Saras Group

Saras Group Consolidated Financial Statements and Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2008

SARAS

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The Saras Group today and Milestones

1960

Start of operations

- 1962: Saras is founded by Angelo Moratti
- 1965: Sarroch refinery begins operations
- 1968: completion of a new Topping plant and of the Fluid Catalytic Cracking plant (FCC)

1970

Refining for third parties

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

1980

Increase in conversion capacity

- 1983: completion of the Visbreaking unit (45,000 bl/day) and of a Vacuum plant (60,000 bl/day)
- Late 1980s: capacity of the FCC unit is increased to 94,000 bl/day
- 1984: completion of the Continuous Catalytic Reforming (CCR) plant (30,000 bl/day)

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

Occupying a strategic geographical location in the Mediterranean, it is also a model of efficiency and environmental sustainability, thanks to the wealth of know-how, technology and human resources that Saras has accrued in more than 40 years of business, in tandem with ongoing investment in plant upgrades.

With production capacity of 15 million tons per year (or 300,000 barrels per day), the refinery accounts for about 15% of Italy's total refining capacity.

Both directly and through our subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (Spain), we sell and distribute oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European (principally Spain), and international markets. More than 25% of sales of oil products are towards spanish market.

On the international front, Saras Energia operates also in the retail business through 40 retail stations fully owned, and other 12 on long term lease, mainly located in the South of Spain. To the already mentioned network of stations, during 2009 Saras will add further 81 retail stations, for which in October 2008 was signed a purchase agreement with ERG Petroleos S.A.. Morevoer, in the Southern coast of Spain, at the end of 2008 was inaugurated also a biodiesel plant in Cartagena, located in the vicinity of the oil products tank farm already owned by Saras.

In recent years we have expanded from oil refining into other areas, and in particular, in the energy sector with our subsidiary Sarlux S.r.l., which specialises in the generation of electricity through its IGCC (Integrated Gasification Combined Cycle) plant. The IGCC uses refinery by-products and produces over 4 billion KWh of electricity each year, providing over 30% of the Sardinia region electricity requirements. Always in the island we are also involved in the production of power from renewable sources through the wind farm at Ulassai.

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

1990

Environment, new technologies, and expansion into the wholesale market

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

2000

Further investments in high-tech plants

- Construction of the Integrated Gasification Combined Cycle (IGCC) plant
- Completion of a second MHC plant
- Completion of an Etherification plant (TAME)
- Second half of 2005: the Ulassai wind farm starts operations, with an installed capacity of 72MW
- 2006 – IPO to grow the business and explore new opportunities aimed at value creation for our shareholders
- 2007 – Increased conversion capacity (leading to a significant improvement in the production of diesel)
- Start of the diesel desulphurisation unit

2008

The achievement of environmental, economic and operational targets

- Registration EMAS (Eco Management Audit Scheme)
- Obtained the AIA (Integrated Environmental Authorization)
- Refinery record runs reached 15.5 million tons (113.3 million barrels)
- Start of the TGTU (Tail Gas Treatment Unit) allowing a reduction of 30 – 35% of the sulphur dioxide global emissions
- Start of the gasoline desulphurisation unit

Technological and Operational Excellence, respecting our community and territory.

Saras Group has been involved in oil refining activities for nearly half a century. In 2001, we also expanded in the power generation business, with the Sarlux IGCC plant, which is perfectly integrated and symbiotic with the refinery. In 2006, we became active in the renewable energy sector, thanks to our wind farm in Ulassai, Sardinia. And most recently, in October 2008, we completed the construction of a biodiesel plant in Cartagena, which represents a further addition to our activities on the Spanish Mediterranean coast.

During all these years, our Group boosted a significant growth, assuming a progressively more international dimension. However, we never neglected our strong ties with the territory in which our plants are located, and with the community which has always hosted and supported us. Indeed, year after year, Saras continued to act responsibly, with passion for continuous improvement, social responsibility, and always preserving safety for both our workers and our neighbouring communities. All of the above has the specific objective of developing sustainable projects, which allow our Group to reach growth and value generation levels amongst the highest in our sector.

Technological and operational excellence are the main factors which have always allowed our Group to stay ahead of the competition, irrespectively of the contingent economical cycle. The value of our strategy has been confirmed once again in the financial year ended on December 31st 2008, which has been extremely atypical and characterised by unprecedented volatility. Indeed, 2008 has been a year with two speeds: in the first six months prices for crude and products climbed progressively higher, reaching record highs in the middle of July. The second half of the year instead, has been completely different, with a dramatic drop in consumption of oil products, caused by the financial and economic crisis, which originated in the OECD countries and rapidly spread also to the developing economies, slowing down their growth rates.

It is likely that the current global crisis will last for the rest of 2009, potentially becoming even deeper in the coming months. In the meanwhile, the oil market will remain strictly dependent on the health of the global economy. In such context, Saras will need to be capable to adapt and react rapidly to the changing market conditions. Anticipating the future also means revaluating again choices made in the past, to validate if these are still valid under the new scenarios. This is precisely the reason why we decided to review the timing of the investment plan for the years 2009 – 2012, in line with what already announced during the presentation of our Group results for the fourth quarter 2008.

Our commitment to all our shareholders remains however unchanged. We will continue to follow a sustainable growth plan for our Group, keeping at core our traditional financial stability, which will be key to overcome the hardships of the financial crisis, and continuing to invest in technological efficiency and operational flexibility, whilst always respecting the environment and our surrounding communities.

Chairman
Gian Marco Moratti

A solid industrial performance behind the achievement of a new strong set of results.

In 2008, Saras Group recorded strong results, continuing along the path of solid economic and industrial growth, started in the previous years. Refinery runs achieved record highs at 15.5 ml tons (equivalent to 310.000 barrels per day). Group *adjusted* Net Income stood at EUR 327 ml, up 31% versus previous year. Net financial position was negative for EUR 333 ml, mainly due to higher operating and compulsory inventories, the important CAPEX programme completed in 2008, the acquisition of the minority interest in Parchi Eolici Ulassai S.r.l. (PEU), as well as the payment of dividends and the buyback programme, which returned to our shareholders cash in excess of EUR 230 ml. Nevertheless, leverage remained at 20%: an absolutely safe value, also in today's scenario of generally reduced credit availability.

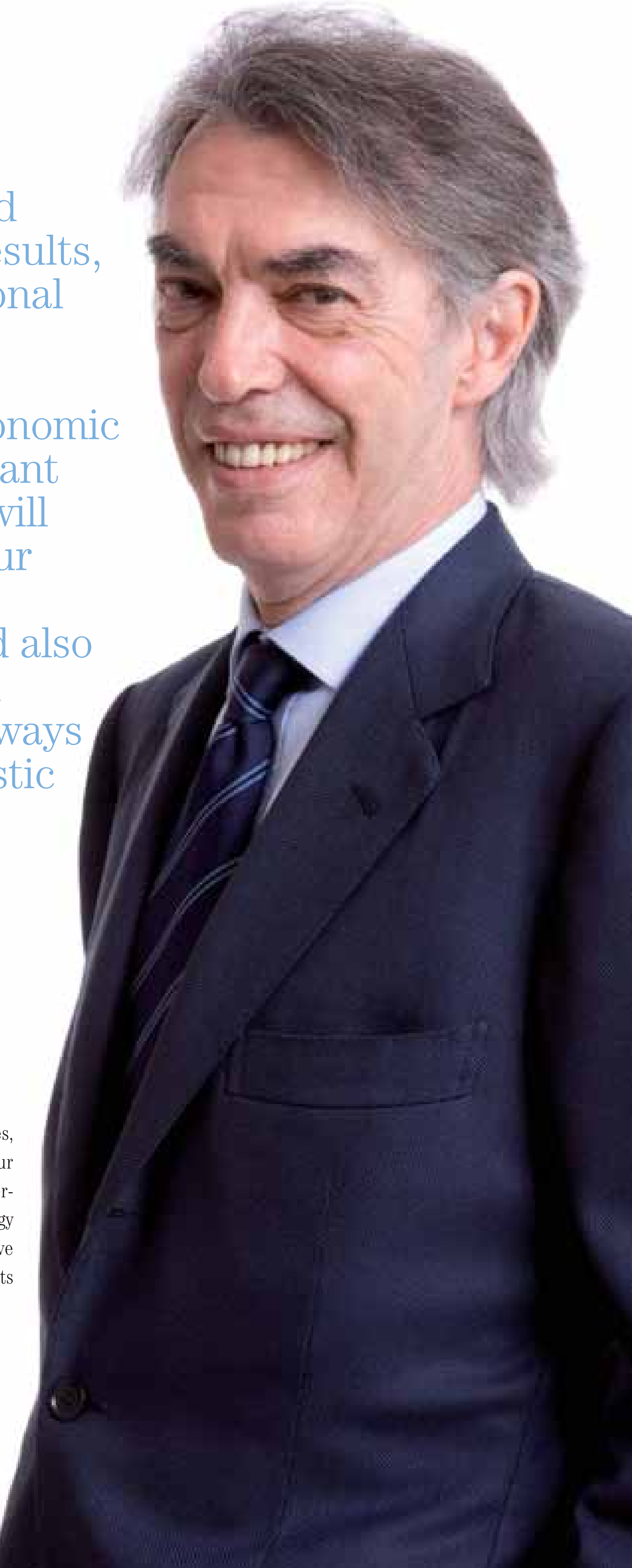
Group *comparable* EBITDA was EUR 673 ml, up 15% versus previous year, mainly thanks to strong performances in the segments of Refining, Power Generation and Marketing. In particular, Refining *comparable* EBITDA was up 17% versus 2007, thanks to the excellent operational performance of the refinery, and also to some technical enhancements to the plants, which were completed in the previous years, but came to full fruition only during 2008. In the Power Generation segment, *comparable* EBITDA grew by 10%, due to a higher power tariff, which more than offset the lower sales of electricity versus previous year (-2%). Also the Marketing segment had a good performance during 2008, with *comparable* EBITDA up 5%, sales in excess of 4 million tons (up 3% versus 2007), and higher margins deriving from an optimisation in the mix of the sales channels.

Conversely, the Wind segment performed below expectations, due to unfavourable wind conditions, especially in the second half of the year, and also to a lower valuation of Green Certificates.

The strong set of results achieved by Saras Group in 2008 convinced the Board of Directors to propose a dividend to the AGM of EUR 0.17 per share (payout 48%), in line with the dividend distributed last year. Our strong financial position remains one of our characteristic strengths, even more important nowadays, given the difficult moment for the financial markets, and it will be crucial for the continuation of our growth path, both in the present and in the future. In this regard, it is important to remind that our investments made in 2008 were in excess of EUR 255 ml, and they were financed entirely from cash flows from our operations.

In particular, we completed the construction of a gasoline desulphurization unit, which allows our Sarroch refinery to achieve the new EU specification of 10 ppm sulphur in the commercial gasoline, as per 1st January 2009. Moreover, during 2008, we completed also the construction of a tail gas treatment/sulphur recovery plant, which brings Saras among the best in class European refineries in terms of sulphur emissions.

Looking to the future, the investments planned for the coming years will be focused essentially on the three main areas in which our growth strategy is articulated: firstly, we will pursue the increase in conversion capacity (which is the capa-



"Saras Group achieved in 2008 very strong results, thanks to the operational performances of all our segments. The current macroeconomic scenario poses important challenges which we will overcome thanks to our long term strategy of organic growth, and also to our strong financial position, which has always been a key characteristic of our Group."

bility to upgrade fuel oil into middle and light distillates, with higher market value); secondly, we will enhance our energy efficiency; and lastly we will work to rise the operational flexibility of our plants. Completing this strategy in the coming years will further enhance our competitive advantage, and Saras will be able to harvest full benefits as soon as the economic recovery will arrive.

Chief Executive Officer
Massimo Moratti

Saras Group Report on Operations

Table of contents of Saras Group Report on Operations

Main financial and operational figures

EUR ml		2008	2007	proforma (1) 2006
Revenues		8,673	6,699	6,169
EBITDA		256.6	760.1	526.2
***Comparable* [2] EBITDA**		**673.3**	**587.3**	**567.5**
EBIT		88.7	508.8	363.5
***Comparable* [2] EBIT**		**505.4**	**423.7**	**404.8**
Net Profit		61.8	322.7	208.1
***Adjusted* [2] Net Profit**		**327.1**	**249.6**	**242.0**
Outstanding shares, '000,000 (avg. nr.)		942.2	950.5	951.0
EPS (EUR)		**0.35**	**0.26**	**0.25**
NET FINANCIAL POSITION		**(333)**	**(27)**	**(285)**
CAPEX		**257**	**210**	**130**
OPERATING CASH FLOW		**275**	**610**	**209**
POWER IGCC MARGIN	MWh/ 1000	4,318	4,414	4,467
POWER TARIFF	**Eurocent/KWh**	**14.2**	**12.4**	**13.5**

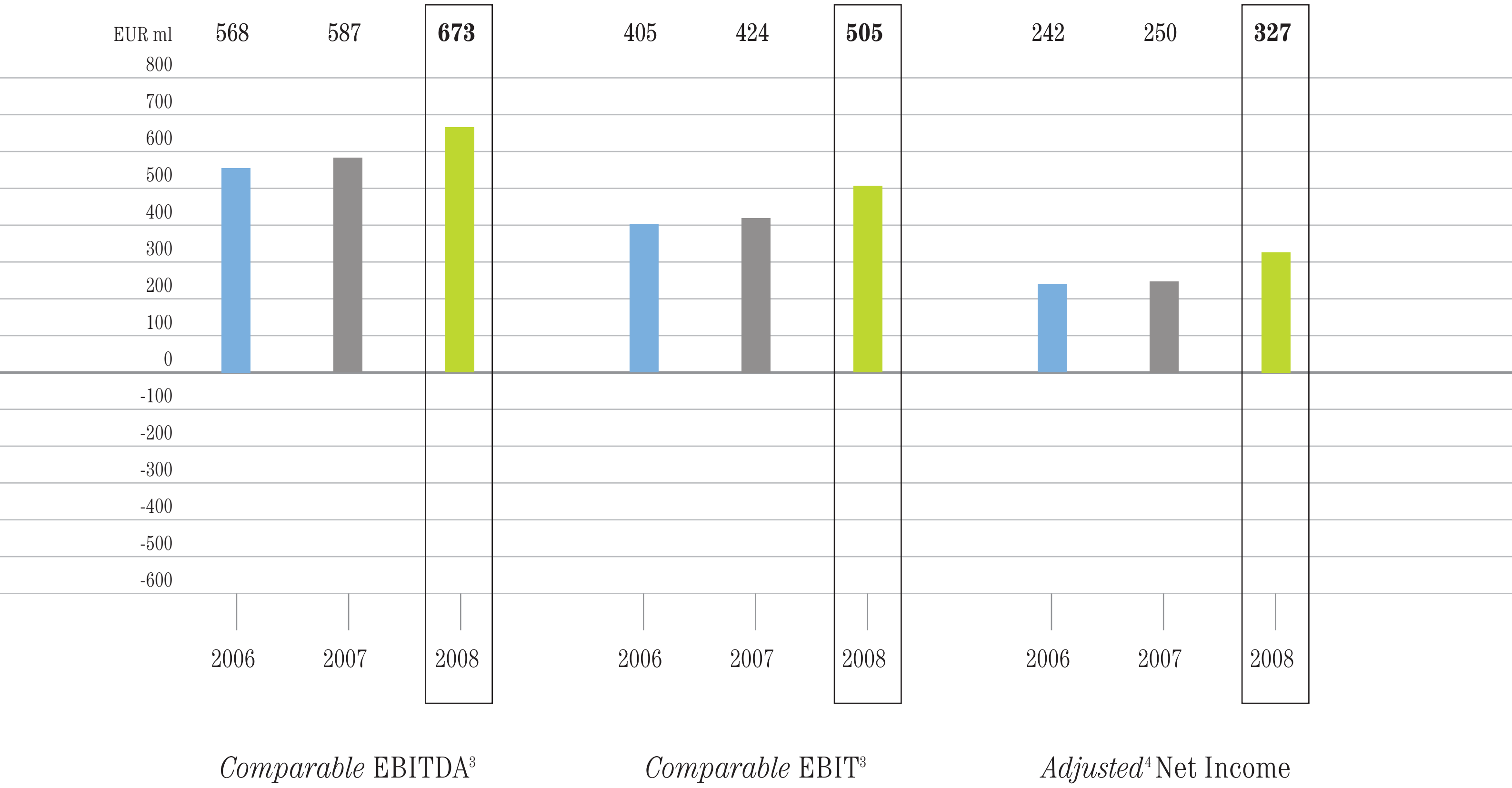
1. Proforma: 2006 figures are proforma (unaudited), i.e. with Sarlux S.r.l. fully consolidated from 1st January 2005.

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

		2008	2007	2006
REFINERY RUNS	Thousand tons	15,517	14,593	14,286
	Million bl	113.3	106.5	104.3
	thousand bl/day	310	292	286
of which: Processing for own account	Thousand tons	10,064	9,100	7,381
Processing on behalf of third parties	Thousand tons	5,453	5,493	6,905
EXCHANGE RATE	EUR/USD	1.471	1.370	1.256
EMC BENCHMARK MARGIN	$/bl	3.2	3.3	2.8
SARAS REFINERY MARGIN	$/bl	8.7	7.3	6.2
MARKETING TOTAL SALES	Thousand tons	4,030	3,905	3,217
of which in Italy	Thousand tons	1,176	1,102	1,013
of which in Spain	Thousand tons	2,854	2,804	2,204

Key financial and non financial indicators

Main Income Statement figures: *Comparable* and *Adjusted*



In order to allow a better understanding of the economic and financial performance, the graph showed in this section represents alternative performance indicators non defined by IFRS.
Below is the description of the methodology used.

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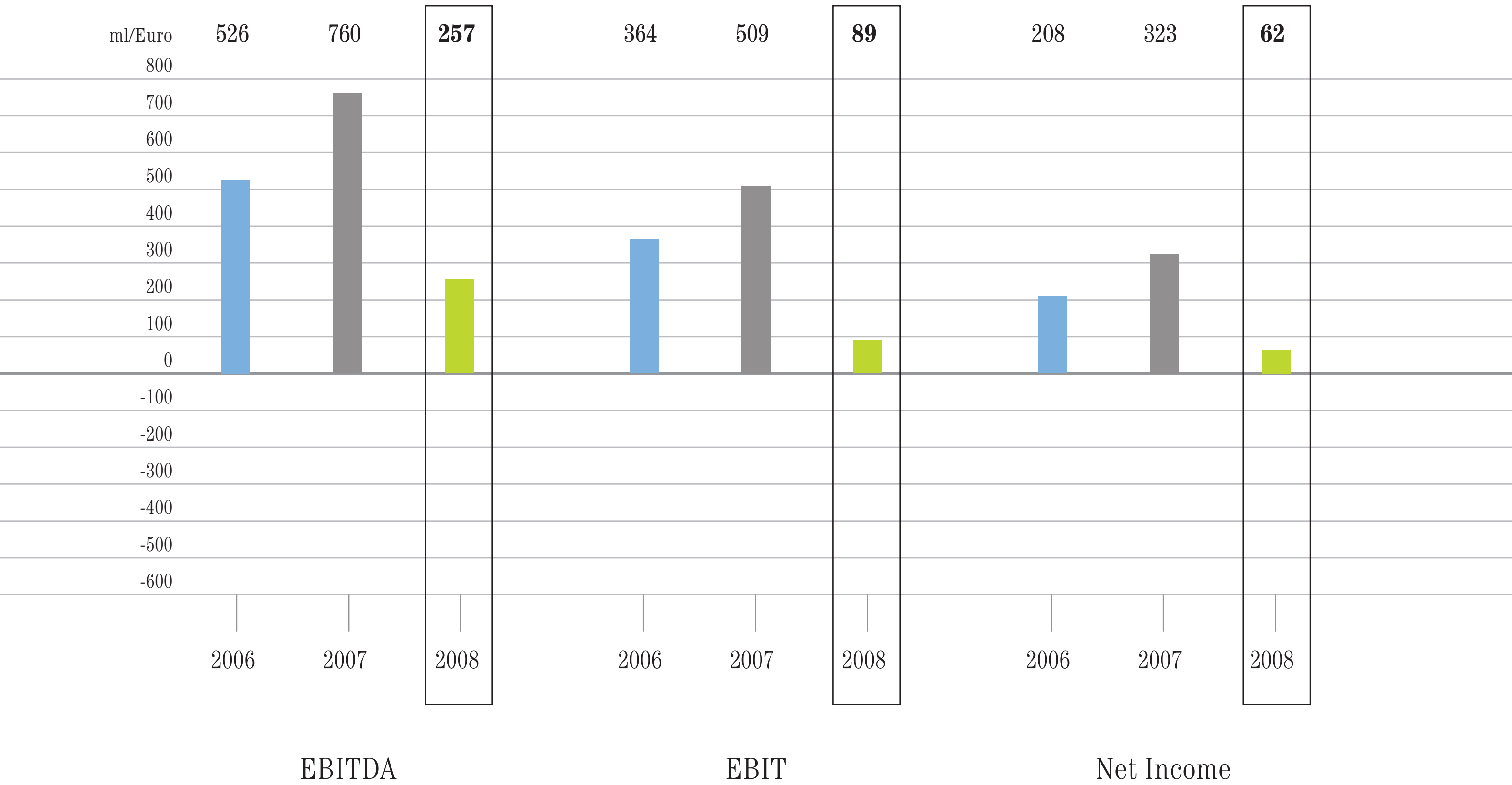
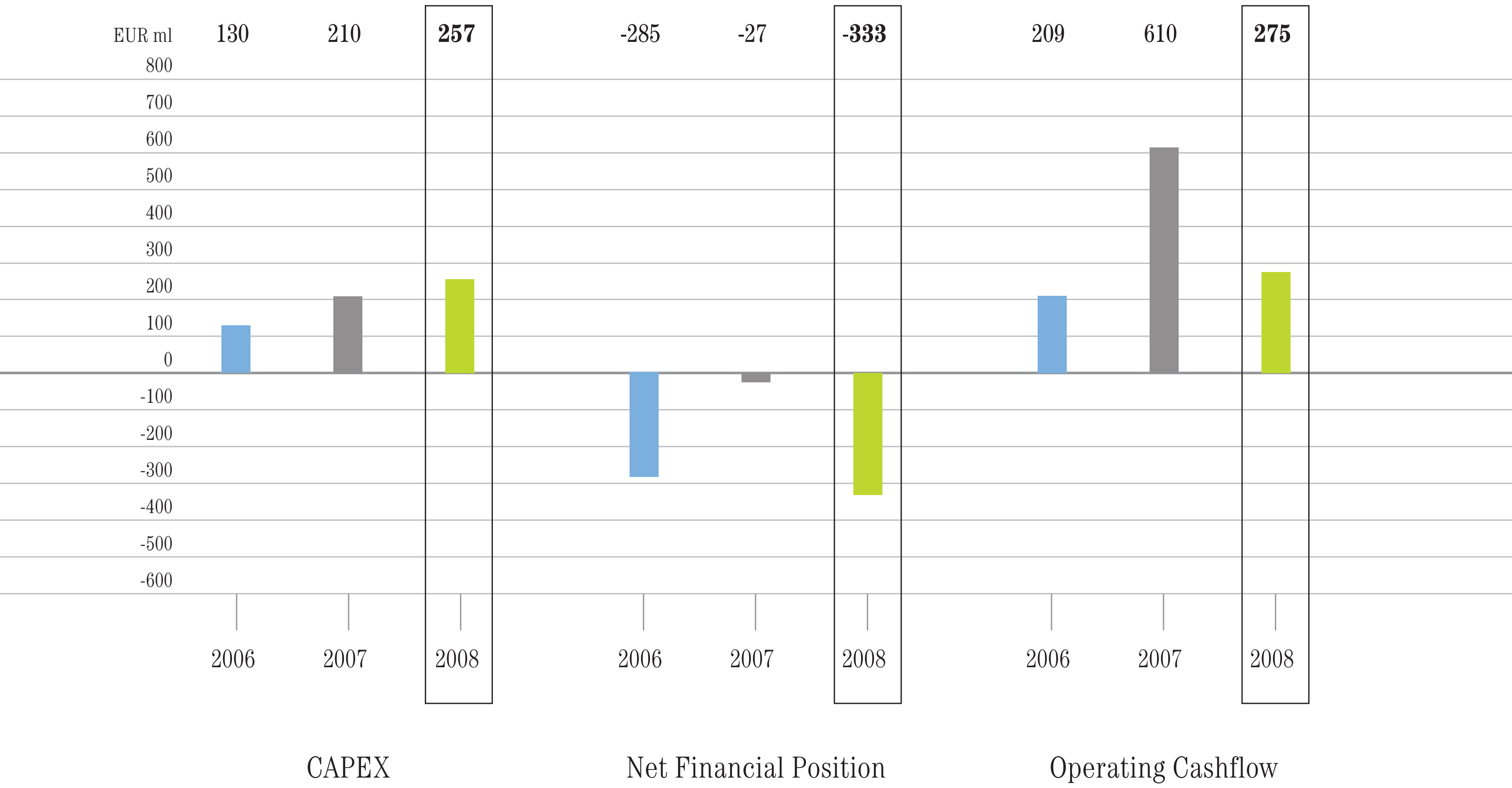
3. *Comparable* EBITDA/EBIT calculated with inventories evaluated according to the LIFO methodology and adjusted for non-recurring items.

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

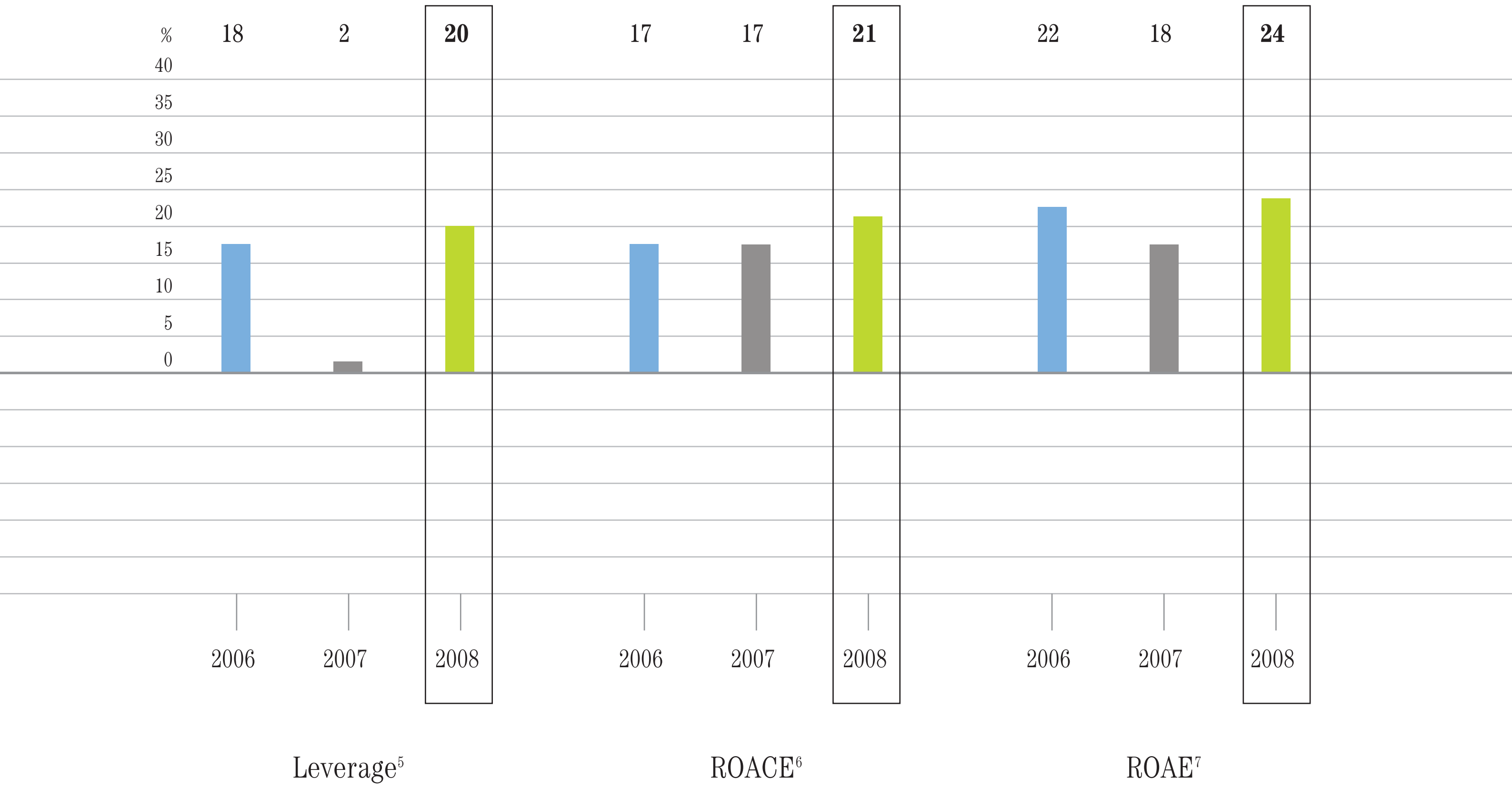
Main Income Statement figures



Balance Sheet and Cash Flow figures



Key financial indicators

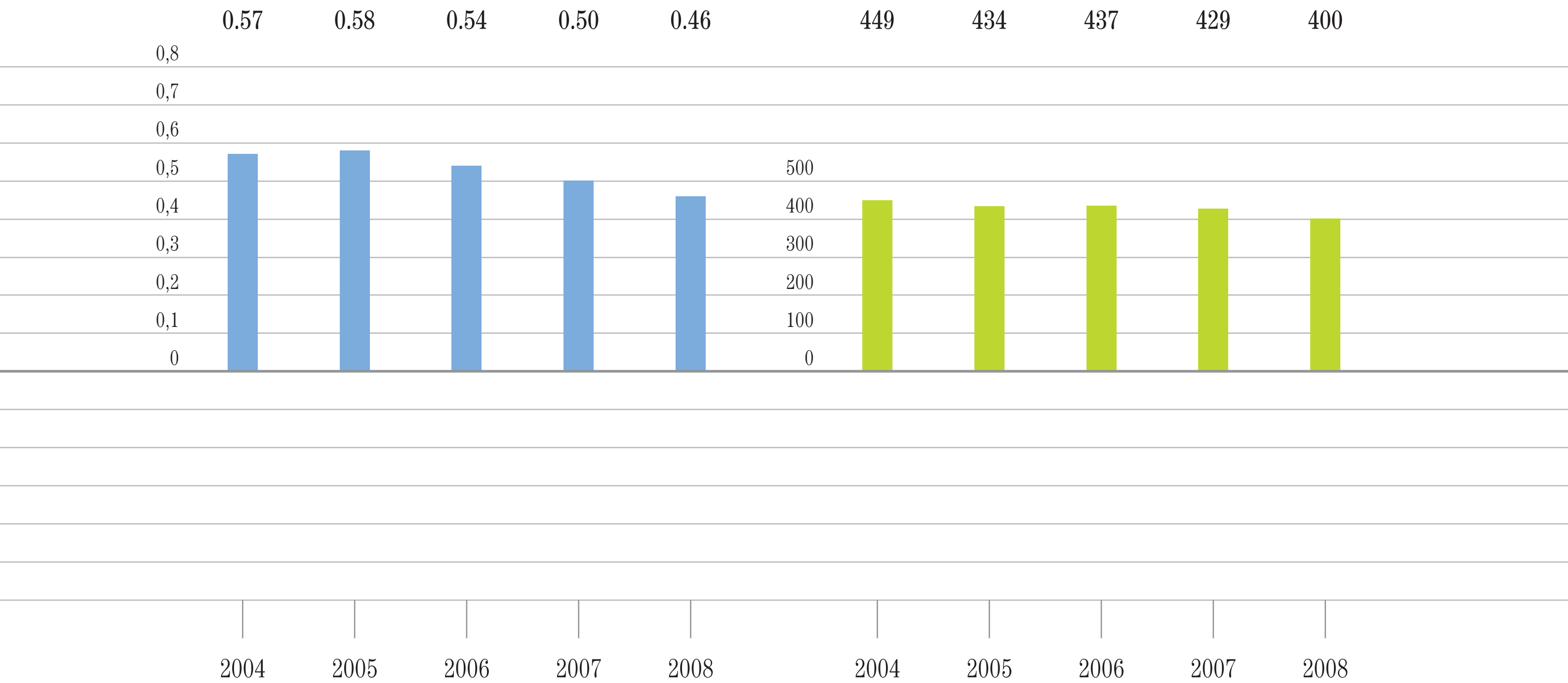


5. Leverage: net debt/(net debt+equity). Target: 25-50%.

6. ROACE: return on average capital employed. Target: at least 15% per annum.

7. ROAE: return on average equity. Target: at least 15% per annum.

Key Environmental figures



SO_2 Emission Index
(tons of SO_2 / 000 tons of materials processed)

CO_2 Emission Index
(tons of CO_2 / 000 tons of materials processed)

Statutory Bodies

Board of Directors

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

Board of Statutory Auditors

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

Executive Manager responsible for all financials

CORRADO COSTANZO

Independent Auditing Firm

PRICEWATERHOUSECOOPERS S.p.A.

Board of Directors and Top Management

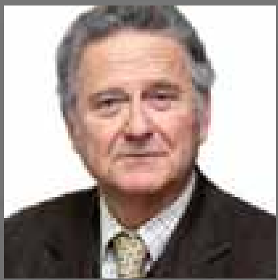
Gian Marco Moratti
Chairman

Massimo Moratti
Chief Executive Officer

Angelo Moratti
Vice-Chairman

Angelomario Moratti
Director

Gabriele Previati
Director



Gilberto Callera
Independent Director

Mario Greco
Independent Director

Dario Scaffardi
Director and General Manager

Corrado Costanzo
Chief Financial Officer

Corporate Governance

The company complies with the code of conduct drawn up by the Corporate Governance Committee and published by Borsa Italiana S.p.A. in March 2006, as described in the annual report on corporate governance prepared by the Board of Directors and published within 15 days of the shareholders' meeting called to approve the 2008 financial statements.

This report describes the main characteristics of Saras' corporate governance system, as well as the specific functions of its different components, referring specifically to its compliance with the recommendations contained in the code of conduct.

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

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

The report describes in detail the role and tasks of the Board of Directors, listing the functions that have been delegated and those that are not delegated, and provides precise information regarding its composition and the meetings held in 2008 and 2009.

Specifically, the Board includes two independent non-executive directors, Mr Mario Greco and Mr Gilberto Callera, who, together with another non-executive director, Mr Gabriele Previati, make up the company's Remuneration Committee and Internal Audit Committee.

The two committees act as a consulting body regarding the code of conduct, and met regularly in 2008 and the first quarter of 2009, as illustrated in the report on corporate governance.

The report furthermore describes the company's internal audit system, the responsibility for which lies with the Board, which fixes guidelines and periodically checks the appropriateness and effectiveness of the system, with the help of the Internal Audit Committee, the head of internal audit, as well as the internal auditing department. The Board has nominated the Chairman of the Board of Directors as the director in charge of overseeing the functioning of the internal audit system.

The company has also appointed Mr Corrado Costanzo as Chief Financial Officer, the manager in charge of preparing the company's accounts in accordance with article 154-bis of the TUF. It has also appointed an investor relations officer.

The company's code of ethics also falls within the internal audit system. It expresses the principles and values that Saras recognises as its own. The company requires that it be observed by all employees, external partners and all those having relationships with Saras; also falling within the internal audit system is the organisational, management and control model adopted in accordance with the regulations set out in the "Rules regarding administrative responsibilities of bodies" pursuant to legislative decree no. 231/2001, overseen by a specific supervisory body.

Lastly, the report illustrates the contents of the internal regulation for the management of sensitive information and the institution of a registry of personnel who have access, the code of conduct regarding internal dealing, the principles of conduct for dealings with related parties as well as the code of conduct for Saras Group directors, adopted by the company's Board of Directors.

Regulatory Framework

The provisions and legal events of most relevance to the energy sector in 2008 are as follows:

- Legal Decree no. 112 of 25 June 2008 (commas from 16 to 18) was converted, with modifications, into law no. 133 of 6 August 2008, introducing the "Robin Hood Tax". More precisely, the decree introduced a tax increase by adding 5.5% to the tax rate for corporate revenue (IRES). This addition applies only to operators in the energy sector that have earned an income of over EUR 25 million in the previous tax period. Specifically, the sectors affected are: (a) research and cultivation of liquid and gaseous hydrocarbons; (b) refining of oil, production or sale of petrol, oil, diesels for various uses, lubricant and residual oils, liquefied petroleum gas and natural gas; (c) production or sale of electricity. The same Legal Decree (112/08) also prohibited operators that are subject to the "Robin Hood Tax" from passing on the taxes to the consumer via price increases, and assigns the Italian Authority for Electricity and Gas powers to monitor the observance of this provision. To implement this monitoring power, the Authority adopted Deliberation no. 91 of 4 July 2008 ARG/com and, subsequently, Deliberation no. 109 of 11 December 2008 VIS. These provisions also impose duties of an administrative nature (i.e. preparation and sending of data to the Authority) on operators subject to the Robin Hood Tax.

- On 13 December 2008, the Official Gazette published the Decree of the Minister for the Environment and the Protection of the Territory and the Sea and of the Minister for Economic Development of 28 February 2008, approving of the decision to assign CO_2 quotas for the 2008-2012 period as well as Deliberation no. 20 of 27 November 2008 of the National Committee for Managing and Implementing the 2003/87/EC directive, executing this assignment decision. With the publication of these provisions, the Italian State has definitively assigned the CO_2 quotas to the plants subject to the Emission Trading discipline introduced by directive 2003/87/EC (including refineries and thermoelectric power plants) for the 2008-2012 period. These provisions confirmed the penalising treatment reserved by the National Allocation Plan for the CIP 6/92 plants.

- The Italian Authority for Electricity and Gas adopted Deliberation no. 77 of 11 June 2008 ARG/elt, Deliberation no. 156 of 22 October 2008 ARG/elt, and Deliberation no. 177 of 10 December 2008 ARG/elt. These provisions govern the awarding, pursuant to Title II, point 7bis of the CIP 6/92 provision, of the costs deriving from the application of the 2003/87/EC Emission Trading Directive (see the previous point), limited to the electricity sold to GSE as part of agreements drawn up under the CIP 6/92 provision. Therefore, each year the Electrical Sector Compensation Fund should award CIP 6/92 plants the costs borne for purchasing the CO_2 quotas, according to the mechanisms specified by these provisions.

- The Italian Authority for Electricity and Gas adopted Deliberation no. 154 of 21 October 2008 ARG/elt, which has a bearing on CIP 6/92 plants. This deliberation established that, beginning in 2008, the avoided cost component of fuel pursuant to title II, point 7, letter b), of the CIP 6/92 provision, is determined by the method specified by Deliberation no. 249 of 2006, except for some modifications of minor importance.

- The Decree of the Minister for Economic Development of 18 December 2008 modified the discipline applicable to green certificates, implementing Financial Law no. 244/07.

Stock Market and Saras share performance

Below are some data concerning prices and daily volumes relating to the Saras share between 01/01/2008 and 31/12/2008.

Share price (EUR)

2.260
Minimum price (10/10/2008) *

4.150
Maximum price (21/05/2008) *

3.2745
Average price

2.40
Closing price as of 30/12/2008

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

Daily Trading Volumes (EUR ml)

52.9
Maximum volume (21/05/2008)

0.8
Minimum volume (30/12/2008)

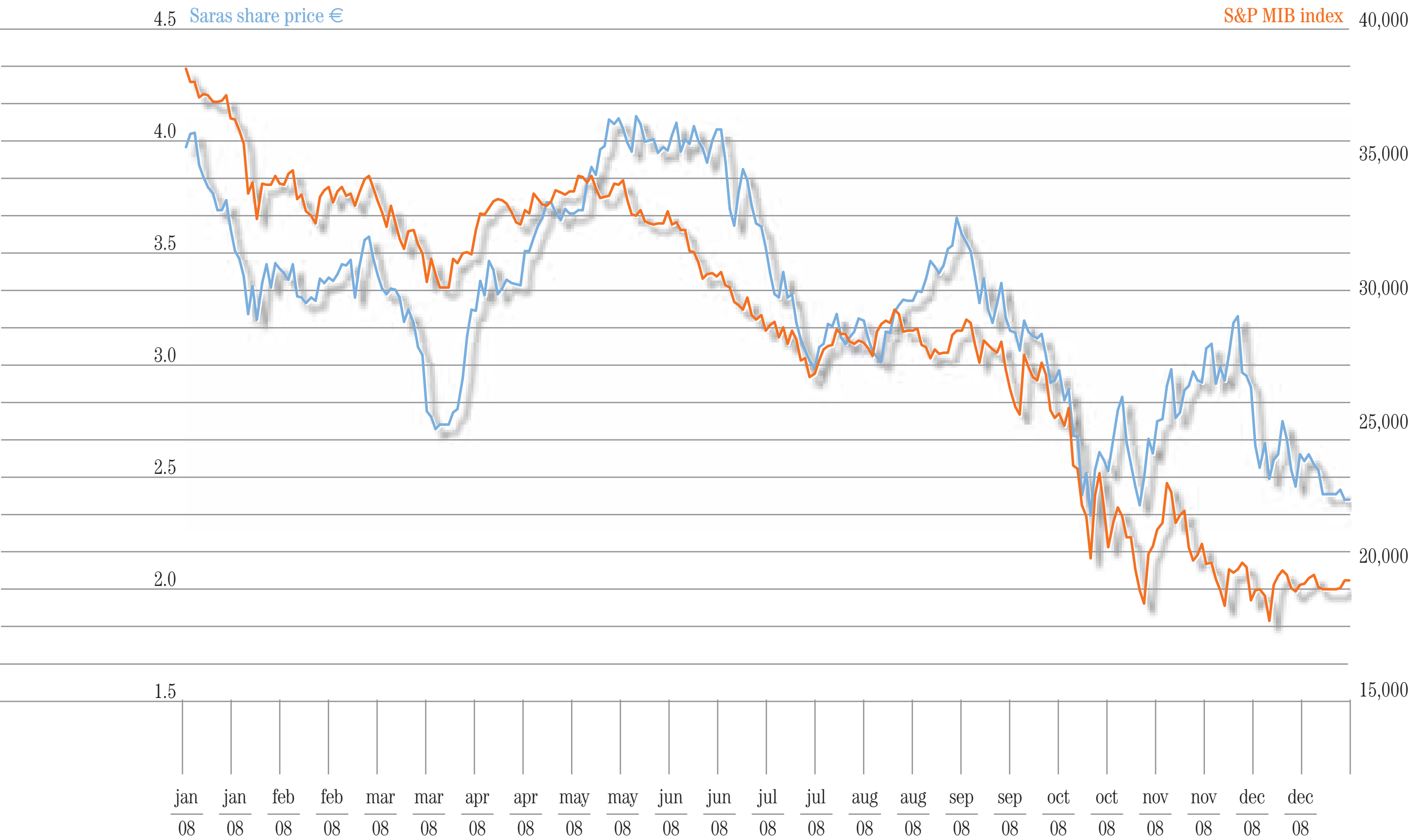
8.2
Average volume

As of 31st December 2008 market capitalisation was EUR 2,282 million.

