first half of February also served as encouraging signals for the markets. By mid February, however, crude oil prices reversed their trend. A new wave of pessimism regarding the outlook for the global economy overwhelmed markets, dragging down the quotations of crude oil. Moreover, at the beginning of March, spring maintenance activities intensified in many European, American and Asian refineries. This caused a drastic drop in demand for crude oil, and Brent Dated closed the quarter at 107 $/bl.

In Q2/13, crude oil initially continued along the descending trail started in mid February. In slightly more than two weeks, Brent Dated lost about 10 $/bl, reaching the lowest point of the quarter on 17th April, at 97 $/bl. Indeed, besides the already mentioned spring maintenance activities taking place in several refineries, in April the markets became strongly concerned with news related to the possible slowdown of the Chinese economy. In the second half of the month, however, bullish sentiment returned on the back of geopolitical tensions in Iraq and Libya. Moreover, between the end of April and the beginning of May, spring maintenance came to a formal conclusion and, at the same time, crude oil production from the North Sea dropped sharply. The combination of these factors allowed Brent to climb back to approx. 105 $/b in the second half of May. From that moment, and until the end of the quarter, crude oil quotations moved sideways, showing a substantial balance of forces between the depressing effects of the macro-economic context, and the supportive push deriving from the geopolitical tensions. As a point in case, oil markets were shaken in June by the serious popular insurrection in Egypt, given the country's crucial position as a crossroads for the flows of crude oil heading into the Mediterranean Sea. Hence, Brent Dated closed the quarter at approx. 103 $/bl.

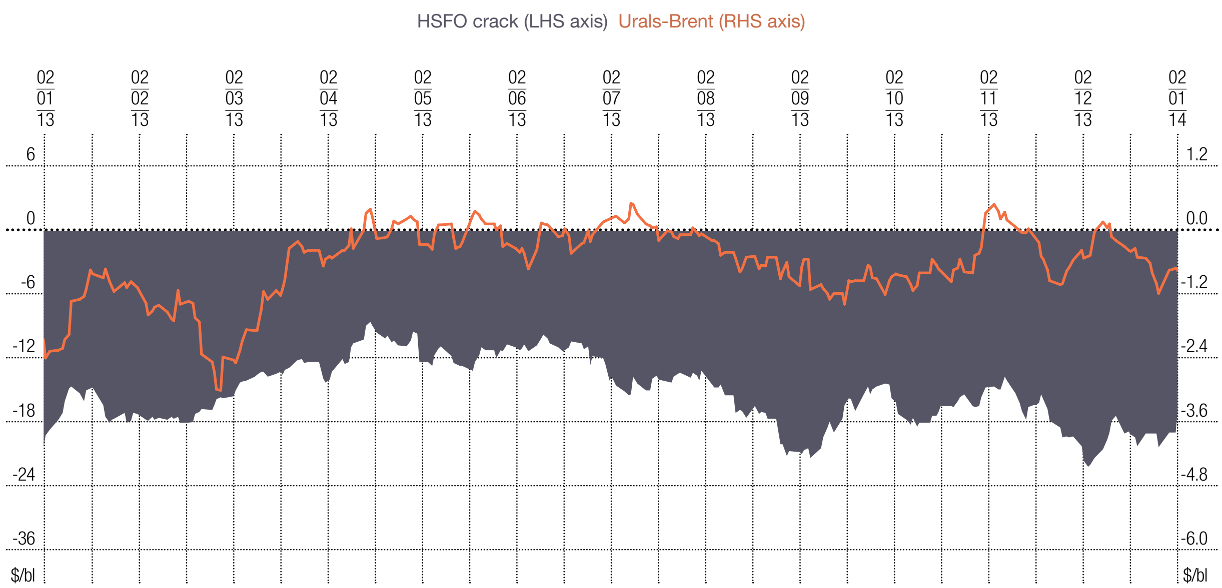
Subsequently, during Q3/13, crude oil prices moved rapidly along an ascending path. Indeed, for almost the entire month of July, various interruptions in the export of crude oil produced in Iraq, Yemen and Sudan caused bullish sentiment in the markets, and Brent Dated gained more than 6 $/bl, closing the month at 109 $/bl. At the beginning of August, oil quotations climbed up further, driven by fears of an escalation of the Syrian conflict, with President Bashar al-Assad being accused of using chemical weapons on the civilian population, and the United States ready to attack in case Syria did not accept immediate destruction of its chemical arsenal. Obviously, the possibility of a war in Syria involving also neighbouring nations, and in particular Iraq and Turkey, acted as a further upwards push on crude oil prices. Moreover, in such a troubled context, markets found further reasons to rally when popular unrest broke out in Libya. Production and export of crude oil was almost entirely halted, due to strikes of oil workers and attacks of armed militias fighting for the control of the territory. Brent Dated reached a peak of 117 $/bl on 6th September. However, on 9th September, Russian political efforts made it possible to reach an agreement for the destruction of the Syrian chemical weapons, under the auspices of the United Nations Security Council. This event reduced risks of conflict escalation, and brought calm to the oil markets. Likewise, a calming effect came from the cooperative attitude of the new Iranian President, Hassan Rouhani, who declared to be seriously determined to find a solution to the current tensions regarding the uranium enrichment programme currently being pursued by his country, and he restarted direct dialogue with President Obama and with the United Nations. Brent Dated closed the third quarter with a price of 108 $/bl.

Finally, following the reassuring signals coming from Syria and Iran, Brent quotations continued to decline also during the first part of Q4/13. On 7th November, Brent Dated dropped to 103 $/bl, the minimum value for the quarter, as well as a level unseen since the end of June. Such a steep decline, however, can also be attributed to the meaningful reduction in crude oil demand, especially in October, as a consequence of the traditional autumn maintenance at European, Russian and US refineries. Later, towards the middle of November, refinery maintenance finished and approx. 950 thousand barrels per day (kbd) of refining capacity resumed operations in Europe, and further 580 kbd in Russia. Demand for crude oil (in particular the heavy grades, like Urals) restarted apace. Almost simultaneously, production of Libyan crude oil dropped further, and monthly output fell to just 220 kbd in November and in December (versus approx. 1,420 kbd in April, before the beginning of the conflicts among the various armed parties within the country). Prices for all classes of crude oil jumped and Brent Dated climbed above 113 $/bl at the beginning of December. Finally, during the last weeks of the year, crude oil fluctuated moderately around 110 $/bl, and on 31st December Brent closed the year at 110.3 $/bl.

PRICE DIFFERENTIAL BETWEEN "HEAVY" AND "LIGHT" CRUDE OILS ("URALS" VS. "BRENT"):

During Q1/13 the "heavy-light" crude oil price differential was extremely volatile, with the average for the period standing at -1.5 $/bl.

2013: "Urals – Brent DTD" price differential and High Sulphur Fuel Oil (HSFO) crack spread (Source: Platts)



In general, the oil embargo established by the European Union against Iran, and the consequent decrease in the availability of heavy and medium crude oils in the European markets, kept the differential under pressure for most of the quarter. Only during the last week of February and the first ten days of March did the differential widen beyond -2 $/bl, and it reached a peak value of -3 $/bl on 27th and 28th February, following a reduction in demand for heavy crude oils related to the spring maintenance activities of the European refineries. However, already by the end of the quarter, the differential suffered a new sharp correction, and it closed the period at -0.4 $/bl.

During Q2/13, the reduced availability of heavy and medium sour grades in the Mediterranean completely squeezed the differential. Indeed, besides the well-known unavailability of Iranian crude oils, in the second quarter markets had to deal with a serious shortage of traditional alternatives for heavy crude oils. Indeed, Iraqi crude oils have been mostly on and off the market, due to the continuing tensions between the central government in Baghdad and the regional authorities of Kurdistan. Moreover, now for over one year Russian crude oils have continued to flow preferentially out of the terminals on the Baltic Sea (Primorsk, Ust-Luga, and Gdansk), while loading schedules from the Black Sea ports have continued to be reduced. Therefore, throughout the entire quarter, the so called "inversion" of the differential happened several times (Urals crude oil was exchange at a premium vs. Brent for 7 times), and Urals' premium over Brent reached a peak of +0.4 $/bl. Overall, the "heavy-light" differential in Q2/13 averaged just -0.1 $/bl.

In Q3/13 the "heavy-light" differential remained under strong pressure, due to the previously mentioned turbulences on crude oil markets, with heavy oils actually trading at a premium versus light oils for the entire month of July and for the first half of August. Subsequently, when fears of a possible US military attack against Syria started to play down, the differential widened again (-1.0 $/bl on the 2nd of September). The widening of the differential was further encouraged, in the second part of the quarter, by the previously mentioned unrest in Libya. Indeed, the closure of Libyan export terminals and the stoppage of production activities pushed the quotations of light sweet and extra sweet crude oils upwards, and the "heavy-light" differential reached -1.4 $/bl in the middle of September. Overall, the Q3/13 average stood at -0.4 $/bl.

Finally, at the beginning of Q4/13, the Urals' discount versus Brent became wider, primarily because of the reduction of runs in European refineries, as a consequence of the autumn maintenance season. Subsequently, in the first two weeks of November, Urals found new strength and moved again to a premium versus Brent. The main drivers behind this movement were, on the one hand, the reduction in Russian exports (due to the increase of internal consumption), and on the other hand, the temporary interruption of supply for the Iraqi heavy crude oils (following an act of sabotage to the pipeline connecting Iraq to Turkey). From mid-November onwards, the

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

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

light sweet crude oil complex came back under the spotlights, mainly due to the previously discussed interruption in production of Libyan crude oil. On a quarterly basis, the "heavy-light" differential recorded an average of -0.5 $/bl.

REFINING MARGIN

Moving to the profitability analysis of the refining industry, the graph above shows the refining margin after variable costs calculated by EMC (Energy Market Consultants) for a mid-complexity coastal refinery in the Mediterranean Sea. This margin is traditionally used by Saras as a benchmark.

The EMC Benchmark was slightly positive in Q1/13 (average of 0.2 $/bl), a moderate improvement on Q4/12 (-0.5 $/bl). However, the situation deteriorated during the remaining quarters of 2013, because the unfavourable macro-economic context continued to depress demand for refined oil products, while at the same time numerous geopolitical tensions kept crude oil prices at high levels. Therefore, the EMC Benchmark margin came down again into negative territory, with an average of -0.5 $/bl in Q2/13, -2.0 $/bl in Q3/13, and even lower at -2.6 $/bl in Q4/13. The latter value actually represents the lowest quarterly average since the EMC Benchmark was introduced, and it clearly reflects the difficulties of the European refining sector.

CRACK SPREADS OF GASOLINE AND ULSD (I.E. DIFFERENCE BETWEEN THE VALUE OF THE PRODUCT AND THE COST OF THE CRUDE)

During Q1/13, the gasoline crack spread posted a surprisingly strong, seasonally unusual performance, due to a combination of factors. Firstly, there were various production problems both in Northern Europe and in the Mediterranean basin, which could not be compensated with the release of inventories, due to low stocks at various European logistics hubs. Moreover, support to prices came from the news regarding the shut-down of refineries on the two coasts of the Atlantic Ocean (Hess announced the shut-down of the Port Reading refinery, in New Jersey; Shell confirmed the closure of the Hamburg-Harburg refinery, in Germany). The gasoline crack spread, therefore, marked a quarterly average of 12.3 $/bl, with some spikes above 18 $/bl in the second half of February.

Subsequently, in Q2/13, the gasoline crack spread remained well supported, with an average of 11.0 $/bl, thanks primarily to the increase of exports to the United States of America, at the time of the traditional "driving season". European demand, instead, remained subdued, also during the Easter holidays, because of the economic crisis, which weighed on consumer expenditure. The peak value for gasoline crack spread was approx. 15 $/bl at the beginning of June.

During Q3/13, the gasoline crack spread progressively weakened. Indeed, after July at still healthy levels (approx. 12 $/bl) thanks to the large volumes imported by the USA, gasoline started its decline in August. The crack spread deteriorated initially because of a sudden rise of crude oil prices and, subsequently, because of a decrease in gasoline demand from the United States, as it typically happens after the conclusion of the "driving season" (this year, labour day was celebrated on 2nd September). Therefore, the gasoline crack spread touched its lowest quarterly value in the middle of September (1.2 $/bl), and its average stood at 8.8 $/bl in Q3/13.

Finally, in Q4/13, the gasoline crack spread continued its decreasing pattern, driven by a combination of factors. Among the most relevant the following should be mentioned: persistently stagnant demand in Europe, the high level of inventories on both sides of the Atlantic Ocean, the switch to gasoline winter grade which is notoriously less valuable, and the continued geopolitical tensions (especially in Libya), which kept crude oil prices at inconsistently high levels, when considering the actual consumption of refined products. For the above reasons, the average in Q4/13 stood at 3.5 $/bl.

Moving to the analysis of middle distillates, crack spreads remained at a reasonable level in Q1/13, thanks to the support coming from the seasonal demand for heating gasoil, typical of the winter season. In contrast, consumption of automotive diesel remained limited, especially in Southern Europe, due to the persistent economic crisis. Overall, the ULSD crack spread posted an average of 17.0 $/bl in Q1/13.

In Q2/13, middle distillates lost further ground, due to vanishing demand for winter heating gasoil and to continued pressure on consumption exerted by the economic recession. Political unrest in Northern Africa (Libya and Egypt) also caused a reduction in exports. Overall, the average of the ULSD crack spread in Q2/13 stood at 15.9 $/bl, with values above 18 $/bl in the last ten days of June, thanks to a rebound in consumption driven by air conditioning requirements.

During Q3/13, the ULSD crack spread displayed a surprising stability. Indeed, the crack spread opened the quarter at 16.7 $/bl on 1st July, and then closed at 16.9 $/bl on 30th September, with the quarterly average standing at 16.5 $/bl. This unusual stability derived from an almost perfect balance of opposite factors. On the one hand, gasoil demand continued to be subdued in Europe almost for the entire quarter, except for only a short summer period, when instead motorway traffic had a decent uplift, in coincidence with holiday touristic movements. On the other hand, gasoil found support between the end of August and the beginning of September, thanks to the outage for maintenance of the US refinery in Port Arthur (600,000 barrels per day). Indeed, the unavailability of that refinery considerably reduced the export volumes of gasoil to Europe.

Finally, the stability observed for the middle distillates during the previous quarter continued also in last quarter of 2013, belying expectations for a stronger trend driven by seasonality. Indeed, demand had a moderate rebound in October, especially for heating gasoil, as a consequence of the necessary restocking ahead of the winter season. This happened at a time when production capacity was temporarily reduced, due to maintenance activities being carried out in several refineries. The ULSD crack spread touched a peak of 18.4 $/bl on October 21st. However, in November, maintenance ended and temperatures remained above the seasonal averages. Thus, the ULSD crack spread shed more than 3 $/bl, reaching 14.8 $/bl on November 18th. Finally, in the last weeks of the quarter, the European market for middle distillates remained well supplied, notwithstanding the strikes in various refineries across France, because of high import volumes from the United States and Russia. Overall, the ULSD crack spread posted an average of 16.4 $/bl in Q4/13.

REFINERY RUNS	2013	2012	%
Thousand tons	12,980	13,309	-2%
Million barrels	94.8	97.2	-2%
Thousand barrels/day	260	265	-2%

CRUDE OIL BY GRADE		2013	2012
Light extra sweet		45%	51%
Light sweet		2%	3%
Medium sweet/extra sweet		2%	2%
Medium sour		26%	29%
Heavy sour/sweet		25%	15%
Average Density	°API	32.3	33.1

CRUDE OIL BY ORIGIN	2013	2012
North Africa	28%	35%
North Sea	3%	2%
Middle East	6%	18%
Russia and Caspian region	54%	39%
Others	9%	6%

MAIN OPERATING RESULTS

Refinery runs at the Sarroch refinery during FY2013 stood at 12.98 m tons (94.8 million barrels, corresponding to 260 thousand barrels per calendar day), slightly lower than last year (-2%). Beyond the differences between the scheduled maintenance activities carried out in the two years under comparison, it should be noticed that 2013 refinery runs were lower than the original programme established at the beginning of the year, due to run cuts for economic reasons, particularly in the second half of the year.

The crude mix processed by the refinery in FY2013 had an average density of 32.3°API, lower than the mix processed in the previous year (33.1°API). Indeed, a reduction in the percentage of "light extra sweet" and "light sweet" crude oils can be noted, with a corresponding increase in the percentage of "heavy" crude oils and of "straight run" residues. These changes in the feedstock mix are the result of both the scheduled maintenance activities carried out during the year, and also of economic and commercial choices.

Moving on to the product slate, it can be observed that the yield in middle distillates in FY2013 increased to 53.6%, thanks to an excellent conversion performance of the MildHydroCracking Units. Conversely, the yield in light distillates slightly decreased (27.4%), certainly because of the previously mentioned change in feedstock, but also because of the maintenance activities carried out on the Alkylation Unit during Q1/13, which led to an increase in the LPG yield (2.1%). Overall, the cumulative yield of high value added products stood at 83.1% in FY2013, which represents a prominent performance within the European competitive context.

		2013	2012
GPL	Thousand tons	267	205
	Yield (%)	2.1%	1.5%
NAPHTHA + GASOLINE	Thousand tons	3,558	4,002
	Yield (%)	27.4%	30.1%
MIDDLE DISTILLATES	Thousand tons	6,959	6,891
	Yield (%)	53.6%	51.8%
FUEL OIL & OTHERS	Thousand tons	304	272
	Yield (%)	2.3%	2.0%
TAR	Thousand tons	1,123	1,146
	Yield (%)	8.6%	8.6%

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

MAIN FINANCIAL RESULTS

Looking at the economic performance, it should be firstly noticed that the market scenario was particularly difficult in FY2013, especially during the second half of the year. As a matter of fact, as already commented in the section dedicated to the "Reference Market", crude oil prices remained at high levels due to various tensions of geopolitical nature, whilst the economic crisis of the Euro zone continued to depress demand for refined oil products. In this context, the EMC Benchmark margin was equal to -1.2 \$/bl on average, noticeably lower than +0.9 in FY2012.

Notwithstanding the difficult market, Saras refining margin net of variable costs was on average equal to +1.5 \$/bl (versus +2.1 \$/bl in FY2012). Thus, the premium achieved by the Saras Group above the EMC Benchmark grew to +2.7 \$/bl in FY2013, versus a premium of +1.2 \$/bl in FY2012, thanks to the robust operating performance of all the refinery units and lower penalisations deriving from scheduled maintenance activities, when compared to the previous year, and thanks also to the upside coming from the recently implemented programmes to increase energy efficiency.

More precisely, in FY2013 the EBITDA reduction related to the scheduled maintenance activities was approx. EUR 29 m (US Dollars 39 m), while

EUR Million		**2013**	**2012**	**%**
EBITDA		(153.6)	(91.2)	-68%
***comparable* EBITDA**		**(127.5)**	**(61.2)**	**-108%**
EBIT		(261.0)	(197.0)	-33%
***comparable* EBIT**		**(234.9)**	**(167.0)**	**-41%**
CAPEX		**87.1**	**97.0**	
FOREX (EUR/USD)	**EUR/USD**	**1.328**	**1.285**	**3%**
EMC BENCHMARK MARGIN (\$/bl)	**\$/bl**	**(1.2)**	**0.9**	
SARAS REFINING MARGIN (\$/bl)	**\$/bl**	**1.5**	**2.1**	

Saras Group: Refining Margins 2012 - 2013

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

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

EMC Benchmark Margin: refining margin calculated by EMC (Energy Market Consultants), with crude slate 50% Urals and 50% Brent

in FY2012 it stood at EUR 68 m (US Dollars 88 m). Furthermore, it should be noted that in 2013 a sizable part of variable costs was offset by energy savings, due to the accounting in Q4/13 of the "White Certificates" (Titles of Energy Efficiency – TEE) earned through the implementation of various programmes aimed at increasing energy efficiency.

Finally, looking at the EUR/USD exchange rate, in the year 2013 the European currency strengthened versus the US Dollar (1.328 in FY2013, up 3% versus 1.285 in FY2012). As is well known, this effect penalises the results of the Refining segment, because in this business fixed and variable costs are accounted for in Euros and the gross margin in US dollars.

The cumulative effect of the factors discussed above translates into a *comparable* EBITDA for the Refining segment equal to EUR -127.5 m in FY2013, down from EUR -61.2 m in FY2012.

Refining CAPEX in FY2013 was EUR 87.1 m, including also the last important activities in the revamping project of the MildHydroCracking2 Unit (MHC2), started in Q2/13 and subsequently completed in July.

Power Generation

The Saras Group is active also in the power generation sector, through an IGCC plant (Integrated Gasification Combined Cycle), traditionally managed by the subsidiary Sarlux Srl, perfectly integrated with the Group's refinery, and located in the same industrial complex in Sarroch (Sardinia). Nonetheless, it should be remembered that, effective 1st July 2013, all refining activities were transferred into Sarlux, in order to generate organizational and operational efficiencies within the industrial site, optimizing the synergies among the various units.

In this specific section of the Report, attention is directed to the IGCC plant, which is one of the largest in the world with its kind of technology and, thanks to its total installed capacity of 575MW, produces more than 4 billion kWh/year of electricity, corresponding to more than 30% of the total power consumption in the island of Sardinia.

Besides being a very large generator of electricity, the IGCC plant is also one of the fundamental units of the refinery for the conversion of the heavy products and, at the same time, it is the most important "utility" of our industrial site, because it provides high volumes of hydrogen to the "hydrocracking" and "hydrotreating" units of the refinery, and it also produces high quantities of steam, which are needed in several other units in the refinery.

REFERENCE MARKET

National power demand in 2013 (including network losses and net of the electricity needed for pumping activities) equalled 317,144 GWh. The sharp drop (-3.4%) versus the previous year is due to continuing weak macroeconomic conditions, which caused a slow-down of all industrial and production activities in almost all the regions of the country. Moreover, it should be noted that, when compensating for calendar differences, the change in demand stood at -3.1%, because the year 2012 had one more day, being it a leap-year.

The decrease of demand for electricity was widespread across the Country. Once again, the largest contraction took place in Sardinia (-16.4%). Sharp decreases were recorded also in the north-western regions of Piemonte, Liguria and Valle d'Aosta (which cumulatively stood at -7.8%), in the central regions of Abruzzo, Marche, Lazio, Umbria and Molise (which cumulatively posted a -6.1%), and also in the three north-eastern region (-3.2%). Less remarkable, instead, was the contraction of demand in Sicily (-2.4%), in the southern regions of Campania, Basilicata, Calabria e Puglia (with a cumulative -2.0%), and in Emilia Romagna and Tuscany (-1.4%). The only region which was able to keep demand unchanged was Lombardy.

Yearly Average Values[1]		**2013**	**2012**
Italian Total Power Demand	GWh	317,144	328,220
Import	GWh	44,331	45,408
Internal Production[2]	GWh	277,380	287,806
of which: *Thermoelectrical*	GWh	182,528	207,331
National Electricity Tariff (PUN)[3]	EURcent/KWh	6.30	7.55

1. Data estimated by Terna (www.terna.it), subject to review
2. Production net of consumption for auxiliary services
3. Source: GME SpA

In 2013, demand for electricity was met for 56.8% with thermoelectric production, for 16.6% with hydroelectric production, for 13.3% with other renewable sources (geothermal, wind power and photovoltaic production), and for the remaining 13.3% with imports of electricity from foreign countries. National net power production, equal to 277,380 GWh, was down 3.6% versus 2012 (287,806 GWh).

Finally, the average National Electricity Tariff (PUN - Prezzo Unico Nazionale) in 2013 stood at 63.0 EUR/MWh, down 16.5% versus the value recorded in the previous year (which was 75.5 EUR/MWh), mainly because of the sharp reduction in domestic power consumption, as previously discussed.

MAIN OPERATIONAL AND FINANCIAL RESULTS

From the operational point of view, the Power Generation segment achieved very solid results in FY2013, increasing the service factor by approx. 0.5%. Power production reached 4.217 TWh, broadly in line (+1%) with FY2012, because in the two years under comparison the same scheduled maintenance activities were carried out, albeit with different timing during the year, involving two trains of "Gasifier – combined cycle Turbine" and one "H2S Absorber" unit.

From a financial point of view, at the end of June an important regulatory change took place. Indeed, regarding the CIP6/92 tariff, which regulates the selling price of electricity from Sarlux Srl to the national grid operator (GSE – Gestore dei Servizi Energetici SpA), the Decree Law 69 of 21st June 2013 (the so called "Decreto del Fare") introduced a new methodology to determine the "Avoided Fuel Cost" component (CEC), taking as a reference the gas prices in the spot market instead of Brent crude oil prices as used to be the case in the past.

On the basis of the long-term scenarios considered for gas prices (provided by a leading independent consultant specialising in that sector), the new calculation methodology produce a modest reduction of the CIP6/92 tariff in the financial year 2013, but the reduction could become significant starting from the following financial year.

Conversely, the results calculated according to IFRS have been impacted by the full write-off of the CIP6/92 contract between Sarlux and the GSE (equal to EUR 232 m pre-tax) accounted for in the consolidated financial statements only, as determined by an independent appraisal which established the new value in use of the contract on the basis of the new calculation methodology of the CIP6/92 tariff, pursuant to the previously mentioned Decree Law 69/2013. However, a positive impact on the results, in Q4/13, came from the change in the expected scenarios used in the calculation of the CIP6/92 tariff, as per the equalization procedure required by IFRIC 4 and IAS 17.

Lastly, it should be mentioned that on 29th November 2013 the AEEG (the Italian Authority for the Energy and Gas) published its Resolution 553/2013 in order to establish the final value of the "Avoided Fuel Cost" component (CEC) for the year 2008, in accordance with a decision of the Council of State. The final value of the 2008 CEC is higher than the previous one, and it produces a contribution of approx. EUR 3 m to the results calculated according to Italian GAAP.

As a result of the above, the Italian GAAP EBITDA in FY2013 stood at EUR 184.8 m, up 4% versus FY2012, notwithstanding the lower sales of steam and hydrogen (down approx. EUR 8 m), and a slight decrease of the CIP6/92 power tariff (11.9 EURcent/kWh, -3%).

IFRS EBITDA (which is equal to comparable EBITDA) was EUR 182.4 m in FY2013, down 20%

		2013	2012	Change
POWER PRODUCTION	MWh/1000	4,217	4,194	1%
POWER TARIFF	Eurocent/KWh	11.9	12.2	-3%
SERVICE FACTOR	%	87.2%	86.7%	0.5%
TAR FEEDSTOCK TO THE IGCC PLANT	Thousand tons	1,123	1,146	-2%

EUR Million	**2013**	**2012**	**var%**
EBITDA	182.4	226.8	-20%
***Comparable* EBITDA**	**182.4**	**226.8**	**-20%**
EBIT	(123.0)	147.0	-184%
***Comparable* EBIT**	**109.5**	**147.0**	**-26%**
EBITDA ITALIAN GAAP	**184.8**	**178.3**	**4%**
EBIT ITALIAN GAAP	**131.2**	**133.2**	**-2%**
CAPEX	16.9	8.7	

versus FY2012, mainly because of the previously discussed application of the new CIP6/92 tariff, calculated in accordance with the Decree Law 69/2013, and also because of lower sales of hydrogen and steam.

CAPEX in FY2013 was EUR 16.9 m, consistently with the ordinary scheduled maintenance activities which were carried out during the year.

Finally, it should be mentioned that the deadline for the presentation of a binding requests for voluntary early exit from the CIP6/92 contract has been further postponed until 30th September 2014, in accordance with the decision taken by the Ministry of Economic Development.

Marketing

The Saras Group conducts its Marketing business, both directly and through its subsidiaries, primarily in the wholesale channels. In this regard, in Italy the Group owns and operates a coastal depot for oil products located in Arcola (La Spezia), with a total capacity of 200,000 cubic metres, and it also has some long-term rental contracts for storage space in other depots owned by third parties, located primarily in the central and northern parts of the Italian peninsula (Livorno, Ravenna, Sannazzaro, Fiorenzuola, Marghera, Torre Annunziata, etc.).

In Spain, instead, the subsidiary Saras Energia manages a depot owned by the Group and located in Cartagena (Spain), with total capacity of 112,000 cubic metres, and it also uses oil terminals in other Spanish provinces (owned by operators like Decal, Tepsa and CLH), in order to distribute oil products in the entire Iberian peninsula. Saras Energia manages also a retail network composed of 112 service stations (of which 87 fully owned and other 25 on a long-term lease), located primarily along the Spanish Mediterranean coast. Finally, operated and managed by Saras Energia, there is also a first generation Biodiesel plant, with a capacity of 200,000 tons/year, well integrated with the existing logistics.

REFERENCE MARKET

The persistently difficult macroeconomic conditions in various countries of Euro zone during FY2013 had a negative influence on the demand for refined oil products. In particular, an important contraction in consumption took place in Spain and in Italy, which are the markets where the Saras Group conducts its marketing activities.

In the Italian market total demand for oil products registered a drop versus 2012, with gasoline consumption down 4.8% and total gasoil down 2.8%. Although the trend was still negative, the pace of the reduction seemed to be slowing down during the second half of the year. Similarly, total demand contracted also in the Spanish market, with meaningful reductions both for gasoline (-5.7%), and also for total gasoil (-2.3%).

		2013	2012	Change %
TOTAL SALES	Thousand tons	3,652	3,794	-4%
of which:				
Italy	Thousand tons	2,342	2,210	6%
Spain	Thousand tons	1,310	1,584	-17%

EUR Million	2013	2012	Change %
EBITDA	16.0	18.0	-11%
***comparable* EBITDA**	**33.7**	**31.7**	**6%**
EBIT	7.6	(29.8)	125%
***comparable* EBIT**	**25.3**	**19.8**	**27%**
CAPEX	3.7	8.2	

MAIN FINANCIAL AND OPERATIONAL RESULTS

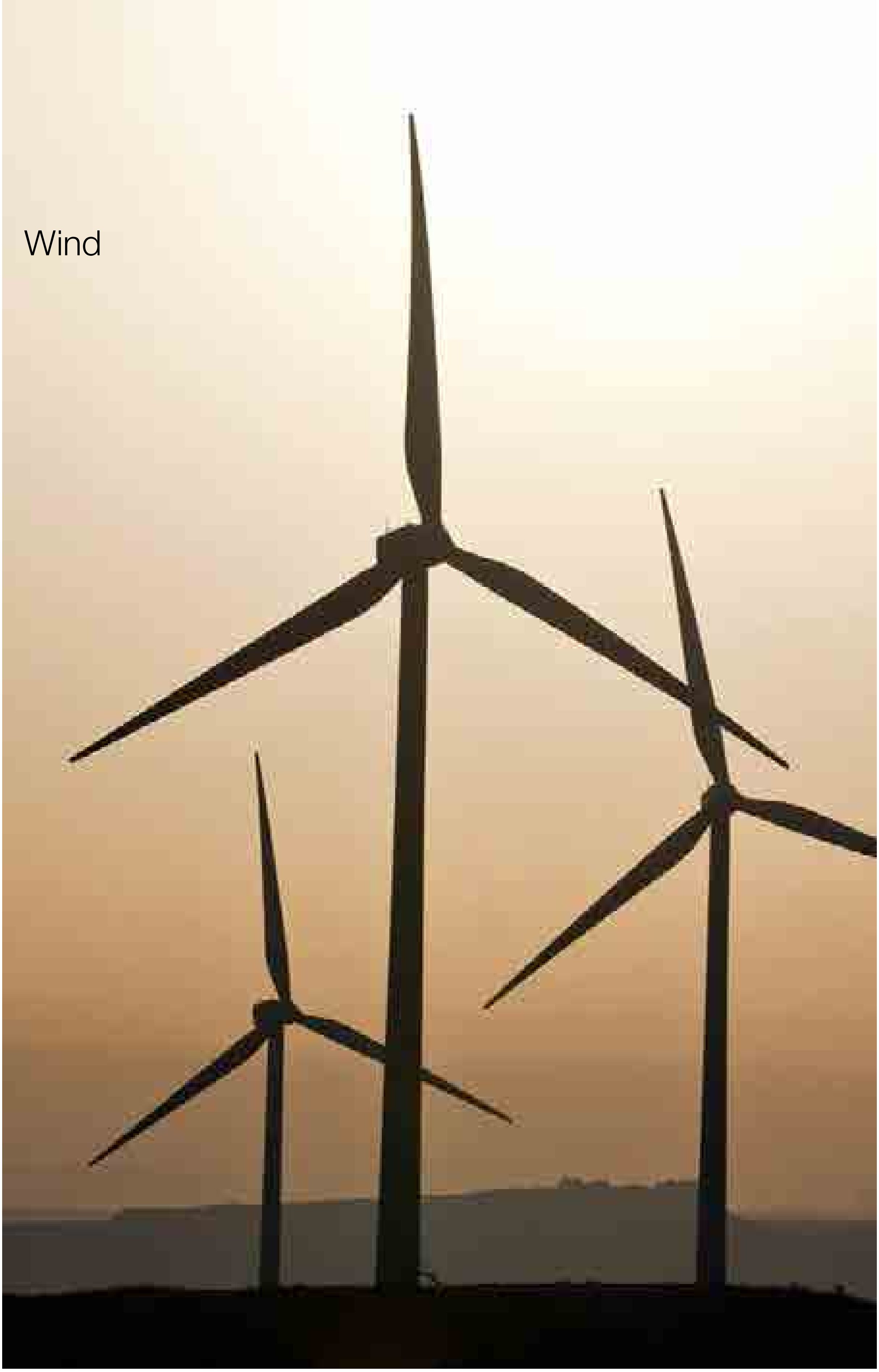
Notwithstanding this context, the Marketing segment posted a satisfactory performance, improving on the previous year. Arcola Petrolifera sold 2,342 ktons, up 6% versus FY2012, thanks to important efforts in consolidating and developing the customer base, especially unbranded retail stations. This approach also allowed Arcola to mantain its gross margin at a satisfactory level, close to the level achieved last year (-4%).

Moreover, the Spanish subsidiary Saras Energia continued its defensive policy, rationalising sales (-17% versus FY2012), while at the same time improving its gross margin (+5%), thanks to its focused commercial efforts towards the channels with greater profitability.

Overall, comparable EBITDA of the Marketing segment stood at EUR 33.7 m in FY2013, up 6% versus EUR 31.7 m in FY2012. Indeed, 2012 performance was penalised by a weak fourth quarter.

Finally, total CAPEX was EUR 3.7 m in FY2013.

Wind



The Saras Group has been active in the production of electricity from renewable sources since 2005 through its subsidiary Sardeolica Srl, which manages a wind farm located in the Municipality of Ulassai (Sardinia) consisting of 48 “Vestas V80 aero-generators”, with a total installed capacity of 96MW. Since the start of operations in 2005, the cumulative production of energy has been equal to approximately 1,350 GWh, which translates into savings of about 850,000 barrels of oil. Furthermore, power production from wind avoided emissions of CO_2 for more than 1.13 million tons.

INTEGRATED CERTIFICATION FOR SAFETY, ENVIRONMENT AND QUALITY

Since 2006 Sardeolica has had its Environmental Management System certified according to the international standards ISO 14001:2004. Moreover, in July 2012, the certification of Sardeolica’s Management System was extended also to the standards BS OHSAS 18001:2007 (Health and Safety) and ISO 9001:2008 (Quality), by the certification agency “TÜV Austria”.

REFERENCE MARKET

2013 was a difficult year for wind power generation in Italy, with a drop in new wind power installations of more than 65% versus 2012. Indeed, the total cumulative installed capacity in the country on 31st December 2013 stood at 8,551 MW, which means that it increased by only 450 MW in the year, versus the increase of 1,273 MW in the year 2012. This remarkable slow-down, according to the trade associations, can be primarily attributed to the introduction of new incentivising mechanisms which are based on a system of auctions and registers.

Production 2013 [MWh]	Equivalent[1] number of households	TEP[2] "saved"	Barrels of oil[2] "saved"
197,042.0	65,681	16,841.2	122,941

Production 2013 [MWh]	Polluting element	Specific emissions[3] [kg/MWh]	Emissions avoided [t]
197,042.0	CO_2	828	163,150.8
	SO_2	3.8	748.8
	NO_X	1.9	374.4

Production 2005-2013 [MWh]	Equivalent[1] number of households	TEP[2] "saved"	Barrels of oil[2] "saved"
1,363,358.0	454,453	116,526.3	850,642

Production 2005-2013 [MWh]	Polluting element	Specific emissions[3] [kg/MWh]	Emissions avoided [t]
1,363,358.0	CO_2	828	1,128,860.4
	SO_2	3.8	5,180.8
	NO_X	1.9	2,590.4

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

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

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

MAIN OPERATIONAL AND FINANCIAL RESULTS

In FY2013, the IFRS EBITDA of the Wind segment (which is equal to the *comparable* EBITDA) stood at EUR 22.7 m, up 14% versus FY2012, thanks to favourable weather conditions, especially during the first half of the year, which pushed the production of electricity up to 197,042 MWh (+15% versus FY2012). Moreover, the decrease in the value of the power tariff (-20%, with an yearly average of 5.7 EURcent/kWh) was partially offset by the increase of revenues coming from the sale of Green Certificates (8.9 EURcent/kWh, up 12% versus FY2012).

		2013	2012	Change
ELECTRICITY PRODUCTION	MWh	197,042	171,050	15%
POWER TARIFF	EUR cent/KWh	5.7	7.1	-20%
GREEN CERTIFICATES	EUR cent/KWh	8.9	8.0	12%

EUR Million	2013	2012	Change
EBITDA	22.7	20.0	14%
***Comparable* EBITDA**	**22.7**	**20.0**	**14%**
EBIT	18.3	9.7	89%
***Comparable* EBIT**	**18.3**	**9.7**	**89%**
CAPEX	0.2	3.8	

Sartec (Saras Ricerche e Tecnologie)

Sartec: innovation for improvement

SARTEC, a wholly owned subsidiary of Saras, is the Group company that operates in the sectors of:

- Environmental protection (environmental engineering, environmental analysis and measurement systems, analytical services and environmental monitoring);
- Industrial efficiency and energy savings (automation and plant engineering solutions, process control, energy-saving solutions and initiatives in its capacity as an energy service company (ESCO), the supply of packaged systems).

In 2013, the company consolidated its market position, confirming both the sales volumes of the previous year (approx. EUR 17.4 million) and sales to the Group's external market (26% of the total and hence slightly higher in absolute terms at around EUR 4.7 million). The external market provided some further attractive opportunities for development, mainly in the petrochemical industry.

The Group's portfolio remained focused on plant engineering and supplies, automation engineering, and environmental engineering (about 74% of the total). Products relating to process analysis systems destined for the refinery's large plant units accounted for the largest portion of the supplies segment. This included the basic prototype for an innovative tool to measure flare temperature, which was delivered for testing at the end of 2013. After testing, the prototype, developed in conjunction with the physics department (Large Instruments Centre) at Cagliari University, can enter the engineering phase for development into a commercial product.

The main focus of environmental engineering was on the Sarroch industrial site and comprised the implementation of activities in accordance with AIA requirements. Specifically, the company continued to monitor the groundwater control barrier, fugitive emissions and air quality in order to ensure their safety. The company also continued to monitor odour emissions into the atmosphere using innovative methodology developed by SARTEC, which has attracted increasing interest from other refineries in Italy.

In 2013, the installation and testing of the new pilot plant for simulating the process of mild hydrocracking was completed. This will improve the assessment process for both Sarlux and external clients.

With regard to energy efficiency projects, for which SARTEC operates as a certified ESCO, activities geared towards obtaining energy efficiency certificates continued during the year. These certificates relate to savings projects implemented in the Group's Refinery, which enabled it to book another 130,000 TEEs. This specific competency, combined with the company's wealth of experience in plant engineering, has enabled SARTEC to identify new opportunities to develop energy savings projects, particularly for the management of steam networks, using a design concept that has already been successfully implemented by SARTEC at another Italian refinery.

In terms of activities in the Group's external market, new projects were developed with Italian and foreign industrial customers, as well as with public administration bodies. In the industrial customers sector, 2013 saw the launch of an engineering project to automate the utilities at the refinery currently being built in Jazan, Saudi Arabia. SARTEC is collaborating in the project with international partners, such as GICO Tecnica Canada and Hitachi Ltd, and will manage resources in both Japan and Saudi Arabia throughout 2014.

Thanks to its experience gained in the automation of industrial processes,

SARTEC was also involved in configuring the control room for a refinery in Collombey, Switzerland, and for Basell Polyolefines, Italy.

In 2013, SARTEC also continued to supply a number of its proprietary products (such as drainage samples and valves) to its industrial customers, and to carry out innovative environmental monitoring (such as the monitoring of fugitive emissions and odours) on their behalf, using a formula that is attracting interest from new customers in the external market. It also fulfilled a large order for environmental monitoring systems for Ilva at Taranto site.

In the public administration sector, in which SARTEC predominantly operates in the supply and maintenance of air quality monitoring systems, the company launched a major project to revamp the monitoring network for ARPA Campania. The project will continue in 2014.

In recent years, SARTEC has also extended its range of supplies for public administration bodies from the environmental sector to energy efficiency and renewable energies. Specifically, its collaboration with Ente Foreste has led to the development of a photovoltaic energy generation system that can be transported on a trailer, for which SARTEC registered the trademark Trolley solare ® in 2013.

In foreign markets, the company continued with its commercial scouting activities, aimed at identifying new business opportunities and maintaining the contacts made in the last two years, especially in Turkey and Russia. In Japan, these activities focused on the above-mentioned control room engineering project relating to the building of a new refinery in Saudi Arabia.

In terms of research and development, in addition to the project with Cagliari University, further collaboration aimed at increasing expertise both internally and in the regional community was undertaken with universities through apprenticeships and research doctorates.

As regards the partnership with Cagliari University, in addition to the project to build the prototype to measure flame temperature carried out with the physics department (Large Instruments Centre), the Saras Group is also working with the university's Engineering and Architecture department on the design of a series of workshops.

Strategy

The outlook for the European refining industry should remain difficult in 2014, according to the forecasts of many prominent institutions specializing in the sector, but a recovery from 2013 lows should still materialize, thanks to a gradual pick up of the economic cycle. Moreover, there are expectations for the resolution of a few specific geopolitical factors which are relevant to the Saras Group. In particular, the progressive restart of Libyan production and exports of crude oil is considered highly possible during 2014, and there could be also the conditions for the lifting of sanctions against Iran.

In this environment, Saras' industrial strategy with regard to the Refining and the Power Generation segments will remain prudent and based on the improvement of production efficiency, cost optimization, and tight control of the financial position. In particular, the main areas of attention will be the following:

- Full utilization of the refinery's conversion capacity, in order to take advantage of the recovery in the refining margin, the renewed availability of paraffinic crude oils;
- Implementation of the improvement programmes, aimed at increasing operational performance, energy efficiency and cost control, referred to which "Project FOCUS", ongoing since 2011;
- Limited CAPEX, directed mainly to "HSE" and "maintain capacity" initiatives (which are the ones aimed at preserving the full operational efficiency and capacity of all the units);
- Careful management of working capital and oil inventories, in order to achieve a tight control of net debt.

Regarding the development of a commercial joint venture between Saras and Rosneft, the recent announcement of Rosneft's intention to purchase Morgan Stanley's oil commodity trading business further reinforces the programmes to enhance commercial activities, adding new dimensions and opportunities. Therefore, at this stage both companies intend to confirm their commitment to develop joint commercial activities, and they will pursue this objective consistently with the acquisition by Rosneft of Morgan Stanley's oil trading business.

Finally, with regard to the other segments, the Group's strategy will strive to consolidate the current positions, and possibly there will be some rationalisation of some "non-core" activities which are not strategically integrated.


SARAS

Investments by Segment

In 2013 the Group's capital expenditure totalled EUR 109.6 m, almost EUR 10 m lower than in the previous year, with the breakdown by segment illustrated in the relevant table. Also in FY2013 the Saras Group confirmed its traditional proactive approach, making some investments specifically aimed at full compliance with all the HSE requirements, and other investments to keep its plants in perfectly safe and efficient conditions. Moreover, certain CAPEX was also dedicated to growth. Overall, investment decisions have always been accurately studied, in order to retain at all times a robust financial position for the Group, in consideration of the persistently difficult economic conditions.

EUR Million	2013	2012
REFINING	87.1	97.0
POWER GENERATION	16.9	8.7
MARKETING	3.7	8.2
WIND	0.2	3.8
OTHER	1.7	1.6
Total	109.6	119.3

In FY2013, even more noticeably than in previous years, CAPEX was almost entirely directed to the Refining and Power Generation segments. In particular, with regard to Refining growth CAPEX, we highlighted the completion of the revamping activities of the MildHydroCracking2 unit (MHC2), between the end of the second quarter and the beginning of the third one. This project, when fully operational, will deliver benefits which can be quantified as approx. 600 ktons/year of additional diesel production (instead of heating gasoil), and it will also allow the possibility to increase refinery runs by approx. 650 ktons/year.

Also with regard to expenditure on the growth and technological improvement of the Sarroch site, in the Power Generation segment the 3 turbines of the IGCC plant were upgrated, in order to increase operating efficiency and electricity capacity.

Finally, with regard to HSE, expenditure during 2013 involved mainly land protection, through the construction and renovation of double bottoms for certain hydrocarbon tanks, and flooring work on certain basis, tanks and pipes.

Human Resources

ORGANISATIONAL DEVELOPMENT

The Saras Group's main challenge is still to be one of the safest and most efficient operators in the sector, in light of the difficult environment throughout the reference market and the ongoing severe recession in the European refining sector.

The Human Resources and Organisation department's ability quickly to rethink organisational and behavioural models to fit the new context, and equally quickly to implement them, were again key aspects of its work in 2013.

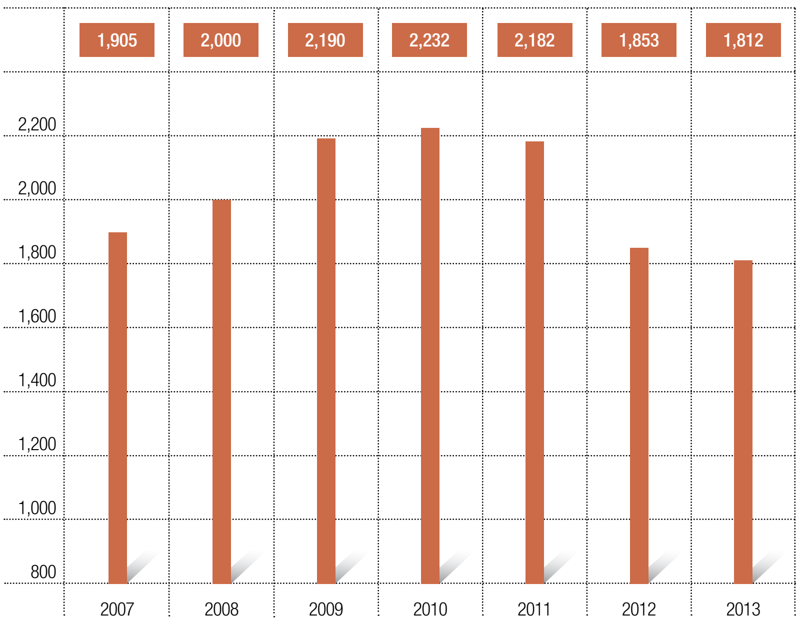
In the first half of the year, the Group was involved in the complex corporate reorganisation project to transfer the refining business of the Parent Company Saras SpA to Sarlux Srl, a wholly owned subsidiary of Saras. The aim of this reorganisation was to achieve the objectives of improved operating performance and greater organisational efficiency at group level that would ensue from concentrating all the industrial activities of the Sarroch site in one operating company.

From a management standpoint, the reorganisation led to the creation of a refining sub-division within Saras, into which all the corporate functions relating to refining were transferred and restructured accordingly. Subsequently, the entire structure of the refining sub-division was transferred to Sarlux, with operational effect from 1st July. The Human Resources and Organisation department was heavily involved, both in typical activities within its narrow area of responsibility (such as the transfer of over a thousand employees belonging to the refinery structure from one company to another) and in activities relating to the program management of the operation.