The financial crisis originated in the United States towards the end of 2007, with the burst of the "sub-prime" mortgage bubble, and progressively spread to the global financial markets during 2008, with dramatic consequences also on the real economy. After a start of the year substantially in line with the S&P MIB index, Saras share initiated a stronger trend, and over-performed the index throughout the rest of the year. The maximum price of EUR 4.150 was reached in the middle of May. Subsequently, the share started to contract, in line with the general slow-down which took place firstly in the United States and Europe, and subsequently hit also the emerging economies in the Middle East and Asia.

On April 29th 2008, the Saras S.p.A. ordinary shareholders' meeting approved a share buyback programme, substituting the authorization resolved by the AGM the 27th April 2007, up to 10% of the company's outstanding shares.

The following graph shows the performance of the Saras share price compared with the S&P MIB index (Milan stock exchange):



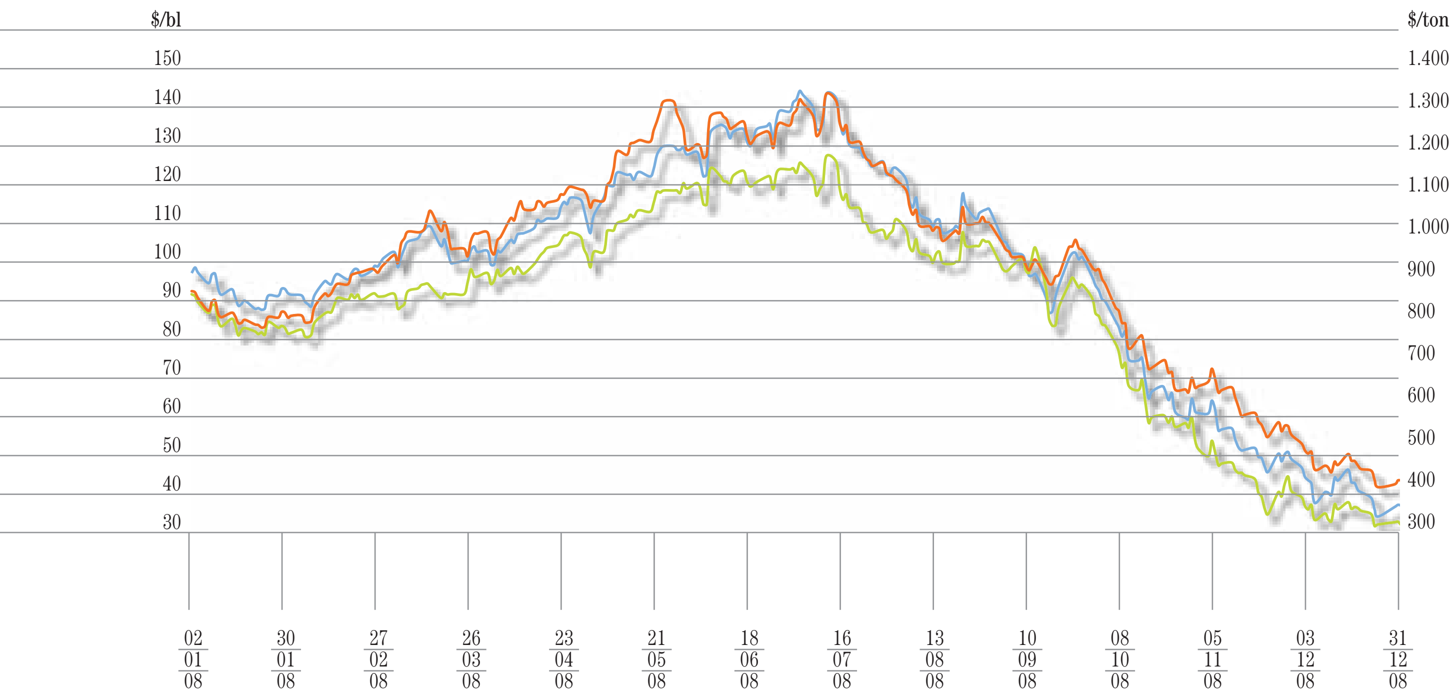
The share buyback programme will be carried out within 18 months of the approval, and the shares purchased will be used also to service the Stock Grant plan for managers and the Stock plan for employees.

As of 31st December 2008, Saras bought back 23,228,286 ordinary shares, equivalent to 2.4% of the total 951 million outstanding shares. In particular, during the entire year 2008, Saras bought back 22,787,703 ordinary shares at an average price of EUR 3.089 per share.
Of those, approx. 18.4 million were bought after 29th April 2008. Finally, due to the above mentioned buyback programme, the free float decreased from 36.2% at the end of 2007, down to 33.8% at the end of 2008, corresponding to a total number of 321,767,614 ordinary shares.

Market Overview

Dated Brent closed 2008 slightly below 37 $/bl, at the end of a year which has been characterised by great instability and price extremes. Indeed, the North Sea reference crude started the year at levels above 90 $/bl, and moved gradually towards the all time high of around 145 $/bl at the beginning of July. A mixture of various reasons was responsible for the upward movement. Firstly, there was a tightness in the middle distillate market, due to a relative shortage of middle distillate-rich crude. Other factors to be mentioned include the weakness of the US dollar, the geopolitical tensions surrounding the Iranian nuclear programme, and the repeated attacks perpetrated by the MEND guerrilla to the oil pipelines and offshore platforms located in the delta of the Niger river. Finally, an important role was also played by the lower supplies from several producing and exporting countries (among which in particular Russia and Iraq), mainly because of repeated production outages in various regions.

2008: crude oil/unleaded gasoline/ULSD (diesel) Fob Med prices (source: Platt's)



Brent Dated (LHS axis) ULSD (RHS axis) Unleaded gasoline (RHS axis)

Consequently, extremely high oil prices put the main consuming nations under pressure, forcing their governments to complain towards international speculators, and to renew their appeal to OPEC for additional supplies, even if their “spare capacity” was down to historical lows.

However, the market landscape changed dramatically in the third quarter. The sub-prime crisis, which started in the United States, quickly transformed itself into a severe financial downturn, spreading to investment banks, as well as to the other major financial institutions across the world. The financial crisis produced a remarkable credit squeeze, which subsequently impacted the real economy, bringing on their knees all the OECD countries. The above mentioned scenario, combined with the extremely high prices of oil products, led to a sudden contraction in demand, which in turn caused a steep decline in the quotations of Brent Dated. As a consequence, Brent Dated lost more than 75% from its peak in July in the last months of 2008. The physical crude market turned quickly very gloomy and flipped into strong contango, with the spread between Brent Dated vs. 3rd Mth Brent future contracts widening to record -6.70 $/bl in early December.

Higher prices for the future contracts led to large stockbuilds, using both traditional inland tank farms and also floating storages, the latter encouraged by particularly depressed freight charter rates, both for large and mid-sized vessels. Very quickly, floating stocks of crude rose above 50 million barrels, stored on numerous tankers idle at bay, in front on the major coastal refining hubs.

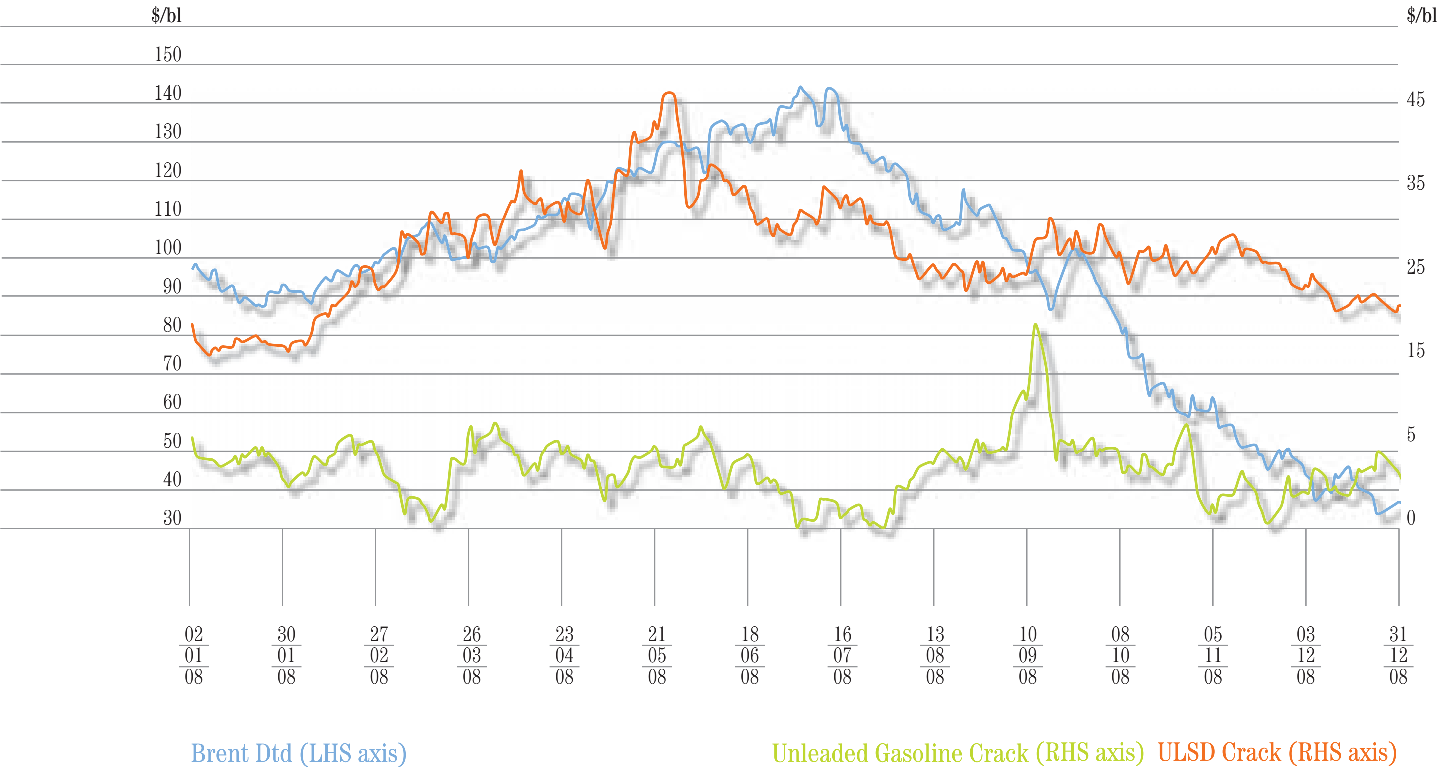
Various bullish factors such as the hurricane season which in September swept the US coasts on the Gulf of Mexico, or the production cuts announced also in September by OPEC countries, or even the various temporary outages on the BTC pipeline which links the oil fields in the Caspian Sea with the Mediterranean Sea, via the cities of Baku, Tbilisi and Ceyhan, didn't manage to provide any significant support to crude prices.

When moving to oil product prices, 2008 had a rather atypical trend, mainly due to the previously described factors, with their dramatic effects on the global economy and the overall levels of oil consumption. More specifically, the tight supply of middle distillates which persisted during the first half of the year, pushed the quotations for automotive gasoil (ULSD) to their historical peak, recorded towards the middle of the year, and subsequently kept them well above their historical price range for the rest of the year.

Gasoline instead had a particularly weak demand, mainly due to the severe demand contraction in the American market. This situation continued throughout the entire year and, quite remarkably, in spring 2008 we did not see the characteristic demand peak associated with the beginning of the US driving season[8]. A timid recovery took place for just a few weeks during the month of September, due to the production stoppages caused by the hurricanes Ike and Gustav on the refineries located on the US coasts along the Gulf of Mexico.

2008: unleaded gasoline/ultra low sulphur diesel (ULSD)

Fob Med crack spreads vs. Brent (source: Platt's)



8. Driving season: period of higher than average transportation fuels consumption due to holidays and favourable weather conditions.

These demand trends were clearly reflected in the gasoline and ultra low-sulphur diesel (ULSD) crack spreads[9]:

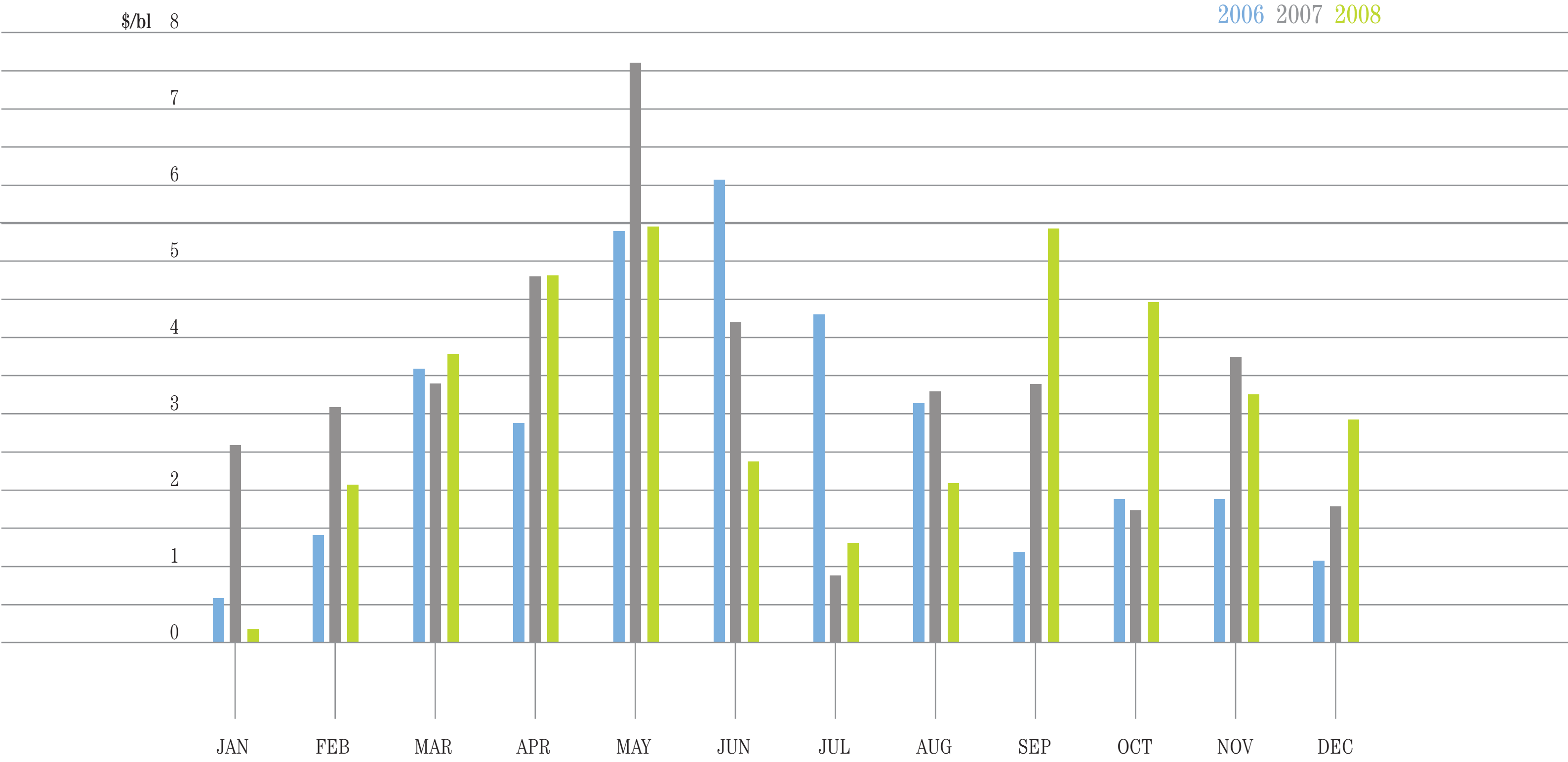
- the gasoline crack spread remained constantly below 10 $/bl, with the only exception of the peak at 19 $/bl reached in the middle of September, while seven times during the year it was seen in negative territory;
- the ULSD crack spread climbed progressively up to 46 $/bl, reached at the end of May and, after a subsequent correction, it stabilised at around 25 $/bl for the remaining months of the year

These values have been sensibly above the historical range for middle distillates, to the point that 2008 will be remembered as the record year for middle distillates (diesel and gasoil). The EMC benchmark for the refining margin in 2008 was 3.2 $/bl, substantially in line with the average value of 3.3 $/bl in 2007, despite a high volatility throughout the year. Indeed, the first months witnessed an upward trend, peaking at 5.4 $/bl in May. This was followed by a downward adjustment to a minimum of 1.3 $/bl in July. Then we saw another upturn towards the 5.4 $/bl again in September, and finally the last months of the year were characterised again by a gradual decline.

Clearly, in these conditions of high volatility, complex refineries were able to operate constantly at the maximum utilisation rates, thanks to their flexibility. Simple refineries instead were forced to cut runs at certain times during the year, when margins were particularly depressed or even negative.

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

source: EMC-Energy Market Consultants



9. **Crack spread:** difference between price of a product and reference crude oil.

Structure of the Saras Group

Saras S.p.A.

100%
Saras Ricerche e Tecnologie S.p.A.

100 %
Arcola Petrolifera S.p.A.

99.99 %
Sarint S.A. Luxembourg

100%
Akhela S.r.l.

100 %
Ensar S.r.l.

100%
Parchi Eolici Ulassai S.r.l.

100 %
Sarlux S.r.l.

5.95 %
Sarda Factoring S.p.A.

Business segments

Refining
Saras S.p.A.

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

Power Generation
Sarlux S.r.l.

Wind Power
Parchi Eolici Ulassai S.r.l.
Sardeolica S.r.l.

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

Saras S.p.A.
Head office and
administrative office
Galleria De Cristoforis, 1
20122 – Milan

Public and administrative
affaires
Salita S. Nicola da Tolentino 1/b
00187 – Rome

Local institutions
(Sardinia)
Via Roma, 149
09100 – Cagliari

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

Parchi Eolici Ulassai S.r.l.
Strada Provinciale 13 - Km 11,5
08040 Ulassai - Ogliastra

5% Consorzio CESMA	8.7% Consorzio Techno Mobility	37.5% Dinergy S.r.l.	37.5% Hangzhou Dadi Encon Environmental Equipment Co.
0.1% Reasar S.A. Luxembourg	0.01% Sarint S.A. Luxembourg	5% Consorzio La Spezia Energia	
100% Saras Energia S.A. Madrid	99.9% Reasar S.A. Luxembourg		
8.7% Consorzio Techno Mobility	0.5% Centro di Competenza I.C.T.		
100% Eolica Italiana S.r.l.	100% Nova Eolica S.r.l.	90% Labor Eolica S.r.l. 10% Eolica Italiana S.r.l.	10% Alpha Eolica S.r.l. 90% Labor Eolica S.r.l.
100% Sardeolica S.r.l.			

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

Sartec S.p.A.
Zona Industriale
Macchiareddu
09032 Assemini – Cagliari

Saras Enegia S.A.
Paseo de la Castellana, 31
28046 Madrid
Spain

Arcola Petrolifera S.p.A.
Via XXV Aprile, 18
19021 Arcola - La Spezia

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

Health, Safety and Environment

A picture of constant improvement

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

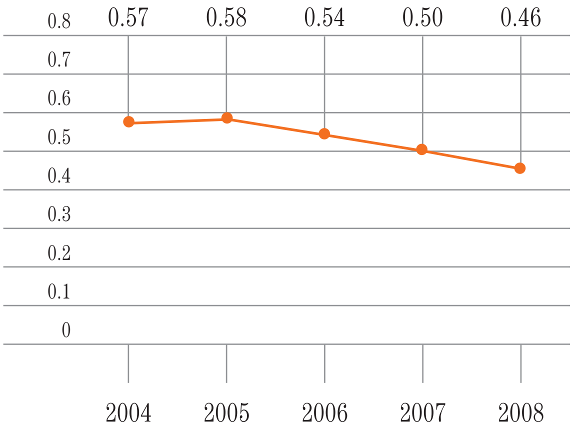
Some of these, such as atmospheric emissions or waste water, are more immediately obvious because they relate to the environment in which people live and work every day; others, such as energy and water consumption and carbon dioxide (CO_2) emissions, relate to problems of more general concern, and have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

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

A comparison between the last five years and the average performances of the 1990s is particularly significant; the sulphur dioxide (SO_2) emissions have fallen by around 50%.

Furthermore, the results of the last two years compared to the average of the years 2000-2005, highlight a reduction of the SO_2 emissions of around 30%, confirming the company's growing awareness of environmental and safety issues.

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



Investments in environmental and safety initiatives make up a significant portion of the total.

In 2008, the expenditure was approximately EUR 64 million, equivalent to 35% of total investment in the Refining segment. This figure is mainly due to plant improvements and environmental and safety training.
To those investments it should be added the cost (EUR

56 million) for the realization of the TGTU (Tail Gas Treatment Unit), allowing a further reduction of SO_2 emissions.

We highlight that in 2008 it did not arise any situation in which the company was declared guilty for damages caused to the environment and there were no sanctions or final legal actions for offence or environmental damages.

We dedicate a significant portion of investment to staff training, through a continuous process that involves all personnel at the refinery (including those of contractor companies) and of the Group, in order to create a high degree of awareness regarding environmental issues, as even an advanced technological system must be supported by careful management and control by all the people operating within the production cycle.

2008: EMAS registration

Further to the consolidation of our operations to ensure that our activities in the region were environmentally sustainable, 2008 was characterized by the conclusion of the implementation process for the "Environmental Management System" which allowed the Saras production site to achieve EMAS registration.

With regard to transparency towards the region and full and prompt compliance with the law, the "Environmental and Safety Report" was published and distributed also in 2008. Still with a view to improving transparency, over the year, INES (the National Inventory of Emissions and their Sources) was regularly informed of the site's main environmental data. This information is sent to the Italian Environment Ministry which in turn sends it to the European Commission, where it is then entered in the European Pollutant Register (EPER). The declaration concerned levels of water and air emissions relating to various parameters typical of the activities carried out.

The Health and Safety at Work System

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

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

The implementation of a Health and Safety Management System introduced the "Performance Measure", establishing that the organisation sets itself precise Objectives and Targets taking into account company performance in compliance with the Policy adopted.

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

Integrating the Safety Management System with the Environmental Management Systems remains a primary objective.

In 2008 was updated the "Organization, Management and Control Model", pursuant to law by decree n° 231/01, in order to comply to the indications of the law n° 123/07 and the subsequent law by decree n° 81/08, concerning health and safety protection in the work places.

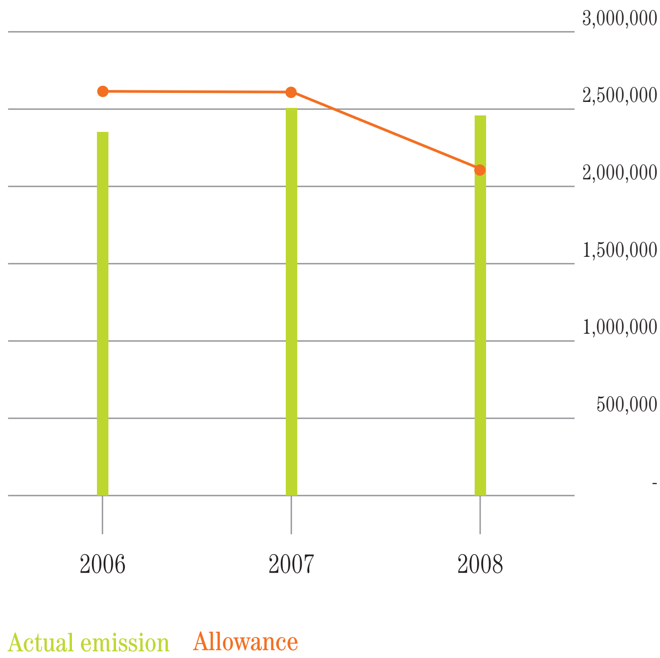
Moreover Saras actively participated to the elaboration of the "Guidelines of a Integrated health, safety and environmental Management System", according to the agreement signed on 28/6/07 by INAIL, ASIEP (nowadays Confindustria Energia) and Unions Organizations, which represent at national level, a reference model for carrying out the Integrated Health, Safety and Environmental Management System.

More precisely in 2008:
- Death on work places of the personnel registered on the employment register were not recorded;
- Serious or very serious injuries to the personnel registered on the employment register were not recorded;
- Charges referring to professional illnesses on employees, former employees, and mobbing cases were not recorded.

Greenhouse gas emissions

Both activities carried out by our Group at the Sarroch plant, the refinery (Refining sector) and the IGCC plant (Power Generation sector) fall within the field of application of the European Emissions Trading Directive.
The directive was introduced across Europe to control and reduce carbon dioxide emissions as part of the fight against climate change.

Refinery CO_2 Emissions (tons / Year)



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

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

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

Allocation is decided for each of the reference periods set by the Directive: the first concerns the three-year period 2005-2007, while the subsequent ones relate to the five-year period 2008-2012 and to the period 2013-2020, etc.).

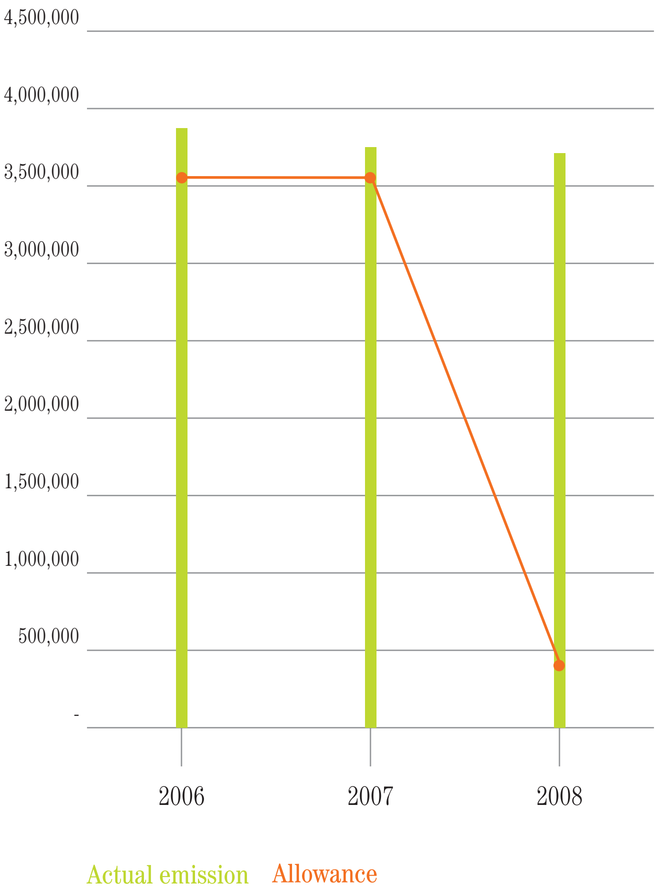
In 2008, the Directive's second period of application started, and it envisages tougher allowances, based on the objectives set out in the Kyoto Protocol.

Saras keeps a register that records, calculates and monitors CO_2 emissions. The calculation system is certified by accredited independent bodies in accordance with European guidelines.

The main method to control and reduce emissions is by using energy rationally and by adopting efficient energy generation systems. Both are issues to which Saras has always been heavily committed.

The National Emissions Trading Register, which is available for consultation, records both the allowances assigned and the annual CO_2 emissions in Italy; Saras has been assigned a single position Grouping the total emissions from its operations at the Sarroch plant.
For further details, please see the Environmental and Safety Report 2008.

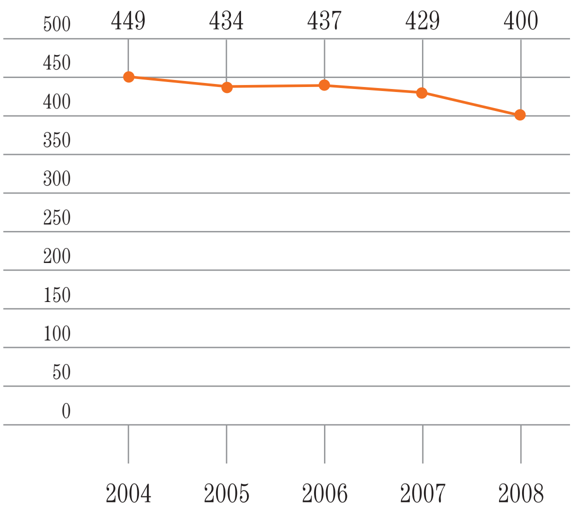
IGCC CO_2 Emissions (tons / year)



Caring for the sea

As Saras is aware that it must protect the environment and limit any change to it, more than 98% of the ships it uses to transport oil and refined products by sea are double-hulled, anticipating regulation on maritime traffic that will come into force in 2010. The remaining 1.6% are in any case ships that enforce a strict separation between areas containing hydrocarbons and ballast water.

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



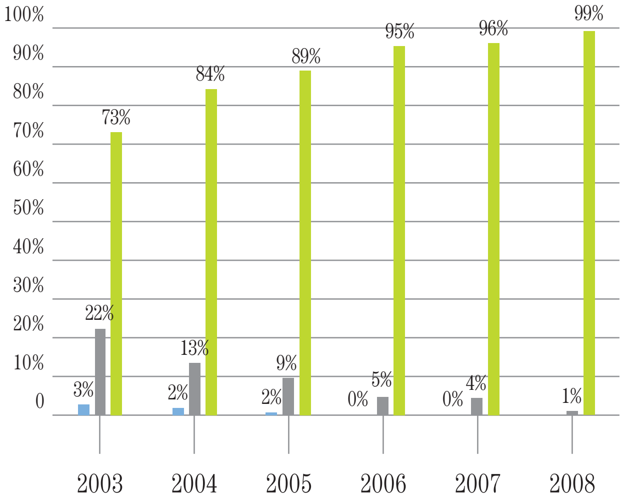
Measures to protect the marine environment also include minute-by-minute monitoring of oil tankers both arriving at and departing from the Sarroch terminals.

In such a context, vetting inspections are regularly carried out at other ports by trusted OCIMF-accredited Saras personnel, in accordance with international criteria, as are spot Pre-Mooring inspections at the roadstead.

AIA: Environmental Integrated Authorization

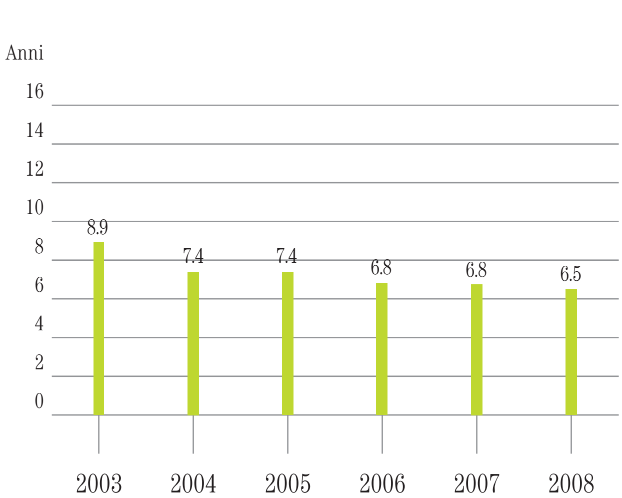
In early 2007, we submitted a permit application for the Environmental Integrated Authorization, which contains the basic concepts of the Environmental Code, where all the elements (air, water, soil, visual impact, etc) are seen as part of a whole.

Type of ships



Pre Marpol SBT SBT-PL **Double Hull**

Average age of tankers



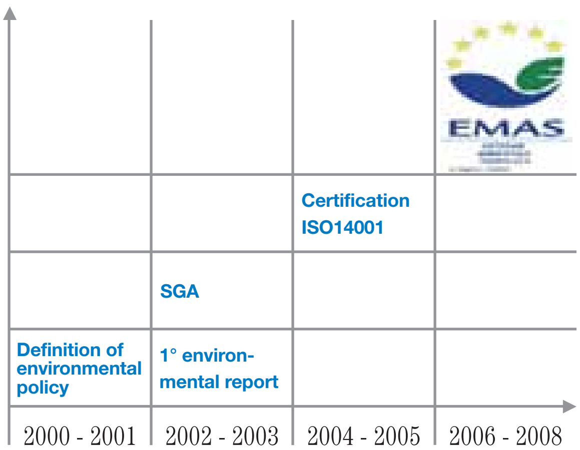
In preparing for the application, we used the European Union's BREF (Best Available Techniques Reference Document) on oil and gas refineries as our main reference point, which also allowed us to take into account certain issues that could become significant in the future.

In 2008 was carried out the process to reach the authorization requested by Saras.

The process was coordinated by the Preliminary Investigation Commission, nominated by the Ministry of the Environment and of the Protection of the territory and the sea, that has involved the relevant local Administrations. As a result of dedicated meetings between the Commission and the Local Institutions, with the involvement also of Saras Management, the process was positively concluded. Following the meeting of the 15th January 2009, the Commission provided its final approval to the Ministry of the Environment and of the Protection of the territory and the sea.

Saras is the first Italian refinery to complete the process and achieve the authorization.

Certification Process



“The improvement of all environmental parameters is the result of a series of upgrading and managerial activities on the refinery units, which provided the best equipments and the most efficient technologies to work in full respet of the surrounding ecosystem”

Social Responsibility

EMAS and communication with the region

On 20th October 2008, Saras obtained EMAS registration. This represents a new starting point for the policy of continuous improvement which had already resulted in the ISO 14001 certification of the company's Environment Management System in 2004. EMAS encourages us to do even more to voluntarily protect the environment, with the direct involvement of the general public as the principal recipient of this initiative.

Today EMAS represents the most advanced tool available for certifying a company's commitment to environmental sustainability: it is a progressive path, to which direct employees and employees of subcontracted firms are called on to make an active contribution, together with all external stakeholders present in the region.

The EMAS objective means continuing along this path, involving the entire community even more than in the past, and using communications and dialogue that observe maximum standards of transparency.

Companies define and conduct development programmes, taking into account the needs of the region, and the EMAS directive defines their contents and methods of implementation.
For Saras, EMAS therefore constitutes an important tool for shared, sustainable development in the region. In particular, during 2008, many initiatives were conducted: meetings with representatives of the Municipality of Sarroch, the neighbouring Municipalities, the Province, the Region, and with technicians from the control bodies (ARPAS, ASL Local Health Authority 8).

The agenda of the meetings generally addressed the exchange of information and communications about matters of common interest, like the protection of the environment, safety and the development of the region. The meetings were also an opportunity to illustrate Saras's programmes for improving emissions monitoring.

The following initiatives for communication in the region, held in 2008, are to be highlighted:

- Participation in meetings with the general public and with local associations, organised by the Municipality of Sarroch
- Meeting with environmental, humanitarian, cultural and sporting associations to share the environmental objectives contained in the Environmental Declaration
- Publication in local newspapers of information about the environmental improvement programmes in progress and planned
- Organisation of the second "Open Refinery" event for the general public, which however had to be readapted and scaled down, due to flooding in the neighbouring areas, in the days preceding the event.

The objectives of the Open Refinery initiative were however achieved by the end of 2008, and included:

- Meeting with the residents of Sarroch, who had an opportunity to ask Saras's technicians about all the principal issues associated with the sustainable development of the region, at a series of expert discussion Groups held at the community hall in Sarroch.
- Visits of school classes to the refinery, bringing 700 pupils from elementary, middle and technical high

schools to the facility (visits originally planned to take place during the Open Refinery event).

EMAS and internal communication

EMAS means aspiring to excellence and to continuous improvement. This new milestone will need to be met in a convincing way and with the active participation of the entire company. In 2008, new specific internal information and communication initiatives were implemented, which are summarised briefly below. These initiatives aimed at directing the utmost attention of all employees to environmental and safety issues:

- HSE (health, safety and environment) meetings, originally started in 2007, were continued with Saras employees and with employees of external companies. As well as encouraging discussion on health, safety and the environment, these meetings were a good opportunity for debate on problems at the refinery;
- A system for collecting suggestions was set up, consisting of an “EMAS Space” on the company intranet and a series of notice boards and suggestion boxes (“EMAS Corners”) placed throughout the site, where employees of Saras and of subcontracting firms can submit ideas and ask questions about all aspects of health, safety and environmental issues;
- An information booklet on EMAS was distributed, to inform and involve the employees;
- Lastly, the Abstract of the Environmental Declaration (DA) was distributed. This is a summary of the entire DA, and both documents were also published on the intranet and on the Saras website.

Some of these initiatives have become environmental objectives for 2009. Indeed, as well as the campaign to raise awareness of separated waste collection and the importance of housekeeping as an essential safety requirement, the following objectives were also included:

- Scheduling of at least 4 HSE meetings by year end;
- Make the EMAS system of “suggestions from below” effective by publishing the responses within a maximum of 35 days from submission of the question/suggestion.

An important milestone reached in 2008 was the “smoking ban” throughout the refinery, with the consequent closing of all the designated smoking zones in the facility.

Saras for schools: the school project on ecological footprints

The Saras School Project is a tradition that has been active for some years, and is part of the general policy of external transparency. It began in 1999 with a cooperative project between the Municipality of Sarroch, the Municipality of Villa San Pietro, CONI and UNICEF, which aimed to promote the culture of energy among children in their last year of primary school. Over the years the project has evolved, becoming a valuable opportunity for debate and dialogue with the local institutions, as well as with educational institutions. Since 2006, the Saras School Project has concentrated on ecological footprints, a concept that today is well known and consolidated as an indicator of sustainability that tells us how much "nature" we are

using to support our lifestyle, i.e. the burden exerted by each of us on the planet in terms of hectares of land occupied every day, every year. Throughout the school year, the project accompanies the activities of around 300 children in the nearest primary schools, raising their awareness of the wise utilisation of natural resources and the importance of saving energy, beginning with the calculation of their school's ecological footprint.
In this phase, energy sector experts and external teachers support the pupils in exploring and drawing up 10 "eco-tips" to help their school to have a "light" footprint. The project ends in June with a party, during which the best work carried out receives an award. The best work is assessed on the basis of the originality of the eco-tips identified over the school year. To celebrate 10 years of the School Project, in 2008 Saras, in association with the Municipality of Sarroch, has planned an interactive multimedia exhibition on ecological footprints, installed on a mobile laboratory provided by the "A Come Ambiente" ("E for Environment") museum in Turin.

Part of the project consists of a visit to the Sarroch refinery, and this represents a further important opportunity for debate and dialogue with the region, especially from the point of view of external transparency and openness. The Saras School Project has its own internet website, www.sarasperlascuola.it. This is a useful tool for communication with the students and also with everyone who wants to find out more about one of the most important industries in Sardinia and internationally.

EMAS (EcoManagement and Audit Scheme): Established by EC regulation 1836/93, updated by EC regulation no. 761/2001 (EMAS II), is a voluntary scheme intended to promote continuous improvement in the environmental efficiency of industrial activities. Under the regulations, participating companies must adopt environmental management systems at their production sites based on policies, programmes, procedures and objectives aimed at improving the environment, and must publish an environmental declaration. Before a site can be added to the register set up by the European Commission, this declaration must be approved by an inspector accredited by an authorised national body. In Italy this body, operational since 1997, is the Ecolabel and Ecoaudit committee, which works with the technical support of APAT (the Agency for Environmental Protection and Technical Services).











18th Apr 2008

Successfully completed 2008 maintenance cycle for various units, among which the Visbreaking, the Alkilation and the Mildhydrocracking.

29th Apr 2008

Shareholders' meeting approved a share buyback programme up to 10% of the company's outstanding shares, pursuant to art. 2357 of Italian Civil Code and 132 law by decree 58/1998, substituting the authorization resolved by the AGM held on 27th April 2007, to service also the stock plan for employees and managers already approved.
The share buyback programme will be carried out within 18 months of the approval.
The buyback will be carried out at a price which does not exceed the reference market price recorded on the day before the purchase plus 15% (maximum) or is not below the reference market price recorded on the day before the purchase minus 15% (minimum).
The disposal of the shares won't be carried out at a price lower than 10% compared to the reference market price recorded on the day before the purchase.

23rd May 2008

Started the buyback programme of own ordinary shares approved by the AGM of the 29th April 2008.

Main events during the year

24th Jun 2008

Presentation of the strategic plan 2008-2011 focused on organic growth in the Refining & Marketing segments.

Key objective of the plan are:

- Increase conversion capacity,
- Improve energy efficiency,
- Enhance refinery flexibility and operational performance.

30th Jun 2008

Acquired from Babcock & Brown Wind Energy S.r.l. its 30% of the capital of Parchi Eolici Ulassai S.r.l. (of which Saras already held 70%) for a total consideration of EUR 32 million.

29th Oct 2008

Saras Energia S.A. (Saras Group), signed a contract for the purchase of 81 service stations from ERG Petróleos S.A. (ERG Group), located in Spain.

The operation, expected to be closed in Q2 2009, was concluded for a total consideration of EUR 42 million, and it will be financed from Saras Group own resources.

18th Nov 2008

Inaugurated the 200.000 tons/year biodiesel plant in Cartagena.

Comment on Saras Group results

In order to give a better representation of the operating performance, and in line with the standard practice in the oil industry, operating results (like EBITDA[10] and EBIT[11]) and Net Income are reported also with inventories evaluated at LIFO (and not only at FIFO as requested by IFRS accounting principles) because this method combines the most recent costs with the most recent revenues, thus providing a clearer picture of current profitability. Furthermore, for the same reason, non recurring items are deducted both from the operating results and from Net Income. *Comparable* and *adjusted* figures are not subject to audit.

In dettaglio:
Below detailed definitions of comparable and adjusted figures:
EBITDA *comparable*: calculated evaluating inventories on the basis of LIFO methodology and deducting non recurring items.
EBIT *comparable*: comparable EBITDA net of depreciation & amortization and net of further non recurring items.
Net Income *Adjusted*: net income adjusted by the difference between inventories at LIFO - inventories at FIFO after taxes, non recurring items after taxes and variation in the derivatives fair value after taxes.

10. EBITDA Operating result before Depreciation&Amortization.

11. EBIT Operating result.

Saras Group – Key Income Statement Figures

EUR Million	2008	2007	Change%
REVENUES	8,673	6,699	29%
EBITDA	256.6	760.1	-66%
***Comparable* EBITDA**	**673.3**	**587.3**	**15%**
EBIT	88.7	508.8	-83%
***Comparable* EBIT**	**505.4**	**423.7**	**19%**
Net Profit	61.8	322.7	-81%
***Adjusted* Net Profit**	**327.1**	**249.6**	**31%**
Outstanding shares, '000,000 (avg. nr.)	942.2	950.5	-1%
EPS (EUR)	**0.348**	**0.263**	**33%**

Saras Group – Key Balance Sheet Figures

EUR Million	2008	2007
NET FINANCIAL POSITION	**(333)**	**(27)**
CAPEX	**257**	**210**
OPERATING CASH FLOW	**275**	**610**

In 2008 Saras Group registered a strong set of results, thanks to its operational performance, and a robust market for middle distillates, towards which our production is heavily geared. Comparable figures show a solid growth versus 2007, mainly driven by the good performance of Refining and Power Generation segments.

Group Revenues were EUR 8,673 ml, up 29% compared to last year, in the light of significantly higher oil product prices during the first semester of 2008.

Detail of Consolidated Net Income *Adjustments**

EUR Million	2008	2007
GROUP NET INCOME	**61.8**	**322.7**
(inventories at LIFO-inventories at FIFO) net of taxes	269.3	(95.8)
non recurring items net of taxes	(3.5)	15.4
Change of derivatives fair value net of taxes	(0.4)	7.3
***Adjusted* Net Income**	**327.1**	**249.6**

* *Adjusted* Net Income figures are not subject to audit.

Detail of Consolidated *Comparable* EBITDA*

EUR Million	2008	2007
EBITDA	**256.6**	**760.1**
inventories at LIFO-inventories at FIFO	416.7	(152.3)
non recurring items	-	(20.5)
***Comparable* EBITDA**	**673.3**	**587.3**

* *Comparable* EBITDA figures are not subject to audit.

Group *comparable* EBITDA amounted to EUR 673.3 ml, an increase of 15% vs. 2007. More precisely, the Sarroch refinery achieved record **runs in excess of 15.5 million tons (113.3 ml barrels), and the refining margin reached 8.7 $/bl**, up 20% versus 7.3 $/bl in 2007, while EMC benchmark at 3.2 $/bl was slightly lower than the 3.3 $/bl registered in 2007. Saras premium on the EMC benchmark was 5.5 $/bl, up from 4.0 $/bl in 2007, an increase due to our exposure to middle distillates, and the superior flexibility and operational efficiency of our assets.

Group *reported* EBITDA (according to IFRS accounting principles) **in 2008 was EUR 256.6 ml**. The major difference from the EUR 760.1 ml reported for 2007, can be explained with a pre–tax inventory gain (due to revaluation of inventories) of approx. EUR 165 ml recorded in 2007, and a subsequent pre-tax loss of approx. EUR 310 ml in 2008, due to the dramatic fall of oil prices.

Group *Adjusted* Net income was EUR 327.1 ml, up 31% vs. 2007, mainly due to the increase in *comparable* EBITDA, and also to the difference in financial charges, which in 2007 were negative for EUR 42.0 ml, while in 2008 were positive for EUR 1.4 ml.

Group *reported* Net income for 2008 was EUR 61.8 ml. The main difference versus the EUR 322.7 ml booked in 2007 can be explained with the same factors discussed at the EBITDA level, plus the difference in financial charges (negative for EUR 42.0 ml in 2007, and positive for EUR 1.4 ml in 2008).

Finally, it is worth reminding that "*comparable*" and "*adjusted*" figures differ from IFRS "*reported*" figures because they do not include non recurring items, changes in derivatives fair value, and for the methodology used for the evaluation of oil inventories. More precisaly, under International Financial Reporting Standards (IFRS), inventories are accounted with the "first-in, first-out" (FIFO) methodology and valued at the lower of cost or net realizable value. On the contrary, "*comparable*" and "*adjusted*" figures based on methodology "last-in, first-out" (LIFO) exclude inventory revaluations and write downs, and provide a clean methodology, more appropriate for an accurate evaluation of the company's results in conditions of extreme price volatility, like the ones which characterise the oil industry.

It can be clearly observed that in 2008, almost the entire adjustment is related to the difference between LIFO and FIFO inventories.

2008 CAPEX amounted to EUR 257 ml, in line with the investment programme announced for the year. In particular, during 2008, Saras completed the construction of a gasoline desulphurization unit, which allows its Sarroch refinery to achieve the new EU specification of 10 ppm sulphur in the commercial gasoline, as per 1st January 2009, and a tail gas treatment/sulphur recovery plant, which allows Saras to be among the best in class refineries in terms of sulphur emissions.

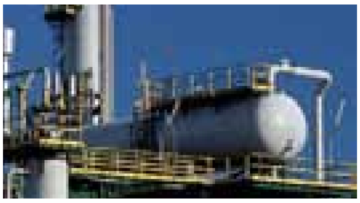
Net Financial Position at the end of 2008 was negative for EUR 333 ml, compared to a negative figure of EUR 27 ml at the end of 2007. This is mainly due to purchase of CO_2 credits (which will be reimbursed by the end of 2009), higher operating and compulsory inventories, the acquisition of the 30% minority interest in Parchi Eolici Ulassai S.r.l. (PEU), and the buyback programme.

In particular, with reference to the **share buyback programme,** the Group bought back a total of 22,787,703 Saras shares in 2008, at an average price of EUR 3.089 per share, of which 18.4 ml shares were purchased following the AGM approval of the share buyback programme, on the 29th April 2008. Therefore, as of 31st December 2008, the total number of shares in treasury is approximately 23.2 ml. Outstanding shares as of 31st December 2008 are 927.5 million, versus 950.3 million at the end of 2007.

Segment review

A leading operator in the refining sector

Integrated with power generation



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

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

The largest heavy liquid fuel gasification plant in the world

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

Close integration with its neighbouring petrochemical plant

575 MW of installed electric capacity

A detailed analysis of the methods used by the Group in order to approach the market in each segment of activity is described in paragraph 4 of the Notes to the consolidated financial statements.

Presence in the wholesale market in Italy and Spain

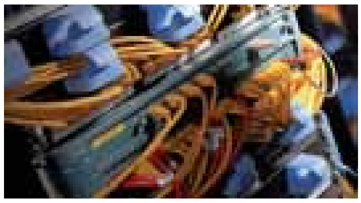
Company-owned storage facilities in Italy and in Spain

200.000 tons/year biodiesel plant

Investments in renewable energy sources

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

Other activities in industrial services



Sartec: engineering services

Akhela: IT sector

8.7 $ per barrel
Refining margin

113.3 million barrels
Crude processing

Refining

Margins in the refining sector have always been characterised by a combination of structural factors alongside with transitory ones, which together determine the prevailing market trends.

Structural factors are not related to short terms trends (such as the current global economic crisis, with its drastic reduction in demand of oil products), and are instead dependent on mid and long term developments. More specifically, growth of oil demand in the coming decade will be driven by transport-related products (and in particular by diesel, given the higher fuel efficiencies achieved by this family of engines; but also by gasoline which will continue to dominate the small engines' segment; and by jet fuel for the aviation industry). In such a timeframe, it will not be possible to develop economically viable alternatives to the oil-based fuels for the application fields mentioned above. Moreover, from now until 2020, in the power generation sector, we will assist to an unavoidable and progressive substitution of the fuel oil with more economic sources (coal), with cleaner sources (natural gas), and even with nuclear and renewable sources.
Similarly, fuel oil will suffer from a progressive substitution effect also in its second traditional application field, as bunker fuel for the shipping industry. Indeed, on this front, the new specifications established in 2008 by the IMO (International Maritime Organisation), require a reduction in the sulphur content of the fuels used by marine engines in the so called SECAs[12] (Sulphur Emission Control Areas) in the Baltic Sea, in the North Sea, and in the English Channel, from the current 1.5%, down to 1.0% in July 2010, and then down to a 0.1% as per 2015. In practical terms, these new requirements will push ship owners to make a forced choice between only two available options: either they will convert the marine engines of their ships from fuel oil to gasoil, or they will have to install scrubbers to reduce sulphur content in the exhaust gas. This second option however is considered less likely, given the high cost of the scrubbers, and the recurring costs for the frequent cleaning maintenance and the regular disposal of the polluting particulate extracted from the exhaust gas.

12. The SECA areas are expected to increase in the course of the coming years, including both the Mediterranean sea and the coasts of North America.

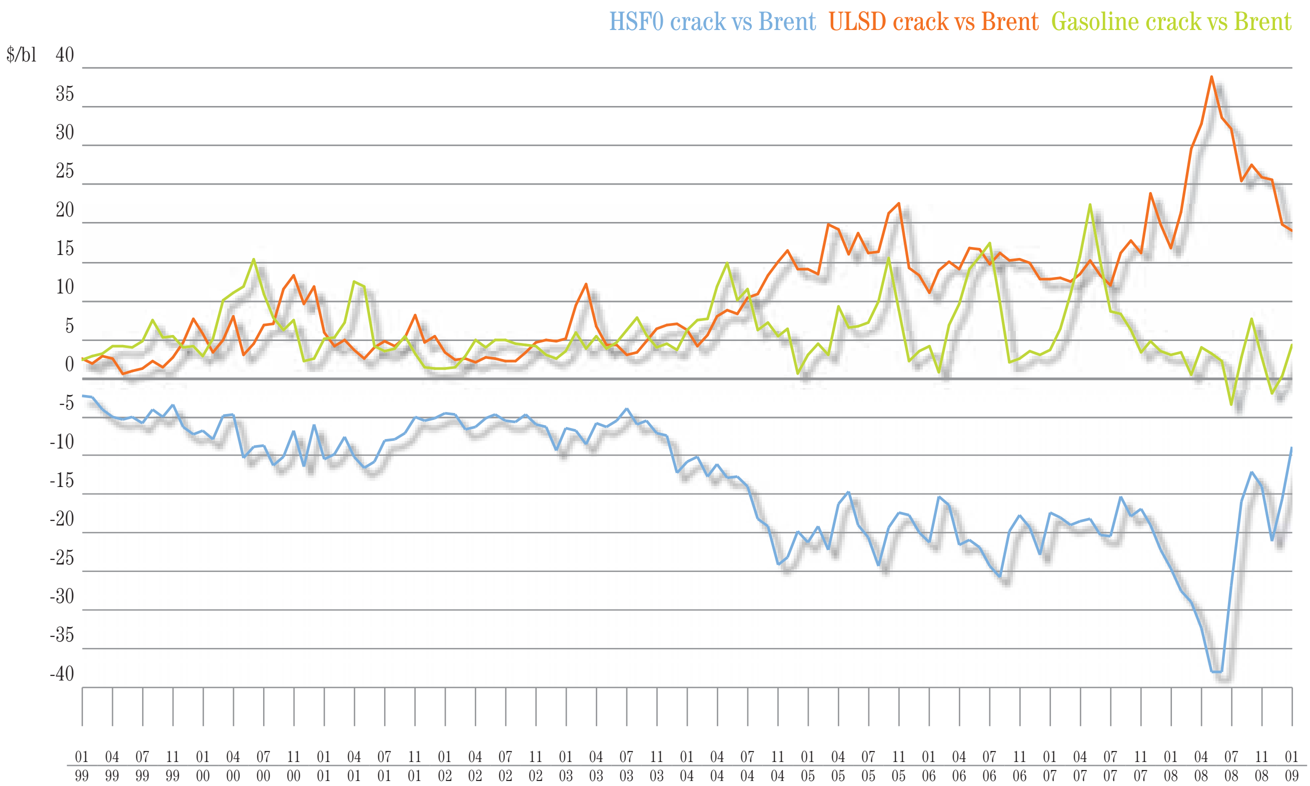
Over 8.2 million tons
Production of middle distillates

81,2%
Overall yield of light and medium distillates

"During the past years Saras implemented several upgrades on its refinery units, in order to increase their complexity and conversion capacity.

These improvements led to higher margins, as demonstrated also by the progressive widening of the Saras premium above the EMC benchmark."

Crack Spreads 1999 – 2009 - main oil products



Overall, the structural factors mentioned above will continue to increase the difference in the value of middle and light distillates, versus the fuel oil. This tendency has already materialised in the past decade, as it can also be observed in the previous graph, showing price trends for the period 1999-2009.

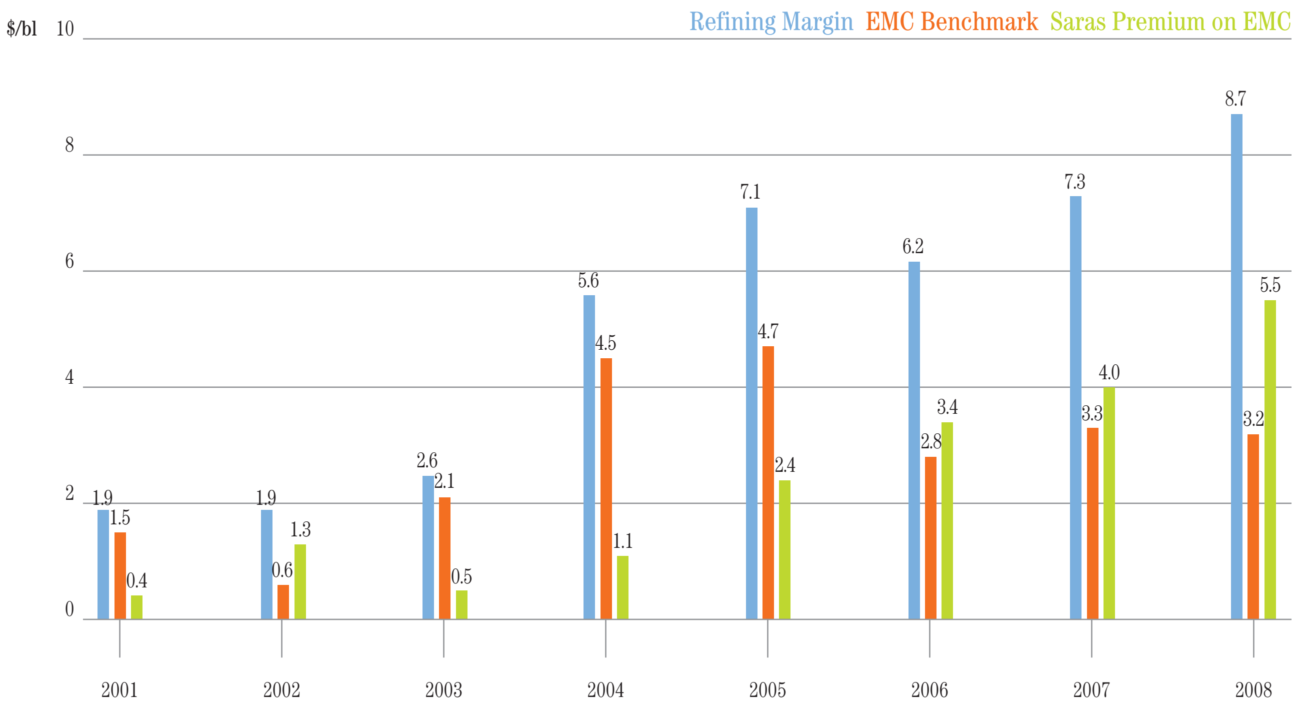
When looking at the transitory factors instead, these are correlated to short terms trends and they can have quite disparate origins. For sake of example, in recent years the most frequently recurring factors have been related to the climate, extreme weather conditions, geopolitical tensions, financial and economical trends, and even speculation. In every instance, their influence has always been temporary and with unpredictable outcomes.

The 2008 financial year has given a further confirmation that, in order to take full benefit of the structural long term trends, you need to have complex and efficient refineries, and in particular, operational flexibility remains a key asset in order to generate high margins even at a time of highly volatile markets.
The various upgrades implemented by the Saras Group during recent years in order to increase complexity and conversion capacity of its refinery, have given full contribution in 2008. Indeed, during this year we achieved the historical record for refining runs, with more than 15.5 million tons (310.000 barrels per day), and we enjoyed an excellent refining margin (after variable costs) at 8.7 $/bl, further widening the Saras premium above the EMC benchmark margin.

Raw Materials

Also during 2008, the crude oil market in the Mediterranean Sea experienced growing volumes of export coming from the Caspian Sea, which led to increased availability of light and sweet crude. The price of these crude oils, given their higher availability, maintained it's competitivenes, thus strongly influencing our opportunistic procurement decisions: raw material sourced from Russia and the Caucasus Republics rose from 15% in 2007 to

Saras: refining margin 2001 - 2008

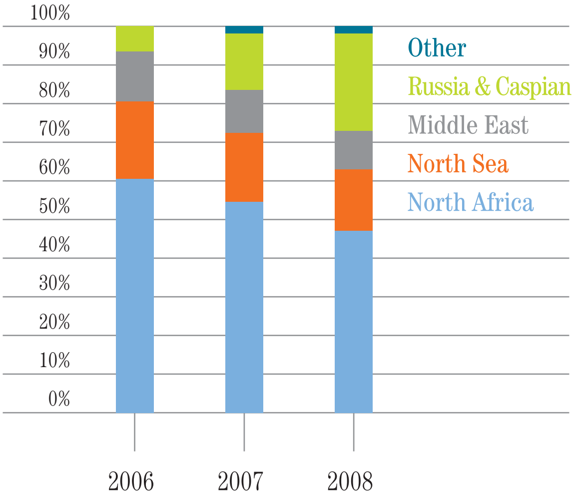


EUR 182 million
Investments in the Refining segment

EUR 434 million
Refining *comparable* EBITDA

25% in 2008, mainly to detriment of crude oils coming from North Africa and Middle East.

Raw materials by origin



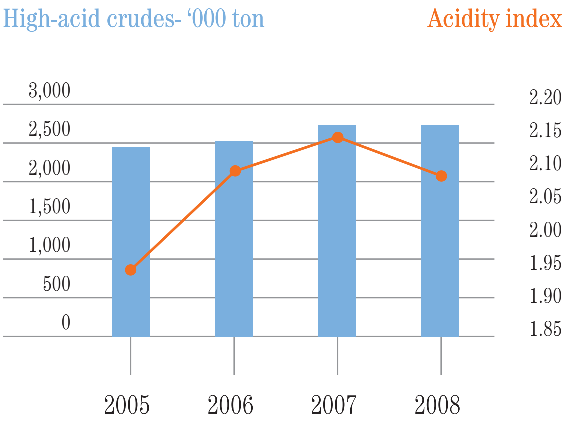
The switch in supplies was also coupled with a slight reduction in processing contracts for third parties, which decreased from 38% in 2007, to 35% in 2008, mainly in order to dedicate greater refining capacity to those crude oils which we considered more economically advantageous. Foremost among the Caspian crude oils reaching our refinery was the Azeri Light, thanks to its excellent returns which even increased steadily throughout the year, by comparison with other standard crude oils, like for instance Urals, which is used as the benchmark oil in the Mediterranean Sea.

In parallel with the above, Saras continued to closely monitor some of the new grades of crude oil from West Africa, which is one of the biggest sources of new crude worldwide, and has run trial processing with some of them, in a constant effort to pursue new opportunities to increase our profitability. Overall, approximately 20 different types of crude reached our refinery in 2008, for a total of 15.5 million tons of refined crude (approximately 113 million barrels), almost 70% of which were non-conventional crude:

- over 2.7 million tons of high-acid crude
- around 8 million tons of high-paraffin crude

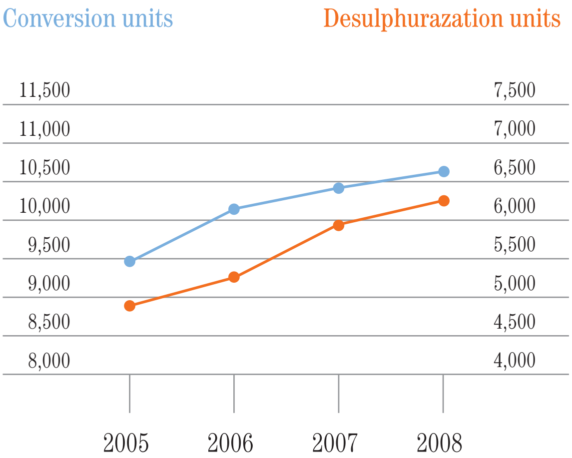
The above results confirm the superior flexibility of our assets and the logistical structure of the refinery, as well as stream-lined and efficient operational and organisational structure.

High-acid crude processing

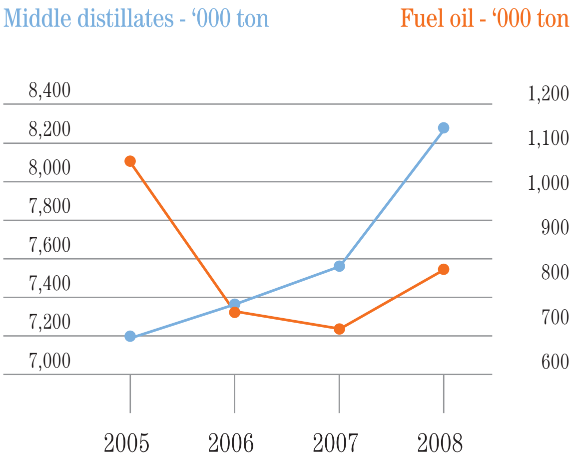


The feedstock of the conversion plants (which convert semi-refined heavy crude into products with higher value such as gasoline and diesel, or synthetic gas in the case of the gasification unit) increased in absolute quantity by approximately 1.2%, and the same occurred also for the desulphurisation units, whose feed increased by 4.2%.
The higher margins seen in 2008 made advantageous to refine some additional quantities of crude, even when using only partial refining cycles. This fact explains why the feedstock for conversion and desulphurisation units decreased as a share of the total refined crude.
Finally, the production of middle distillates increased percentage-wise from 51.7% in 2007 to 53.3% in 2008, with an increase in terms of absolute quantities equal to 730 thousand tons. This increase in percentage terms took place to detriment of the production of light distillates, such as naphtha and gasoline, which decreased percentage-wise from 27.7% to 26.1%, whilst the mix of raw materials used for the feedstock of the refinery remained substantially unchanged: average density of the crude mix went from 32.9 °API in 2007, to 32.7 °API in 2008.

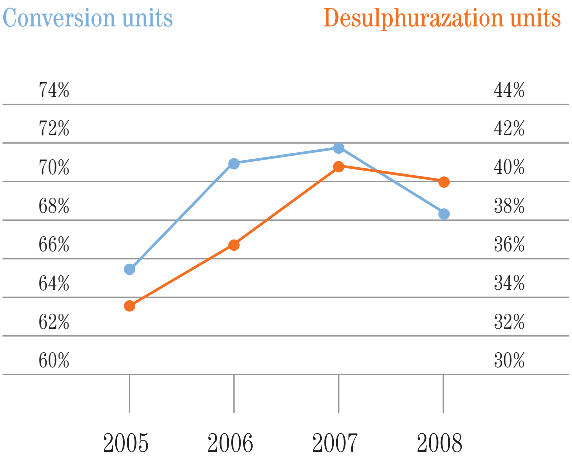
Feedstock to Units (absolute figures '000 ton)



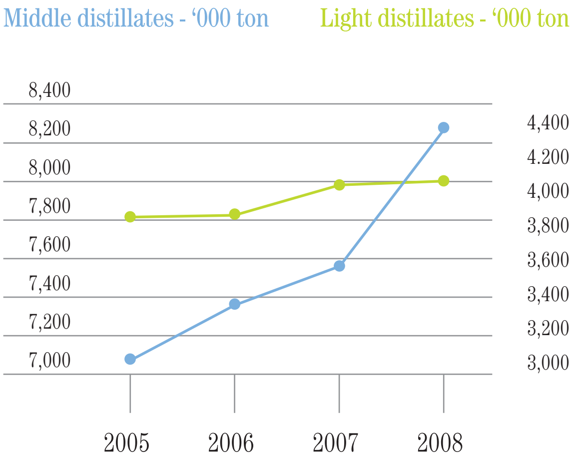
Middle distillates vs. Fuel oil



Feedstock to Units (% of crude runs)



Middle distillates vs. Light distillates



The value of these results is even more remarkable when considering that the global refining industry has been characterised by a contraction in utilisation factors (in Europe, the average utilisation rate went down to 84.6% in 2008, versus 85.8% both in 2007 and also in 2006), mainly because the market has become more demanding in terms of product quality, thus pushing the current refining system to the limits of its capacity.

Refining Margins

2008 has been characterised by a highly volatile oil market, with prices of both crude and products rapidly climbing during the first six months of the year, followed by an unprecedented fall in the second half of the year. In such a difficult context, Saras refining margin (after variable costs) reached 8.7 $/bl, the highest value ever recorded. Moreover, it is worthwhile to observe that in 2008 the EMC benchmark margin, which represents the profitability of a coastal refinery of average complexity located in the Mediterranean Sea, has been equal to 3.2 $/bl, basically in line with the 3.3 $/bl in 2007, but definitely smaller than its peak value of 4.7 $/bl reached in 2005. Therefore, we can conclude that the record value of the Saras margin in 2008 is clearly related to the progressive widening, year after year, of Saras premium above the EMC benchmark, which went from 2.4 $/bl in 2005, to 3.4 $/bl in 2006, 4.0 $7bl in 2007, and finally reached 5.5 $/bl in 2008.

The over-performance is essentially related to the combination of two factors. On one hand, there is the increased performance of Saras refinery, due to the upgrades of the production cycle and to a progressively more efficient operational and commercial management. On the other hand, there has been a fortunate coincidence between the time when Saras received full contribution from the above mentioned upgrades to the refinery units, and the time when the difference between the crack spreads of the diesel and the fuel oil achieved its highest values. This difference is commonly called "conversion spread", and in the year 2008 it averaged at 452 $/ton, sensibly higher than in previous years, to the advantage of the increased conversion capacity of our refinery units, which could therefore deliver remarkable results.

Financial Figures

EUR Million	2008	2007	Change%
EBITDA	109.6	511.5	-79%
***Comparable* EBITDA**	**433.6**	**371.6**	**17%**
EBIT	30.0	437.4	-93%
***Comparable* EBIT**	**354.0**	**297.5**	**19%**
CAPEX	**182**	**177**	**3%**

The ***comparable* EBITDA** of the refining segment was **EUR 433.6 million** versus EUR 371.6 million in 2007 (+17%) driven by strong refining margins, which more than offset a weaker USD vs. the EUR, when compared to the previous year. Record runs also generated higher maintenance costs.

More precisely, **Saras refining margin (after variable costs) in 2008 stood at 8.7 $/bl** (vs. 7.3 $/bl in 2007) with the premium above the EMC benchmark reaching 5.5 $/bl (vs. 4.0 $/bl in 2007). The higher premium was a consequence of a wider differential between diesel and fuel oil crack spreads.

Refining **CAPEX in 2008 was EUR 182 million** vs. EUR 177 million in 2007, in line with the 2008 ÷ 2011 investment plan.

Margins and refinery runs

		2008	2007	Change%
REFINERY RUNS	thousand tons	15,517	14,593	6%
	million bl	113.3	106.5	6%
	thousand bl/day	310	292	6%
of which: Processing for own account	thousand tons	10,064	9,100	11%
Processing on behalf of third parties	thousand tons	5,453	5,493	-1%
EXCHANGE RATE	EUR/USD	1.471	1.370	7%
EMC BENCHMARK MARGIN	$/bl	3.2	3.3	-3%
SARAS REFINERY MARGIN	$/bl	8.7	7.3	20%

Production

		2008	2007
LPG	thousand tons	337	306
	yield	2.2%	2.1%
NAPHTHA + GASOLINE	thousand tons	4,056	4,039
	yield	26.1%	27.7%
MIDDLE DISTILLATES	thousand tons	8,275	7,541
	yield	53.3%	51.7%
FUEL OIL & OTHERS	thousand tons	825	707
	yield	5.3%	4.8%
TAR	thousand tons	1,121	1,120
	yield	7.2%	7.7%

* balance to 100% are consumption and losses.

Crude slate

		2008	2007
Light extra sweet		51%	45%
Light sweet		0%	2%
Medium sweet		0%	0%
Light sour		0%	0%
Medium sour		22%	26%
Heavy Sour		27%	27%
Average crude gravity	°API	32.7	32.9

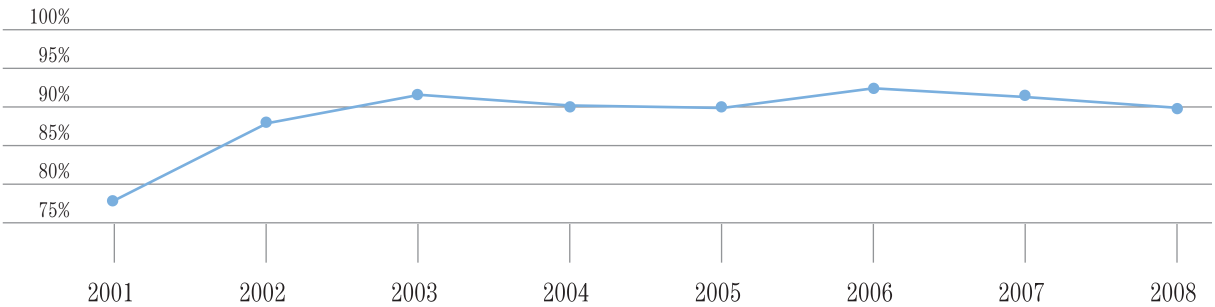
EUR 200 million
Power Generation segment EBITDA

Power Generation

The production of electricity with the integrated gasification combined cycle (IGCC) process is characterised by great stability and efficiency. Moreover, the IGCC provides flexibility and optimisation of the refining cycle, thanks to its numerous functions. In fact, its primary function is the production of electricity. However, the IGCC is also one of the main conversion units of the refinery and, at the same time, the most important utility at our site, because it produces large quantities of steam and hydrogen.
After the start-up and consolidation phase of the operations in 2001 – 2002, the service factor has stabilised at over 90%, an excellent performance for this type of plants. In this regard, 2008 has been broadly in line with 2007, and only slightly lower than the record values achieved in 2006, due to the scheduled maintenance activities carried out in 2008 on two of the gasification trains and their respective gas turbines.

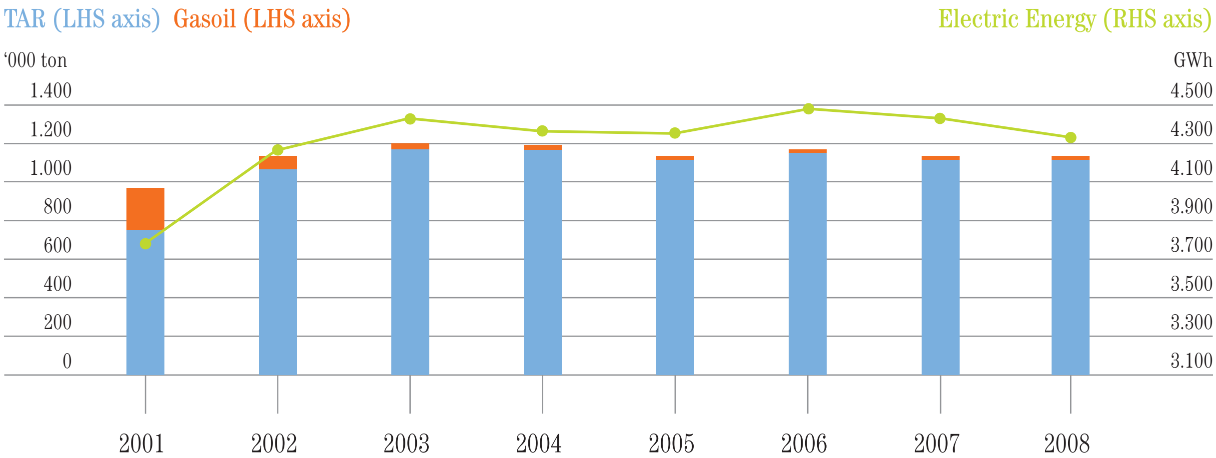
Furthermore, the achievement of outstanding efficiency levels is demonstrated by the fact that also this year the electricity generation took place exclusively via combus-

IGCC plant service factor



4.3 billion of KWh
Electricity produced

IGCC plant: Power Production and feedstock input



tion of the syngas produced with the gasification process of the heavy hydrocarbon residues, while the use of gasoil in the turbines was strictly limited to the transitory phases when there were scheduled closures for routine maintenance.

Thanks to its key role as a hydrogen producer, the IGCC is directly connected to the heart of the refinery, that is to the hydrocracking and hydrotreating plants, which provide for one of the biggest contributions to the value creation of the refining processes.

In 2008, the strategic role of this hydrogen source has become even more relevant, thanks to the completion of a series of specific investments which started in 2007, and allowed to increase hydrogen production by 35%.

Financial Figures

EUR Million	2008	2007	Change%
EBITDA	200.0	182.1	10%
***Comparable* EBITDA**	**200.0**	**182.1**	**10%**
EBIT	124.0	12.3	908%
***Comparable* EBIT**	**124.0**	**100.2**	**24%**
ITALIAN GAAP EBITDA	**294.6**	**258.2**	**14%**
ITALIAN GAAP EBIT	**239.5**	**204.4**	**17%**
ITALIAN GAAP NET PROFIT	**133.9**	**131.4**	**2%**
CAPEX	**26.5**	**19.7**	

Other information

		2008	2007	Change%
ELECTRICITY PRODUCTION	MWh/1000	4,318	4,414	-2%
POWER TARIFF	**Eurocent/KWh**	**14.2**	**12.4**	**14%**
POWER IGCC MARGIN	$/bl	3.9	3.7	6%

In 2008 the Sarlux IGCC plant registered an overall satisfactory performance.

Power production was 4.318 TWh slightly down (-2%) when compared to 2007, mainly due to routine maintenance cycles on two trains (gasifiers and turbines) performed respectively during H1/08 and Q4/08, which lasted slightly longer than the maintenance activities performed the year before.

***Comparable* EBITDA was EUR 200.0 ml**, up 10% vs. 2007, and Italian **GAAP EBITDA was EUR 294.6 ml**, up 14% versus 2007. The above increases can be mainly explained due to a 14% rise in the power tariff, from 12.4 EURcent/KWh in 2007, up to 14.2 EURcent/KWh in 2008, which more than offset the lower sales of electricity.

More precisely, almost the entire increase in the power tariff can be explained by the rise in the value of the fuel component, whose pricing mechanism is linked to oil prices, however with a 9-month delay between the variations of crude oil prices and their impact on the value of the fuel component. As a result, the 2008 fuel component rose to 7.6 EURcent/KWh (from 5.9 EURcent/KWh in 2007).

This increase in the power tariff, together with an extraordinary income due to the reimbursement of approx. EUR 10 ml for CO_2 costs related to the period 2005 ÷ 2007, brought a significant contribution to the Italian GAAP EBITDA, while their impact on *comparable* EBITDA was lower, due to the effect of the linearization procedure required by IFRS.

Finally, in 2008, the Power Generation division increased by over 30% (compared to last year) its sales of Hydrogen and Steam, whose revenues are not subject to the IFRS linearization procedure, further contributing to the improvements of the *comparable* EBITDA.

4.0 million tons
Sales

Marketing

The marketing segment is primarily focused on wholesale activities through Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A. in Spain. 2008 represented a year of consolidation of the volumes and optimisation in the mix of the sales channels. The economic results have been slightly above previous years, despite the high volatility in the oil markets, and the heavy impact of the global economic crisis on the demand for oil products.

The global economic downturn which started in the second half of 2008 reduced oil product demand in Italy (-3.6% versus 2007). Heating oil sales registered an increase of approx. 1% vs. 2007, due to a particularly cold winter; automotive diesel demand managed to hold substantially unchanged (-0.2% down vs. 2007); gasoline instead was heavily impacted and its demand fell by 7.2% versus 2007.

In the above scenario, Arcola Petrolifera achieved a good performance, increasing sales by 7%. In particular, automotive diesel was up 11% year on year and heating oil was up 2.5%. Also margins increased thanks to a more profitable customer mix.

Spain, on the other hand, suffered a more remarkable contraction in oil product demand, with all products negative: gasoline -5.9%, automotive diesel -3.6%, and heating oil -2.7% year on year. Nevertheless, Saras Energia had a solid performance, with overall sales in excess of 2.85 million tons (of which approximately 18% was gasoline and 82% gasoil), up 2% versus previous year. Moreover, following the strategy to sustain wholesale margings, the product mix moved towards a more profitable base, increasing sales to retail operators, unbranded gas stations, and small & mid-size dealers, while reducing volumes sold to commercial operators, which have sensibly lower margins.

In this regard, also in 2008 we worked very closely and proactively with the associations of independent service stations in the Mediterranean region, as well as with service stations located at supermarkets of the major distribution chains, continuing to implement various joint-marketing operations, aimed at developing loyalty of end users.

Our storage facility in Cartagena (Spain) processed a record volume of more than 475,000 cubic meters (up

EUR 35 million
Comparable EBITDA

10% versus 2007), allowing our Group to achieve a market share of approximately 15% in the areas which surround the tank farm.

As a matter of fact, Saras Energia S.A. uses other systems of storage facilities (for example CLH, and other independent terminals such as Decal and Tepsa) in various parts of Spain, in order to optimise the distribution of its oil products across the country.

Retail operations are based on a network of 40 service stations fully owned, together with other 12 stations on long term lease, located mainly in Cataluña and in the Levante region. During 2009, the network of stations will increase significantly, thanks to additional 81 stations, which Saras Energia agreed to purchase from ERG Petroleos, with a contract signed in October 2008. The new stations are also located mainly on the Spanish Mediterranean coast, hence allowing Saras to generate important synergies by integrating them with the logistics already owned and operated locally. The closing of the deal, for a total consideration of EUR 42 million, is expected by the end of Q2/09.

Finally, in November Saras Energia completed the construction of its Biodiesel production plant, close to the existing depot in Cartagena. The completion of the above mentioned project is responsible for the largest part of the CAPEX plan of EUR 45.9 ml, spent during 2008. The plant will produce approximately 200,000 tons per year of Biodiesel, and it will reach full scale production in the course of Q2/09.

Sales

		2008	2007	Change%
TOTAL SALES	thousand tons	4,030	3,905	3%
of which Italy	thousand tons	1,176	1,102	7%
of which Spain	thousand tons	2,854	2,804	2%

Financial Figures

EUR Million	2008	2007	Change%
EBITDA	(57.8)	55.4	-204%
***Comparable* EBITDA**	**34.9**	**33.2**	**5%**
EBIT	(63.2)	50.3	-226%
***Comparable* EBIT**	**29.5**	**28.1**	**5%**
CAPEX	**45.9**	**10.7**	

Marketing achieved a good performance during 2008, with sales, margins and *comparable* EBITDA all improved versus previous year. Reported EBITDA was heavily influenced by FIFO losses on compulsory strategic stocks.

Overall, our Marketing division **sold over 4 million tons during 2008**, with a 3% increase versus 2007, and higher retail margins, which led to a 5% increase of ***comparable* EBITDA (EUR 34.9 ml** vs. EUR 33.2 ml in 2007).

153,735 MWh
Wind energy generated in 2008

Wind Power

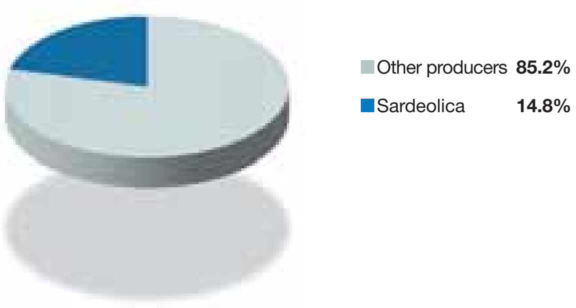
The Saras Group has been active in generating electricity from renewable sources since 2005, through the subsidiary company Parchi Eolici Ulassai S.r.l which holds 100% of Sardeolica S.r.l..