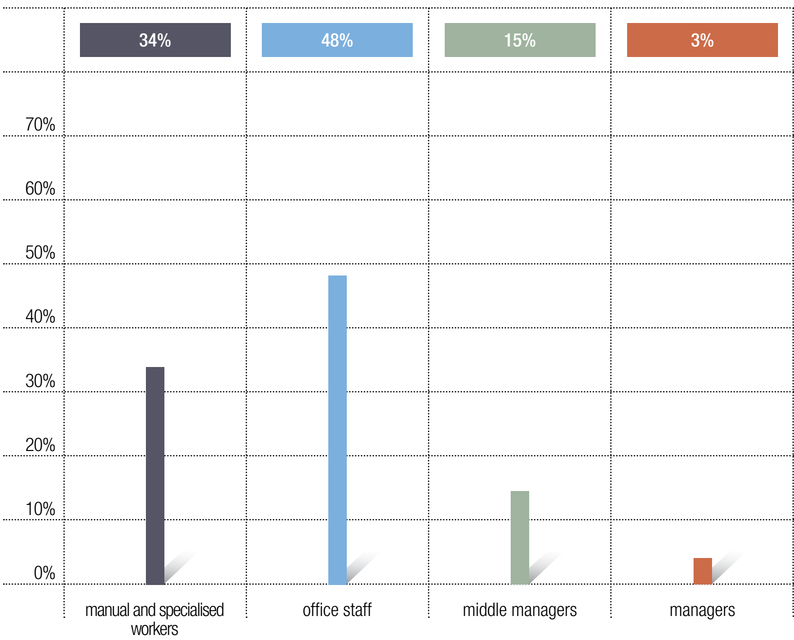
42.2 years
The average age
of Group employees

Later, from September onwards, the Human Resources and Organisation department was involved in supporting the senior management of Sarlux in planning and implementing a series of initiatives aimed at defining the company's mission and identifying its founding values ("purpose"), based on those developed for Saras in previous years.

Trend in Saras Group headcount



Breakdown of Saras Group employees



Having organised working groups of people with varied responsibilities, Sarlux outlined the company's fundamental challenge, namely the "achievement of operating excellence, to increase value and improve the quality of the organisation and the system in which it operates". Winning this challenge means having the right degree of commitment to improvement, and making best use of the company's resources - people, plant and machinery - to generate profit and create value that can be redistributed to the wider community.

By working on the changes to be made to the ways in which people carry out their role and assume their responsibilities, based on how much the organisation requires of them,

it has been possible to acquire an overview focused on the site's typical activities, such as:

- strengthening the dissemination of values, guiding principles and responsibilities of the organisation in the change process;
- defining areas of personnel management where action is required to achieve production and energy efficiency savings;
- completing the redesign of the organisation and the implementation of operating mechanisms, especially in the operating structures.

REMUNERATION POLICIES

EXECUTIVE 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 component is established with reference to the strategic objectives and financial results according to an MBO (Management By Objectives) system. It was not possible to apply such an MBO system in view of the 2013 financial results.

On 24th April 2013, the ordinary shareholders' meeting of Saras SpA approved the Stock Grant Plan 2013-2015, a long-term incentive plan. Please see the later section of this Report on Operations and the Notes to the consolidated and separated financial statements for details of the plan.

NON-EXECUTIVE MANAGEMENT STAFF PAY COMPONENTS

Fixed gross annual pay is set by the applicable CCNL (National Collective Labour Agreement). This may be supplemented by additional benefits and a variable component. The variable component of middle managers' pay is set using an MBO system, with reference to strategic objectives and financial results. As mentioned earlier, it was not possible to apply such an MBO system in view of the 2013 financial results.

CULTURE AND CONDUCT

The Focus Programme, launched in 2010 with the aim of maximising the availability, reliability, efficiency and productivity of the Group's plants over the long term, through more efficient processes supported by new organisational and conduct models, entered its completion and implementation phase in 2013. This involved the gradual transfer of activities to the relevant organisational structures and the standard implementation of the improvements obtained and the methodologies applied.

In order to provide continuity to program management and change management, in 2013 the Human Resources and Organisation department was committed to improving company performance through initiatives to foster greater involvement by the various roles in the organisation, starting with those with managerial responsibilities. Specifically, it placed emphasis on the development of the awareness, sense of responsibility and contribution that each person can make towards achieving the company's objectives, as well as the importance of sustaining the results achieved through improvement initiatives over the long term.

To this end, 2013 saw the relaunch of a system for assessing the organisational conduct of managers and directors, involving structured activities and close support from HR specialists. A method, based on aspects identified in the Purpose as characterising the expected typical profile, was defined and sent to the senior managers of the Group's companies. This will enable comparative assessments

45,861
Saras Group training hours

to be made that will help define the necessary management actions.

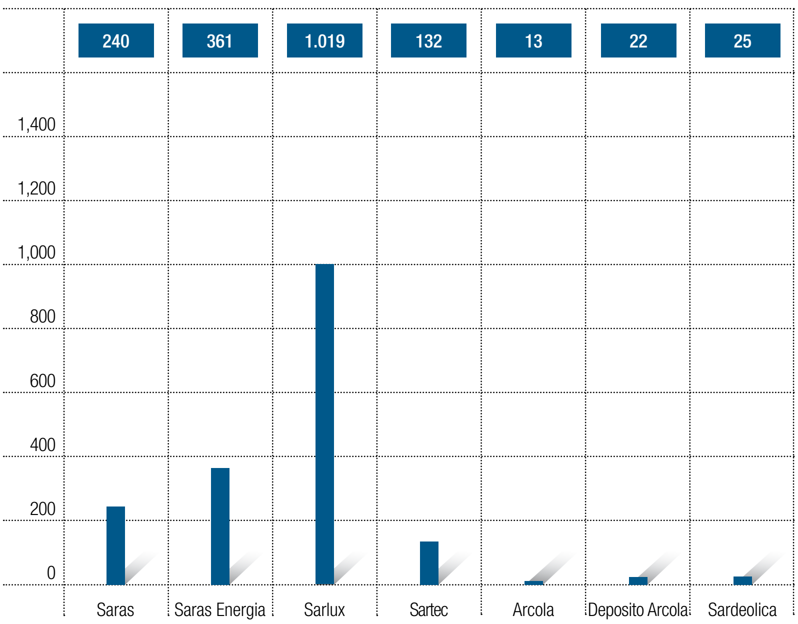
The new system introduces an important qualitative aspect, which can be used alongside the assessment of the quantitative and financial results. The objective is to impress on people the need to focus, not only on the results as such, but also on the way in which they are achieved, reminding everyone of their responsibility to act at all times in accordance with the company values previously identified and disseminated.

In support of the change initiatives, the company newsletter "visBreaking News" and the monitor network launched during the year continued to represent two important channels of internal communication in 2013. Saras used these tools to promote a culture of results and responsibility. Specifically, it sought to enhance the value of the initiatives and the behaviours conducive to achieving the improvement objectives, in terms of both production and consumption, and in the health, safety and environmental arena.

The decision to use these two methods in tandem with each other was a strategic one. By exploiting the particular features of each method, with frequent cross-references between them, the company was able to enhance the effectiveness of its communications and optimise the use of resources.

For the third year running, the company developed and promulgated a poster campaign targeted at promoting safe behaviour, particularly in relation to shutdown activities. Based on the fundamental principle of complying with the rules for the safety of all employees, the campaign was aimed at both Saras employees and the staff of subcontractors.

Breackdown of employees by company



TRAINING

In 2013, Saras Group employees continued to be strongly committed to and involved in training activities, which were organised into various subjects (safety, environment, other). Of the 45,861 training hours provided to the whole Group, a total of 36,700 training hours (of which around 24,900 related to Safety) were given to employees of Saras and Sarlux alone.

Training for Saras employees mainly focused on two areas: updating knowledge of safety issues and updating/acquiring technical competencies.

The implementation of the Safety Training Plan formed the basis of the training to update employees' knowledge of safety issues. The Plan stipulates that employees should keep themselves constantly up-to-date with the risks that are specific to all workers, while people with specific roles should undergo additional training in relation to their particular responsibilities.

The company's efforts to ensure that people are always prepared for the activities required by the organisation were supplemented with specific training on role-based technical competencies. This undertaking has been developed to encompass both purely technical training and, for some senior managers, continuous professional development intended to strengthen a vision of excellence in the performance of individuals and the group to which they belong.

The training received by Sarlux employees in 2013 also followed the trend in previous years. The subjects tackled from various viewpoints focused mainly on issues with an impact on health and safety (over 23,700 hours) and environmental protection (over 4,500 hours).

The decision to use in-house professionals as trainers, after an assessment procedure, proved a resounding success. Where the issues required a change in behaviour, providing this training using internal lecturers increased the credibility of the message and the overall effectiveness of the training.

29,153
Saras Group
safety training hours

Lastly, note that, within the framework of Group activities conducted in 2013:

- There were no recorded cases of death at work involving the staff on the payroll of Group companies;
- There were no recorded serious or very serious accidents involving the staff on the payroll of Group companies;
- There were no recorded allegations of occupational illness affecting staff or former staff, or any cases of mobbing.

On 11th April 2011, an accident occurred at the DEA3 plant at the Sarroch refinery, which was closed for planned maintenance. The accident involved three employees of an external company, one of whom died in the early hours of the following morning. The condition of the other two technicians gradually improved over the next few days and they subsequently made a full recovery.

Preliminary investigations into this accident were completed in May 2013, and a date for the preliminary court hearing is currently awaited. For the Company, the following are under investigation: (i) the Chairman, the CEO, the General Manager, the Plant

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".

Manager, the Asset Management Manager, the Chief Operating Officer, the Production Area Manager, the Operations Manager, the Foreman, and an operator; (ii) Saras SpA itself, for administrative liability pursuant to Legislative Decree 231/2001. For the external company that employed the workers involved in the accident, the owner, a manager and the team leader are under investigation.

In relation to the tragic accident on 26th May 2009 in which three workmen from CO.ME.SA lost their lives, on 7th March 2014, the Cagliari Court of Appeal reduced the suspended sentences for the then General Manager of the company and the then Plant Manager (now a former manager of the company) to 20 months each and awarded damages to the plaintiffs (on 4th July 2011, the Cagliari Court had handed down a 24 months' suspended sentence and awarded damages to the plaintiffs). The company is still awaiting the reasons for the sentence in order to make the appropriate assessments.

The Court of Appeal has also confirmed the acquittal by the Cagliari Court of first instance of the then Production Area Manager and the Industrial Operations Manager, now a former manager of the company.

The sentence of 24 months' imprisonment of the then legal representative of CO.ME.SA. was also confirmed.

Lastly, the Court of Appeal, in agreement with the previous ruling of the Cagliari Court of first instance, confirmed that Saras was exempt from administrative liability pursuant to Legislative Decree 231/01.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Health, Environment and Safety

A constantly improving picture

Generating 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 a priority of the company. Activities to protect the health and safety of all those who work directly and indirectly for the Saras Group are of vital concern.

Our ongoing commitment to this area has enabled us to significantly reduce the impact of our activities on the environment and, over the last few years in particular, to promote the improvement of energy efficiency. In 2013, the dramatic improvements in the environmental figures achieved in previous years were confirmed. This is the result of the consolidation of management activities at the plants.

A detailed and accurate overview of all the environmental aspects that directly or indirectly affect the environment, in and outside the Sarroch plant, is given in the Environment, Health and Safety Report.

During the year, activities to monitor all environmental aspects continued. Atmospheric emissions and waste water are aspects that are immediately obvious because they affect the environment in which people live and work every day. Other issues, such as energy and water consumption and CO_2 emissions, are of more general concern. They are therefore governed by international regulations and agreements since they have a global impact and their direct effects on the local environment are less obvious.

The emissions figures for 2013 highlight the improvements built up through investments made in the last few years. Small fluctuations, however, can be seen from year to year, which relate to plant adaptations and extraordinary maintenance. The improvement in environmental data is due to a series of technical and management measures put in place, which have gradually equipped the refinery with more efficient technology and resources in terms of production and respect for the environment.

There were further improvements in sulphur dioxide (SO_2) emissions in 2013. A comparison with average performance in the last few years confirms the improving trend. In 2013, at 0.27 tons per 1,000 tons processed, SO_2 production was lower than in recent years and significantly lower than the production rate recorded in 2007 of 0.51. In this regard, please see the graph that represents the SO_2 production rate.

This improved result was achieved chiefly thanks to the entry into service in December 2008 of the tail-gas treatment and sulphur recovery unit, which enables emissions to be reduced. It has recorded excellent performances in recent years.

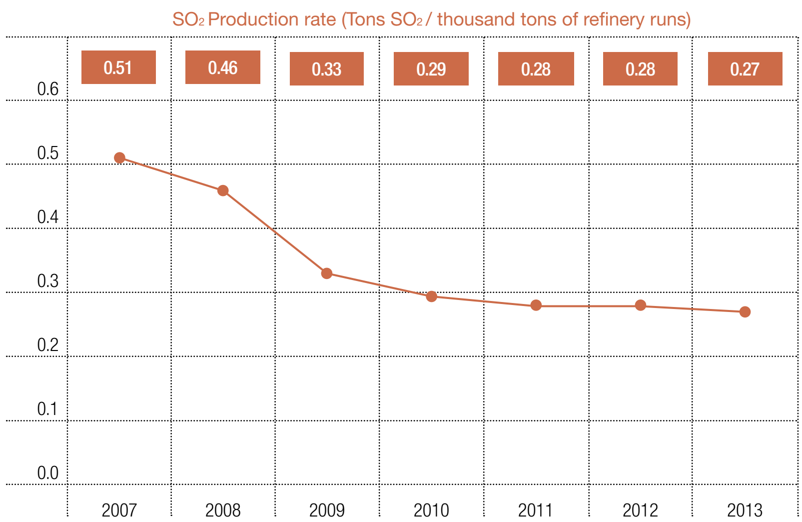
Investment in environment and safety is a key part of the Saras Group's growth strategy. In this context, issues such as an energy-saving culture and environmental sustainability, which are not new to the company or the Group, have become even more topical in the last few years.

In the Health Safety and the Environment (HSE) arena, over the last five years, the company has implemented environmental protection measures, achieved improvements in energy efficiency with a reduction in the quantity of fuel burned (and therefore emissions) as a result, completed the TGTU plant, and invested in energy recovery in the FCC plant.

Thanks to its environmental protection policy, again in 2013, 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.

Environmental protection policies also require continuous investment in staff training, which involves all workers at the refinery (including those of contractor companies) and other Group companies in a process aimed at creating a high degree of awareness of environmental issues. It goes without saying that even the most advanced technological systems must be supported by careful management and control by all those involved in the production cycle.

SO_2 Production rate



AIA: Integrated Environmental Authorisation permit

The process of obtaining the Integrated Environmental Authorisation ("AIA") began in early 2007, and was completed in April 2009. Saras was the first refinery 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, thereby minimising the impact of production activities on all environmental matrices. The AIA permit, issued by the Environment Ministry, replaces all other authorisations; it lasts for eight years and is conditional upon maintaining EMAS (EU Eco-Management and Audit Scheme) registration. This further recognition covers the basic concepts of the Environmental Code, which regards all elements (air, water, soil, visual impact, etc.) as part of a whole. It is the result of a process that led to the company obtaining Environmental Certification ISO 14001 in 2004, which was subsequently confirmed in 2007, 2010 and 2013.

Note also that, following the corporate reorganisation described in the previous sections, with effect from 1st July 2013, the AIA permit was transferred from Saras SpA to Sarlux Srl, a Group company that now manages all the production activities of the Sarroch site. On the same date, the ISO 14001 certification was also transferred from Saras SpA to Sarlux Srl.

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

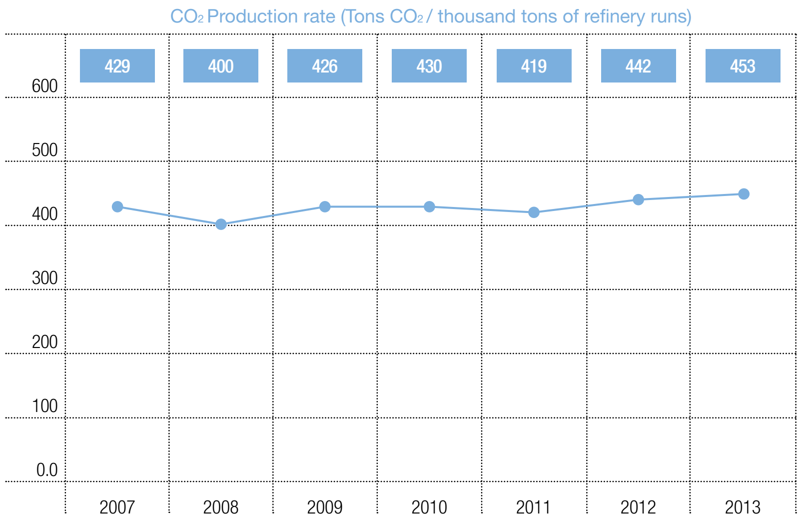
Lastly, the monitoring and control activities stipulated in the AIA

Certification process

2000 > 2001
Definition of the Environmental Code

2002 > 2003
SGA (Environmental Management System) 1st Environmental Report

CO_2 Production rate



permit continued on a regular basis during 2013.

EMAS registration

In 2013, the company performed the monitoring activities required to maintain EMAS registration, which assesses the activities that are carried out to ensure the region's environmental sustainability. The EMAS registration was also transferred from Saras SpA to Sarlux Srl.

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, an Environmental, Health and Safety Report and an Environmental Declaration must be published in order to guarantee transparency towards the local area's inhabitants and in and meticulous compliance with the law.

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

Again with a view to improving transparency, the site's main environmental data were regurarly submitted to INES (the National Inventory of Emissions and their Sources). 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 communication concerned levels of water and air emissions based on various parameters relating to the activities carried out.

THE WORKPLACE HEALTH AND SAFETY MANAGEMENT SYSTEM

Safety is our energy

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

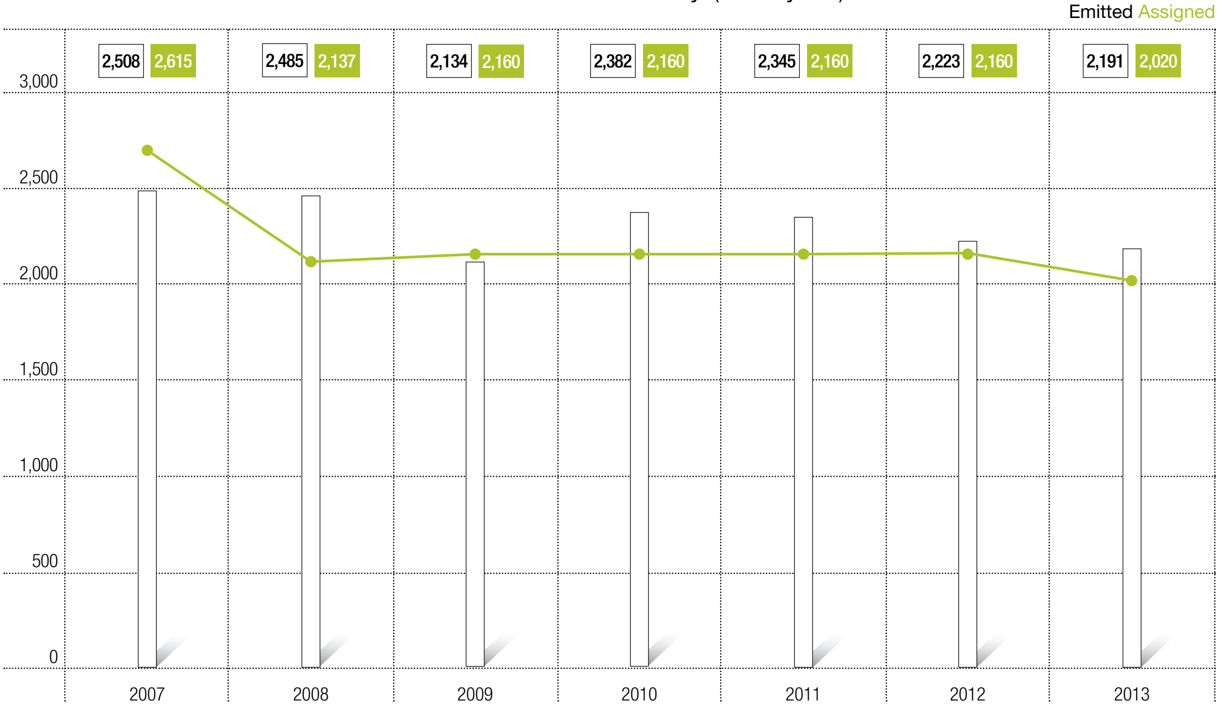
In 2013, the project to improve safety management continued to promote the culture of safety through internal communications projects initiated in 2010.

2004
ISO14001Certification
(reconfirmed also in 2007 and 2010)

2006 > 2008
Eco-Management
and Audit Scheme

2008 > 2009
AIA – (Integrated
Environmental permit)

CO_2 Emissions of Refinery (ton / year)



Note: since 2013, the National Allowance Plan (PAN) for CO2 emissions provides for a single allowance for the entire site of Sarroch.

The most significant were:

- In July 2013, a competition called "Safety Champions" was launched to promote employee involvement and thus strengthen a proactive culture of safety. Open to employees of both Sarlux and Saras, the aim is to make each person responsible for disseminating the culture of safety in the company through their behaviour and attitudes - both as individuals and in groups - in their daily work, which helps the company to achieve its objective of zero injuries or accidents at work;
- "Safety tours" in operational areas designed to ensure constant monitoring and supervision of safety in working areas;
- "Arrow inspections" and construction site inspections to continuously monitor activities carried out by third parties;
- "Safety dialogues" in order to directly involve people and disseminate the culture of safety;
- "Audit of HSMS and EMS management systems".

Safeguarding health and preventing any form of injury or accident (whether involving its own staff or 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 "Performance Measurement", which consists of setting objectives and targets that take into account company performance in compliance with the policy adopted.

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

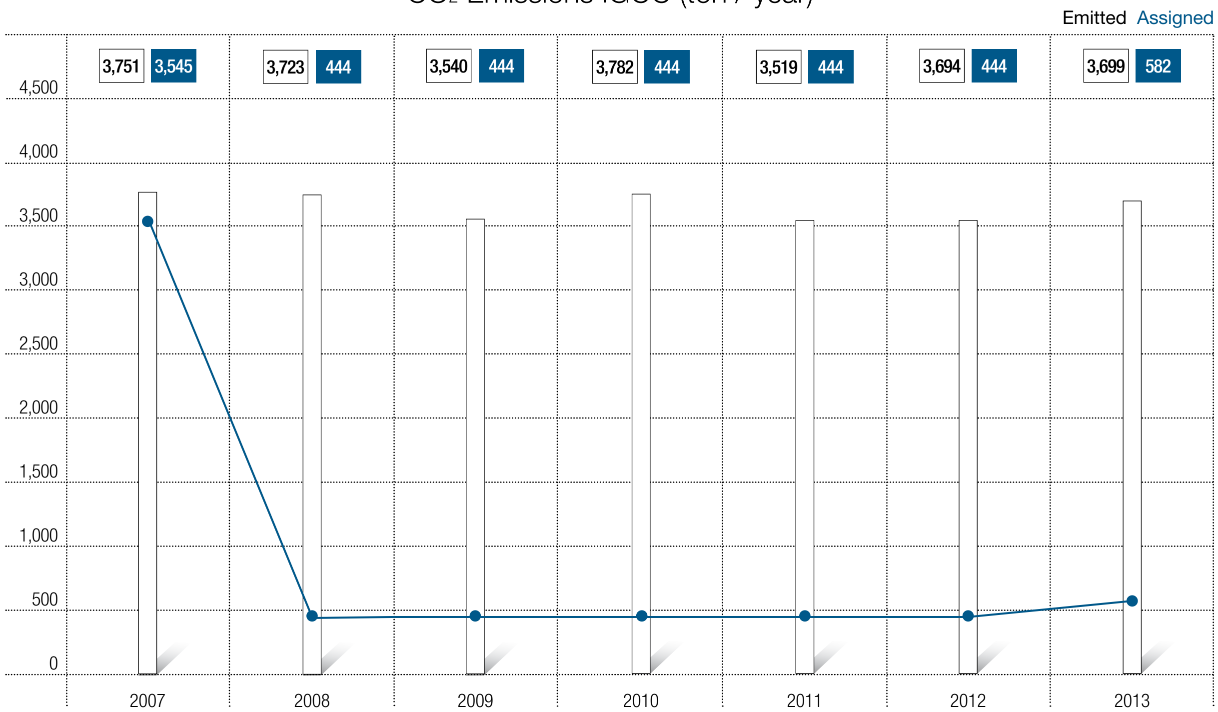
In 2008, it updated the "Organisation, Management and Control Model", pursuant to Legislative Decree 231/01, to comply with the provisions of Law 123/07 and the subsequent Legislative Decree 81/08, on the protection of health and safety at the work-place, and this was updated again in 2011.

In 2011, Saras renewed certification for its Health and Safety at Work System based on the OHSAS 18001:2007 standard. Lastly, an inspection visit was carried out by the certifying body in 2013, and certification was transferred from Saras SpA to Sarlux Srl.

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

Against this backdrop, Saras played an active role, together with Confindustria Energia, INAIL and the trade unions, in conducting audits to check the application of the "Guidelines for

CO2 Emissions IGCC (ton / year)



Note: since 2013, the National Allowance Plan (PAN) for CO2 emissions provides for a single allowance for the entire site of Sarroch.

an Integrated Health, Safety and Environmental Management System" mentioned above.

The Saras Group promotes a culture of safety at all corporate levels through training staff, sharing information and checking the degree of effectiveness of the activities pursued. Disseminating the culture of safety translates into continuous training and the creation of working conditions aimed at gradually reducing emergencies and accidents involving Saras staff and the employees of contractor companies. In 2013, all training measures relating to specific roles and positions continued, as did ongoing training on "Safety and the Environment".

In 2013:

- There were no recorded cases of death at work involving the staff on the payroll;
- There were no recorded serious or very serious accidents involving the staff on the payroll;
- There were no recorded allegations of occupational illness affecting staff or former staff, or any cases of mobbing.

Lastly, note that in 2013 the site recorded the best absolute result for accident rates in its history. A comparison of these rates with industry data in Europe (Concawe) shows how the Sarroch production site has now achieved and improved on the best benchmark standards.

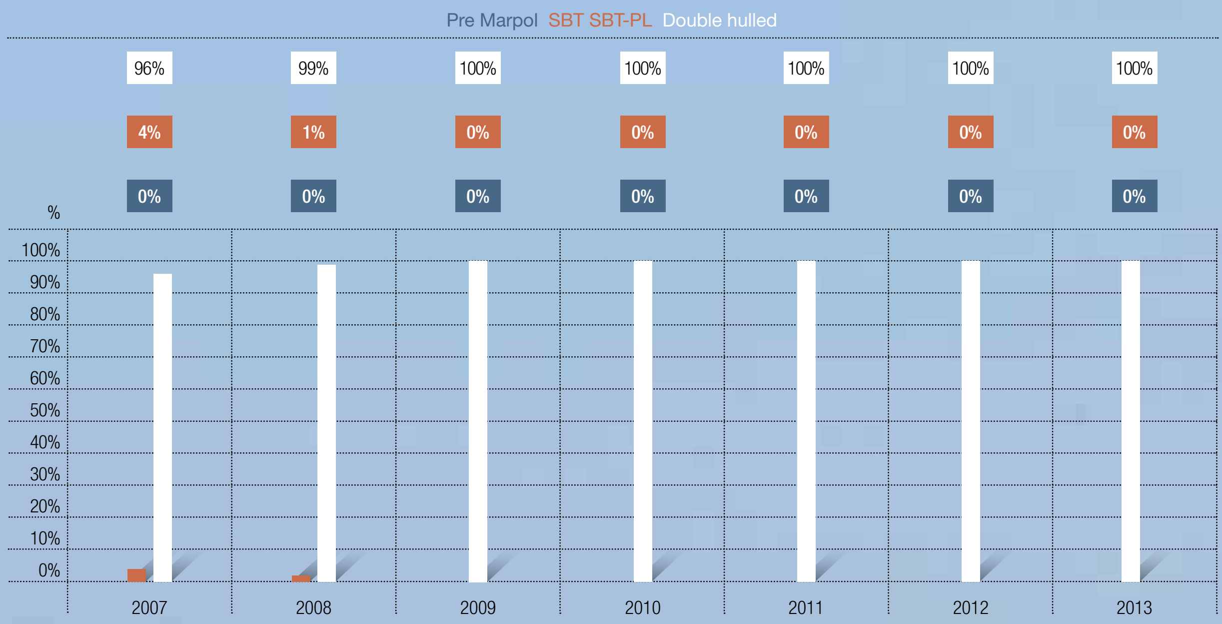
Greenhouse gas emissions

The Saras Group falls within the scope of the European Emissions Trading Directive due to the two activities carried out by its subsidiary Sarlux Srl at the Sarroch site, namely the refining segment and the electricity generation segment (IGCC plant). The ETS Directive was introduced across Europe to control and reduce carbon dioxide emissions as part of the battle 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 Directive was introduced in 2005 to help member states comply with the requirements of the Kyoto Protocol. It works by allocating emissions allowances to each individual plant falling within the scope of the Directive; this allowance is set by the Member State concerned under a "National Allocation Plan".

Surplus allowances may be traded and/or stockpiled, and any deficit must be covered by purchasing emissions allowances on the market. Allocation is decided for each of the reference periods set by the Directive. The first reference period was the three-year period 2005 to 2007, the second related to the five-year period 2008 to 2012, while the current period relates to 2013-2020.

Type of ships



*SBT: Segregated Ballast Tanks / PL: Protective Locations

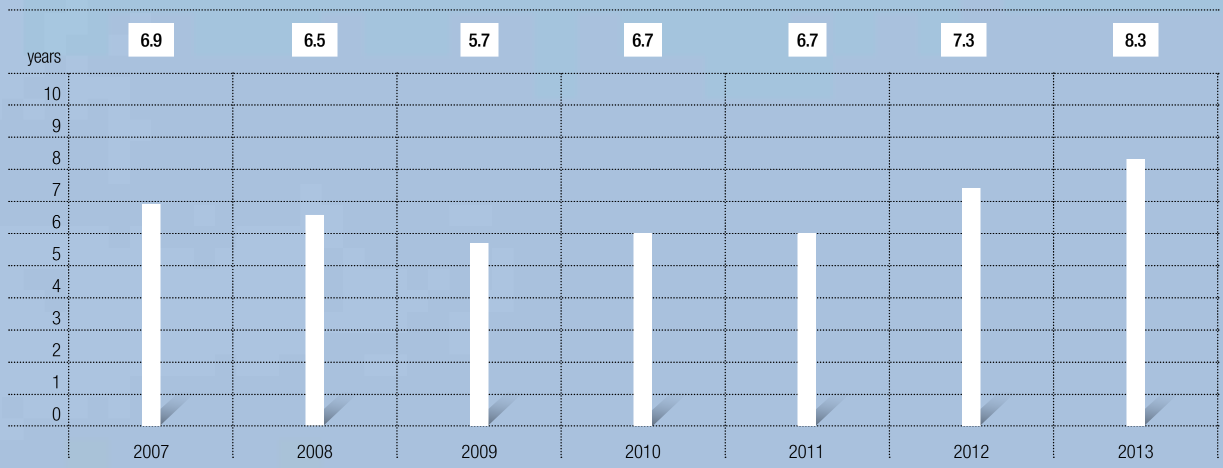
In the second period of application, allowances were more stringent, based on the objectives set out in the Kyoto Protocol. The third period (eight years), which started in 2013, has also led to a further annual reduction in the allocation of emissions allowances.

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

Further details in this regard are provided in the 2013 Environment, Health and Safety Report.

Average age of tankers



Caring for the sea

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

With effect from 2009, only latest-generation ships have been used. From that year, 100% of the ships used have been twin-hulled, in anticipation of current legislation on maritime traffic.

Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals. In this regard, vetting inspections are regularly carried out at other ports by trusted Saras personnel, in accordance with international criteria, as are on-the-spot pre-mooring inspections.

Saras and its Corporate Social Responsibility

The Saras Group's social responsibility initiatives in 2013 were again based on the following policy guidelines: ongoing dialogue with the local community, continuous improvement in environmental services, and support for initiatives aimed at social, economic and cultural development in the community. The Group's commitment to keeping a channel of communication open with institutions, residents and stakeholders is aimed specifically at the community around the Sarroch production site and the areas around Cagliari. However, Saras also promotes the economic development of the entire island of Sardinia.

Environment: dialogue with the community

Against a backdrop of increasing environmental awareness, EMAS (Eco Management Audit Scheme) certification, which was awarded in 2008, is based on the perfect combination of respect for the local community and the sharing of results with residents. Saras presented its performance figures at a meeting of the Sarroch Environmental Committee. The figures were a tribute to its huge efforts in this area, illustrating how the company had reduced emissions in 2013 to 45% of what they were in 2008. Other results are reported in the "Environmental Declaration" and the "Environmental, Health and Safety Report".

Education: safety and new training projects

A specific page of Saras' history is reserved for its relationship with schools and universities, which has always involved a host of educational initiatives and training programmes. The Group aims to disseminate a culture of safety, starting with the very youngest, through its support of "Safe Schools", a project devised by the National Fire Service in Cagliari and organised by the Sarroch elementary/middle school, in association with the Municipalities of Sarroch and Villa San Pietro. Under the initiative, lessons on safety are given to children in language that is easy to understand to make them aware of the risks around them.

In addition to the regular visits to the site as part of the "work-related learning" programme, new forms of partnership with high schools were launched in 2013. The aim of this ministerial programme, which recognises the value of company internships, is to introduce young people to the difficult world of work. For this reason, students attended lessons run by Saras employees on safety, environmental protection rules, ICT and company organisation in the Company's multi-purpose room at the Sarroch site. They also visited the maritime terminal, which is the refinery's access from the sea. Lastly, the Group has a solid link with the University of Cagliari through apprenticeships and scholarships for doctorate students. The relationship is about to be strengthened with the renewal of the memorandum of understanding that has provided the framework for this partnership since 1999.

Social commitment: participation in important events for the island

There were two major events in Sardinia in 2013: Hurricane Cleopatra (on 19th November), which left 19 people dead and devastated half of the island, and the visit of Pope Francesco to Cagliari on 22nd September. Saras employees, together with their colleagues in the Sarroch industrial site, reached the affected population to help them with the reconstruction work. In this way, they were able to get involved personally, as well as participate in the fund-rising organised by Saras.

During the Holy Father's visit, the Group supported the organising committee. Finally, the Group continues to provide its constant support to Caritas and other charities on the island.

The culture of sport

In 2013, the Group continued sponsoring sport initiatives, through its support of local sports clubs, such as the Sarroch Polisportiva Volley, a team that competes in the National Volleyball League (Serie B2), and the Sarroch Football Club. The Group is one of the sponsors of the Dinamo-Sassari basketball team, a successful Sardinian team playing in the Premier League, and which was able to win the Italian Cup in the recent past.

Outlook

The current macro-economic framework continues to remain fragile although, in the final months of FY2013, there have been signals of a pick-up in the industrial cycle and in the commercial activities, on a global scale. The International Monetary Fund (IMF), in its latest "World Economic Outlook" published in October 2013 and in the subsequent "Update" of January 21st, 2014 projected global GDP growth both for the year 2014 (+3.7%) and for the year 2015 (+3.9%). More specifically, the IMF forecasts that internal consumption should finally start growing again in the advanced economies, even if their high level of private debt could cool down spending and, probably, the weakness of their banking systems will continue to require the implementation of accommodating monetary policies. On the contrary, according to the IMF, in the emerging and developing economies growth should come primarily from the increased export activity towards the developed countries, due to the above mentioned recovery in their consumption, while the weakening trend of domestic demand could represent a downside risk factor.

In the above background, the forecasts of the International Energy Agency (IEA) in the "*Monthly Oil Market Report*" published on January 21st, 2014 show that global oil demand should increase in FY2014 (reaching 92.5 million barrels per day (mbd), which corresponds to a change of +1.3 mbd versus FY2013). However, once again, such forecasted growth will come exclusively from the emerging and developing countries (+3.1%), while OECD economies will report another slight contraction of demand (-0.2%), notwithstanding an overall improving background.

Looking at crude oil quotations, it should be noted that Brent yearly averages stood above 100 $/bl consistently for the past three years. Experts now believe that, in the near future, prices of crude oil could come down, even if only marginally. Indeed, non-OPEC countries should increase their crude oil production by approx. 1.5 mbd, the highest growth in the past 30 years, mainly thanks to the production boom in the United States, where advanced techniques for the extraction of "tight oil" became largely available. On the other hand, the forecasted increase of global demand stands at +1.3 mbd. Therefore, the excess supply should directly increase "spare capacity" of OPEC countries, with a cooling effect on crude oil prices. Further bearish movements could be triggered with the returning Libyan production and the end of the Iranian oil embargo.

Finally, looking at the refining margins, it is expected that the largest contribution during 2013 will come from the middle distillates, thanks to the aforementioned expected recovery in the macroeconomic cycle. As such, highly complex refineries, like the one belonging to Saras Group, should be best placed to take advantage of the opportunities arising from such expected recovery.

REFINING

Sarroch refinery Maintenance and Operations: 2014 maintenance programme will be rather important during the second half of the year. Indeed, during the first semester there will only be some ordinary maintenance activities taking place on the visBreaking Unit (VSB), the MildHydroCracking1 Unit (MHC1), and also on two Units dedicated to middle distillates desulphurisation (U300 and U400). Subsequently, there will be the turn around of the Fluid Catalytic Cracking Unit (FCC) and of the Topping1 Unit (T1), which will take place across the third and fourth quarter, as well as some other minor activities (Alky, TAME and U700). Overall, total refinery runs are expected to be in the range of 13.7 ÷ 14.5 m tons (which corresponds to 100 ÷ 106 m barrels), and the EBITDA reduction related to maintenance activities shall be approx. equal to 0.8 ÷ 0.9 $/bl.

Crude Oil Slate: regarding the heavy sour crude complex, in the last months of 2013, there have been some interesting signals of distension between Iran and the United States of America, in respect of the controversy over Tehran nuclear programme. Any potential relaxation of the oil embargo, with the resulting increased availability of heavy sour crude oils during FY2014, could be certainly beneficial for the Saras Group. Looking at the light sweet crude complex, it should be remembered that the unrest which took place in Libya during the third quarter of 2013 caused important discontinuities in the availability of crude oil originating from that country and, at the same time, it created a distortion in the premia of all the alternate crude oils. While it is difficult to forecast a reliable timeframe for the normalization of the Libyan production and export activities, in the first months of 2014 there has been a promising recovery in production from the western part of the country (Tripolitania). Should production and export restart also in the eastern region (Cirenaica), the Saras Group will be ready to resume very quickly the sourcing of those crude oils, because of their chemical and physical properties, which are very suitable for the production cycle of the Sarroch refinery (paraffinic crude oils, with very low sulphur content).

POWER GENERATION

IGCC Maintenance and Operations: during the first quarter of 2014 scheduled maintenance activities will take place on one of the two “H2S Absorber” units and, at the same time, on one of the three “Gasifier – combined cycle Turbine” trains. Afterwards, during the second quarter, there will be standard maintenance on another “Gasifier – combined cycle Turbine” train. Overall, the 2014 maintenance programme will be rather similar to the one which was carried out in FY2013 and, thus, it is possible to forecast that 2014 total power production shall be in the range between 4.05 ÷ 4.45 TWh.

Early exit from the CIP6/92 contract: Based on the provisions of Article 3 of the Ministry for Economic Development Decree dated 2nd December 2009, the Sarlux Srl subsidiary, as a party to an agreement signed under the CIP6/92 programme for plants that use process fuels from residues, on 16th December 2009 expressed its non-binding interest to the GSE for an early withdrawal from the CIP6/92 contract. Afterwards, the GSE determined the compensation fees at which such early withdrawal could be settled. The deadline for presentation of the binding application for voluntary early withdrawal from the CIP6/92 contract has currently been postponed to 30th September 2014, according to the latest extension granted by the Ministry for Economic Development. The company is assessing the available alternatives, in order to make a decision within the above deadline.

MARKETING

Economic conditions in Italy and in Spain should slightly improve during FY2014, according to the forecasts of the International Monetary Fund. However, as of today, it is not yet possible to expect significant increases in consumption of refined products. Therefore, prudentially, the Marketing activities of the Saras Group will continue to pursue a consolidation strategy, aimed at optimizing the mix of sales channels, directing the efforts towards the improvement of the gross margin, especially in Spain. Moreover, during FY2014 the restructuring programme started at the end of 2012 should be completed, thus allowing permanent improvements of the segment’s results.

WIND POWER

In the Wind power segment, during FY2014, the Group will continue the permitting process, which requires the Environmental Impact Assessment procedure (“V.I.A. – Valutazione di Impatto Ambientale”), for various projects in Sardinia, with a total combined capacity of approx. 130 MW. Moreover, regarding the pipeline outside Italy, the Group is studying various opportunities to extract value from a project of a wind park with a capacity of approx. 100 MW in Romania, which has recently obtained full authorisation to start construction.

GAS EXPLORATION

Regarding Gas Exploration activities, the Group is currently awaiting the completion of the authorisation path, initiated during the previous year, which is needed in order to begin drilling operations in an area located in Sardinia (the “Eleonora” project), where prudent estimates are annual production of 70 up to 170 million cubic meters of natural gas, for a production period of more than 20 years.

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 also to assess the acceptable residual risk.

The management of the risks found in business processes is based on the principle that 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 taken to reduce such risk. To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of hedging and without resorting to complex structures.

FINANCIAL RISKS

Price fluctuation risk

The results of the 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 selling price of electricity produced and sold by our subsidiaries, as well as the prices of green certificates and emissions credits.
The risk of fluctuation in prices and related cash flows is closely linked to the very nature of the business and can be only partly mitigated through the use of appropriate risk management policies, including agreements to refine oil for third parties at partially preset prices. To mitigate the risks deriving from price fluctuations, the Saras Group also takes out derivative contracts on commodities.

Exchange rate risk

The Group's oil business is structurally exposed to fluctuations in exchange rates, because the 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 fluctuations 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 in part at variable market rates and in part at fixed rates. The Saras Group also uses derivative instruments to reduce the risk of fluctuations in results and in cash flows deriving from interest.

Credit risk

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

Liquidity risk

The Group finances its activities both through the cash flows generated from operating activities and through the use of externally-sourced financing, and is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit as well as to fulfil contractual obligations deriving from the financing contracts entered into. The capacity for self-financing, together with the low level of debt, leads us to consider that 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 that are higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential negative effects on the Group's economic and financial position.

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia, and on the adjoining IGCC plant. This activity is subject to the risks of accident and of interruption due to unscheduled plant shutdowns.

Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/or interruption to production.

Environmental risk

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

Regulatory risk

The subsidiary Sarlux Srl 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 resolution 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 on time-limited incentives linked to actual production. The risk is therefore linked to possible unfavourable modifications to the legislation, which could have significant negative effects.

Dependencies on third parties

The IGCC plant, owned by the subsidiary Sarlux Srl, 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 supplies, which the company may not be able to find, or to source on terms.

Protection of Personal Data

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

Other Information

Changes in the Shareholding Structure

On 23rd April 2013, the company Angelo Moratti SapA, Mr. Gian Marco Moratti and Mr. Massimo Moratti completed the sale of a total number of 130,290,883 shares of Saras SpA (representing approximately 13.70% of the issued share capital of Saras SpA), for a total consideration of Euro 178,498,510 to Rosneft JV Projects SA, an indirect 100% subsidiary of Rosneft, pursuant to the share Sale and Purchase Agreement executed on 15th April 2013. In particular:

(i) Angelo Moratti SapA sold to Rosneft JV Projects SA 118,290,883 shares of Saras SpA, for a price per share equal to Euro 1.370 and a total consideration equal to Euro 162,058,510.00. As a result of the transaction, Angelo Moratti Sapa retains a controlling stake in Saras SpA equal to approximately 50.02%;

(ii) Gian Marco Moratti sold to Rosneft JV Projects SA 6,000,000 shares of Saras SpA, for a price per share equal to Euro 1.370 and a total consideration equal to Euro 8,220,000.00. As a result of the transaction, Gian Marco Moratti does not personally hold any shares in Saras SpA;

(iii) Massimo Moratti sold to Rosneft JV Projects SA 6,000,000 shares of Saras SpA, for a price per share equal to Euro 1.370 and a total consideration equal to Euro 8,220,000.00. As a result of the transaction, Massimo Moratti does not personally hold any shares in Saras SpA.

On 14th June 2013, the voluntary partial public tender offer (the "Offer") made by Rosneft JV Projects SA (the "Bidder"), over a maximum number of 69,310,933 ordinary shares of Saras SpA, representing approximately 7,29% of the issued share capital of the latter, for a price per share equal to Euro 1.37 was successfully completed.

At the end of the acceptance period of the Offer, 213,796,505 ordinary shares of Saras SpA were tendered to the Offer, equal to 22.48% of the issued share capital of the company, and 308.46% of the ordinary shares that were the subject of the Offer. Since the number of shares tendered in acceptance of the Offer was higher than the maximum amount of the Offer, a pro-rata method was applied, with an allotment coefficient equal to 0.32419.

Therefore, on 19th June 2013, the Bidder purchased 69,310,933 shares, for a corresponding overall value of EUR 94,955,978.21. The remaining 144,485,572 shares tendered in acceptance of the Offer were returned to the relevant shareholders, without any costs or other expenses.

Considering the shares purchased following the Offer, added to those already purchased by the Bidder directly from Angelo Moratti SapA, Mr. Gian Marco Moratti and Mr. Massimo Moratti, the Bidder currently holds 199,601,816 ordinary shares of Saras SpA, representing approximately 20.99% of share capital. Finally, it should be noted that, during the acceptance period of the Offer, the Buyer did not purchase, either directly or indirectly, any shares of Saras SpA.

Finally, on 1st October 2013, the total non-proportional demerger became effective of Angelo Moratti SapA into two newly-incorporated companies – "Gian Marco Moratti SapA di Gian Marco Moratti" and "Massimo Moratti SapA di Massimo Moratti" – whose shares are owned respectively by Mr. Gian Marco Moratti and Mr. Massimo Moratti, as well as their respective sons.

As a result of the demerger, all of the assets and liabilities of Angelo Moratti SapA, which included inter-alia also 475,709,117 ordinary shares of Saras SpA (representing 50.02% of the share capital of Saras SpA) were allocated to the two aforementioned beneficiary companies in equal shares, and Angelo Moratti SapA was dissolved.

Moreover, in order to ensure continuity

with respect to the control of Saras SpA, Gian Marco Moratti SapA and Massimo Moratti SapA entered into a shareholders' agreement (the "Saras Shareholders' Agreement"), which provides for the joint exercise of voting rights concerning the ordinary shares of Saras SpA and provides also that each of the beneficiary companies is restricted from transferring to third parties, in whole or in part, its shares without the consent of the other company.

The Saras Shareholders' Agreement shall be effective until the expiration of the third year from the date of effectiveness of the Demerger and shall be automatically renewed for further periods of three years each if none of the Parties gives written notice to the other Party of its intention not to renew the Saras Shareholders' Agreement at least six months before the first or any subsequent expiration date.

Own shares

During FY2013, Saras SpA purchased on the MTA of the Italian Stock Exchange (Borsa Italiana SpA) a total number of 5,689,270 own shares (corresponding to 0.598% of the issued share capital), pursuant to the programme of Buyback of own shares, up to a maximum number of 72,455,412 shares, which was approved by the Ordinary Shareholders' Meeting held on 27th April 2012. The commencement of the buyback operations was duly communicated to the financial markets in the press release issued on 7th May 2013.

The aforementioned buyback programme, which expired on 27th October 2013, authorised the purchase of own shares for the purpose of servicing the stock grant plans reserved to the management and the employees of the Group, and also for the purpose of carrying out activities aimed at sustaining the liquidity and controlling the volatility of the Saras share price in the market.

The buyback was carried out in compliance with Article 132 of Legislative Decree No. 58/1998 and with Article 144-bis of Consob Regulation No. 11971/1999 (the "Issuers' Regulations") and with any other applicable rules, including the operational procedures established by the Italian Stock Exchange.

Further to the above buyback transactions, at the end of the year 2013, Saras SpA holds a total number of 19,245,774 own shares, which corresponds to 2.024% of share capital, including the own shares already held before such buyback operations.