The wind farm, located in the Municipality of Ulassai (OG), in the centre-eastern area of Sardinia, is the result of Saras's commitment to produce energy while limiting the environmental impact of its activities as far as possible. A decade of experience in the energy field, enriched from 2000 onwards by new activities in the electricity sector, supports the Group's commitment to protecting and preserving the region in which it operates.

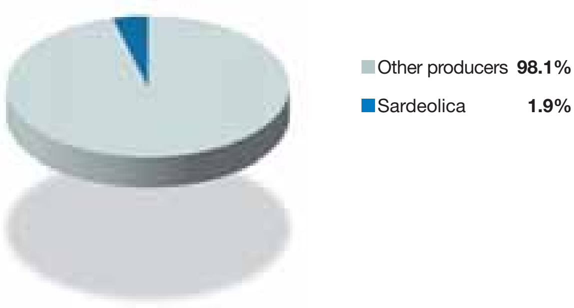
Wind energy is currently considered the only renewable source that can genuinely compete with traditional sources. A further advantage of wind turbines is their reversibility: at the end of the production cycle they can be dismantled and the pre-existing conditions can be easily restored. The productive area of the wind farm built by Sardeolica in the Municipality of Ulassai has a surface of approximately 2,900 hectares, but the area effectively occupied is only 1% of the area granted.

The farm, authorised for 48 Vestas V80 wind-powered generators, has an overall authorised power of 72 MW, and can technically be expanded to 96 MW. It also includes a

Installed wind energy capacity in Sardinia:
485.8 MW



Installed wind energy capacity in Italy:
3,736 MW



EUR 14 million
Comparable EBITDA

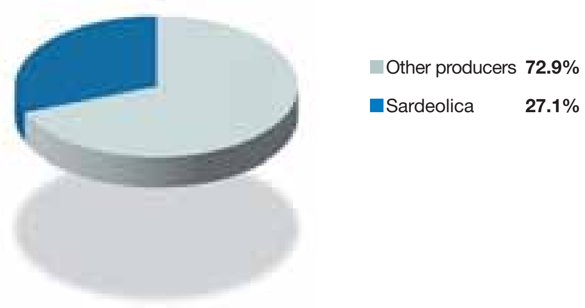
MV/HV (medium voltage/high voltage) electrical substation and the connection to the existing National Transmission Grid (NTG) at a voltage of 150 kV. The production of the 48 wind-powered turbines is estimated at around 165 GWh annually.

The electricity that the wind farm produces is sent directly into the National Transmission Grid and sold to GSE at the conditions specified in the convention scheme drawn up by the AEEG. The convention is annual in duration and is renewed each year.
The installed wind power at the Ulassai wind farm is around 15% of the installed wind power in Sardinia (485.8 MW) and 2% of the overall installed wind power in Italy (3,736 MW).

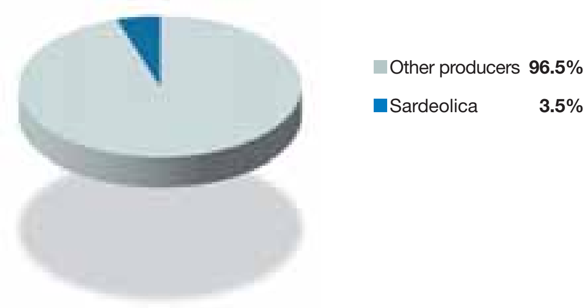
The site of the farm is one of the windiest in the region. These conditions allow energy production for most of the year.

In 2008 production was approximately 154 GWh, and in the first three years of activity production reached 479 GWh, confirming our estimates of expected production. For the purposes of comparison, the electricity produced at the Ulassai wind farm meets the annual energy needs of over 60,000 families.

Wind energy generated in Sardinia
January 2007 / December 2008



Wind energy generated in Italy
January 2007 / December 2008



The production of wind energy in the last three years translates into a saving of 298,992 barrels of oil and corresponds to 396,783 tonnes of CO_2 emissions prevented.

Thanks to its low environmental impact, the wind farm over its three years of operation has enabled us to save around 800 Mt of water, a very precious resource for a region like Sardinia where water sources are not plentiful.

The Ulassai wind farm makes a significant contribution to the production of wind energy in Sardinia, supplying over 27% of overall production in the region in the three years our Wind Farm has been in operation.

Production January 06 / December 08 [MWh]	Equivalent Families[13]	TEP[14] "saved"	Oil barrels[14] "saved"
479,206.8	159,736	40,957.8	298,992

Production January 06 / December 08 [MWh]	Pollutant	Specific emissions[15] [kg/MWh]	Avoided emissions [tons]
479,206.8	CO_2	828	396,783.2
	SO_2	3.8	1,821.0
	NO_x	1.9	910.5

Maintenance of ISO 14001:2004 environmental certification

In 2008, to comply with the directions of the parent company and in application of the new "Single Text on Safety" (Legislative Decree no. 81/08), Sardeolica instituted an Integrated Safety and Environmental Management System which upgraded the Management System (certified to the international ISO14001:2004 standard) to the requirements set out by the BS OHSAS 18001:2007 standard. The new Integrated Management System will come into service in 2009, and the ISO 14001 certificate was confirmed in January 2009 at the inspection visit and will be renewed in July 2009.

In 2009, as part of our policy of increasingly attentive environmental management of the plant and to comply with the commitments to continuous improvement specified by the ISO standard, a 20 kW mini-wind turbine will be installed and a well will be sunk, in order for the plant to be independent in terms of water needs. To further address this latter objective, during the year a new tank was installed to collect rain water for irrigation use, increasing the existing capacity by a factor of three.

Environmental Improvement

During the year, many activities were implemented to improve and respect the environment that hosts the company. Of these, of particular note is the completion of the construction of a photovoltaic system installed on the roofs of the multifunctional building. It has a power of 18.9 kW. By the end of March the system will be connected to the Enel grid and will begin producing photovoltaic electricity.
An annual production of almost 28 MWh is expected.

In addition, the use of the most modern equipment and the rationalisation of consumption in the financial year have also led to a reduction in low-voltage electricity consumption.

13. Average consumption of a tipical italian family: 3,000 kWh/year (http://www.scienzagiovane.unibo.it/pannelli/8-domande-risposte.html)

14. 1 TEP (equivalent tons of Oil) = 7.3 barrels = 11,700 kWh (http://www.galileo2001.it/materiali/documenti/energia/energia_ambiente_01.php)

15. Official Bulletin of "Regione Autonoma della Sardegna", Sections I and II, N. 26, page 31 (30/08/2003)

Information security

Turning to information security improvements, in 2008 activities continued to improve and increase the efficiency of the information systems. Work has been commissioned for the physical and logical security of the wind farm's computer infrastructure, as well as for the setting up of a backup work server in order to preserve all files. In 2009 the normal assessment of the information systems will be carried out so as for Sardeolica to prepare a series of activities to improve its IT management.

Relations with the region

In 2008 the wind farm was visited on many occasions by schools, organised Groups and occasional tourists. In December the geobotanic study on the interaction between the wind farm and the local flora, written by Professors L. Mossa and A. Aru and by Doctors R. Guarino, L. Zavattero and C. Fogu of the Universities of Cagliari and Catania (presenting the results of the monitoring begun with the construction of the installation).

Financial data

Following the acquisition by Saras S.p.A. of the holdings owned by Babcock & Brown Wind Energy in the Parchi Eolici Ulassai S.r.l. subsidiary (PEU), the latter company is fully consolidated as of 30th June 2008. To better understand the results, the following tables show the data for the Wind Power segment at 100%.

EUR Million	2008	2007	Change%
EBITDA	11.5	25.6	-55%
***Comparable* EBITDA**	**14.1**	**25.6**	**-45%**
EBIT	2.4	15.8	-85%
***Comparable* EBIT**	**5.0**	**15.8**	**-68%**
NET PROFIT	(2.3)	7.0	-133%
***Adjusted* (*) NET INCOME**	**1.6**	**6.2**	**-75%**

(*) *Adjusted* Net Income: Net Income *adjusted* by non recurring items after taxes and change in derivatives fair value after taxes

In 2008, the performance of the Ulassai wind farm was below expectations, with an **electricity production of 153,735 MWh**, a decrease of 9% over the previous year. This was due to a significant reduction in wind levels at the site.

In the financial year, **comparable EBITDA was EUR 14.1 million**, a fall of 45% from 2007. This was due to the decrease in sales of electricity, as well as the reduction in the total power tariff.

The tariff was 156 EUR/MWh, a reduction of 15% from 2007 (of which Green Certificates were 69 EUR/MWh, a 29% fall from last year).

IFRS EBITDA was EUR 11.5 million, and this was due to a non-recurring negative entry of EUR 2.6 million, a consequence of AEEG Deliberation no. 48/08 which retroactively reduced electricity rates for 2007 by around 20%.

Other Figures

		2008	2007	Change%
ELECTRICITY PRODUCTION	MWh	**153,735**	168,185	-9%
POWER TARIFF	Eurocent/KWh	**8.6**	8.5	2%
GREEN CERTIFICATES	Eurocent/KWh	**6.9**	9.8	-29%

Other activities

Akhela: a year of growth

Akhela is active in the ICT (Information & Communication Technology) sector, and has always stood out for its high-quality services combined with the most modern technologies, more precisely:

- Security and datacenter automation services, oriented to the availability, flexibility and efficiency of IT systems;
- Solutions aimed at optimising data and information management by means of Business Intelligence and Knowledge Management technologies;
- Design services for complex electronic systems.

For Akhela 2008 was the fifth year of consecutive growth. In an ICT market where turnover grew on average by 3%, Akhela recorded an increase in turnover of 17% over 2007.

This result is all the more significant when we consider the financial and economic crisis, which from September onwards triggered a fall in investments and a consequent reduction in opportunities for growth for our activities.

Notwithstanding this scenario, 2008 was a year when relations with our most important and oldest clients were consolidated.

In the financial year that was just closed, interesting projects with new clients were begun, particularly in the Utilities segment. Our range of services, especially those associated with infrastructural and applicative security and with IT infrastructure management, has demonstrated

to be of particular interest to companies like Enel, Acea and Sorgenia.

IT Optimisation and Security have been confirmed as the areas that have attracted most market interest, independently of the sector to which the clients belong. And according to analysts, these will be among the services that will best resist the crisis set to condition all of 2009.

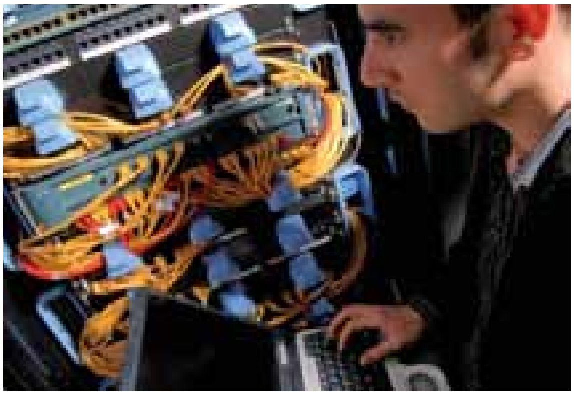
The Embedded division has fully borne out the expectations raised by the good signs at the end of 2008. The decision to focus on the two key sectors of automotive and domotics has reaped dividends, and has achieved results superior to those forecast at the beginning of the year. Working with one of the principal European suppliers of on-board electronics, we have developed (among other things) the new integrated multimedia system of one of the major German car makers.

Also in 2008, Akhela continued its policy of improving the quality of its processes and services, and is one of the few companies in Italy to achieve Maturity Level 2 of the CMMI (Capability Maturity Model Integration), the most widely-recognised certification of software development processes.

Akhela has always included medium/high band clients in its portfolio, and these are increasingly turning to companies that have the capacity to provide all-encompassing solutions to ICT problems. This phenomenon was fully confirmed in 2008 and will become increasingly important for the future. Indeed, framework contracts with the "big clients" like ENEL, and the principal businesses in the ICT market like HP and IBM, are becoming an increasingly frequent feature.

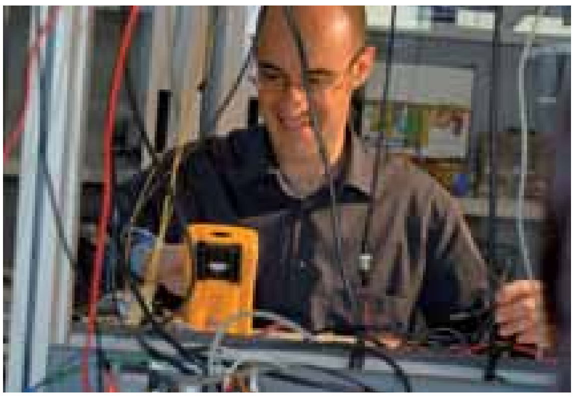
Akhela has specific skills in clearly identified areas. Our objective is to be an ideal, highly-qualified partner, providing our clients (or their generalist partners) with consulting and services with high added value for those areas where we can draw on consolidated experience.

In this context Akhela has decided to expand its relationships with IBM, qualifying for a higher level of partnership by becoming an IBM System Integrator, in order to continue meeting the needs of the "big clients". In this way Akhela transmits its range of services, at times supplemented with IBM hardware and software solutions, through IBM itself. This does not mean abandoning the direct relationship with the clients, which remains essential in order to best address their needs, which are many and varied.



In a market that is highly competitive and selective, a qualifying factor is not merely the capacity to provide quality services and consequently be perceived as reliable partners, but also the dimension, i.e. the capacity to place a full array of resources and expertise at the service of clients and partners.

Akhela has for some time been moving in this direction, in order to grasp the major opportunities offered by the market and achieve a growth that is in line with the needs of the sector and with the company's own strategy.



Saras Ricerche e Tecnologie – Sartec, research for the environment

Sartec, a 100% controlled subsidiary of Saras, offers support and consultancy for improving industrial performance. Sartec provides:

- Engineering services and plant packages
- Process control solutions
- Environmental engineering solutions
- Chemical research services applied to the oil sector and environmental quality control

In 2008 Sartec conducted an intense internal reorganisation aimed at maximising the existing synergies and increasing its levels of productivity, through the following:

- Implementation of team-working to improve daily activity and make best use of the economies of scale and cost within the company
- Optimisation of the organisation (with a particular focus on the automation and plant engineering activities)
- Management of design work and management of orders in accordance with standardised methods
- Institution of a single integrated department to manage issues of health, safety, quality, the environment, and information systems, so benefiting from existing synergies.

Over the financial year, the actions undertaken have resulted in the consolidation of the company's economic situation and a net recovery in terms of productivity of resources, increasing the value of production from EUR 25 million in 2007 to EUR 27 million in 2008.

Around 70% of the value of production comes from work carried out for the parent company, to which Sartec provides engineering and support services for improvement in the areas of the environment, plant, automation and process control. Specifically, over the year environmental engineering activities continued on completing the "characterisation" plan of the refinery site (qualitative/quantitative determination of the contamination of the soil and underlying groundwater), on monitoring and on activities aimed at the preservation of groundwater safety, the decontamination of water and soil, and support for the EIA (Environmental Integrated Authorisation) authorisation process.

Drawing on its consolidated experience in the oil sector, over the year Sartec reinforced its organisation to support those activities in significant growth, such as tests of catalysts on pilot plants, chemiometric models, and the study of the compositional characteristics of crude, semi-finished products and finished refinery products.

Over the year, the engineering activities offered (plant and automation), as well as the traditional services (project management, basic/detailed multidisciplinary engineering and certification of pipes under pressure (PED)), were extended to include piping re-qualification activities (i.e. audit and classification of the refinery plant lines) pursuant to Ministerial Decree no. 329/04.

In 2008, following the delivery of monitoring systems for air quality, emissions and emergencies, to be used in Beijing and specifically in the Olympic Village, training was provided for the technicians who will be monitoring these systems.

As part of a research project carried out in past years in association with the Bulgarian Ministry, in 2008 Sartec provided a water monitoring system for the Iskar, a major tributary of the Danube. For Sartec, the experience gained in creating this project represents an opportunity to actively enter the new market of water monitoring systems.
The experience built up in the activities carried out for the parent company allows Sartec to vaunt a position of leadership in environmental engineering and consultancy services in the region. One important project (also because of its location in the region) is the activity currently underway to upgrade the monitoring network for air quality and atmospheric emissions operated by the Regional Government of Sardinia. Other important activities include plant design and the design and supply of package plants. Finally, in the automation sector, Sartec is engaged in a basic design project to upgrade the instrumentation of a refinery in Teheran, Iran.

In 2008, the following research projects were concluded: "Environmental control and regional management system of the Gulf of Cagliari" (financed by MIUR) and "Nutrigenomics" (financed by the Regional Government of Sardinia), conducted in association with the University of Cagliari, the University of Salerno, and the Milan Polytechnic Foundation.

Scientific cooperative relations with universities enable the company to maintain its comprehensive approach to research and innovation over time, and these relations are also the preferred channel for the creation and development of skills and new talent in the region, by means of internships and study for PhD students.

Financial Figures

EUR Million	2008	2007	Change%
EBITDA	2.8	11.1	-75%
***Comparable* EBITDA**	**0.2**	**0.4**	**-50%**
EBIT	0.6	8.8	-93%
***Comparable* EBIT**	**(2.0)**	**(2.1)**	**-5%**

In the financial year 2008, the comparable EBITDA was EUR 0.2 million, confirming the achievement of a break-even position.
The significant difference in the reported EBITDA between 2008 and 2007 is explained by the non-recurring income recorded in Q4/07 deriving from a number of government contributions associated with the closing of the Programme Contract.

Net Financial Position

Net Financial Position at the end of 2008 was negative for EUR 333 ml, compared to a negative figure of EUR 27 ml at the end of 2007. This is mainly due to the purchase of CO_2 credits (which will be reimbursed by the end of 2009), higher operating and compulsory inventories, the acquisition of the 30% minority interest in Parchi Eolici Ulassai S.r.l. (PEU), and the buyback programme. More precisely, with reference to the **share buyback programme,** the Group bought back a total of 22,787,703 Saras shares in 2008, at an average price of EUR 3.089 per share.

Net Financial Position

EUR Million	31/12/2008	31/12/2007
Medium/long term bank loans	(174)	(186)
Total long term net financial position	**(174)**	**(186)**
Short term bank loans	(81)	(108)
Bank overdrafts	(163)	(63)
Loans from unconsolidated subsidiaries		(1)
Loans made to unconsolidated subsidiaries		9
Other marketable financial assets	20	15
Cash and cash equivalents	65	308
Total short term net financial position	**(158)**	**159**
Total net financial position	**(333)**	**(27)**

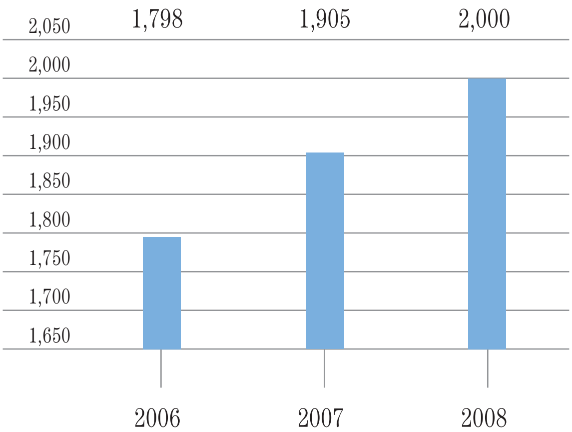
Human Resources

40 years old
average age of our employees

Value grown over the years

2008 was a year of growth in every sense.

Saras Group employees



The great professionalism and commitment of the men and women of the Saras Group have enabled the achievement of an excellent level of industrial performance.

At the foundation of the important results obtained so far there is a decision making process guided by an ethical approach in conducting our business and the observance of values that all of us, together, cultivate and promote within our company and also outside our workplace. One of the values that Saras has always promoted is dialogue. Proof of this is the achievement in 2008 of EMAS (Eco Management and Audit Scheme) registration, which represents a tangible opportunity and an instrument for creating greater cooperation and exchange between our resources and the region.

Aware of the importance that each and every resource has in the organisation, our company has for many years promoted a programme of locating and analysing the potential of our resources, with a view to their improvement and development. In 2008, this programme involved 76 persons, including employees, managers and executives of the Group, in 8 meetings.

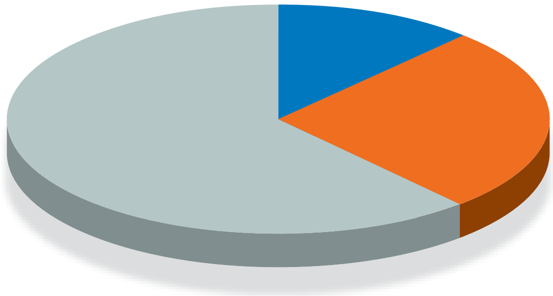
In 2008 the Saras Group had over 2,000 employees

2008 was a year of enormous upheaval that left a permanent mark on the world economy, now burdened with an unprecedented financial and economic crisis. In this scenario, growth in employment assumes extra significance, and Saras' personnel grew from 1,900 employees in 2007 to over 2,000 employees in 2008. This is an important milestone, and is similar to the company's achievement of never having reduced its workforce, even in the years of crisis for the oil market. At Group level, the employment contract mix is made up of 92% permanent employment contracts and the remaining 8% fixed-term contracts.

Of the 112 newly-hired personnel in 2008, 46% have a university qualification in engineering.

For new hires with a high school qualification, a development and training programme is conducted comprising specialist courses that combine technical theory with practical activity. A large number of these employees will cover roles of plant specialists, and therefore they are enrolled in a dedicated professional training programme.

Accademic Background



■	University Degree	**26%**
■	High School Diploma	**61%**
■	Other	**12%**

The nature of our sector requires a greater presence of males in the Group's organisation. The female component still accounts for 20% of the personnel this year, with an exceptionally high level of education.

In over 45 years of activity, the Saras Group has grown in an increasingly international dimension, but it has never lost sight of the link that binds the company to the place where it was founded and became a great industry.

The Sarroch facility employes the largest part of the Group's personnel: around 1,200 people work at the refinery every day.

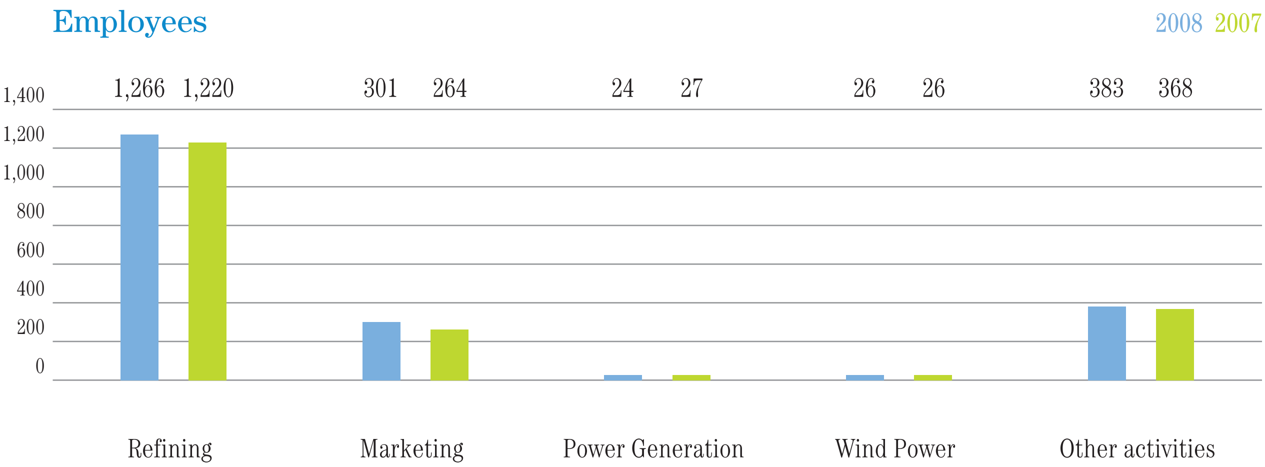
Saras has always employed local people, so contributing to the economic development of the region, and indeed Saras is the region's most important employer. The over 9,000 jobs deriving from the induced industry, another essential component of the Group's human and productive panorama, do not only derive from refining (i.e. contracting firms) but also from information technology and research for environmental protection. Through its activities, Saras gives support to an extensive community, not just in terms of employment but also in terms of training and quality of life.

Another aspect of growth in 2008 was foreign activities. In particular, the Spanish subsidiary of the Group, Saras Energia, consolidated its organisation following the start-up of the biodiesel production plant in Cartagena and the upgrading of its distribution network.

The superior training and the high degree of specialisation required by our activities are an important stimulus to developing skills which that can be sourced directly from the surrounding region, through the consolidated relationships of collaboration and exchange with the universities in Sardinia, and in particular with the University of Cagliari.

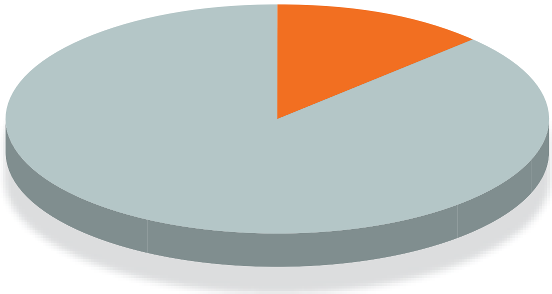
By means of internships, Saras has employed around 20 graduates and students in their last year of school, including 10 engineers (mechanical, chemical, civil and environ-

Employees



EUR 1.3 Million
Training expenses for 2008

Human resources by geographical area



Italy	**87%**
Spain	**13%**

mental). The interns were assigned to various Services (Industrial Relations, Procedures and Systems, Maintenance, Processes etc.) and to the Production Areas (Movement, Shipping and Wharf, Conversion and Utilities).
In the Akhela subsidiary, 9 interns were employed, mostly with degrees in electronic engineering. Their internships were conducted in the area of embedded products and systems.

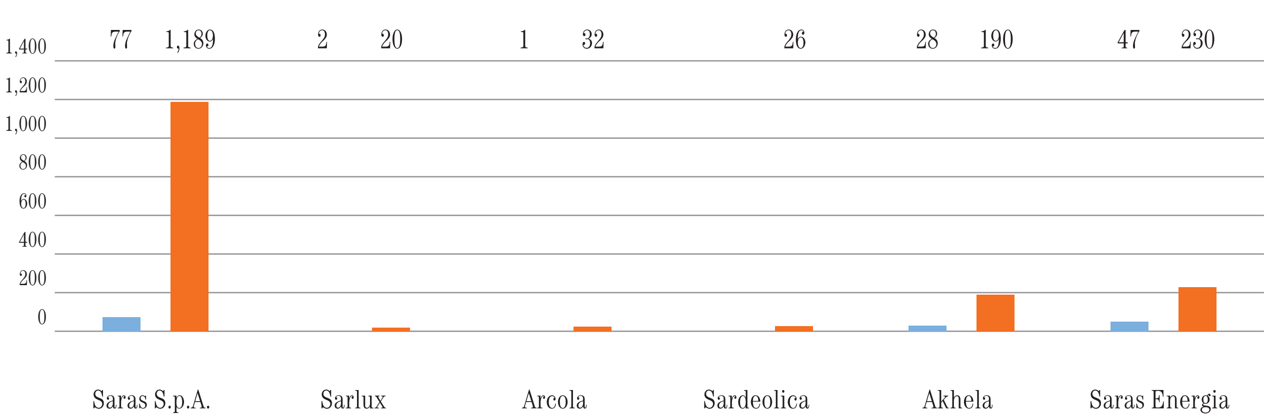
In Sartec, 7 interns were employed for training internships as part of the IFTS-funded "Advanced Technician for Safety, Energy and the Environment" course, as well as 2 students of postgraduate university courses in Environmental Geotechnologies and 3 students for post-degree internships for the Engineering Faculty. In addition a contribution was made to financing the study and research activities of the department of chemical and materials engineering at the University of Cagliari.

The objective is to create a network within which the exchange contributed by all the principal bodies (Saras Group, institutions, the region and the community) has the capacity to generate value for all stakeholders of our company.
In our sector, the high levels of specialisation required and the difficulty in sourcing qualified personnel on the labour market mean that human resources represent an even more indispensable vector for the Group's growth and development.

In 2008 the level of employment turnover recorded by Saras was practically irrelevant. This was the clear result of the implementation of selection programmes, development plans, and possibilities for job rotation that are better targeted and tailored to optimise the needs and expectations of the individual with those critical to the company. All this bears witness to the capacity of Saras to retain resources in a specific labour market that is very competitive, confirming the company's strategic decision to train its own employees within its organisation by means of a targeted training path.

These programmes are shared by all the companies in the Group, and as a result the level of employment turnover

Employment Contracts



53,000 training hours
+ 53% vs. 2007

is almost exclusively related to programmes to transfer professionals within the Group. In this context of an extremely low turnover, the average length of service in the Group is 8 years and the average age of the employees is approximately 40 years.

Over time, Saras has shown its ability to grasp important signs of change and innovation in the market, and its dynamism and management system have enabled it to best enhance its resources.

Saras's policy is to hire professionals, i.e. recent graduates or diploma holders in technical and chemical subjects, and train them by accompanying them on a professional growth path that will help them become progressively familiar with all the divisions of our Group, through progressive changes in duties performed and roles occupied. This approach will enable the resources to acquire in-depth knowledge and to consolidate a level of expertise that will guarantee and preserve unaltered the excellence that today is the hallmark of our company in the market in which it operates.

2008 saw the launch of "Project Knowledge" (*Progetto Sapere*), an initiative that forms part of the policy of developing our human resources and pooling the knowledge built up over decades of activity. This is done through the creation and management of one of the principal international supersites, recognised by the market as a model of technological and operational excellence.
In particular, the objective of the project lies in the company's desire to share the above-mentioned knowledge and skills with the entire organisation, updating them over time and adapting them to the new challenges of the market, by means of suitable training paths for the personnel at each level.

Equal opportunities

Equity of treatment and the guarantee of equal opportunities for professional growth represent an important and fundamental element of the human resources policy implemented in our company.

With respect to equal opportunities, the salary policy specifies that employees are remunerated according to their previous experience, their skills, their results and their individual conduct. In addition, in our remuneration policy we apply the principle of equality for equal skills.
Although women still represent a minority among employees engaged in technical duties, today around 50% of the female population of Saras works in the refinery and no less than 20% have a degree in engineering.

Employment, health and environment

Saras considers training to be a decisive factor in guaranteeing a safe working environment in which the health of its employees is best protected. In our prevention policy, training is an essential element for developing the person and for the company's competitive advantage.

For decades the Group has promoted a programme of training and prevention, which over the years has assumed an increasingly important value for improving company and industrial performance levels, through the involvement of all employees and associates of the company.

Training remains one of the cornerstones for improving our operational activities, as well as for protecting health and the environment. We monitor risks in order to find measures that can prevent them. Training provides us with a tool that enables us to create awareness and participation, so that attention to health and the environment is a value that

is recognised and shared by the entire Saras community.
In 2008 investment in training was EUR 1.3 million, an increase of 15% over 2007. The number of training hours was 53,000, an increase of +53% over last year.
Many activities are in place to protect health and preserve safety and the environment.
Regular checks are aimed at preventing the most common illnesses and protecting the health of the company's employees.
In 2008:

- No deaths were recorded in the workplace, nor were there any serious or critical injuries among the personnel entered in the employee register;
- No instances were recorded of occupational illnesses in employees or former employees, and no accusations of harassment in the workplace were recorded.

Saras' remuneration policies

Components of remuneration for executives

The annual fixed gross remuneration is linked to the national industrial executive contract. This remuneration may be supplemented by benefits and by a variable component.

The variable part of the remuneration is established with reference to the strategic objectives and management results under an MBO (Management By Objectives) system.
In addition there is an Employee Share Plan and Stock Grants, as approved by the Shareholders' Meeting in 2007.

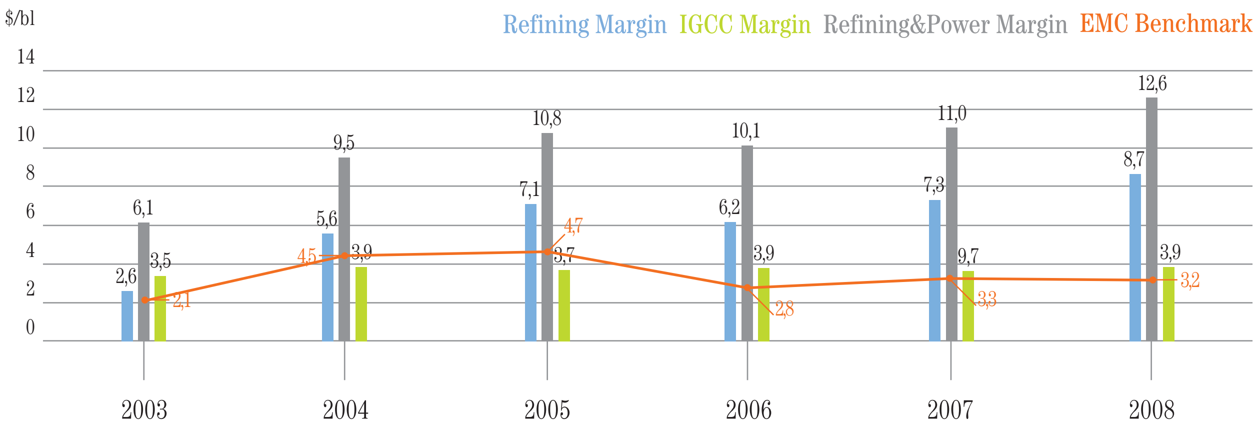
Components of remuneration for non-executives

The annual fixed gross remuneration is linked to the applicable national collective labour agreement (CCNL).
This remuneration may be supplemented by benefits and by a variable component.
The variable remuneration of managers makes use of an MBO system, and is established with reference to the strategic objectives and management results.
In addition there is a three-year Employee Share Plan for all personnel, as approved by the Shareholders' Meeting in 2007.

Strategy and CAPEX

Strategy

The large scale and complexity of our industrial site offers opportunities to develop important optimisations and achieve production synergies. In particular, the strategic investment plan 2008 – 2011 contains a series of projects aimed at increasing our conversion capacity, delivering energy efficiencies, and enhancing the operational flexibility of our refinery, especially in terms of sourcing of raw materials, in order to extract maximum profitability from the increased availability of crude oils from the Caspian Sea and West Africa.
Moreover, in the mid term, we expect that middle distillates will be the fuels with the highest level of demand on the global oil market, thanks to their wide range of applications (diesel for private and commercial transportation, gasoil for agricultural machines and for heating, gasoil for power generation, kerosene for the aviation industry, etc.), and also thanks to their broad consumption base, which is spread across all geographical regions. Therefore, in the coming years, the strategy of our Group will aim primarily to develop investment projects to further upgrade Sarroch refinery, with the objective to maximise the production of middle distillates. Obviously, the current macroeconomic scenario, with a recession spreading on a global scale, suggests a more cautious approach. Coherently, we have decided to revisit the investment plan presented in June 2008, in order to review the timing of the various projects, and better align them with the market scenario.
Nevertheless, all strategic decisions in our sector are always assessed over very long term horizons: therefore, even if the timing of our investment plan is under review, we still believe in the underlying principles and trends, which have inspired our plan in the first place. These principles are founded on a mid/long term view, where flexibility, complexity energy efficiency, and gearing towards high productions of middle distillates, will be the winning factors over the competition, and will lead to the achievement of very robust refining margins.
Our company has a solid track record in terms of understanding market trends and delivering organic growth



Refining Margin: (Refining *Comparable* EBITDA + Fixed costs) / refinery runs in the period. **IGCC Margin:** (Power generation EBITDA + Fixed costs) / refinery runs in the period. **Refining&Power Integrated Margin:** combined refining margin and IGCC margin. **EMC Benchmark:** EMC margin (Energy Market Consultants) based on crude mix runs 50% Ural and 50% Brent used as reference margin by Saras.

> "Also in 2009 the strategy of our Group will remain focused on the technological upgrading of our plants, the achievement of energy efficiencies, the enhancement of our operational flexibility, and the increase in the production of middle distillates."

focused on the development of the Sarroch production site, hence generating competitive advantages which, in recent years, allowed our Group to greatly benefit from the favourable economic landscape.
A further confirmation of the validity of our strategic choices can be found in the continuous improvement of Saras refining margin and, even more so, in the progressive widening of our premium versus the EMC benchmark margin which, as shown in the graph here above, has a stable growth pattern over the years.
Looking beyond the Refining segment, the strategy of the Saras Group in 2009 includes also the consolidation of the good performance achieved by the Marketing segment in the past years, as well as the further growth of our sales volumes in the retail business, mainly thanks to the 81 new service stations, located in Spain, and acquired from ERG Petroleos S.A. in October 2008.
The above mentioned 81 stations have an average sale volume of 2.5 million litres per year, in line with the average Spanish sale volumes. Their purchase will generate important synergies, thanks to the integration with the logistics already owned and operated by our Group on the Spanish Mediterranean coast, where approximately 80% of the stations are located.
Finally, it is worth mentioning that the Marketing segment will benefit from the start up of the new biodiesel plant in Cartagena, completed in November 2008, and expected to reach full production in the second quarter of 2009. The plant will produce 200,000 tons per year of biodiesel, using as feedstock various kinds of vegetable oils.

Investments in 2008:

During 2008, Saras Group made investments for a total of EUR 257 million. A further step along our strategic path, focused on organic growth and environmental protection within the Refining segment, was completed thanks to the technological upgrades announced at the beginning of the year. In particular, during 2008, we finished the construction of the new unit for the desulphurisation of gasoline. As a result, the sulphur content of the refinery's entire output of gasoline is now below 10 parts per million (ppm), in line with European regulations effective from 1st January 2009. Morevoer, during 2008, we also completed the construction of a tail gas treatment (TGT) unit, which allows Saras to be in the Group of the best European refineries in terms of reduction of sulphur emissions in the atmosphere.

CAPEX by business line

EUR Million	2008	2007	2006
Refining	182.3	177	108
Power generation	26.5	20	12
Marketing	45.9	11	9
Wind power	-	-	
Other activities	1.8	2	1
Total	**256.5**	**210**	**130**

Plants under construction

In accordance with the announcement made during the presentation of our fourth quarter 2008 results, the Board of Directors has given mandate to the Group Chairman and the CEO to revise the timing of the CAPEX plan for the period starting from 2010, in consideration of the new macroeconomic scenario. In particular, even if the planning of the various projects is still under review, in tune with the new objectives of Saras investment plan, we can provide here below an update on the main projects related to the construction of new plants and the revamping of existing units.

Revamping of the Visbreaking Unit:

Front-end engineering activities have been completed based on the "best in class" technologies, as available to date. Currently, dedicated engineering work is in progress to install the new compressors, which will deliver reliability improvements together with a capacity upgrade for the gas recovery section.

Revamping of the MHC-2 Unit:

During the fourth quarter of 2008 we completed the procurement of all the critical items for the revamping of this unit, and their delivery is expected within the end of 2009. Moreover, engineering activities are well advanced, to determine all details of the revamping project. Finally, work is in progress for the remediation of the area and the construction of the foundations for the new units.

Construction of the new Steam Reforming Unit:

Procurement of the critical items (reaction furnace and gas purification system) has been completed during the third quarter of 2008, and delivery is expected after January 2010. In the meanwhile, detail engineering activities are under way, as well as the remediation work in the area where the new unit will be erected.

Revamping of the Fluid Catalytic Cracking (FCC) and Alkylation Units:

The maintenance activities planned during the second quarter of 2009 are confirmed, in order to implement all the enhancements presented with the investment plan. In particular, for the FCC unit, together with the technological enhancements aimed at consolidating the excellent performance achieved in recent years, we will install also a catalyst cooler. This item will allow us to use a cheaper feedstock (heavy residues with higher carbon content), without penalising the conversion, hence increasing the overall profitability of the unit. With regard to the Alkylation unit, together with the required technological upgrades, we will undertake also some dedicated activities which will allow to increase the production of alkylated gasoline (high-octane component used in the blending of commercial gasoline), especially during the summer season, when usually the production of this specific oil product is reduced by the high temperatures.

The projects mentioned here above represent an integral part of our growth strategy, and their completion, within the timeframe which will be determined by the dedicated project team, is fundamental for the achievement of the objectives of our Group.

Next steps

2008 has been a year of solid results and excellent operational performance. Our Group grew in all its business segments, taking full benefit from the technological upgrades introduced in the previous years. 2009 instead has started with a macroeconomic context characterised by the global recession, which brought a remarkable reduction in the consumption of oil products and, just in recent weeks, is producing also a contraction in the refining margins.

However, the reduction in demand of oil products is not the only element of concern nowadays for the markets. Indeed, it should be mentioned that, during the course of 2009, new refining capacity additions are expected to come on stream, especially in Asia and Middle East.
Considering the global nature of the oil market, it is possible to anticipate that several refineries will face difficulties even here in Europe, which is the reference market for our Group. Indeed, some of our European competitors have already started to reduce runs in order to reduce the losses or even close down less efficient refineries, and it is quite possible that other refiners will follow along the same lines in the coming months. Nevertheless, the oil market is regulated by the fundamental laws of supply and demand. Hence, when some operators decide to cut runs, the global supply of refined oil products decreases, re-aligning itself with the reduced levels of consumption, and providing therefore a new support to the margins, to the advantage of those refiners which kept producing at full runs.
In this context, we believe that Saras Group is well equipped in order to resist the economic crisis better than our competitors on the European market, mainly thanks to the protection offered by the third party processing contracts, which cover approximately 35% of the total refinery runs, and also thanks to the earnings stabilisation provided by the Power Generation segments.

Moreover, in 2008 Saras refining produced yields of 53.3% in middle distillates, one of the highest values in the industry. Expert forecasts converge in the belief that this family of oil products will be the one with the highest growth potential in the mid term, thanks to their broad spread in geographic consumption, as well as their wide range of applications (i.e.: commercial and private road transportation, heating oil, power generation, jet fuel, agricolture fuels).

Therefore, when considering the above premises, and the fact that our strategy is oriented towards the achievement of organic and sustainable growth of our site, further enhancing the production of middle distillates and the operational flexibility, while also rationalising the management model, we are convinced that Saras will be able to take full benefit of the economic recovery which will follow after the current crisis.

Other Activities:

During 2008, Saras completed the analysis of the data obtained from the seismic tests undertaken on the inland exploration blocks and, so far, the results have been quite encouraging. We are currently awaiting all the additional authorisations, necessary in order to begin the offshore seismic tests. The outcome of the latter tests is essential to correctly determine the full potential of the gas reservoirs.

“2009 is expected to be a difficult year, due to the global economic crisis and the subsequent reduction in the consumption of oil products.

The market will penalise inefficient refineries, with lower complexity, forcing them to reduce runs. This will bring to a new equilibrium between supply and demand.

Saras is capable to resist to this crisis thanks to the defensive characteristics of its business model.

Moreover, our gearing towards the production of high yields in middle distillates, will allow our Group to take full benefit of the economic recovery which will follow after the current crisis.”

Outlook for 2009

Refining:

- During January and February 2009, the EMC benchmark was higher than in the previous quarters (respectively equal to 5.4 $/bl in January and 3.4 $/bl in February), sustained by gasoline, heating oil and fuel oil. In particular, gasoline crack rose sensibly versus 2008 levels, due to tightening stocks related to voluntary run cuts and maintenance in several US refineries. Heating oil was supported by an exceptionally cold winter; and fuel oil sales picked up in the middle of January due to the gas crisis between Russia and Ukraine.

- Strengthening of the USD vs. the EUR is benefiting Saras, and so far the Q1/09 average exchange rate is 1.30, versus 1.47 average for the entire year 2008. In terms of sensitivity, we could estimate that a 15% change on a yearly basis (e.g. from 1.47 to 1.25) would generate an EBITDA increase of approx. EUR 95 ÷ 105 ml/year.

- 2009 will be affected by major maintenance turnarounds. Runs are expected to be in the range of 14.4 ÷ 14.8 million tons (105 ÷ 108 million barrels) with an expected loss on EBITDA due to lower conversion capacity of approximately US dollars 60 million. Saras premium over EMC benchmark is expected to be in the range of 3.0 ÷ 4.0 $/bl. Processing contracts for 2009 will be around 35% of our refining capacity, substantially in line with 2007 levels.

- Even when considering the current context of global recession and the expected refining capacity additions announced for 2009, we believe that Europe will remain fundamentally tight in terms of desulphurisation capacity. Given Saras high conversion yields, and gearing towards ULSD production, we are well positioned to exploit the above mentioned market conditions.

- The Group's investments are estimated to be around EUR 300 ml in 2009 (versus EUR 250 ml in 2008), of which "Maintain Capacity" and "HSE" investments will account for around EUR 100 ml (versus EUR 155 ml in 2008), and "Growth" investments will be approximately EUR 200 ml, in line with the 2008-2011 investment plan.

- Saras Group will continue to focus on cashflow and debt levels. In particular, fixed costs in the Refining segment are expected to stay broadly in line with 2008. Variable costs will also be in line with 2008, but their impact is already accounted for in the EMC benchmark, which is a margin after variable costs.

Power Generation:

- The IGCC plant will be subject to a maintenance programme involving 2 gasifiers and 2 turbines. The overall electricity production is expected to be in the range of 4.3 ÷ 4.6 TWh for the full year.

- Due to the delay (9 months) present in the formula for the calculation of the fuel component, 2009 power tariff will continue to benefit from the high levels reached by crude oil prices during the first half of 2008, and only in the second half of the year shall see a reduction.

- The “incentive” component of the CIP 6/92 power tariff will expire in April 2009, as per original contract with the National Grid Operator (GSE). Due to the IFRS linearisation procedure, there will be no impact on EBITDA, while the Italian GAAP EBITDA will decrease of approximately EUR 110 ml in 2009, versus 2008.

Marketing

- We aim to consolidate the performance of 2008 and further increase the business in retail following the acquisition of the 81 fuel stations from ERG Petroleos S.A..

- Finally, the Marketing segment will also benefit from the start up of the new Biodiesel plant in Cartagena, completed in November 2008, and expected to reach full scale production in Q2/09.

Risk Analysis

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

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

Management of the risks found in the company processes is based on the principle by which the operational or financial risk is managed by the person responsible for the related process, based on the indications of top management, while the control function measures and controls the level of exposure to risk and the results of the actions to reduce the risk.

To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of cover and without resorting to complex structures.

Financial risks

Price fluctuation risk

The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, mainly 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 the inventories is subject to the fluctuations of market prices.
Also subject to variation are the electricity sale prices charged by controlled companies, as well as the prices of green certificates and emissions credits.
The price variation risk and the related financial flow risk is closely linked to the very nature of the business and can only be partly mitigated through the use of appropriate risk management policies, including agreements to refine oil for other companies at partially preset prices. To mitigate the risks deriving from price variations, the 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 buying crude and for most product sales are linked to the US dollar.

To reduce both the exchange rate risk for transactions that will be executed in the future and the risk originating from payables and receivables expressed in currencies other than the functional currency, Saras also uses derivative instruments.

Interest rate risk

Loans at variable interest rates expose the Group to the risk of variations in results and in cash flows, due to interest. Loans at fixed interest rates expose the Group to the risk of variation of the fair value of the loans received.

The main existing loan contracts are stipulated at variable market rates. The Saras Group also uses derivates to reduce the risk of variations in results and in cash flows deriving from interest.

Credit risk

The refining sector represents the Group's reference market and it is principally made up of multinational companies operating in the oil sector. Transactions executed are generally settled very quickly and are often guar-

anteed by primary credit institutions.
Retail and wholesale sales are particularly small, and in addition these are often guaranteed or insured as well.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the use of externally-sourced financing, and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit as well as fulfil contractual obligations deriving from the financing contracts entered into.

The significant capacity for self-financing, together with the low level of debt, lead us to consider that the liquidity risk is moderate.

Other risks

Risks of interruption of production

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

Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks.

However, in certain circumstances this programme may not be sufficient to prevent the Group from bearing costs in the event of an accident or an interruption in the production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment.

The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future.

Legal risk

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

The risk is therefore linked to possible unfavourable modifications to the legislation, which could have significant negative effects.

Dependencies on third parties

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

Other information

Transactions with related parties

Details in the Notes to the Consolidated Financial Statements, chapter 7.3 “Transactions with related parties”

Use of financial instruments

Details in the Notes to the Consolidated Financial Statements, chapter 7.4.3.1 “Accounting of the financial transactions”.

Group main legal actions pending

A description of the main legal proceedings is detailed in the Notes to the Consolidated Financial Statements, chapter 7.1 “**Group main legal actions pending**”.

Research and development

Saras does not have a meaningful research and development activity, therefore no significant cost where capitalized or accounted in the Income statement during 2008.

Reconciliation between Group consolidated net income and shareholders’ equity

The reconciliation between Group consolidated net income and shareholders’ equity and those of the Parent Company is detailed in the table below.

Segment information by geografic area

Information on the supply and demand markets are available in chapter “4. Information by business segment and geographical area” of the Notes to the Consolidated Financial Statements.

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

Details are available in the in Notes to the Financial Statements of Saras S.p.A. chapter “7.6.2 Shareholdings held by members of the Board of Directors, Statutory Auditors, senior Management and personnel with strategic responsibilities ”.

Non recurring and unusual transactions

We highlight that during the year there were no activities originated from nonrecurring and unusual transactions. More details are available in the Notes to the Financial Statements of Saras S.p.A. chapter “7.3 Transactions with related parties”.

Adoption of the tax consolidation regime

Details are available in the in the chapter 3.1 “Taxes” in the Notes to the Financial Statements of Saras S.p.A..

	Net Income for the period	Shareholders’ Equity
As in Saras S.p.A. financial statements as of 31st December 2008	**60.834**	**986.613**
Differences between the carrying value and the Shareholders’ Equity as of 31st December 2008 of shareholdings valued in the financial statements of Saras S.p.A. at cost value	22.063	323.632
Sarlux S.r.l. dividend transfer	(24.600)	0
IntraGroup Margin eliminations on inventories	4.690	(185)
Other	(1.165)	993
As in the consolidated financial statements as of 31st December 2008	**61.822**	**1.311.053**

Main events after the end of the year

In the first half of 2009 the Spanish subsidiary Saras Energia S.A. will be dealing with the consolidation of the service stations for which last October was signed an agreement with ERG Petroleos S.A.. At the end of the process Saras will achieve important synergies through the integration of the new service stations with the logistics already owned in the area.

For the Board of Directors
The Chairman
Gian Marco Moratti

Saras Group Consolidated Financial Statements as of 31st December 2008

Consolidated Balance Sheet as of 31st December 2008 and as of 31st December 2007

EUR thousand	(1)	(2)	31/12/2008	31/12/2007
ASSETS				
Current assets	**5.1**		**1,310,954**	**1,772,974**
Cash and cash equivalents	5.1.1	A	65,180	308,108
Other financial assets held for trading or available for sale	5.1.2	B	20,464	15,209
Trade receivables	5.1.3	C	639,326	690,162
of which with related parties:			*273*	*476*
Inventories	5.1.4	D	469,298	724,715
Current tax assets	5.1.5	E	7,770	6,131
Other assets	5.1.6	F	108,916	28,649
of which with related parties:			*0*	*8,528*
Non-current assets	**5.2**		**1,925,304**	**1,669,170**
Property, plant and equipment	5.2.1	H, I	1,377,018	1,181,154
Intangible assets	5.2.2	J	484,575	465,443
Equity interests consolidated under the equity method	5.2.3.1	K	0	13,369
Other equity interests	5.2.3.2	K	1,103	1,841
Deferred tax assets	5.2.4	W	58,953	0
Other financial assets	5.2.5	M	3,655	7,363
Total assets			**3,236,258**	**3,442,144**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**5.3**		**988,757**	**1,008,519**
Short-term financial liabilities	5.3.1	R	243,980	173,178
of which with related parties:				*1,198*
Trade and other payables	5.3.2	R	560,867	655,582
of which with related parties:			*241*	*483*
Current tax liabilities	5.3.3	W	107,746	120,922
Other liabilities	5.3.4	R	76,164	58,837
Non-current liabilities	**5.4**		**936,448**	**967,166**
Long-term financial liabilities	5.4.1	R	174,211	186,283
Provisions for risks	5.4.2	P, Z	29,195	23,296
Provisions for employee benefits	5.4.3	Q	37,494	36,680
Deferred tax liabilities	5.4.4	W	0	133,581
Other liabilities	5.4.5	R	695,548	587,326
Total liabilities			**1,925,205**	**1,975,685**
SHAREHOLDERS' EQUITY	**5.5**	**N, O, V**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			1,183,675	1,078,000
Profit/(loss) for the year			61,822	322,903
Total Shareholders' Equity			**1,311,053**	**1,466,459**
Total liabilities and Shareholders' Equity			**3,236,258**	**3,442,144**

(1) Refer to the notes to the consolidated financial figures chapter 5 "Notes to the Balance Sheet"

(2) Refer to the notes to the consolidated financial figures chapter 3.2 "Summary of accounting principles and valuations polices"

Consolidated Income Statement for the years ended 31st December 2008 and 31st December 2007

EUR thousand	(1)	(2)	01/01/2008 31/12/2008	of which non recurring	01/01/2007 31/12/2007	of which non recurring
Revenues from ordinary operations	6.1.1	S	8,555,842		6,663,671	0
of which with related parties:			*48*		*130*	
Other income	6.1.2	S	116,927		36,309	16,474
of which with related parties:			*148*		*363*	
Total revenues			8,672,769	0	6,699,980	16,474
Purchases of raw materials, spare parts and consumables	6.2.1	T	(7,677,346)		(5,364,316)	0
of which with related parties:			*0*		*(51)*	
Cost of services and sundry costs	6.2.2	T, Z	(592,948)		(454,752)	0
of which with related parties:			*(2,002)*		*(2,534)*	
Personnel costs	6.2.3	Q, T	(145,840)		(120,819)	5,731
Depreciation, amortization and write-downs	6.2.4	H , J	(167,916)		(251,245)	(87,900)
Total costs			(8,584,050)	0	(6,191,132)	(82,169)
Operating results			88,719	0	508,848	(65,695)
Net income (charges) from equity interests	6.3	K , V	421		5,067	0
of which with related parties:			*421*		*5,067*	
Other financial income/(charges), net	6.4	X	1,402		(42,041)	(2,774)
of which with related parties:			*130*		*83*	
Profit before taxes			90,542	0	471.874	(68.469)
Income tax for the year	6.7	W	(28,720)		(148,971)	51,431
Net profit/(loss) for the year			61,822	0	322,903	(17,038)
Earnings per share - base (Euro cent)		Y	6.56		33.96	
Earnings per share - diluited (Euro cent)		Y	6.56		33.96	

(1) Refer to the Notes, chapter 6 "Notes to the Income Statement"

(2) Refer to the Notes, chapter 3.2 "Summary of accounting principles and valuations polices"

Consolidated Statement of Changes in Shareholders' Equity for the Years ended from 31st December 2005 to 31st December 2008

EUR thousand	Share Capital	Legal Reserve	Other Reserves	Profit (Loss)	Shareholders Equity
Balance as of 31/12/2005	**51,183**	**10,237**	**174,706**	**292,642**	**528,768**
Capital increase (net of I.P.O. costs)	3.447		338,983		342,430
Allocation of previous period profit			152,946	(152,946)	0
Dividends			(30,485)	(139,696)	(170,181)
Shareholder's equity increase related to the fair value evaluation of assets and liabilities of the 55% Sarlux stake			188,940		188,940
Profit (loss) for the year				395,425	395,425
Balance as of 31/12/2006	**54,630**	**10,237**	**825,090**	**395,425**	**1,285,382**
Allocation of previous period profit		689	252,086	(252,775)	0
Dividends				(142,650)	(142,650)
Reserve for employees stock plan			2,106		2,106
Share buyback			(1,975)		(1,975)
Effect of Corporate tax rate reduction (IRES/IRAP)			693		693
Profit (loss) for the year				322,903	322,903
Balance as of 31/12/2007	**54,630**	**10,926**	**1,078,000**	**322,903**	**1,466,459**
Allocation of previous period profit			162,060	(162,060)	0
Dividends				(160,843)	(160,843)
Reserve for employees stock plan			2,460		2,460
Share buyback			(70,307)		(70,307)
Share premium reserve adjustment			615		615
Shareholder's equity increase related to the fair value evaluation of asset of Sardeolica S.r.l. for the stake of 70%			10,373		10,373
Renounce of receivable from minority shareholder of the subsidiary Parchi Eolici Ulassai S.r.l.			474		474
Profit (loss) for the year				61,822	61,822
Balance as of 31/12/2008	**54,630**	**10,926**	**1,183,675**	**61,822**	**1,311,053**

Consolidated Cashflow Statements as of 31st December 2008 as of 31st December 2007

EUR thousand		01/01/2008 31/12/2008	01/01/2007 31/12/2007
A - Cash and cash equivalents at the beginning of period	(1)	308,108	217,604
B - Cash generated from/(used in) operating activities			
Profit/(Loss) for the period of the Group	5.5	61,822	322,903
Amortization, depreciation and write-down of fixed assets	6.2.4	167,916	251,245
Net (income)/charges from equity interests	6.3	(421)	(3,399)
of which with related parties:		*(421)*	*(3,399)*
Net change in provisions for risks and charges	5.4.2	5,899	(1,189)
Net change in employee benefits	5.4.3	801	(8,751)
Net Change in tax liabilities and tax assets	5.2.4-5.4.4	(193,462)	(27,506)
Income tax	6.4	28,720	148,971
Profit (Loss) from operating activities before changes in working capital		71,275	682,274
(Increase)/Decrease in trade receivables	5.1.3	56,147	(115,679)
of which with related parties:		*203*	*618*
(Increase)/Decrease in inventory	5.1.4	256,067	(124,913)
Increase/(Decrease) in trade and other payables	5.3.2	(99,006)	103,960
of which with related parties:		*(242)*	*(112)*
Change in other current assets	5.2.5-5.1.6	(78,914)	73,314
of which with related parties:		*8,528*	*23*
Change in other current liabilities	5.3.3-5.3.4	167,072	86,650
Income tax paid		(191,463)	(156,552)
Change in other non-current liabilities	5.4.5	108,165	72,560
Other non cash items		0	949
Total (B)		289,343	622,563
C - Cash flow from (to) investment activities			
(Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization	5.2.1-5.2.2	(275,685)	(209,922)
Change in equity interests valued under the equity method	5.2.3.1	(1,420)	(649)
Change in other equity interests	5.2.3.2.	773	0
Acquisition of 30% PEU Srl	5.2.3.1.1	(32,000)	0
Interest received/(paid)		(14,485)	(12,136)
of which with related parties:		*130*	*83*
Total (C)		(322,817)	(222,707)
D - Cash generated from/(used in) financing activities			
Increase/(Decrease) in medium/long term borrowings	5.4.1	(76,807)	(136,388)
(Increase)/Decrease in other financial assets	5.1.2-5.2.5	10,891	(1,395)
Increase/(Decrease) in short term borrowings	5.3.1	62,389	(28,919)
of which with related parties:		*1,198*	*1,197*
Buyback own shares	5.5	(70,307)	0
Dividend distribution to shareholders	5.5	(160,843)	(142,650)
Other non-monetary movements	5.5	13,922	0
Total (D)		(220,755)	(309,352)
E - Cashflow for the period (B+C+D)		(254,229)	90,504
F - Cash from new consolidated subsidiaries			
PEU S.r.l.		11,301	
G - Cash and cash equivalents at the end of period		65,180	308,108

(1) Please refer to Chapter 5 "Notes to the Balance sheet" and 6 "Notes to the Income Statement"

For the Board of Directors
The Chairman - Gian Marco Moratti

Table of contents of the Notes to the Consolidated Financial Statements at 31st December 2008

5. Notes to the balance sheet

6. Notes to the income statement

7. Other information

8. Publication of the consolidated results

Notes to the Consolidated Financial Statements for the year ending 31st December 2008

1. Preliminary comments

Saras S.p.A. (the "parent company") is a company limited by shares with registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy and is 62.46% owned (excluding own shares) by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan).

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

This consolidated report for the year ending 31st December 2008, is presented in euro, since the euro is the currency of the economy in which the Group operates. It consists of a balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousand euro, unless otherwise stated.

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

The consolidated financial statements of the Group for the year ending 31st December 2008 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002. Pursuant to this regulation, Legislative Decree 38 was issued on 20th February 2005, introducing the obligation to incorporate IFRS into Italian law, and extending it to the preparation of annual accounts by companies having equity or debt securities listed on a regulated market in the EU from the 2006 financial year.
The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), endorsed by the European Commission as of the date the draft consolidated financial statements of the Group and the separate statements of Saras S.p.A were approved by its Board of Directors and set out in the relevant EU regulations published as of that date.

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

- balance sheet: assets and liabilities are shown separately, according to liquidity;
- income statement: profit and loss items are presented according to their nature;
- cash flow statement: this is presented using the indirect method, which differentiates between financial flows deriving from operating, investment and financial activities.

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

3. Accounting principles applied

The IASB and IFRIC have approved some changes to and interpretations of the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1st January 2008. They have also approved some changes in interpretations already issued but applicable to accounts referring to periods beginning after 1st January 2008.
The following new documents issued by the IASB and approved by the EU, which must be adopted for the financial years starting from 1st January 2008, had no effect on the Saras Group's financial statements:

- IFRIC interpretation 11 of IFRS 2 (Group and Treasury Share Transactions), relating to share-based payments;
- amendments to IAS 39 and IFRS 7: some assets, excluding derivatives contracts, may be reclassified on the balance sheet, from "Assets held for trading" valued at fair value in the income statement to "Assets available for sale" with the change in the fair value recorded under equity or, in the case of loans or credits held to maturity, to "Loans" valued at cost (nominal or effective interest rate). The Saras Group has decided not to apply this.

From 2009 the following international accounting standards and interpretations published in the Official Journal of the European Union will apply:

- IFRS 8 – Operating Segment, will substitute IAS 14 – Segment Information; compared to the later, the information required is integrated by an analysis on products and services supplied and on main customers;
- IAS 23 – Financial Charges; elimination of the alternative treatment regarding the capitalization of the financial charges. Therefore it becomes mandatory the capitalisation of the financial charges directly related to the acquisitions, the production or construction of the asset, where there is a period of time meaningful before it becomes available for the utilisation;
- IFRS 2 – Amendments – Vesting conditions and Cancellations. Are expected changes regarding the conditions of the "vesting" and the relative cancellation;
- IFRIC 13 – Customer Loyalty programmes
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IAS 1 – Presentation of Financial Statements
- IAS 32 – IAS 1 – amendments – Puttable Financial Instruments and Obligations Arising on Liquidation;
- IFRS 1 – IAS 27 – amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

Are under review the impact valuations of such changes for the Group.

3.1 Consolidation method

The consolidated financial statements include the statements of the parent company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which said control ceases to exist. In particular, control is exercised by virtue of the parent company directly or indirectly owning the majority of shares carrying voting rights and due to the exercise of a dominant influence that is expressed in the power to determine, including indirectly and by virtue of any existing contractual or legal agreements, the financial and operating policies of the entities involved, thereby obtaining benefits from their activities, regardless of shareholding relationships. The existence of any potential voting rights that may be exercised at the reporting date is taken into consideration in determining whether control exists.
The financial statements included in the consolidation have been drawn up at 31st December and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, which are adjusted where necessary for the purposes of consistency with the accounting standards adopted by the parent company. Not included in the basis of consolidation (and therefore not consolidated on a line-by-line basis) are those subsidiaries whose consolidation would not have a significant effect from either a quantitative or qualitative point of view, for the purpose of a fair presentation of the Group's financial position, operating results and cash flows. These entities are accounted at cost as described below. Subsidiaries that are consolidated on a line-by-line basis and non-consolidated subsidiaries that are included in the Group's basis of consolidation are listed in the schedule below:

Consolidated on a line-by-line basis	**% owned**
Arcola Petrolifera S.p.A.	100%
Arcola Petrolifera S.p.A.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiaries:	100%
Nova Eolica S.r.l.	100%
Eolica Italiana S.r.l.	100%
Labor Eolica S.r.l.	100%
Alpha Eolica S.r.l.	100%
Akhela S.r.l.	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%
Affiliates valued at cost given their non significance	
Dynergy S.r.l.	37.5%
Hangzhou Dadi Encon Environmental Equipment Co,	37.5%
Other investments of insignificant value (valued at cost)	
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Consorzio Techno Mobility	17.4%
Sarda Factoring	6.0%
I.C.T. Competence Centre	0.5

The subsidiary Parchi Eolici Ulassai S.r.l. (and its 100% subsidiary Sardeolica S.r.l.) was previously consolidated at equity as it was a joint venture. Following the acquisition of the remaining 30% of the capital by parent company Saras S.p.A. on 30th June 2008, it is now fully consolidated on a line-by-line basis. Please refer to note 5.2.3.1.1 "Acquisitions and company mergers" for further information.

Over the year subsidiary Ensar S.r.l.:

1. acquired total control of subsidiary Nova Eolica S.r.l., previously consolidated at equity. The company is therefore now fully consolidated on a line-by-line basis;
2. acquired all shares in Labor Eolica S.r.l. and Alpha Eolica S.r.l. Both of these Romania-based companies operate in the renewable energy sector.

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 income statement;

[II] business combinations that lead to the control of an entity being acquired are accounted for using the purchase method. The cost of acquisition equates to the fair value on the date on which the entity's assets and liabilities, any equity instruments issued and any other directly attributable ancillary expenses are acquired. Where positive, the difference between the acquisition cost and the fair value of the assets and liabilities acquired is allocated to the item "goodwill". Where negative, it is charged to the income statement, once it has been verified again that the fair values of the asset and liabilities acquired, along with acquisition cost, have been correctly measured;

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

[IV] gains and losses arising from the transfer of equity interests in consolidated companies are charged to the income statement for amounts corresponding to the difference between the selling price and the percentage of consolidated shareholders' equity effectively transferred.

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

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

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

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

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

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

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

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

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

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

3.2 Summary of accounting principles and policies

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

The main valuation policies used are described below.

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are reported at fair value with any gains reported in the income statement under "Other net financial income (charges)".

Green certificates are attributed in respect of the generation of energy from renewable sources when the energy produced enters the grid: they are recorded under financial assets held for trading with an offsetting entry under revenues from ordinary operations. They are valued at the average market value for the year. Capital gains and losses arising from the sale of certificates in different financial years from when they were attributed are recorded respectively under revenues from ordinary operations and costs for the provision of services and miscellaneous costs.

C Trade receivables

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

D Inventories

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

E Current tax assets

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

F Other assets

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

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment.

The cost includes every charge that is incurred directly to make the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

Maintenance and repair charges are charged directly to the income statement in the period in which they are incurred. Costs relating to the expansion, modernisation or improvement of facilities owned by Saras or used by third parties are only capitalised up to the limits within which they fulfil the conditions for separate classification as an asset or part of an asset in accordance with the component approach. Similarly, the costs of replacing the identifiable components of complex assets are recognised as assets and depreciated in relation to their useful life; the residual value of components thus replaced is charged to the income statement.

Government grants relating to capital expenditure are deducted from the purchase price or production cost of the relevant assets when the conditions necessary for receiving them have been met.

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

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

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

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

Land is not depreciated.

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 balance sheet under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

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

J Intangible assets

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

[I] Goodwill

Goodwill is the excess cost incurred over net fair value, as recorded on the acquisition date, when acquiring assets and liabilities forming businesses or business units. Goodwill relating to investments valued at equity is included in the value of the investments. It is not systematically amortised but instead undergoes a periodic test to ascertain whether the amount carried on the balance sheet is appropriate. This test is carried out with regard to the cash generating unit to which goodwill is to be allocated. Any reduction in goodwill is recognised where the recoverable amount of goodwill is less than its carrying amount; by recoverable amount we mean the higher of the fair value of the cash generating unit, less cost of disposal, and its value in use, which is the present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life.

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

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

In case of previous write-down related to asset devaluation, the value of the goodwill is not recovered.

[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 Saras; the recoverability of the book 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 for the exploration and valuation of mineral resources, that is:

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

K Equity investments valued at equity and other interests

These items include investments in entities other than subsidiaries and consolidated companies, as defined in section 3.1 above, i.e. joint ventures and companies in which a minority interest is held.

The investments included under "Other interests" are measured at fair value through profit or loss. Where fair value cannot be determined reliably or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 36.

L Impairment of assets

At each reporting date of the annual financial statements, tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators, originating from internal or external sources, of impairment. Where such indicators exist, the recoverable value of these assets is estimated and any write-down duly charged to the income statement. The recoverable value of an asset is the greater of its fair value less disposal cost and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned. The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the book 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.

M Other financial assets

Credits 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 book value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

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

N Own shares

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

O Shareholders' equity

[I] Share capital

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

[II] Reserves

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

[III] Stock plans for Group employees and management

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

P Provisions for risks and 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, also related to attainment of the bond, the amount of which can be reasonably assessed. This amount represents the best discounted estimate of the sum that must be paid to discharge the obligation. The rate used to determine the present value of the liability reflects current market values and includes the additional effects of the specific risk associated with each liability.

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

Q Provisions for employee benefits

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

From 1st January 2007, the Italian budget law and related implementing decrees introduced significant changes governing employee end-of-service payments, including 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 fifty employees, or allocated to INPS if it has more than fifty employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31st December 2006
  The end-of-service payments due to employees pursuant to article 2120 of the civil code are treated in the same way as defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a predetermined period of service. The liability relating to employee end-of-service payments is entered on the balance sheet based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the balance sheet requires the amount of benefits accrued by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the Group's commitments. The present value of the Group's commitments is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of accrued benefit methods, considers every period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be

quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number of years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.
The costs accrued for the year in respect of defined benefit plans is recorded in the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements accrued by current employees and the annual interest accrued on the present value of the Group's commitments at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average residual duration of the liabilities.
The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported in the income statement.

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

In accordance with the new regulations the entitlements accrued up to 31st December 2006 have also been reviewed; the resulting effect (considered a "curtailment") has been booked under personnel costs in 2007.

R Financial liabilities, trade and other payables and other liabilities

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

S Recognition of revenues

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

T Recognition of costs

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

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

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

V Dividends

[A] Dividends received

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

[B] Dividends paid out

The payment of dividends to parent company shareholders is recorded as a liability on the balance sheet of the period in which the distribution was approved by the company's shareholders.

W Taxes

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

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

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

Changes in tax rates due to regulatory amendments are booked in the year in which the changes were enacted or substantially enacted; the relative 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 taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.
Other taxes not related to income, such as property taxes, are included under "Operating costs".

The parent company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), for the minimum period allowed under the option pursuant to articles 117-128 of the consolidated law on income tax. Any tax losses received (or portion thereof used at the time of consolidation) are recognised as an amount equal to the current IRES rate.

X Derivatives

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

They are classified as hedging instruments when the relationship between the derivative and the item being hedged is formally documented and the effectiveness of the hedge, verified periodically, is high.

When derivatives hedge the risk of changes in the fair value of the underlying items (fair value hedges, e.g. hedging the variability of the fair value of fixed-rate assets/liabilities), they are recorded at fair value in the income statement; at the same time, the hedged items are adjusted to reflect the changes in fair value associated with the risk hedged. When derivatives hedge the risk of changes in cash flows from the underlying items (cash flow hedges, e.g. hedging the variability of cash flows generated by assets/liabilities due to exchange rate fluctuations), the changes in the fair value of the derivatives are initially recognised under equity and subsequently taken to the income statement in the same period in which the economic effects of the hedged items are recorded in the income statement.

All derivatives, including those relating to commodities, that do not meet the requirements for hedge accounting laid down by IAS 39, are recorded at fair value in the income statement, with the change in the fair value of the instrument carried under the heading "Other net financial income (charges)".

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

Y Earnings per share

[I] Basic EPS

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

[II] Diluted EPS

Diluted EPS is calculated by dividing Group operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding own shares. For the purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while Group net profit is adjusted to take into account the effects of the conversion net of taxes. Diluted EPS is not calculated in the case of losses, since any dilution effect would lead to improved earnings per share.

Z Emissions trading

Legislative decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase on the market allowances, or credits, representing the excess CO_2. If the credits allocated and purchased during the period are less than required, the market value of the shortfall is recorded under "Provisions for risks". If the credits allocated and purchased are more than required, the market value of the surplus is recorded under "Intangible assets".

AA Segment information

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

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

3.3 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methods that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, namely the balance sheet, income statement 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 machinery is depreciated on a straight-line basis over the estimated useful life of the assets concerned. The useful life of the Group's assets is determined by the directors at the time they are purchased; it is based on past experience for similar assets, market conditions and expectations as to future events that could affect their useful life, such as changes in technology. Their actual useful life could therefore differ from the estimate. The company periodically assesses technological changes and industry developments, dismantling and disposal costs and recoverable value in order to adjust the asset's remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

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

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

[IV] Revenues from electricity sold by subsidiary Sarlux S.r.l. to Italian grid operator GSE (Gestore dei Servizi Elettrici S.p.A.): these revenues are affected by their being linearised in connection with the fact that the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a linear basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs; in the years ahead, oil 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 comments

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

1. Refining activities concern the following:

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

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

[B] revenues from refining activities undertaken on behalf of third parties, which represent the only income from refining activities that the parent company carries out on behalf of third parties; this service is provided to major clients such as ENI, Statoil-Hydro and Shell.

2. Marketing activities concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above regarding refining. These activities are undertaken:
- in Italy, by Arcola Petrolifera S.p.A. for off-network customers (wholesalers, buying consortia, local authority-owned utility companies and resellers) and oil companies (ENI, Tamoil, Total, etc.) through a logistics network comprising both its own bases (at Arcola and Sarroch) and

those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Fiorenzuola, Marghera, Pesaro, Ravenna);

- in Spain, by Saras Energia S.A. for third-party and Group-owned service stations, supermarkets and resellers by way of an extensive network of depots spread across the entire Iberian peninsula, the most important of which, the Cartagena depot, is owned by the company itself.

3. The generation of power by the combined-cycle plant relates to:
   - the sale of electricity produced at the Sarroch power plant owned by Sarlux S.r.l., a wholly-owned subsidiary. This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Elettrici S.p.A.), with sales benefiting from the special tariff scheme laid down in CIP 6/92;

4. Wind power is generated:
   - by the Ulassai wind farm owned by subsidiary Sardeolica S.r.l. (100%-owned by subsidiary Parchi Eolici Ulassai S.r.l.).

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

4.2 Segment information

31st December 2007	Refining	Marketing	Power generation	Wind power	Other	Total
Revenues from ordinary operations	6,005,379	1,988,132	507,140		46,050	8,546,701
deduction: revenues infrasector	(1,834,827)	(356)	(31,947)		(15,900)	(1,883,030)
Revenues from third parties	**4,170,552**	**1,987,776**	**475,193**		**30,150**	**6,663,671**
Other revenues	48,163	2,952	12,834		12,043	75,992
deduction: revenues infrasector	(26,490)	(254)	(12,337)		(602)	(39,683)
Other revenues from third parties	**21,673**	**2,698**	**497**		**11,441**	**36,309**
Operating profit (a) (c)	**437,422**	**50,295**	**12,355**		**8,776**	**508,848**
Net income from non-consolidated equity investments						
- Parchi Eolici Ulassai S.r.l.				4,768		4,768
- Xanto S.r.l. in liquidation					250	250
- Consorzio Ricerche Associate a r.l.					49	49
Total				**4,768**	**299**	**5,067**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,634,567**	**547,046**	**1,223,916**		**36,615**	**3,442,144**
of which:						
Equity investments valued at equity				**13,369**		**13,369**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**924,913**	**150,360**	**881,302**		**19,110**	**1,975,685**
Investments in tangible assets	167,582	9,567	20,050		1,550	198,749
Investments in intangible assets	9,649	1,000	0		524	11,173
31st December 2008						
Revenues from ordinary operations	7,820,135	2,597,516	565,138	4,817	45,185	11,032,791
deduction: revenues infrasector	(2,408,880)	(1,908)	(45,520)	0	(20,641)	(2,476,949)
Revenues from third parties	**5,411,255**	**2,595,608**	**519,618**	**4,817**	**24,544**	**8,555,842**
Other revenues	121,672	5,078	99,755	3,752	4,211	234,468
deduction: revenues infrasector	(99,629)	(1,047)	(16,494)	0	(371)	(117,541)
Other revenues from third parties	**22,043**	**4,031**	**83,261**	**3,752**	**3,840**	**116,927**
Operating profit (a) (c)	**30,029**	**(63,180)**	**124,035**	**(2,742)**	**577**	**88,719**
Net income from non-consolidated equity investments						
- Parchi Eolici Ulassai S.r.l.				1,367		1,367
- Nova Eolica S.r.l.					(952)	(952)
- Other					6	6
Total				**1,367**	**(946)**	**421**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,325,686**	**441,468**	**1,315,863**	**112,809**	**40,432**	**3,236,258**
of which:						
Equity investments valued at equity						**0**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**766,463**	**154,025**	**900,238**	**84,718**	**19,761**	**1,925,205**
Investments in tangible assets	179,293	45,902	26,528	89	946	252,758
Investments in intangible assets	2,840	0	0	20,989	895	24,724

(a) Operating profit is determined without taking into account intra-segment eliminations

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

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

4.3 Breakdown by geographical area

Directly attributable assets and investments by geographical location:

	31/12/2008	31/12/2007	Change
Directly attributable assets			
Italy	2,914,535	3,056,307	(141,772)
Rest of EU	321,723	385,837	(64,114)
Total	**3,236,258**	**3,442,144**	**(205,886)**
Investments in tangible and intangible assets			
Italy	231,921	200,391	31,530
Rest of EU	45,561	9,531	36,030
Total	**277,482**	**209,922**	**67,560**

Net revenues from ordinary operations by geographical area:

	31/12/2008	31/12/2007	Change
Sales in Italy	3,774,301	2,900,269	874,032
Sales in Spain	2,044,875	1,788,113	256,762
Sales in other EU countries	868,699	368,585	500,114
Sales in non-EU countries	1,858,233	1,521,149	337,084
Sales in US	9,734	85,555	(75,821)
Total	**8,555,842**	**6,663,671**	**1,892,171**

Amounts are shown net of inter-company eliminations.

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

	31/12/2008	31/12/2007	Change
Italy	476,288	353,024	123,264
Spain	91,269	169,604	(78,335)
Other EU countries	21,283	25,683	(4,400)
Non-EU countries	59,286	149,626	(90,340)
US	322	14	308
Allowances for doubtful accounts	(9,122)	(7,789)	(1,333)
Total	**639,326**	**690,162**	**(50,836)**

5. Notes to the balance sheet

The most significant changes to the balance sheet and income statement compared to the previous year are shown below.

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2008	31/12/2007	Change
Bank and postal deposits	65,064	308,013	(242,949)
Cash	116	95	21
Total	**65,180**	**308,108**	**(242,928)**

Bank deposits were mainly attributable to Sarlux S.r.l. (EUR 27,402 thousand, including cash contractually due for future loan repayments), Sardeolica S.r.l. (EUR 12,104 thousand), Saras S.p.A. (EUR 3,316 thousand) and Arcola Petrolifera S.p.A. (EUR 10,648 thousand). For further details, please refer to section 5.4.1 “Long-term financial liabilities” and the cash flow statement.

5.1.2 Other financial assets held for trading

This item (EUR 20,464 thousand) mainly includes Italian and foreign equities and government bonds held by the parent company (EUR 15,844 thousand) and green certificates (EUR 4,612 thousand) obtained by subsidiary Sardeolica S.r.l. for the generation of energy from renewable sources during the year and still held on the closing date. Gains and losses for the period, together with changes in fair value occurring during the period, are recorded in the income statement under the item “Other net financial income (charges)”.
Changes in the item are as follows:

INVESTMENTS	
Balance at 31/12/2006	**13,816**
Increase for financial year	12,229
Decrease for financial year	(10,836)
Balance at 31/12/2007	**15,209**
Increase for financial year	15,204
Decrease for financial year	(14,561)
Balance at 31/12/2008	**15,852**
GREEN CERTIFICATES	
Balance at 31/12/2007	**16,364**
Increase for financial year	10,570
Decrease for financial year	(22,322)
Balance at 31/12/2008	**4,612**

From 30th June 2008 this item includes the green certificates obtained by subsidiary Sardeolica S.r.l. for the generation of wind energy. These certificates are awarded when the energy is generated and are sold on a regulated market or through bilateral agreements between the operators of this market. The certificates accrued over the year were valued at average market prices, or EUR 75.93 /MWh for 2008. The decreases due to the sale of green certificates accrued this year or in previous years, are valued at sales price.

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2008	31/12/2007	Change
Clients	639,326	689,775	(50,449)
From non-consolidated Group companies	0	387	(387)
Total	**639,326**	**690,162**	**(50,836)**

Trade receivables decreased versus the previous year, owing essentially to the fall in the price of oil products in the last part of the year.

For a breakdown of maturities, please see point 7.4.4.1.

5.1.4 Inventories

The following table shows the balance for inventories and the changes that occurred during 2008:

	31/12/2008	31/12/2007	Change
Inventories:			
Raw materials, replacements parts and consumables	168,235	206,366	(38,131)
Semi-finished products and work in progress	26,581	66,876	(40,295)
Finished products and good held for resale	263,444	441,457	(178,013)
Advance payments	11,038	10,016	1,022
Total	**469,298**	**724,715**	**(255,417)**

The decrease in the value of inventories is attributable to a general fall in prices, which was partly offset by a rise in the quantities of crude oil and finished products held at the end of the period.

The recording of inventories at net realisable value includes a write-down of around EUR 108.8 million (EUR 0.3 million the previous year). This valuation is thus equivalent to the market value.

No stocks are put up as guarantees for liabilities.

The item “Finished products and goods held for resale” includes around 491,000 tons of oil products (valued at around EUR 113 million) held in accordance with Legislative Decree 22 of 31st January 2001; in addition, the subsidiary Saras Energia S.A. holds mandatory stocks pursuant to Spanish legislation of around 367,000 cubic metres of oil products (valued at around EUR 112 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of around EUR 88 million at 31st December 2008 (EUR 239 million at 31st December 2007).

5.1.5 Current tax assets

Current tax assets amounting to EUR 7,770 thousand (EUR 6,131 thousand at 31st December 2007) are detailed below.

	31/12/2008	31/12/2007	Change
VAT	3,939	2,684	1,255
IRAP (regional income tax)	500	480	20
Other tax credits	3,331	2,967	364
Total	**7,770**	**6,131**	**1,639**

The VAT credit refers to the surplus payment for December.
The other tax credits include credits for the reimbursement of the unloading tax for intra-EU traffic.

5.1.6. Other current assets

The balance is detailed below:

	31/12/2008	31/12/2007	Change
Accrued Income	2,106	2,492	(386)
Prepayments	11,064	10,574	490
Other receivables	95,746	7,055	88,691
Loans to non-consolidated Group companies	0	8,528	(8,528)
Total	**108,916**	**28,649**	**80,267**

Deferred charges mainly refer to insurance premiums (EUR 7,647 thousand).