Buyback programme

The AGM of Saras SpA held on 24th April 2013, pursuant to Article 2357 of the Italian Civil Code and Article 132 of Legislative Decree No. 58/1998, authorised a new Buyback Programme of own shares, as well as the disposal of the own shares held, up to a maximum number of 190,185,660 shares, including the own shares already owned by the Company, to be implemented in several stages as appropriate, and to take place in the 12 months following the expiry of the Buyback authorisation approved by the AGM held on 27th April 2012 (i.e. the 12 months following 27th October 2013). The start of the buyback operations will be eventually communicated, pursuant to Article 144-bis, paragraph 3 of CONSOB Resolution No. 11971/1999 and subsequent amendments (the Issuers' Regulations).

Stock Grant Plans

The "Stock Grant Plan 2007-2009" and the "Stock Grant Plan 2010-2012" for the senior managers of the Parent Company and the senior managers and directors of the subsidiaries, as individually specified by the Board of Directors of the Parent Company, were completed during the year 2013. These Plans entailed the allocation of 1,368,390 and 6,954,566 shares, respectively. The option exercised by beneficiaries of the Plan 2007-2009, which was also completed entailed the allocation of 740,000 shares.

Moreover, on 24th April 2013, the Ordinary Shareholders' Meeting approved a new Plan to grant free company shares to management of the Saras Group (the "Stock Grant Plan 2013-2015"), assigning to the Board of Directors all the powers necessary and appropriate to implement the Plan. The recipients of the Plan are the Directors with strategic responsibilities within the Company; the Directors of the Board of Italian and/or foreign subsidiaries controlled by the Company, and some other eligible top executives within the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares upon achieving performance objectives determined in relation to the performance of Saras' Total Shareholder Return (TSR) compared to the TSR of a group of

companies belonging to the FTSE Italia Mid Cap Index (the "Peer Group"). The TSR is calculated as the change in the value of Saras shares and the shares of the Peer Group during the three-year period 2013-2015. The change shall be calculated considering the initial value (average of the daily quotations in the Italian Stock Exchange for the relevant shares in the period 1st October – 31st December 2012) and the final value (average of the daily quotations in the Italian Stock Exchange for the relevant shares in the period 1st October – 31st December 2015).
The maximum number of shares covered by the Stock Grant Plan 2013-2015 is 9,500,000. Shares are to be delivered within six months of the end of the Plan, and the beneficiary undertakes not to sell, transfer, dispose of or subject to any restriction a number of shares equivalent to 20% of the shares for a period of 24 months from the delivery date.

Transactions with related parties

At the end of the year 2013, the effect on theSaras Group's Balance Sheet and Income Statement deriving from transactions or positions with related parties was not significant. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 7.4 “Transactions with Related Parties”.

Use of financial instruments

Details can be found in the Notes to the Consolidated Financial Statements, chapter 7.5.3 “Additional disclosures”.

Research and Development

In FY2013 Saras did not undertake meaningful research and development activities, therefore no significant cost where capitalized or accounted for in the Income Statement. For further details please refer to the Notes to the Consolidated Financial Statements, chapter 5.2.2 “Intangible Assets.”

Segment information by geographic area

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

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.

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 SpA, chapter 7.5.2 “Shareholdings held by members of the Board of Directors, Statutory Auditors, General Manager and senior Management with strategic responsibilities”.

Adoption of the fiscal consolidation

Details are available in chapter 3.2 “Summary of accounting standards and policies” of the Notes to the Consolidated Financial Statements, in paragraph X “Taxes”.

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.

	Net Result	Shareholders’ Equity
As per Saras SpA’s separate financial statements as of 31st Dec 2013	**(124,037)**	**480,834**
Differences between book value and Shareholders’ Equity as of 31st Dec 2013 of shareholdings valued at cost in Saras’ SpA separate financial Statements	(148,262)	441,165
Eliminations of intragroup margins on inventories	1,219	(797)
As per the Consolidated Financial Statements as of 31st Dec 2013	**(271,080)**	**921,202**

Main events after the end of FY2013

Respectively on 4th February 2014 and 5th February 2014, the Board of Directors of Saras SpA and the Shareholders Meeting of Arcola Petrolifera Srl, by resolutions filed with the Companies Register of Cagliari on 12nd February 2014, approved the Merger of Arcola Petrolifera Srl into Saras SpA, following the notices given on 14th November 2013 and 11th December 2013. The Merger aims to rationalise the Saras Group's structure, placing the business carried out by the subsidiary in the Italian market within Saras SpA as a division of the latter.

On 7th March 2014 the Court of Appeals of Cagliari, in relation to the accident that took place on 26th May 2009, which caused the death of three workers of the contracting company CO.ME.SA., confirmed the full discharge of Saras SpA from any administrative responsibility under Decree 231/2001.
Moreover, the Court of Appeals of Cagliari confirmed the acquittal the Saras manager of the production area, and for the director of the Industrial Operations of Saras, who is currently no longer employed with Saras, and the suspended sentence of 24 months of the former legal representative of CO.ME.SA..
Finally, the Court of Appeals reduced the suspended sentence of the Managing Director of Saras and the former Refinery Manager, who is currently no longer employed with Saras, to 20 months (versus the previous sentence of 24 months), in addition to granting an award of damages to the plaintiffs. Saras awaits the grounds of the decision for further evaluation.

Saras Group Consolidated Financial Statements as of 31st December 2013

Consolidated statement of Financial Position: as of 31st December 2013 and 31st December 2012

EUR thousand			31/12/2013	31/12/2012
ASSETS	(1)	(2)		(3)
Current assets	5.1		2,287,407	2,209,352
Cash and cash equivalents	5.1.1	A	506,827	302,950
Other financial assets held for trading	5.1.2	B	34,645	42,326
Trade receivables	5.1.3	C	670,818	820,215
of which from related parties:			*108*	*109*
Inventories	5.1.4	D	926,063	920,891
Current tax assets	5.1.5	E	48,950	45,699
Other assets	5.1.6	F	100,104	77,271
Non-current assets	5.2		1,526,124	1,730,570
Property, plant and equipment	5.2.1	H,I	1,217,425	1,288,758
Intangible assets	5.2.2	J	97,083	348,767
Other equity interests	5.2.3.1	L	505	526
Deferred tax assets	5.2.4	X	205,560	86,430
Other financial assets	5.2.5	M	5,551	6,089
Total assets			3,813,531	3,939,922
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		2,014,985	1,817,254
Short-term financial liabilities	5.3.1	R	180,970	166,997
Trade and other payables	5.3.2	R	1,605,867	1,394,342
of which to related parties:			*251*	*348*
Current tax liabilities	5.3.3	X	168,472	161,125
Other liabilities	5.3.4	R	59,676	94,790
Non-current liabilities	5.4		877,344	925,970
Long-term financial liabilities	5.4.1	R	385,780	424,891
Provisions for risks and charges	5.4.2	P, AA	42,978	52,391
Provisions for employee benefits	5.4.3	Q	19,906	22,825
Deferred tax liabilities	5.4.4	X	3,641	3,163
Other liabilities	5.4.5	R	425,039	422,700
Total liabilities			2,892,329	2,743,224
SHAREHOLDERS' EQUITY	5.5	N,O,W		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			1,126,726	1,219,718
Profit/(loss) for the year			(271,080)	(88,576)
Total equity attributable to owners of the Parent company			921,202	1,196,698
Minority interests			0	0
Total equity			921,202	1,196,698
Total liabilities and shareholders' equity			3,813,531	3,939,922

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

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

(3) 2012 values reflect the application of IAS 19 revised

Consolidated Income Statement for the periods: 1st January - 31st December 2013 and 2012

EUR thousand	(1)	(2)	01/01/2013 31/12/2013	(4) of which non recurring	(3) 01/01/2012 31/12/2012	of which non recurring
Revenues from ordinary operations	6.1.1	S	11,106,282		11,810,717	
Other income	6.1.2	S	123,682	23,573	78,532	
of which from related parties:			*116*		*109*	
Total revenues			11,229,964	23,573	11,889,249	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(10,484,447)		(10,975,704)	
Cost of services and sundry costs	6.2.2	T, AA	(542,693)		(601,498)	
of which from related parties:			*(1,102)*		*(1,549)*	
Personnel costs	6.2.3	Q,T	(131,243)		(136,001)	
Depreciation, amortisation and write-downs	6.2.4	H,J	(425,742)	(232,455)	(244,186)	(36,008)
Total costs			(11,584,125)	(232,455)	(11,957,389)	(36,008)
Operating results			(354,161)	(208,882)	(68,140)	(36,008)
Net income/(charges) from equity interests		K, L				
Financial income	6.3	U	209,285		248,233	
Financial charges	6.3	U	(238,724)		(300,117)	
Profit/(loss) before taxes			(383,600)	(208,882)	(120,024)	(36,008)
Income tax for the year	6.4	X	112,520	60,575	31,448	10,727
Net profit/(loss) for the year			(271,080)	(148,307)	(88,576)	(25,281)
Net profit/(loss) for the year attributable to:						
Owners of the Parent Company			(271,080)		(88,576)	
Minority interests			0		0	
Earnings per share - basic (EUR cent)		Z	(29,29)		(9,54)	
Earnings per share - diluted (EUR cent)		Z	(29,29)		(9,54)	

Statement of Comprehensive Income for the periods: 1st January - 31st December 2013 and 2012

Net result for the year (A)		(271,080)		(88,576)
Items included in comprehensive income which will be reclassified subsequently to profit or loss (when specific conditions are met)				
Effect of translation of F/S in foreign currency	V	(54)		(14)
Items included in comprehensive income which will not be reclassified subsequently to profit or loss (when specific conditions are met)				
IAS 19 actuarial effect on end-of-service payments	Q, T	(171)		(1,525)
Income / (loss), net of fiscal effect (B)		(225)		(1,539)
Consolidated Comprehensive Result for the year (A + B)		(271,305)		(90,115)
Net consolidated Comprehensive Result for the year attributable to :				
Owners of the Parent Company		(271,305)		(90,115)
Minority interests		0		0

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

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

(3) 2012 values reflect the application of IAS 19 revised

(4) The column "of which non recurring" includes:
- Other income amounting to 23,573 EUR thousand due to grants related to previous years
- Depreciation and amortisation amounting to 232,455 EUR thousand due to write-off of Sarlux Srl / G.S.E. contract
- Income tax:
  - Tax effect on grants and write-off mentioned above amounting to 80,705 EUR thousand
  - Reversal of deferred tax asset (4% Robin tax) amounting to 20,130 EUR thousand

Statement of Changes in Consolidated Shareholders' Equity: from 31st December 2011 to 31st December 2013

EUR thousand	Share capital	Legal reserve	Other reserve	Profit/ (Loss)	Total equity attributable to owners of the Parent Company	Minority interests	Total equity
Balance as of 31/12/2011	54,630	10,926	1,158,676	58,802	1,283,034	0	1,283,034
Period 1/1/2012 - 31/12/2012							
Appropriation of previous year's profit			58,802	(58,802)	0		0
Reserve for employee share plan			3,779		3,779		3,779
Effect of translation of F/S in foreign currency			(14)		(14)		(14)
IAS 19 actuarial effect			(1,525)		(1,525)		(1,525)
Net profit/(loss) for the year				(88,576)	(88,576)		(88,576)
Total comprehensive profit/(loss) for the year			*(1,539)*	*(88,576)*	*(90,115)*		*(90,115)*
Balance as of 31/12/2012	54,630	10,926	1,219,718	(88,576)	1,196,698	0	1,196,698
Period 1/1/2013 - 31/12/2013							
Appropriation of previous year's profit			(88,576)	88,576	0		0
Purchase on own shares			(5,943)		(5,943)		(5,943)
Reserve for employee share plan			1,654		1,654		1,654
Effect of translation of F/S in foreign currency			(54)		(54)		(54)
Reversal of deferred tax asset (4% Robin tax) on 2012 actuarial effect of IAS 19			98		98		98
IAS 19 actuarial effect			(171)		(171)		(171)
Net profit/(loss) for the year				(271,080)	(271,080)		(271,080)
Total comprehensive profit/(loss) for the year			*(225)*	*(271,080)*	*(271,305)*		*(271,305)*
Balance as of 31/12/2013	54,630	10,926	1,126,726	(271,080)	921,202	0	921,202

Consolidated Cash Flow Statement as of: 31st December 2013 and 31st December 2012

EUR thousand	(1)	(2)	01/01/2013 31/12/2013	(3) 01/01/2012 31/12/2012
A - Cash and cash equivalents at the beginning of the year			302,950	139,343
B - Cash generated from/(used in) operating activities				
Net Profit / (Loss) for the year	5.5		(271,080)	(88,576)
Unrealised exchange losses/(gains) on bank accounts			1,832	1,950
Amortisation, depreciation and write-downs of fixed assets	6.2.4	K, J	425,742	244,186
Grants booked to income statement	6.1.2		(23,573)	0
Net change in provisions for risks and charges	5.4.2	P, AA	(9,413)	(24,866)
Net change in employee benefits	5.4.3	Q	(2,919)	810
Net change in deferred tax liabilities and deferred tax assets	5.2.4 - 5.4.4	X	(118,652)	(55,571)
Net interest income (expense)		U	33,633	30,815
Accrued income tax	6.4	X	6,132	23,189
Change in fair value of derivatives, greeen certificates	5.1.2 - 5.3.1		(26,990)	(5,431)
Other non cash items	5.5		1,581	3,572
(Increase)/Decrease in trade receivables	5.1.3	C	149,397	41,758
of which from related parties:			*(1)*	*45*
(Increase)/Decrease in inventory	5.1.4	D	(5,172)	233,459
Increase/(Decrease) in trade and other payables	5.3.2	R	211,525	204,342
of which to related parties:			*(97)*	*340*
Change in other current assets	5.1.5 - 5.1.6	F	(9,485)	18,961
Change in other current liabilities	5.3.3 - 5.3.4	R	11,005	26,597
Interest received		U	731	882
Interest paid		U	(32,705)	(36,306)
Tax paid	5.3.2	X	(20,168)	(22,965)
Change in other non-current liabilities	5.4.5	R	2,339	(60,526)
Total (B)			323,760	536,280
C - Cash flow from/(used in) investing activities				
(Investments) in tangible and intangible assets	5.2.1-5.2.2	H, I	(106,690)	(105,452)
- of which interest paid capitalized			*(5,528)*	*(9,634)*
(Investments)/disinvestments in other share holdings	5.2.1-5.2.2	L	21	0
Change in financial assets	5.1.2	B	43,133	52,510
Total (C)			(63,536)	(52,942)
D - Cash generated from/(used in) financing activities				
Increase/(Decrease) in medium/long term borrowings			0	171,954
Increase/(Decrease) in short term borrowings			(13,402)	(291,325)
(Decrease) in short term financial debts due to repayments			(35,170)	(198,044)
Dividends and buy-backs of own shares			(5,943)	
Total (D)			(54,515)	(317,415)
E - Cashflow for the year (B+C+D)			205,709	165,923
F - Net Cash from disposal of Akhela/Artemide			0	(366)
Unrealised exchange losses/(gains) on bank accounts			(1,832)	(1,950)
G - Cash and cash equivalents at the end of the year			506,827	302,950

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

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

(3) 2012 values reflect the application of IAS 19 revised

For the Board of Directors - The Chairman
Gian Marco Moratti

Notes to the Consolidated Financial Statements to 31st December 2013

Notes to the Consolidated Financial Statements for the year ended 31st December 2013

6. Notes to the consolidated income statement

7. Additional disclosures

8. Publication of the consolidated financial statements

Notes to the Consolidated Financial Statements to 31st December 2013

1. Preliminary remarks

Saras SpA (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. It is jointly controlled by Gian Marco Moratti SapA and Massimo Moratti SapA, which own 25.01% each and 50.02% jointly of the share capital of Saras SpA (excluding own shares), under the shareholders' agreement signed by the two companies on 1st October 2013. The company is established until 31st December 2056, as stated in its articles of association.

Saras SpA operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished products. The Group's activities include refining of crude, the production and sale of electricity via an integrated gasification combined cycle (IGCC) plant operated by its subsidiary Sarlux Srl and a wind farm run by the subsidiary Parchi Eolici Ulassai Srl (via the subsidiary Sardeolica Srl).

These consolidated financial statements for the year ended 31st December 2013 are presented in euro, since this is the currency of the economy in which the Group operates. They consist of a statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

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

The consolidated financial statements of the Group for the year ended 31st December 2013 were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002.
The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft consolidated financial statements of the Group and separate financial statements of Saras SpA were approved by its Board of Directors, and set out in the relevant EU regulations published as of that date.

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

The accounting standards 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 IFRS, which were published in part in the Official Journal of the European Union and apply for the first time to annual periods beginning on or after 1st January 2013. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning on or after 1st January 2014.

Accounting standards, amendments and interpretations relevant and applicable from 1st January 2013

The following accounting standards, amendments and interpretations have been applied by the Group for the first time a starting from 1st January 2013:

IFRS 13 – Fair value measurement: the standard illustrates the techniques for measuring fair value in financial statements and applies to all standards that require or allow fair value measurement or disclosure of information based on fair value. It also requires disclosures about the inclusion of counterparty risk in calculating fair value. The new standard has not had a significant impact on these consolidated inancial statements as the techniques it sets out for measuring fair value are not significantly different from those previously used by the Group.

On 16th December 2011, the IASB issued a number of amendments to **IFRS 7 – Financial instruments: disclosures**. The amendments require disclosure of information about the effects or potential effects of netting arrangements associated with financial assets and liabilities on an entity's financial position. These amendments have had no significant impact on the information included in these consolidated financial statements.

On 16th June 2011, the IASB issued an amendment to **IAS 1 – Presentation of Financial Statements** which requires all companies to disclose separately ''Items of Other Comprehensive Income'' which may subsequently be reclassified to the income statement. The amendment has been applied by the Group since 1st January 2013 and the related effects on disclosure are shown in the consolidated financial statements for all periods reported.

On 16th June 2011, the IASB issued an amendment to **IAS 19 – Employee Benefits,** which removes the option to defer recognition of actuarial gains and losses using the corridor method. The amendment requires the deficit or surplus on the provision to be presented in the statement of financial position, cost components associated with benefits earned by employees and net financial liabilities to be recognised in the income statement, and actuarial gains and losses arising from remeasurement of assets and liabilities to be presented in the statement of comprehensive income. In addition, the return on assets included in net financial charges must be calculated on the basis of discount rate of liabilities rather than the expected return on assets. Lastly, the amendment introduces new additional disclosures to be provided in the notes to the financial statements. The amendment has been applied by the Group since 1st January 2013 with retroactive effect from 1st January 2012, and the related effects on disclosure are shown in the financial statements – see note 3.2 Q.

In 2012, the IASB also issued the following amendments, which have already been approved and applied since 2013 and have not had a significant effect on the Group's financial statements:

IAS 1 – Presentation of Financial Statements. The amendments mainly involve additional disclosures of comparative information. In particular, it has been clarified that if an entity changes an accounting standard or applies a restatement/ reclassification retrospectively, it must also present a statement of financial position as at the beginning of the comparative period ('third statement of financial position' in the financial statements), while the notes to the accounts are not required to present comparative disclosures also for the 'third statement of financial position', except as regards the items concerned.

IAS 16 – Property, plant and equipment. The changes are mainly related to servicing equipment, which must be classified under 'Property, plant and equipment' if used for more than one financial year, otherwise under inventories.

IAS 32 – Financial Instruments. This contains the requirement to provide information about direct taxes on distributions to holders of equity instruments and on transaction costs of equity instruments, which follow the rules of IAS 12.

IAS 34 – Interim Financial Reporting. The amendment clarifies that total assets for a reportable segment need to be disclosed only if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets for a segment from the figure previously disclosed in the last annual financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable, except in the case of early adoption

The IASB has issued the following amendments, the approval process for which was completed by the European Union by the date of these consolidated financial statements and which are due to be applied to future accounting periods or on an early adoption basis: the Group has not opted for early adoption.

IFRS 10 – Consolidated Financial Statements. This standard replaces SIC-12 Consolidation – Special Purpose Entities (SPVs) and some parts of IAS 27 – Consolidated and Separate Financial Statements, which will change its name to IAS 27 – Separate Financial Statements and will govern the accounting treatment of equity investments in separate financial statements. The new IFRS 10 identifies the notion of control as the factor that determines whether or not a company should be consolidated into the Parent Company's consolidated financial statements, and provides guidance on determining the existence of control in difficult cases.

Transition Guidance (IFRS 10, IFRS 11, IFRS 12). On 28th June 2012, the IASB issued 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities', a document which clarifies and simplifies the transition requirements for IFRS 10, IFRS 11 and IFRS 12.

IFRS 11 – Joint Arrangements. This standard replaces IAS 31 – Interests In Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the joint arrangements rather than on the legal form of the joint arrangements themselves, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities. This standard describes the additional information to be disclosed about equity investments (subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities).

IAS 27 – Consolidated and Separate Financial Statements. The amendment to IAS 27 sets out the standards to be applied when accounting for investments in subsidiaries, joint ventures and associates when preparing separate financial statements after the introduction of IFRS 10.

IAS 28 – Investments in Associates and Joint Ventures. The amendment to IAS 28 (as amended in 2011) sets out the criteria for applying the equity method when accounting for investments in associates and joint ventures.

On 16th December 2011, the IASB issued a number of amendments to **IAS 32 – Financial instruments: presentation**, to clarify the application of some of the criteria for offsetting financial assets and financial liabilities set out in IAS 32.

The amendments will be applicable retrospectively for financial years beginning on or after 1st January 2014.

It is not believed that the adoption of the amendments will have a significant impact on the Group's financial statements.

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

IFRS 9 – Financial Instruments. The IASB issued this standard on 12th November 2009. At the reporting date, the IASB had not set the effective date for the standard and the competent bodies of the European Union had not yet completed the endorsement process necessary for the application of the amendment.
The amendments concern the reporting and measurement criteria for financial assets and the related classification in the financial statements. Among other things, the new provisions establish a model for classifying and measuring financial assets based solely on the following categories: (i) assets measured at amortised cost; (ii) assets measured at fair value. The new provisions also require equity investments other than those in subsidiaries, joint ventures or associates to be measured at fair value through profit or loss. In the event that such investments are not held for trading, fair value changes may be recognised in the statement of comprehensive income, with only the effects of the distribution of dividends being recognised in the income statement. When the investment is sold, the amounts recognised in the statement of comprehensive income do not need to be recognised in the income statement. Furthermore, on 28th October 2010, the IASB incorporated new requirements into IFRS 9 including the criteria for recognising and measuring financial liabilities.
Specifically, the new provisions require, among other things, that when measuring a financial liability at fair value through profit or loss, the fair value changes relating to changes in the issuer's own credit risk be recognised in the statement of comprehensive income. The item must be recognised in the income statement to ensure a match with other items in the financial statements relating to the liability, thereby avoiding accounting mismatch.

The IASB also issued the following amendments, for which the European Union had not completed the endorsement process by the date of these financial statements.

Investment Entities (amendments to IFRS 10; IFRS 12 and IAS 27). On 31st October 2012, the IASB issued the document 'Investment Entities', which regulates the activities of particular types of companies classified as investment entities. The IASB considers investment entities to be companies that invest with the sole aim of increasing the capital invested or the investment income or both. The provisions will be effective from financial years beginning on or after 1st January 2014.

On 29th May 2013, the IASB published an amendment to **IAS 36, Recoverable Amount Disclosures for Non-Financial Assets**, which requires specific disclosure of the discount rate used to determine an impairment loss (or a reversal) when the recoverable amount based on fair value less costs of disposal is determined using the present value method.

At the moment it is not considered that adoption of these amendments will have a significant impact on the Group's financial statements.

3.1 Consolidation method

The consolidated financial statements include the statements of the Parent Company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which said control ceases to exist. In particular, control is exercised by virtue of the Parent Company directly or indirectly owning the majority of shares carrying voting rights and through 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 as of 31st December and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, adjusted where necessary for the purposes of consistency with the accounting standards adopted by the Parent Company.

Subsidiaries that are consolidated on a line-by-line basis and unconsolidated subsidiaries that are included in the Group's consolidation perimeter are listed below:

Consolidated on a line-by-line basis	**% owned**
Arcola Petrolifera Srl	100%
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie SpA	100%
Ensar Srl and subsidiaries:	100%
Labor Eolica Srl	100%
Alpha Eolica Srl	100%
Sarint SA and subsidiaries:	100%
Saras Energia SA and subsidiary:	100%
Saras Energia Bio S.L.	100%
Reasar SA	100%
Parchi Eolici Ulassai Srl and subsidiary:	100%
Sardeolica Srl	100%
Sargas Srl	100%
Other equity interests of insignificant value (valued at cost)	
Consorzio Cesma	5%
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

On 28th March 2013, the shareholders' meeting of Arcola Petrolifera SpA voted to transform the company into a limited liability company with the name Arcola Petrolifera Srl with the same registered office, purpose, capital, duration and shareholders as the transformed company.
As part of the corporate restructuring approved by the Board of Directors of the Parent Company Saras SpA in January 2013 and with effect from 1st July 2013, the refining activities of Saras SpA were contributed to the subsidiary Sarlux Srl so as to concentrate the industrial operations conducted at the Sarroch site into a single company, thereby increasing operational and management efficiency.

The contribution in kind was conducted on the basis of 'accounting continuity', i.e. the recognition in the transferee's financial statements of all the business division's assets and liabilities at their carrying values in the transferor's financial statements. The sworn expert report required by article 2465 of the Italian Civil Code, prepared by two external auditors, confirmed that the economic value of the business division transferred to Sarlux Srl by Saras SpA was at least equal to the carrying value of the contributed assets.
The amounts transferred are shown in the table below:

Assets contributed in kind	
Current assets	**78,535**
Cash and cash equivalents	4
Other financial assets held for trading	0
Trade receivables	784
Inventory	72,781
Current tax assets	0
Other assets	4,966
Non Current assets	**708,551**
Property, plant and equipment	701,919
Intangible assets	364
Other equity interests	0
Deferred tax assets	0
Other financial assets	6,268
Total assets	**787,086**

Liabilities contributed in kind	
Current liabilities	**320,896**
Short-term financial liabilities	211,887
Trade and other payables	98,909
Current tax liabilities	0
Other liabilities	10,100
Non-current liabilities	**39,601**
Long-term financial liabilities	0
Provisions for risks and charges	14,602
Provisions for employees benefits	8,635
Deferred tax liabilities	3,716
Other liabilities	12,648
Total liabilities	**360,497**

Value contributed in kind	**426,589**

Following the contribution, the shareholders' equity of the subsidiary Sarlux Srl was increased by EUR 426,589 thousand, of which EUR 72,270 thousand related to an increase in the share capital and EUR 354,319 thousand to a reserve from contribution in kind. This transaction had no effect on the income statement or statement of financial position of the consolidated financial statements as the transferee is wholly controlled by the transferor.

On 26th November 2013, Saras Energia Bio S.L. was founded with share capital of EUR 3,000 and is wholly controlled by Saras Energia SA with registered office in Madrid. The company is not yet operational.

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 to the fair value on the date on which the entity's assets and liabilities and any equity instruments issued are acquired. The difference between:
- the amount paid (generally calculated on the basis of its fair value at acquisition date), and – in the case of a business combination achieved in stages – the fair value at the date of acquisition of control of the equity investment already held in the company; and
- the fair value of the identifiable assets acquired net of the identifiable liabilities taken on, measured at the date control is acquired

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

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

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

Investments in subsidiaries 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 'associates 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 concerned, adjusted where necessary to reflect the adoption of accounting standards that are consistent with those adopted by the Parent Company and includes, where applicable, any goodwill identified at the time of the acquisition.

[II] The Group's proportionate share of profits or losses is recognised in the consolidated income statement from the date on which the significant and controlling influence commences until the day it ceases to exist. Should the investee, 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 is 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 investees 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 investees are derecognised 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 consolidation perimeter 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 gains or losses arising from the translation of income statement amounts at an exchange rate different from the year-end rate and those arising from the translation of equity balances at the beginning of the year at an exchange rate different from the year-end rate.

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

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

3.2 Summary of accounting standards and policies

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

The main valuation policies used are described below.

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are reported at fair value, except for green certificates, with any gains reported in the income statement under 'Financial income' and 'Financial charges'.
Green certificates are allocated in advance by GSE based on the electricity expected to be generated from renewable sources in the year and subsequently adjusted according to actual figures. They are booked when the energy is produced. Green certificates are booked under financial assets held for trading with an offsetting entry under 'Other income', in light of GSE's obligation to withdraw green certificates if the company submits a request before 31st March of the following year. The certificates are valued at the price of withdrawal by GSE, which is considered an adequate approximation of their fair value at the end of the year. Decreases due to the sale of green certificates allocated in the period or in previous years are valued at the selling price. Capital gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under 'Other income' or 'Costs of services and sundry costs', respectively.

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

C Trade receivables

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

D Inventories

Inventories are recognised at the lower of purchase or production cost and 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 on initial recognition in the amount that is expected to be recovered from the tax authorities, taking account of their expected realisable value. Subsequently, they are booked at amortised cost based on the effective interest rate method.

F Other assets

Other current assets are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.
White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems. White certificates are booked on an accrual basis under 'Other income', in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.
The certificates are valued at the average market value for the year, unless the market value at the end of the year is significantly lower. Decreases due to the sale of white certificates allocated in the period or in previous years are valued at the selling price. Gains and losses arising from the sale of certificates in different financial years from those in which they were allocated are recorded under 'Other income' or 'Costs of services and sundry costs' respectively.

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

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

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

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

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

	I.G.C.C. plant	Other Assets
Buildings	until 2020	18 years
Generic plant	until 2020	12 years
Highly corrosive plant	until 2020	9 years
Thermoelectric plant	until 2020	
Wind farm		10 - 25 years
Transformation stations	until 2020	13 years
Office furniture and machinery		4 years
Vehicles		4 years
Other assets		5 - 12 years
Leasehold improvements		The shorter of the duration of the lease and the asset's useful life

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

Land is not depreciated.

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

I Leased assets

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the 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 are charged to the income statement. Amortisation commences from the time the asset is available for use and is charged on a straight-line basis over its estimated useful life.

[I] ***Goodwill***

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

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

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

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

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

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

[III] ***Research and development costs***

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

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

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

[A] Acquisition of exploration rights,
[B] Photographic, geological, geochemical and geophysical studies,
[C] Explorative drilling,
[D] Digging,
[E] Sampling, and
[F] Activities related to the evaluation of technical and commercial feasibility of mineral resource extraction

Are recorded under tangible or intangible assets according to their nature, as required by IFRS 6. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Impairment of assets

At each reporting date, tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators of impairment, originating from both internal and external sources. 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 costs 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

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asset, or of the cash generating unit to which it is allocated, is higher than its recoverable value. When the reasons for a write-down no longer exist, the write-down is reversed in the income statement up to the net book value that the asset in question would have had if it had not been written down and if it had been depreciated.

L Other equity interests

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

M Other financial assets

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

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

N Own shares

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

O Shareholders' equity

[I] **Share capital**

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

[II] **Reserves**

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

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

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

P Provisions for risks and future liabilities

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

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

Q Provisions for employee benefits

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

From 1st January 2007, the regulations governing employee end-of-service payments in Italy 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, national social security, if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31st December 2006

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

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

  Following application of IAS 19 (revised), actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of other comprehensive income.

- Benefits earned since 1st January 2007

  The benefits in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the Group.

  The corresponding liability is determined according to article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

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

Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as a financial liability and the difference is recorded on the income statement as financial income or charges.

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

S Recognition of revenues

Sales revenues are recognised when the risks and benefits associated with ownership have effectively been transferred or when a service has been rendered.

The recognition of revenues from services is based on the stage of completion reached.

Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

Excise duties paid on purchases are netted off against those collected on sales.

T Recognition of costs

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

U Interest income and expenses

Interest income and expenses are booked on an accrual basis.

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

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

W Dividends

[A] **Dividends received**

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

[B] **Dividends paid out**

The payment of dividends to Parent Company shareholders is recorded as a liability on the statement of financial position of the period in which the distribution was approved by the company's shareholders.

X Taxes

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

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

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

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

Y Derivatives

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

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

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

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

Z Earnings per share

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

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

AA 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 allowances, or credits, representing the excess CO_2 on the market.
If the credits allocated and purchased during the period, net of those sold, are insufficient, the shortfall (measured at market value at the end of the year or at the price agreed if there are forward contracts) is recorded under 'provisions for risks'; if, however, the credits allocated and purchased, net of those sold, exceed requirements, the surplus, measured at purchase cost or market value at the end of the year if lower, is recorded under 'Intangible assets'.

AB Segment information

An operating segment is a part of an entity:

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

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

3.3 Use of estimates

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

3.4 Most significant accounting policies requiring a greater degree of subjectivity

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

[I] Depreciation of fixed assets: depreciation of fixed assets represents a sizeable cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the Group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate.

The Group 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] Recoverable amount of fixed assets: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or on changes in the regulatory framework. The corresponding environment is monitored continuously and sector analysis is obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

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

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

[V] Revenues from electricity sold by the subsidiary Sarlux Srl to the Italian grid operator GSE (Gestore dei Servizi Energetici SpA): 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 Srl, meaning that it is comparable to an operating lease. Thus, these revenues have been reported on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs; in the years ahead, crude oil and gas prices could vary significantly from estimates as a result of events that cannot be predicted at present.

4. Information by business segment and geographical area

4.1 Preliminary remarks

As previously indicated, on 1st July 2013 the refining activities of Saras SpA were transferred to the subsidiary Sarlux Srl; since that date, the activities of Sarlux Srl therefore also comprise refining, in addition to its existing electricity generation business. In order to provide a better breakdown of the performance of the individual activities of the Group and given that Group management's methods of monitoring and managing the activities have not changed, the following information has been classified under the segments identified in previous reports.

The Saras Group's business segments are therefore:
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**, carried out by the Parent Company Saras SpA and the subsidiary Sarlux Srl relate to:

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

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

[B] Revenues from refining services provided to third parties, which represent only the income from refining activities conducted also 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 Srl for off-network customers (wholesalers, purchasing consortia, local authority-owned utility companies and resellers) and oil companies (ENI, Tamoil, Total, etc.) through a logistics network comprising both its own bases (at Sarroch) and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata and Torre Annunziata) as well as Deposito di Arcola Srl for the logistics management of the Arcola storage facility in Liguria;
   - in Spain, by Saras Energia SA for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of storage facilities located throughout the country, the most important of which, the Cartagena storage facility, is owned by the company itself. In addition, the Cartagena site also produces biodiesel; this activity has been merged with the Group's marketing business, as management considers it to be an integral part of marketing (analysing its performance within the business), and in view of its minor significance in terms of resources used and volumes produced.

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

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

5. **Other activities** include reinsurance activities undertaken for the Group by Reasar SA and research for environmental sectors undertaken by Sartec SpA.

Management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the financial statements for the year ended 31st December 2012.

4.2 Segment information

In order to show the individual margins attributable to the 'refining' and 'electricity generation' sectors, the 2013 figures include valuations for those intersegment services that no longer exist due to the above-mentioned transfer, based on the terms of the previous contracts.
A breakdown by segment is shown below. For further details, please see the appropriate sections of the Report on Operations:

31st December 2012		Refining	Marketing	Power Generation	Wind Power	Other	Total
Revenues from ordinary operations		10,679,997	3,109,811	632,704	12,220	20,378	14,455,110
less: intersegment revenues		(2,524,399)	(53,243)	(58,990)	0	(7,761)	(2,644,393)
Revenues from third parties		**8,155,598**	**3,056,568**	**573,714**	**12,220**	**12,617**	**11,810,717**
Other revenues		111,975	3,059	45,461	14,137	691	175,323
less: intersegment revenues		(76,876)	(38)	(19,660)	0	(217)	(96,791)
Other revenues from third parties		**35,099**	**3,021**	**25,801**	**14,137**	**474**	**78,532**
Amortisation and depreciation		**(105,817)**	**(47,941)**	**(79,841)**	**(10,294)**	**(292)**	**(244,185)**
Operating profit (a)	**(1)**	**(196,973)**	**(29,846)**	**146,965**	**9,664**	**2,050**	**(68,140)**
Financial income (a)		251,443	2,747	3,810	720	263	258,983
Financial charges (a)		(297,370)	(8,850)	(1,541)	(3,066)	(40)	(310,867)
Income taxes	(1)	91,710	8,253	(63,561)	(4,121)	(833)	31,448
Net result for the year (a)	**(1)**	**(151,190)**	**(27,696)**	**85,673**	**3,197**	**1,440**	**(88,576)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)		2,227,093	657,779	909,211	117,801	28,038	3,939,922
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)		1,918,611	287,146	471,423	57,904	8,140	2,743,224
Investments in tangible assets		96,613	6,944	8,694	476	412	113,139
Investments in intangible assets		423	1,253	0	3,298	1,166	6,140

(1) 2012 values reflect the application of IAS 19 revised

31st December 2013	Refining	Marketing	Power Generation	Wind Power	Other	Total
Revenues from ordinary operations	10,138,013	2,857,495	548,968	11,315	20,702	13,576,493
less: intersegment revenues	(2,323,526)	(89,571)	(49,426)	0	(7,688)	(2,470,211)
Revenues from third parties	**7,814,487**	**2,767,924**	**499,542**	**11,315**	**13,014**	**11,106,282**
Other revenues	152,905	3,629	38,054	18,967	751	214,306
less: intersegment revenues	(69,048)	(103)	(21,354)	0	(119)	(90,624)
Other revenues from third parties	**83,857**	**3,526**	**16,700**	**18,967**	**632**	**123,682**
Amortisation and depreciation	**(107,393)**	**(8,381)**	**(305,312)**	**(4,403)**	**(253)**	**(425,742)**
Operating profit (a)	**(261,043)**	**7,615**	**(122,954)**	**18,287**	**3,934**	**(354,161)**
Financial income (a)	219,709	3,582	5,449	1,693	310	230,743
Financial charges (a)	(244,143)	(12,212)	(1,181)	(2,571)	(75)	(260,182)
Income taxes	86,476	(1,534)	36,394	(7,398)	(1,418)	112,520
Net result for the year (a)	**(199,001)**	**(2,549)**	**(82,292)**	**10,011**	**2,751**	**(271,080)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	2,164,172	786,385	700,394	130,876	31,704	3,813,531
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	2,029,368	351,101	454,226	48,682	8,952	2,892,329
Investments in tangible assets	86,696	2,072	16,590	181	339	105,878
Investments in intangible assets	382	1,599	342	41	1,388	3,752

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

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

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

	31/12/2013	31/12/2012	Change
Directly attributable assets			
Italy	3,442,624	3,583,954	(141,330)
Rest of EU	370,907	355,968	14,939
Total	**3,813,531**	**3,939,922**	**(126,391)**
Investments in tangible and intangible assets			
Italy	105,969	111,112	(5,143)
Rest of EU	3,661	8,167	(4,506)
Total	**109,630**	**119,279**	**(9,649)**

Net revenues from ordinary operations by geographical area

	2013	2012	Change
Sales in Italy	5,559,910	5,113,772	446,138
Sales in Spain	1,063,870	1,745,707	(681,837)
Sales in other EU countries	1,470,537	1,464,248	6,289
Sales in non-EU countries	3,011,965	3,398,777	(386,812)
Sales in US	0	88,213	(88,213)
Total	**11,106,282**	**11,810,717**	**(704,435)**

Amounts are shown net of inter-company eliminations.

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

	31/12/2013	31/12/2012	Change
Receivables in Italy	476,132	516,837	(40,705)
Receivables in Spain	153,001	168,065	(15,064)
Other EU receivables	8,070	16,039	(7,969)
Non-EU receivables	48,425	133,084	(84,659)
US receivables	194	194	0
Provision for bad debts	(15,004)	(14,004)	(1,000)
Total	**670,818**	**820,215**	**(149,397)**

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

5. Notes to the consolidated statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2013	31/12/2012	Change
Bank and postal deposits	504,666	299,983	204,683
Cash	2,161	2,967	(806)
Total	**506,827**	**302,950**	**203,877**

Bank deposits are mainly attributable to Saras SpA (EUR 247,248 thousand), Arcola Petrolifera Srl (EUR 172,567 thousand), Sarlux Srl (EUR 20,727 thousand), Sardeolica Srl (EUR 29,545 thousand) and Saras Energia SA (EUR 31,777 thousand). For information regarding restrictions on the use of the cash of Sardeolica Srl see paragraph 5.4.1. For further details on the company's net financial position, refer to the relevant section of the Report on Operations or the cash flow statement.

5.1.2 Other financial assets held for trading

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

	31/12/2013	31/12/2012	Change
Securities	3,418	0	3,418
Green Certificates	17,599	10,833	6,766
Derivative instruments	13,628	31,493	(17,865)
Total	**34,645**	**42,326**	**(7,681)**

Green certificates relate to electricity generation from renewable sources by the subsidiary Sardeolica Srl.
They are sold on a specific regulated market or through bilateral agreements between market operators, or through withdrawal by GSE at a pre-determined price; the certificates in the portfolio earned during the reporting period are valued at the price defined for withdrawal by GSE (EUR 89.3/MWh for 2013 compared with EUR 80.34/MWh for 2012). Gains and losses realised for the period, and any write-downs applied in cases where the market value is lower than the carrying value at the end of the period, are booked to the income statement under 'Other income' or 'Costs of services and sundry costs'.

Changes in securities and green certificates are shown below:

	Securities	White Certificates	Green Certificates	Total
Balance at 31/12/2011	**1**	**2,315**	**8,592**	**10,908**
Increase	0	0	10,833	10,833
Decrease	(1)	(2,315)	(8,592)	(10,908)
Balance at 31/12/2012	**0**	**0**	**10,833**	**10,833**
Increase	3,418	0	17,575	20,993
Decrease	0	0	(10,809)	(10,809)
Balance at 31/12/2013	**3,418**	**0**	**17,599**	**21,017**

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

5.1.3 Trade receivables

This item totalled EUR 670,818 thousand, a decrease of EUR 149,397 thousand compared with the previous year.
The change mainly relates to receivables due to the subsidiary Sarlux Srl from G.S.E. totalling EUR 62,877 thousand compared with EUR 120,807 thousand in the previous year, which included EUR 38.1 million relating to prior year adjustments.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2013:

	31/12/2013	31/12/2012	Change
Raw materials, spare parts and consumables	328,805	285,889	42,916
Semi-finished products and work in progress	74,166	93,569	(19,403)
Finished products and goods held for resale	522,345	541,189	(18,844)
Advance payments	747	244	503
Total	**926,063**	**920,891**	**5,172**

The decrease in the price of crude and oil products was largely offset by increases in stocks held.
The recording of inventories at net realisable value led to a write-down of approximately EUR 16.7 million.
This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The item 'Finished products and goods held for resale' includes around 661 thousand tons of oil products (valued at around EUR 456 million) held for Group companies and certain third parties in accordance with the obligations laid down in Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 929 thousand tons valued at approximately EUR 666 million).

The Sarroch refinery held no crude oil or oil products belonging to third parties at 31st December 2013 (EUR 3 million at 31st December 2012).

5.1.5 Current tax assets

The following table shows a breakdown of current tax assets.

	31/12/2013	31/12/2012	Change
VAT	1,167	4,254	(3,087)
IRES (corporate income tax, including income tax of foreign companies)	37,821	31,984	5,837
IRAP (regional income tax)	3,866	2,659	1,207
Other tax receivables	6,096	6,802	(706)
Total	**48,950**	**45,699**	**3,251**

IRES receivables are attributable to excess tax paid in the current and previous years; the increase essentially derives from excess payment on account by Sarlux Srl for the IRES surcharge (Robin Hood Tax) compared with the tax calculated at year end.
VAT receivable relates entirely to Saras Energia SA.

5.1.6 Other assets

The balance breaks down as follows:

	31/12/2013	31/12/2012	Change
Accrued income	473	613	(140)
Prepaid expenses	4,163	3,776	387
Other receivables	95,468	72,882	22,586
Total	**100,104**	**77,271**	**22,833**

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

'Other receivables' mainly comprises:
- A receivable of EUR 13,487 thousand due to the subsidiary Sarlux Srl arising from approval pursuant to section II, point 7-bis of CIP Provision 6/92 of the refund of charges applicable to 2013 regarding the application of Directive 2013/87/EC on emissions trading, as per AEEG Resolution 77/08 (EUR 23,824 thousand in the previous year);

- Recovery of the amount paid by Sarlux Srl to GSE of EUR 44,040 thousand, as described in section 7.1 (EUR 22,667 thousand in the previous year);
- White certificates for EUR 17,187 thousand (of which EUR 222 thousand have already been awarded) for energy savings made by the Sarroch refinery (EUR 8,737 thousand in 2012). These are sold on an appropriate regulated market or through bilateral agreements between market operators. The certificates in the portfolio are valued at the average annual market price (EUR 105.98 per certificate in 2013, compared with EUR 89.70 in 2012);
- Deposits to secure derivatives transactions carried out by the Parent Company of EUR 10,911 thousand (EUR 14,247 thousand in the previous year).

5.2 Non-current assets

On 31st December 2013, the market capitalisation of the Parent Company Saras SpA was less than the carrying value of shareholders' equity. This is one of the impairment indicators identified by IAS 36. However, the Group's companies have already carried out impairment testing on each of the main cash generating units defined in accordance with the division of the Group's business into segments.
The results of the analysis – including sensitivity analyses performed on the main assumptions – did not show any impairment or need for reversal of past write-downs, except as indicated in 5.2.2 below.
For further information on the impairment testing of the cash generating units to which goodwill has been allocated, see the relevant note in 5.2.2 below.

5.2.1 Property, plant and equipment

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

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

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

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

COST	31/12/2012	Additions	(Disposals)	Grants	Other changes	31/12/2013
Land & buildings	229,945	397	(90)	(1,524)	5,652	234,380
Plant & machinery	2,752,173	22,134	(5,366)	(21,045)	141,532	2,889,428
Industrial & commercial equipment	37,031	481	(7,829)	(1,978)	774	28,479
Other assets	479,432	1,051	(6,005)	(2,937)	23,740	495,281
Assets under construction and payments on account	207,665	81,815			(172,262)	117,218
Total	**3,706,246**	**105,878**	**(19,290)**	**(27,484)**	**(564)**	**3,764,786**

ACCUMULATED DEPRECIATION	31/12/2012	Depreciation	(Disposals)	Grants on depreciations previous years	Other changes	31/12/2013
Land & buildings	96,535	10,029	(38)	(708)	1,507	107,325
Plant & machinery	1,914,648	140,888	(3,989)	(18,700)	(10,297)	2,022,550
Industrial & commercial equipment	27,681	2,052	(7,825)	(1,978)	(97)	19,833
Other assets	378,624	18,618	(5,993)	(2,187)	8,591	397,653
Total	**2,417,488**	**171,587**	**(17,845)**	**(23,573)**	**(296)**	**2,547,361**

NET BOOK VALUE	31/12/2012	Additions	(Disposals)	(Depreciation)	Grants and other changes	31/12/2013
Land & buildings	133,410	397	(52)	(10,029)	3,329	127,055
Plant & machinery	837,525	22,134	(1,377)	(140,888)	149,484	866,878
Industrial & commercial equipment	9,350	481	(4)	(2,052)	871	8,646
Other assets	100,808	1,051	(12)	(18,618)	14,399	97,628
Assets under construction and payments on account	207,665	81,815	0	0	(172,262)	117,218
Total	**1,288,758**	**105,878**	**(1,445)**	**(171,587)**	**(4,179)**	**1,217,425**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 188,448 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Small Business on 19th June 1995, with the Ministry of Productive Activities on 10th October 1997 and with the Ministry of Economic Development on 10th June 2002, the final decree awarding the grants having been issued on 14th May 2013. The latter grant (EUR 27,484 thousand) was amortised taking into account the entry into service of the related assets. The net book value of these grants at 31st December 2013 was EUR 3,526 thousand (EUR 2,205 thousand at 31st December 2012).

The item ‘Land and buildings’ chiefly includes industrial buildings, offices and warehouses with a net book value of EUR 82,684 thousand, civil buildings in Milan and Rome belonging to the Parent Company and used as offices with a net value of EUR 7,745 thousand and land largely relating to the Sarroch and Arcola sites belonging to the Parent Company Sarlux Srl and the subsidiary Deposito di Arcola Srl respectively, worth EUR 36,626 thousand.

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

The item ‘Industrial and commercial equipment’ includes equipment for the chemical laboratory and the control room for refining activities, as well as miscellaneous production equipment.

‘Other assets’ mainly includes tanks and pipelines used to carry the products and crude oil of Group companies (Sarlux Srl, Saras Energia SA and Deposito Arcola Srl).