Other receivables" mainly comprise:

- the receivable of EUR 83,175 thousand, due to subsidiary Sarlux S.r.l. and resulting from the recognition pursuant to section II, point 7-*bis* of CIP provision 6/92, of the repayment of expenses relating to the application of Directive 2003/87/EC (Emissions Trading) and AEEG Resolution 77/08, with reference to the previous three-year period (EUR 9,269 thousand) and to 2008 (EUR 73,906 thousand);
- the fair value of derivatives at 31st December 2008, of EUR 2,474 thousand
- margin deposits on derivative transactions of EUR 4,189 thousand

The fair value of financial derivatives is shown in detail in the table below:

	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Interest rate swaps		(541)		
Fair value of currency options				
Fair value of forward purchases and sales of commodities (oil & other oil products)	3,015	0	1,365	(2,305)
Total	**3,015**	**(541)**	**1,365**	**(2,305)**

The valuation at fair value of the derivatives outstanding at 31st December 2008 had a positive net impact on the income statement of EUR 830 thousand (versus a negative net impact of EUR 11,749 thousand the previous year), as shown in section 6.4 below.

The following tables show notional values and relating fair values of derivatives outstanding at 31st December 2007 and 31st December 2008:

Type of transaction	Interest rate			Other		
Figures at 31/12/2007	**Notional value**	**Fair value Pos.**	**Fair value Neg.**	**Notional value**	**Fair value Pos.**	**Fair value Neg.**
Financial derivatives						
Futures						
purchases				(16,533)		(1,380)
sales				16,533	367	
Swaps						
Oil products				1,284	998	(925)
Total	**0**	**0**	**0**	**1,284**	**1,365**	**(2,305)**

Type of transaction	Interest rate			Other		
Figures at 31/12/2008	**Notional value**	**Fair value Pos.**	**Fair value Neg.**	**Notional value**	**Fair value Pos.**	**Fair value Neg.**
Financial derivatives						
Futures						
purchases				(56,954)	8,474	
sales				53,594		(5,460)
Swap						
Interest rates	48,047		(541)			
Total	**48,047**	**0**	**(541)**	**(3,360)**	**8,474**	**(5,460)**

In the previous year, "Financial receivables from non-consolidated Group companies" included receivables from subsidiaries Nova Eolica S.r.l., Sardeolica S.r.l. and Parchi Eolici Ulassai S.r.l. related to short-term loans. In 2008, these companies were consolidated on a line-by-line basis.

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

COST	31/12/2007	Addition	(Disposals)	Revaluations (write-down)	Other changes	31/12/2008
Land & buildings	148,246	865	(4)		9,939	159,046
Plant & machinery	1,994,922	12,276	(2,363)		321,428	2,326,263
Industrial & commercial equipment	15,487	218			2,958	18,663
Other assets	423,524	1,234	(534)		24,794	449,018
Work in progress and advances	182,865	238,165			(243,595)	177,435
Total	**2,765,044**	**252,758**	**(2,901)**	**0**	**115,524**	**3,130,425**

ACCUMULATED DEPRECIATION	31/12/2007	Addition	(Disposals)	Revaluations (write-down)	Other changes	31/12/2008
Land & buildings	44,040	5,234	(4)		(610)	48,660
Plants & machinery	1,221,582	103,989	(2,110)		41,497	1,364,958
Industrial & commercial equipment	11,456	2,050			467	13,973
Other assets	306,812	19,467	(500)		37	325,816
Total	**1,583,890**	**130,740**	**(2,614)**	**0**	**41,391**	**1,753,407**

NET BOOK VALUE	31/12/2007	Addition	(Disposals)	(Depreciation)	Other changes	31/12/2008
Land & buildings	104,206	865	0	(5,234)	10,549	110,386
Plants & machinery	773,340	12,276	(253)	(103,989)	279,931	961,305
Industrial & commercial equipment	4,031	218	0	(2,050)	2,491	4,690
Other assets	116,712	1,234	(34)	(19,467)	24,757	123,202
Work in progress and advances	182,865	238,165	0		(243,595)	177,435
Total	**1,181,154**	**252,758**	**(287)**	**(130,740)**	**74,133**	**1,377,018**

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

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

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

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 167,130 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The residual value of these grants was EUR 16,144 thousand at 31st December 2008, compared to EUR 27,852 thousand at 31st December 2007.

The item “Land and buildings” includes industrial buildings used as offices and warehouses (net value: EUR 69,397 thousand), civic buildings in Cagliari and Rome used as offices (net value: EUR 2,536 thousand) and land largely relating to the Sarroch and Arcola sites belonging to the parent company and subsidiary Arcola Petrolifera S.p.A. respectively (net value: EUR 38,453 thousand).

The item “Plant and machinery” mainly relates to the refining and combined-cycle power plants in Sarroch.

The item “Industrial and commercial equipment“ includes equipment for the chemicals laboratory and the control room for the parent company’s refining activities, plus miscellaneous production equipment.

“Other assets” mainly include tanks and pipelines used to carry products and crude oil for both the parent company and the groups trading companies (Saras Energia and Arcola).

The item “Work in progress and advances” reflects costs mainly relating to investments in tanks, and work to adapt and upgrade existing plants, particularly for environmental, safety and reliability purposes. Increases in the period totalled EUR 252,758 thousand and mainly referred to work on the parent company’s FCC, gasoline desulphurisation (U800) and tail gas treatment (TGTU) plants and tanks. The decrease of EUR 243,6 million recorded under “Other changes” refers to work finished during the year and consequently recorded under the related asset class.

The “Other changes” column also includes the value of assets belonging to subsidiary Sardeolica S.r.l. (consolidated on a line-by-line basis from 30th June 2008) totalling EUR 75.4 million, as set out in section 5.2.3.1.1 “Acquisitions and company mergers”, and the transfer of fixed assets completed during the year.

The most significant annual depreciation rates used are shown below:

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

No fixed assets are held for sale.

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

Leased assets, booked as “Vehicles”, totalled EUR 14,663 thousand, with a residual net value of zero.

No financial charges were capitalised during 2008. But we capitalised internal costs for EUR 4,824 thousands.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

CATEGORY	31/12/2007	Additions	Disposals	Other changes	(Amortisation)	31/12/2008
Industrial & other patent rights	1,782				(1,782)	0
Concessions, licences, trademarks & similar rights	29,295	1,877		21,771	(2,439)	50,504
Goodwill	2,515	20,968				23,483
Assets in progress & payments on account	9,050	1,879		(230)		10,699
Other intangible assets	422,801			10,043	(32,955)	399,889
Total	**465,443**	**24,724**	**0**	**31,584**	**(37,176)**	**484,575**

CATEGORY	31/12/2006	Additions	Disposals	Other changes	(Amortisation)	31/12/2007
Industrial & other patent rights	1,520	1,259		257	(1,254)	1,782
Concessions, licences, trademarks & similar rights	30,807			69	(1,581)	29,295
Goodwill	2,515					2,515
Assets in progress & payments on account	402	8,996		(348)		9,050
Other intangible assets	549,106	918		523	(127,746)	422,801
Total	**584,350**	**11,173**	**0**	**501**	**(130,581)**	**465,443**

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights

The balance mainly refers to the effects deriving from the acquisition of Estaciones de Servicio Caprabo S.A.(Saras Energia Red S.A.) in 2006, now merged into Saras Energia S.A.; the fair value measurement of assets and liabilities of the acquired company generated the booking of an intangible asset classified as a concession in order to reflect the contractual conditions that provide for the reinstatement of tangible assets after 20 years.

Goodwill

This item mainly refers to goodwill paid for the purchase of 30% of subsidiary Parchi Eolici Ulassai S.r.l., as described in section 5.2.3.1.1."Acquisitions and company mergers".

Other intangible assets

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

The dispute with the AEEG (gas and electricity regulator) regarding the avoided fuel cost component of the sales tariff for electricity generated by Sarlux S.r.l. and sold to GSE, after an initial ruling by the regional administrative court (TAR) in favour of Sarlux, was lost by the company in the high court (Consiglio di Stato) at the end of January 2008.
The consequent reduction in the tariff meant it was necessary to recalculate the value of the existing agreement between the subsidiary Sarlux S.r.l. and GSE.

The new valuation of the agreement, calculated by an independent expert using mainly the discounted cash flow method, meant it was necessary to write down in the previous year the value of the agreement by EUR 87,900 thousand, which was booked in addition to the amortisation charge for the period.

Intangible assets in progress and payments on account

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

The "Other changes" column also includes the value of assets belonging to subsidiary Sardeolica S.r.l. (consolidated on a line-by-line basis from 30th June 2008) of EUR 27.9 million as detailed in section

Amortisation of intangible assets totalled EUR 37,176 thousand, and was calculated using the annual rates shown below:

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

No intangible assets with a finite useful life are held for sale, while were capitalized internal costs for EUR 4,824 thousands.

5.2.3 Equity investments

The table below shows a list of equity investments held at 31st December 2008, with the main figures relating to each subsidiary.

Company name	Registered office	Currency	Share Capital	% owned by Group as of 12/08	% owned by Group as of 12/07	% Share Capital	Shareholder	% of voting right	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	EUR	10,000	100.00%	20.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucharest (Romania)	EUR	251	100.00%	0.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucharest (Romania)	EUR	251	100.00%	0.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l.	Uta (CA)	EUR	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sarint S.A. and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary :	Cagliari	EUR	500,000	100.00%	70,00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect Subsidiary
Dynergy S.r.l.	Genoa	EUR	179,000	37.50%	37.50%	37.50%	Saras Ricerche e Tecnologie S.p.A.	37.50%	Subsidiary
Hangzhou Dadi Encon Environmental Equipment Co.	Hangzhou	RMB*	14,050,200	37.50%	37.50%	37.50%	Saras Ricerche e Tecnologie S.p.A.	37.50%	Associated company
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Associated company
Consorzio La Spezia Energia	La Spezia	EUR	50,000	5.00%	5.00%	5.00%	Arcola Petrolifera S.p.A.	5.00%	Other Interests
Consorzio Techno Mobility	Cagliari	EUR	57,500	17.40%	17.40%	17.40%	Saras Ricerche e Tecnologie S.p.A.	17.40%	Other Interests
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other Interests
Centro di Competenza I.C.T.	Cagliari	EUR	20,000	0.50%	0.00%	0.50%	Akhela S.r.l.	0.50%	Other Interests

* Ren Min Bi (Chinese currency)

5.2.3.1 Equity investments valued at equity

In the previous year, this item included the equity investment held jointly in Parchi Eolici Ulassai S.r.l., consolidated on a line-by-line basis from 30th June 2008 following the purchase of the entire shareholding, as set out in section 5.2.3.1.1 "Acquisitions and company mergers".

	Legal office	%	31/12/2008	31/12/2007
Parchi Eolici Ulassai S.r.l.	Cagliari	70%	0	13,369
Total			**0**	**13,369**

The changes in book value are shown below:

	31/12/2007	Revaluation / (write-down)	Other changes	31/12/2008
Parchi Eolici Ulassai S.r.l.	13,369	1,367	(14,736)	0
Alpha Eolica S.r.l.	0	(5)	5	0
Labor Eolica S.r.l.	0	(8)	8	0
Nova Eolica S.r.l.	0	(952)	952	0
Total	**13,369**	**402**	**(13,771)**	**0**

The amounts shown in the revaluation/write-down column reflect the parent company's share of net profit for the year. The effect of the consolidation at equity is included in the income statement in the item "Net income (charges) from equity investments".
At 31st December 2008 no affiliated company was listed on a regulated market.

5.2.3.1.1 Acquisitions and company mergers

Acquisition of the remaining 30% in Parchi Eolici Ulassai S.r.l. and subsidiary Sardeolica S.r.l.

General note

In 2008 Saras S.p.A. ("Saras") acquired 30% of the share capital of Parchi Eolici Ulassai S.r.l. (and consequently the same percentage of the share capital of subsidiary Sardeolica S.r.l.), a company already 70%-owned by the Group, which was stated as a joint venture and consolidated at equity in the accounts of previous years.

The accounting of the aggregate has been done provisionally at the moment of the acquisition and finalised, according to IFRS 3, during the preparation of the financial statements.

Acquisition date and cost breakdown

The acquisition cost for 30% of Parchi Eolici Ulassai S.r.l. totalled EUR 32 million. No shares or other equity instruments were issued in order to cover the cost of this acquisition.

The voting rights acquired by Saras amounted to 30% of the share capital of Parchi Eolici Ulassai S.r.l..

Valuations attributed to categories of assets and liabilities at the time of the acquisition

The valuations attributed to the main categories of assets and liabilities at the time of the acquisition are summarised in the table below (with Parchi Eolici Ulassai S.r.l. and Sardeolica S.r.l. consolidated), with their book values determined in accordance with IFRS immediately prior to the acquisition date (figures in EUR thousand):

	Book value	Current value	Change
ASSETS			
Cash and cash equivalents	11,301	11,301	0
Working capital	18,819	18,819	0
Tangible assets	75,407	75,407	0
Intangible assets	6,339	27,939	21,600
Other financial assets	2,617	2,617	0
TOTAL ASSETS	**114,483**	**136,083**	**21,600**
LIABILITIES			
Current liabilities	19,937	19,937	0
Non current liabilities	71,889	71,889	0
Deffered tax liabilities	928	7,710	6,782
Shareholders' Equity	21,729	36,547	14,818
TOTAL LIABILITIES	**114,483**	**136,083**	**21,600**

In accordance with IFRS 3, all assets, liabilities and potential liabilities were valued at fair value at the time of the acquisition. This put the value, recorded under intangible assets, of the authorisations for the construction and operation of the wind farm belonging to subsidiary Sardeolica S.r.l. at EUR 21,600 thousand. Taking into consideration the absence of a structured and regulated market for authorised projects to build wind farms, the value was determined based on the, the Group's experience in this field, a comparison with other operators in the sector and the estimates of certain brokers active in the sector: the value of the authorisations obtained by the subsidiary was therefore estimated at EUR 300,000 for every MW of authorised installed capacity (72 MW for the Ulassai wind farm).
The resulting intangible asset is amortised from the acquisition date for the whole period that the authorisations remain valid, that is until the end of 2034.

Information relating to decisions to sell some of the assets acquired

The Saras Group currently has no intention of disposing of any of the assets/liabilities acquired through this transaction.

Differences at the time of acquisition between the fair value of the assets and liabilities acquired and the price paid

The acquisition described above generated goodwill, booked under assets on the Group's consolidated balance sheet, of EUR 21,036 thousand, corresponding to the difference between the price paid and the portion of shareholders' equity acquired (determined when assets, liabilities and potential liabilities were valued at fair value, as described above).

This goodwill is justified from the projection of the expected cashflows of the subsidiary Sardeolica on time-horizon extended until 2035. The actualisation rate applied to this projection is equal to 9%.

Result for the period relating to the stake acquired in Parchi Eolici Ulassai S.r.l.

Since the acquisition took place on 30th June 2008, the subsidiary's results for the first half of the year, totalling EUR 1,367 thousand, are included under the item "Net income (charges) from equity investments".
The goodwill is justified by the projection of the financial flows expected by the subsidiary Sardeolica on time frame considering the full duration of the concession rights (expiring in 2035). The actualisation rate is 9%.

Information concerning the Group's revenues and profit in relation to the acquisition

If the above-mentioned acquisition had been recorded from 1st January 2008, the Group's revenues would have been approximately EUR 15 million higher.

According to IFRS 3 we highlight that the revenues of the subsidiary (consolidated Parchi Eolici Ulassai S.r.l. and Sardeolica S.r.l.) in the year were EUR 23,934 thousands and the net loss was EUR 739 thousand, while the net loss, consolidated in the present Financial statements starting from 1st July 2008, amounted to EUR 2,530 thousands.

5.2.3.2 Other investments

Other investments break down as follows:

	31/12/2008	31/12/2007
Nova Eolica S.r.l.	0	759
Dynergy S.r.l.	91	91
Hangzhou Dadi Encon Environmental Equipment Co.	481	481
Consorzio Cesma	3	3
Consorzio La Spezia Energia	2	2
Consorzio Techno Mobility	10	10
Sarda Factoring	495	495
Centro di Competenza I.C.T.	21	0
Total	**1,103**	**1,841**

The change between 31st December 2007 and 31st December 2008 is due to:

- the acquisition of full control of Nova Eolica S.r.l. by subsidiary Ensar S.r.l., as described in section 3.1 "Consolidation method", for EUR 120 thousand;
- the acquisition of a 0.5% stake in the ICT Centre of Competence by subsidiary Akhela S.r.l.

5.2.4 Deferred tax assets

	31/12/2008	31/12/2007	Change
Deffered tax assets	58,953	0	58,953
Total	**58,953**	**0**	**58,953**

Deferred tax assets are shown net of deferred tax liabilities, and break down as follows:

				Other changes			
	Amounts at 31/12/2007	Additions	Deductions	Change in nominal tax rates on previus balances (to P&L)	Change in nominal tax rates on previus balances (to BS)	Other changes	Amount at 31/12/2008
Deferred tax liabilities							
Excess and accelerated depreciation	(127,613)		62,449	(11,631)			(76,795)
Adjustment to value of land to reflect fair value (as deemed cost)	(8,998)			(1,576)			(10,574)
Measurement of inventory at end of period at FIFO cost.	(89,774)	(2,164)	74,773	1,950			(15,215)
Adjustments for scheduled plant and equipment maintenance	(6,118)	(2,676)	3,779	(411)			(5,426)
Fair value of derivatives	0		1,022			(1,941)	(919)
Fair value of Sarlux contract with GSE	(126,517)		9,732	(20,456)			(137,241)
Sardeolica valuations (IFRS 3 on 30% PEU)	0		129			(6,782)	(6,653)
Saras Energia S.A. intangible assets fair value	(194)					194	0
Other	(1,880)	(2,834)	2,500	(165)		(236)	(2,615)
Total deferred tax liabilities	**(361,094)**	**(7,674)**	**154,384**	**(32,289)**	**0**	**(8,765)**	**(255,438)**
Deferred tax assets							
Excess and accelerated depreciation related to grants	4,288		(4,288)				0
Provisions for risks and write-downs	16,454	5,093	(14,927)	252			6,872
Derecognition of intangible assets	2,730	569	(3,707)	3			(405)
Reclassification of grants previously carried as equity	1,360		(516)	148			992
Cost of dismantling and removing tangible assets	4,311	318		756			5,385
Employee benefits and bonuses	1,969	3,407	(1,898)	14		26	3,518
Unrealised currency gains/losses	220	1		44			265
Linearisation of Sarlux (as per IAS 17 and IFRIC 4)	182,054	34,461		31,889			248,404
IPO costs charged directly to shareholders' equity	5,275		(1,758)		616		4,133
Exceeding maintenance costs	6,339	532	(1,488)	850			6,233
Fair value on derivatives	258		(258)				0
Tax Asset loss Saras Energia	0	24,578					24,578
Change of taxation in Spain	0	0		(746)			(746)
Higher fiscal costs on inventories	0	10,105					10,105
Other	2,255	10	(801)	767		2,826	5,057
Total deferred tax assets	**227,513**	**79,074**	**(29,641)**	**33,977**	**616**	**2,852**	**314,391**
Net total	**(133,581)**	**71,400**	**124,743**	**1,688**	**616**	**(5,913)**	**58,953**

The most significant changes (which caused the item to change from "Deferred tax liabilities" – EUR 133.6 million in 2007 – to "Deferred tax assets" – EUR 59 million in 2008) are due to:

- deduction for tax purposes of the off-balance sheet tax deductions existing at 31st December 2007 (mainly for excess and accelerated depreciation and amortisation) as per article 1 paragraph 48 of the 2008 budget law and the related ministerial decree of 3rd March 2008. This led to the elimination of deferred tax liabilities of EUR 54.8 million for the parent company Saras S.p.A. and EUR 0.8 million for subsidiary Arcola Petrolifera S.p.A., and a total substitute tax cost of EUR 31.9 million for the parent company Saras S.p.A. and EUR 0.3 million for subsidiary Arcola Petrolifera S.p.A., to be paid in three instalments from the current year;
- the change in the tax assessment criteria for stocks of crude and oil products from LIFO to FIFO, mainly for the parent company Saras S.p.A., pursuant to article 81 of Legislative Decree 112/2008, for a total of EUR 84.9 million, of which EUR 74.8 million relates to the elimination of deferred tax assets;
- the booking of a tax asset on a tax loss of subsidiary Saras Energia S.A. for EUR 24.6 million.

The 2008 budget law (Law 244/2007) reduced the nominal IRES tax rate from 33% to 27.5%; this change was taken into account when determining deferred tax assets and liabilities in the year ending 31st December 2007. However, for companies operating in the oil and gas sectors, Legislative Decree 112/2008 introduced an additional IRES payment of 5.5%, taking the nominal tax rate back to 33%; adjustments were consequently made to deferred tax assets and liabilities.

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2008 and 2007:

	2008 Short Term	2008 Long Term	2007 Short Term	2007 Long Term
Deferred tax liabilities				
Excess and accelerated depreciation	(2,988)	(73,807)	(10,370)	(117,243)
Adjustment to value of land to reflect fair value (as deemed cost)		(10,574)		(8,998)
Measurement of inventory at end of period at FIFO cost	(15,215)		(89,774)	
Adjustment for scheduled plant and equipment maintenance	(3,352)	(2,073)	(3,486)	(2,632)
Fair value of derivatives	(919)			
Fair value of Sarlux contract with GSE	(9,732)	(127,509)	(9,732)	(116,785)
Fair value of Saras Energia S.A. intangible assets				(194)
Valuation licences Sardeolica (IFRS 3 on acquisition of 30% PEU)	(259)	(6,395)		
Other	(2,954)	339	(1,310)	(570)
Total deferred tax liabilities	**(35,419)**	**(220,019)**	**(114,672)**	**(246,422)**
Deferred tax assets				
Excess and accelerated depreciation on grants			2,282	2,006
Provisions for risks and write-downs	1,188	5,684	14,874	1,580
Derecognition of intangible assets		(405)	1,881	849
Reclassification of grants previously carried as equity	599	393	515	845
Costs for the dismantling and removal of tangible assets	137	5,248	249	4,062
Employee benefits and bonuses	2,590	928	1,898	71
Unrealised currency losses	265		220	
Linearisation Sarlux (as per IAS 17 and IFRIC 4)	15,109	233,295		182,054
IPO costs charged directly to shareholders' equity	2,066	2,067	1,758	3,517
Asset maintenance costs deductible in future years	1,854	4,379	1,487	4,852
Fair value of derivatives			258	
Tax losses on Saras Energia	24,578			
Change of taxation in Spain	(746)			
Inventories	10,105			
Other	31	5,026	2,255	
Total deferred tax assets	**57,776**	**256,615**	**27,677**	**199,836**

5.2.5 Other financial assets

The balance at 31st December 2008 was EUR 3,655 thousand (EUR 7,363 thousand in the previous year) and is chiefly represented by advances paid by subsidiary Sarlux S.r.l. for future oxygen supplies.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities:

	31/12/2008	31/12/2007	Change
Bank loans	80,693	107,682	(26,989)
Bank deposits	163,287	63,390	99,897
Loans from non-consolidated Group companies	0	1,166	(1,166)
Other short-term financial liabilities	0	940	(940)
Total short-term financial liabilities	**243,980**	**173,178**	**70,802**
Long-term bank loans	174,211	186,283	(12,072)
Total long-term financial liabilities	**418,191**	**359,461**	**58,730**

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

The overall increase in financial liabilities is due mainly to lower operating cash flows. For further details, please see the cash flow statement.

The EUR 26,989 thousand decrease in the item "Bank loans" was chiefly due to the reduction in loans to the subsidiary Sarlux S.r.l., partly offset by the short-term portion of loans held by the subsidiary Sardeolica S.r.l. included in the basis of consolidation from 30th June 2008.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2008	31/12/2007	Change
Advances from clients: portion due within the year	156	690	(534)
Payables to suppliers: portion due within the year	560,523	654,590	(94,067)
Trade payables to non-consolidated Group companies	0	0	0
Trade payables to associated companies	188	302	(114)
Total	**560,867**	**655,582**	**(94,715)**

The decrease in trade payables largely relates to the fall in oil prices, as mentioned earlier.

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

	31/12/2008	31/12/2007	Change
Payables to Italian suppliers	278,383	199,543	78,840
Payables to Spanish suppliers	61,305	58,532	2,773
Payables to other EU country suppliers	14,633	13,026	1,607
Payables to non-EU country suppliers	206,182	383,345	(177,163)
Payables to US suppliers	20	144	(124)
Total	**560,523**	**654,590**	**(94,067)**

5.3.3 Current tax liabilities

This item is broken down below:

	31/12/2008	31/12/2007	Change
VAT payables	17,235	58,281	(41,046)
IRES (Corporate Tax)	37,085	24,218	12,867
IRAP (Regional Tax)	4,923	4,084	839
Other tax payables	48,503	34,339	14,164
Total	**107,746**	**120,922**	**(13,176)**

Following a VAT payment on account for December, calculated using the historical cost method against a backdrop of falling prices, the company's VAT position for the Italian companies at the end of the year moved into credit from a debit balance previously; the balance essentially comprises the payable of the subsidiary Saras Energia S.A. to the Spanish tax authorities.

The higher IRES and IRAP figures are largely due to the year-on-year increase in the taxable income of the subsidiary Sarlux S.r.l., taking into account the lower taxable income of the parent company Saras S.p.A..

The item "Other tax payables" mainly includes the second instalment of the substitute tax on the deduction for tax purposes of the off-balance sheet deductions (EUR 12.9 million; see section 5.2.4) and the substitute tax on the realignment of the value of crude and oil product stocks for statutory and tax purposes ("Robin Hood Tax"; EUR 5 million), as well as payables for excise duties on products introduced into the market by the Spanish subsidiary Saras Energia S.A. and the Italian subsidiary Arcola Petrolifera S.p.A., and payables relating to personal income tax (IRPEF).

5.3.4 Other current liabilities

A breakdown of other current liabilities is shown below.

	31/12/2008	31/12/2007	Change
Amount payable to welfare and social security bodies: portions due within the year	11,191	8,527	2,664
Due to personnel	19,353	15,698	3,655
Payables to Ministry for grants	29,832	15,041	14,791
Other payables	14,875	18,180	(3,305)
Other accrued liabilities	661	236	425
Other deferred income	252	1,155	(903)
Total	**76,164**	**58,837**	**17,327**

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

The item “Payables to ministry for grants” mainly includes advances received from the Ministry of Productive Activities by both the parent company in connection with the programme agreement signed on 10th June 2002, for which the final concession decree has yet to be granted (EUR 13,848 thousand), and by the subsidiary Sardeolica S.r.l. for the construction of the Ulassai wind farm (EUR 15,679 thousand).

The item “Other payables” mainly relates to port duties as determined by the customs authority in respect of the parent company; please note that the initial phase of 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 ruled in favour of the company and issued a definitive ruling declaring that the taxes were not due.

A second phase of the dispute is now under way, and despite a favourable decision by the court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal. The company has now lodged an appeal with the Court of Cassation, which has yet to announce its ruling.

In addition, during 2007, the tax authority asked the parent company to pay the tax assessed and put on hold. The company appealed against this measure to the Regional Tax Court, while the tax authority refused to grant a suspension for further assessments.

As a result of this dispute, the entire amount relating to port duties for 2008, as well as for previous years, has been booked on an accruals basis under “Service costs”.

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

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

Figures in EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/07	Outstanding 31/12/08	Maturity 1 years	Maturity from 1 to 5 years	Maturity beyond 5 years	Collateral
Saras S.p.A.									
Unicredit	20-Dec-04	50.0	Euribor 6M	20.0	10.0	10.0	-	-	10
				20.0	**10.0**	**10.0**	**-**	**-**	
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.31%	0.6	0.3	0.2	0.1	-	
				0.6	**0.3**	**0.2**	**0.1**	**-**	
Akhela S.r.l.									
Banco di Sardegna	24-Apr-02	3.1	Euribor 6M	0.9	0.3	0.2	0.1	-	
Unicredit	6-Aug-08	0.2	0.74%	-	0.2	0.1	0.1	-	
				0.9	**0.5**	**0.3**	**0.2**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	5.5	4.4	1.1	3.3	-	
				5.5	**4.4**	**1.1**	**3.3**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	-	68.3	7.3	31.5	29.5	68
				-	**68.3**	**7.3**	**31.5**	**29.5**	
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	158.9	102.0	36.8	65.2		102.0
BEI	29-Nov-96	180.0	7.35%	54.0	34.8	12.5	22.3		34.8
BEI	29-Nov-96	208.0	Euribor 3M	54.0	34.6	12.5	22.1		34.6
				266.9	**171.4**	**61.8**	**109.6**	**-**	
Total payables to banks for loans				**293.9**	**254.9**	**80.7**	**144.7**	**29.5**	

The weighted average interest rate at 31st December 2008 was 5.22% (including guarantees and commitment fees for the subsidiary Sarlux S.r.l.).

Sarlux S.r.l. must meet certain conditions with regard to existing loans before paying dividends. These are as follows:

- the following current accounts held by Sarlux at Banca Intesa in London must be sufficiently in credit to fulfil the purposes for which the accounts were opened:
  - [1] Debt service reserve account: includes repayments to be made to banks (capital plus interest) on loans due in the next half-year;
  - [2] Air Liquide account: includes amounts guaranteeing oxygen supplies to be provided by Air Liquide Italia in the next half-year;

- the following ratios, taken from Sarlux's annual accounts figures and projections, must be achieved:

[1] annual debt service coverage ratio: the ratio of available post-tax cash flow for the next 12 months to total debt to be repaid in the same period must be more than 1.15;

[2] loan life coverage ratio: the ratio of the net present value of post-tax cash flow expected over the remaining life of the contract to total remaining debt to be repaid must be more than 1.2.

All of the loans granted to Sarlux S.r.l. must be repaid on request of the Facilities Agent in the event that: (i) the loan life coverage ratio falls below 1.05; (ii) the annual debt service coverage ratio falls below 1; (iii) the forecast annual debt service coverage ratio falls below 1.

In the period under review, these ratios, set contractually using an appropriate financial model, were complied with. In addition, to guarantee the loans taken out by Sarlux S.r.l., all of the shares in the company were pledged as collateral to the financing banks.

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

This facility imposes certain restrictions on the subsidiary:

- financial (mainly liquidity parameters set in the contract and a prohibition on carrying out derivatives transactions unless authorised by the pool of banks);
- operational, as regards the management of the wind farm and the obligation to provide insurance cover;
- in relation to the corporate structure, specifically a prohibition on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the company needs to carry out the project.

If the company fails to comply with these restrictions, the pool of lending banks has the right to demand early repayment of the loan. In the period under review, these conditions, set contractually using an appropriate financial model, were 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.

The table below shows the composition of the Group's net debt at 31st December 2008 and 31st December 2007.

EUR thousands	31/12/2008	31/12/2007
Medium-/long-term bank loans	(174,211)	(186,283)
Short-term bank loans	(80,693)	(107,682)
Bank overdrafts	(163,287)	(63,390)
Financial payables to non-consolidated Group companies	0	(1,166)
Financial payables from non-consolidated group companies	0	8,528
Other held for trading financial assets	20,464	15,209
Cash and equivalents	65,180	308,108
Total net debt	**(332,547)**	**(26,676)**

The change was mainly due to higher operating and mandatory stocks, the acquisition of 30% of Parchi Eolici Ulassai S.r.l. (PEU) and the share buy-back plan of parent company Saras S.p.A..

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2006	Additions	Reductions	Movements	31/12/2007
Provisions for dismantling of plants	16,826				16,826
Other risk provisions	7,659	791		(1,980)	6,470
Total	**24,485**	**791**	**0**	**(1,980)**	**23,296**

	31/12/2007	Additions	Reductions	Movements	31/12/2008
Provisions for dismantling of plants	16,826				16,826
Provisions for CO_2 quotas	0	5,135			5,135
Other risk provisions	6,470	1,245	(481)		7,234
Total	**23,296**	**6,380**	**(481)**	**0**	**29,195**

The provisions for dismantling plants related to future costs for the dismantling of plants and machinery, which is considered appropriate wherever there is a legal and implicit obligation to be met in this regard. The provision has not been discounted given its negligible effect on the group's financial statements.

The provision for CO_2 emission quotas (EUR 5,135 thousand in respect of the parent company) stems from Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase credits covering the excess amount of CO_2 on the market. The provision in question represents credits due and not yet purchased.

Under Italy's National Allocation Plan, the parent company Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.

The CO_2 allowances assigned under National Allocation Plan for 2008 were:

- 2,137,383 tonnes for refining plants owned by the parent company Saras S.p.A, which emitted 2,485,264 tonnes of CO_2. The difference (347,881 tonnes) was partly made up by the purchase of credits covering 120,000 tonnes at a total cost of EUR 2,095 thousand, and partly accounted for in a provision of EUR 3,219 thousand, which was the market price at 31st December 2008 of credits for 227,881 tonnes.
- 444,404 tonnes for cogeneration plants owned by the subsidiary Sarlux S.r.l, which emitted 3,728,852 tonnes of CO_2. The difference (3,284,448 tonnes) was partly made up by the purchase of credits covering 3,150,000 tonnes at a total cost of EUR 69,993 thousand, and partly accounted for in a provision of EUR 1,916 thousand, which was the market price at 31st December 2008 of credits for 134,448 tonnes.

The total cost pertaining to Sarlux S.r.l. was EUR 71,909 thousand.

5.4.3 Provisions for employee benefits:

The balance of this item is detailed below:

	31/12/2008	31/12/2007	Change
Employee end-of-service payments	17,480	18,722	(1,242)
Other complementary provisions	20,014	17,958	2,056
Total	**37,494**	**36,680**	**814**

Employee end-of-service payments are governed by article 2120 of the Italian civil code and reflect the estimated amount, based on actuarial estimates, that the company will be required to pay employees when they leave their employment. The CPAS fund is the company's supplementary employee pension fund; this obligation is also measured using actuarial techniques.

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

Balance at 31/12/2006	**26,983**
Accrual for the year	4,450
Reduction by law ("curtailment")	(5,731)
Amount used during the year	(6,980)
Balance at 31/12/2007	**18,722**
Accrual for the year	7,216
Amount used during the year	(8,458)
Balance at 31/12/2008	**17,480**

The table below shows changes in the CPAS fund.

Balance at 31/12/2006	**18,448**
Accrual for the year	761
Amount used during the year	(1,251)
Balance at 31/12/2007	**17,958**
Accrual for the year	2,979
Amount used during the year	(923)
Balance at 31/12/2008	**20,014**

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

BUSINESS ASSUMPTIONS	31/12/2008	31/12/2007
Cost of living increases	2.00%	2.00%
Discount rate	5.00%	5.50%
Salary increases	3.00%	3.00%
Annual increase in CPAS fund	11.00%	11.00%

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

At 31st December 2007 the discount rate used was that of the iBOXX Eurozone AA with a maturity of over 10 years (5.50%). In view of the financial market crisis, it was considered more appropriate to use the iBOXX EUR Italy 10+ rate (comprising a basket of long-term Italian government bonds) for 2008, as it better represents the time value of money. The discount rate used in 2008 therefore referred to the iBOXX EUR Italy 10+ with maturity correlated to the average residual length of employment of the staff (5%).

Given the accounting method used (please see section 3.2 "Summary of accounting principles and policies" under point Q "Provisions for employee benefits"), at 31st December 2008 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

	31/12/2008	31/12/2007	Change
Deferred tax liabilities	0	133,581	(133,581)
Total	**0**	**133,581**	**(133,581)**

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

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2008	31/12/2007	Change
Advances from clients: portion due in future years	5,134	2,876	2,258
Payables to welfare and social security bodies: portion due in future years	350	280	70
Deferred income	673,180	579,791	93,389
Other	16,884	4,379	12,505
Total	**695,548**	**587,326**	**108,222**

The change compared to 31st December 2007 is mainly due to the increase in "Deferred income" posted by the subsidiary Sarlux S.r.l.. The item in question relates to the agreement for the sale of energy between the subsidiary Sarlux S.r.l. and GSE (Gestore dei Servizi Elettrici S.p.A.), which was accounted for according to IFRIC 4. Revenues from the sale of energy are affected by their being linearised in connection with the fact that the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a linear basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs.

The item "Other payables" mainly includes the instalment of the substitute tax deductible for tax purposes in order to make the off-balance sheet deductions due after the following year (EUR 9.5 million, indicated in paragraph 5.2.4. above).

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2008	31/12/2007	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,183,675	1,078,000	105,675
Profit for the year	61,822	322,903	(261,081)
	1,311,053	**1,466,459**	**(155,406)**
of which minority interests			
Share capital and reserves attributable to minority interests	0	0	0
Profit (loss) for year attributable to minority interests	0	0	0
Total minority interests	**0**	**0**	**0**

Share capital

At 31st December 2008, the share capital of EUR 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no face value.

Legal reserve

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

Other reserves

This item totalled EUR 1,183,675 thousand, a net increase of EUR 105,675 thousand versus the previous period. The net increase was the combined result of:

- an increase of EUR 162,060 thousand due to the allocation of profit from the previous year;
- an increase of EUR 2,460 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the stock grant plans;
- a decrease of EUR 70,307 thousand due to the purchase of 22,787,703 parent company shares at an average price of EUR 3,089;
- a decrease due to the distributions of a dividend totalling EUR 160,843 as approved at the shareholders' meeting on 29th April 2008;
- the write-off of a liability towards the minority shareholder of the subsidiary Parchi Eolici Ulassai S.r.l. totalling EUR 474 thousand;

- the net effect of the new tax rates relating to the IPO charges originally allocated to reserves (EUR 615 thousand);
- an increase in the fair value of the assets of Sardeolica S.r.l. (EUR 10,373) for the stake already held (70%).

Pursuant to IAS 1, paragraphs 1 and 97, please note that changes in shareholders' equity relating to owners of the company's shares refer to dividends paid and purchases of own shares.

The item is net of an amount of EUR 17,937 thousand (including a tax effect) related to the charges resulting from the IPO carried out during 2006.

Net profit

Net profit stood at EUR 61,822 thousand.

Restrictions on the distribution of equity reserves

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

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item "Locked-in reserves as per article 7, paragraph 6 of Legislative Decree 38/05" is distributable solely to cover losses or increase share capital.

Dividends

On 29th April 2008, the ordinary shareholders' meeting of Saras S.p.A. approved the distribution of an ordinary dividend of EUR 0.17 per share; the total dividend payout was EUR 160,843 thousand.

For 2008, the Board of Directors has proposed to the shareholders' meeting scheduled for 28th April 2009 the distribution of an ordinary dividend of EUR 0.17 per share. This dividend is subject to the approval of the shareholders' meeting and consequently has not been included in liabilities.

The dividend for 2008 will be payable to all shareholders registered as at 21st May 2009.

The table breaks down the net profit for the year and shareholders' equity shown in the accounts of the parent company Saras S.p.A., as well as these items in the Group's consolidated accounts at 31st December 2008.

	Net profit	Shareholders' Equity
As in Saras S.p.A. financial statements as of 31st December 2008	**60,834**	**986,613**
Differences between the carrying value and the Shareholders' Equity as of 31st December 2008 of shareholding valued in the financial statements of Saras S.p.A. at cost	22,063	323,632
Sarlux S.r.l. dividend write-off	(24,600)	0
Elimination of inter-company profits on inventories	4,690	(185)
Other	(1,165)	993
Saras Group Consolidated Annual Report for the period ending 31st December 2008	**61,822**	**1,311,053**

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

“Revenues from ordinary operations” breaks down as follows:

	31/12/2008	31/12/2007	Change
Sales and services revenues	8,034,121	6,191,988	1,842,133
Sale of electricity	522,310	471,081	51,229
Change in contract work in progress	(589)	602	(1,191)
Total	**8,555,842**	**6,663,671**	**1,892,171**

Sales and services revenues grew by EUR 1,842,133 thousand compared to the previous year. The change was broadly due to price trends over the period.

Revenues from the sale of electricity include EUR 517,493 thousand relating to the gasification plant of the subsidiary Sarlux S.r.l. and EUR 4,817 thousand relating to the wind farm owned by the subsidiary Sardeolica S.r.l.
Revenues from the sale of electricity to GSE by Sarlux S.r.l., includes the sales linearisation effect, calculated on the basis of the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and the EUR/USD exchange rate until the contract expires.
Revenues from ordinary operations are broken down by segment and geographical area in sections 4.2 “Segment information” and 4.3 “Breakdown by geographical area” above.

6.1.2 Other income

The following table shows a breakdown of the item “Other revenues and income":

	31/12/2008	31/12/2007	Change
Revenues for stocking of mandatory supplies	12,570	7,389	5,181
Sales of sundry materials	2,338	4,386	(2,048)
Other income	102,019	24,534	77,485
Total	**116,927**	**36,309**	**80,618**

The item “Other income” mainly includes income posted by the subsidiary Sarlux S.r.l., deriving from the recognition - pursuant to section II, point 7-*bis* of CIP provision 6/92 - a reimbursement of charges relating to the application of Directive 2003/87/EC (Emission Trading), as per AEEG Resolution 77/08.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/12/2008	31/12/2007	Change
Purchases of raw materials, replacement parts and consumables	7,677,346	5,364,316	2,313,030
Total	**7,677,346**	**5,364,316**	**2,313,030**

As already mentioned under revenues, the change in this item was mainly due to the general increase in the price of crude and oil products.

6.2.2 Cost of services and other costs

	31/12/2008	31/12/2007	Change
Service costs	478,747	427,055	51,692
Use of third-party assets	14,139	10,150	3,989
Provisions for risks	2,575	1,310	1,265
Miscellaneous management costs	97,487	16,237	81,250
Total	**592,948**	**454,752**	**138,196**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities. The increase in the item versus the previous year was due mainly to higher utilities charges.

The item "use of third-party assets" includes Parent company costs, amounting to EUR 2,075 thousands, related to the rent of the building of the new headquarter in Milan, which cost has been linearised according to IAS 17 – Leasing, integrated by IAS 1, IAS 8 and by the interpretation of SIC 15, for a period of eight years equal to the total duration of the contract; the minimal future payments due according to the contract amount to EUR 1,700 thousand for the following years, EUR 8,750 thousands for the following year and within 5 years, EUR 4,025 thousands over 5 years. The annual rental fees are rated at the ISTAT index of the consumer prices for workers' families; there are no options for renewal or acquisition.

Other operating charges mainly consist of the costs of purchasing CO_2 credits (EUR 77,222 thousand; for further information please see section 5.4.2 above), non-income taxes (property tax, greenhouse gas emissions tax) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	31/12/2008	31/12/2007	Change
Wages and salaries	95,430	85,229	10,201
Social security	28,604	25,798	2,806
Staff several indemnity	7,216	(1,281)	8,497
Pensions and similar	2,979	761	2,218
Other costs	5,604	4,296	1,308
Directors' remuneration	6,007	6,016	(9)
Total	**145,840**	**120,819**	**25,021**

The rise in personnel costs is chiefly due to an increase in the number of employees (both at the parent company Saras S.p.A. and the subsidiary Saras Energia S.A.), the booking during the previous year of the curtailment due to the provisions introduced by the 2007 budget law, and additional performance-related payments and bonuses for staff.

On 27th April 2007, the shareholders' meeting approved the plans for the bonus allocation of ordinary shares in the company:
- to employees of the company and its Italian subsidiaries (the "employee share plan");
- to the management of the Saras Group (the "stock grant plan 2007/2009").

The employee share plan provides for a bonus allocation to employees:
- of 25 shares for the 2007 financial year plus one share for every six shares held on 31st December 2006;
- for 2008 and 2009, of one share per every six additional shares purchased in 2007 and 2008 respectively. Under the employee share plan, the total value of the shares allocated to each beneficiary cannot exceed EUR 2,065 each year.

The stock grant plan 2007/2009 (for directors of the parent company, and directors and managers individually specified by the Board of Directors of the parent company and subsidiaries) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to:
- the difference between the change in value of the parent company's shares and that of the shares of a Group of comparable companies;
- the ratio between the Group's actual and budgeted EBITDA.

Furthermore, 330,341 shares are to be allocated through the employee share plan for the three-year period 2007-2009, and 1,338,230 shares through the stock grant plan (457,480 for 2007 and 880,750 for 2008). The cost of the two plans for 2008 was EUR 0.2 million and EUR 3 million respectively.

Refering to the "Stock Grant Plan" the shares assignment will be finalised at the end of the 3 years period 2007-2009, while for the assignment of the "Stock Plan" refer to the table "acquisition/transfer of own shares" in the Saras S.p.A. Report.

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below.

	31/12/2008	31/12/2007	Change
Amortisation of intangible assets	37,176	130,581	(93,405)
Depreciation of tangible assets	130,740	120,664	10,076
Total	**167,916**	**251,245**	**(83,329)**

The decrease in depreciation and amortisation is chiefly due to the write-down in the previous year of the value of the contract between the subsidiary Sarlux S.r.l. and GSE (EUR 87,900 thousand).

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below.

	31/12/2008	31/12/2007	Change
Valuation of non-consolidated subsidiaries at equity:			
Parchi Eolici Ulassai S.r.l.	1,367	4,768	(3,401)
	1,367	**4,768**	**(3,401)**
Income and Write-downs:			
Xanto S.r.l. in liquidation	0	250	(250)
Consorzio Ricerche Associate a r.l.	0	12	(12)
Dynergy S.r.l. (for distributions of dividends)	19	37	(18)
	19	**299**	**(280)**
Write-downs:			
Apha Eolica S.r.l.	(5)	0	(5)
Labor Eolica S.r.l.	(8)	0	(8)
Nova Eolica S.r.l.	(952)	0	(952)
	(965)	**0**	**(965)**
Total	**421**	**5,067**	**(4,646)**

The change in the item versus the previous year was due mainly to the full consolidation of the subsidiary Parchi Eolici Ulassai S.r.l. from the second half of 2008, as described in section 3.1 “Consolidation method”, and of the subsidiary Nova Eolica S.r.l.

6.4 Net financial income (charges)

Net financial income and charges are broken down below.

	31/12/2008	31/12/2007	Change
Other financial income:			
from financial assets recorded under current assets	525	171	354
Other income			
- from non-consolidated subsidiaries	223	202	21
- interest on bank and post office accounts	10,493	12,016	(1,523)
- fair value of derivatives outstanding on reporting date	3,954	1,392	2,562
- fair value of held for trading financial assets	49	219	(170)
- positive differences on derivatives	10,643	8,883	1,760
- other income	1,526	493	1,033
Interest and other financial charges			
- from non-consolidated Group companies	0	(32)	32
- fair value of derivatives outstanding on reporting date	(3,124)	(13,141)	10,017
- fair value of held for trading financial assets	(578)	(755)	177
- negative differences on derivatives	(7,131)	(25,705)	18,574
- other (interest on loans, arrears, etc.)	(25,224)	(30,552)	5,328
Exchange rate gains/losses on non-commercial transactions	**10,046**	**4,768**	**5,278**
Total	**1,402**	**(42,041)**	**43,443**

The main changes are attributable to the differences in value realised during the year on derivatives used as hedges in operations where hedge accounting was not adopted, and to the changes in fair value of the contracts in place.

6.5 Income tax

Income tax can be shown as follows:

	31/12/2008	31/12/2007	Change
Current taxes	226,550	189,670	36,880
Net deferred taxes	(197,830)	(40,699)	(157,131)
Total	**28,720**	**148,971**	**(120,251)**

Current taxes include the following extraordinary items:

- substitute tax of EUR 32,212 thousand on the deduction for tax purposes of the off-balance sheet deductions (see section 5.2.4);
- substitute tax of EUR 5,032 thousand on the realignment of the value of crude and oil product stocks for statutory and tax purposes ("Robin Hood Tax");

- the effect on IRES and IRAP of the changes in the fiscal valuation criterion for inventories of crude and oil products from LIFO to FIFO, pursuant to article 81 of Legislative Decree 112/2008 (EUR 87,748 thousand).

Deferred tax income/expenses refers to changes during the year in the temporary differences between values recorded in the accounts and those recognised for tax purposes; the most significant changes regard the reversal of deferred taxes allocated at 31st December 2007, relating to the current taxes described in the previous section (EUR 137,341 thousand) and the booking of the tax asset on the tax loss of the subsidiary Saras Energia S.A. (EUR 24,578 thousand).

The positive impact of the substitute tax on the deduction for tax purposes of the off-balance sheet deductions (EUR 23,653 thousand), net of the "Robin Hood Tax" (EUR 5,032 thousand), has been recorded as non-recurring income in the income statement.

Temporary differences in the profit and loss account :	**2008**	**2008**	**2007**	**2007**
	Deferred tax assets (liabilities)	**Effect of change in tax rates on previous figures**	**Deferred tax assets (liabilities)**	**Effect of change in tax rates on previous figures**
Excess and accelerated depreciation on assets and related grants	58,161	(11,631)	(15,172)	18,832
Write-downs of equity interests prior to 2004			(986)	
Adjustment of land value at fair value (as deemed cost)		(1,576)		
Measurement of inventory at end of period (FIFO method)	72,609	1,950	(47,538)	5,694
Adjustments for scheduled plant and equipment maintenance	1,103	(411)	855	558
Reclassification of grants previously carried as equity	(516)	148	(629)	(253)
Employee benefits and bonuses	1,896	14	(2,863)	
Fair value of derivative contracts	764		3,825	
Unrealised currency losses	(1,571)	52	(913)	(13)
Fair value of Sarlux contracts with GSE	9,732	(20,456)	46,807	23,571
Linearisation - Sarlux (as per IAS 17 and IFRIC 4)	34,461	31,888	24,050	(29,437)
IPO cost charged directly to shareholders' equity	(1,758)		(2,086)	
Asset maintenance costs deductible in future years	(956)	850	645	(818)
Fair value of intangible assets - Saras Energia	138		8,921	
Valuation licences Sardeolica (IFRS 3 on acquisistion of 30% PEU)	129			
Tax losses Saras Energia	24,578			
Taxation change in Spain		(746)		
Higher fiscal value on inventories	10,105			
Other temporary differences	(12,731)	1,605	9,026	(1,377)
Total	**196,144**	**1,687**	**23,942**	**16,757**

In the table above, the item “Deferred tax income (expenses)” for 2008 includes the positive effect of changes in tax rates (EUR 7,263 thousand) relating to temporary differences generated during the year.

The effective tax rate was 31.7% while the theoretical tax rate was 43.1%, obtained by applying a tax rate of 33% (IRES) to pre-tax profit and 3.9% (IRAP) to the net value of production as per Italian legislation in force.

Differences between the theoretical and effective tax rate for the two periods under review are reported below (amounts expressed in EUR million):

	31/12/2008	31/12/2007
PRE-TAX PROFIT [A]	**90.5**	**471.9**
OPERATING PROFIT	**88.7**	**508.8**
TOTAL PERSONNEL COSTS	**145.8**	**120.8**
ADJUSTED OPERATING PROFIT (B)	**234.5**	**629.6**
THEORETICAL CORPORATION TAX IRES [A*33%]	29.9	155.7
THEORETICAL REGIONAL TAX IRAP [B*4.25% or 3.9%]	9.1	26.8
TOTAL THEORETICAL TAXES [C]	**39.0**	**182.5**
THEORETICAL TAX RATE [C/A]	**43.1%**	**38.7%**
EFFECTIVE INCOME TAXES [D]	**28.7**	**149.0**
EFFECTIVE TAX RATE [D/A]	**31.7%**	**31.6%**

	31/12/2008 TAXES	31/12/2008 TAX RATE	31/12/2007 TAXES	31/12/2007 TAX RATE
Theoretical taxes	**39.0**	**43.1%**	**182.5**	**38.7%**
Tax effect - foreign companies (difference between tax rate and IRAP)	5.4	6.0%	(1.0)	-0.2%
Valuation effect - non-consolidated companies	(0.1)	-0.2%	(1.7)	-0.35%
IRAP effect on restatements	1.3	1.4%	0.1	0.03%
Effect on restatements of capital grants	(0.5)	-0.6%	(0.6)	-0.13%
Effect of reduction in nominal tax rates on deferred tax	0.0	0.0%	(22.7)	-4.81%
Effect additional IRES 5.5% on deferred tax	(0.3)	-0.3%	0.0	0.00%
Reduction to zero of deferred tax on the fair value of intangible assets - Saras Energia S.A.	0.0	0.0%	(7.6)	-1.61%
Effect realignment deductions extra-account	(23.7)	-26.2%	0.0	0.00%
Effect realignment inventories ("Robin Hood Tax"; DL 112/08)	8.1	9.0%	0.0	0.00%
Effect of reduction in IRAP tax base	(1.6)	-1.8%	(1.0)	-0.21%
Deduction 55% energy savings	(0.4)	-0.4%	0.0	0.00%
Taxes previous year (Sarlux)	1.7	1.9%	0.0	0.00%
Other long-term differences - Italy	(0.2)	-0.2%	1.0	0.21%
Effective taxes	**28.7**	**31.7%**	**149.0**	**31.6%**

7. Other information

Details of the main events happened after the closing of the year are described in the Report on the Operations.

7.1 Analysis of main litigation pending

Saras S.p.A. and subsidiaries Arcola Petrolifera S.p.A., Sarlux S.r.l. and Akhela S.r.l. 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 liabilities, while possible, are not probable. Moreover, with reference to the subsidiary Sarlux S.r.l., please note that companies producing electricity that is not from renewable sources or cogeneration (pursuant to AEEG Resolution 42/02) are required to purchase green certificates in respect of a certain percentage of electricity introduced into the grid. A specially-created AEEG committee, in coming to a different interpretation of the resolution subsequently, deemed the subsidiary subject to this obligation for the years 2002-2006. Sarlux appealed against this interpretation and is of the view that its appeal will be upheld. For this reason, no provision was made in these accounts for the above-mentioned requirement.
The potential related liability is estimated at around EUR 25 milion.

7.2 Earnings per share

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

Earnings per share totalled 6.56 euro cents for the 2008 financial year, and 33.96 euro cents in 2007.
The average number of shares outstanding was 942,164,173 in 2008 and 950,872,429 in 2007. At 31st December 2008, Saras S.p.A held 23,228,286 own shares in relation to the bonus allocation of shares to employees and management of Group companies.
Diluted earnings per share do not vary significantly from basic earnings per share.

7.3 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 values of commercial, miscellaneous and financial transactions with related parties are set out below, and explanations of the most important transactions are provided.

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

Transactions with related parties and notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2008		31/12/2007			
XANTO S.r.l. (in liquidation)						
Liquidation - final distribution			250	4,93%	Net income (charges) on equity investments	Income from liquidation
Fiancial charges	0	0,00%	(17)	0,08%	Other net financial income (charges)	Interest on intercompany loans
Payables for supply of goods and services	0	0,00%	0	0,00%	Trade payables and other current payables	Trade payables
Loan	0	0,00%	0	0,00%	Short-term fianancial liabilities	Inter-company loans
Corporation tax liabilities due to group tax consolidation	0	0,00%	0	0,00%	Short-term fianancial liabilities	Corporation tax liabilities due to group tax consolidation
NOVA EOLICA S.r.l. (consolidated as of 31/12/2008)						
Rendered services	(100)	0,02%	0	0	Service and miscellaneous costs	Waived financial receivables
Financial income	31	0,15%	(8)	0,04%	Other net financial income (charges)	Interest on inter-company line of credit
Receivables for supply of goods and services	201	0,03%	77	0,01%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0,00%	0	0,00%	Trade payables and other current payables	Trade payables
Financing	0	0,00%	3.200	11,17%	Other current assets	Inter-company line of credit
Loan			0	0,00%	Short-term financial liabilities	Inter-company loans
SARDEOLICA S.r.l. (consolidated as of 2nd half 2008)						
Rendered services	48	0,00%	118	0,00%	Revenues from ordinary operations	Supply of ICT services
Rendered services	40	0,03%	82	0,23%	Other income	Services outsourcing
Services rendered by staff	25	0,02%	186	0,51%	Other income	Personnel on secondment
Financial income	47	0,00%	0	0,00%	Other net financial income (charges)	Interest on inter-company line of credit
Receivables for supply of goods and services	0	0,00%	284	0,04%	Current trade receivables	Trade receivables
Financing	0	0,00%	4.000	13,96%	Other current assets	Inter-company line of credit
Corporation tax receivables due to group tax consolidation	0	0,00%	0	0,00%	Other current assets	Corporation tax receivables due to group tax consolidation
Corporation tax liabilities due to group tax consolidation	0	0,00%	(249)	0,14%	Short-term financial liabilities	Corporation tax liabilities due to group tax consolidation
ENSAR S.r.l. (evaluation of non-consolidated companies)						
NOVA EOLICA (valued under the equity method)	(952)	226,13%	0		Net income (charges) from equity interests	Valuation of non consolidated equity investments
LABOR EOLICA (valued under the equity method)	(8)	1,90%	0		Net income (charges) from equity interests	Valuation of non consolidated equity investments
ALPA EOLICA (valued under the equity method)	(5)	1,19%	0		Net income (charges) from equity interests	Valuation of non consolidated equity investments
PARCHI EOLICI ULASSAI S.r.l. (consolidated as of 2nd half 2008)						
Rendered services	3	0,00%	28	0,08%	Other income	Services outsourcing
Measurement of investment at equity	1.367	324,70%	4.768	94,10%	Net income (charges) from equity interests	Valuation of non consolidated equity investments
Financial income	52	3,71%	108	0,26%	Other net financial income (charges)	Interest on inter-company line of credit
Financial charges	0	0,00%	0	0,00%	Other net financial income (charges)	Interest on inter-company loan
Receivables for supply of goods and services	0	0,00%	57	0,01%	Current trade receivables	Trade receivables
Financing	0	0,00%	1.328	4,64%	Other current assets	Inter-company line of credit
Payables for supply of goods and services	0	0,00%	0	0,00%	Trade payables and other current payables	Trade payables
Loan	0	0,00%	0	0,00%	Short-term financial liabilities	Inter-company loans
Corporation tax liabilities due to group tax consolidation	0	0,00%	(949)	0,55%	Short-term financial liabilities	Corporation tax liabilities due to group tax consolidation

Transactions with related parties and notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2008		31/12/2007			
Consorzio Ricerche Associate (liquidated)						
Received services	0	0,00%	(6)	0,00%	Service and miscellaneous costs	Consortium cost coverage
Final liquidation	0	0,00%	11	0,01%	Net income (charges) from equity interests	Income from liquidation
Payables for supply of goods and services	0	0,00%	0	0,00%	Trade payables and other current payables	Trade payables
Loan	0	0,00%	0	0,00%	Short-term financial liabilities	Inter-company loans
IMMOBILIARE ELLECI S.p.A.						
Rent	(450)	0,08%	(441)	0,10%	Service and miscellaneous costs	Rental of buiding
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	26	0,02%	21	0,06%	Other income	Personnel on secondment
Rent	(605)	0,10%	(667)	0,15%	Service and miscellaneous costs	Rental of buiding + parking space in Milan
Receivables for supply of goods and services	26	0,00%	21	0,00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0,00%	(108)	0,02%	Trade payables and other current payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Services received	(41)	0.01%	(37)	0.01%	Service and miscellaneous costs	Purchase of tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by staff	44	0,04%	35	0,10%	Other income	Personnel on secondment
Receivables for supply of goods and services	44	0,01%	35	0,01%	Current trade receivables	Trade receivables
DYNERGY S.r.l.						
Services rendered by staff	2	0,00%	2	0,00%	Other income	Management fee
Rendered services	8	0,01%	9	0,02%	Other income	Exchange rate gains
Received services	(806)	0,14%	(1.383)	0,30%	Service and miscellaneous costs	Support for refining activities
Dividends	19	4,51%	38	0,75%	Net income (charges) from equity interests	Dividend distribution
Receivables for supply of goods and services	1	0,00%	1	0,00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(188)	0,03%	(303)	0,05%	Trade payables and other current payables	Trade payables
HANGZHOU DADI ENCON ENVIRONMENTAL EQUIPMENT CO. LTD - China						
Supply of goods	0	0,00%	12	0,00%	Revenues from ordinary operations	Supply of control and measurement instruments
Purchases of goods	0	0,00%	(51)	0,00%	Purchase of raw materials, replacement part and consumables	Supply of materials for construction contracts
Trade receivables	1	0,00%	1	0,00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0,00%	(19)	0,00%	Trade payables and other current payables	Trade payables
Prepayments for supply of goods	(53)	0,01%	(53)	0,01%	Trade payables and other current payables	Prepayment for prototype supply

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

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

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

	31/12/2008			31/12/2007		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Current trade receivables	639,326	273	0.0%	690,162	476	0.1%
Other current assets	108,916	0	0.0%	28,649	8,528	29.8%
Short-term financial liabilities	243,980	0	0.0%	173,178	1,198	0.7%
Trade and other current payables	560,867	241	0.0%	655,582	483	0.1%

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

	31/12/2008			31/12/2007		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	8,555,842	48	0.0%	6,663,671	130	0.0%
Other income	116,927	148	0.1%	36,309	363	1.0%
Purchases of raw materials, supplies and consumables	7,677,346	0	0.0%	5,364,316	51	0.0%
Cost of services and sundry costs	592,948	2,002	0.3%	454,752	2,534	0.6%
Net income (charges) from equity investment	421	421	100.0%	5,067	5,067	100.0%
Other net financial income (charges)	1,402	130	9.3%	(42,041)	83	n.a.

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

Flows with related parties	2008	2007
(Income) and net charges on equity investments	(421)	(3,399)
(Increase) Decrease of trade receivables	203	618
Increase (Decrease) of trade payables and other payables	(242)	(112)
Changes of other current assets	8,528	23
Changes other non current liabilities	0	0
Monetary flows from (to) assets of the year	**8,068**	**(2,870)**
Interests received / (paid)	130	83
Monetary flows from (to) investments	**130**	**83**
Increase / (decrease) short term financial debts	(1,198)	1,197
Monetary flows from (to) financial assets	**(1,198)**	**1,197**
Total financial flows vs related parties	**7,000**	**(1,590)**

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

	31/12/2008			31/12/2007		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Monetary flows from (to) assets in the year	289,343	8,068	2.79%	622,563	(2.870)	n.a.
Monetary Flows from (to) investments	(322,817)	130	n.a.	(222,707)	83	n.a.
Monetary flows from (to) financial assets	(220,755)	(1,198)	0.54%	(309,352)	1.197	n.a.

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

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

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

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

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

The standard applies to all entities and all types of financial instrument, except for shareholdings in subsidiaries, affiliates and joint ventures accounted for in accordance with IAS 27, 28 or 31, employers' rights and obligations arising from employee benefit schemes (IAS 19), contracts relating to business combinations (IFRS 3), insurance contracts (IFRS 4), and financial instruments, contracts and obligations relating to share-based payments (IFRS 2).
Where the book value of financial assets and liabilities does not correspond to its fair value, it nonetheless represents a reasonable approximation; the fair value is determined using methods normally adopted for the classes of instruments mentioned, i.e. with reference to market values or prices on active markets where available, or alternative valuation methods based on discounting future cash flows.

7.4.1 Balance sheet information

Paragraphs 8-19 of IFRS 7 state that the book value of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the Group has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or eliminated them from the accounts.
The balance sheet of the Saras Group at 31st December 2008 and 31st December 2007 is shown below, with details of the Group's financial instruments:

31/12/2008	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans	Available	Other liabilities	OTHER	Balance at
	Designate at Fair Value	Held for trading	held to maturity	and receivable	for sale	recognised at amortised cost		31/12/2008
ASSETS								
Current assets	**0**	**18,326**	**0**	**732,598**	**69,792**	**0**	**490,238**	**1,310,954**
Cash and cash equivalents					65,180			65,180
Other financial assets held for trading		15,852			4,612			20,464
Securities held for trading		15,852						
Green Certificates					*4,612*			
Trade receivables				639,326				639,326
Inventories							469,298	469,298
Current tax assets							7,770	7,770
Other assets		2,474		93,272			13,170	108,916
Derivative instruments		*2,474*						
Emission Trading credits				83,175				
Other receivables				10,097				
Non-current assets	**0**	**0**	**0**	**1,550**	**0**	**0**	**1,864,801**	**1,925,304**
Property, plant and equipment							1,377,018	1,377,018
Intangible assets							484,575	484,575
Equity investments valued at equity							0	0
Other investments							1,103	1,103
Deferred tax assets							58,953	58,953
Other financial assets				1,550			2,105	3,655
Other receivables				*1,550*				
Total financial assets	**0**	**18,326**	**0**	**734,148**	**69,792**	**0**	**2,355,039**	**3,236,258**
LIABILITIES								
Current liabilities	**0**	**0**	**0**	**0**	**0**	**880,099**	**108,658**	**988,757**
Short-term financial liabilities						243,980		243,980
Bank loans (guaranteed)						*80,693*		
Overdrafts						*163,287*		
Payables to non-consolidated companies and other payables						*0*		
Derivative instruments						*0*		
Trade and other payables						560,867		560,867
Current tax liabilities							107,746	107,746
Other liabilities						75,252	912	76,164
Other payables						*75,252*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**181,141**	**755,307**	**936,448**
Long-term financial liabilities						174,211		174,211
Bank loans (guaranteed)						*174,211*		
Provisions for risks							29,195	29,195
Provisions for employee benefits							37,494	37,494
Deferred tax liabilities							0	0
Other liabilities						6,930	688,618	695,548
Other payables						*6,930*		
Total financial liabilities	**0**	**0**	**0**	**0**	**0**	**1,061,240**	**863,965**	**1,925,205**

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

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

- Italian and foreign equities and government bonds, held by the parent company and valued at fair value since, as established by IAS 39, they are deemed to be financial assets purchased for sale or repurchase in the near term, and part of a portfolio of identified financial assets that are managed together, and for which there is evidence of a recent and effective strategy to generate a profit in the near term;
- derivative instruments signed by the parent company and the subsidiary Sardeolica S.r.l., described in section 5.1.6. above. The derivative contracts relate to commodities and interest rates; the former were entered into by the parent company to mitigate the risks inherent in the business in which it operates, which stem from changes in the price of crude and oil products, futures contracts and swaps on crude and oil products; and the latter established by the subsidiary to hedge interest rate risk on loans.

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

Assets available for sale include cash and cash equivalents (mainly current accounts) and green certificates accrued and not yet sold by the subsidiary Sardeolica S.r.l..

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

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

All financial assets are booked by trade date.

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

7.4.2 Income statement information

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

The tables below shows net gains and losses generated by financial instruments on the income statement for 2008 and 2007.

31/12/2008	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Available	Other liabilities	Total from	Balance at
	Designated	Held for	held to	receivable	for sale	recognized at	financial	31/12/2008
	at Fair Value	trading	maturity			amortized	Instruments	
Revenues from ordinary operations								8,555,842
Other Income								116,927
Total Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,672,769**
Purchases of raw materials, replacement parts and consumables								(7,677,346)
Service and miscellaneous costs				(1,373)			(1,373)	(592,948)
Personnel costs								(145,840)
Depreciation & amortization								(167,916)
Total costs	**0**	**0**	**0**	**(1,373)**	**0**	**0**	**(1,373)**	**(8,584,050)**
Operating Profit	**0**	**0**	**0**	**(1,373)**	**0**	**0**	**(1,373)**	**88,719**
Net Income (Charges) from equity investments								421
Other net fiancial income (Charges)							1,402	1,402
from securities held for trading		*(4)*					*(4)*	
- of which:								
Realised differences		*525*						
Change in Fair Value		*(529)*						
From current account interest					*10,493*		*10,493*	
from loans granted to Group Companies				*223*			*223*	
from derivative instruments		*4,342*					*4,342*	
- of which:								
Realised differences		*3,512*						
Change in Fair Value		*830*						
from interests on loans						*(25,224)*	*(25,224)*	
from other receivables /payables				*11,572*			*11,572*	
Profit (loss) before taxes	**0**	**4,338**	**0**	**10,422**	**10,493**	**(25,224)**	**29**	**90,542**
Income tax								(28,720)
Net Profit (loss)								**61,822**

31/12/2007	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Available	Other liabilities	Total from	Balance at
	Designated	Held for	held to	receivable	for sale	recognized at	financial	31/12/2007
	at Fair Value	trading	maturity			amortized	Instruments	
Revenues from ordinary operations								6,663,671
Other Income								36,309
Total Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,699,980**
Purchases of raw materials, replacement parts and consumables								(5,364,316)
Service and miscellaneous costs				(200)			(200)	(454,752)
Personnel costs								(120,819)
Depreciation & amortization								(251,245)
Total costs	**0**	**0**	**0**	**(200)**	**0**	**0**	**(200)**	**(6,191,132)**
Operating Profit	**0**	**0**	**0**	**(200)**	**0**	**0**	**(200)**	**508,848**
Net Income (Charges) from equity investments								5,067
Other net fiancial income (Charges)							*(42,041)*	*(42,041)*
from securities held for trading		*(365)*					*(365)*	
- of which:								
Realised differences		*171*						
Change in Fair Value		*(536)*						
From current account interest					*12,016*		*12,016*	
from loans granted to Group Companies				*202*			*202*	
from derivative instruments		*(28,571)*					*(28,571)*	
- of which:								
Realised differences		*(16,822)*						
Change in Fair Value		*(11,749)*						
from interests on loans						*(30,584)*	*(30,584)*	
from other receivables /payables				*5,261*			*5,261*	
Sarlux S.r.l. acquisition								0
IPO and company restructuring charges								0
Profit (loss) before taxes	**0**	**(28,936)**	**0**	**5,263**	**12,016**	**(30,584)**	**(42,241)**	**471,874**
Income tax								(148,971)
Net Profit (loss)								**322,903**

The financial instruments recorded at fair value on the income statement generated net gains of EUR 4,338 thousand (losses of EUR 28,936 thousand in 2007), including:

a) Net losses of EUR 4,000 (EUR 365 thousand in the previous year), owing to changes in fair value on securities held for trading;
b) Net gains of EUR 4,342 thousand (losses of EUR 28,571 thousand in the previous year), due to changes in fair value that largely related to derivative instruments taken out by the parent company.

Financial instruments recorded under "Loans" generated gains of EUR 11,795 thousand (versus EUR 5,463 thousand the previous year), chiefly owing to exchange rate differences on commercial positions.

Financial assets available for sale generated gains of EUR 10,493 thousand (EUR 12,016 thousand in 2007), due essentially to interest received on the cash held during the year.

Other financial liabilities valued at amortised cost generated losses of EUR 25,224 thousand (EUR 30,584 thousand the previous year), which were mainly due to interest on loans.

7.4.3 Additional information

7.4.3.1 Accounting for derivative transactions

As stated earlier, the parent company enters into derivative contracts on commodities to mitigate the risks arising from changes in the price of crude oil and oil products, and on the EUR/USD exchange rate to offset the risks relating to its currency positions.
At 31st December 2008 the derivative contracts outstanding were mainly derivatives on commodities, classified as financial instruments held for trading.
Moreover, the subsidiary Sardeolica S.r.l., which was fully consolidated from 30th June 2008, has outstanding derivative contracts comprising variable interest rate swaps to hedge interest rate risk on loans obtained for the construction of the company's wind farm.
Changes in the fair value during the period are recorded in the income statement under "Net financial income (charges)".

Derivative contracts recorded at 31st December 2008 consisted of futures on oil products and interest rate swaps.

The outstanding futures are expected to be closed out by the end of the first quarter of 2009, while the interest rate swaps have the same duration as the loans associated with them, and are due to mature more than five years after the current financial year.

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

7.4.3.2 Fair value

Financial assets held by the Group are booked at fair value or amortised cost, and when used the latter, it does not differ from fair value as of 31st December 2008.

Financial liabilities are stated at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or, alternatively, are long term in nature and subject to interest rates in line with current market rates, amortised cost does not differ significantly from the fair value at 31st December 2008.

7.4.4 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.

7.4.4.1 Credit risk

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

The information required by paragraphs 36-38 of IFRS 7 is shown in the tables below.

	Book value at 31/12/2008		Credit risk		Breakdown of maturities of financial assets pursuant to para, 37 b) IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risks disregarding guarantee or other similar instruments	Guarantees	Current	Expired				Total	Recognized during the year	Cumulative
						0-30 days	31-60 days	61-90 days	over 90 days			
Current Assets	**1,310,954**	**820,716**	**820,716**	**43,786**	**742,906**	**64,652**	**4,126**	**1,427**	**7,605**	**820,716**		
Cash and cash equivalents	65,180	65,180	65,180		65,180					65,180		
Other fiancial Assets held for trading	20,464	20,464	20,464		20,464					20,464		
Trade receivables	648,448	648,448	639,326	43,786	570,638	64,652	4,126	1,427	7,605	648,448		
Provisions for doubtful loans	(9,122)	(9,122)			(9,122)					(9,122)	(1,373)	(9,122)
Inventories	469,298											
Current tax assets	7,770											
Other Assets	108,916	95,746	95,746		95,746					95,746		
Non Current Assets	**1,925,304**	**1,550**	**1,550**		**1,550**	**0**	**0**	**0**	**0**	**1,550**		
Property, plant & equipment	1,377,018											
Intangible assets	484,575											
Equity investments valued at equity	0											
Other Investments	1,103											
Deferred tax assets	58,953											
Other financial Assets	3,655	1,550	1,550		1,550					1,550		
Total Assets	**3,236,258**	**822,266**	**822,266**		**744,456**	**64,652**	**4,126**	**1,427**	**7,605**	**822,266**		

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

7.4.4.2 Liquidity risk

The Group's exposure to liquidity risk relates mainly to trade payables and bank loans.
As stated earlier, during the year the Group met all its obligations with respect to the payment of loans in place at the end of the period.

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

	Book value 31/12/2008		Liquidity risk		Analysis of maturities of financial assets pursuant to para, 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guarantees	2009	2010	2011	2012	2013	over 5 years
LIABILITIES										
Current liabilities	**988,757**	**880,099**	**880,099**		**892,835**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	243,980	243,980								
Bank loans (guaranteed)		80,693	80,693	80,693	80,693					
Overdrafts		163,287	163,287		163,287					
Interest (weighted average yearly rate: 5.22%)					12,736					
Loans from non consolidated Group Companies & other payables		0	0		0					
Derivative instruments		0	0		0					
Trade & other payables	560,867	560,867	560,867		560,867					
Current tax liabilities	107,746									
Other liabilities	76,164	75,252	75,252		75,252					
Non-Current Liabilities	**936,448**	**181,141**	**181,141**		**0**	**73,290**	**60,746**	**9,633**	**8,997**	**37,569**
Long-Term financial liabilities	174,211	174,211	174,211	174,211		69,654	57,732	9,155	8,551	29,119
Interest (weighted average yearly rate: 5.22%)						3,636	3,014	478	446	1,520
Provisions for risks	29,195									
Provisions for employees benefits	37,494									
Deferred tax liabilities	0									
Other liabilities	695,548	6,930	6,930							6,930
Total liabilities	**1,925,205**	**1,061,240**	**1,061,240**		**892,835**	**73,290**	**60,746**	**9,633**	**8,997**	**37,569**

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

7.4.4.3 Market risk

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

- the EUR/USD 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 "Other net financial income (charges)";
- Euribor and Libor interest rates, to which the interest rates paid by the Group on its loans are indexed, as well as the fair value of derivative instruments outstanding at the reporting date;
- prices of crude oil and oil products, which affect the fair value of the derivative instruments in place at the reporting date.

As required by paragraph 40 of IFRS 7, a sensitivity analysis for every type of risk to which the Group is exposed at the reporting date has been prepared, which shows the effects of these risks on the profit and loss account and shareholders' equity. The results of the analysis are shown in the tables below.

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

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

EUR / US Dollar exchange rate				Change in benchmark	
Balance sheet items	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-5%**	**+5%**
Cash and cash equivalents	100	1,3917	72	4	(3)
Trade and receivables	121,651	1,3917	87,412	4,601	(4,162)
Other Assets	594	1,3917	427	22	(20)
Trade & other payables	(309,151)	1,3917	(222,139)	(11,692)	10,578
Short-term financial liabilities	(9,061)	1,3917	(6,511)	(343)	310
Net Position	**(195,867)**		**(140,739)**		
Effect on profit before taxes				**(7,407)**	**6,702**
Effect on net profit (and Shareholders' Equity)				**(4,963)**	**4,490**

The table below shows the simulation at 31st December 2007:

EUR / US Dollar exchange rate				Change in benchmark	
Balance sheet item	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-5%**	**+5%**
Cash and cash equivalents	27,945	1.4721	18,983	999	(904)
Trade receivables	222,311	1.4721	151,016	7,948	(7,191)
Other Assets	1,243	1.4721	844	44	(40)
Trade and other payables	(590,864)	1.4721	(401,375)	(21,125)	19,113
Short-term financial liabilities	(74,517)	1.4721	(50,620)	(2,664)	2,410
Net position	**(413,882)**		**(281,151)**		
Effect on profit before taxes				**(14,797)**	**13,388**
Effect on net profit (and Shareholders' Equity)				**(9,248)**	**8,368**

The Group is exposed to both short-term and medium-/long-term interest rates. It pays variable rates indexed to Euribor and Libor on these positions.
The Group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/- 20 bps in rates, which appears realistic in view of their trend during the year.
The results of the simulation are shown in the table below.

				Change in benchmark	
VARIABLE INTEREST RATES	**Exposure at 31/12/2008**	**Average annual interest rate 2008**	**Annual interest expenses**	**-20%**	**+20%**
Short-and medium / long - term financial liabilities		5.22%	(25.224)		
Effect on profit before taxes				**5,045**	**(5,045)**
Effect on net profit (and Shareholders' Equity)				**3,380**	**(3,380)**

The table below shows the simulation at 31st December 2007:

				Change in benchmark	
VARIABLE INTEREST RATES	**Exposure at 31/12/2007**	**Average annual interest rate 2007**	**Annual interest expenses**	**-20%**	**+20%**
Short-and medium / long - term financial liabilities	(359,461)	5.80%	(20,849)		
Effect on profit before taxes				**4,170**	**(4,170)**
Effect on net profit (and Shareholder's Equity)				**2,606**	**(2,606)**

In addition, the fair value of the interest rate swaps outstanding at the reporting date relating to the subsidiary Sardeolica S.r.l. is affected by trends in the Euribor rate: the Group carried out a simulation of the impact of this variable on net profit and shareholders' equity, assuming a change of +/- 20 bps in rates, which appears realistic in view of their trend during the year.

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

		Change in benchmark	
	Fair Value as of 31/12/2008	+20 bps	-20 bps
Interest rate swaps fair value	(541)	389	(348)
	(541)	**389**	**(348)**
Effect on profit before taxes		**389**	**(348)**
Effect on net profit (and Shareholder's Equity)		**261**	**(233)**

Oil prices, on the other hand, affect the fair value of derivative financial instruments outstanding at the reporting date and the relevant differences recognised in the income statement: at 31st December 2008 derivatives consisted of oil product futures, and the fair value recorded on the balance sheet was derived from the market prices of the relevant underlying assets at that date. The Group carried out a simulation of the impact on net profit and shareholders' equity, assuming a change of +/-20% in oil prices, which appears realistic in view of their trend during the year.

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

		Change in benchmark	
Derivatives on:	Fair Value as of 31/12/2008	-20%	+20%
Oil and Oil products	3,014	(1,275)	1,275
	3,014	**(1,275)**	**1,275**
Effect on profit before taxes		**(1,275)**	**1,275**
Effect on net profit (and Shareholders' Equity)		**(854)**	**854**

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

According to the previous analysis on Group's exposure to financial instruments risk, there isn't any significant concentration of risks.

7.5 Average staff numbers

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

	31/12/2008	31/12/2007
Managers	87	81
Office staff	1,238	1,144
Specialised workers	17	19
Workers	613	609
Total	**1,955**	**1,853**

The number of employees at the Group rose from 1,905 at the end of 2007 to 2,002 at 31st December 2008; the increase was chiefly due to staff hiring by the parent company Saras S.p.A.

7.6 Remuneration of senior personnel with strategic responsibilities

In 2008, senior personnel with strategic responsibilities received remuneration totalling EUR 3,730 thousand. For further details please see section 7.6.1 of the Notes to the accounts of Saras S.p.A.

7.7 Commitments

At 31st December 2008 and 31st December 2007 the Group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, Saras has issued sureties, whose value at 31st December 2008 totalled EUR 37,677 thousand, including EUR 10,400 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant, EUR 6,950 thousand to subsidiaries, EUR 2,508 to the Cagliari port authorities as a guarantee for state maritime concessions and EUR 14,236 thousand to the Ministry of Productive Activities as a guarantee for the advance payment of grants foreseen by the programme agreement signed on 10th June 2002.

7.8 Disclosure of external auditor's fees

Pursuant to article 149-*duodecies* of the Consob Issuer Regulations, the table below provides details of the fees relating to 2008 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

Services	Supplier	Recipient	Amount due in 2008
			EUR thousands
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	298
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	209
	Network PricewaterhouseCoopers	Foreign subsidiaries	156
Total			**663**
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	5
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	27
	PricewaterhouseCoopers S.A.	Foreign subsidiaries	0
Total			**32**
Other Services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	0
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	0
	PricewaterhouseCoopers S.A.	Foreign subsidiaries	253
Total			**253**
TOTAL			**948**

8. Publication of the consolidated results

At its meeting on 26th March 2009 the Board of Directors of Saras authorised the publication of the annual results. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on operations and/or the Notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti

Saras S.p.A.
Report on Operations

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Comment on Saras S.p.A. results

Saras S.p.A. is the Parent Company and also operates directly in the refining sector as described in detail in the Report on the Financial Statements of the Saras Group to which reference should be made for any further details and for a detailed market analysis, the regulatory framework of reference, the main events of the fiscal year, important events occurring after the fiscal year end and future prospects.

MAIN DATA OF INCOME STATEMENT (EUR Million)	31/12/2008	31/12/2007	Change%
Revenues	**7,942**	**6,054**	**+31%**
EBITDA	**103**	**515**	**-80%**
EBIT	**23**	**441**	**-95%**
NET INCOME	**61**	**429**	**-86%**

During the 2008 fiscal year, the company reached a record 113.3 million barrels of refined crude (equal to 15.5 million tonnes) with an increase of 6% over the previous year; the increased refining, however, caused an increase in maintenance costs. Refining on behalf of third parties accounted for 35% of the total refined with a drop of 38% compared to the previous year.

The mix of refined crudes was slightly heavier than the previous year (with an average density of 32,7° API in 2008 as against the 32,9° API in 2007) and the total yield of light and medium distillates in 2008 remained in line with the previous year at around 81.6%. The company successfully increased the production of medium distillates (from 51.7% in the 2007 fiscal year to 53.5% in the 2008 fiscal year) at the expense of petrol and other light fractions in order to fully exploit the record year for diesel crack.

Revenues were EUR 7,942 million, an increase of 31% over 2007. The increase in turnover was due mainly to an oil product price increase.

L'EBITDA, equal to EUR 103 million was significantly lower compared to 2007 (-80%); despite the fact that refining margins were higher than those of the previous year, the violent drop in oil product prices which occurred at the end of the fiscal year with a consequent negative impact on inventories (in contrast with the significant growth in prices of the previous year) entailed a reduction in the EBITDA. Additionally during 2008 the US Dollar/Euro exchange rate was weaker than in 2007.

The year therefore closed with a **net income** of EUR 61 million, a decrease (-86%) compared to the EUR 429 million of the previous year.

Investments for the period were equal to EUR 182 million (EUR 177 million in 2007) consistent with the 2008 / 2011 investment plan.