The item ‘Assets under construction and payments on account’ reflects costs incurred mainly for investment in tanks, and work to adapt and upgrade existing structures, particularly for environmental, safety and reliability purposes.

The item increased by EUR 105,878 thousand year-on-year, mainly reflecting technological work on refinery plants, in particular the revamping of the Mild Hydrocracking 2 (MHC2) plant.

The decrease of EUR 172 million recorded under ‘Assets under construction - Other changes’ relates to work completed during the year and consequently recorded in the related asset class, in particular the above-mentioned Mild Hydrocracking 2 (MHC2) plant, which went on stream in the third quarter of 2013.

The impairment test of the electricity-generating plants belonging to Sarlux Srl and located at the Sarroch production site, which was carried out on 30th June 2013, did not indicate a need to post write-downs on them.
However, for prudential reasons, the end of their useful lives was brought forward to 2020 since the carrying value of the plants will mainly be recovered by the maturity of the contract with GSE.
This change in estimate increased depreciation in the second half of 2013 by about EUR 8 million.

Note, also, that during the period the subsidiary Sardeolica Srl revised its assumptions about the valuation of the useful lives of the assets comprising the wind farm. Based both on past experience and on the gradual process of consolidation taking place in the sector, the projected valuation is now based on an average life of wind farms of at least 20 years. Furthermore, the company drew further support for its decision from the regulatory framework, which confirmed that incentives for generating electricity from renewable sources would remain in place over a medium to long-term horizon. This change in estimate increased depreciation slightly in 2013 by about EUR 5.8 million.

The main depreciation rates used are as follows:

	I.G.C.C. plant	Other Assets (annual rates)
Industrial buildings (land and buildings)	until 2020	5.50%
Generic plant (plant and machinery)	until 2020	8.38%
Highly corrosive plant (plant and machinery)	until 2020	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric plant (plant and machinery)	until 2020	
Wind farm (plant and machinery)		10.00%
Supplies (equipment plant and machinery)		25.00%
Electronic office equipment (other assets)		20.00%
Office furniture and machinery (other assets)		12.00%
Vehicles (other assets)		25.00%

There are no fixed assets held for sale.

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

Financial charges of EUR 5,528 thousand (at an annual weighted average rate of 5.37%) and internal costs of EUR 3,968 thousand were capitalised in 2013.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

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

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

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

COST	31/12/2012	Additions	Disposals	Write-downs	Other changes	31/12/2013
Industrial & other patent rights	39,137	1,595	(750)		867	40,849
Concessions, licences, trademarks & similar rights	58,452		(512)		(198)	57,742
Goodwill	21,909					21,909
Other intangible assets	514,204		(2,099)			512,105
Assets in progress & payments on account	22,034	2,157	(1,640)		(63)	22,488
Total	**655,736**	**3,752**	**(5,001)**	**0**	**606**	**655,093**

ACCUMULATED AMORTISATION	31/12/2012	Amortisation	Disposals	Write-downs	Other changes	31/12/2013
Industrial & other patent rights	35,529	2,011	(750)			36,790
Concessions, licences, trademarks & similar rights	16,186	2,632	(346)		80	18,552
Goodwill	0					0
Other intangible assets	255,254	17,057	(2,098)	232,455		502,668
Total	**306,969**	**21,700**	**(3,194)**	**232,455**	**80**	**558,010**

NET BOOK VALUE	31/12/2012	Additions	Disposals	Other changes	(Amortisation / write-downs)	31/12/2013
Industrial & other patent rights	3,608	1,595	0	867	(2,011)	4,059
Concessions, licences, trademarks & similar rights	42,266	0	(166)	(278)	(2,632)	39,190
Goodwill	21,909	0	0	0	0	21,909
Other intangible assets	258,950	0	(1)	0	(249,512)	9,437
Assets in progress & payments on account	22,034	2,157	(1,640)	(63)	0	22,488
Total	**348,767**	**3,752**	**(1,807)**	**526**	**(254,155)**	**97,083**

Amortisation of intangible assets totalled EUR 21,700 thousand, and was calculated using the annual rates shown below:

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

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

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

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

Goodwill

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

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

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs)**: the subsidiary Parchi Eolici Ulassai Srl (and its subsidiary Sardeolica Srl) is identified as a single CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The analysis was therefore carried out on the consolidated aggregate figures of Parchi Eolici Ulassai Srl at 31st December 2013.

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

c) **Determination of the recoverable value of goodwill based on value in use**: in the absence of a binding agreement to sell the asset and an active reference market 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.
   - The discount rate (weighted average cost of capital, or WACC) was 7.5%, which is specific to the sector (the Group rate used in 2012 was 9%).
   - The selling prices of the electricity produced by the CGU and of its green certificates were projected using a ratio provided by a leading independent company specialising in this sector and commonly used in the sector and by the Group in its own analyses.
   - An inflation rate of 2% was estimated for the entire period.
   - A terminal value of zero was applied.

   The value in use thus derived, at 31st December 2013, exceeds the carrying value of the CGU by around EUR 40 million.

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

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

Other intangible assets

Decree Law 69/2013 ('Decreto del Fare' [Decree of Doing]) called for the determination of the avoided fuel cost component (CEC) using spot market prices for gas rather than Brent prices as in the past for the CIP 6 tariff, which governs the selling price for electricity by the subsidiary Sarlux Srl to GSE.
Based on scenarios used for gas prices, the new calculation method results in a slight reduction of the CIP 6 tariff in 2013, which could become more marked from the following year.
Based on IAS 36, this has made it necessary to measure the recoverability of the value of the existing agreement between Sarlux Srl and GSE

As specified in the same accounting standard, the measurement process as at 30th June 2013 can be broken down into the following phases:

a) **Definition of the cash-generating units (CGUs):** the complex of plants used for the generation of electricity and the contract with GSE (recorded under intangible assets) is identified as a 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.

b) **Determination of recoverable value:** 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 was determined according to the present value of future cash flows expected to be derived from the CGU. Specifically:
   - The long-term outlook for gas prices and crude was provided by a leading independent company specialising in this sector;
   - The time horizon for cash flows was considered up to the end of the agreement with GSE to sell electricity (2020). The time horizon is greater than five years because there are long-term projections for the sector, and it is reasonably possible to make reliable projections for operating costs in the period;
   - The discount rate (weighted average cost of capital or WACC) was 7.5%, which is specific to the sector (the Group rate used in 2012 was 9%);
   - An inflation rate of 2% was estimated for the entire period;
   - The tax rate applied was the rate currently enacted.

Based on the above, the new valuation of the CGU's value in use, which was carried out by independent experts, resulted in a write-down at 30th June 2013 of the total value of the agreement to EUR 232,455 thousand.
The recoverable value of the CGU was revised at 31st December, taking into account various scenarios. The revision revealed under the base scenario that it would be possible to reverse part of the write-down booked at 30th June. However, even small changes in the main assumptions would have made it necessary to post further write-downs. Based on these results, management decided there were no grounds to reverse past write-downs.

Intangible assets in progress and payments on account

This item mainly includes the cost of natural gas exploration in Sardinia (EUR 17,985 thousand). These costs include capitalisation of internal costs of EUR 192 thousand incurred during the reporting period. No financial charges were capitalised.

5.2.3 Equity investments

The table below shows a list of equity investments held at 31st December 2013, with the main figures relating to each subsidiary:

Company name	HQ	Currency	Share capital	% owned by Group as of 31st Dec. 2013	% owned by Group as of 31st Dec. 2012	% of share capital	Shareholder	% of voting rights	Category
Arcola Petrolifera Srl	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Deposito di Arcola Srl	Arcola (SP)	EUR	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie SpA	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Ensar Srl and subsidiaries:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Alpha Eolica Srl	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar Srl	100.00%	Indirect subsidiary
Labor Eolica Srl	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar Srl	100.00%	Indirect subsidiary
Sarint SA and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Energia SA and subsidiary:	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect subsidiary
Saras Energia Bio S.L.	Madrid (Spain)	EUR	3,000	100.00%	100.00%	100.00%	Saras Energia SA	100.00%	Indirect subsidiary
Reasar SA	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect subsidiary
Sarlux Srl	Sarroch (CA)	EUR	100,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Parchi Eolici Ulassai Srl and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sardeolica Srl	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai Srl	100.00%	Indirect subsidiary
Sargas Srl	Uta (CA)	EUR	10,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie SpA	5.00%	Other equity investments
Consorzio La Spezia Utilities	La Spezia	EUR	114,000	5.00%	5.00%	5.00%	Deposito di Arcola Srl	5.00%	Other equity investments
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras SpA	5.95%	Other equity investments

After 31st December 2012, Saras Energia BIO S.L. was set up with share capital of EUR 3,000. It is wholly controlled by Saras Energia SA.

To guarantee the loan taken out by Sardeolica Srl, all of the shares in the company were pledged as collateral to the financing banks; see 5.4.1 for more details.

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

5.2.3.1 Other equity interests

Other equity interests break down as follows:

	31/12/2013	31/12/2012
Consorzio Cesma	3	3
Consorzio La Spezia Utilities	7	28
Sarda Factoring	495	495
Total	**505**	**526**

5.2.4 Deferred tax assets

The balance of EUR 205,560 thousand at 31st December 2013 comprises mainly:

- Net deferred tax assets of the Parent Company Saras SpA of EUR 99,751 thousand, including EUR 93,217 thousand still available to be used against tax losses under the national tax consolidation scheme (EUR 54,847 thousand), and against the IRES surcharge applicable to the energy sector (6.5% or EUR 38,370 thousand), excluded from the tax consolidation scheme. The amounts in question should be applicable in respect of future taxable income;
- Net deferred tax assets of the subsidiary Sarlux Srl totalling EUR 92,200 thousand, mainly consisting of deferred tax assets of EUR 161,204 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 14 – and deferred tax liabilities of EUR 66,372 thousand relating to excess and accelerated depreciation, and
- Net deferred tax assets of the subsidiary Saras Energia SA of EUR 15,865 thousand, which mainly comprise tax assets on tax losses (EUR 12,956).

The increase compared with 31st December 2012 of EUR 118,652 is mainly due to:

- The reversal of deferred tax assets (EUR 95,214) arising from the above-mentioned write-down of the agreement with GSE;
- Provision for deferred tax assets on tax losses of the period (totalling EUR 38,336 thousand, net of the effect of the reduction in IRES surcharge from 10.5% to 6.5%, starting in 2014 (EUR 19,707 thousand).

The following table provides a breakdown of net deferred tax assets, including EUR 3,641 thousand for the deferred tax of Reasar SA, shown as a separate liability under 'Deferred tax liabilities'.

	Amounts at 31/12/2012	Provision	Utilisation	P&L effect of decrease in tax rate	Other changes	Amounts at 31/12/2013
Deferred tax liabilities						
Excess and accelerated depreciation	(74,037)		7,870	(168)	(580)	(66,915)
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)					(10,861)
Adjustment for scheduled plant and equipment maintenance	(1,391)		470			(921)
Write-off of provision for risks related to subsidiaries	(3,163)	(478)				(3,641)
Employee benefits and bonuses	8	(64)			3	(53)
Unrealised exchange losses	(62)	(2,112)	58			(2,116)
Fair value of derivatives	809	(305)		(53)		451
Fair value of Sarlux contract with GSE	(95,214)		95,214			0
Write-off of goodwill amortisation	(178)	(20)				(198)
Measurement of Sardeolica concessions (IFRS 3 on acquisition of 30% PEU)	(6,828)		341			(6,487)
Other	(309)			32		(277)
Total deferred tax liabilities	**(191,226)**	**(2,979)**	**103,953**	**(189)**	**(577)**	**(91,018)**
Deferred tax assets						
Provisions for risks and write-downs	14,413	14	(1,402)	(237)	(9,900)	2,888
Measurement of inventory at end of period	101	197	(705)	16	929	538
Derecognition of intangibile assets	555	28				583
Reclassification of grants previously carried as equity	75		(44)	(3)		28
Costs for the dismantling and removal of tangible assets	6,375	115		(17)		6,473
Adjustment for scheduled plant and equipment maintenance	826	912				1,738
Employee benefits and bonuses	4,356	1,352	(4,313)	(4)	16	1,407
Unrealised exchange losses	455	1,402	(21)	(45)		1,791
Reporting of revenues of Sarlux on a straight-line basis (as per IAS 17 and IFRIC 4)	160,226	978	0			161,204
Excess maintenance costs	123		(123)			0
Deferred tax asset on tax loss of Saras SpA (on IRES surcharge of 6.5% for 2013 and 10.5% for 2012)	50,451	7,626		(19,707)		38,370
Tax asset relating to IRES consolidated tax loss	26,602	27,947	(9)		580	55,120
Deferred tax asset on tax loss of Saras Energia	3,736	1,450			7,770	12,956
Other	6,199	3,043	(608)	(522)	1,729	9,841
Total deferred tax assets	**274,493**	**45,064**	**(7,225)**	**(20,519)**	**1,124**	**292,937**
Net total	**83,267**	**42,085**	**96,728**	**(20,708)**	**547**	**201,919**

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

Subsidiary	Start date	End date
Arcola Petrolifera Srl	01/01/2013	31/12/2015
Deposito di Arcola Srl	01/01/2013	31/12/2015
Ensar Srl	01/01/2013	31/12/2015
Parchi Eolici Ulassai Srl	01/01/2011	31/12/2013
Saras Ricerche e Tecnologie SpA	01/01/2013	31/12/2015
Sardeolica Srl	01/01/2011	31/12/2013
Sargas Srl	01/01/2013	31/12/2015
Sarlux Srl	01/01/2012	31/12/2014

The Parent Company has already proposed, by resolution of the Board of Directors, that Sardeolica Srl and Parchi Eolici Ulassai Srl renew their participation in the national tax consolidation scheme following expiry of their agreements on 31st December 2013. The option granted to the subsidiaries, if taken up, must be exercised by next June.

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2013 and 2012:

	2013 Short term	2013 Medium/Long term	2012 Short term	2012 Medium/Long term
Deferred tax liabilities				
Excess and accelerated depreciation	(9,863)	(57,052)	(6,206)	(67,831)
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,861)
Adjustment for scheduled plant and equipment maintenance	(359)	(562)	(470)	(921)
Write-off of provision for risks related to subsidiaries		(3,641)		(3,163)
Employee benefits and bonuses	(53)		8	
Unrealised exchange losses	(2,116)		(62)	
Fair value of derivatives	451		809	
Fair value of Sarlux contract with GSE			(12,987)	(82,227)
Write-off of goodwill amortisation		(198)		(178)
Measurement of Sardeolica concessions (IFRS 3 on acquisition of 30% PEU)	(341)	(6,146)	(341)	(6,487)
Other	(277)		(309)	
Total deferred tax liabilities	**(12,558)**	**(78,460)**	**(19,558)**	**(171,668)**
Deferred tax assets				
Provisions for risks and write-downs	590	2,298	1,345	13,068
Measurement of inventory at end of period at FIFO	538		101	
Derecognition of intangibile assets	583		60	495
Reclassification of grants previously carried as equity	28		75	
Costs for the dismantling and removal of tangible assets		6,473		6,375
Adjustment for scheduled plant and equipment maintenance		1,738		826
Employee benefits and bonuses	1,363	44	2,831	1,525
Unrealised exchange losses	1,791		455	
Reporting of revenues of Sarlux on a straight-line basis (as per IAS 17 and IFRIC 4)	18,546	142,658	19,491	140,735
Excess maintenance costs			123	
Deferred tax asset on tax loss of Saras SpA (on IRES surcharge of 6.5% for 2013 and 10.5% for 2012)		38,370		50,451
Tax asset relating to IRES consolidated tax loss		55,120		26,602
Deferred tax asset on tax loss of Saras Energia		12,956		3,736
Other	6,782	3,059	6,199	
Total deferred tax assets	**30,221**	**262,716**	**30,680**	**243,813**

5.2.5 Other financial assets

At 31st December 2013, the balance of this item was EUR 5,551 thousand (EUR 6,089 thousand in the previous year) and is chiefly represented by the long-term portion of the financial receivable of the Parent Company Saras SpA from third parties of EUR 4,960 thousand, and security deposits made by the Parent Company Saras SpA and its subsidiary Saras Energia SA.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

	31/12/2013	31/12/2012	Change
Bank loans	38,566	33,239	5,327
Bank accounts	110,218	81,893	28,325
Derivative instruments	21,424	45,632	(24,208)
Other short term financial liabilities	10,762	6,233	4,529
Total short-term financial liabilities	**180,970**	**166,997**	**13,973**
Total long-term financial liabilities	**385,780**	**424,891**	**(39,111)**
Total fiancial liabilities	**566,750**	**591,888**	**(25,138)**

The terms and conditions of the company's loans are explained in the note on the item '5.4.1 - Long-term financial liabilities'.

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

	31/12/2013 Assets	31/12/2013 Liabilities	31/12/2012 Assets	31/12/2012 Liabilities
Interest rate swaps	0	(2,510)	6	(4,866)
Fair value of forward purchases and sales of commodities (oil & other oil products)	13,470	(16,287)	30,855	(38,121)
Fair value of derivative instruments involving foreign currencies	158	(2,627)	632	(2,645)
Total	**13,628**	**(21,424)**	**31,493**	**(45,632)**

The following tables show the notional values and corresponding fair values of derivatives outstanding at 31st December 2013 and 31st December 2012:

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

Type of transaction	**Interest rate**			**Other**			
Figures at 31/12/2013	**Notional value**	**Fair value**		**Notional value**		**Fair value**	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(442,552)	327,032	6,435	(9,759)
Foreign currencies				(785,796)	0	158	(2,627)
Swaps							
Oil products and crude oil				(77,417)	242,898	3,517	(4,298)
Interest rates	166,342	0	(2,510)				
Options							
Oil products and crude oil				(3,350)	4,900	3,518	(2,230)
Total	**166,342**	**0**	**(2,510)**	**(1,309,115)**	**574,830**	**13,628**	**(18,914)**

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

For further details, see the cash flow statement.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2013	31/12/2012	Change
Advances from customers: portion due within the year	89,883	6,526	83,357
Trade payables: portion due within the year	1,515,984	1,387,816	128,168
Total	**1,605,867**	**1,394,342**	**211,525**

The item 'Advances from customers' refers to payments on account received from the Parent Company's customers for the supply of oil products.
The balance of 'Payables to suppliers' includes the payable for the provision of crude oil purchased from Iran, for which payment continues to be suspended due to restrictions in international banking networks resulting from the complete oil embargo decided by the European Union. The change that has occurred in payables to suppliers in the last two years is mainly due to said deferrals.
The table below shows a geographical breakdown of trade payables:

	31/12/2013	31/12/2012	Change
Payables to Italian suppliers	249,299	239,829	9,470
Payables to Spanish suppliers	120,123	102,888	17,235
Payables to other EU country suppliers	146,513	20,987	125,526
Payables to non-EU country suppliers	1,089,674	1,030,451	59,223
Payables to US suppliers	258	187	71
Total	**1,605,867**	**1,394,342**	**211,525**

5.3.3 Current tax liabilities

This item breaks down as shown below:

	31/12/2013	31/12/2012	Change
VAT	91,667	81,180	10,487
IRES (corporation tax) and income tax of foreign companies	781	5,885	(5,104)
IRAP (regional income tax)	353	2,042	(1,689)
Other tax payables	75,671	72,018	3,653
Total	**168,472**	**161,125**	**7,347**

The change in VAT payable is due to higher revenues realised by the Parent Company Saras SpA during December from Italian customers, compared with the corresponding period of the previous year.

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

IRAP payables reduced due to the fall in taxable income of the Italian companies for the period.

The item 'Other tax payables' chiefly includes excise duties on products introduced into the market by the subsidiary Arcola Petrolifera Srl (EUR 65,057 thousand) and by the subsidiary Saras Energia SA (EUR 5,765 thousand).

5.3.4 Other current liabilities

A breakdown of other current liabilities is shown below:

	31/12/2013	31/12/2012	Change
Social security payables: portions due within one year	8,782	9,494	(712)
Due to personnel	14,185	17,066	(2,881)
Payables to Ministry for grants	15,679	41,297	(25,618)
Other payables	19,062	25,402	(6,340)
Other accrued liabilities	619	798	(179)
Other deferred income	1,349	733	616
Total	**59,676**	**94,790**	**(35,114)**

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

The item 'Payables to Ministry for grants' mainly includes the advance (EUR 15,679 thousand) received from the Ministry of Economic Development, for which the final decree has yet to be issued to the subsidiary Sardeolica Srl for the construction of the Ulassai wind farm. As already noted in 5.2.1 'Property, plant and equipment', the decrease was due to the receipt of the final decree of 14th May 2013 for grants received by the Parent Company to support the Programme Agreement signed on 10th June 2002 (EUR 24,737 thousand).

The item 'Other payables' mainly relates to port duties as determined by the customs authority in respect of the Parent Company (EUR 15,115 thousand). Please note that the initial phase of the company's longstanding dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.

In the second phase of the dispute, the Court of Cassation ruled against the Parent Company in March 2012, in part due to regulatory amendments that had been introduced in the intervening period.

As a result of the developments in this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has always been booked on an accrual basis under 'Cost of services and sundry costs'.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as follows:

	31/12/2013	31/12/2012	Change
Euro Bond	249,224	248,724	500
Bank loans	136,556	176,167	(39,611)
Total long-term financial liabilities	**385,780**	**424,891**	**(39,111)**

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

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

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

Figures in Euro million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/12	Net book value at 31/12/13	Maturity 1 year	Maturity from 1 to 5 years	Maturity after 5 years	Collateral
Saras SpA									
Loan in pool	3-Jul-12	170.0	Euribor 6M	167.8	142.8	30.7	112.1		
				167.8	**142.8**	**30.7**	**112.1**		
Saras Energia SA									
Banco Santander	27-Jul-12	5.0	Euribor 12M	5.0	3.9	2.5	1.4		
				5.0	**3.9**	**2.5**	**1.4**		
Sardeolica Srl									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	36.6	28.4	5.3	23.1		
				36.6	**28.4**	**5.3**	**23.1**		
Total payables to banks for loans				**209.4**	**175.1**	**38.5**	**136.6**		

The weighted average interest rate at 31st December 2013 was 4.89%.

Saras SpA's loan agreement for EUR 170 million is subject to the following covenants:

- In financial terms, the company will have to meet the following ratios: net debt/EBITDA < 3.25 and net debt/shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months at 30th June and 31st December each year.
- In corporate terms, mainly in relation to the company's ownership structure, a ban on changing business purpose, reducing share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets.
- As regards dividends, the company is allowed to pay out a maximum amount of 60% consolidated adjusted net profit provided that, after distribution, it still complies with the net debt/EBITDA ratio covenant. Note that the covenant in question is consistent with the policy adopted some time ago by the Parent Company.

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

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

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

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

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

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

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

	31/12/2012	Additions	Decrease for use and reversals	Other changes	31/12/2013
Provisions for dismantling of plants	18,836	127	0	0	18,963
Provisions for CO_2 allowances	23,886	15,044	(23,896)	10	15,044
Other risk provisions	9,669	56	(750)	(4)	8,971
Total	**52,391**	**15,227**	**(24,646)**	**6**	**42,978**

The provisions for dismantling plants relate to the future costs of dismantling plant and machinery, which are made wherever there is a legal and constructive obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes. The year-on-year increase comprises the above-mentioned ISTAT adjustment.

The provision for CO_2 allowances (EUR 15,044 thousand) was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.

Until 30th June 2013, the Parent Company Saras SpA was responsible for the CO_2 emissions at the entire Sarroch site, including the IGCC plant owned by its subsidiary Sarlux Srl. From 1st July 2013, following the transfer of the refining division mentioned above, Sarlux Srl has taken on responsibility for the entire Sarroch site. Likewise, the relevant authorities transferred to Sarlux Srl the CO_2 allowances and the compliance obligations for the whole of 2013.
Under the 'National Allocation Plan' for allowances in the period 2013-2020, the Sarroch site has been allocated 2,601,956 tonnes of CO_2 for 2013; within this allocation, the part technically relating to the refinery plants, calculated using methodology compliant with the provisions of the new allocation plan, is 2,020,483, and the part relating to the cogeneration plants is 581,473. This results in the following situation:
- The effective emissions of the refinery plants were 2,188,992 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 168,497 tons, worth EUR 771 thousand;
- The effective emissions for the cogeneration plants were 3,699,177 tons of CO_2 at 31st December. A provision was made for the shortfall for the year, net of purchases, of 3,117,486 tons, worth EUR 14,273 thousand.

During the year, EUR 23,896 thousand was used from the provisions (EUR 2,815 thousand for Saras and EUR 21,081 thousand for Sarlux) to buy (and deliver) allowances relating to the previous year;
CO_2 allowances already held by the Group are taken into account in determining the provision.

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

Emission allowances (Tons)	Refinery plant	IGCC plant	Total
Deficit as of 31st December 2011	**(1,377,976)**	**(2,724,098)**	**(4,102,074)**
Allowances allocated in 2012	2,159,696	444,404	2,604,100
Coverage of certified deficit from previous year	(1,383,021)	(2,730,321)	(4,113,342)
Purchase (with delivery)	893,418	3,119,880	4,013,298
Transfer	0	0	0
Emissions in the year	(2,222,020)	(3,694,000)	(5,916,020)
Deficit as of 31st December 2012	**(551,927)**	**(2,860,037)**	**(3,411,964)**
Allowances allocated in 2013	2,020,483	581,473	2,601,956
Allowances in-hand (excess on 2008-2012 plan)	12	218	230
Transfer	0	0	0
Emissions in the year	(2,188,992)	(3,699,177)	(5,888,169)
Deficit as of 31st December 2013	**(168,497)**	**(3,117,486)**	**(3,285,983)**

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

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2013	31/12/2012	Change
Employee end-of-service payments	13,440	13,833	(393)
Other supplementary pension funds	6,466	8,992	(2,526)
Total	**19,906**	**22,825**	**(2,919)**

Employee end-of-service payments are governed by article 2120 of the Italian Civil Code and reflect the estimated amount that the company will be required to pay employees when they leave their employment. The liability accrued at 31st December 2006 was determined according to actuarial methods. On 30th June 2010, following the cancellation by the Parent Company of the agreement establishing CPAS, the company's supplementary employee pension fund, the related provision was released and put into liquidation, with workers given the option of transferring the benefits earned until that date to another supplementary pension scheme or of redeeming the entire amount. The trade unions disputed the cancellation, 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 propriety of its actions will be upheld in court. Following the cancellation, the Saras CPAS fund is the company's supplementary employee pension fund, and is structured as a defined contribution fund.

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

Balance at 31.12.2011	**12,852**
Accruals for defined contribution plan (TFR)	5,379
Interest	573
Actuarial (gains) / losses	2,459
Deductions	(2,051)
Payments to supplementary pension schemes (such as INPS treasury fund)	(5,379)
Balance at 31.12.2012	**13,833**
Accruals for defined contribution plan (TFR)	5,345
Interest	490
Actuarial (gains) / losses	109
Deductions	(992)
Payments to supplementary pension schemes (such as INPS treasury fund)	(5,345)
Balance at 31.12.2013	**13,440**

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

Balance at 31.12.2011	**10,447**
Accrual for the year	0
Amount used during the year	(1,455)
Balance at 31.12.2012	**8,992**
Accrual for the year	0
Amount used during the year	(2,526)
Balance at 31.12.2013	**6,466**

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

	31/12/2013	31/12/2012
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	3.15%	3.25%
Salary increase:	3.00%	3.00%

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

At 31st December 2013, the discount rate used was the iBOXX Eurozone Corporates AA10+ (3.15%).
The actuarial calculation takes into account the changes to pensions legislation (Decree Law 201/2011).
Given the accounting method used (see the paragraph entitled 'Summary of accounting standards and policies' and point Q 'Provisions for employee benefits'), at 31st December 2013 there were no actuarial gains or losses not recognised in the financial statements.

As required by IAS 19 revised, the following tables provide a sensitivity analysis of the main actuarial assumptions. The end-of-service balances are stated as at 31st December 2013:

	Change in benchmark	
	-0.5%	**+0.5%**
Annual discount rate	**12,755**	**14,211**

	Change in benchmark	
	-0.25%	**+0.25%**
Annual inflation rate	**13,688**	**13,230**

	Change in benchmark	
	-0.5%	**+0.5%**
Annual rate of staff turnover	**13,478**	**13,430**

5.4.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,641 thousand, relate to the foreign subsidiaries. For more details, please see 5.2.4 'Deferred tax assets'.

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2013	31/12/2012	Change
Payables to welfare and social security bodies: portion due after one year	78	75	3
Deferred income	422,348	420,012	2,336
Other	2,613	2,613	0
Total	**425,039**	**422,700**	**2,339**

The change compared with 31st December 2012 is mainly due to the decrease in 'Deferred income' posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of electricity between Sarlux Srl and GSE (Gestore dei Servizi Energetici SpA), which was accounted for according to IFRIC 4. Revenues from the sale of electricity are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux Srl, meaning that it is comparable to an operating lease. These revenues have therefore been stated on a straight-line basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs.

5.5 Shareholders’ equity

Shareholders’ equity comprises the following:

	31/12/2013	31/12/2012 (1)	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,126,726	1,219,718	(92,992)
Profit/(Loss) for the year	(271,080)	(88,576)	(182,504)
Total Shareholders Equity	**921,202**	**1,196,698**	**(275,496)**

(1) 2012 values reflect the application of IAS 19 revised

Share capital
At 31st December 2013, 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 share capital.

Other reserves
This item totalled EUR 1,126,726 thousand, a net decrease of EUR 92,992 thousand compared with the previous period. The net decrease was the combined result of:
- The appropriation of the profit for the previous year of EUR 88,576 thousand - EUR 90,101 thousand less EUR 1,525 thousand relating to the application of IAS 19 (revised);
- A decrease for the purchase of own shares totalling EUR 5,943 thousand corresponding to 5,689,270 shares at an average price of EUR 1.04;
- An increase of EUR 1,654 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the companies' Stock Grant Plans;
- A decrease of EUR 73 thousand due to the actuarial impact of IAS 19 (revised);
- A decrease of EUR 54 thousand due to the translation of the financial statements of subsidiaries into foreign currency.

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

Net profit/(loss)
The net loss for the year totalled EUR 271,080 thousand.

Restrictions on the distribution of equity reserves
The main restrictions on the distribution of equity reserves are as follows:
- The legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- The item ‘Locked-in reserve pursuant to article 7, paragraph 6 of Legislative Decree 38/05’, totalling EUR 19.7 million and included in ‘Other reserves’, is distributable solely to cover losses or to increase share capital;
- Pursuant to article 2426, paragraph 1, point 5 of the Italian Civil Code, an amount of EUR 18 million corresponding to research costs recorded under assets cannot be distributed. as dividends until the costs have been fully amortised;
- Reserves in the amount of the accumulated losses of EUR 364.8 million at 31st December 2013 cannot be distributed.

Dividends
On 24th April 2013, the ordinary shareholders’ meeting of Saras SpA convened to approve the financial statements for the year ended 31st December 2012 voted not to pay any dividends.

The Board of Directors of the Parent Company has made a proposal to the shareholders’ meeting called on 28th April 2014 not to pay a dividend for the financial year ended 31st December 2013.

6. Notes to the consolidated income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item ‘Revenues from ordinary operations’ breaks down as follows:

	2013	2012	Change
Sales and services revenues	10,583,597	11,213,819	(630,222)
Sale of electricity	509,660	584,487	(74,827)
Other revenues	13,432	12,007	1,425
Change in contract work in progress	(407)	404	(811)
Total	**11,106,282**	**11,810,717**	**(704,435)**

The change in ‘Sales and services revenues’ was broadly due to the fall in the price of oil products during the year.

Revenues from the sale of electricity include EUR 498,345 thousand relating to the gasification plant of the subsidiary Sarlux Srl and EUR 11,315 thousand relating to the wind farm owned by the subsidiary Sardeolica Srl.

Revenues from the sale of electricity by Sarlux Srl reflect the reporting of figures on a straight-line basis, calculated according to the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and projections of the EUR/USD exchange rate until the contract expires. The projections are reviewed when there are significant changes.
Note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component, as indicated in section 5.1.3 ‘Trade receivables’, for the purposes of these financial statements, revenues from the sale of electricity were determined in accordance with Decree Law 69/2013 (‘Decreto del Fare’ [Decree of Doing]).

Other payments are mainly attributable to revenues posted by the subsidiaries Sartec SpA and Reasar SA in their respective business segments.

As regards the results of the refining segment, note that market conditions were particularly difficult in 2013, especially during the second half. The average prices of the main refinery products were lower than in the previous year, due to the economic crisis in the euro zone, which continued to curb oil consumption.
However, despite the difficult market, the Group’s refinery operations were good overall, and scheduled maintenance work had a less negative impact on results than in the previous year. The segment also made a positive contribution to results, thanks to the recently completed programmes to increase energy efficiency.

The results of the marketing segment were affected in various euro zone countries by the continuing macroeconomic difficulties, which negatively impacted the demand for oil products. In particular, there were significant reductions in consumption seen in Spain and Italy, which are the markets in which the Saras Group operates.
Despite this background, marketing delivered a satisfactory performance, which was better than the previous year's.

The electricity generation segment posted highly satisfactory results in 2013 in operational terms. It **generated 4.217 TWh of electricity**, slightly more (+1%) than in 2012.

Finally, the wind segment performed extremely well in 2013, thanks to favourable weather conditions, especially during the first half, which allowed the production of 197,042 MWh, up 15% compared with 2012.
However, the drop in electricity tariffs (-20%, averaging 5.7 euro cents/kWh over the year) was in part offset by the increase in revenues from the higher value of green certificates (8.9 euro cents/kWh, up 12%).

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

In accordance with IFRS 8, note that none of the Group's customers accounted for more than 10% of the company’s revenues.

6.1.2 Other income

The following table shows a breakdown of other income:

	2013	2012	Change
Revenues for stocking of mandatory supplies	8,435	7,013	1,422
Sales of sundry materials	4,740	5,438	(698)
Grants	17,817	14,223	3,594
Chartering of tankers	1,115	1,841	(726)
Recovery for claims and damages	2,345	956	1,389
Reimbursment of emission trading charges	13,487	23,824	(10,337)
Other income	75,743	25,237	50,506
Total	**123,682**	**78,532**	**45,150**

The item ‘Grants’ mainly includes the revenues from green certificates obtained by the subsidiary Sardeolica Srl.

The item ‘Reimbursement of emissions trading charges’ comprises income posted by the subsidiary Sarlux Srl, deriving from the reimbursement – pursuant to section II, point 7-bis of CIP Provision 6/92 – of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08. The decrease compared with the previous year was chiefly due to the fall in the price of allowances (from EUR 7.33 per allowance in 2012 to EUR 4.33 per allowance in 2013).

The item ‘Other income’ mainly comprises income related to energy efficiency credits (white certificates totalling EUR 21,808 thousand compared with EUR 8,736 thousand in the previous year) allocated during the year, and the release of grants from previous years (EUR 23,573 thousand) as a result of the final decree of 14th May 2013 awarding grants under the programme agreement entered into with the Ministry of Economic Development by the Parent Company Saras SpA on 10th June 2002.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2013	2012	Change
Purchases of raw materials	8,512,313	8,990,467	(478,154)
Purchases of semifinished materials	115,736	133,018	(17,282)
Purchases of spare parts and consumables	64,821	68,485	(3,664)
Purchases of finished products	1,796,895	1,549,616	247,279
Other purchases	172	125	47
Change in inventories	(5,490)	233,993	(239,483)
Total	**10,484,447**	**10,975,704**	**(491,257)**

Costs for the purchase of raw materials, spare parts and consumables fell EUR 491,257 thousand from the previous year, mainly due to the above-mentioned decrease in prices.

6.2.2 Cost of services and sundry costs

	2013	2012	Change
Service costs	499,939	538,099	(38,160)
Rent, leasing and similar costs	14,237	14,210	27
Provisions for risks and charges	15,079	19,056	(3,977)
Other operating charges	13,438	30,133	(16,695)
Total	**542,693**	**601,498**	**(58,805)**

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges. The decrease of EUR 38,160 thousand compared with the previous year was mainly due to the fall in the costs of rentals, transport and electricity.

The item 'Rent, leasing and similar costs' includes the costs incurred by the Parent Company and the subsidiary Sarlux Srl (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 SA (for rents on the distribution network).
The item 'Use of third-party assets' includes EUR 2,075 thousand in costs relating to rental of the building that houses the registered office of the Parent Company Saras SpA in Milan. The cost has been reported on a straight line basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand in the subsequent year and EUR 1,725 thousand for the following years. The annual rental payments are pegged to the ISTAT consumer price index for the families of manual and clerical workers; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months' notice prior to the expiry date.

'Provisions for risks' mainly consist of a provision relating to CO_2 allowances applicable to 2013 that had not yet been purchased as of 31st December 2013. The change from the previous year is mainly due to the fall in the value of allowances.

The item 'Other operating charges' chiefly comprises non-income taxes (municipal tax on property - IMU and atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows.

	2013	2012	Change
Wages and salaries	90,170	94,186	(4,016)
Social security	27,409	27,831	(422)
Employee end-of-service payments	5,944	5,952	(8)
Other costs	3,966	4,292	(326)
Directors' remuneration	3,754	3,740	14
Total	**131,243**	**136,001**	**(4,758)**

The new IAS 19 (revised) requires that gains and losses arising from the actuarial measurement of the defined contribution plan (TFR) be recognised in the statement of comprehensive income; the changes must be applied retrospectively to 1st January 2012. The figures for the previous year have therefore been restated, thereby reducing the item 'Employee end-of-service payments' by EUR 2,459 thousand. The effect on the financial statements, net of the corresponding tax of EUR 934 thousand, was EUR 1,525 thousand.

The 2007-2009 and 2010-2012 Stock Grant Plans, which are for senior managers at the Parent Company and senior managers and directors of the subsidiaries individually specified by the Board of Directors of the Parent Company, were completed in April 2013.
The plans entailed the award of 1,368,390 and 6,954,566 shares respectively (at a cost of EUR 833 thousand for 2013).

The option exercised by beneficiaries of the 2007-2009 plan, which has also been completed, entailed the award of 740,000 shares (EUR 133 thousand for 2013).

On 24th April 2013, the Shareholders' Meeting approved the ‘Plan to grant free company shares to management of the Saras Group’ (the ‘2013-2015 Stock Grant Plan’ or the ‘Plan’), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.
Recipients of the Plan are:

- Managers with strategic responsibilities within the company,
- Directors of Italian and/or foreign companies controlled by the company, and
- Other eligible persons in the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares upon achieving performance objectives determined in relation to the performance of Saras's Total Shareholder Return (TSR) compared to the TSR of a group of industrial companies forming a part of the FTSE Italia Mid Cap Index (the ‘Peer Group’). TSR is calculated as the change in the value of Saras shares and the shares of Peer Groups during the three-year period 2013-2015; the change will be calculated using as a reference the initial value (average value of shares recorded on the Milan Stock Exchange from 1st October 2012 to 31st December 2012) and the ending value (average value of shares recorded on the Milan Stock Exchange from 1st October 2015 to 31st December 2015).
The maximum number of shares covered by the Plan is 9,500,000. Shares are to be delivered within six months of the end of the Plan, and the beneficiary undertakes not to sell, transfer, dispose of or subject to any restriction a number of shares equivalent to 20% of the shares for a period of 24 months from the delivery date.
On 8th August 2013, the Board of Directors set the maximum number of shares to be assigned to individual beneficiaries, with a cost of EUR 637 thousand in these consolidated financial statements.

6.2.4 Depreciation, amortisation and write-downs

Depreciation and amortisation figures are shown below:

	2013	2012	Change
Amortisation of intangible assets	21,700	37,753	(16,053)
Write-downs of intangible assets	232,455	188	232,267
Depreciation of tangible assets	171,587	170,424	1,163
Write-downs of tangible assets	0	35,821	(35,821)
Total	**425,742**	**244,186**	**181,556**

As described in section 5.2.2 ‘Intangible assets,’ write-downs refer to the existing agreement between the subsidiary Sarlux Srl and GSE.

The item ‘Depreciation of fixed assets’ comprises the effect of restating the useful economic life of the I.G.C.C. plant, as specified under 5.2.1 ‘Tangible assets’.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

	2013	2012	Change
Financial income:			
- from financial assets recorded under current assets	0	2	(2)
Other income:			
- Interest on bank and post office accounts	719	882	(163)
- Fair value of derivatives held at the reporting date	15,283	31,493	(16,210)
- Positive differences on derivatives	78,715	94,630	(15,915)
- Other income	646	454	192
Exchange gains	113,922	120,772	(6,850)
Total Financial Income	**209,285**	**248,233**	**(38,948)**
Financial charges:			
- Fair value of derivatives held at the reporting date	(19,069)	(45,632)	26,563
- Negative differences on derivatives	(105,725)	(124,368)	18,643
- Other (interest on loans, late payment interest, etc.)	(29,188)	(30,131)	943
Exchange losses	(84,742)	(99,986)	15,244
Total Financial Charges	**(238,724)**	**(300,117)**	**61,393**
Total	**(29,439)**	**(51,884)**	**22,445**

The table below shows net income/charges by type:

	2013	2012	Change
Net interest income / (expense)	(28,469)	(29,249)	780
Net result from derivative financial instruments	(30,796)	(43,877)	13,081
- Realised	*(27,010)*	*(29,738)*	*2,728*
- Fair value of the open positions	*(3,786)*	*(14,139)*	*10,353*
Net exchange gains/(losses)	29,180	20,786	8,394
Other	646	456	190
Total	**(29,439)**	**(51,884)**	**22,445**

The fair value of derivative instruments existing at 31st December 2013 represented a net cost of EUR 4,573 thousand (compared with net income of EUR 14,139 thousand in the previous year).

As shown, the main changes relate to net exchange rate differences, as well as gains/losses on derivatives. The financial derivatives in question relate to hedging transactions to which hedge accounting is not applied.

6.4 Income tax

Income tax can be shown as follows:

	2013	2012	Change
Current taxes	5,585	23,633	(18,048)
Deferred tax (assets)/liabilities, net	(118,105)	(55,081)	(63,024)
Total	**(112,520)**	**(31,448)**	**(81,072)**

Current taxes consist mainly of the IRES surcharge calculated, where due, on the taxable income of Italian companies, which temporarily increased from 6.5% to 10.5% for the three-year period 2011-2013 of EUR 2,740 thousand, and of IRAP of EUR 2,845 thousand.

The change is due to the effect of the net loss for the period calculated under the national tax consolidation scheme.

Deferred tax assets/liabilities refer to changes during the period in the temporary differences between values recorded in the financial statements and those recognised for tax purposes, mainly due to the elimination of deferred taxes under the above-mentioned write-down of the agreement with GSE (EUR 95,214 thousand) and in part to the deferred tax assets against tax losses for the year (totalling EUR 37,014 thousand), net of the effects of the reduction in the recognised IRES surcharge rate from 10.5% to 6.5%, starting in 2014 (EUR 19,707 thousand).

The following table shows the temporary differences in the income statement:

Temporary differences in the Income Statement:	**TAX 2013**		**TAX 2012**
	Deferred tax assets/ (liabilities)	**P&L effect of decrease in tax rate**	**Deferred tax assets/ (liabilities)**
Excess and accelerated depreciation on assets	7,870	(168)	7,714
Measurement of inventory at end of period	(508)	16	9,271
Adjustments for scheduled plant and equipment maintenance	1,382		1,562
Reclassification of grants previously carried as equity	(44)	(3)	(44)
Employee benefits and bonuses	(3,025)	(4)	(326)
Fair value of derivative contracts	(305)	(53)	(7)
Unrealised exchange differences	(673)	(45)	(8,616)
Fair value of Sarlux contract with GSE	95,214		12,987
Straight-line reporting of Sarlux revenues (as per IAS 17 and IFRIC 4)	978		(25,208)
Asset maintenance costs deductible in future years	(123)		(642)
Valuation of licences of Sardeolica (IFRS 3 on acquisistion of 30% PEU)	341		341
Provisions for risks and charges	(1,388)	(237)	4,111
Deferred tax asset on tax loss of Saras SpA (additional 6.5% IRES)	7,626	(19,707)	25,649
Tax asset relating to IRES consolidated net loss	27,938		26,602
Deferred tax asset on tax loss of Saras Energia	1,450		
Other temporary differences	2,080	(507)	1,687
TOTAL	**138,813**	**(20,708)**	**55,081**

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

IRES	**2013**	**2012**
PROFIT/(LOSS) BEFORE TAXES	**(383.6)**	**(120.0)**
THEORETICAL CORPORATION TAX IRES [A*34% in 2013; A*38% in 2012]	**(130.4)**	**(45.6)**
THEORETICAL TAX RATE [B/A*100] %	**34.0%**	**38.0%**
EFFECTIVE INCOME TAXES [C]	**(112.5)**	**-37.7**
EFFECTIVE TAX RATE [C/A*100] %	**29.3%**	**31.4%**

	2013		**2012**	
	TAX	**TAX RATE**	**TAX**	**TAX RATE**
Theoretical taxes	**(130.4)**	**34.0%**	**(45.6)**	**38.0%**
Effect of different tax rate for foreign and Italian companies not subject to IRES surcharges	0.5	-0.12%	4.6	-3.79%
Effect of non-deduction of financial charges due to art. 96 TUIR (on IRES surcharge)	1.6	-0.42%	2.3	-1.93%
Effect of IRAP deduction on IRES (art. 2 D.L.201/2011)	0.0	0.00%	(3.1)	2.58%
Effect of 4% decrease in IRES surcharge on deferred tax (art. 7 D.L. 138/11)	20.7	-5.40%	0.0	0.00%
Effect of 4% decrease in IRES surcharge on write-off GSE contract	(9.8)	2.55%	0.0	0.00%
Taxes of previous years (Saras)	2.3	-0.60%	1.5	-1.25%
Other permanent differences	2.7	-0.69%	2.7	-2.23%
Effective taxes	**(112.5)**	**29.3%**	**(37.7)**	**31.4%**

With reference to 2013, the theoretical tax rate was assumed without considering the 4% surcharge (Robin Hood Tax) given that the taxable base in the period was negative and that the rate will reduce in future years.

IRAP	2013	2012
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	(354.2)	(68.2)
TOTAL PERSONNEL COSTS	131.2	136.0
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)	(223.0)	67.8
THEORETICAL REGIONAL INCOME TAX IRAP [A*3.9%] [B]	(8.7)	2.6
THEORETICAL TAX RATE [B/A*100] %	3.9%	3.9%
EFFECTIVE INCOME TAXES [C]	0.0	6.3
EFFECTIVE TAX RATE [C/A*100] %	0.0%	9.3%

	2013		2012	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	**(8.7)**	**3.9%**	**2.6**	**3.9%**
IRAP effect on value of production of foreign companies	0.0	0.00%	1.1	1.62%
Effect of refund of "tax wedge" on IRAP	0.0	0.00%	(0.2)	-0.25%
IRAP tax assets not recognizable in companies with negative EBIT	8.7	-3.90%	3.4	5.06%
Other permanent differences	0.0	0.00%	(0.7)	-1.03%
Effective taxes	**0.0**	**0.0%**	**6.3**	**9.3%**

7. Additional disclosures

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

7.1 Main legal actions pending

The Parent Company Saras SpA and its subsidiaries Arcola Petrolifera Srl and Sarlux Srl were subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that any liability is likely to be remote.
Moreover, with reference to the subsidiary Sarlux Srl, note that companies generating electricity that is not from renewable sources or cogeneration (as defined by AEEG Resolution 42/02) are required to purchase green certificates for a certain percentage of the electricity introduced into the grid. In 2007, having subsequently come to a different interpretation of the resolution, a specially created AEEG committee ruled that the subsidiary was subject to this obligation for the years 2002-2005. Sarlux appealed against this interpretation to the Lombardy regional administrative court (TAR). The appeal was rejected on 14th June 2011. The liabilities arising from this dispute, as determined by GSE, which has already adopted this interpretation, are estimated at approximately EUR 32 million (for the acquisition of green certificates that have already been bought, as required by GSE). However, these liabilities would qualify for partial relief pursuant to section II, point 7-bis of CIP Provision 6/92 in respect of costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by AEEG Resolution ARG/elt 80/08, of around EUR 14 million (the refund was made during the previous year through the compensation fund for the electricity sector – CCSE). If the above-mentioned interpretation of the committee is confirmed, the obligation in question would be extended to the financial year 2009, for which the subsidiary has in any event already purchased and delivered the corresponding green certificates in May 2011 totalling approximately EUR 12 million with a related refund estimated at around EUR 7 million.
Based on the considerations expressed by its advisors on the TAR's rejection of the appeal, Sarlux appealed against the TAR's ruling to the highest administrative court (Consiglio di Stato) and believes that its appeal will be successful. As a result, no provision or revenue was booked in the financial statements at 31st December 2013.
As regards production in 2011, in March 2012 the subsidiary Sarlux submitted the cogeneration statement pursuant to the requirements of Resolution 42/02 as in previous years, since it considered this resolution was still in effect. GSE instead ruled that starting with the 2012 obligation (2011 production), the only applicable regulation was that for High Yield Cogeneration as set out in the Ministerial Decree of 4th April 2011, and therefore rejected the company's request. As a result, Sarlux Srl lodged an appeal with the TAR. However, in order to avoid incurring administrative penalties, the company purchased green certificates as per GSE's calculation totalling approximately EUR 21 million, and immediately forwarded the reimbursement request to the AEEG; this has already been accepted but not yet disbursed (approximately EUR 12 million). In addition, based on further clarifications with GSE, Sarlux Srl submitted a request to GSE to review the High Yield Cogeneration valuation for 2011 production.
The situation described above also applies to 2012 and 2013; for 2012 in particular, GSE has already rejected the cogeneration statement submitted by the company and, to date, no communication about the number of green

certificates to be purchased has been received. Should the company lose the case, the net cost for the specified year would amount to about EUR 12 million.
The subsidiary Sarlux Srl believes that the grounds for the appeal are valid and also applicable to the years after 2011, and therefore has booked no provisions or revenue.

7.2 Early withdrawal from CIP 6/92 agreement

Based on the provisions of article 3, paragraph 1 of the Ministry for Economic Development's Decree of 2nd December 2009, on 16th December 2009 Sarlux Srl, as a party to an agreement signed under the CIP 6/92 programme valid as of 1st January 2010 for plants that use process fuels from residues, expressed its interest in an early withdrawal from the agreement to Gestore dei Servizi Elettrici (GSE), on a non-binding basis.
GSE has determined the fees payable to settle the withdrawal. the Ministry for Economic Development subsequently extended the deadline for presentation of the binding application for voluntary early withdrawal from the CIP6 agreement to 30th September 2014.
The company is assessing the alternatives available in order to arrive at a decision by the deadline.

7.3 Earnings per share

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

The loss per share totalled 29.29 euro cents for the 2013 financial year, compared with a loss per share of 9.54 euro cents in 2012.
The average number of shares outstanding was 925,603,300 in 2013 and 928,285,276 in 2012. At 31st December 2013, Saras SpA held 19,245,774 own shares in relation to the granting of free shares to managers of Group companies.
Diluted earnings per share do not vary significantly from basic earnings per share.

7.4 Transactions with related parties

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

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
	31/12/2013		31/12/2012			
IMMOBILIARE ELLECI SpA						
Rent	(12)	0.00%	(11)	0.00%	Cost of services and sundry costs	Rent of buildings
SECURFIN HOLDINGS SpA						
Services rendered by staff	23	0.02%	22	0.03%	Other income	Staff on secondment
Rent	(589)	0.11%	(582)	0.10%	Cost of services and sundry costs	Rental of building and parking spaces in Milan
Receivables for goods & services supplied	23	0.00%	22	0.00%	Current trade receivables	Trade receivables
F.C. INTERNAZIONALE SpA						
Services rendered	0	0.00%	0	0.00%	Revenues from ordinary operations	Consultancy
Receivables for goods & services supplied	0	0.00%	0	0.00%	Current trade receivables	Trade receivables
Services received	(1)	0.00%	(7)	0.00%	Cost of services and sundry costs	Purchase of tickets for sports matches
ANGELO MORATTI SapA						
Services rendered by staff	29	0.02%	37	0.05%	Other income	Staff on secondment
Receivables for goods & services supplied	29	0.00%	37	0.00%	Current trade receivables	Trade receivables
GIAN MARCO MORATTI SapA						
Services rendered by staff	8	0.01%	0	0.00%	Other income	Staff on secondment
Receivables for goods & services supplied	4	0.00%	0	0.00%	Current trade receivables	Trade receivables
MASSIMO MORATTI SapA						
Services rendered by staff	8	0.01%	0	0.00%	Other income	Staff on secondment
Receivables for goods & services supplied	4	0.00%	0	0.00%	Current trade receivables	Trade receivables
MANTA Srl						
Services rendered by staff	48	0.04%	50	0.06%	Other income	Staff on secondment
Services received	(498)	0.09%	(937)	0.16%	Cost of services and sundry costs	Security services
Receivables for goods & services supplied	48	0.01%	50	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(251)	0.02%	(339)	0.02%	Trade payables and other current payables	Trade payables
CIGOGNOLA Srl						
Services received	0	0.00%	(9)	0.00%	Cost of services and sundry costs	Gifts and gadgets supply
Payables for supply of goods and services	0	0.00%	(9)	0.00%	Trade payables and other current payables	Trade payables
DE SANTIS Srl						
Services received	(2)	0.00%	(3)	0.00%	Cost of services and sundry costs	Catering services

Transactions with related parties shown above took place at arm's lenght.

No provisions for doubtful debts were made regarding existing balances given that there are no reasons for such provisions; no losses were registered relating to doubtful or bad debts for related parties.

During 2013, no transactions were carried out with the shareholder Rosneft JV Projects SA or with its related parties.

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

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

	31/12/2013			31/12/2012		
	Total	Related Parties	%	Total	Related Parties	Proportion%
Current trade receivables	670,267	108	0.0%	820,215	109	0.0%
Trade and other current payables	1,605,867	251	0.0%	1,394,342	348	0.0%

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

	31/12/2013			31/12/2012		
	Total	Related Parties	%	Total	Related Parties	Proportion%
Revenues from ordinary operations	11,106,282	0	0.0%	11,810,717	0	0.0%
Other income	123,682	116	0.1%	78,532	109	0.1%
Cost of services and sundry costs	(542,693)	(1,102)	0.2%	(601,498)	(1,549)	0.3%

The main cash flows with related parties are shown in the table below:

Cash flows with related parties	**2013**	**2012**
Net (income) / charges from equity interests	0	0
(Increase) / Decrease in trade receivables	(1)	45
Increase / (Decrease) in trade payables and other payables	(97)	340
Changes in other current assets	0	0
Changes in other non current liabilities	0	0
Cash flows from / (used in) operating activities	**(98)**	**385**
Interest received / (paid)	0	0
Cash flows from / (used in) investments	**0**	**0**
Increase / (Decrease) in short term financial debts	0	0
Cash flows from / (used in) financial assets	**0**	**0**
Total cash flows with related parties	**(98)**	**385**

The effects of cash flows with related parties are shown in the table below:

	31/12/2013			31/12/2012		
	Total	Related Parties	%	Total	Related Parties	%
Cash flows from / (used in) operating activities	323,760	(98)	n.a.	536,280	385	n.a.
Cash flows from / (used in) investing activities	(63,536)	0	n.a.	(52,942)	0	n.a.
Cash flows from / (used in) financing assets	(54,515)	0	n.a.	(317,414)	0	n.a.

7.5 Disclosures pursuant to International Financial Reporting Standards 7 and 13 – Financial instruments: Disclosures

To the extent that it is applicable to the Saras Group, the disclosures on financial instruments to be provided in financial statements and interim reports are mainly set out in IFRS 7 and 13.
IFRS 7 – Financial Instruments: disclosures, requires entities to provide supplementary disclosures in financial statements that make it possible to evaluate:

a) The value of financial instruments reported in the financial statements, and
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 they are managed.

IFRS 13 – *Fair Value Measurement,* which is applicable from 1st January 2013, requires supplementary disclosures on fair value, some of which are also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements, and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Points a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this end, it should be noted that IFRS 13 specifies a precise three-level fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. In fact, the hierarchy establishes various degrees of reliability of fair value, depending on whether it is based on:

(a) (Unadjusted) prices taken from an active market – as defined by IAS 39 – for the assets and liabilities being valued (level 1); or
(b) Valuation techniques that use as a reference inputs other than the listed prices indicated in the point above, that can be observed directly (prices) or indirectly (price derivatives) on the market (level 2); or
(c) Valuation techniques that use as a reference inputs that are not based on observable market data (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the Group at 31st December 2013, broken down by fair value hierarchy:

Assets	Commodities		Exchange rates		Interest rates		Total		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
FUTURES	6,435			158			6,435	158	6,593
SWAPS	3,517						3,517	0	3,517
OPTIONS	3,518						3,518	0	3,518
Total	**13,470**	**0**	**0**	**158**	**0**	**0**	**13,470**	**158**	**13,628**

Liabilities	Commodities		Exchange rates		Interest rates		Total		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
FUTURES	(9,759)			(2,627)		(2,510)	(9,759)	(5,137)	(14,896)
SWAPS	(4,298)						(4,298)	0	(4,298)
OPTIONS	(2,230)						(2,230)	0	(2,230)
Total	**(16,287)**	**0**	**0**	**(2,627)**	**0**	**(2,510)**	**(16,287)**	**(5,137)**	**(21,424)**

The Group's criterion specifies that the transfer of financial assets and liabilities measured at fair value from one hierarchy to another is recognised on the date that the event that causes the transfer takes place.
Pursuant to point c) of paragraph 93, note that there were no reclassifications among the various fair value hierarchies.

Valuation techniques

As can be seen from the table in the section above, financial instruments measured at fair value by the Saras Group largely consisted of derivatives that were mainly entered into by the Parent Company (but also by the subsidiary Sardeolica Srl) to hedge exchange and interest rate risks and the risks of fluctuating crude oil and oil products prices.
Specifically, the measurement of fair value for these instruments is carried out:

- For interest and exchange rate derivatives, based on periodic official statements received from counterparties (financial intermediaries) with which the instruments were created.
- For commodity-based derivatives, based on account statements on open positions that are periodically received from the clearing broker through which these instruments are stipulated.

For all types of derivatives described above, the fair value measurements received from the counterparties in open positions are verified by comparing them to the fair value measurement carried out within the Group for the same positions. These internal measurements are carried out using reference parameters that are observable on markets (spot and forward interest rates, exchange rates, and crude oil and oil product prices available in active regulated markets).

The measurement does not take into account counterparty risk as the effect is not significant given the deposits securing the positions.

The Saras Group has no financial assets or liabilities that are measured at fair value level 3 pursuant to IFRS 13.

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Note that with regard to the remaining financial assets and liabilities that are not directly measured at fair value, their book value approximates fair value.

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

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

7.5.1 Information on the consolidated statement of financial position

Paragraphs 8-19 of IFRS 7 state that the carrying values of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities at fair value through profit or loss, or where it has reclassified or derecognised financial assets. The statement of financial position of the Saras Group at 31st December 2013 and 31st December 2012 is shown below, with details of the Group's financial instruments:

31/12/2013	Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2013
	Designated at Fair Value	Held for trading						
ASSETS								
Current assets	**0**	**17,046**	**0**	**1,273,525**	**0**	**0**	**996,836**	**2,287,407**
Cash and cash equivalents				506,827				506,827
Other financial assets held for trading		17,046		17,599				34,645
Securities held for trading		*3,418*						
Green certificates				*17,599*				
Derivative instruments		*13.628*						
Trade receivables				670,818				670,818
Inventories							926,063	926,063
Current tax assets							48,950	48,950
Other assets		0		78,281			21,823	100,104
Receivable for reimbursement of amission trading charges				*13,487*				
Deposits to secure derivative instruments				*10,911*				
White certificates							*17,187*	
Other receivables				*53,883*			*4,636*	
Non-current assets	**0**	**0**	**0**	**5,551**	**505**	**0**	**1,520,068**	**1,526,124**
Property, plant and equipment							1,217,425	1,217,425
Intangible assets							97,083	97,083
Other equity interests					505			505
Deferred tax assets							205,560	205,560
Other financial assets				5,551				5,551
Loans				*4,960*				
Other receivables				*591*				
Total financial assets	**0**	**17,046**	**0**	**1,279,076**	**505**	**0**	**2,516,904**	**3,813,531**
LIABILITIES								
Current liabilities	**0**	**21,424**	**0**	**0**	**0**	**1,823,121**	**170,440**	**2,014,985**
Short-term financial liabilities		21,424				159,546		180,970
Bank loans (secured)						*5,359*		
Bank loans						*143,425*		
Overdrafts								
Loans from non-consolidated companies and other payables						*10,762*		
Derivative instruments		*21,424*						
Trade and other payables						1,605,867		1,605,867
Current tax liabilities							168,472	168,472
Other liabilities						57,708	1,968	59,676
Other payables						*57,708*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**388,471**	**485,232**	**877,344**
Long-term financial liabilities						385,780		385,780
Bank loans (secured)						*23,123*		
Bank loans						*113,433*		
Bonds						*249,224*		
Provisions for risks							42,978	42,978
Provisions for employee benefits							19,906	19,906
Deferred tax liabilities							3,641	3,641
Other liabilities						2,691	422,348	425,039
Other payables						*2,691*		
Total financial liabilities	**0**	**21,424**	**0**	**0**	**0**	**2,211,592**	**655,672**	**2,892,329**

31/12/2012	Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2012
	Designated at Fair Value	Held for trading						
ASSETS								
Current assets	**0**	**31,493**	**0**	**1,198,143**	**0**	**0**	**979,716**	**2,209,352**
Cash and cash equivalents				302,950				302,950
Other financial assets held for trading		31,493		10,833				42,326
Securities held for trading								
Green certificates				*10,833*				
Derivative instruments		*31,493*						
Trade receivables				820,215				820,215
Inventories							920,891	920,891
Current tax assets							45,699	45,699
Other assets		0		64,145			13,126	77,271
Receivable for reimbursement of emission trading charges				*23,824*				
Deposits to secure derivative instruments				*14,247*				
White Certificates							*8,737*	
Other receivables				*26,074*			*4,389*	
Non-current assets	**0**	**0**	**0**	**6,089**	**526**	**0**	**1,723,955**	**1,730,570**
Property, plant and equipment							1,288,758	1,288,758
Intangible assets							348,767	348,767
Other equity interests					526			526
Deferred tax assets							86,430	86,430
Other financial assets				6,089				6,089
Loans				*5,339*				
Other receivables				*750*				
Total financial assets	**0**	**42,326**	**0**	**1,193,399**	**526**	**0**	**2,703,671**	**3,939,922**
LIABILITIES								
Current liabilities	**0**	**45,632**	**0**	**0**	**0**	**1,608,966**	**162,656**	**1,817,254**
Short-term financial liabilities		45,632				121,365		166,997
Bank loans (secured)						*7,671*		
Bank loans						*107,461*		
Overdrafts								
Loans from non-consolidated companies and other payables						*6,233*		
Derivative instruments		*45,632*						
Trade and other payables						1,394,342		1,394,342
Current tax liabilities							161,125	161,125
Other liabilities						93,259	1,531	94,790
Other payables						*93,259*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**427,579**	**495,228**	**925,970**
Long-term financial liabilities						424,891		424,891
Bank loans (secured)						*28,766*		
Bank loans						*147,401*		
Bond						*248,724*		
Provisions for risks							52,391	52,391
Provisions for employee benefits							22,825	22,825
Deferred tax liabilities							3,163	3,163
Other liabilities						2,688	420,012	422,700
Other payables						*2,688*		
Total financial liabilities	**0**	**45,632**	**0**	**0**	**0**	**2,036,545**	**657,884**	**2,743,224**

Financial instruments measured at fair value in the income statement comprise derivatives held by the Parent Company and the subsidiary Sardeolica Srl, described in section 5.3.1 above. The derivatives contracts relate to commodities, interest rates and foreign exchange rates. The first type were entered into by the Parent Company to hedge the risks inherent in the business in which it operates, which stem from changes in the price of crude and oil products (futures, options and swaps). The second type were entered into by the Parent Company and the subsidiary to hedge interest rate risk on loans. Finally, the third type were entered into by the Parent Company to hedge foreign exchange risk on open currency positions.

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

Other financial liabilities valued at amortised cost include all the Group's financial liabilities and trade payables arising from the Group'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, with the exception of trade receivables sold on a 'without recourse' basis. An analysis of the contractual terms and conditions confirmed that the receivables in question could be derecognised.

All financial assets are booked at the 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 period.

7.5.2 Information on the consolidated 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 overloading the financial statements with information, the Group has opted for the second alternative, as advised in the Appendix to the financial standard.

The tables below show income statement items in detail for the current year and the previous year:

2013	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	Balance at 31/12/2013
	Designated at fair value	Held for trading							
Revenues from ordinary operations							0	11,106,282	11,106,282
Other income				17,572			17,572	106,110	123,682
Total revenues	**0**	**0**	**0**	**17,572**	**0**	**0**	**17,572**	**11,212,392**	**11,229,964**
Purchases of raw materials, spare parts and consumables							0	(10,484,447)	(10,484,447)
Cost of services and sundry costs				(1,085)			(1,085)	(541,608)	(542,693)
Personnel costs							0	(131,243)	(131,243)
Depreciation, amortisation and write-downs							0	(425,742)	(425,742)
Total costs	**0**	**0**	**0**	**(1,085)**	**0**	**0**	**(1,085)**	**(11,583,040)**	**(11,584,125)**
Operating results	**0**	**0**	**0**	**16,487**	**0**	**0**	**16,487**	**359,230**	**(354,161)**
Net income (charges) from equity interests									
Other net financial income (charges)		*(30,796)*		*25,142*		*(24,431)*	(30,085)	646	(29,439)
from securities held for trading									
- of which									
Realized gains									
Change in fair value									
from current account interest				*719*			*719*		
from derivative instruments		*(30,796)*					*(30,796)*		
- of which									
Realized losses		*(27,010)*							
Change in fair value		*(3,786)*							
from other financial assets							*0*		
from interest on loans						*(24,431)*	*(24,431)*		
from interest on factoring transactions				*(4,757)*			*(4,757)*		
from other receivables/payables				*29,180*			*29,180*		
Profit/(loss) before taxes	**0**	**(30,796)**	**0**	**41,629**	**0**	**(24,431)**	**(13,598)**	**359,876**	**(383,600)**
Income tax									112,520
Net profit/(loss)									**(271,080)**

2012	Net profits and losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	Balance at 31/12/2012
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations							0	11,810,717	11,810,717
Other income		0		13,635			13,635	64,897	78,532
Total revenues	**0**	**0**	**0**	**13,635**	**0**	**0**	**13,635**	**11,875,614**	**11,889,249**
Purchases of raw materials, spare parts and consumables							0	(10,975,704)	(10,975,704)
Cost of services and sundry costs				(1,269)			(1,269)	(600,229)	(601,498)
Personnel costs							0	(136,001)	(136,001)
Depreciation, amortisation and write-downs							0	(244,186)	(244,186)
Total costs	**0**	**0**	**0**	**(1,269)**	**0**	**0**	**(1,269)**	**(11,956,120)**	**(11,957,389)**
Operating results	**0**	**0**	**0**	**12,366**	**0**	**0**	**12,366**	**(80,506)**	**(68,140)**
Net income (charges) from equity interests									
Other net financial income (charges)		*(43,877)*		*17,174*		*(25,637)*	(52,340)	456	(51,884)
from securities held for trading									
- of which									
Realized gains									
Change in fair value									
from current account interest				*882*			*882*		
from derivative instruments		*(43,877)*					*(43,877)*		
- of which									
Realized losses		*(29,738)*							
Change in fair value		*(14,139)*							
from other financial assets							*0*		
from interest on loans						*(25,637)*	*(25,637)*		
from interest on factoring transactions				*(2,877)*			*(2,877)*		
from other receivables/payables				*19,169*			*19,169*		
Profit/(loss) before taxes	**0**	**(43,877)**	**0**	**29,540**	**0**	**(25,637)**	**(39,974)**	**(80,050)**	**(120,024)**
Income tax									31,448
Net profit/(loss)									**(88,576)**

Financial instruments recognised at fair value through profit and loss generated net losses of EUR 30,786 thousand (versus net losses of EUR 43,877 thousand in 2012), due to changes in the fair value of the derivatives.

Financial instruments recorded under ‘Loans’ generated gains of EUR 41,629 thousand (versus gains of EUR 29,540 thousand in the previous year), chiefly owing to exchange differences on trade accounts.

Other financial liabilities measured at amortised cost generated losses of EUR 24,431 thousand (EUR 25,637 thousand in the previous year), mainly due to interest on loans.

7.5.3 Additional disclosures

7.5.3.1 Accounting for derivative transactions

As stated earlier, the Parent Company enters into derivative contracts on commodities to hedge 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 2013, outstanding derivative contracts included derivatives on all three types of underlying assets, classified as financial instruments held for trading.

Moreover, the subsidiary Sardeolica Srl has outstanding derivative contracts comprising variable interest rate swaps to hedge interest rate risk on loans obtained for the construction of the company's wind farm.

These instruments are recorded at fair value. Changes in fair value during the period are recorded in the income statement under financial income or financial charges.

The outstanding positions on commodities and foreign exchange rates at the reporting date are expected to be closed by the end of the first quarter of 2014, while the interest rate swaps have the same duration as the underlying loans.

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

7.5.3.2 *Fair value*

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost. As these assets and 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 2013.
Note that the bond loan carries a fixed rate and that market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

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

7.5.4 Risks deriving from financial instruments

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

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

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

7.5.4.1 Credit risk

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

The information required by paragraph 36-38 of IFRS 7 is shown in the tables below:

	Book value at 31/12/2013		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 days	31-60 days	61-90 days	over 90 days	Total	Recognized during the year	Cumulative
Current assets	**2,287,407**	**1,290,571**	**1,305,575**	**282,944**	**1,222,707**	**55,528**	**2,890**	**5,908**	**3,538**	**1,290,571**		
Cash and cash equivalents	506,827	506,827	506,827		506,827					506,827		
Other financial assets held for trading	34,645	34,645	34,645		34,645					34,645		
Trade receivables	670,818	685,822	685,822	282,944	602,954	55,528	2,890	5,908	18,542	685,822		
Provisions for doubtful receivables		(15,004)							(15,004)	(15,004)	(1,085)	(15,004)
Inventories	926,063	0										
Current tax assets	48,950	0										
Other assets	100,104	78,281	78,281		78,281					78,281		
Non-current assets	**1,526,124**	**6,056**	**6,056**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,217,425	0										
Intangible assets	97,083	0										
Equity investments valued at equity	0	0										
Other equity interests	505	505	505									
Deferred tax assets	205,560	0										
Other financial assets	5,551	5,551	5,551							0		
Total assets	**3,813,531**	**1,296,627**	**1,311,631**	**282,944**	**1,222,707**	**55,528**	**2,890**	**5,908**	**3,538**	**1,290,571**		

	Book value at 31/12/2012		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other	Guar-antees	Current	Overdue 0-30 days	31-60 days	61-90 days	over 90 days	Total	Recognized during the year	Cumulative
Current assets	**2,209,352**	**1,229,636**	**1,243,640**	**198,032**	**1,147,456**	**66,326**	**6,718**	**2,129**	**21,011**	**1,229,636**		
Cash and cash equivalents	302,950	302,950	302,950		302,950					302,950		
Other financial assets held for trading	42,326	42,326	42,326		42,326					42,326		
Trade receivables	820,215	834,219	834,219	198,032	738,035	66,326	6,718	2,129	21,011	834,219		
Provisions for doubtful receivables		(14,004)								(14,004)	(1,269)	(14,004)
Inventories	920,891	0										
Current tax assets	45,699	0										
Other assets	77,271	64,145	64,145		64,145					64,145		
Non-current assets	**1,730,570**	**6,615**	**6,615**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	1,288,758	0										
Intangible assets	348,767	0										
Equity investments valued at equity	0	0										
Other equity interests	526	526	526									
Deferred tax assets	86,430	0										
Other financial assets	6,089	6,089	6,089							0		
Total assets	**3,939,922**	**1,236,251**	**1,250,255**	**198,032**	**1,147,456**	**66,326**	**6,718**	**2,129**	**21,011**	**1,229,636**		

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

During the year, the bad debt provision increased by EUR 1,000 thousand due to provisions made by the subsidiary Saras Energia SA.

7.5.4.2 Liquidity risk

The Group's exposure to liquidity risk relates mainly to trade payables and bank loans. However, given the Group's considerable self-financing capacity, coupled with the limited level of debt, liquidity risk is moderate.

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

The comparative quantitative disclosures required by paragraph 39 of IFRS 7 are set out in the table below:

	Book value at 31/12/2013		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guar-antees	2014	2015	2016	2017	2018	over 5 years
LIABILITIES										
Current liabilities	**2,014,985**	**1,844,545**	**1,846,167**	**17,149**	**1,854,349**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	180,970	180,970		17,149	190,774					
Bank loans (guaranteed		*5,359*	*6,238*	*6,238*	*6,238*					
Bank loans		*143,425*	*144,168*		*144,168*					
Overdrafts		*0*	*0*		*0*					
Interest (actual average yearly rate = 5.44%)					*8,182*					
Loans from non consolidated Group Companies & other payables		*10,762*	*10,762*		*10,762*					
Derivative instruments		*21,424*	*21,424*	*10,911*	*21,424*					
Trade and other payables	1,605,867	1,605,867	1,605,867		1,605,867					
Current tax liabilities	168,472									
Other liabilities	59,676	57,708	57,708		57,708					
Non-current liabilities	**877,344**	**388,471**	**390,609**	**23,992**	**13,958**	**48,539**	**331,271**	**32,002**	**0**	**0**
Long-term financial liabilities	385,780	385,780	387,918	23,992	13,958	48,539	331,271	29,311	0	0
Bank loans (secured)		*23,123*	*23,992*	*23,992*		*3,647*	*20,345*			
Bank loans		*113,433*	*113,926*			*30,775*	*56,100*	*28,050*		
Bonds		*249,224*	*250,000*				*250,000*			
Interest on medium/long term loans (actual average yearly rate = 4.663%)						*6,431*	*4,826*	*1,261*		
Interest on Bond (rate= 5.583%)					*13,958*	*7,686*				
Provisions for risks and charges	42,978									
Provisions for employee benefits	19,906									
Deferred tax liabilities	3,641									
Other liabilities	425,039	2,691	2,691					2,691		
Total liabilities	**2,892,329**	**2,233,016**	**2,236,776**	**41,141**	**1,868,307**	**48,539**	**331,271**	**32,002**	**0**	**0**

	Book value at 31/12/2012		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guar-antees	2013	2014	2015	2016	2017	over 5 years
LIABILITIES										
Current liabilities	**1,817,254**	**1,654,598**	**1,656,216**	**22,798**	**1,658,885**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	166,997	166,997		22,798	171,284					
FBank loans (guaranteed)		*7,671*	*8,551*	*8,551*	*8,551*					
Bank loans		*107,461*	*108,199*		*108,199*					
Overdrafts		*0*	*0*		*0*					
Interest (actual average yearly rate: = 4.26%)					*2,669*					
Loans from non consolidated Group Companies & other payables		*6,233*	*6,233*		*6,233*					
Derivative instruments		*45,632*	*45,632*	*14,247*	*45,632*					
Trade and other payables	1,394,342	1,394,342	1,394,342		1,394,342					
Current tax liabilities	161,125									
Other liabilities	94,790	93,259	93,259		93,259					
Non-current liabilities	**925,970**	**427,579**	**431,061**	**29,498**	**13,958**	**62,315**	**49,992**	**336,850**	**34,835**	**0**
Bank loans (secured)	424,891	424,891	428,373	29,498	13,958	62,315	49,992	334,162	34,835	
Bank loans (secured)		*28,766*	*29,498*	*29,498*		*6,238*	*3,647*	*20,345*		
Bank loans		*147,401*	*148,875*			*33,950*	*30,775*	*56,100*	*28,050*	
Bond		*248,724*	*250,000*					*250,000*		
Interest on medium/long term loans (actual average yearly rate:= 4.58%)						*8,169*	*7,884*	*7,717*	*6,785*	
Interest on Bond (actual average yearly rate:= 5.583%)					*13,958*	*13,958*	*7,686*			
Provisions for risks and charges	52,391									
Provisions for employee benefits	22,825									
Deferred tax liabilities	3,163									
Other liabilities	422,700	2,688	2,688					2,688		
Total liabilities	**2,743,224**	**2,082,177**	**2,087,277**	**52,296**	**1,672,842**	**62,315**	**49,992**	**336,850**	**34,835**	**0**

Note that the derivative hedging instruments included in short-term financial liabilities for EUR 21,424 thousand include interest rate swaps related to the loan contracted by the Parent Company and by the subsidiary Sardeolica Srl. The nominal future interest flows on this loan are already included under on medium/long-term loans' interest shown in the 'Non-current liabilities' section of the table.

7.5.4.3 Market risk

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

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

As required by 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's forecasts. The results of the analysis are shown in the tables below.

Euro/dollar exchange rate

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

2013					
EUR / US Dollar exchange rate				Change in benchmark	
Statement of financial position items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(835,493)	1.3791	(605,825)		
Effect on profit before taxes				(67,314)	55,075
Effect on net profit (and shareholders' equity)				(41,735)	34,146

The table below shows the simulation at 31st December 2012:

2012					
EUR / US Dollar exchange rate				Change in benchmark	
Statement of financial position items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(1,027,233)	1.3194	(778,560)		
Effect on profit before taxes				(86,507)	70,778
Effect on net profit (and shareholders' equity)				(53,634)	43,882

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

The results of the simulation are shown in the tables below:

		Change in benchmark	
Derivatives on:	Fair value as of 31/12/2013	-10%	+10%
Exchange rates	(2,469)	86,704	(71,400)
	(2,469)	86,704	(71,400)
Effect on profit before taxes		86,704	(71,400)
Effect on net profit (and shareholders' equity)		53,756	(44,268)

		Change in benchmark	
Derivatives on:	Fair value as of 31/12/2012	-10%	+10%
Exchange rates	(2,316)	63,085	(87,944)
	(2,316)	63,085	(87,944)
Effect on profit before taxes		63,085	(87,944)
Effect on net profit (and shareholders' equity)		39,113	(54,525)

Interest rates

The Group has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.
A simulation of the impact of this variable on Group net profit and shareholders' equity was carried out, assuming a change of +/- 50 basis points in rates and only taking into account the portion of variable-rate funding.
The results of the simulation are shown in the table below:

2013				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2013	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	5.33%	(3,802)		
Effect on profit before taxes			**357**	**(357)**
Effect on net profit (and shareholders' equity)			**221**	**(221)**

The following table shows the simulation at 31st December 2012:

2012				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2012	**Annual interes charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	4.48%	(8,916)		
Effect on profit before taxes			**995**	**(995)**
Effect on profit before taxes			**617**	**(617)**

In addition, the fair value of the interest rate swaps (IRSs) and options outstanding at the reporting date relating to the Parent Company and to Sardeolica Srl is affected by movements in the Euribor rate. A simulation of the impact of this variable on the Group's net profit and shareholders' equity was carried out, assuming a change of +/- 25 basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).
The results of the simulation are shown in the following table:

2013		**Change in benchmark**	
Derivatives on:	**Fair value as of 31/12/2013**	**-25bps**	**+25bps**
Fair value of Interest rate swaps	(2,510)	(556)	892
	(2,510)	**(556)**	**892**
Effect on profit before taxes		**(556)**	**892**
Effect on net profit (and shareholders' equity)		**(345)**	**553**

The simulation as at 31st December 2012 is shown below:

2012		**Change in benchmark**	
Derivatives on:	**Fair value as of 31/12/2012**	**-25bps**	**+25bps**
Fair value of Interest rate swaps	(4,866)	(792)	1,546
	(4,866)	**(792)**	**1,546**
Effect on profit before taxes		**(792)**	**1,546**
Effect on net profit (and shareholders' equity)		**(491)**	**959**

Prices of crude and oil products

Oil prices affect the fair value of derivative instruments outstanding at the reporting date and the relevant differences recognised in the income statement. Specifically, derivative instruments at 31st December 2013 consisted of oil product futures, swaps and options, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.
The Group therefore carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20% in oil prices.

The results of the simulation are shown in the tables below:

2013		Change in benchmark	
Derivatives on:	**Fair value as of 31/12/2013**	**-20%**	**+20%**
Oil and oil products	(2,816)	14,725	(14,725)
	(2,816)	**14,725**	**(14,725)**
Effect on profit before taxes		**14,725**	**(14,725)**
Effect on net profit (and shareholders' equity)		**9,130**	**(9,130)**

2012		Change in benchmark	
Derivatives on:	**Fair value as of 31/12/2012**	**-20%**	**+20%**
Oil and oil products	(7,917)	17,434	(17,434)
	(7,917)	**17,434**	**(17,434)**
Effect on profit before taxes		**17,434**	**(17,434)**
Effect on net profit (and shareholders' equity)		**10,809**	**(10,809)**

The above analysis of the Group's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market; the concentration risk relating to exposure to US dollars is mitigated by the hedging policies implemented.

7.6 Average staff numbers

The average number of staff working at companies included in the perimeter of consolidation, divided by category, is shown below:

	2013	**2012**
Managers	58	60
Office staff	1,152	1,210
Specialised workers	8	9
Workers	619	659
Total	**1,837**	**1,938**

The number of employees at the Group decreased from 1,854 at the end of 2012 to 1,812 at 31st December 2013.

7.7 Remuneration of senior personnel with strategic responsibilities

In 2013, senior personnel with strategic responsibilities received remuneration totalling EUR 1,350 thousand. For further details, please see section 7.5.1 of the notes to the financial statements of Saras SpA.

A summary of bonus shares allocated under the Stock Grant Plans for employees and managers to members of boards of directors and statutory auditors, general managers and senior managers with strategic responsibilities is shown below:

Surname / Name	**Role**	**No. of shares at the start of the year**	**No. of shares assigned during the year**	**No. of shares at the end of the year**
Dario Scaffardi	Director - General Manager	895,765	650,845	1,546,610
Corrado Costanzo	Chief Financial Officer	609,185	446,621	1,055,806

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, paragraph 5 of Legislative Decree 58 of 24th February 1998), see the annual report on corporate governance and the information on ownership structure pursuant to article 123-bis of Legislative Decree 58 of 24th February 1998.

7.8 Commitments

At 31st December 2013 and 2012, the Group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the Parent Company Saras SpA has issued sureties totalling EUR 310,428 thousand at 31st December 2013, mainly comprising EUR 305,058 thousand to subsidiaries, EUR 3,130 thousand to the Cagliari customs agency and EUR 1,530 thousand to the Ministry of Defence.

7.9 Disclosure of external auditor's fees

Pursuant to article 149-duodecies of Consob's Issuer Regulations, the table below provides details of the fees relating to 2012 paid to the external auditors for auditing and other services, and to companies affiliated to the external auditor for services provided.

Services	Provider	Recipient	Amount due in 2013
Audit	PricewaterhouseCoopers SpA	Saras SpA	395
	PricewaterhouseCoopers SpA	Italian subsidiaries	197
	PricewaterhouseCoopers Network	Foreign subsidiaries	155
Total			**747**
Attestation	PricewaterhouseCoopers SpA	Saras SpA	13
	PricewaterhouseCoopers SpA	Italian subsidiaries	40
	PricewaterhouseCoopers Network	Foreign subsidiaries	14
Total			**67**
Other Services	PricewaterhouseCoopers SpA	Saras SpA	25
	PricewaterhouseCoopers SpA	Italian subsidiaries	0
	PricewaterhouseCoopers Network	Foreign subsidiaries	33
Total			**58**
TOTAL			**872**

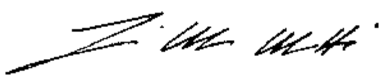
7.10 Miscellaneous

Please refer to the Report on Operations of the Consolidated Financial Statements for details on atypical and/or unusual transactions as well as accidents that occurred in 2009 and 2011.

8. Publication of the consolidated financial statements

At its meeting on 19th March 2014, the Board of Directors of Saras authorised 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



Report on Operations of Saras SpA

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Comment to Saras SpA results

Saras SpA is the Parent Company and operates in the Italian and international oil markets buying and selling refined oil products. This has already been analysed in detail in the Report on Operations of the Saras Group, which can be consulted for further information, as well as for an accurate analysis of the market, regulatory framework, principal events in the year, significant events after the reporting date and the outlook for operations.

KEY PROFIT AND LOSS FIGURES

EUR million	2013	2012	OTHER%
Revenues	10,166	10,792	-6%
EBITDA	(70)	(91)	23%
EBIT	(122)	(197)	38%
NET PROFIT/(LOSS)	(124)	(153)	32%

As part of the corporate restructuring approved by the Board of Directors in January 2013 and with effect from 1st July 2013, the refining activities of Saras SpA were contributed to the subsidiary Sarlux Srl so as to concentrate the industrial operations conducted at the Sarroch site into a single company, thereby increasing operational and management efficiency.

Revenues decreased 6% year-on-year to EUR 10,166 million. This decrease was mainly due to the trend in oil prices.

EBITDA was EUR -70 million, up on the previous year.

A net loss of EUR 124 million was made in the year, compared with a net loss of EUR 153 million in the previous year.

Investments in the period fell to EUR 51 million from EUR 97 million in 2012 because the above-mentioned refinery activities were contributed to the subsidiary Sarlux Srl As a consequence, only the first six months of the year are included in these financial statements and previous years' figures are not comparable.

The company's debt position at 31st December 2013 is shown below:

	31/12/2013	31/12/2012
Medium/long term bank loans	(112,078)	(143,026)
Bonds	(249,224)	(248,724)
Medium/long term financial receivables from Group companies	70,000	70,000
Other loans	4,860	5,339
Medium/long term Net Financial Position	**(286,342)**	**(316,411)**
Short-term bank loans	(30,707)	(24,762)
Payables to banks for overdrafts on current accounts	(7,939)	(16,859)
Loans from Group companies	(69,601)	(377,609)
Other short-term financial liabilities (net of derivatives' fair value)	(10,694)	(6,233)
Net derivatives' fair value	(6,372)	(11,912)
Receivables from Group companies	34,780	50,321
Other financial assets held for trading	0	8,737
Cash and cash equivalents	247,296	209,660
Other loans	724	270
Deposits securing derivative instruments	10,911	14,247
Short term Net Financial Position	**168,398**	**(154,140)**
Net Financial Position	**(117,944)**	**(470,551)**

Net debt at 31st December 2013 was EUR 118 million, a much better position than at the end of 2012, when net debt stood at EUR 471 million). The main contribution came from the partial repayment of debt to the subsidiary Sarlux Srl in the form of the above-mentioned contribution in kind and from ordinary operations, which benefited from a reduction in working capital.

The following information is provided pursuant to article 2428 of the Italian Civil Code:

- Work in progress includes the research costs relating to gas exploration in Sardinia, worth EUR 17,985 thousand;
- Transactions with subsidiaries, associates and companies controlled by the latter are shown in the Notes to the separate financial statements under 7.2 'Transactions with related parties';
- Details of and movements in proprietary shares owned by the Company in the year to 31st December 2013 are as follows:

Date	Transactions	N° of Shares	Total Nominal value (EUR)	Total Consideration (EUR)
1/1/13	**Initial Situation**	**22,619,460**	**1,298,384**	**70,386,942**
07/05/13	Stock grant assignment + option to postpone maturity	(9,062,956)	(520,224)	(26,150,091)
15/05/13	Purchases	500,000	28,701	519,610
16/05/13	Purchases	500,000	28,701	521,630
17/05/13	Purchases	300,000	17,220	314,160
20/05/13	Purchases	150,000	8,610	160,811
20/05/13	Purchases	50,000	2,870	53,750
21/05/13	Purchases	575,270	33,021	617,667
22/05/13	Purchases	334,000	19,172	358,873
23/05/13	Purchases	100,000	5,740	106,382
24/05/13	Purchases	100,000	5,740	106,277
05/06/13	Purchases	200,000	11,480	225,488
17/06/13	Purchases	180,000	10,332	192,573
18/06/13	Purchases	500,000	28,701	523,560
19/06/13	Purchases	200,000	11,480	210,176
20/06/13	Purchases	500,000	28,701	524,525
21/06/13	Purchases	600,000	34,441	612,714
24/06/13	Purchases	300,000	17,220	292,908
25/06/13	Purchases	300,000	17,220	296,268
26/06/13	Purchases	300,000	17,220	305,316
TOTAL		**19,245,774**	**1,104,730**	**50,179,539**

On 24th April 2013, the Shareholders' Meeting approved the 'Plan to grant free company shares to the Saras Group management' (the '2013-2015 Stock Grant Plan' or the 'Plan'), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.

Recipients of the Plan are:

- Managers with strategic responsibilities within the company;
- Directors of Italian and/or foreign companies controlled by the company;
- Other senior managers in the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares upon achieving performance objectives determined in relation to the performance of Saras' Total Shareholder Return (TSR) compared to the TSR of a group of industrial companies forming a part of the FTSE Italia Mid Cap Index (the 'Peer Group'). TSR is calculated as the change in the value of Saras shares and the shares of Peer Groups during the three-year period 2013-2015; the change will be calculated using as a reference the initial value (average value of shares recorded on the Milan Stock Exchange from 1st October 2012 to 31st December 2012) and the ending value (average value of shares recorded on the Milan Stock Exchange from 1st October 2015 to 31st December 2015). The maximum number of shares covered by the Plan is 9,500,000. Shares are to be delivered within six months of the end of the Plan, and the beneficiary undertakes not to sell, transfer, dispose of or subject to any restriction a number of shares equivalent to 20% of the shares for a period of 24 months from the delivery date.

See the Notes to the financial statements, 6.2.3 – Personnel costs, for further information about movements in proprietary shares.

For information about the use of financial instruments by the company see the following section of this report, 'Risk analysis'.

- General and Administrative Headquarters – Galleria De Cristoforis 1, Milan
- Public Relations and Administrative Affairs – Salita San Nicola da Tolentino 1/b, Rome.

Information about remuneration and shareholdings of directors and statutory auditors, general managers and senior managers with strategic responsibilities is shown in the Notes to the financial statements under 7.5.

Furthermore:

- For an analysis of the main legal actions pending, see the Notes to the financial statements, 7.1 'Main legal actions pending';
- See the corresponding section of the Report on the Consolidated Financial Statements of Saras Group for:
- Corporate Governance;
- Structure of the Group;
- Atypical and/or unusual transactions;
- Performance indicators and non-financial indicators;
- Information about staff;
- Information about the environment

Risk analysis

The main principles of the risk policy are based on the prevention of the main risks associated with objectives and are related to the strategic, operational and financial areas.
Risk management in the company's individual policies and processes is based on the principle that operational and financial risk is managed by the process owner.

The main risks are reported and discussed by top management in order to create a basis on which to hedge, secure and measure residual risk.
In addition to the guidelines for risk management, there are also specific guidelines for financial risks, such as interest rate risk and credit risk.

Financial risks

The company's priorities include sustainable growth, productivity, profitability and quality of financial data. The financial structures therefore focus on ensuring that credit lines are implemented and used to maximum efficiency to develop the sales business and reduce to a minimum the financial risks inherent in industrial operations (adverse risk).
The company operates internationally in the oil industry, and is therefore exposed to exchange rate risk, interest rate risk, credit risk and price risk.

Risk of changes in prices and cash flows

Results are influenced by changes in oil prices and the effects of such changes on refining margins (being the difference between the price of oil products generated in the refining process and the price of raw materials, principally crude oil). Furthermore, as part of its activities, the company is required to maintain adequate stocks of crude oil and finished products, and the value of the stocks is subject to fluctuations in market prices.

The risk of changes in prices and the corresponding cash flows is closely linked to the nature of the business and can only be partially mitigated by using appropriate risk management policies, including entering into processing contracts with third parties at partially pre-set prices.
To hedge the risks arising from price variations, the company enters into derivative contracts in commodities, which involve the forward buying and selling of crude oil and products.

Exchange rate risk

The oil business is exposed to fluctuations in exchange rates as the reference prices for buying crude oil and for the sale of some products are quoted in or pegged to the US dollar.
To reduce both its exchange rate risk in future transactions and the risk inherent in assets and liabilities denominated in a different currency to the functional currency of each entity, the company sets up derivative instruments which consist of the forward buying and selling of foreign currencies (US dollars).
Transactions expressed in currencies other than US dollars are not significant and could only have a very low impact on the results for the year.

Interest rate risk

The risks relating to changes in cash flows caused by changes in interest rates arise from loans. Variable-rate loans are exposed to the risk that cash flows may change due to interest rates. Fixed-rate loans are exposed to the risk that the fair value of the funds received may change.

The main loan agreements outstanding have been entered into at variable market rates. The company's policy is to use derivative instruments to reduce the risk of changes in interest cash flows.

Credit risk

The market in which the company operates mainly consists of multinational companies operating in the oil industry. Transactions entered into are generally settled in very quickly and are often guaranteed by prime leading banks. Furthermore, loans are systematically and promptly monitored on a daily basis by the Finance department. This risk is minimal and does not constitute a significant variable in the business in which the company operates.

Liquidity risk

The company funds its activities using both its own operating cash flows and external financing sources, and is therefore exposed to a liquidity risk relating to its ability to meet its contractual obligations under the loan agreements it has entered into. However, given the Company's strong self-financing capacity, coupled with its good track record in meeting debt obligations, the liquidity risk is very low.

Other risks

Risk relating to the supply of crude oil

A significant part of the crude oil refined by the company comes from countries which are subject to higher political, social and economic risks than other countries. Legislative, political and economic changes and social upheaval could have a negative impact on trade relations between Saras and such countries, which would have a significant negative impact on the company's financial position and operating results.

Risks relating to stoppages in production at the refinery

A significant proportion of the company's activities depend on the refinery owned by the subsidiary Sarlux Srl, which is located in Sardinia and produces almost all the refined oil products sold. This business is subject to risks relating to stoppages due to unscheduled shutdowns of the plants and to accidents. Saras believes that the refinery's capacity means that the negative effects of unscheduled shutdowns are limited, and that the safety plans that the subsidiary has implemented (and continues to implement) reduce the risks of accidents to a minimum. In addition, the Saras Group has significant insurance cover against such risks.

Personal data protection

Pursuant to Legislative Decree 196 of 30th June 2003 on 'Personal data protection', the company has adopted the minimum security measures stipulated in Appendix B thereto (article 34). The Security Policy Document (Appendix B, point 19) was updated on 31st March 2012.

Direction and Coordination

As at the date of this report, the company is controlled by Gian Marco Moratti SapA and Massimo Moratti SapA, respectively representing 25.01% each and 50.02% jointly of share capital, under the shareholders' agreement signed by the two companies on 1st October 2013.

Article 2497-*sexies* of the Italian Civil Code states that, *'It is presumed, unless proven otherwise, that the activities of direction and co-ordination is exercised by the company or body responsible for consolidating the accounts or by the company which exercises control pursuant to article 2359'*. The Board of Directors of Saras considers, however, that Gian Marco Moratti SapA and Massimo Moratti SapA have never exercised direction and co-ordination since, inter alia, Gian Marco Moratti SapA and Massimo Moratti SapA do not issue directives to their subsidiary and there is no significant organisational or functional connection between the companies. Consequently, Saras considers that it operates and has always operated in conditions of corporate and business autonomy in respect of its parent companies Gian Marco Moratti SapA and Massimo Moratti SapA. Relationships with the latter are limited exclusively to the normal exercise of a shareholder's administrative and financial rights by Gian Marco Moratti SapA and Massimo Moratti SapA and to the receipt of information supplied by the Issuer pursuant to article 2381, paragraph 5 of the Italian Civil Code by bodies delegated by Gian Marco Moratti SapA and Massimo Moratti SapA.

Proposals of the Board of Directors

Dear Shareholders,
The company's separate financial statements to 31st December 2013 show a net loss of EUR 124,037,017.
If you agree with the principles used to prepare the financial statements and the accounting standards and policies implemented therein, we propose that the following resolutions be passed:

- Having examined the company's separate financial statements to 31st December 2013;
- Having seen the statutory auditors' report to the shareholders' meeting pursuant to article 153 of Legislative Decree 58/98 (the Consolidated Law on Finance, TUF);
- Having viewed the external auditor's report on the separate financial statements to 31st December 2013;

the shareholders' meeting votes

to approve the separate financial statements of the company for the financial year ended 31st December 2013 in their entirety and in relation to individual items, and to carry forward the net loss of EUR 124,037,017.

For the Board of Directors
Chairman
Gian Marco Moratti

Saras SpA Financial Statements as of 31st December 2013

Saras SpA Statement of Financial Position as of 31st December 2013 and 31st December 2012

(EUR Thousand)			31/12/2013	31/12/2012
ASSETS	(1)	(2)		(3)
Current assets	5.1		1,551,494	1,776,770
Cash and cash equivalents	5.1.1	A	247,296	209,660
Other financial assets held for trading	5.1.2	B	13,629	31,493
Trade receivables	5.1.3	C	462,196	637,818
of which from related parties:			*237,606*	*303,105*
Inventories	5.1.4	D	732,811	777,054
Current tax assets	5.1.5	E	37,874	40,882
Other assets	5.1.6	F	57,688	79,863
of which from related parties:			*34,711*	*52,382*
Non-current assets	5.2		932,374	1,195,553
Property, plant and equipment	5.2.1	H, I	8,535	715,305
Intangible assets	5.2.2	J	19,191	18,538
Equity interests at cost	5.2.3.1	L	729,449	302,421
Other equity interests	5.2.3.2	L	495	495
Deferred tax assets	5.2.4	X	99,382	83,057
Other financial assets	5.2.5	M	75,322	75,737
of which to related parties:			*70,000*	*70,000*
Total assets			2,483,868	2,972,323
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,611,621	1,877,119
Short-term financial liabilities	5.3.1	R	138,942	468,868
of which to related parties:			*69,422*	*377,450*
Trade and other payables	5.3.2	R	1,376,337	1,279,553
of which to related parties:			*53,145*	*36,660*
Current tax liabilities	5.3.3	X	71,677	63,300
Other liabilities	5.3.4	R	24,665	65,398
Non-current liabilities	5.4		391,413	485,956
Long-term financial liabilities	5.4.1	R	361,302	391,750
Provisions for risks and charges	5.4.2	P, Z	3,838	42,854
Provisions for employee benefits	5.4.3	Q	9,963	21,180
Other liabilities	5.4.4	R	16,310	30,172
of which to related parties:			*16,268*	*30,092*
Total liabilities			2,003,034	2,363,075
SHAREHOLDERS' EQUITY	5.5	N, O, W		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			539,315	696,383
Profit/(loss) for the year			(124,037)	(152,691)
Total equity			480,834	609,248
Total liabilities and shareholders' equity			2,483,868	2,972,323

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

(2) Refer to the Notes, chapter 3.1 "Summary of accounting standards and policies"

(3) 2012 values reflect the application of IAS 19 revised

Saras SpA - Income Statement for the periods: 1st January - 31st December 2013 and 2012

(EUR Thousand)	(1)	(2)	01/01/2013 31/12/2013	(4) of which non recurring	(3) 01/01/2012 31/12/2012	of which non recurring
Revenues from ordinary operations	6.1.1	S	10,044,833		10,679,997	
of which from related parties:			*2,230,345*		*2,524,399*	
Other income	6.1.2	S	121,059	23,573	111,975	
of which from related parties:			*57,131*		*76,984*	
Total revenues			10,165,892	23,573	10,791,972	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(9,785,475)		(10,301,834)	
of which from related parties:			*(94,245)*		*(51,526)*	
Cost of services and sundry costs	6.2.2	T, Z	(387,431)		(470,244)	
of which from related parties:			*(132,179)*		*(84,974)*	
Personnel costs	6.2.3	T, Q	(62,957)		(110,991)	
Depreciation, amortisation and write-downs	6.2.4	H, J	(52,414)		(105,817)	
Total costs			(10,288,277)	0	(10,988,886)	0
Operating results			(122,385)	23,573	(196,914)	0
Net income/(charges) from equity interests	6.3	L, W	(2,361)		1,042	(939)
Other financial income	6.4	U, Y	217,570	60	251,443	
of which from related parties:			*9,691*		*3,742*	
Other financial charges	6.4	U, Y	(238,921)		(299,343)	(2,060)
of which from related parties:			*(8,640)*		*(9,453)*	
Profit/(loss) before taxes			(146,097)	23,633	(243,772)	(2,999)
Income tax for the year	6.5	X	22,060	11,769	91,081	
Net profit/(loss) for the year			(124,037)	35,402	(152,691)	(2,999)

Saras SpA Statement of Comprehensive Income for the periods 1st January - 31st December 2013 and 2012

		2013	2012
Result for the year (A)		(124,037)	(152,691)
Items included in comprehensive income which will be reclassified subsequently to profit or loss (when specific conditions are met)			
		0	0
Items included in comprehensive income which will not be reclassified subsequently to profit or loss (when specific conditions are met)			
IAS 19 actuarial effect on end-of-service payments	Q, T	(173)	(1,318)
Income / (loss), net of fiscal effect (B)		(173)	(1.318)
Comprehensive Result for the year (A + B)		(124,210)	(154,009)
Net Comprehensive Result for the year attributable to :			
Owners of the company		(124,210)	(154,009)
Minority interests		0	0

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

(2) Refer to the Notes, chapter 3.1 "Summary of accounting standards and policies"

(3) 2012 values reflect the application of IAS 19 revised

(4) The column "of which non recurring" includes:

- Other income amounting to 23,573 EUR thousand due to grants related to previous years
- Income tax:
  - Tax effect on grants and write-off mentioned above amounting to 8,015 EUR thousand
  - Reversal of deferred tax asset (4% Robin tax) amounting to 19,784 EUR thousand

Saras SpA Statement of Changes in Shareholders' Equity: from 31st December 2011 to 31st December 2013

(EUR Thousand)	Share capital	Legal reserve	Other reserves	Profit (loss)	Total equity
Balance as ofl 31/12/2011	54,630	10,926	739,468	(45,547)	759,477
Year 1/1/2012 - 31/12/2012					
Appropriation of previous year's profit			(45,547)	45,547	0
Reserve for employee share plan			3,780		3,780
IAS 19 actuarial effect			(1,318)		(1,318)
Profit/(loss) for the year				(152,691)	(152,691)
Total comprehensive profit/(loss) for the year			*(1,318)*	*(152,691)*	*(154,009)*
Balance as of 31/12/2012	54,630	10,926	696,383	(152,691)	609,248
Year 1/1/2013 - 31/12/2013					
Appropriation of previous year's profit			(152,691)	152,691	0
Purchase on own shares			(5,943)		(5,943)
Reserve for employee share plan			1,654		1,654
Reversal of deferred tax asset (4% Robin tax) on 2012 actuarial effect of IAS 19			85		85
IAS 19 actuarial effect			(173)		(173)
Profit/(loss) for the year				(124,037)	(124,037)
Total comprehensive profit/(loss) for the year			*(173)*	*(124,037)*	*(124,210)*
Balance as of 31/12/2013	54,630	10,926	539,315	(124,037)	480,834

Saras SpA Cash Flow Statement as of: 31st December 2013 and 31st December 2012

(EUR Thousand)	(1)	(2)	01/01/2013 31/12/2013	(3) 01/01/2012 31/12/2012
A - Cash and cash equivalents at the beginning of the year	5.1.1	A	209,660	97,285
B - Cash generated from/(used in) operating activities				
Profit/ (Loss) for the year	5.5		(124,037)	(152,691)
Unrealised exchange losses/(gains) on bank accounts			1,832	1,950
Amortisation, depreciation and write-downs of fixed assets	6.2.4	H, J	52,414	105,817
Grants booked to income statement			(23,573)	0
Net (income)/charges from equity interests	6.3	L	2,361	(1,042)
of which from related parties:			*2,361*	*1,042*
Net change in provisions for risks and charges	5.4.2	P, Z	(24,414)	(23,039)
Net change in employee benefits	5.4.3	Q	(2,582)	461
Net change in tax liabilities and tax assets	5.2.4	X	(12,609)	(45,790)
Net interest gains (losses)		U, Y	29,706	19,208
Accrued income tax	6.5	X	(9,451)	(46,099)
Change in Fair Value of financial assets held for trading, and of financial liabilities			6,372	3,172
Other non cash items	5.5		1,566	6,065
(Increase) / Decrease in trade receivables	5.1.3	C	174,838	34,653
of which from related parties:			*65,499*	*44,175*
(Increase) / Decrease in inventory	5.1.4	D	(28,538)	182,778
Increase / (Decrease) in trade and other payables	5.3.2	R	195,693	209,027
of which to related parties:			*313,461*	*(5,129)*
Change in other current assets	5.1.5 - 5.1.6	E, F	26,280	35,982
of which from related parties:			*17,671*	*(9,335)*
Change in other current liabilities	5.3.3 - 5.3.4	X, R	2,480	19,658
Interest received		U, Y	3,832	3,515
of which from related parties:			*3,198*	*3,742*
Interest paid		U, Y	(32,894)	(36,918)
of which to related parties:			*(6,507)*	*(7,393)*
Income tax paid		E, X	0	(544)
Change in other non-current liabilities	5.4.4	R	(1,214)	(5,252)
of which to related parties:			*(13,824)*	*(4,971)*
Total (B)			238,062	310,911
C - Cash flow from / (to) investing activities				
Investments in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(52,491)	(87,209)
- dof which interest paid capitalized			*(5,528)*	*(9,634)*
Changes in equity interests	5.2.3.1	L	0	700
Change in financial assets	5.1.2 - 5.2.5	B, M	29,327	34,635
Other cash items	5.2.1 - 5.2.2		0	0
Total (C)			(23,164)	(51,874)
D - Cash generated from / (used in) financing activities				
Increase / (Decrease) in medium/long term borrowings	5.4.1	R	0	167,579
Increase / (Decrease) in short term borrowings	5.3.1	R	(143,483)	(122,291)
of which from related parties:			*(308,028)*	*151,982*
(Decrease) in short term financial debts due to repayments			(26,000)	(190,000)
Dividends and buy-backs of own shares			(5,943)	
Total (D)			(175,426)	(144,712)
E - Cashflow for the year (B+C+D)			39,472	114,325
Cash and cash equivalents tranferred to Sarlux Srl			(4)	0
Unrealised exchange losses/(gains) on bank accounts			(1,832)	(1,950)
F - Cash and cash equivalents at the end of the year			247,296	209,660

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

(2) Refer to the Notes, chapter 3.1 "Summary of accounting standards and policies"

(3) 2012 values reflect the application of IAS 19 revised

For the Board of Directors - The Chairman
Gian Marco Moratti

Notes to the Separate Financial Statements of Saras SpA for the year ending 31st December 2013

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6. Notes to the Income Statement

7. Other information

8. Miscellaneous

9. Publication of the financial statements

Notes to the separate financial statements of Saras SpA for the year ending 31st December 2013

1. Preliminary remarks

Saras SpA 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. It is jointly controlled by Gian Marco Moratti SapA and Massimo Moratti SapA, who each own 25.01% and jointly own 50.02% of the share capital of Saras SpA (excluding own shares), under the shareholders' agreement signed by the two companies on 1st October 2013. The company is established until 31st December 2056, as stated in its articles of association.

Saras SpA operates in the Italian and international oil markets in the sale of products derived from the refining process. The company also (directly and indirectly) owns the entire share capital of companies that in turn operate in:

- The refining of crude oil from the plant owned by the subsidiary Sarlux Srl;
- The sale of oil products in the retail and wholesale markets in Italy (Arcola Petrolifera Srl) and Spain (Saras Energia SA);
- The generation and sale of electricity via an integrated gasification combined cycle (IGCC) plant (Sarlux Srl) and a wind farm (Parchi Eolici Ulassai Srl, through the subsidiary Sardeolica Srl);
- The fields of environmental research (Sartec SpA) and reinsurance (Reasar SA).

Note that as part of the corporate restructuring approved by the Board of Directors in January 2013 and with effect from 1st July 2013, the refining activities of Saras SpA were contributed to the subsidiary Sarlux Srl so as to concentrate the industrial operations carried out at the Sarroch site into a single company, thereby increasing operational and management efficiency. The contribution in kind was conducted on the basis of 'accounting continuity', i.e. the recognition in the transferee's financial statements of all the business division's assets and liabilities at the carrying values in the transferor's financial statements. The sworn expert report required by Article 2465 of the Italian Civil Code, prepared by two external auditors, confirmed that the financial value of the business division transferred to Sarlux Srl by Saras SpA was at least equal to the carrying value of the assets contributed.

The amounts transferred are shown in the table below:

Assets contributed in kind	
Current assets	**78,535**
Cash and cash equivalents	4
Other financial assets held for trading	0
Trade receivables	784
Inventory	72,781
Current tax assets	0
Other assets	4,966
Non Current assets	**708,551**
Property, plant and equipment	701,919
Intangible assets	364
Other equity interests	0
Deferred tax assets	0
Other financial assets	6,268
Total assets	**787,086**

Liabilities contributed in kind	
Current liabilities	**320,896**
Short-term financial liabilities	211,887
Trade and other payables	98,909
Current tax liabilities	0
Other liabilities	10,100
Non-current liabilities	**39,601**
Long-term financial liabilities	0
Provisions for risks and charges	14,602
Provisions for employees benefits	8,635
Deferred tax liabilities	3,716
Other liabilities	12,648
Total liabilities	**360,497**
Value contributed in kind	**426,589**

Following the contribution, the carrying value of the equity investment in the subsidiary was increased by EUR 426,589 thousand, and the shareholders' equity of the subsidiary Sarlux Srl was increased by an equal amount (of which EUR 72,270 thousand related to an increase in the share capital and EUR 354,319 thousand to a reserve for contribution in kind). According to the relevant accounting standards the operation did not generate any capital losses or capital gains in these financial statements.

The above operation is not a 'discontinued operation' under IFRS 5 in that the division transferred is not a significant or separate line of business or geographical area of operations. Saras SpA has continued to operate in the oil industry since the transfer, having maintained the management of supply & trading activities and oil stocks and replaced direct production with contract work.

These financial statements for the year ended 31st December 2013 are presented in euro, since this is the currency of the economy in which the company operates. They consist of a statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders’ equity and these notes to the accounts. All amounts shown in these notes are expressed in thousands of euro, unless otherwise stated.

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

The separate financial statements of Saras SpA for the year ending 31st December 2013 were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002.

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

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

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

The accounting standards 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 applied for the first time to annual periods beginning on or after 1st January 2012. They have also approved some changes in interpretations already issued but applicable to financial statements relating to periods beginning on or after 1st January 2013.

Relevant accounting standards, amendments and interpretations applicable from 1st January 2013

The following accounting standards, amendments and interpretations have been applied by the Group for the first time starting from 1st January 2013:

IFRS 13 – Fair value measurement: the standard illustrates the techniques for measuring fair value in financial statements and applies to all standards that require or allow fair value measurement or the presentation of information based on fair value. It also requires disclosures about the inclusion of counterparty risk in calculating fair value. The new standard has not had a significant impact on these financial statements as the techniques it sets out for measuring fair value are not significantly different from those previously used by the Company.

On 16th December 2011, the IASB issued a number of amendments to **IFRS 7 – Financial instruments: Disclosures**. The amendment disclosure of information about the effects or potential effects of netting arrangements associated with financial assets and liabilities on an entity's financial position. These amendments have not had a significant impact on the information included in these financial statements.

On 16th June 2011, the IASB issued an amendment to **IAS 1 – Presentation of Financial Statements** which requires companies to disclose separately 'Items of Other Comprehensive Income' that may subsequently be reclassified to the income statement. The amendment has been applied by the Group since 1st January 2013 and the related effects on disclosure are shown in the financial statements for all periods reported.

On 16th June 2011, the IASB issued an amendment to **IAS 19 – Employee Benefits** which removes the option to defer recognition of actuarial gains and losses using the corridor method. The amendment requires the deficit or surplus on the provision to be presented in the statement of financial position; cost components associated with benefits earned by employees and net financial liabilities to be recognised in the income statement, and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognised under the other items in the statement of comprehensive income. In addition, the return on assets included in net financial charges must be calculated on the basis of the discount rate of liabilities rather than on the expected return on assets. Lastly, the amendment introduces new additional information to be provided in the notes to the financial statements. The amendment has been applied by the Group since 1st January 2013 with retrospective effect from 1st January 2012, and the related effects have been shown in the financial statements – see note 3.2 Q.

In 2012, the IASB also issued the following amendments, which have already been approved and applied since 2013 and have not had a significant effect on the Company's financial statements:

IAS 1 – Presentation of Financial Statements. The amendments mainly concern the disclosure of additional comparative information. In particular, it has been clarified that if an entity changes an accounting standard or applies a restatement/reclassification retrospectively, it must also present a statement of financial position from the beginning of the comparative period ('third statement of financial position' in the financial statements), while the notes to the accounts are not required to present comparative information also for the 'third statement of financial position', except as regards the items involved.

IAS 16 - Property, Plant and Equipment. The changes mainly relate to servicing equipment, which must be classified under 'Property, plant and equipment' if used for more than one financial year, otherwise under inventories.

IAS 32 – Financial Instruments. This contains the requirement to provide information about direct taxes on distributions to holders of equity instruments and on transaction costs of equity instruments, which follow the rules of IAS 12.

IAS 34 – Interim Financial Reporting. The amendment clarifies that total assets for a reportable segment must be disclosed only when such information is routinely provided to the chief operating decision maker of the entity and there has been a material change in the total assets of the segment from that previously disclosed in the last annual financial statements.

Accounting standards, amendments and interpretations approved by the European Union but not yet applicable, except in the case of early adoption

The IASB has issued the following amendments, for which the approval process was completed by the European Union by the date of these financial statements and which are due to be applied to future accounting periods or on an early adoption basis. The Company has not opted for early adoption.

IFRS 10 – Consolidated Financial statements. This standard replaces SIC-12 Consolidation – Special Purpose Entities (SPVs) and some parts of IAS 27 – Consolidated and Separate Financial Statements, will change its name to IAS 27 – Separate Financial Statements and will govern the accounting treatment of equity investments in the separate financial statements. The new IFRS 10 identifies the concept of control as the factor that determines whether or not a company should be consolidated into the Parent Company's consolidated financial statements, and provides guidance on determining the existence of control in difficult cases.

Transition Guidance (IFRS 10, IFRS 11, IFRS 12), on 28th June 2012, the IASB issued 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities', which clarifies and simplifies the transition requirements for IFRS 10, IFRS 11 and IFRS 12.

IFRS 11 – Joint Arrangements. This standard replaces IAS 31 – Interests In Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the joint arrangements rather than on the legal form of the joint arrangements themselves, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities. This standard describes the additional information to be disclosed about equity investments (subsidiaries, joint arrangements, affiliates, special purpose entities and other unconsolidated structured entities).

IAS 27 – Consolidated and Separate Financial Statements. The amendment to IAS 27 sets out the standards to be applied when accounting for investments in subsidiaries, joint ventures and associates when preparing separate financial statements after the introduction of IFRS 10.

IAS 28 – Investments in Associates and Joint Ventures. The amendment to IAS 28 (as amended in 2011) sets out the criteria for applying the equity method when accounting for investments in affiliates and joint ventures.

On 16th December 2011, the IASB issued a number of amendments to **IAS 32 – Financial instruments: presentation**, to clarify the application of some of the criteria for offsetting financial assets and financial liabilities set out in IAS 32.

The amendments will be applicable retrospectively for financial years beginning on or after 1st January 2014.

It is not believed that the adoption of the amendments will have a significant impact on the company's financial statements.

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

IFRS 9 – Financial Instruments. The IASB issued this standard on 12th November 2009. 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 amendments concern the reporting and measurement criteria for financial assets and the related classification in the financial statements. Among other things, the new provisions establish a model for classifying and measuring financial assets based solely on the following categories: (i) assets measured at amortised cost; (ii) assets measured at fair value. The new provisions also require equity investments other than those in subsidiaries, joint ventures or affiliates to be measured at fair value through the profit or loss. In the event that such investments are not held for trading, fair value changes may be recognised in the statement of comprehensive income, with only the effects of the distribution of dividends being recognised in the income statement. When the investment is sold, the amounts recognised in the statement of comprehensive income do not need to be recognised in the income statement. Furthermore, on 28th October 2010, the IASB incorporated new requirements into IFRS 9 including the criteria for recognising and measuring financial liabilities.
Specifically, the new provisions require, among other things, that when measuring a financial liability at fair value through the profit or loss, the changes in fair value relating to changes in the issuer's own credit risk be recognised in the statement of comprehensive income. The item must be recognised in the income statement to ensure a match with other items relating to the liability, thereby avoiding accounting mismatch.

The IASB also issued the following amendments, for which the European Union had not completed the endorsement process by the date of these financial statements.

Investment entities (Amendments to IFRS 10; IFRS 12 and IAS 27): on 31st October 2012, the IASB issued the document 'Investment Entities', which regulates the activities carried out by specific types of companies classified as investment entities. The IASB considers investment entities to be companies that invest with the sole aim of increasing the capital invested or the investment income or both. The provisions will be effective from financial years beginning on or after 1st January 2014.

On 29th May 2013, the IASB published the amendment to **IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**, which specifically requires information to be disclosed about the discount rate used to determine an impairment loss (or reversal) when the recoverable amount based on the fair value less costs of disposal is determined using the present value method.

At the moment it is not considered that adoption of these amendments will have significant effects on the Company's financial statements.

3.1 Summary of accounting standards and policies

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

The main valuation policies used are described below.

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

B Financial assets held for trading
Financial assets held for trading are reported at fair value, except for green certificates, with any gains reported in the income statement under 'Financial income' and 'Financial charges'.
Financial assets held for trading consist entirely of derivative contracts, which are discussed in the relevant section below.

C Trade receivables
Trade receivables are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment (in terms of both solvency and the credit risk characteristics of individual debtors), the asset concerned is written down to a carrying value

equal to the discounted value of its future cash flows. Impairment losses are recognised 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 realisable value at the end of the financial year represented by the amount that the company expects to obtain from their disposal 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 calculated using the weighted average cost of the last quarter.

E Current tax assets

Current tax assets are booked on initial recognition in the amount that is expected to be recovered from the tax authorities, taking into account their expected realisable value. Subsequently, they are recognised 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 recognised 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 recognised in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

White certificates are awarded on the achievement of energy savings through the application of technology and efficient systems. White certificates are recognised on an accrual basis under 'Other income', in proportion to the savings, expressed as tons of oil equivalent (TOE), achieved during the year.

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

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

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

Costs associated with requirements to restore or dismantle plants arising from statutory or contractual obligations are accounted for as an increase in the historical cost of the asset with an offsetting entry in provisions for risks and future liabilities.

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

The carrying value of property, plant and equipment is depreciated on a straight-line basis from the time the asset is available and ready for use over 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 years
Vehicles	4 years
Other assets	12 years
Leasehold improvements	The shorter of the duration of the lease and the asset's useful life

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

Land is not depreciated.

If an asset to be depreciated consists of separately identifiable components and the useful life of one component differs significantly from that of the others, each component of the asset is depreciated separately 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 recognised at their current value or, if 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 preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expenses accrued during and in respect of the development of intangible assets are 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 recorded, where 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, and
[F] Activities related to the evaluation of technical and commercial feasibility of mineral resource extraction,

are recorded under tangible or intangible assets according to their nature, as required by IFRS 6. These costs are periodically reviewed in order to determine whether any impairment indicators exist that might indicate that their recoverable value is lower than their carrying value.

K Impairment of assets

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

L Equity investments

Investments in subsidiaries, affiliates and joint ventures are recorded at purchase cost, and reduced for any losses according to the provisions of IAS 36.
The investments included under 'Other equity interests' are measured at fair value, with the impact of any changes in fair value recognised through profit or loss. Where fair value cannot be reliably determined or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 39. These costs are reassessed from time to time to identify the possible emergence of any impairment indicators that may suggest that their recoverable value is less than their carrying value. When the reasons that led to a write-down in previous periods no longer exist, the write-down of the investment is reversed through the income statement.

M Other financial assets

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

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

N Own shares

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

O Shareholders' equity

[I] **Share capital**
Share capital consists of subscribed and paid-up capital. Costs strictly related to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] **Reserves**
Reserves comprise sums set aside for a specific purpose; they include retained earnings from previous years.

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

P Provisions for risks and future liabilities

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

Those risks in respect of which a future liability is only "possible" are disclosed in the section on commitments and risks; no provision is made for these risks.

Q Provisions for employee benefits

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

From 1st January 2007, the regulations governing employee end-of-service payments in Italy 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, national social security, if it has more than 50 employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31st December 2006
  The end-of-service payments due to employees pursuant to article 2120 of the Italian Civil Code are treated in the same way as defined benefit pension plans; these plans are based on the working lives of employees and on the remuneration they receive over a pre-determined period of service. The liability relating to employee end-of-service payments is recorded on the statement of financial position based on their actuarial value, since this can be quantified as an employee benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the statement of financial position requires the amount of benefits earned by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the company's obligations. The present value of the company's obligations is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of vested benefit methods, considers each period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.
  The costs for the year in respect of defined benefit plans are recorded on the income statement under personnel expenses and are equivalent to the sum of the average present value of entitlements earned by current employees and the annual interest accruing on the present value of the company's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average remaining duration of the liabilities.
  Following application of IAS 19 (revised), actuarial gains and losses relating to the change in parameters, previously reported in the income statement (personnel costs), are now recognised in the statement of comprehensive income

- Benefits earned since 1st January 2007
  The benefits in question are accounted for using the method adopted for defined contribution pension plans (which are not subject to actuarial valuations) as the amount relating to employees has been transferred in full outside the company. The corresponding liability is determined according to article 2120 of the Italian Civil Code.

R Financial liabilities, trade and other payables and other liabilities

These are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is a change in the estimated future cash flows and these can be reliably estimated, the value of 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 calculated.
Sale transactions with a repurchase obligation represent a form of financing as the risks attached to ownership (mainly the risk relating to changes in fair value) remain with the company. In this case, the asset is not derecognised, the payable for the repurchase is classified as a financial liability and the difference is recorded in the income statement as financial income or charges.
Financial liabilities also include derivative contracts, which are discussed in the appropriate section below. Derivate contracts are measured at fair value with an offsetting entry in the income statement at each reporting date.

S Recognition of revenues

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

T Recognition of costs

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

U Interest income and expenses

Interest income and expenses are booked on an accrual basis.

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

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

W Dividends

[A] **Dividends received**
Dividends received from subsidiaries, joint ventures, affiliates and other holdings are recorded in the income statement when the right of shareholders to receive the payment has been established.

[B] **Dividends paid out**
The payment of dividends to company shareholders is recorded as a liability on the statement of financial position of the period in which the distribution was approved by the company’s shareholders.

X Taxes

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date.
Deferred taxes are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount, with the exception of those relating to investments in subsidiaries and of when the timing of the reversal of such differences is controlled by the company and it is probable that the differences will not be reversed within a reasonably foreseeable timescale.
In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the remaining portion is recognised to the extent that it is probable that taxable income will be generated in future against which it can be recovered.
Deferred taxes are calculated using the tax rates that are expected to apply in the years in which temporary differences are realised or reversed.
Current and deferred taxes are recognised in the income statement, with the exception of those related to items directly deducted from or added to shareholders’ equity, in which case the tax effect is taken directly to shareholders’ equity.
Current and deferred tax assets and liabilities are set off when income taxes are applied by the same tax authority, there is a legal right of set-off and the intention to settle on a net basis.
Changes in tax rates due to regulatory amendments are booked in the year in which the changes are substantially enacted; the effect is recorded in the income statement or under shareholders’ equity, in relation to the transaction that generated the underlying deferred tax.
Other taxes not related to income, such as property taxes, are included under 'Cost of services and sundry costs'.
The Company allows its Italian subsidiaries to participate in a national tax consolidation scheme for the purposes of calculating corporate income tax (IRES), pursuant to articles 117-128 of the consolidated law on income tax. As a result, a single income tax base is created for the Parent Company and certain Italian subsidiaries, essentially through the algebraic sum of the tax profit or loss of each participant. Participation in a particular scheme is confirmed by a communication to the tax authority made by the Parent Company indicating which subsidiaries have decided to take up this option. The option has a fixed duration of three years (except in the event of interruptions provided for by law) and the matter is governed between the two parties by a consolidation agreement. With specific reference to 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 effectively offset by taxable income generated by other consolidated companies. Any excess losses remain allocated to the Parent Company and remuneration for these losses is deferred until the year that they are actually used under the national tax consolidation scheme.

Y Derivatives

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

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

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

To determine the fair value of financial instruments listed on active markets, the bid price of the security on the relevant reporting date is used. In the absence of an active market, fair value is determined by using measurement models based largely on objective financial variables, and by considering, wherever possible, the prices observed in recent transactions and the prices for comparable financial instruments.

Z 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 allowances or credits on the appropriate market representing the excess CO_2.
If the credits allocated and purchased during the period, net of those sold, are insufficient, the shortfall, measured at market at the end of the year or at the price agreed (if there are forward contracts) is recorded under provisions for risks; if, however, the credits allocated and purchased, net of those sold, exceed requirements, the surplus, measured at purchase cost or market value at the end of the year if lower, is recorded under intangible assets.

AA Segment information

An operating segment is a part of an entity:

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

A geographical segment is defined as a group of assets and transactions used for specific services in a particular geographical area.

3.2 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methodology that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that are considered from time to time reasonable and realistic under the circumstances. The use of these estimates and assumptions affects the values reported in the financial statements, i.e. the statement of financial position, income statement, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual values 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 in the preparation of their estimates and in respect of which a change in the conditions underlying the assumptions used could have a significant effect on the restated aggregate financial information.

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

[II] Recoverable amount of fixed assets: in the presence of impairment indicators, the estimated recoverable value is derived from a complex valuation process that largely depends on external sector variables or changes in the regulatory framework. The corresponding environment is monitored continuously and sector analyses are obtained regularly. However, it may be that the effective change in the key variables is not in line with expectations.

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

[IV] 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 a case-by-case basis, and at the same time estimate the amount of financial resources needed to discharge the obligation in question. Where the directors feel that a liability is only possible, the associated risks are disclosed in the note concerning commitments and risks, and no accrual is made.

4. Information by business segment and geographical area

4.1 Preliminary remarks

The company operates in the Italian and international oil markets as a seller of products derived from the refining process. The company is therefore considered to operate just one segment.

4.2 Breakdown by geographical area

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

Net revenues from ordinary operations by geographical area:

	2013	2012	Change
Sales in Italy	5,198,020	4,706,459	491,561
Sales in Spain	374,494	1,031,174	(656,680)
Other EU sales	1,460,520	1,455,380	5,140
Non-EU sales	3,011,799	3,398,771	(386,972)
US Sales	0	88,213	(88,213)
Total	**10,044,833**	**10,679,997**	**(635,164)**

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

	31/12/2013	31/12/2012	Change
Receivables in Italy	378,733	436,405	(57,672)
Receivables in Spain	27,366	52,108	(24,742)
Other EU receivables	7,646	16,034	(8,388)
Non-EU receivables	48,257	133,077	(84,820)
U.S. receivables	194	194	0
Provision for bad debts	0	0	0
Total	**462,196**	**637,818**	**(175,622)**

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

5. Notes to the 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:

	31/12/2013	31/12/2012	Change
Bank and postal deposits	247,248	209,619	37,629
Cash	48	41	7
Total	**247,296**	**209,660**	**37,636**

For further details on the company's net financial position, please refer to the appropriate section of the Report on Operations or to the cash flow statement.

5.1.2 Other financial assets held for trading

'Other financial assets held for trading' comprises the positive fair value of derivatives outstanding at the end of the reporting period (EUR 13,629 thousand compared with EUR 31,493 thousand in 2012).
For further details, see 5.3.1.

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2013	31/12/2012	Change
From trade debtors	224,698	334,821	(110,123)
From Group companies	237,498	302,997	(65,499)
Total	**462,196**	**637,818**	**(175,622)**

The balance of receivables from group companies mainly relates to receivables from Arcola Petrolifera Srl (EUR 180,735 thousand) and Saras Energia SA (EUR 26,413 thousand) for the supply of oil products, and from Sarlux Srl (EUR 29,676 thousand) for the supply of raw materials and services.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2013:

	31/12/2013	31/12/2012	Change
Raw materials, spare parts and consumables	219,496	239,825	(20,329)
Semi-finished products	72,259	92,872	(20,613)
Finished products and goods held for resale	441,056	444,189	(3,133)
Advance payments	0	168	(168)
Total	**732,811**	**777,054**	**(44,243)**

Following the contribution in kind described above, the company's spare parts inventory (EUR 74,461 thousand at 31st December 2012) was transferred to the subsidiary Sarlux Srl.
The decrease in the price of crude and oil products was largely offset by increases in stocks held.
The recording of inventories at net realisable value led to a write-down of around EUR 5.4 million.
This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The item 'Finished products and goods held for resale' includes around 661 thousand tons of oil products (valued at around EUR 456 million) held for group companies and certain third parties in accordance with the obligations of Legislative Decree 22 of 31st January 2001 (in the previous year, these stocks amounted to 929 thousand tons valued at around EUR 666 million).
The Sarroch refinery held no crude oil or oil products belonging to third parties at 31st December 2013 (EUR 3 million at 31st December 2012).

5.1.5 Current tax assets

Current tax assets break down as follows:

	31/12/2013	31/12/2012	Change
VAT	0	3,049	(3,049)
IRES (corporate income tax)	31,612	31,434	178
IRAP (regional income tax)	2,328	2,328	0
Other tax receivables	3,934	4,071	(137)
Total	**37,874**	**40,882**	**(3,008)**

IRES receivables are essentially attributable to excess tax paid in previous years and, in the absence of tax payments, the increase arises from the withholding tax on bank interest paid in 2012. The VAT receivable at the end of 2012 arose from the payment of VAT on customs operations in December, and was offset in the regular payment in January 2013.

5.1.6. Other assets

The balance breaks down as follows:

	31/12/2013	31/12/2012	Change
Accrued income	132	192	(60)
Prepaid expenses	2,368	2,947	(579)
Other receivables	20,408	26,403	(5,995)
Financial receivables from Group companies	34,780	50,321	(15,541)
Total	**57,688**	**79,863**	**(22,175)**

'Other receivables' mainly comprises deposits to secure derivatives outstanding at 31st December 2013, totalling EUR 10,911 thousand (EUR 14,247 thousand at 31st December 2012, as well as white certificates for EUR 8,737 thousand relating to energy savings made by the Sarroch refinery).

'Financial receivables from Group companies' chiefly comprises receivables from Saras Ricerche e Tecnologie SpA for EUR 827 thousand, Arcola Petrolifera Srl (EUR 25,712 thousand), Ensar Srl (EUR 4,900 thousand) and Sareolica Srl (EUR 2,878 thousand). These receivables from Group companies carry interest charged at market rates, and are due in the next year.

5.2 Non-current assets

On 31st December 2013, the company's market capitalisation was less than the carrying value of shareholders' equity. This is one of the impairment indicators identified by IAS 36. However the Group's companies have already carried out impairment testing on each of the main Cash Generating Units (CGUs) defined in accordance with the division of the Group's business into segments. The results of the analysis – including sensitivity analysis performed on the main assumptions – did not show any impairment or need for reversal of past write-downs to be recorded in the financial statements of Saras SpA.

5.2.1 Property, plant and equipment

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

COST	31/12/2011	Additions	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2012
Land and buildings	125,337	164	(1,314)		2,839	127,026
Plant and equipment	1,602,429	29,243	(2,605)		21,112	1,650,179
Industrial and commercial equipment	16,272	8			2,619	18,899
Other assets	433,301	3,544	(1,782)		11,406	446,469
Assets under construction and payments on account	175,042	63,655			(38,499)	200,198
Total	**2,352,381**	**96,614**	**(5,701)**	**0**	**(523)**	**2,442,771**

ACCUMULATED DEPRECIATION	31/12/2011	Depreciation	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2012
Land and buildings	51,066	5,776				56,842
Plant and equipment	1,226,317	80,032	(2,605)			1,303,744
Industrial and commercial equipment	14,946	992				15,938
Other assets	334,732	17,992	(1,782)			350,942
Total	**1,627,061**	**104,792**	**(4,387)**	**0**	**0**	**1,727,466**

NET BOOK VALUE	31/12/2011	Additions	(Disposals)	(Depreciation)	Other changes and rev. / (w.d.)	31/12/2012
Land and buildings	74,271	164	(1,314)	(5,776)	2,839	70,184
Plant and equipment	376,112	29,243	0	(80,032)	21,112	346,435
Industrial and commercial equipment	1,326	8	0	(992)	2,619	2,961
Other assets	98,569	3,544	0	(17,992)	11,406	95,527
Assets under construction and payments on account	175,042	63,655	0		(38,499)	200,198
Total	**725,320**	**96,614**	**(1,314)**	**(104,792)**	**(523)**	**715,305**

COST	31/12/2012	Additions	(Disposals)	Grants	Other changes	Contribution in kind	31/12/2013
Land and buildings	127,026			(1,524)	1,478	(112,569)	14,411
Plant and equipment	1,650,179	9,094	(1,128)	(21,045)	16,380	(1,653,480)	0
Industrial and commercial equipment	18,899		(3,417)	(1,978)	948	(14,367)	85
Other assets	446,469	77	(4,815)	(2,937)	5,636	(421,811)	22,619
Assets under construction and payments on account	200,198	41,568			(24,442)	(217,159)	165
Total	**2,442,771**	**50,739**	**(9,360)**	**(27,484)**	**0**	**(2,419,386)**	**37,280**

ACCUMULATED DEPRECIATION	31/12/2012	Depreciation	(Disposals)	Grants on depreciation previous years	Other changes	Contribution in kind	31/12/2013
Land and buildings	56,842	3,951		(708)		(50,435)	9,650
Plant and equipment	1,303,744	37,871	(1,128)	(18,700)		(1,321,787)	0
Industrial and commercial equipment	15,938	653	(3,417)	(1,978)		(11,128)	68
Other assets	350,942	9,192	(4,803)	(2,187)		(334,117)	19,027
Total	**1,727,466**	**51,667**	**(9,348)**	**(23,573)**	**0**	**(1,717,467)**	**28,745**

NET BOOK VALUE	31/12/2012	Additions	(Disposals)	(Depreciation)	Grants and other changes	Contribution in kind	31/12/2013
Land and buildings	70,184	0	0	(3,951)	662	(62,134)	4,761
Plant and equipment	346,435	9,094	0	(37,871)	14,035	(331,693)	0
Industrial and commercial equipment	2,961	0	0	(653)	948	(3,239)	17
Other assets	95,527	77	(12)	(9,192)	4,886	(87,694)	3,592
Assets under construction and payments on account	200,198	41,568	0		(24,442)	(217,159)	165
Total	**715,305**	**50,739**	**(12)**	**(51,667)**	**(3,911)**	**(701,919)**	**8,535**

As part of the corporate restructuring project approved by the Board of Directors in January 2013, as mentioned above, the refining activities of Saras SpA were contributed to subsidiary Sarlux Srl, with effect from 1st July 2013, so as to concentrate the industrial operations conducted at the Sarroch site into a single company, thereby increasing operational and management efficiency. The results of this operation are shown in the 'Contribution in kind' column.

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 188,448 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995, with the Ministry of Productive Activities on 10th October 1997 and with the Ministry of Economic Development on 10th June 2002, whose final concession decree was submitted on 14th May 2013. This last grant (EUR 27,484 thousand) was amortised taking into account the entry into service of the related assets.
The residual value of the grants amounted to EUR 3.526 thousand at 31st December 2013 (EUR 2,205 thousand at 31st December 2012) and was transferred.

The item 'Land and buildings' includes civic buildings used as offices in Milan and Rome.

The item 'Other assets' mainly includes furniture and electronic equipment.

The item 'Assets under construction and payments on account' reflects costs incurred for investments not yet brought into operation at 31st December 2013.

The item increased by EUR 50,739 thousand year-on-year, mainly reflecting technological work on refinery plants, in particular the revamping of the Mild Hydrocracking 2 (MHC2) plant carried out in the first half of 2013 and subsequently, as indicated, transferred to the subsidiary Sarlux Srl.

The decrease of EUR 24,442 thousand recorded under 'Assets under construction - Other changes' refers to work completed during the year and consequently recorded under the related asset class and subsequently, as described above, transferred to the subsidiary Sarlux Srl.

The most significant annual depreciation rates used are shown below:

Industrial buildings (land and buildings)	**5.50%**
Generic plant (plant and machinery)	**8.38%**
Highly corrosive plant (plant and machinery)	**11.73%**
Pipelines and tanks (plant and machinery)	**8.38%**
Supplies (equipment)	**25.00%**
Electronic office equipment (other assets)	**20.00%**
Office furniture and machinery (other assets)	**12.00%**
Vehicles (other assets)	**25.00%**

There are no fixed assets held for sale.

Financial charges of EUR 5,528 thousand (at an annual weighted average rate of 5.37%) and internal costs of EUR 1,629 thousand were capitalised in 2013.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

COST	31/12/2011	Additions	Disposals	Write-downs	Other changes	31/12/2012
Industrial and other patent rights	19,722				1,878	21,600
Intangible assets in progress and payments on account	17,049	1,580	(225)		(1,392)	17,012
Total	**36,771**	**1,580**	**(225)**	**0**	**486**	**38,612**

ACCUMULATED AMORTISATION	31/12/2011	Ammortisation	Disposals	Write-downs	Other changes	31/12/2012
Industrial and other patent rights	19,049	1,025				20,074
Total	**19,049**	**1,025**	**0**	**0**	**0**	**20,074**

NET BOOK VALUE	31/12/2011	Additions	Disposals and write downs	Other changes	Amortisation	31/12/2012
Industrial and other patent rights	673	0	0	1,878	(1,025)	1,526
Intangible assets in progress and payments on account	17,049	1,580	(225)	(1,392)	0	17,012
Total	**17,722**	**1,580**	**(225)**	**486**	**(1,025)**	**18,538**

COST	31/12/2012	Additions	Disposals	Contribution in kind	Other changes	31/12/2013
Industrial and other patent rights	21,600			(1,136)	93	20,557
Intangible assets in progress and payments on account	17,012	1,764			(93)	18,683
Total	**38,612**	**1,764**	**0**	**(1,136)**	**0**	**39,240**

ACCUMULATED AMORTISATION	31/12/2012	Ammortisation	Disposals	Contribution in kind	Other changes	31/12/2013
Industrial and other patent rights	20,074	747		(772)		20,049
Total	**20,074**	**747**	**0**	**(772)**	**0**	**20,049**

NET BOOK VALUE	31/12/2012	Additions	Disposals and Contribution	Other changes	Amortisation	31/12/2013
Industrial and other patent rights	1,526	0	(364)	93	(747)	508
Intangible assets in progress and payments on account	17,012	1,764	0	(93)	0	18,683
Total	**18,538**	**1,764**	**(364)**	**0**	**(747)**	**19,191**

Amortisation of intangible assets totalled EUR 747 thousand, and was calculated using the annual rates shown below.

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

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance of this item relates mainly to the costs incurred to acquire software licences.

Work in progress and advances

This item mainly includes the cost of natural gas exploration in Sardinia, which amounted to EUR 17,985 thousand.

Internal costs capitalised in 2013 totalled EUR 192 thousand. No financial charges were capitalised.

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

5.2.3 Equity investments

5.2.3.1 Equity investments valued at cost

The table below shows a list of equity investments held at 31st December 2013, with the main figures relating to each subsidiary:

EQUITY INVESTMENTS

Denomination	HQ	Currency	Share Capital	% owned	Category	Total assets	Total liabilities	Shareholders' equity	Net profit/ (loss) last FY	Carrying amount in Saras SpA
Arcola Petrolifera Srl	Sarroch (CA)	EUR	7,755,000	100.00%	subsidiary	418,302,877	322,676,483	95,626,394	7,430,034	10,557,891
Deposito di Arcola Srl	Arcola (SP)	EUR	1,000,000	100.00%	subsidiary	5,455,582	2,094,639	3,360,943	(1,748,895)	0
Ensar Srl	Cagliari	EUR	100,000	100.00%	subsidiary	5,389,113	5,264,782	124,331	(824,853)	0
Parchi Eolici Ulassai Srl	Cagliari	EUR	500,000	100.00%	subsidiary	50,469,669	44,156	50,425,513	11,015,052	33,613,000
Sargas Srl	Uta (CA)	EUR	10,000	100.00%	subsidiary	496,115	3,128	492,987	(6,138)	510,000
Sarint SA	Luxemburg	EUR	50,705,314	99,9% (*)	subsidiary	71,493,394	5,811	71,487,583	3,228	37,750,614
Sarlux Srl	Sarroch (CA)	EUR	100,000,000	100.00%	subsidiary	1,451,857,974	300,191,943	1,151,666,031	(4,095,404)	638,395,086
Sartec-Saras Ricerche e Tecnologie SpA	Assemini (CA)	EUR	3,600,000	100.00%	subsidiary	15,467,327	6,674,756	8,792,571	1,615,402	8,622,871
										729,449,462

(*) The remaining 0.1% stake in Sarint SA is owned by the subsidiary Deposito di Arcola Srl

A comparison with the figures for the previous year is shown below:

	Registered office	% owned	31/12/2013	31/12/2012
Arcola Petrolifera Srl	Sarroch (CA)	100%	10,558	10,558
Deposito di Arcola Srl	Arcola (SP)	100%	0	0
Ensar Srl	Cagliari	100%	0	1,135
Parchi Eolici Ulassai Srl	Cagliari	100%	33,613	33,613
Sargas Srl	Uta (CA)	100%	510	510
Sarint SA	Luxemburg	99,9%	37,750	37,750
Sarlux Srl	Sarroch (CA)	100%	638,395	211,808
Sartec-Saras Ricerche e Tecnologie SpA	Assemini (CA)	100%	8,623	7,047
Total			**729,449**	**302,421**

The changes in carrying value are as follows:

	31/12/2011	Acquisitions and subscripions	Revaluations	Impairment losses	Other changes	31/12/2012
Akhela Srl	700				(700)	0
Arcola Petrolifera Srl	10,558					10,558
Deposito di Arcola Srl	939			(939)		0
Ensar Srl	0				1,135	1,135
Parchi Eolici Ulassai Srl	32,816		797			33,613
Sargas Srl	510					510
Sarint SA	37,750					37,750
Sarlux Srl	211,808					211,808
Sartec-Saras Ricerche e Tecnologie SpA	5,863		1,184			7,047
Total	**300,944**	**0**	**1,981**	**(939)**	**435**	**302,421**

	31/12/2012	Acquisitions and subscripions	Loan waivers and Contribution in kind	Impairment losses	Other changes and rounding	31/12/2013
Arcola Petrolifera Srl	10,558					10,558
Deposito di Arcola Srl	0	2,500		(2,500)		0
Ensar Srl	1,135	300		(1,435)		0
Parchi Eolici Ulassai Srl	33,613					33,613
Sargas Srl	510					510
Sarint SA	37,750					37,750
Sarlux Srl	211,808	426,589			(2)	638,395
Sartec-Saras Ricerche e Tecnologie SpA	7,047		1,574		2	8,623
Total	**302,421**	**429,389**	**1,574**	**(3,935)**	**0**	**729,449**

The balance as at 31st December 2013 is shown net of write-downs applied in the current year and in previous years, which totalled EUR 16,499 thousand (EUR 3,439 thousand for Deposito di Arcola Srl, EUR 4,300 thousand for Ensar Srl and EUR 8,760 for Sartec SpA).

The carrying values of the investments in Deposito di Arcola Srl and Ensar Srl were reduced by way of an adjustment to the recoverable amounts, based on an appropriate impairment tests that took into account forecasts for the companies's future profitability.
With respect to the investment in Saras Ricerche e Tecnologie SpA, which was partially written down in previous years, the adjustment to the recoverable amount entailed an impairment reversal.
The increase in the book value of the equity investment in Sarlux Srl is, as already mentioned, was due to the contribution of the refining activities at Sarroch.

Sardeolica Srl, which is owned indirectly through Parchi Eolici Ulassai Srl and worth EUR 28.4 million, entered into a loan agreement divided into five credit lines with a pool of banks led by Banca Nazionale del Lavoro, which was signed on 6th December 2005. The loan is repayable in half-yearly instalments until the end of 2016, and carries a variable interest rate equivalent to Euribor plus a spread, which is also variable.
This loan agreement imposes certain covenants on the subsidiary:

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

If the company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.
At the last contractual deadline, the covenants relating to the above-mentioned loans had been complied with.
In addition, to guarantee the loan taken out by Sardeolica, all of the shares in the company were pledged as collateral to the financing banks.

None of the direct or indirect subsidiaries of Saras SpA is listed on a regulated market.

5.2.3.2 Other equity interests

This item includes the 5.95% stake in Sarda Factoring SpA amounting to EUR 495 thousand.

5.2.4 Deferred tax assets

Deferred tax assets of EUR 99,382 thousand at 31st December 2013 and EUR 83,057 thousand at 31st December 2012 are shown net of deferred tax liabilities, and break down as follows.

	Amount at 31/12/2012	Additions	Deductions	P&L effect of decrease in tax rate	Other changes	Deductions 31/12/2013
Deferred tax liabilities						
Adjustment to value of land to reflect fair value (as deemed cost)	(10,861)				10,861	0
Adjustment for scheduled plant and equipment maintenance	(1,391)		235		1,156	0
Unrealised exchange losses	0	(2,111)				(2,111)
Other	(309)			32		(277)
Total deferred tax liabilities	**(12,561)**	**(2,111)**	**235**	**32**	**12,017**	**(2,388)**
Deferred tax assets						
Measurement of inventory at end of the period at FIFO for tax purposes	786	145		(74)		857
Provisions for risks and write-downs	1,336		(1,336)			0
Reclassification of grants previously classified as equity	75		(22)		(53)	0
Costs for the dismantling and removal of tangible assets	5,493	14			(5,507)	0
Employee benefits and bonuses	4,349	752	(2,418)	65	(2,550)	198
Unrealised exchange losses	391	1,402	37	(45)		1,785
Excess maintenance costs	123		(123)			0
Tax asset relating to IRES Consolidated net loss	26,320	27,947			580	54,847
Deferred tax asset of Saras SpA (for the IRES surcharge of 6.5% for 2013 and 10.5% for 2012)	50,451	7,626		(19,707)		38,370
Provision for port duties	6,101			(583)		5,518
Other	193	146	(140)	(4)		195
Total deferred tax assets	**95,618**	**38,032**	**(4,002)**	**(20,348)**	**(7,530)**	**101,770**
Net total	**83,057**	**35,921**	**(3,767)**	**(20,316)**	**4,487**	**99,382**

The most significant changes were due to:

- The recognition of deferred tax assets on the portion of the net loss for the year, under the IRES national tax consolidation scheme, which should be applicable in respect of future taxable income;
- The recognition of deferred tax assets on tax losses in 2013, which cannot be transferred under the national tax consolidation (IRES surcharge for the 'Energy' sector) but which should be applicable in respect of future taxable income.

In addition to these changes, as shown, were the effects on deferred tax assets of the reduction in surcharge IRES from 10.5% to 6.5% from the 2014 financial year, which can mainly be seen in the reduction of tax assets on the tax losses of previous years (EUR 19,707 thousand).

Finally, the 'Other changes' column mainly shows deferred tax assets relating to the assets and liabilities included in the division ('Refining') contributed to the subsidiary Sarlux Srl.

The following table shows deferred tax assets/liabilities broken down into the current and non-current portions for 2013 and 2012:

	2013 Short Term	2013 Medium/long Term	2012 Short Term	2012 Medium/long Term
Deferred tax liabilities				
Adjustment to value of land to reflect fair value (as deemed cost)				(10,861)
Adjustments for scheduled plant and equipment maintenance			(470)	(921)
Measurement of inventory at end of period at FIFO				
Unrealised exchange losses	(2,111)			
Other	(277)		(309)	
Total deferred tax liabilities	**(2,388)**	**0**	**(779)**	**(11,782)**

Deferred tax assets				
Measurement of inventory at end of the period at FIFO for tax purposes	857		786	
Provisions for risks and write-downs			1,336	
Reclassification of grants previously carried as equity			75	
Costs for the dismantling and removal of tangible assets				5,493
Employee benefiits and bonuses	155	43	2,831	1,518
Unrealised exchange losses	1.785		391	
Excess maintenance costs			123	
Tax asset relating to IRES consolidated net loss		54,847		26,320
Deferred tax asset of Saras SpA (for the IRES surcharges 6.5% for 2013 and 10.5% for 2012)		38,370		50,451
Provision for port dulies	5,518		6,101	
Other	195		193	
Total deferred tax assets	**8,510**	**93,260**	**11,836**	**83,782**

5.2.5 Other financial assets

At 31st December 2013, the balance of this item was EUR 75,322 thousand (EUR 75,737 thousand the previous year) and relates mainly to the long-term portion of financial receivables from Saras Energia SA of EUR 70,000 thousand and from third parties of EUR 4,960 thousand.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

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

	31/12/2013	31/12/2012	Change
Short-term bank loans	30,707	24,762	5,945
Bank overdrafts	7,939	16,859	(8,920)
Loans from Group companies	69,601	377,609	(308,008)
Derivative instruments	20,001	43,405	(23,404)
Other short-term financial liabilities	10,694	6,233	4,461
Total short-term financial liabilities	**138,942**	**468,868**	**(329,926)**
Total long-term financial liabilities	**361,302**	**391,750**	**(30,448)**
Total financial liabilities	**500,244**	**860,618**	**(360,374)**

The terms and conditions of the company's loans are explained in note 5.4.1 'Long-term financial liabilities'.
The item 'Loans from group companies' includes loans from the subsidiaries Sarlux Srl for EUR 38,897 thousand, Sarint SA for EUR 14,530 thousand, Sardeolica Srl for EUR 5,006 thousand, Reasar SA for EUR 10,470 thousand, Ensar Srl for EUR 101 thousand, Deposito di Arcola Srl for EUR 565 thousand, Parco Eolici Ulassai Srl for EUR 30 thousand and Sargas Srl for EUR 2 thousand.
The reduction is mainly due to the above-mentioned contribution to the subsidiary Sarlux Srl of the liability of EUR 211,887 (EUR 257,473 thousand in 2012).

These loans from Group companies, with the exception of the loan from Sarint SA, carry interest charged at market rates, and are due in the next year.
The item 'Derivative instruments' includes the negative fair value of the derivatives in place at the reporting date.
The table below shows the fair value of the derivatives recognised as either assets (recorded under 'Other financial assets held for trading', as described in section 5.1.2) or liabilities:

	31/12/2013 Assets	31/12/2013 Liabilities	31/12/2012 Assets	31/12/2012 Liabilities
Interest rate swaps	*0*	*(1,087)*	*6*	*(2,337)*
Fair value of forward purchases and sales of commodities (oil & other oil products)	*13,471*	*(16,287)*	*30,855*	*(38,121)*
Fair value of forward purchases and sales of exchange rate	*158*	*(2,627)*	*632*	*(2,947)*
Total	**13,629**	**(20,001)**	**31,493**	**(43,405)**

The following tables show the notional values and corresponding fair values of the derivatives outstanding at 31st December 2013 and 31st December 2012.

Type of transaction	Interest rate			Other			
Figures at 31/12/2013	**Notional value**	**Fair value**		**Notional value**		**Fair value**	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg.**
Futures							
Oil products and crude oil				(442,552)	327,032	6,436	(9,759)
Exchange rates				(785,796)	0	158	(2,627)
Swaps							
Oil products and crude oil				(77,417)	242,898	3,517	(4,298)
Interest rates	144,500	0	(1,087)				
Options							
Oil products and crude oil				(3,350)	4,900	3,518	(2,230)
Total	**144,500**	**0**	**(1,087)**	**(1,309,115)**	**574,830**	**13,629**	**(18,914)**

Type of transaction	Interest rate			Other			
Figures at 31/12/2012	**Notional value**	**Fair value**		**Notional value**		**Fair value**	
		Pos.	**Neg.**	**Purchases**	**Sales**	**Pos.**	**Neg**
Futures							
Oil products and crude oil				(1,583,977)	1,860,290	23,945	(29,777)
Exchange rates				(513,768)		632	(2,947)
Swaps							
Oil products and crude oil				(255,277)	373,101	6,198	(8,332)
Interest rates	170,000	6	(2,337)				
Opzioni							
Oil products and crude oil				(19)	1,069	712	(12)
Total	**170,000**	**6**	**(2,337)**	**(2,353,041)**	**2,234,460**	**31,487**	**(41,068)**

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2013	31/12/2012	Change
Advances from customers: portion due within the year	89,679	6,515	83,164
Trade payables: portion due within the year	1,233,799	1,236,645	(2,846)
Trade payables to Group Companies	52,859	36,393	16,466
Total	**1,376,337**	**1,279,553**	**96,784**

The item 'Advances from customers' relates to payments on account received from customers for the supply of oil products.
The item 'Trade payables to Group companies' includes payables to Sarlux Srl for EUR 34,858 thousand, Deposito di Arcola Srl for EUR 468 thousand, Arcola Petrolifera Srl for EUR 1,512 thousand, Reasar SA for EUR 57 thousand, Sardeolica Srl for EUR 153 thousand, Saras Energia SA for EUR 15,758 thousand and Sartec SpA for EUR 53 thousand.

The following table shows a geographical breakdown of trade payables:

	31/12/2013	31/12/2012	Change
Payables to Italian suppliers	88,720	185,984	(97,264)
Payables to Spanish suppliers	250	109	141
Payables to other EU country suppliers	55,033	19,914	35,119
Payables to non-EU country suppliers	1,089,598	1,030,451	59,147
Payables to US suppliers	198	187	11
Total	**1,233,799**	**1,236,645**	**(2,846)**

The balance of 'Payables to non-EU suppliers' includes the payable for the provision of crude oil purchased from Iran, the payment for which continues to be suspended due to restrictions in international banking networks resulting from the total oil embargo decided by the European Union. The change that has occurred in the last two years is mainly due to said deferrals.

5.3.3 Current tax liabilities

This item breaks down as shown below:

	31/12/2013	31/12/2012	Change
VAT	69,193	57,688	11,505
Other tax payables	2,484	5,612	(3,128)
Total	**71,677**	**63,300**	**8,377**

VAT payable relates to the payment due in the month of December. The increase is due to higher revenues realised by the company during December from Italian customers compared with the same period of the previous year.

The item 'Other tax payables' mainly includes employees' personal income tax (IRPEF).

5.3.4 Other current liabilities

A breakdown of other current liabilities is shown below:

	31/12/2013	31/12/2012	Change
Social security payables: portions due within one year	2,414	7,631	(5,217)
Due to personnel	3,116	12,746	(9,630)
Payables to Ministry for grants	0	24,736	(24,736)
Other payables	18,609	19,509	(900)
Other accrued liabilities	513	738	(225)
Other deferred income	13	38	(25)
Total	**24,665**	**65,398**	**(40,733)**

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

As already noted in 5.2.1 'Property, plant and equipment', the decrease in the item 'Payables to the Ministry for grants' was due to the issuance of the final decree of 14th May 2013 for grants received to support the Programme Agreement signed on 10th June 2002 (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). The initial phase of the company's long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due. In the second phase of the dispute, the Court of Cassation ruled against Saras in March 2012, in part due to regulatory amendments that had been introduced in the intervening period.
As a result of this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has always been booked on an accrual basis under 'Cost of services and sundry costs'.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

This item breaks down as shown below:

	31/12/2013	31/12/2012	Change
Euro Bond	249,224	248,724	500
Bank loans	112,078	143,026	(30,948)
Long-term financial liabilities	**361,302**	**391,750**	**(30,448)**

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

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

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

Figures in EUR million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/2012	Net book value at 31/12/2013	Maturity			Collateral
						1 year	from 1 to 5 years	beyond 5 years	
Loan in pool	03-Jul-12	170.0	Euribor 6M	167.8	142.8	30.7	112.1		
Total payables to banks for loans				**167.8**	**142.8**	**30.7**	**112.1**		

The weighted average interest rate at 31st December 2013 was 5.09%.

The EUR 170 million loan agreement imposes certain covenants:

- In financial terms, the company will have to meet the following ratios: net debt/EBITDA < 3.25 and net debt/ shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months) at 30th June and 31st December each year;
- In corporate terms, mainly in relation to the company's ownership structure, a ban on changing business purpose, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets;
- As regards dividends, the company is allowed to pay out a maximum amount of 60% consolidated adjusted net profit provided that, after distribution, it still complies with the net debt/EBITDA ratio covenant. Note that the covenant in question is consistent with the policy adopted some time ago by the Parent Company.

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

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

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2011	Additions	Use and reversals	Movements	31/12/2012
Provisions for dismantling of plants	14,238	327			14,565
Provisions for CO_2 allowances	45,817	17,924	(39,934)	78	23,885
Other risk provisions	5,838	566	(2,000)		4,404
Total	**65,893**	**18,817**	**(41,934)**	**78**	**42,854**

	31/12/2012	Additions	Use and reversals	Movements and Contribution in kind	31/12/2013
Provisions for dismantling of plants	14,565	37		(14,602)	0
Provisions for CO_2 allowances	23,885		(23,896)	11	0
Other risk provisions	4,404		(567)	1	3,838
Total	**42,854**	**37**	**(24,463)**	**(14,590)**	**3,838**

The provision for dismantling of plants was part of the above-mentioned contribution of the refining activities at Sarroch to the subsidiary Sarlux Srl.

The provision for CO_2 allowances, reduced to zero at the end of the 2013 financial year, 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.
Until 30th June 2013, under Italy's National Allocation Plan, Saras SpA received CO_2 allowances from the government, and was responsible for CO_2 emissions at the entire Sarroch site, including the IGCC plant owned by its subsidiary Sarlux Srl. From 1st July 2013, following the contribution of the 'Refining' division, Sarlux Srl has taken on responsibility for the entire Sarroch site. Likewise, the relevant authorities transferred to Sarlux Srl the CO_2 allowances and the compliance obligations for the whole of 2013.
Within the 2013 award for the entire production site of 2,601,956 allowances, the portion technically associated with the refinery plant, which was calculated using a method in line with the provisions of the new allocation plan, was approximately 2 million. On the date on which the division was transferred (30th June 2013) emissions from the refinery plant were covered by the allowances awarded on a pro rata basis and therefore no related costs have been charged to the income statement of the transferor Saras SpA.
The provision for charges for CO_2 allowances at 31st December 2012 was used in full to cover the purchase of allowances during the first part of the year to meet compliance requirements for 2012.

The item 'Other risk provisions' mainly relates to provisions made for potential legal liabilities.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below:

	31/12/2013	31/12/2012	Change
Employee end-of-service payments	3,497	12,188	(8,691)
Other supplementary pension funds	6,466	8,992	(2,526)
Total	**9,963**	**21,180**	**(11,217)**

Employee end-of-service payments are governed by article 2120 of the Italian Civil Code and reflect the estimated amount that the company will be required to pay employees when they leave their employment. The liability accrued at 31st December 2006 was determined according to actuarial methods. On 30th June 2010, following the cancellation by the Parent Company of the agreement establishing CPAS, the company's supplementary employee pension fund, the related provision was released and put into liquidation, with workers given the option of transferring the benefits earned until that date to another supplementary pension scheme or of redeeming the full amount. The trade unions disputed the cancellation, 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 propriety of its actions will be upheld in court. Following the cancellation, the Saras CPAS fund is the company's supplementary employee pension fund, and is structured as a defined contribution fund.

The following table shows the changes in 'Employee end-of service payments":

Balance at 31.12.2011	**10,272**
Accruals for defined contribution plan (TFR)	4,980
Interest	473
Actuarial (gains) / losses	2,126
Utilisations for the year	(683)
Payments to supplementary pension schemes (such as INPS treasury fund)	(4,980)
Balance at 31.12.2012	**12,188**
Accruals for defined contribution plan (TFR)	3,015
Interest	249
Actuarial (gains) / losses	134
Contribution in kind	(8,635)
Utilisations for the year	(439)
Payments to supplementary pension schemes (such as INPS treasury fund)	(3,015)
Balance at 31.12.2013	**3,497**

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

Balance at 31.12.2011	**10,447**
Accrual for the year	0
Utilisations for the year / settlement	(1,455)
Balance at 31.12.2012	**8,992**
Accrual for the year	0
Utilisations for the year / settlement	(2,526)
Balance at 31.12.2013	**6,466**

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

	31/12/2013	31/12/2012
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	3.15%	3.25%
Salary increase:	3.00%	3.00%

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

At 31st December 2013, the discount rate used was the iBOXX Eurozone Corporates AA10+ (3.15%).
The actuarial calculation takes into account the changes to pensions legislation (Decree Law 201/2011).
Given the accounting method used (see the paragraph entitled 'Summary of accounting standards and policies' and point Q 'Provisions for employee benefits'), at 31st December 2013 there were no actuarial gains or losses not recognised in the financial statements.

As required by IAS 19 (revised), the following tables provide a sensitivity analysis of the main actuarial assumptions. The end-of-service balances are stated as at 31st December 2013:

	Change in benchmark	
	-0.5%	+0.5%
Annual discount rate	3,333	3,671

	-0.25%	+0.25%
Annual inflation rate	3,551	3,443

	-0.5%	+0.5%
Annual rate of staff turnover	3,502	3,491

5.4.4 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2013	31/12/2012	Change
Advances from Group companies	16,268	30,092	(13,824)
Payables to welfare and social security bodies: portion due after one year	42	75	(33)
Other	0	5	(5)
Total	**16,310**	**30,172**	**(13,862)**

Advances from Group companies refer to the long-term portion of the payable to Sarlux Srl relating to the 'Feedstock Supply Agreement'. The change compared with the previous year is due both to reclassification of the portion for the following period from long-term to short-term and to the contribution to the subsidiary Sarlux Srl of the 'Key Facility Agreement' (EUR 12,648 thousand).

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2013	31/12/2012 (1)	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	539,315	696,383	(157,068)
Profit/(Loss) for the year	(124,037)	(152,691)	28,654
Total	**480,834**	**609,248**	**(128,414)**

(1) 2012 values reflect the application of IAS 19 revised

Share capital

At 31st December 2013, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

Legal reserve

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

Other reserves

This item totalled EUR 539,315 thousand, a net decrease of EUR 157,068 thousand compared with the previous period. The net decrease was the combined result of:

- The appropriation of the profit for the previous year of EUR 152,691 thousand, i.e. EUR 154,009 thousand less EUR 1,318 thousand due to the application of IAS 19 (revised);
- A reduction for the purchase of own shares totalling EUR 5,943 thousand corresponding to 5,689,270 shares at an average price of EUR 1.04;
- An increase of EUR 1,654 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the companies' stock grant plans;
- A decrease of EUR 88 thousand due to the actuarial impact of IAS 19 (revised).

Net profit/(loss)

The net loss for the year totalled EUR 124,037 thousand.

Restrictions on the distribution of equity reserves

The table below breaks down equity reserves at 31st December 2013 into the available portion, the non-distributable portion and the distributable portion:

Items in Shareholders' equity	Amount	Possible use	Possible use		Summary of utilisations made in the past three financial years:	
					For loss coverage	For other reasons
Share Capital	**54,629,667**					
Reserves of capital:						
Share premium reserve	338,672,775	A - B - C	338,672,775			
Reserves of profits:						
Revaluation reserve	64,037,748	A - B - C	64,037,748	(*)		
Legal reserves	10,925,934	B				
Profit/(Losses) carried forward	(240,759,860)	A - B - C				
Other reserves:						
Extraordinary reserve	377,047,929					
Own shares	(50,179,539)					
IFRS transition effects	(72,653,587)					
	254,214,803	A - B - C	254,214,803	(*)		
Employee share grant reserve	637,410					
Locked-in reserves as per art. 7, paragraph 6, D.Lgs. 38/05	19,658,569	A - B	19,658,569			
Other Reserves	102,853,916	A - B - C	102,853,916			
TOTAL	**604,870,962**		**779,437,811**			
Non-distributable portion			402,440,209	(**)		
Distributable portion	550,241,295		376,997,602			

Legend: A - for capital increase / B - to cover losses / C - for distribution to shareholders

(*) : : whereof the amount on which taxation is suspended is equal to zero

(**) : includes EUR 19.6 millions for "Locked-in-reserves as per art. 7, paragraph 6 D.Lgs. 38/05", EUR 18.0 millions from Art.2426 paragraph 1, n.5 of the Italian Civil Code and EUR 364.8 million relating to tax losses cumulated as of 31st December 2013.

Dividends

On 24th April 2013, the ordinary shareholders' meeting of Saras SpA convened to approve the financial statements for the year ended 31st December 2012 voted not to pay any dividends.

The Board of Directors has made a proposal to the shareholders' meeting called on 28th April 2014 not to pay a dividend for the financial year ended 31st December 2013.

The average number of shares outstanding was 925,603,300 in 2013 and 928,285,276 in 2012. At 31st December 2013, Saras SpA held 19,245,774 own shares in relation to the bonus allocation of shares to employees and management of Group companies.

During the year 5,689,270 own shares were purchased.

6. Notes to the income statement

The contribution in kind of the refining activities of Saras SpA to Sarlux Srl was conducted on the basis of 'accounting continuity'. i.e. the recognition in the transferee's financial statements of all the business division's assets and liabilities at the carrying values in the transferor's financial statements.
The contribution took legal effect from 1st July 2013. Since then the financial statements of Saras SpA have no longer included the activity of oil refining. As a result, the income statement only includes the results of this activity for the first half of the year, which means that the comparative figures of the previous year are not uniform.

6.1 Revenues

6.1.1 Revenues from ordinary operations

Sales and services revenues were EUR 10,044,833 thousand compared with EUR 10,679,997 thousand in the previous year, a decrease of EUR 635,164 thousand. The change was mainly due to the fall in oil product prices over the period.

The first half of 2013 includes refining. Crude refining reached 6.5 million tons, the equivalent of 47.2 million barrels, or 261 thousand barrels a day, up 6% year-on-year. The difference lies mainly in the different proportions of planned maintenance activities carried out in the two periods under comparison, especially as regards atmospheric distillation. The market was particularly difficult in the first half of 2013, with the average EMC benchmark margin at -0.2 $/bl in 2012, versus +0.6 $/bl in the first half of 2012. However, the Saras refining margin achieved a premium of 1.9 $/bl compared with the benchmark, thanks to good operating performance and the reduced impact of maintenance activities. Note also that the EUR/USD exchange rate remained broadly unchanged in the two periods under comparison: 1.313 in the first half of 2013 and 1.297 in the first half of 2012.
Lastly, note that the results for both the first half of 2012 and of 2013 were strongly affected by the fall in oil prices. In the first half of 2013, the price of crude fell by around 8 $/bl, while in the first half of 2012 it had fallen by over 12 $/bl.
In the second half, the company continued to offer supply & trading on the oil market and to act as a holding company. Its operating margin essentially reached break-even point.

Revenues from ordinary operations are broken down by geographical area in section 4 above.

In accordance with IFRS 8, Arcola Petrolifera Srl accounted for 16.7% of the company's revenues.

6.1.2 Other income

The following table shows a breakdown of other income:

	2013	2012	Change
Revenues for stocking of mandatory supplies	14,399	10,922	3,477
Chartering of tankers	1,115	1,841	(726)
Sale of sundry materials	2,814	5,655	(2,841)
Other revenues	102,731	93,557	9,174
Total	**121,059**	**111,975**	**9,084**

The item 'Other income' essentially comprises charges to Sarlux Srl for services provided under contracts that expire in 2020 (employees and services for EUR 23,573 thousand). The item also includes shipping costs charged to Arcola Petrolifera Srl for EUR 26,454 thousand, and the release of grants relating to previous periods for EUR 23,573 thousand by the Ministry of Economic Development on 10th June 2002, for which the final decree was issued on 14th May 2013.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	2013	2012	Change
Purchase of raw materials	8,402,884	8,957,123	(554,239)
Purchase of semifinished products	117,569	137,051	(19,482)
Purchases of spare parts and consumables	26,790	53,169	(26,379)
Purchase of finished products	1,266,848	971,961	294,887
Other purchases	89	127	(38)
Change in inventories	(28,705)	182,403	(211,108)
Total	**9,785,475**	**10,301,834**	**(516,359)**

Costs for the purchase of raw materials, spare parts and consumables fell EUR 516,359 thousand from the previous year.

6.2.2 Cost of services and sundry costs

	2013	2012	Change
Service costs	375,108	431,037	(55,929)
Rent, leasing and similar costs	5,848	7,412	(1,564)
Provisions for risks and charges	0	18,491	(18,491)
Other operating charges	6,475	13,304	(6,829)
Total	**387,431**	**470,244**	**(82,813)**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities. The decrease of EUR 55,929 thousand compared with the previous year was mainly due to the fall in costs of rentals, transport and electricity.

The item “Use of third-party assets” includes EUR 2,075 thousand in costs relating to the rental of the building that houses the registered office of Saras SpA in Milan. The cost has been reported on a straight line basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30th September 2015. Minimum future payments under the terms of the contract are EUR 2,300 thousand for the next year and EUR 1,725 thousand for the following years. The annual rental payments are pegged to the ISTAT consumer price index for the families of manual and clerical workers; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months’ notice prior to the expiry date.

'Provisions for risks' of the previous year mainly consisted of a provision relating to CO_2 allowances applicable to 2012 that had not yet been purchased as of 31st December 2012 and have now been transferred to the subsidiary Sarlux Srl following the contribution in kind of the refining activity, as already mentioned.

The item 'Other operating charges' mainly comprises membership fees, non-income taxes and non-recurring losses.

6.2.3 Personnel costs

As previously indicated, personnel costs only include the costs relating to refining activities for the first half of the year.

'Personnel costs' break down as follows:

	2013	2012	Change
Wages and salaries	41,549	76,819	(35,270)
Social security	12,448	21,878	(9,430)
Employee end-of-service payments	3,398	5,453	(2,055)
Other costs	2,023	3,281	(1,258)
Directors' remuneration	3,539	3,560	(21)
Total	**62,957**	**110,991**	**(48,034)**

The new IAS 19 (revised) requires that gains and losses arising from the actuarial measurement of the end-of-service fund (TFR) be recognised in the statement of comprehensive income; the changes must be applied retrospectively to 1st January 2012. The figures for the previous year have therefore been restated, thereby reducing the item 'Employee end-of-service payments' by EUR 2,126 thousand. The effect on the financial statements, net of the corresponding tax of EUR 808 thousand, was EUR 1,318 thousand.

The 2007-2009 and 2010-2012 Stock Grant Plans, which are for senior managers at the Parent Company and senior managers and directors of subsidiaries individually identified by the Board of Directors of Saras SpA, were completed in April 2013.
The plans entailed the award of 1,368,390 and 6,954,566 shares respectively (at a cost of EUR 849 thousand for 2013).

The option exercised by beneficiaries of the 2007-2009 plan, which has also been completed, entailed the award of 686,900 shares (EUR 121 thousand for 2013).

On 24th April 2013, the Shareholders' Meeting approved the 'Plan to grant free company shares to the management of the Saras Group' (the '2013-2015 Stock Grant Plan' or the 'Plan'), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.
Recipients of the Plan are:
- Managers with strategic responsibilities within the Company
- Directors of Italian and/or foreign subsidiaries of the Company, and
- Other senior people in the Group, including those with an independent employment contract.

Each beneficiary is assigned the right to receive free shares upon achieving performance objectives determined in relation to the relative position of Saras' Total Shareholder Return (TSR) compared with a group of industrial companies forming part of the FTSE Italia Mid Cap Index (the 'Peer Group'). TSR is calculated as the change in the value of Saras shares and the shares of peer groups during the three-year period 2013-2015; the change will be calculated with reference to the initial value (average value of shares recorded on the Milan Stock Exchange from 1st October 2012 to 31st December 2012) and the final value (average value of shares recorded on the Milan Stock Exchange from 1st October 2015 to 31st December 2015).
The maximum number of shares covered by the Plan is 9,500,000. Shares are to be delivered within six months of the end of the Plan, and the beneficiary undertakes not to sell, transfer, dispose of or subject to any restriction a number of shares equivalent to 20% of the shares for a period of 24 months from the delivery date.
On 8th August 2013, the Board of Directors set the maximum number of shares to be assigned to individual beneficiaries, with a cost of EUR 498 thousand in these financial statements.

6.2.4 Depreciation, amortisation and write-downs

As previously indicated, the values only include the costs relating to refining activities for the first half of the year.
Depreciation and amortisation figures are shown below:

	2013	2012	Change
Amortisation of intangible assets	747	1,025	(278)
Depreciation of tangible assets	51,667	104,792	(53,125)
Total	**52,414**	**105,817**	**(53,403)**

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below:

Net income (charges) from equity interests	2013	2012	Change
Revaluations:			
- Parchi Eolici Ulassai Srl	0	797	(797)
- Sartec-Saras Ricerche e Tecnologie SpA	1,574	1,184	390
	1,574	1,981	(407)
Write-downs:			
- Deposito di Arcola Srl	(2,500)	(939)	(1,561)
- Ensar Srl	(1,435)	0	(1,435)
	(3,935)	(939)	(2,996)
Total	**(2,361)**	**1,042**	**(3,403)**

6.4 Financial income and charges

A breakdown of financial income and charges is shown below:

	2013	2012	Change
Financial income:			
- from current financial assets	0	0	0
Other sundry financial income			
- from subsidiaries	3,198	2,794	404
- fnterest on current accounts held with banks and post offices	614	588	26
- fair value on derivative instruments at the end of the year	14,873	31,493	(16,620)
- realised gains on derivatives	85,581	95,423	(9,842)
- Other income	443	406	37
Exchange gains	112,861	120,739	(7,878)
Total financial income	**217,570**	**251,443**	**(33,873)**
Financial charges:			
- To subsidiaries	(6,507)	(5,991)	(516)
- Fair value on derivative instruments at the end of the year	(18,914)	(43,405)	24,491
- Realised loss on derivatives	(107,661)	(124,547)	16,886
- Other (interest on loans, late payment interest, etc,)	(21,855)	(26,375)	4,520
Exchange losses	(83,984)	(99,025)	15,041
Total financial charges	**(238.921)**	**(299.343)**	**60.422**
Total	**(21,351)**	**(47,900)**	**26,549**

The summary table below provides an analysis of the main changes during the year:

	2013	2012	Change
Net interest income/(expense)	(24,550)	(28,984)	4,434
Net result from derivative financial instruments	(26,121)	(41,036)	14,915
- Realised	*(22,080)*	*(29,124)*	*7,044*
- Fair value of open positions	*(4,041)*	*(11,912)*	*7,871*
Net exchange rate gains/(losses)	28,877	21,714	7,163
Other	443	406	37
Total	**(21,351)**	**(47,900)**	**26,549**

As shown in the table, the main changes relate to exchange rate differences, in part offset by net gains/losses on derivatives. The derivatives in question relate to hedging transactions to which hedge accounting is not applied.

6.5 Income tax

Income tax can be shown as follows:

	2013	2012	Change
Current taxes	0	(1,014)	1,014
Effect of Group tax consolidation	(10,267)	(45,085)	34,818
Deferred tax (assets) / liabilities, net	(11,793)	(44,982)	33,189
Total	**(22,060)**	**(91,081)**	**69,021**

The item 'Effect of Group tax consolidation' comprises the benefit deriving from the tax loss, calculated using a rate of 27.5%, which is offset under the tax consolidation scheme.

Deferred tax assets/liabilities relate 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 deferred tax assets on the relevant part of the net loss for the year under the national tax consolidation scheme, amounting to EUR 27,947 thousand, and to the recognition of deferred tax assets on the 2013 tax loss that cannot be transferred under the national tax consolidation scheme (additional IRES), amounting to EUR 7,626 thousand. Both amounts are considered to be recoverable against future taxable income.
Note also that the reduction in additional IRES from 10.5% to 6.5% from the 2014 financial year is reflected in the reduced tax assets offset against the tax losses of previous years (EUR 19,707 thousand).

Temporary differences in the Income Statement:		**TAX 2013**	**TAX 2012**
	Deferred tax assets/ (liabilities)	**Effect of tax rate changes**	**Defered tax assets/ (liabilities)**
Provisions for risk and charges	(1,336)		(5,764)
Measurement of inventories at end of period at FIFO for tax purposes	145	(74)	7,721
Adjustments for scheduled plant and equipment maintenance	235		965
Reclassification of grants previously carried as equity	(22)		(44)
Cost of dismantling and removing tangible assets	14		125
Excess maintenance costs	(123)		(642)
Employee benefits and bonuses	(1,666)	65	(295)
Unrealised exchange differences	(672)	(45)	(8,613)
Tax asset relating to IRES consolidated net loss	27,947		26,320
Tax assets on tax loss (IRES surcharge)	7,626	(19,707)	25,649
Other temporary differences	(39)	(555)	(440)
TOTAL	**32,109**	**(20,316)**	**44,982**

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

IRES	**31/12/2013**	**31/12/2012**
PROFIT/(LOSS) BEFORE TAXES [A]	**(146.1)**	**(243.8)**
THEORETICAL CORPORATION TAX IRES [A*34% in 2013; A*38% in 2012] [B]	**(49.7)**	**(92.6)**
THEORETICAL TAX RATE [B/A*100] %	**34.0%**	**38.0%**
EFFECTIVE INCOME TAXES [C]	**(22.1)**	**(91.1)**
EFFECTIVE TAX RATE [C/A*100] %	**15.1%**	**37.4%**

	31/12/2013		**31/12/2012**	
	TAX	**TAX RATE**	**TAX**	**TAX RATE**
Theoretical taxes	**(49.7)**	**34.0%**	**(92.6)**	**38.0%**
Equity investments valuations	0.8	-0.55%	0.4	-0.16%
Effect of decrease 4% in IRES surcharge on deferred tax (art. 7 D.L. 138/11)	20.2	-13.83%	0.0	0.00%
Effect of IRAP deduction on IRES (art. 2 D.L.201/2011)	0.0	0.00%	(2.6)	1.07%
Effect of non-deduction of financial charges due to art. 96 TUIR (on IRES surcharge)	1.6	-1.10%	2.3	-0.95%
Taxes of previous years	2.4	-1.64%	1.4	-0.57%
Other permanent differences	2.6	-1.78%	0.0	0.00%
Effective taxes	**(22.1)**	**15.1%**	**(91.1)**	**37.4%**

With reference to 2013, the theoretical tax rate was assumed without considering the additional 4% (Robin Hood tax) given that the taxable base in the period was negative and that the rate will disappear in future years.

IRAP	31/12/2013	31/12/2012
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	(122.4)	(196.9)
TOTAL PERSONNEL COSTS	62.9	111.0
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A)	(59.5)	(85.9)
THEORETICAL INCOME TAX IRAP [A*3.9%] [B]	(2.3)	(3.4)
THEORETICAL TAX RATE [B/A*100] %	3.9%	3.9%
EFFECTIVE INCOME TAXES [C]	0.0	0.0
EFFECTIVE TAX RATE [C/A*100] %	0.0%	0.0%

	31/12/2013		31/12/2012	
	TAX	TAX RATE	TAX	TAX RATE
Theoretical taxes	(2.3)	3.9%	(3.4)	3.9%
IRAP tax assets not recognizable in companies with negative EBIT	2.3	-3.90%	3.4	-3.90%
Effective taxes	(0.0)	0.0%	0.0	0.0%

7. Other information

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

7.1 Main legal actions pending

The company was subject to tax inspections and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the company assumes that any liability is likely to be remote.

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 section 7.6 'Commitments' below.
The figures for trade, miscellaneous and financial transactions with related parties are set out below, and information is provided on the largest transactions.
The effects on the statement of financial position of transactions or positions with related parties are summarised in the table below.

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements 31/12/2013		31/12/2012		Item	Business reason
SARLUX Srl						
Supply of goods	220,023	2.19%	235,116	2.20%	Revenues from ordinary operations	Supply of raw material as per agreement
Services rendered by staff	0	0.00%	9,080	8.11%	Other income	Outsourcing of services as per agreement
Services rendered	23,767	19.63%	37,682	33.65%	Other income	Outsourcing of services as per agreement
Purchases of goods	(2,056)	0.02%	(4,039)	0.04%	Purchases of raw materials, spare parts and consumables	Supply of sulphur as per agreement
Utilities	(32,397)	8.36%	(74,308)	15.80%	Cost of services and sundry costs	Supply of steam, hydrogen and oxygen as per agreement
Processing fee	(93,180)	24.05%	0	0.00%	Cost of services and sundry costs	Processing fee
Services received	(219)	0.06%	(299)	0.06%	Cost of services and sundry costs	Supply of various services
Financial charges	(2,272)	0.94%	(3,809)	1.27%	Financial charges	Interest on intercompany loans
Receivables for goods & services supplied	29,676	6.42%	93,773	14.70%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0.00%	15,423	19.31%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supplied	(34,893)	2.54%	(24,061)	1.88%	Trade and other current payables	Trade payables
Payables for goods & services supplied	(16,268)	99.74%	(30,092)	99.73%	Other non current liabilities	Trade payables
IRES/VAT payables from tax consolidation	(13,024)	9.37%	0	0.00%	Short term financial liabilities	IRES/VAT payables from tax consolidation
Loan	(25,625)	18.44%	(257,473)	54.91%	Short term financial liabilities	Intercompany loans
ARCOLA PETROLIFERA Srl						
Supply of goods	1,685,681	16.78%	1,719,133	16.10%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	186	0.15%	249	0.22%	Other income	Staff on secondment
Services rendered	32,231	26.62%	28,551	25.50%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	0	0.00%	22	0.01%	Financial income	Interest on intercompany line of credit
Purchases of goods	(65)	0.00%	(4,893)	0.05%	Purchases of raw materials, spare parts and consumables	Purchase of oil products
Services received	(151)	0.04%	(21)	0.00%	Cost of services and sundry costs	Charges on sales
Financial charges	(2,737)	1.14%	(1,743)	0.58%	Financial charges	Interest on intercompany line of credit
Receivables for goods & services supplied	180,735	39.10%	182,750	28.65%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	25,643	44.45%	24,054	30.12%	Other current assets	IRES/VAT receivables from tax consolidation
Loan	(69)	0.05%	(76,289)	16.27%	Short term financial liabilities	Intercompany loans
Payables for goods & services supply	(1,512)	0.11%	(618)	0.05%	Trade and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE SpA						
Supply of goods					Other income	Supply of miscellaneous goods
Services rendered by staff	295	0.24%	158	0.14%	Other income	Staff on secondment
Services rendered	209	0.17%	200	0.18%	Other income	Outsourcing of services
Measurement of equity investments	1,575	-66.71%	1,184	113.63%	Net income (charges) on equity investments	Revaluation of equity investments
Financial income	58	0.03%	29	0.01%	Financial income	Interest on intercomany line of credit
Purchases of goods	(11)	0.00%	(16)	0.00%	Purchases of raw materials, spare parts and consumables	Supply of consumables
Services received	(3,275)	0.85%	(7,154)	1.52%	Cost of services and sundry costs	Outsourcing of engeneering services
Financial charges	0		0	0.00%	Financial charges	Interest on intercompany credit lines
Receivables for goods & services supplied	561	0.12%	404	0.06%	Current trade reveivables	Trade receivables
Financing	415	0.72%	2,229	2.79%	Other current assets	Intercompany credit lines
IRES/VAT receivables from tax consolidation	412	0.71%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	0	0.00%	0	0.00%	Short term financial liabilities	Intercompany credit lines
Payables for goods & services supplied	(53)	0.00%	(6,250)	0.49%	Trade and other current payables	Trade payables
IRES/VAT payables from tax consolidation	0	0.00%	(159)	0.03%	Short term financial liabilities	IRES/VAT payables from tax consolidation
ENSAR Srl						
Services rendered	13	0.01%	13	0.01%	Other income	Outsourcing of services
Measurement of equity investment	(1,436)	60.82%	0	0.00%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	143	0.07%	118	0.05%	Financial income	Interest on intercompany line of credit
Receivables for goods & services supplied	43	0.01%	48	0.01%	Current trade receivables	Trade receivables
Financing	4,900	8.49%	7,159	8.96%	Other current assets	Intercompany line of credit
Payables for goods & services supplied	0		0	0.00%	Trade and other current payables	Trade payables

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements 31/12/2013		31/12/2012		Item	Business reason
SARDEOLICA Srl						
Services rendered	42	0.03%	50	0.04%	Other income	Outsourcing of services
Financial charges	(497)	0.21%	(189)	0.06%	Financial charges	Interest on intercompany line of credit
Receivables for goods & services supplied	43	0.01%	47	0.01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	2,878	4.99%	1,307	1.64%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supplied	(153)	0.01%	(99)	0.01%	Trade and other current payables	Trade payables
Loan	(5,006)	3.60%	(17,854)	3.81%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	0	0.00%	0	0.00%	Short-term financial liabilities	IRES/VAT receivables from tax consolidation
PARCHI EOLICI ULASSAI Srl						
Services rendered	6	0.00%	6	0.01%	Other income	Outsourcing of services
Financial income					Other net financial income (charges	Interest on intrercompany loans
Financial income					Other net financial income (charges	Interest on intrercompany loans
Receivables for goods & services supplied	7	0.00%	7	0.00%	Current trade receivables	Trade receivables
Measurement of equity investments	0	0.00%	797	76.49%	Net income (charges) on equity investments	Revaluation of equity investments
Payables for goods & services supplied					Trade and other current payables	Trade payables
IRES/VAT payables from tax consolidation	(30)	0.02%	(16)	0.00%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
DEPOSITO DI ARCOLA Srl						
Services rendered	88	0.07%	27	0.02%	Other income	Outsourcing of services
Financial income	41	0.02%	37	0.01%	Other net financial income (charges)	Interest on intrercompany loans
Services rendered	(1,826)	0.47%	(1,618)	0.34%	Cost of services and sundry costs	Outsourcing of services
Measurement of equity investments	(2,500)	105.89%	(939)	-90.12%	Net income (charges) on equity investments	Write-down on equity investments
Write-off of trade receivables	0		(2,060)	0.69%	Financial charges	Write-off of trade receivables
Receivables for goods & services supplied	20	0.00%	43	0.01%	Current trade receivables	Trade receivables
Loan	463	0.80%	2,060	2.58%	Other current assets	Intercompany credit lines
Payables for goods & services supplied	(468)	0.03%	0	0.00%	Trade and other current payables	Trade payables
IRES/VAT receivables from tax consolidation	(565)	2.29%	(415)	0.09%	Short term financial liabilities	IRES/VAT payables from tax consolidation
SARGAS Srl						
Services rendered by staff	0	0.00%	78	0.07%	Other income	Other income
Receivables for goods & services supplied	0	0.00%	78	0.01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	(2)	0.00%	0	0.00%	Short term financial liabilities	IRES/VAT payables from tax consolidation
IMMOBILIARE ELLECI SpA						
Rent	(12)	0.00%	(11)	0.00%	Cost of services and sundry costs	Rent of buildings
SECURFIN HOLDINGS SpA						
Services rendered by staff	23	0.02%	22	0.02%	Other income	Staff on secondment
Rent	(589)	0.15%	(582)	0.12%	Cost of services and sundry costs	Rental of building and parking spaces in Milan
Receivables for goods & services supplied	23	0.00%	22	0.00%	Current trade receivables	Trade receivables
F.C. INTERNAZIONALE SpA						
Services received	(1)	0.00%	(1)	0.00%	Cost of services and sundry costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI SapA						
Services rendered by staff	29	0.02%	37	0.03%	Other income	Staff on secondment
Receivables for goods & services supplied	29	0.01%	37	0.01%	Current trade receivables	Trade receivables
GIAN MARCO MORATTI SapA						
Services rendered by staff	8	0.01%		0.00%	Other income	Staff on secondment
Receivables for goods & services supplied	4	0.00%		0.00%	Current trade receivables	Trade receivables

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2013		31/12/2012			
MASSIMO MORATTI SapA						
Services rendered by staff	8	0.01%		0.00%	Other income	Staff on secondment
Receivables for goods & services supplied	4	0.00%		0.00%	Current trade receivables	Trade receivables
MANTA Srl						
Services rendered by staff	48	0.04%	50	0.04%	Other income	Staff on secondment
Services rendered	(498)	0.13%	(937)	0.20%	Costs of services and sundry costs	Security services
Receivables for goods and services supplied	48	0.01%	50	0.01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(251)	0.02%	(339)	0.03%	Trade payables and other current payables	Trade payables
CIGOGNOLA Srl						
Services rendered	0	0.00%	(9)	0.00%	Cost of services and sundry costs	Gifts and gadgets supply
Payables for goods & services supplied	0	0.00%	(9)	0.00%	Trade and other current payables	Trade payables
DE SANTIS Srl						
Services rendered	(2)	0.00%	(3)	0.00%	Cost of services and sundry costs	Catering services
SARAS ENERGIA SA (Spain)						
Supply of goods	324,641	3.23%	570,150	5.34%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	124	0.10%	116	0.10%	Other income	Staff on secondment
Services rendered	54	0.04%	667	0.60%	Other income	Payment for stocking of mandatory supplies and demurrage
Financing income	9,449	4.30%	3,536	1.41%	Financial income	Intercompany financing
Purchases of goods	(92,113)	0.94%	(42,578)	0.41%	Purchases of raw materials, spare parts and consumables	Repayment of operational loans on Sarroch
Services received	(29)	0.01%	(53)	0.01%	Cost of services and sundry costs	Charges on sales and marketing research
Financial charges	(2,911)	1.21%	(1,403)	0.47%	Financial charges	Interest on intercompany line of credit
Receivables for goods & services supplied	26,413	5.71%	25,846	4.05%	Current trade receivables	Supply of oil products
Financing	0	0.00%	0	0.00%	Other current assets	Intercompany financing
Financing	70,000	92.93%	70,000	92.43%	Other financial assets	Intercompany financing
Payables for goods & services supplied	(15,758)	1.14%	(5,228)	0.41%	Trade payables and other current payables	Trade payables
SARINT SA (Luxembourg)						
Financial charges					Other net financial income (charges)	Interest on intercompany credit lines
Payables for goods & services supplied					Trade and other current payables	Trade payables
Financing	0	0.00%	150	0.19%	Other current assets	Intercompany financing
Loan	(14,530)	10.46%	(14,880)	3.17%	Short-term financial liabilities	Intercompany loans
REASAR SA (Luxembourg)						
Financial charges	(223)	0.09%	(249)	0.08%	Financial charges	Interest on intercompany loans
Payables for goods & services supplied	(57)	0.00%	(56)	0.00%	Trade and other current payables	Trade payables
Loan	(10,470)	7.54%	(10,470)	2.23%	Short-term financial liabilities	Intercompany loans

During 2013, no transactions were carried out with the shareholder Rosneft JV Projects SA or with its related parties. With regard to the above-mentioned transactions, the agreements governing sales of oil and oil products reflect market conditions; where a market price is not available the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses recharged in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

Related parties include both the directors and statutory auditors, whose remuneration is stated in 7.5.1 'Remuneration paid to memebers of the boards of directors and statutory auditors, general managers and managers with strategic responsibilities'.

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

	31/12/2013			31/12/2012		
	Total	Related Parties	%	Total	Related Parties	%
Trade receivables	462,196	237,606	51.4%	637,818	303,105	47.5%
Other current assets	57,688	34,711	60.2%	79,863	52,382	65.6%
Other financial income	75,322	70,000	92.9%	75,737	70,000	92.4%
Short-term financial liabilities	138,942	69,422	50.0%	468,868	377,450	80.5%
Trade and other current payables	1,376,337	53,145	3.9%	1,279,553	366,606	28.7%
Other non-current liabilities	16,310	16,268	99.7%	65,398	30,092	46.0%

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

	31/12/2013			31/12/2012		
	Total	Related Parties	%	Total	Related Parties	%
Revenues from ordinary operations	10,044,833	2,230,345	22.2%	10,679,997	2,524,399	28.2%
Other income	121,059	57,131	47.2%	111,975	76,984	80.8%
Purchases of raw materials spare parts and consumables	9,785,475	94,245	1.0%	10,301,834	51,526	0.8%
Cost of services and sundry costs	387,431	132,179	34.1%	470,244	84,974	18.4%
Net income / (charges) from equity investment	(2,361)	(2,361)	100.0%	(1,042)	(1,042)	100.0%
Financial income	217,570	9,691	4.5%	251,443	3,742	2.8%
Financial charges	238,921	8,640	3.6%	299,343	9,453	3.7%

The main cash flows with related parties are shown in the table below:

Cash flows with related parties	**2013**	**2012**
Net (income) / charges from equity interests	2,361	1,042
Dividends from investments	0	0
(Increase) / Decrease in trade receivables	65,499	44,175
Increase / (Decrease) in trade and other payables	(16,485)	(5,129)
Changes in other current assets	17,671	(9,335)
Changes in other non current liabilities	(13,824)	(4,971)
Interest received	9,691	3,742
Interest paid	8,640	(7,393)
Cash flows from / (used in) operating activities	**73,553**	**22,131**
Dividends	0	0
Cash flows from / (used in) investing activities	**0**	**0**
Increase / (Decrease) in short-term financial borrowings	(308,028)	151,982
Cash flows from / (used in) financing activities	**(308,028)**	**151,982**
Total cash flows with related parties	**(234,475)**	**174,113**

The effects of cash flows with related parties are shown in the table below:

Cash Flows	31/12/2013			31/12/2012		
	Total	Related Parties	%	Total	Related Parties	%
Cash flows from / (used in) operating activities	238,062	73,553	30.9%	308,961	22,131	7.2%
Cash flows from / (used in) Investment activities	(23,164)	0	n.d.	(51,874)	0	n.d.
Cash flows from / (used in) financing activities	(175,426)	(308,028)	175.6%	(144,712)	151,982	n.d.

7.3 Disclosures pursuant to International Financial Reporting Standards 7 and 13 – Financial instruments: Disclosures

The information on financial instruments to be disclosed in financial statements and interim reports, to the extent that it is applicable to Saras SpA, is mainly defined in IFRS 7 and 13.
IFRS 7 – Financial Instruments: Disclosures, requires entities to provide supplementary disclosures in the financial statements that make it possible to evaluate:

a) He value of financial instruments reported in the financial statements; and
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 they are managed.

IFRS 13 – Fair Value Measurement, which is applicable from 1st January 2013, requires supplementary disclosures on fair value, some of which are also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements, and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Points a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value broken down by fair value hierarchy. To this end, IFRS 13 defines a precise three-tier fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the various levels of reliability of fair value, depending on whether it is based on:
(a) (Unadjusted) prices taken from an active market – as defined by IAS 39 – for the assets and liabilities being valued (level 1); or
(b) Valuation techniques that use inputs other listed prices, as in the point above, as a reference, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2); or
(c) Valuation techniques that use inputs that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the company at 31st December 2013; since they can all be classified under fair value level 2, a breakdown by hierarchy at 31st December 2013 is not significant:

Assets	Commodities		Exchange rates		Interest rates		Total		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
FUTURES	6,436			158			6,436	158	6,594
SWAPS	3,517						3,517	0	3,517
OPTIONS	3,518						3,518	0	3,518
Total	**13,471**	**0**	**0**	**158**	**0**	**0**	**13,471**	**158**	**13,629**

Liabilities	Commodities		Exchange rates		Interest rates		Total		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
FUTURES	(9,759)			(2,627)		(1,087)	(9,759)	(3,714)	(13,473)
SWAPS	(4,298)						(4,298)	0	(4,298)
OPTIONS	(2,230)						(2,230)	0	(2,230)
Total	**(16,287)**	**0**	**0**	**(2,627)**	**0**	**(1,087)**	**(16,287)**	**(3,714)**	**(20,001)**

The criterion used by the company specifies that financial assets and liabilities measured at fair value should be transferred from one level of the hierarchy to another on the date that the event that causes the transfer takes place.
Pursuant to point c) of paragraph 93, there were no reclassifications among the various levels of the fair value hierarchy during the period.

Valuation techniques

As can be seen from the table in the section above, financial instruments measured at fair value largely consisted of derivatives entered into to mitigate exchange and interest rate risks and the risks of fluctuating crude oil and oil products prices.
Specifically, the measurement at fair value of these instruments is carried out:
- For interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with which the instruments were created;
- For commodity-based derivatives, based on account statements on open positions that are periodically received from the clearing broker through which the instruments are agreed.

For all types of derivatives described above, the fair value measurements received from the counterparties for the open positions are verified by comparing them to the company's fair value measurement of the same positions. These internal measurements are carried out using reference parameters observable on markets (spot and forward interest rates, exchange rates, and crude oil and oil product prices available in active regulated markets).

The measurement does not take into account counterparty risk as the effect is not significant given the deposits securing the positions.

Saras SpA has no financial assets or liabilities that are measured at fair value level 3 pursuant to IFRS 13.

With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying value is close to their fair value.

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

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

7.3.1 Information on the statement of financial position

Paragraphs 8-19 of the standard require the company to disclose the carrying values of all financial instruments belonging to the categories set out in IAS 39, as well as detailed information where the company has opted to recognise financial assets or liabilities at fair value through profit or loss, or where it has reclassified financial assets, or where financial assets have been derecognised. Statement of financial position figures for Saras SpA at 31st December 2013 and 31st December 2012 are shown below, with details of the company's financial instruments:

31/12/2013	Book Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2013
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**13,629**	**0**	**764,680**	**0**	**0**	**773,185**	**1,551,494**
Cash and cash equivalents				247,296				247,296
Other financial assets held for trading		13,629						13,629
Derivative instruments		*13,629*						
Trade receivables				462,196				462,196
Trade receivables from third parties				*224,698*				
Bad debt provision				*0*				
Financial receivables from Group companies				*237,498*				
Inventories							732,811	732,811
Current tax assets							37,874	37,874
Other assets				55,188			2,500	57,688
Financial receivables from Group companies				*34,780*				
Deposits to secure derivatives				*10,911*				
White certificates							*0*	
Other receivables				*9,497*			*2,500*	
Non-current assets	**0**	**0**	**0**	**75,322**	**495**	**0**	**856,557**	**932,374**
Property, plant and equipment							8,535	8,535
Intangible assets							19,191	19,191
Equity interests carried at cost							729,449	729,449
Other equity interests					495			495
Deferred tax assets							99,382	99,382
Other financial assets				75,322				75,322
Loans to subsidiaries				*70,000*				
Other receivables				*5,322*				
Total financial assets	**0**	**13,629**	**0**	**840,002**	**495**	**0**	**1,629,742**	**2,483,868**
LIABILITIES								
Current liabilities	**0**	**20,001**	**0**	**0**	**0**	**1,519,417**	**72,203**	**1,611,621**
Short-term financial liabilities		20,001				118,941		138,942
Bank loans						*30,707*		
Overdrafts						*7,939*		
Loans from Group companies						*69,601*		
Derivative instruments		*20,001*						
Other financial liabilities						*10,694*		
Trade and other payables						1,376,337		1,376,337
Current tax liabilities							71,677	71,677
Other liabilities						24,139	526	24,665
Other payables						*24,139*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**377,612**	**13,801**	**391,413**
Long-term financial liabilities						361,302		361,302
Bank loans						*112,078*		
Bonds						*249,224*		
Provisions for risks and charges							3,838	3,838
Provisions for employee benefits							9,963	9,963
Other liabilities						16,310		16,310
Total financial liabilities	**0**	**20,001**	**0**	**0**	**0**	**1,897,029**	**86,004**	**2,003,034**

31/12/2012	Book Value of all financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Other	Balance at 31/12/2012
	Designated at Fair Value	Held for trading						
ASSETS								
Current financial assets	**0**	**31,493**	**0**	**915,465**	**0**	**0**	**829,812**	**1,776,770**
Cash and cash equivalents				209,660				209,660
Other financial assets held for trading		31,493						31,493
Derivative instruments		*31,493*						
Trade receivables				637,818				637,818
Trade receivables from third parties				*334,821*				
Bad debt provision				*0*				
Trade receivables from Group companies				*302,997*				
Inventories							777,054	777,054
Current tax assets							40,882	40,882
Other assets				67,987			11,876	79,863
Financial receivables from Group companies				*50,321*				
Deposits to secure derivatives				*14,247*				
White Certificates							*8,737*	
Other receivables				*3,419*			*3,139*	
Non-current assets	**0**	**0**	**0**	**75,737**	**495**	**0**	**1,119,321**	**1,195,553**
Property, plant and equipment							715,305	715,305
Intangible assets							18,538	18,538
Equity interests carried at cost							302,421	302,421
Other equity interests					495			495
Deferred tax assets							83,057	83,057
Other financial assets				75,737			0	75,737
Loans to subsidiaries				*70,000*				
Other receivables				*5,737*				
Total financial assets	**0**	**31,493**	**0**	**991,202**	**495**	**0**	**1,949,133**	**2,972,323**
LIABILITIES								
Current liabilities	**0**	**43,405**	**0**	**0**	**0**	**1,769,638**	**64,076**	**1,877,119**
Short-term financial liabilities		*43,405*				*425,463*		*468,868*
Bank loans						*24,762*		
Overdrafts						*16,859*		
Loans from Group companies						*377,609*		
Derivative instruments		*43,405*						
Other financial liabilities						*6,233*		
Trade and other payables						1,279,553		1,279,553
Current tax liabilities							63,300	63,300
Other liabilities						64,622	776	65,398
Other payables						64,622		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**421,922**	**64,034**	**485,956**
Long-term financial liabilities						391,750		391,750
Bank loans						*143,026*		
Bonds						*248,724*		
Provisions for risks and charges							42,854	42,854
Provisions for employee benefits							21,180	21,180
Other liabilities						30,172		30,172
Total financial liabilities	**0**	**43,405**	**0**	**0**	**0**	**2,191,560**	**128,110**	**2,363,075**

Financial instruments recorded at fair value in the income statement comprise derivatives held by the company, as described in paragraph 5.3.1. above. Derivatives contracts on commodities, interest rates and exchange rates were entered into to mitigate the risks inherent in the business in which the company operates, arising from changes in the price of crude and oil products (futures, options and swaps), to hedge interest rate risk on loans taken out and to hedge exchange rate risk relating to its currency positions.

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

Other financial liabilities valued at amortised cost include all the company's financial liabilities and trade payables arising from the company's contractual obligations to deliver cash or other financial assets to another entity.
No financial assets valued at amortised cost were restated at fair value or vice versa; nor were any financial assets transferred and derecognised, with the exception of trade receivables sold on a 'without recourse' basis. An analysis of the contractual terms and conditions confirmed that the receivables in question can be derecognised.

All financial assets are booked at the trade date.

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

7.3.2 Information on the income statement

Paragraph 20 of the standard in question requires companies to state the amount of net gains or losses generated by financial assets and liabilities, broken down 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 following tables therefore show details of income statement items for the current year and the previous year:

2013	Net profits or losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other	2013
	Designated at fair value	Held for trading							
Revenues from ordinary operations								10.044.833	10.044.833
Other Income								121.059	121.059
Total Revenues							**0**	**10,165,892**	**10,165,892**
Purchases of raw materials, spare parts and consumables								(9,785,475)	(9,785,475)
Cost of services and sundry costs								(387,431)	(387,431)
Personnel costs								(62,957)	(62,957)
Depreciation, amortisation and write-downs								(52,414)	(52,414)
Total costs							**0**	**(10,288,277)**	**(10,288,277)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(122,385)**	**(122,385)**
Net income (charges) from equity interests								(2,361)	(2,361)
Other net financial income (charges)							(21,351)		(21,351)
from securities held for tradingg									
- of which:									
Realized gains									
Change in fair value									
from current account interest				*614*			*614*		
from loans granted to Group companies				*3,198*			*3,198*		
from derivative instruments		*(26,121)*					*(26,121)*		
- of which:									
Realized losses		*(22,080)*							
Change in fair value		*(4,041)*							
from other financial assets				*443*			*443*		
from interest on loans from banks						*(21,795)*	*(21,795)*		*0*
from interest on loans from Group companies						*(6,507)*	*(6,507)*		
from other receivables/payables				*28,817*			*28,817*		
Profit/(loss) before taxes	**0**	**(26,121)**	**0**	**33,072**	**0**	**(28,302)**	**(21,351)**	**(124,746)**	**(146,097)**
Income tax									22,060
Net profit/(loss)									**(124,037)**

2012	Net profits or losses, interest income and expense, revenues and expenses generated by:								
	Financial instruments recognised at fair value through profit or loss		Investments held to maturity	Loans and receivables	Financial assets available for sale	Other liabilities recognised at amortised cost	Total from financial instruments	Other (1)	2012 (1)
	Designated at Fair Value	Held for trading							
Revenues from ordinary operations								10,679,997	10,679,997
Other Income								111,975	111,975
Total Revenues							**0**	**10,791,972**	**10,791,972**
Purchases of raw materials, spare parts and consumables								(10,301,834)	(10,301,834)
Cost of services and sundry costs								(470,244)	(470,244)
Personnel costs								(110,991)	(110,991)
Depreciation, amortisation and write-downs								(105,817)	(105,817)
Total costs							**0**	**(10,988,886)**	**(10,988,886)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(196,914)**	**(196,914)**
Net income (charges) from equity interests								1,042	1,042
Other net financial income (charges)							(47,900)		(47,900)
from securities held for trading		*0*					*0*		
- of which:									
Realised gains									
Change in fair value									
from current account interest				*588*			*588*		
from loans granted to Group companies				*2,794*			*2,794*		
from derivative instruments		*(41,036)*					*(41,036)*		
- of which:									
Realised losses		*(29,124)*							
Change in fair value		*(11,912)*							
from other financial assets				*406*			*406*		
from interest on loans from banks						*(22,698)*	*(22,698)*		*0*
from interest on loans from Group companies						*(5,991)*	*(5,991)*		
from other receivables/payables				*18,037*			*18,037*		
Profit/(loss) before taxes	**0**	**(41,036)**	**0**	**21,825**	**0**	**(28,689)**	**(47,900)**	**(195,872)**	**(243,772)**
Income tax									**91,081**
Net profit/(loss)									**(152,691)**

(1) 2012 values reflect the application of IAS 19 revised

Financial instruments recognised at fair value through profit and loss generated net expenses of EUR 26,121 thousand (versus EUR 41,036 thousand in the previous year), mainly due to changes in the fair value of derivatives.

Financial instruments classified as 'Loans' generated income of EUR 33,072 thousand (versus EUR 21,825 thousand in the previous year), chiefly owing to unrealised exchange rate differences on commercial positions.

Other financial liabilities valued at amortised cost generated a loss of EUR 28,302 thousand (EUR 28,689 thousand in the previous year), mainly due to financial charges on loans.

7.3.3 Additional disclosures

7.3.3.1 Hedge accounting

As described above, the company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude oil and oil products, and on interest rates to hedge the interest rate risks relating to the loans obtained.

At 31st December 2013, outstanding derivatives contracts mainly comprised:

- Futures, options and swaps on oil products, classified as financial instruments held for trading;
- Interest rate swaps and options;
- Forwards on the EUR/USD exchange rate.

These instruments are recorded at fair value: changes in fair value during the period are recorded in the income statement under financial income or financial charges.

The outstanding positions on commodities and foreign exchange rates at the reporting date are expected to be closed by the end of the first quarter of 2014, while the interest rate swaps have the same duration as the underlying loans.

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

7.3.3.2 *Fair value*

Financial assets and liabilities, with the exception of derivatives, are recognised at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or financial liabilities subject to interest rates in line with current market rates, amortised cost does not differ from the fair value at 31st December 2013.
Note that the bond loan carries a fixed rate and that market values from the relevant stock market are not available. The value of the related cash flows, discounted to present value at the market rate, does not differ significantly from the value recorded in the financial statements.

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

7.3.4 Risks deriving from financial instruments

The risks deriving from the financial instruments to which the company is exposed are:

a. Credit risk, i.e. the risk that the company will incur a loss in the event that a counterparty to a financial instrument defaults;
b. Liquidity risk, i.e. the risk that the company is not able to service payment obligations according to 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 oil and oil products.

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

7.3.4.1 Credit risk

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

The information required by paragraphs 36-38 of IFRS 7 is shown in the tables below:

	Book value at 31/12/2013		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,551,494**	**778,309**	**778,309**		**719,402**	**57,153**	**1,411**	**0**	**343**	**778,309**	**0**	**0**
Cash and cash equivalents	247,296	247,296	247,296		247,296					247,296		
Other financial assets held for trading	13,629	13,629	13,629		13,629					13,629		
Trade receivables	462,196	462,196	462,196	38,235	403,289	57,153	1,411	0	343	462,196		
Provisions for doubtful receivables	0									0		
Inventory	732,811											
Current tax assets	37,874											
Other assets	57,688	55,188	55,188		55,188					55,188		
Non Current assets	**932,374**	**75,817**	**75,817**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	8,535											
Intangible assets	19,191											
Equity investments carried at cost	729,449											
Other equity interests	495	495	495									
Deferred tax assets	99,382											
Other financial assets	75,322	75,322	75,322							0		
Total assets	**2,483,868**	**854,126**	**854,126**		**719,402**	**57,153**	**1,411**	**0**	**343**	**778,309**		

	Book value at 31/12/2012		Credit risk		Breakdown of maturities of financial assets pursuant to par. 37 b) IFRS 7						Impairment	
	Total	Of which financial instru-ments	Maximum exposure to credit risks excluding guarantees or other similar instruments	Guar-antees	Current	Overdue 0-30 gg	Overdue 31-60 gg	Overdue 61-90 gg	Overdue over 90 gg	Total	Recognized during the year	Cumulative
Current assets	**1,776,770**	**946,958**	**946,958**		**885,792**	**52,550**	**3,801**	**612**	**4,203**	**946,958**	**0**	**0**
Cash and cash equivalents	209,660	209,660	209,660		209,660					209,660		
Other financial assets held for trading	31,493	31,493	31,493		31,493					31,493		
Trade receivables	637,818	637,818	637,818	71,679	576,652	52,550	3,801	612	4,203	637,818		
Provisions for doubtful receivables	0									0		
Inventory	777,054											
Current tax assets	40,882											
Other assets	79,863	67,987	67,987		67,987					67,987		
Non Current assets	**1,195,553**	**76,232**	**76,232**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant and equipment	715,305											
Intangible assets	18,538											
Equity investments carried at cost	302,421											
Other equity interests	495	495	495									
Deferred tax assets	83,057											
Other financial assets	75,737	75,737	75,737							0		
Total assets	**2,972,323**	**1,023,190**	**1,023,190**		**885,792**	**52,550**	**3,801**	**612**	**4,203**	**946,958**		

Guarantees securing trade 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. However, given the company's considerable self-financing capacity, coupled with its low level of debt, liquidity risk is considered moderate.
The company complied with all its obligations with respect to scheduled repayments of loans outstanding at the end of the period.
The information required by paragraph 39 of IFRS 7 are set out in the following table.

	Book value at 31/12/2013		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guarantees	2014	2015	2016	2017	2018	over 5 years
LIABILITIES										
Current liabilities	**1,611,621**	**1,539,418**	**1,540,161**	**10,911**	**1,544,782**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	138,942	138,942								
Bank loans		*30,707*	*31,450*		*31,450*					
Overdrafts		*7,939*	*7,939*		*7,939*					
Loans from Group companies		*69,601*	*69,601*		*69,601*					
Interest (actual average yearly rate = 4.24%)					*4,621*					
Derivatives		*20,001*	*20,001*	*10,911*	*20,001*					
Other financial liabilities		*10,694*	*10,694*		*10,694*					
Trade and other payables	*1,376,337*	*1,376,337*	*1,376,337*		*1,376,337*					
Current tax liabilities	*71,677*									
Other liabilities	*24,665*	*24,139*	*24,139*		*24,139*					
Non-current liabilities	**391,413**	**377,612**	**379,310**	**0**	**20,705**	**46,731**	**314,527**	**33,711**	**1,400**	**0**
Long-term financial liabilities	361,302	361,302	363,000							
Bank loans		112,078	113,000			28,900	56,100	28,050		
Bonds		249,224	250,000				250,000			
Interest on medium/long term loans (rate = 4.93%)					6,747	5,175	3,457	691		
Interest on Bond (rate = 5.583%)					13,958	7,686				
Provisions for risks and charges	3,838									
Provisions for employees benefits	9,963									
Other liabilities	16,310	16,310	16,310			4,970	4,970	4,970	1,400	
Total liabilities	**2,003,034**	**1,917,030**	**1,919,471**	**10,911**	**1,565,487**	**46,731**	**314,527**	**33,711**	**1,400**	**0**

	Book value at 31/12/2012		Liquidity risk		Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal value of financial liabilities	Guarantees	2013	2014	2015	2016	2017	over 5 years
LIABILITIES										
Current liabilities	**1,877,119**	**1,813,043**	**1,813,781**	**14,247**	**1,827,052**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	468,868	468,868								
Bank loans		*24,762*	*25,500*		*25,500*					
Overdrafts		*16,859*	*16,859*		*16,859*					
Loans from non consolidated Group Companies		*377,609*	*377,609*		*377,609*					
Interest (actual average yearly rate: = 3,16%)					*13,271*					
Derivatives		*43,405*	*43,405*	*14,247*	*43,405*					
Other financial liabilities		*6,233*	*6,233*		*6,233*					
Trade and other payables	*1,279,553*	*1,279,553*	*1,279,553*		*1,279,553*					
Current tax liabilities	63,300									
Other liabilities	65,398	64,622	64,622		64,622					
Non-current liabilities	**485,956**	**421,922**	**424,672**	**0**	**20,956**	**57,253**	**46,789**	**314,573**	**33,719**	**10,292**
Long-term financial liabilities	391,750	391,750	394,500							
Bank loans		*143,026*	*144,500*			*31,450*	*28,900*	*56,100*	*28,050*	
Bonds		*248,724*	*250,000*					*250,000*		
Interest on medium/long term loans (rate = 4,93%)					*6,999*	*6,875*	*5,233*	*3,503*	*699*	
Interest on Bond (rate = 5,583%)					*13,958*	*13,958*	*7,686*			
Provisions for risks and charges	42,854									
Provisions for employees benefits	21,180									
Other liabilities	30,172	30,172	30,172			4,970	4,970	4,970	4,970	10,292
Total liabilities	**2,363,075**	**2,234,965**	**2,238,453**	**14,247**	**1,848,008**	**57,253**	**46,789**	**314,573**	**33,719**	**10,292**

The fair value of derivatives recognised in the financial statements mainly relates to current positions.
The derivative hedging instruments included in short-term financial liabilities for EUR 20,001 thousand include interest rate swaps related to the company's loan: the nominal future interest flows on this loan are already included under interest on medium / long-term loan's, shown in the 'Non-current liabilities' section of the table.

7.3.4.3 Market risk

As explained above, the market risks to which the company is exposed through its holdings of financial instruments relate to:
- The EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under 'Financial income' or 'Financial charges' as well as the fair value of derivatives held at the reporting date;
- The Euribor interest rate, to which the interest rates paid by the company on its loans are indexed, as well as the fair value of derivatives held at the reporting date;
- Prices of crude oil and oil products, which affect the fair value of the derivatives in place at the reporting date.

As required by paragraph 40 of IFRS 7, a sensitivity analysis was performed for each type of risk to which the company is exposed at the reporting date, 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 oil price) are in line with management's forecasts. The results of the analysis are shown in the tables below.

Euro/dollar exchange rate

At the reporting date, the company had derivatives denominated in US dollars. These were mainly recorded under trade receivables and payables.
A simulation was performed of the impact on net profit and shareholders' equity, assuming a change of +/- 10% in the EUR/USD exchange rate at the end of the year, which was used to translate currency positions for the preparation of the statement of financial position.

2013					
EUR / US Dollar exchange rate				Change in benchmark	
Statement of financial position items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(835,493)	1.3791	(605,825)		
Effect on profit before taxes				(67,314)	55,075
Effect on net profit (and shareholders' equity)				(41,735)	34,146

The following table shows the simulation at 31st December 2012:

2012					
EUR / US Dollar exchange rate				Change in benchmark	
Statement of financial position items	Amount in foreign currency	EUR/US Dollar exchange rate	Amount in thousand of EUR	-10%	+10%
Net position in foreign currency	(1,027,233)	1.3194	(778,560)		
Effect on profit before taxes				(86,507)	70,778
Effect on net profit (and shareholders' equity)				(53,634)	43,882

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

The results of the simulation are shown in the following table:

		Change in benchmark	
Derivatives on:	Fair value as of 31/12/2013	-10%	+10%
Exchange rates	(2,469)	86,704	(71,400)
	(2,469)	86,704	(71,400)
Effect on profit before taxes		86,704	(71,400)
Effect on net profit (and shareholders' equity)		53,756	(44,268)

		Change in benchmark	
Derivatives on:	**Fair value as of 31/12/2012**	**-10%**	**+10%**
Exchange rates	(2,316)	63,085	(87,944)
	(2,316)	**63,085**	**(87,944)**
Effect on profit before taxes		**63,085**	**(87,944)**
Effect on net profit (and shareholders' equity)		**39,113**	**(54,525)**

Interest rates

The company has medium-term/long-term as well as short-term exposure to variable interest rates indexed to Euribor. A simulation of the impact of this variable on net profit and shareholders' equity was carried out, assuming a change of +/- 50 basis points in rates and only taking into account the portion of variable-rate funding.

2013				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2013	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	4.24%	(10,007)		
Effect on profit before taxes			**1,180**	**(1,180)**
Effect on net profit (and shareholders' equity)			**732**	**(732)**

The following table shows the simulation at 31st December 2012:

2012				
VARIABLE INTEREST RATES			**Change in benchmark**	
	Average annual interest rate 2012	**Annual interest charge**	**-50bps**	**+50bps**
Short-and medium / long - term financial liabilities	3.65%	(21,490)		
Effect on profit before taxes			**2,944**	**(2,944)**
Effect on net profit (and shareholders' equity)			**1,825**	**(1,825)**

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 +/- 25 basis points in rates, which was considered appropriate given potential rate fluctuations (the simulation for the previous year was adjusted).

The results of the simulation are shown in the following table:

2013		**Change in benchmark**	
Derivatives on:	**Fair value as of 31/12/2013**	**-25bps**	**+25bps**
Interest rate swaps fair value	(1,087)	(552)	697
	(1,087)	**(552)**	**697**
Effect on profit before taxes		**(552)**	**697**
Effect on net profit (and shareholders' equity)		**(342)**	**432**

The simulation as at 31st December 2012 is shown below:

2012		**Change in benchmark**	
Derivatives on:	**Fair value as of 31/12/2012**	**-25bps**	**+25bps**
Interest rate swaps fair value	*(2,331)*	*(1,037)*	*982*
	(2,331)	**(1,037)**	**982**
Effect on profit before taxes		**(1,037)**	**982**
Effect on net profit (and shareholders' equity)		**(643)**	**609**

Prices of crude and oil products

Oil prices affect the fair value of derivatives outstanding at the reporting date and the relevant differences recognised in the income statement: derivatives at 31st December 2013 consisted of futures, swaps and options on oil products, and the fair value recorded in the statement of financial position was derived from the market prices of the relevant underlying assets at that date.
The company therefore performed a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20% in oil prices.
The results of the simulation are shown in the tables below:

2013		Change in benchmark	
Derivatives on:	**Fair value as of 31/12/2013**	**-20%**	**+20%**
Crude oil and oil products	(2,816)	14,725	(14,725)
	(2,816)	**14,725**	**(14,725)**
Effect on profit before taxes		**14,725**	**(14,725)**
Effect on net profit (and shareholders' equity)		**9,130**	**(9,130)**

The simulation as at 31st December 2012 is shown below:

2012		Change in benchmark	
Derivatives on:	**Fair value as of31/12/2012**	**-20%**	**+20%**
Crude oil and oil products	(7,917)	17,434	(17,434)
	(7,917)	**17,434**	**(17,434)**
Effect on profit before taxes		**17,434**	**(17,434)**
Effect on net profit (and shareholders' equity)		**10,809**	**(10,809)**

The above analysis of the company's exposure to risks relating to financial instruments shows that there are no significant concentrations of risk in terms of counterparty, geographical area or market, while the concentration risk relating to exposure to the US dollar is mitigated by the hedging policies implemented.

7.4 Average staff numbers

The average number of employees, by category, is shown below:

	2013	2012
Managers	43	52
Office staff	529	838
Specialised worker	4	8
Workers	179	371
Total	**755**	**1,269**

The number of employees fell from 1,267 at the end of 2012 to 240 at 31st December 2013, chiefly due to the above-mentioned contribution in kind of refining activities to the subsidiary Sarlux Srl.

7.5 Tables showing the remuneration and shareholdings members of the boards of directors and statutory auditors, general managers and senior managers with strategic responsibilities

The following tables provide information on remuneration and shareholdings of members of the boards of directors and statutory auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer.

7.5.1 Remuneration paid to members of the boards of directors and statutory 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	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	1,536,000			
MASSIMO MORATTI	CEO	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	1,536,000			
ANGELO MORATTI	VICE CHAIRMAN	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	236,000			689,872
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	36,000			749,570
GABRIELE MORATTI	NON-EXECUTIVE DIRECTOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	36,000			40,950
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	36,000			204,420
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	36,000			
GILBERTO CALLERA	INDEPENDENT DIRECTOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	36,000			
GIANCARLO CERUTTI	INDEPENDENT DIRECTOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	36,000			
IGOR IVANOVICH SECHIN	NON-EXECUTIVE DIRECTOR	14/05/13 - 31/12/13	Date of approval of F/S for FY 2014	7,650			
MARIO GRECO	INDEPENDENT DIRECTOR	01/01/13 - 05/03/13	Resigned	7,650			
(*) remuneration for subordinate work							
Statutory Auditors							(**)
FERDINANDO SUPERTI FURGA	CHAIRMAN	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	62,400			15,000
MICHELE DI MARTINO	STANDING AUDITOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	45,000			13,000
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	41,600			121,720
LUIGI BORRÈ	SUBSTITUTE AUDITOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014				46,332
MARCO VISENTIN	SUBSTITUTE AUDITOR	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014				
(**) for auditing services for other Group companies							
Supervisory board							(***)
GABRIELE PREVIATI	CHAIRMAN	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	34,600			13,000
GIOVANNI LUIGI CAMERA	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	18,770			42,380
CONCETTO SIRACUSA	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	26,700			28,747
MARCO TONELLOTTO	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	14,580			10,820
FERRUCCIO BELLELLI	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014				118,009
(***) including remunerations of other Group Companies							
Control and Risk Committee							
GILBERTO CALLERA	CHAIRMAN	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	21,000			
GABRIELE PREVIATI	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	14,000			
GIANCARLO CERUTTI	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	14,000			
MARIO GRECO	MEMBER	01/01/13 - 05/03/13	Resigned				
Remuneration Committee							
GILBERTO CALLERA	CHAIRMAN	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	21,000			
GABRIELE PREVIATI		01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	14,000			
GIANCARLO CERUTTI	MEMBER	01/01/13 - 31/12/13	Date of approval of F/S for FY 2014	5,600			
MARIO GRECO	MEMBER	01/01/13 - 05/03/13	Resigned				
Managers with strategic responsibilities							600,215

At the reporting date, end-of-service entitlements (not included in the table above) totalling EUR 571 thousand had not yet been paid.

7.5.2 Equity investments held by members of the boards of directors and statutory auditors, general managers and senior managers with strategic responsibilities

Surname / Name	Company	N. of shares held at the end of the previous year	N. of shares acquired	N. of shares sold	N. of shares held at the end of the current year
	Equity interest				
Moratti Gian Marco	SARAS SpA	6,000,000	-	6,000,000	-
Moratti Massimo	SARAS SpA	6,000,000	-	6,000,000	-
Moratti Angelo	SARAS SpA	-	-	-	-
Moratti Angelomario	SARAS SpA	-	-	-	-
Moratti Gabriele	SARAS SpA		-	-	
Callera Gilberto	SARAS SpA	-	-	-	-
Sechin Igor Ivanovich Sechin	SARAS SpA	-	-	-	-
Cerutti Giancarlo	SARAS SpA	-	-	-	-
Previati Gabriele	SARAS SpA	18,000	-	5,836	12,164
Scaffardi Dario	SARAS SpA	1,425	1,546,385	1,547,810	-
Superti Furga Ferdinando	SARAS SpA	-	-	-	-
Camera Giovanni	SARAS SpA	-	-	-	-
Di Martino Michele	SARAS SpA	-	-	-	-
Borrè Luigi	SARAS SpA	10,000	-	-	10,000
Visentin Marco	SARAS SpA	-	-	-	-
Managers with strategic responsibilities	SARAS SpA	2,125	1,055,481	1,057,606	-

7.6 Commitments

As part of its regular activities, Saras issued sureties totalling EUR 310,428 thousand at 31st December 2013, mainly comprising EUR 305,058 thousand to subsidiaries, EUR 3,130 thousand to the Cagliari customs agency and EUR 1,530 thousand to the Ministry of Defence.

As at 31st December 2013 and 31st December 2012, no irrevocable, multi-year commitments had been made to purchase materials or services.

7.7 Other

Please refer to the Report on Operations of the Consolidated Financial Statements for details of any atypical and/or unusual operations as well as the accidents that occurred in 2009 and 2011.

8. Miscellaneous

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

Pursuant to article 2428 of the Italian Civil Code, the company’s other offices are:
General and Administrative Headquarters - Milan
Public Relations and Administrative Affairs - Rome

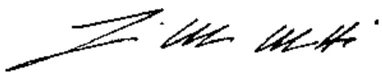
Pursuant to article 149-*duodecies* of Consob's Issuer Regulations, the table below provides details of the fees relating to 2013 paid to the external auditors for auditing and other services, and to companies affiliated to the external auditors for services.

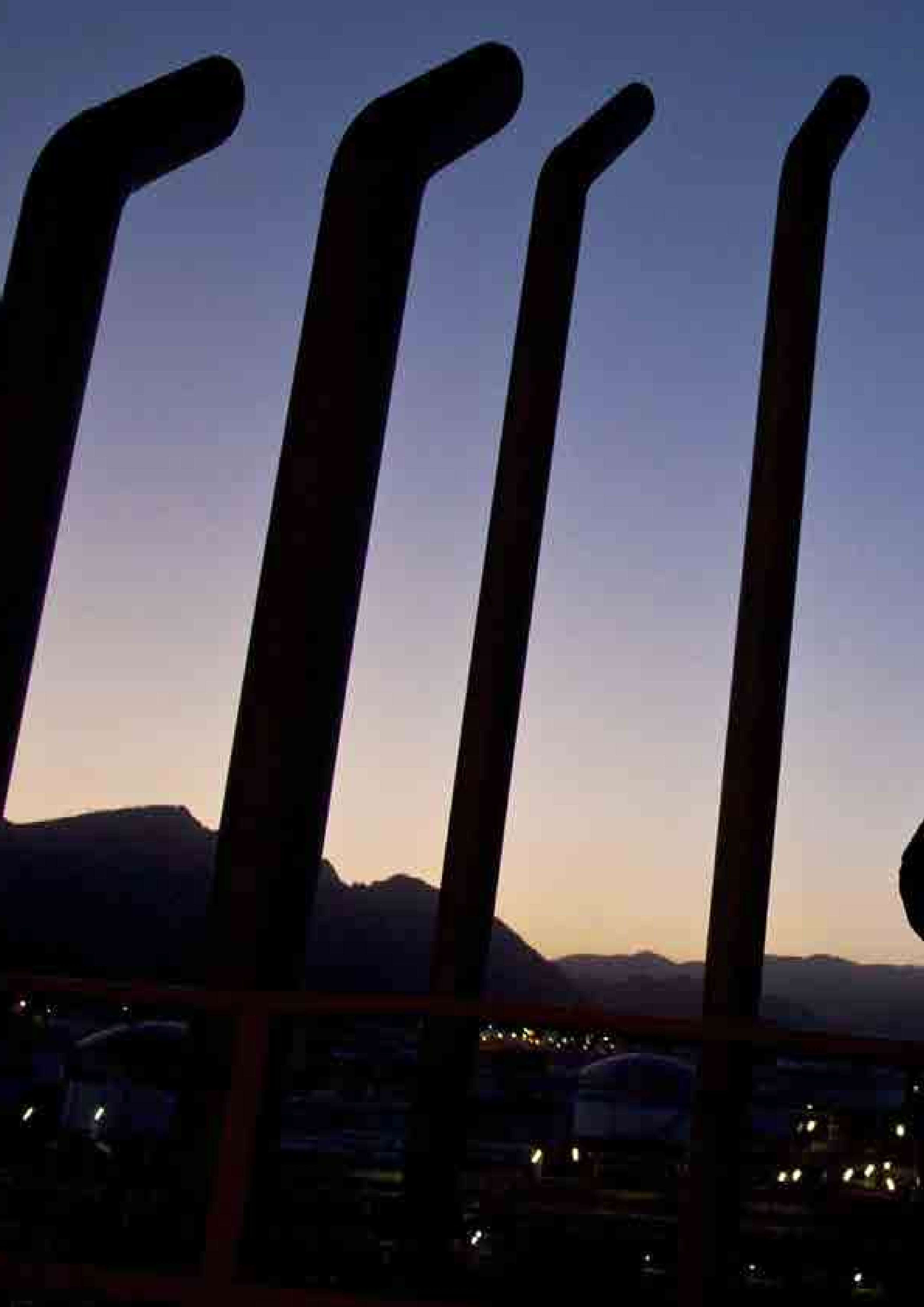
Information pursuant to art . 149 - Duodecies of Consob's Issuer Regulations			
Services	**Provider**	**Recipient**	**Amount due in 2013 (EUR thousand)**
Audit	PricewaterhouseCoopers SpA	Saras SpA	395
Attestation	PricewaterhouseCoopers SpA	Saras SpA	13
Other services	PricewaterhouseCoopers SpA	Saras SpA	25
Total			**433**

9. Publication of the financial statements

At its meeting on 19th March 2014, Saras's Board of Directors authorised 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
Chairman
Gian Marco Moratti





Relazioni ai Bilanci 2013

Statement by the Executive Manager responsible for the preparation of the Consolidated Financial Statements

Saras SpA

Cap. Soc. Euro 54.629.666,67 int. vers.
Reg. Imprese di Cagliari
Cod. Fisc. e P. IVA IT 00136440922
saras@pec.saras.it - www.saras.it

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, Dario Scaffardi, Executive Vice President 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 2013 to 31 December 2013.

2. In addition, the undersigned declare that:

2.1 the consolidated accounts to 31 December 2013:

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.

Direzione Generale
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[illegible]

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Saras SpA

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.

Milan, 19 March 2014

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
(Gian Marco Moratti)	(Corrado Costanzo)
(Massimo Moratti)	
(Dario Scaffardi)	

Report of the Independent Auditors to the Consolidated Financial Statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1 We have audited the consolidated financial statements of Saras SpA and its subsidiaries ("Saras Group") as of 31 December 2013 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements show the prior year's figures as comparatives. As reported in the notes to the consolidated financial statements, the directors restated certain comparative amounts relating to the prior year compared with the figures previously reported and audited by us, on which we issued our auditors' report on 2 April 2013.
We have examined the method used to restate the comparative amounts as well as the related disclosures in the notes for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2013.

3 In our opinion, the consolidated financial statements of the Saras Group as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Saras Group for the period then ended.

4 The directors of Saras SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Saras SpA as of 31 December 2013.

Milan, 2 April 2014

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

SARAS

Saras SpA
Cap. Soc. Euro 54.629.666,67 int. vers.
Reg. Imprese di Cagliari
Cod. Fisc. e P. IVA IT 00136440922
saras@pec.saras.it - www.saras.it

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, Dario Scaffardi, Executive Vice President 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 2013 to 31 December 2013.

2. In addition, the undersigned declare that:

2.1 the annual accounts to 31 December 2013:

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

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Saras SpA

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.

Milan, 19 March 2014

Signature: delegated authority	Signature: director responsible for drawing up the accounting statements
(Gian Marco Moratti)	(Corrado Costanzo)
(Massimo Moratti)	
(Dario Scaffardi)	

Report of the Statutory Auditors to the Statements of Saras SpA

SARAS S.P.A,

Registered office: S.S. 195 "SULCITANA" KM 19 - SARROCH (CA)
Share capital: EUR 54,629,666.67 (fully paid up)

Report of the Board of Auditors to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree 58/98

To the shareholders' meeting of Saras S.p.A.

During the year ended 31 December 2013, we carried out the supervisory activities required by law, updated by Legislative Decree 39/2010, in accordance with the Code of Conduct for Internal Auditors recommended by the National Accounting Board.

SUPERVISORY ACTIVITIES

In compliance with the instructions provided in Consob Communications 1025564 of 6 April 2001, 3021582 of 4 April 2003 and 6031329 of 7 April 2006, we wish to report the following.

We monitored compliance with legislation, the articles of association and the principles of good administrative practice.

We attended shareholders' meetings and meetings of the Board of Directors and the Board Committees, and obtained from the Directors, on at least a quarterly basis and pursuant to Article 150 of Legislative Decree 58/1998, information on the company's general operating performance and outlook, and on significant transactions affecting the Company's business and financial position, ensuring that the resolutions approved and implemented were not imprudent or risky, did not represent a potential conflict of interests, 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 suitability of the Company's organisational structure in compliance with good administrative practice, by collating information received from the heads of the various functions and meeting with the external auditors in order to share relevant information. We have no specific observations to make in this regard.

The Board of Auditors examined and monitored the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree 58/98, and obtained information on their organisational structures and management control systems. It has no specific observations to make in this regard.

We have assessed and monitored the adequacy of the internal control, administration and accounting systems, and the reliability of the accounting system in terms of accurately representing the results of operations, by:

(i) examining the report by the Internal Control Manager on the internal control system at Saras

(ii) examining the reports from Internal Audit and information on the results of activities to monitor the implementation of corrective measures identified following audits

(iii) obtaining information from the heads of the various functions

(iv) examining Company documents

(v) analysing the results of the work carried out by the external auditors

(vi) sharing information with the control bodies of subsidiaries, pursuant to paragraphs 1 and 2 of Article 151 of Legislative Decree 58/98.

We have no specific observations to make in this regard.

An Internal Control Committee, Remuneration Committee and Control and Risks Committee have been established within the Board of Directors. The Board of Auditors, having examined the new legislative provisions and regulations for companies, has verified the Company's compliance activities in this regard and notes that it has reviewed the Remuneration Policy for Directors and managers with strategic responsibilities adopted by the Board of Directors, in line with the Corporate Governance Code for Listed Companies and on the recommendation of the Remuneration Committee, whose meetings the Board of Auditors attended.

We held meetings with representatives of the external auditors, pursuant to Article 150, paragraph 3 of Legislative Decree 58/98, and no significant information or issues were raised that ought to be included in this report.

We did not identify any atypical or unusual transactions carried out with third parties, Group companies or related parties.

In the notes to the accounts, the Directors indicate and explain numerous exchanges of goods and services between the Company, other Group companies and related parties, and specify that these were governed by the 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 offences covered by the decree. The report by the Supervisory Body on the activities carried out during 2013 and the meetings between the Supervisory Body and the Board of Auditors did not reveal any significant issues that ought to be mentioned in this report.

The Board of Auditors received analytical information on the impairment testing carried out by the Company to confirm the value of goodwill and some significant fixed assets included in the financial statements of the Company and the subsidiaries. The information was provided by the Directors in the notes to the financial statements, pursuant to international accounting standards and Consob regulations.

The Board of 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 been tasked with the following duties in addition to the audit:

- checking the separate and consolidated accounting statements relating to activities in the electricity sector for remuneration of EUR 7,045
- signing tax declarations for remuneration of EUR 5,750
- other services for EUR 24,525 (CH Compliance Workshop for remuneration of EUR 15,000 and year-end closing fiscal representation in respect of UK tax compliance for remuneration of EUR 9,525).

We issued favourable opinions on the following during the year:

- the existence of the requirements for independent Directors
- the annual remuneration of the Directors sitting on the Board Committees, pursuant to Article 2389, paragraph 3 of the Italian Civil Code
- the proposed extension of the mandate of the external auditors.

By means of direct checks and information obtained from the external auditors, we have verified compliance with legal requirements regarding the preparation and presentation of the Company's annual financial statements and accompanying report on operations. The Board of Auditors also examined the valuation criteria used to prepare the financial statements to ensure that they meet legal requirements and are appropriate for the Company's financial situation, with a particular focus on the criteria and assumptions used to prepare impairment testing.

In the risk analysis section, the Directors describe the main risks and uncertainties to which the Company and the Group are exposed, including operational, financial (price volatility, credit, liquidity, exchange rate, interest rate) and general risks.

The Board of Auditors notes the Company’s commitment to continuously improving its environmental and safety systems.

The Board held 12 meetings, including with the subsidiaries’ internal bodies, and attended 11 meetings of the Board of Directors, two Shareholders’ meetings, three meetings of the Remuneration Committee and five meetings of the Control and Risks Committee.

The report on operations provides sufficient information on the Company's operations and is appropriate for the scope and complexity of the Company's affairs.

In February 2013, the Board of Directors launched a major corporate reorganisation programme that includes, *inter alia*, a restructuring of the delegation of operational authority within the Company, appointing and conferring wide-ranging powers upon the new Executive Vice-Chairman. The Directors provided the appropriate information on this programme in the notes to the financial statements.

In the year under review, the Company disposed of assets (the refining division) via a transfer to its subsidiary Sarlux S.r.l.

ANNUAL FINANCIAL STATEMENTS

We have reviewed the draft financial statements for the year ended 31 December 2013, provided to us pursuant to Article 2429 of the Italian Civil Code. with regard to which we note the following.

Since we have not been engaged to carry out the statutory audit of the financial statements, we have supervised their presentation and the general legal compliance of their preparation and structure, and have no specific observations to make in this regard.

In preparing these financial statements, the Directors have not deviated from the law pursuant to Article 2423, paragraph 4 of the Italian Civil Code.

The annual financial statements to 31 December 2013 closed on a loss of EUR 124,037,017.

CONCLUSIONS

On 2 April 2014, the auditing company issued its report with an unqualified opinion.

The Board of Auditors raises no objection to the approval of the financial statements and to the coverage of the loss for the year proposed by the Board of Directors.

Milan, 3 April 2014

The Board of Auditors

Ferdinando Superti Furga

Giovanni Luigi Camera

Michele Di Martino.

List of positions held by the members of the Board of Statutory Auditors in companies as referred to in book V of the Civil Code as at 19/03/2014

Prof. Ferdinando Superti Furga

COMPANY NAME	POSITION HELD
Arnoldo Mondadori Editore SpA	Chairman of the Board of Statutory Auditors
Binda SpA in Liq.	Chairman of the Board of Statutory Auditors
Fininvest SpA	Chairman of the Board of Statutory Auditors
Saras SpA	Chairman of the Board of Statutory Auditors
Publitalia '80 SpA	Chairman of the Board of Statutory Auditors
Giuseppe Citterio Srl	Independent Director
Luisa Spagnoli SpA	Independent Director
Spa.Im Srl	Independent Director
Spa.Ma Srl	Independent Director
Spa.Pi Srl	Independent Director
Telecom Italia SpA	Permanent Auditor
Superti Furga e Partners Srl	Chairman
Sarlux Srl	Chairman of the Board of Statutory Auditors

Dr. Michele Di Martino

COMPANY NAME	POSITION HELD
Cortesa Srl	Permanent Auditor
Saras SpA	Permanent Auditor
Sarlux Srl	Permanent Auditor
Ensar Srl	Permanent Auditor

Dr. Giovanni Camera

COMPANY NAME	POSITION HELD
Arcola Petrolifera Srl	Single Statutory Auditor
CMC SpA	Auditor
Deposito Di Arcola Srl	Chairman of the Board of Statutory Auditors
Ensar Srl	Chairman of the Board of Statutory Auditors
F.C. Internazionale Milano SpA	Chairman of the Board of Statutory Auditors
Internazionale Holding Srl	Permanent Auditor
M-I- Stadio Srl	Chairman of the Board of Statutory Auditors
Mondini Cavi SpA	Chairman of the Board of Statutory Auditors
Parchi Eolici Ulassai Srl	Single Statutory Auditor
Saras SpA	Permanent Auditor
Sardeolica Srl	Single Statutory Auditor
Sarlux Srl	Permanent Auditor
Sartec SpA	Chairman of the Board of Statutory Auditors
Shine Sim SpA	Chairman of the Board of Statutory Auditors

Report of The Independent Auditors to the Financial Statements of Saras SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Saras SpA

1 We have audited the separate financial statements of Saras SpA as of 31 December 2013 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements show the prior year's figures as comparatives. As reported in the notes to the separate financial statements, the directors restated certain comparative amounts relating to the prior year compared with the figures previously reported and audited by us, on which we issued our auditors' report on 2 April 2013.
We have examined the method used to restate the comparative amounts as well as the related disclosures in the notes for the purpose of expressing our opinion on the separate financial statements as of 31 December 2013.

3 In our opinion, the separate financial statements of Saras SpA as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Saras SpA for the period then ended.

PricewaterhouseCoopers SpA

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4 The directors of Saras SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Saras SpA as of 31 December 2013.

Milan, 2 April 2014

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

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