The net financial position of the company at 31st December 2007 was as follows:

	31/12/2008	31/12/2007
Medium and long term bank loans	0	(10,000)
Net medium long term financial position	**0**	**(10,000)**
Short term bank loans	(10,000)	(10,000)
Bank overdrafts	(137,151)	(52,143)
Loans to Group companies	(58,596)	(23,604)
Loans from Group companies	98,599	81,752
Other negotiable financial activities	15,844	15,203
Cash deposits and equivalents	3,316	154,419
Net short term financial position	**(87,988)**	**165,627**
Net financial position	**(87,988)**	**155,627**

The **Net Financial Position** at the end of the fiscal year was negative in the amount of EUR 88 million as compared to the positive value of EUR 155 million of the previous year. The variation was mainly due to greater operational and obligatory stockpiling, to the acquisition of a 30% interest in the Parchi Eolici Ulassai S.r.l. (PEU) and to the partial execution of the buyback plan of own shares.

In accordance with the terms of article 2428 of the Italian Civil Code, the following information is supplied:

- research costs for gas exploration and research in Sardinia are booked among the intangible fixed assets for an amount equal to EUR 10,111 thousand;
- relations with subsidiaries, affiliates and parent companies and companies under the control of the latter are detailed in the Explanatory Notes to paragraph 7.3 "Relations with related parties";
- the details and movements of treasury shares owned by the Company during the course of 2008 and at 31 December 2008 are as follows:

Date	Transaction	No. of shares	Overall nominal value (EUR)	Consideration (EUR)
01-01-08	**Initial situation**	**465,023**	**26,716**	**1,974,890**
16-01-08	purchase	100,000	5,740	351,002
18-03-08	purchase	100,000	5,740	282,216
31-03-08	purchase	200,000	11,480	648,448
01-04-08	purchase	200,000	11,480	643,053
02-04-08	purchase	200,000	11,480	668,535
03-04-08	purchase	200,000	11,480	674,035
04-04-08	purchase	200,000	11,480	690,228
07-04-08	purchase	200,000	11,480	697,039
08-04-08	purchase	200,000	11,480	670,251
09-04-08	purchase	200,000	11,480	676,665
10-04-08	purchase	200,000	11,480	672,254
11-04-08	purchase	200,000	11,480	678,021
14-04-08	purchase	200,000	11,480	672,098
15-04-08	purchase	200,000	11,480	670,278
16-04-08	purchase	200,000	11,480	696,913
17-04-08	purchase	400,000	22,960	1,395,060
18-04-08	purchase	400,000	22,960	1,400,747
21-04-08	purchase	400,000	22,960	1,465,558
22-04-08	purchase	400,000	22,960	1,460,030
30-04-08	transfer	(24,440)	(1,403)	(76,052)
26-05-08	purchase	80,000	4,592	318,329
27-05-08	purchase	90,000	5,166	358,366
28-05-08	purchase	150,000	8,610	591,752
30-05-08	purchase	150,000	8,610	596,960
04-06-08	purchase	200,000	11,480	796,380
05-06-08	purchase	11,203	643	44,728
06-06-08	purchase	180,000	10,332	718,996
09-06-08	purchase	31,058	1,783	123,835
10-06-08	purchase	170,000	9,758	679,580
11-06-08	purchase	120,000	6,888	477,297
12-06-08	purchase	161,626	9,277	639,330
23-06-08	purchase	70,000	4,018	259,782

Date	Transaction	No. of shares	Overall nominal value (EUR)	Consideration (EUR)
27-06-08	purchase	150,000	8,610	541,174
01-07-08	purchase	150,000	8,610	527,793
02-07-08	purchase	100,000	5,740	341,875
03-07-08	purchase	200,000	11,480	659,815
08-07-08	purchase	200,000	11,480	662,064
09-07-08	purchase	84,000	4,822	278,380
10-07-08	purchase	150,000	8,610	487,108
11-07-08	purchase	100,000	5,740	321,174
15-07-08	purchase	40,000	2,296	118,750
16-07-08	purchase	100,000	5,740	298,228
24-07-08	purchase	150,000	8,610	469,793
25-07-08	purchase	200,000	11,480	620,094
29-07-08	purchase	100,000	5,740	313,738
30-07-08	purchase	100,000	5,740	315,161
31-07-08	purchase	100,000	5,740	320,184
01-08-08	purchase	300,000	17,220	940,591
04-08-08	purchase	170,000	9,758	526,197
05-08-08	purchase	100,000	5,740	302,373
06-08-08	purchase	200,000	11,480	603,270
14-08-08	purchase	120,000	6,888	392,892
19-08-08	purchase	100,000	5,740	329,798
20-08-08	purchase	100,000	5,740	338,175
21-08-08	purchase	100,000	5,740	341,458
22-08-08	purchase	200,000	11,480	683,347
25-08-08	purchase	150,000	8,610	511,087
26-08-08	purchase	110,000	6,314	373,343
27-08-08	purchase	100,000	5,740	347,209
28-08-08	purchase	100,000	5,740	350,937
29-08-08	purchase	50,000	2,870	182,238
01-09-08	purchase	150,000	8,610	539,315
02-09-08	purchase	150,000	8,610	531,197
03-09-08	purchase	200,000	11,480	712,874
04-09-08	purchase	220,000	12,628	768,337
05-09-08	purchase	150,000	8,610	500,967
08-09-08	purchase	150,000	8,610	510,677
09-09-08	purchase	150,000	8,610	498,509
10-09-08	purchase	150,000	8,610	484,904
11-09-08	purchase	150,000	8,610	488,886
12-09-08	purchase	150,000	8,610	500,450
15-09-08	purchase	203,298	11,669	655,372
16-09-08	purchase	150,000	8,610	474,402

Date	Transaction	No. of shares	Overall nominal value (EUR)	Consideration (EUR)
17-09-08	purchase	150,000	8,610	474,560
18-09-08	purchase	200,000	11,480	613,984
19-09-08	purchase	120,000	6,888	377,354
22-09-08	purchase	200,000	11,480	633,158
23-09-08	purchase	150,000	8,610	465,563
24-09-08	purchase	150,000	8,610	466,629
25-09-08	purchase	150,000	8,610	471,461
01-10-08	purchase	200,000	11,480	613,476
02-10-08	purchase	150,000	8,610	446,748
03-10-08	purchase	150,000	8,610	444,615
06-10-08	purchase	200,000	11,480	592,762
07-10-08	purchase	250,000	14,350	735,070
08-10-08	purchase	200,000	11,480	555,800
09-10-08	purchase	300,000	17,220	815,808
10-10-08	purchase	200,000	11,480	535,424
13-10-08	purchase	400,000	22,960	1,013,104
14-10-08	purchase	300,000	17,220	757,908
15-10-08	purchase	450,000	25,830	1,045,251
16-10-08	purchase	350,000	20,090	869,663
17-10-08	purchase	450,000	25,830	1,202,031
20-10-08	purchase	436,518	25,056	1,113,955
21-10-08	purchase	400,000	22,960	993,692
22-10-08	purchase	300,000	17,220	792,297
23-10-08	purchase	300,000	17,220	832,353
24-10-08	purchase	190,000	10,906	538,895
27-10-08	purchase	350,000	20,090	954,377
28-10-08	purchase	350,000	20,090	896,039
29-10-08	purchase	300,000	17,220	732,537
30-10-08	purchase	350,000	20,090	833,798
31-10-08	purchase	250,000	14,350	614,755
03-11-08	purchase	300,000	17,220	784,500
04-11-08	purchase	350,000	20,090	924,896
05-11-08	purchase	180,000	10,332	475,835
06-11-08	purchase	320,000	18,368	889,254
07-11-08	purchase	260,000	14,924	745,417
10-11-08	purchase	250,000	14,350	720,583
11-11-08	purchase	350,000	20,090	993,107
12-11-08	purchase	350,000	20,090	981,116
13-11-08	purchase	350,000	20,090	1,013,844
14-11-08	purchase	220,000	12,628	644,091
02-12-08	purchase	300,000	17,220	895,022
TOTAL		**23,228,286**	**1,333,327**	**72,281,472**

The purchases previously indicated refer to the own share buyback programme authorised on 29th April 2008 by the Shareholders' meeting:

- as far as disclosure on the Company's use of financial instruments is concerned, please see the following "Risk Analysis" section of this Report;
- the secondary offices of the company are:
  - General Management and Administration Division – Milan, Galleria De Cristoforis 1
  - Public Relations and Administrative Affairs Division – Rome, Salita San Nicola da Tolentino 1/b.

The information required by Attachment 3C and by Consob Resolution no. 11971 of 14th May 1999 and subsequent amendments are contained in the Explanatory Notes to paragraph 7.6 "Information on compensation and shareholdings of members of administrative and control bodies, of general managers, and managers with strategic responsibilities".

Additionally:
- for the analysis of the main disputes pending, please see the explanatory note of the Separate Financial Statements of the Company to point 7.1 "Main Litigations Pending";
- please see the specific section of the Report of the Consolidated Financial Statements of the Saras Group for:
  - Corporate Governance;
  - Group Structure;
  - Atypical and/or unusual transactions;
  - Performance indicators and non-financial indicators;
  - Personnel information;
  - Environmental information.

Risk Analysis

The constituent principles of risk policy are based on the prevention of the main risks referable to the objectives and concern strategic, operational and financial areas.
Risk management as shown in the individual policies and in the corporate processes is based on the principle according to which operational and financial risk are managed by the manager of the corporate process (the process owner).
The main risks are reported to and discussed by top management in order to create the premises for their coverage, insurance and assessment of any residual risk.
In addition to risk management guidelines, there are specific guidelines for financial risk such as interest rate risk and credit risk.

Financial risk

Among the Company's priorities are sustainable growth, productivity, profitability and the quality of financial data.
Therefore the financial structures are focussed on guaranteeing the maximum efficiency in adopting and using lines of credit for the development of commercial business and on minimalising financial risks related to industrial management. (adverse risk).
The Company operates in the oil sector at the international level and is consequently exposed to currency risks, interest rate fluctuations, credit risk and commodity price fluctuations.

Price fluctuation risk and financial flows

Results are influenced by oil price trends and by the effects that such trends have on refinery margins (represented by the difference between oil product prices generated by the refinery processes and the price of raw materials, mainly crude oil). Furthermore in order to carry out production activities, the Company must maintain sufficient stock-piles of crude and of finished oil products and the value of stocks is subject to market price fluctuations.

Price variation risk and the related financial flows are closely connected to the nature of the business itself and can only be partially mitigated through the use of appropriate risk management policies, including the drawing up of processing contracts for third parties at prices which are partially preset.
In order to cope with risks deriving from price variations, the Company buys commodity derivative contracts which take the form of forward purchase and sale contracts on crude and on oil products.

Currency risk

The oil business is exposed to currency fluctuations since the benchmark price for crude oil purchase and for part of the sale of oil products are quoted in or tied to US dollars.
The Company in order to mitigate both the currency risk relating to transactions planned for the future and the risk originating in payables and receivables expressed in a currency other than the one used by each entity, has set up derivative

instruments for forward purchase and sale of currency (the US dollar).
Transactions expressed in currencies other than the US dollar are not relevant and could have only a marginal effect on the results of the fiscal year.

Interest rate risk

The risks related to changes in cash flow tied to fluctuations in interest rates are due to loans. The loans at variable interest rates are exposed to the risk of fluctuations in cash flows caused by interest rates. The fixed rate loans are exposed to risks of change in the fair value of loans received.

The main outstanding loan agreements are contracted at variable market rates. The policy of the Company is to make use of derivative instruments to mitigate the risk of fluctuations in the cash flow deriving from interest rates.

Credit risk

The players in the market where the Company operates are mainly multinational companies in the oil sector. Transactions made are generally settled very quickly and are often guaranteed by leading credit institutes. Credits are furthermore monitored daily by financial management in a systematic and accurate manner. It is deemed that such risk is marginal and does not constitute an important variable in the Company's business.

Liquidity risk

The Group finances its own business through both cash flows generated by operations management and through recourse to outside loans and it is therefore exposed to a liquidity risk related to its ability to cope with contractual obligations deriving from loan agreements it has contracted.
Its strong ability to self-finance together with its good track record in meeting debt obligations suggest, however, that any liquidity risk is marginal.

Exposure to other risks and their management

Risks relating to interruptions in refinery production

The Company's business is to a great extent dependent upon its refinery located in Sardinia where it produces almost all the oil products refined and sold. This business is subject to risks relating to interruptions due to unplanned plant stoppages and to accidents. Saras believes that the complexity of its refinery can limit any negative effects of unplanned stoppages and that the safety plans in effect (and continually implemented) are such as to reduce any accident risk to a minimum. Saras has also taken out a significant insurance policy to cover such risks.

Environmental risk

The Company business is governed by numerous European Union, national, regional and local regulations on environmental matters.
Even though the Company believes that its business is conducted in accordance with the requirements of environmental legislation, environmental costs and responsibility risks are inherent in the activity and there can be no certainty that in future there will be no significant costs and responsibility to be borne for environmental matters.
The Company has, in any case, incurred operational expenses and expects to continue to do so and will make investments in order to comply with environmental regulatory requirements. Saras has taken out a significant insurance policy to cover these risks as well.

Management and Control

As of the date of this report, the Angelo Moratti S.a.p.a. owns 62.46% of the Saras share capital.

Article 2497-sexies of the Italian Civil Code states that *"it is presumed, unless proved otherwise, that the activities of corporate management and coordination shall be exercised by the company or body responsible for consolidating the accounts or by the controlling company pursuant to article 2359"*. The Saras Board of Directors believes, however, that the Angelo Moratti S.a.p.a. never exercised any activities of direction and coordination because, among other things, the Angelo Moratti S.a.p.a. does not issue directions to its subsidiary nor is there any significant organisational or functional connection between the two companies. As a consequence, Saras considers that it is operating and has always operated in total corporate and entrepreneurial autonomy with respect to its parent company, the Angelo Moratti S.a.p.a.. Furthermore, relations with the latter are exclusively limited to the normal exercise by the Angelo Moratti S.a.p.a. of administrative and financial rights proper to a shareholder and to the receipt of information supplied by the Issuer in compliance with the provisions of article 2381, subsection 5, of the Italian Civil Code by the bodies delegated by the Angelo Moratti S.a.p.a..

Proposal of the Board of Directors

Dear Shareholders,
The separate Annual Report as of 31st December 2008 of your company closed with a net income of EUR 60,834,139.
If you agree with the criteria applied in the preparation of the financial statements and with the principles and accounting methods used, we propose that you adopt the following resolutions:

"The Shareholders' Meeting

- having examined the separate Annual Report of the Company at 31st December 2008;
- having reviewed the Board of Statutory Auditors' report to the meeting pursuant to article 153 of Legislative Decree no. 58/1998 (Consolidated Law on Finance);
- having reviewed the Independent Auditor's report on the separate Annual Report at 31st December 2008;

resolves

[A] to approve the Company's separate Annual Report for the fiscal year closed on 31st December 2008 in its entirety and in its individual parts;

[B] to distribute a dividend of EUR 0.17 for each of the 927,771,714 shares in circulation for a total of EUR 157,721,191 drawing it from:
- the profit for the year in the amount of EUR 60,834,139;
- and the residual amount of EUR 96,887,052 from "Other reserves";

[C] to pay the dividend on 21st May 2009 (coupon detachment date 18th May 2009)."

For the Board of Directors
Chairman
Gian Marco Moratti

Saras S.p.A. Financial Statements as of 31st December 2008

Saras S.p.A. Balance Sheet at 31st December 2008 and at 31st December 2007

(EUR Thousand)	(1)	(2)	31/12/2008	31/12/2007
ASSETS				
Current Assets	**5.1**		**927,245**	**1,361,106**
Cash and cash equivalents	5.1.1	A	3,316	154,419
Other financial assets held for trading	5.1.2	B	15,844	15,203
Trade receivables	5.1.3	C	462,255	557,513
of which with related parties:			*195,284*	*208,043*
Inventory	5.1.4	D	325,836	541,920
Current tax assets	5.1.5	E	5,954	819
Other assets	5.1.6	F	114,040	91,232
of which with related parties:			*98,598*	*81,752*
Non Current Assets	**5.2**		**975,355**	**819,023**
Property, plant and equipment	5.2.1	H, I	639,272	538,479
Intangible assets	5.2.2	J	11,604	9,815
Equity interests consolidated under the equity method	5.2.3.1	K	301,787	269,787
Other equity interests	5.2.3.2	K	495	495
Deferred tax	5.2.4	W	21,793	0
Other financial assets	5.2.5	M	404	447
Total assets			**1,902,600**	**2,180,129**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**5.3**		**798,616**	**789,065**
Short-term financial liabilities	5.3.1	R	205,747	86,687
of which with related parties:			*58,598*	*23,637*
Trade and other payables	5.3.2	R	493,573	575,511
of which with related parties:			*39,756*	*14,691*
Current tax liabilities	5.3.3	W	44,267	73,584
Other liabilities	5.3.4	R	55,029	53,283
Non-current liabilities	**5.4**		**117,371**	**237,211**
Long-term financial liabilities	5.4.1	R	0	10,000
Provisions for risks	5.4.2	P,Z	18,661	13,526
Provisions for employee benefits	5.4.3	Q	35,064	33,830
Deferred tax liabilities	5.4.4	W	0	121,369
Other liabilities	5.4.5	R	63,646	58,486
of which with related parties:			*49,977*	*54,947*
Total liabilities			**915,987**	**1,026,276**
SHAREHOLDERS' EQUITY	**5.5**	**O, V, N**		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			860,223	659,106
Profit/(loss) for the period			60,834	429,191
Total Shareholders' Equity			**986,613**	**1,153,853**
Total liabilities and Shareholders' Equity			**1,902,600**	**2,180,129**

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

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

Saras S.p.A. - Income Statement for the years ended at 31st December 2008 and 31st December 2007

(EUR Thousand)	(1)	(2)	01/01/2008 31/12/2008	of which non recurring	01/01/2007 31/12/2007	of which non recurring
Revenues from ordinary operations	6.1.1	S	7,820,135		6,005,379	
of which with related parties:			*2,408,181*		*1,834,826*	
Other income	6.1.2	S	121,671		48,163	*5,373*
of which with related parties:			*100,514*		*26,836*	
Total revenues			**7,941,806**	*0*	**6,053,542**	*5,373*
Purchases of raw materials, spare parts and consumables	6.2.1	T	(7,292,721)		(5,143,977)	
of which with related parties:			*(6,366)*		*(1,661)*	
Cost of services and sundry costs	6.2.2	T, Z	(436,514)		(303,721)	
of which with related parties:			*(79,608)*		*(61,168)*	
Personnel costs	6.2.3	T, Q	(109,832)		(91,227)	*5,156*
Depreciation, amortization and write-downs	6.2.4	H, J, T	(79,550)		(74,102)	
Total costs			**(7,918,617)**	*0*	**(5,613,027)**	*5,156*
Operating Result			**23,189**	*0*	**440,515**	*10,529*
Net income (charges) from equity interests	6.3	K , V	22,200		147,586	
of which with related parties:			*22,200*		*147,586*	
Other financial income/(charges), net	6.4	X	20,163		(20,572)	
of which with related parties:			*2,739*		*903*	
Profit before taxes			**65,552**	*0*	**567,529**	*10,529*
Income tax for the period	6.5	W	(4,718)	*18,160*	(138.338)	*18,711*
Net profit/(loss) for the period			**60,834**	*18,160*	**429,191**	*29,240*
Earnings per share - basic (Euro cent)		Y	**6.46**		**45.14**	
Earnings per share - diluted (Euro cent)		Y	**6.46**		**45.14**	

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

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

Saras S.p.A. - Statement of Changes in Shareholders' Equity for the period 1st January 2006 - 31st December 2008

(EUR Thousand)	Share Capital	Legal reserve	Other reserves	Profit (loss) for the period	Shareholders' Equity
Balance as at 31/12/2005	51,183	10,237	128,685	246,579	436,684
Capital increase (net of IPO costs)	3,447		338,984		342,431
Allocation of previous period profit			106,884	(106,884)	0
Dividends			(30,485)	(139,695)	(170,180)
Profit (loss) for the year				257,553	257,553
Balance as at 31/12/2006	54,630	10,237	544,068	257,553	866,488
Allocation of previous period profit		689	114,214	(114,903)	0
Dividends				(142,650)	(142,650)
Reserve for employee stock plan			2,106		2,106
Own treasury shares in portfolio			(1,975)		(1,975)
Effect of Corporate tax rate reduction			693		693
Profit (loss) for the year				429,191	429,191
Balance as at 31/12/2007	54,630	10,926	659,106	429,191	1,153,853
Allocation of previous period profit			268,348	(268,348)	0
Dividends				(160,843)	(160,843)
Reserve for employee stock plan			2,461		2,461
Buyback			(70,307)		(70,307)
Share premium reserve adjustment			615		615
Profit (loss) for the year				60,834	60,834
Balance as at 31/12/2008	54,630	10,926	860,223	60,834	986,613

Saras S.p.A. Cash Flow Statements for the years ended at 31st December 2008 and 31st December 2007

(EUR Thousand)		01/01/2008 31/12/2008	01/01/2007 31/12/2007
A - Cash and cash equivalents at the beginning of period		154,419	41,152
B - Cash generated from/(used in) operating activities			
Profit/ (Loss) for the period of the Group	5.5	60,834	429,191
Amortization, depreciation and write-down of fixed assets	6.2.4	79,550	74,102
Net (income)/charges from equity interests	6.3	2,400	(1,780)
of which with related parties:		*2,400*	*(1,780)*
Net change in provisions for risks and charges	5.4.2	5,135	0
Net change in employee benefits	5.4.3	1,234	(8,396)
Change in tax liabilities and tax assets	5.2.4 - 5.4.4	(143,162)	45,785
Dividends	6.3	(24,600)	(149,071)
of which with related parties:		*24,600*	*(149,071)*
Income tax	6.5	4,718	138,338
Other non cash income and costs		0	793
Profit (Loss) from operating activities before changes in working capital		(13,891)	528,962
(Increase)/Decrease in trade receivables	5.1.3	95,258	(188,544)
of which with related parties:		*12,759*	*(45,576)*
(Increase)/Decrease in inventory	5.1.4	216,084	(89,718)
Increase/(Decrease) in trade and other payables	5.3.2	(81,938)	82,943
of which with related parties:		*25,065*	*(5,296)*
Change in other current assets	5.1.5 - 5.1.6	(27,943)	72,704
of which with related parties:		*(16,846)*	*(2,913)*
Change in other current liabilities	5.3.3 - 5.3.4	141,075	68,923
Income tax paid		(176,991)	(137,882)
Change in other non-current liabilities	5.4.5	5,160	(4,663)
of which with related parties:		*(4,971)*	*(4,971)*
Total (B)		156,814	332,725
C - Cash flow from (to) investment activities			
(Investments) in tangible and intangible assets, net of disinvestments and accumulated depreciation and amortization	5.2.1 - 5.2.2	(182,132)	(177,231)
Dividends	6.3	24,600	149,071
of which with related parties:		*24,600*	*149,071*
Equity interests	5.2.3.1	(32,000)	0
Change in other equity interests	5.2.3.2	0	1
Interest received/(paid)		3,627	1,831
of which with related parties:		*2,739*	*903*
Total (C)		(185,905)	(26,328)
D - Cash generated from/(used in) financing activities			
Increase/(Decrease) in medium/long term borrowings	5.4.1	(10,000)	(43,333)
(Increase)/Decrease in other financial assets	5.1.2 - 5.2.5	(598)	(1,691)
Increase/(Decrease) in short term borrowings	5.3.1	119,060	(5,456)
of which related parties:		*34,961*	*(4,054)*
Capital increase	5.5	(70,307)	0
Dividend distribution to shareholders	5.5	(160,843)	(142,650)
Other non monetary movements	5.5	676	0
Total (D)		(122,012)	(193.130)
E - Cashflow for the period (B+C+D)		(151,103)	113,267
F - Cash and cash equivalents at the end of period		3,316	154,419

(1) Please refer to Chapter 5 "Notes to the Balance sheet" and 6 "Notes to the Income Statement"

For the Board of Directors

The Chairman - Gian Marco Moratti

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Notes to the Financial Statements of Saras S.p.A. as of 31st December 2008

1. Preliminary comments

Saras S.p.A. is a company limited by shares with registered office at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, and is 62.46% owned (excluding own shares) by Angelo Moratti S.A.P.A., registered office Foro Bonaparte 69, Milan (MI).

Saras S.p.A. operates in the Italian and international oil markets as a refiner of crude and seller of products derived from the refining process.

This report, which relates to the year ending 31st December 2008, is presented in euro, since the euro is the currency of the economy in which the company operates. It consists of a balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in thousand euro, unless otherwise stated.

2. General criteria for the preparation of the financial statements

The separate accounts of Saras S.p.A. for the year ending 31st December 2008 were prepared in accordance with the International Financial Reporting Standards ("IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19th July 2002. Pursuant to this regulation, Legislative Decree 38 was issued on 20th February 2005, introducing the obligation to incorporate IFRS into Italian law, and extending it to the preparation of annual accounts by companies having equity or debt securities listed on a regulated market in the EU from the 2006 financial year.

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

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

- balance sheet: current and non-current assets and liabilities are shown separately, according to liquidity;
- income statement: profit and loss items are presented according to their nature;
- cash flow statement: this is presented using the indirect method, which differentiates between financial flows deriving from operating, investment and financial activities.

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

3. Accounting principles applied

The IASB and IFRIC have approved some changes to and interpretations of the IFRS, which were published in part in the Official Journal of the European Union and apply for the first time from 1st January 2008. They have also approved some changes in interpretations already issued but applicable to accounts referring to periods beginning after 1st January 2008.
The following new documents issued by the IASB and approved by the EU, which must be adopted for the financial years starting from 1st January 2008, had no effect on Saras S.p.A.'s financial statements:

- IFRIC interpretation 11 of IFRS 2 (Group and Treasury Share Transactions), relating to share-based payments;
- amendments to IAS 39 and IFRS 7: some assets, excluding derivatives contracts, may be reclassified on the balance sheet, from "Assets held for trading" valued at fair value in the income statement to "Assets available for sale" with the change in the fair value recorded under equity or, in the case of loans or credits held to maturity, to "loans" valued at cost (nominal or effective interest rate). Saras S.p.A. has decided not to apply this.

From 2009 the following international accounting standards and interpretations published in the Official Journal of the European Union will apply:

- IFRS 8 – Operating Segment, will substitute IAS 14 – Segment Information; compared to the later, the information required is integrated by an analysis on products and services supplied and on main customers;
- IAS 23 – Financial Charges; elimination of the alternative treatment regarding the capitalization of the financial charges. Therefore it becomes mandatory the capitalisation of the financial charges directly related to the acquisitions, the production or construction of the asset, where there is a period of time meaningful before it becomes available for the utilisation;
- IFRS 2 – Amendments – Vesting conditions and Cancellations. Are expected changes regarding the conditions of the "vesting" and the relative cancellation;
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IAS 1 – Presentation of Financial Statements
- IAS 32 – IAS 1 – amendments – Puttable Financial Instruments and Obligations Arising on Liquidation;
- IFRS 1 – IAS 27 – amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

Are under review the impact valuations of such changes for the Group.

3.1 Summary of accounting principles and policies

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

A Cash and cash equivalents

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

B Financial assets held for trading

Financial assets held for trading are reported at fair value with any gains reported in the income statement under "Other net financial income (charges)".

C Trade receivables

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

D Inventories

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

E Current tax assets

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

F Other assets

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

G Derecognition of financial assets and liabilities

Financial assets that are transferred are derecognised 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 are measured at purchase or production cost, less accumulated depreciation and any impairment. The cost includes every charge that is incurred directly to make the assets ready for use, as well as any disposal and removal charges incurred as a result of contractual obligations. Any interest expenses relating to the construction of tangible assets are capitalised until the asset is ready to be used.

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

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

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

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

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

Land is not depreciated.

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, are recognised as 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 balance sheet under financial liabilities. Leased assets are depreciated on the same basis and at the same depreciation rates as those set out above for tangible assets.

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

J Intangible assets

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

[I] Intangible assets: 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 Saras; the recoverability of the book 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 for the exploration and valuation of mineral resources, that is:

[A] acquisition of exploration rights;
[B] photographic, geological, geochemical and geophysical studies;
[C] explorative drilling;
[D] digging;
[E] sampling;
[F] activities related to the evaluation of technical and commercial feasibility of mineral resource

extraction are recorded under tangible or intangible assets according to their nature, as required by IFRS 6.

K Investments

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

L Impairment of assets

At each reporting date of the annual financial statements, tangible assets and intangible assets with a finite useful life and investments are analysed in order to identify any indicators, originating from internal or external sources, of impairment. Where such indicators exist, the recoverable value of these assets is estimated and any write-down duly charged to the income statement. The recoverable value of an asset is the greater of its fair value less disposal cost and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned.

The recoverable value of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. An impairment is recognised in the income statement whenever the book 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.

M Other financial assets

Credits 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 book 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 "Derivative instruments".

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 linked to the issue of new shares are deducted from equity reserves, after any deferred tax effect.

[II] Reserves

Reserves comprise sums set aside for a specific purpose; they include the unallocated portion of net profit from previous years.

[III] Stock plans for Group employees and management

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

P Provisions for risks

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, and no provision is made.

Q Provisions for employee benefits

Saras provides various types of defined benefit pension plans, in keeping with the conditions and practices that are commonly applied.

From 1st January 2007, the Italian budget law and related implementing decrees introduced significant changes governing employee end-of-service payments, including 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 fifty employees, or allocated to INPS if it has more than fifty employees). The introduction of these regulations has resulted in the following accounting changes:

- Provisions made up to 31st December 2006
  The end-of-service payments due to employees pursuant to article 2120 of the civil code are treated in the same way as defined benefit pension plans; these plans are based on the working life of employees and on the remuneration they receive over a predetermined period of service. The liability relating to employee end-of-service payments is entered on the balance sheet based on their actuarial value, since this can be quantified as a staff benefit due on the basis of a defined benefit plan. Booking defined benefit pension plans on the balance sheet requires the amount of benefits accrued by employees to be estimated using actuarial techniques and discounted in order to determine the present value of the company's obligations. The present value of the company's obligations is determined by an external expert using the projected unit credit method. This method, which comes under the more general area of accrued benefit methods, considers every period of service at the company as an additional unit of entitlement: actuarial liabilities must therefore be quantified solely on the basis of years worked at the valuation date; thus, an estimate of the total liability is normally extrapolated from the number years of service at the valuation date to account for the total number of years worked at the time the benefit is expected to be paid.
  The costs accrued for the year in respect of defined benefit plans is recorded on the income statement under personnel expenses and is equivalent to the sum of the average present value of entitlements

accrued by current employees and the annual interest accrued on the present value of the company's obligations at the beginning of the year, calculated using the discount rate for future disbursements that is used to estimate liabilities at the end of the previous year. The annual discount rate adopted for these calculations is the end-of-year market rate for zero coupon bonds with the same maturity as the average residual duration of the liabilities.
The actuarial gains and losses arising from any changes in actuarial parameters used previously are reported in the income statement.

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

In accordance with the new regulations, the entitlements accrued up to 31st December 2006 were also reviewed; the resulting effect (considered a "curtailment") was booked under personnel costs in 2007.

R Financial liabilities, trade and other payables and other liabilities

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

S Recognition of revenues

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

T Recognition of costs

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

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

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

V Dividends

[A] Dividends received

Dividends received from subsidiaries, joint ventures, 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 balance sheet of the period in which the distribution was approved by the company's shareholders.

W Taxes

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

Deferred taxes are calculated on all temporary differences between the tax value of an asset or liability and its book value.

In respect of deferred tax assets (including those relating to tax losses from previous periods) that cannot be offset against deferred tax liabilities in full, the residual portion is recognised to the extent that it is probable that taxable income will be generated in future against which they can be recovered.

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

Current and deferred taxes are recognised in the income statement, with the exception of those 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 taxes are set off when income taxes are applied by the same tax authority, when there is a legal right of set-off and the intention to settle on a net basis.

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

Other taxes not related to income, such as property taxes, are included under "Operating costs".

The company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), for the minimum period allowed under the option pursuant to articles 117-128 of the consolidated law on income tax. Any tax losses received (or portion thereof used at the time of consolidation) are recognised as an amount equal to the current IRES rate. The financial effects arising from the calculation of the tax due are recorded in debit or credit items with respect to the company.

X Derivatives

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

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

All derivatives, including those relating to commodities, that do not meet the requirements for hedge accounting laid down by IAS 39, are recorded at fair value in the income statement, with the change in the fair value of the instrument carried under the heading "Other net financial income (charges)".

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

Y Earnings per share

[I] Basic EPS

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

[II] Diluted EPS

Diluted EPS is calculated by dividing operating profit, adjusted by the portion of earnings attributable to the holders of preference shares, by the weighted average of ordinary shares outstanding during the year, excluding own shares. For the purpose of calculating diluted earnings per share, the weighted average of shares outstanding is modified by assuming the conversion of all potentially dilutive ordinary shares, while net profit is adjusted to take into account the effects of the conversion net of taxes. Diluted EPS is not calculated in the case of losses, since any dilution effect would lead to improved earnings per share.

Z Emissions trading

Legislative decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase on the market allowances, or credits, representing the excess CO_2. If the credits allocated and purchased during the period are less than required, the market value of the shortfall is recorded under "Provisions for risks". If the credits allocated and purchased are more than required, the market value of the surplus is recorded under "Intangible assets".

AA Segment information

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

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.

3.2 Use of estimates

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

3.3 Most significant accounting policies requiring a greater degree of subjectivity

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

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

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

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

4. Information by geographical area

4.1 Preliminary comments

Refining activities concern the following:

[A] the sale of oil products obtained:

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

Finished products are sold to major international companies.

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

4.2 Breakdown by geographical area

Net revenues from ordinary operations by geographical area:

	31/12/2008	31/12/2007	Change
Sales in Italy	3,363,610	2,514,113	849,497
Sales in Spain	1,731,534	1,521,614	209,920
Other EU country sales	857,025	362,948	494,077
Non-EU country sales	1,858,231	1,521,149	337,082
US Sales	9,735	85,555	(75,820)
Total	**7,820,135**	**6,005,379**	**1,814,756**

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

	31/12/2008	31/12/2007	Variazione
Sales in Italy	326,976	266,432	60,544
Sales in Spain	61,522	120,099	(58,577)
Other EU county sales	16,474	23,297	(6,823)
Non-EU county sales	59,285	149,687	(90,402)
U.S. sales	14	14	0
Provision for bad debts	(2,016)	(2,016)	0
Total	**462,255**	**557,513**	**(95,258)**

The most significant changes to the balance sheet and income statement compared to the previous year are shown below.

5. Notes to the Balance Sheet

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2008	31/12/2007	Change
Bank and postal deposits	3,256	154,372	(151,116)
Cash	60	47	13
Total	**3,316**	**154,419**	**(151,103)**

The decrease was mainly due to cash flows from ordinary activities. For a more detailed description please see section 5.3.1 "Short-term financial liabilities", and the cash flow statement.

5.1.2 Other financial assets held for trading

This item includes Italian and foreign equities and government bonds.
Changes in the fair value during the period are recorded in the income statement under "Other net financial income (charges)".

The table below shows changes in the item:

Balance at 31/12/2006	**13,816**
Increases for financial year	12,223
Decreases for financial year	(10,836)
Balance at 31/12/2007	**15,203**
Increases for financial year	15,196
Decreases for financial year	(14,555)
Balance at 31/12/2008	**15,844**

5.1.3 Trade receivables

The following table shows the balance for trade receivables:

	31/12/2008	31/12/2007	Variazione
From trade debtors	267,040	349,528	(82,488)
From Group companies	195,215	207,985	(12,770)
Total	**462,255**	**557,513**	**(95,258)**

Trade receivables decreased versus the previous year, owing essentially to the fall in the price of oil products in the last part of the year.

The balance of receivables from Group companies mainly refers to receivables from Saras Energia S.A. (EUR 60,846 thousand) and Arcola Petrolifera S.p.A. (EUR 41,444 thousand) for the supply of oil products, and from Sarlux S.r.l. (EUR 91,166 thousand) for the supply of raw materials and charges for the purchase of CO_2 credits.

5.1.4 Inventories

The following table shows the balance for inventories and the changes that occurred during 2008:

	31/12/2008	31/12/2007	Change
Inventory:			
Raw materials, replacement parts and consumables	126.975	172.207	(45.232)
Semi-finished products	25.788	66.007	(40.219)
Finished products and goods held for resale	162.034	293.690	(131.656)
Payments on account for stocks	11.039	10.016	1.023
Total	**325.836**	**541.920**	**(216.084)**

The decrease in the value of inventories is attributable to a general fall in prices, which was partly offset by a rise in the quantities of crude oil and finished products held at the end of the period.

The recording of inventories at net realisable value includes a write-down of around EUR 92.4 million (EUR 0.1 million the previous year). This valuation is thus equivalent to the market value.

There are no items of inventory securing liabilities. The item "Finished products and goods held for resale" includes around 491,000 tons of oil products (valued at around EUR 113 million) held in accordance with Legislative Decree 22 of 31st January 2001 for both Saras S.p.A. and its subsidiary Arcola Petrolifera S.p.A. The Sarroch refinery held crude and oil products belonging to third parties worth a total of around EUR 88 million at 31st December 2008 (EUR 240 million at 31st December 2007).

5.1.5 Current tax assets

Current tax assets amounting to EUR 5,954 thousand (EUR 819 thousand at 31st December 2007) are detailed below:

	31/12/2008	31/12/2007	Change
VAT credits	3,507	0	3,507
Other tax credits	2,447	819	1,628
Total	**5,954**	**819**	**5,135**

The VAT credit refers to the portion of the payment on account for December (calculated using the historical cost method) in excess of the VAT actually due for that month.

The other tax credits include credits for the reimbursement of the unloading tax for intra-EU traffic.

5.1.6. Other current assets

The balance is detailed below:

	31/12/2008	31/12/2007	Change
Accrued income	792	1,412	(620)
Deferred charges	5,485	5,596	(111)
Other receivables	9,164	2,472	6,692
Financial receivables from Group companies	98,599	81,752	16,847
Total	**114,040**	**91,232**	**22,808**

"Financial receivables from Group companies" include receivables from Saras Energia S.A. (EUR 70,000 thousand), Saras Ricerche e Tecnologie S.p.A. (EUR 10,380 thousand), Arcola Petrolifera S.p.A. (EUR 7,325 thousand), Akhela S.r.l. (EUR 6,728 thousand), Ensar S.r.l. (EUR 1,556 thousand), Eolica Italiana S.r.l. (EUR 210 thousand) and Nova Eolica S.r.l. (EUR 2,400 thousand). These loans carry interest charged at market rates, and mature in the next year.

Deferred charges mainly refer to insurance premiums (EUR 3,837 thousand).

The item "Other receivables" mainly includes the fair value of derivatives outstanding at 31st December 2008 (EUR 3,015 thousand), margin deposits on derivatives (EUR 4,189 thousand), receivables from insurance policies (EUR 179 thousand) and payments to suppliers on account (EUR 138 thousand). The increase in the item was due to the change in the fair value of derivatives, which went from a net debit position at 31st December 2007 (EUR 940 thousand) to a net credit position at 31st December 2008.

The net fair value of derivatives outstanding at 31st December 2008 is shown below:

	2008 Assets	2008 Liabilities	2007 Assets	2007 Liabilities
Forward commodities contracts at fair value (crude and other oil products)	3,015		1,365	(2,305)
Total	**3,015**	**0**	**1,365**	**(2,305)**

The valuation at fair value of the derivatives outstanding at 31st December 2008 had a positive net impact on the income statement of EUR 3,954 thousand (versus a negative net impact of EUR 11,749 thousand the previous year), as shown in section 6.4 below.

The following tables show the notional values and relative fair values of derivatives outstanding at 31st December 2007 and 31st December 2008.

Transaction type 2007	Interest rate			Exchange rate			Other		
	Notional	Fair value	Fair value	Notional	Fair value	Fair value	Notional	Fair value	Fair value
(Figures in EUR thousand)	value	Pos.	Neg.	value	Pos.	Neg.	value	Pos.	Neg.
Derivatives									
Futures									
purchases							16,533		(1,380)
sales							(16,533)	367	
Swaps									
purchases							1,284	998	
sales							(1,192)		(925)
Total	**0**	**0**	**0**	**0**	**0**	**0**	**92**	**1,365**	**(2,305)**

Transaction type 2008	Interest rate			Exchange rate			Other		
	Notional	Fair value	Fair value	Notional	Fair value	Fair value	Notional	Fair value	Fair value
(Figures in EUR thousand)	value	Pos.	Neg.	value	Pos.	Neg.	value	Pos.	Neg.
Derivatives									
Futures									
purchases							(56,954)	8,475	
sales							53,594		(5,460)
Swaps									
purchases									
sales									
Total	**0**	**0**	**0**	**0**	**0**	**0**	**(3,360)**	**8,475**	**(5,460)**

5.2 Non-current assets

5.2.1 Property, plant and equipment

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

COST	31/12/2006	Additions	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2007
Land and buildings	82,971		(1)		16,918	99,888
Plant and machinery	1,119,829	15,375	(6,107)		22,954	1,152,051
Industrial and commercial equipment	12,215				905	13,120
Other assets	360,093	170	(723)		8,904	368,444
Assets under construction and payments on account	54,126	152,037			(49,993)	156,170
Total	**1,629,234**	**167,582**	**(6,831)**	**0**	**(312)**	**1,789,673**

ACCUMULATED DEPRECIATION	31/12/2006	Depreciation	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2007
Land and buildings	26,567	2,943			2,363	31,873
Plant and equipment	894,758	51,782	(6,097)		1,180	941,623
Industrial and commercial equipment	7,703	1,895				9,598
Other assets	256,309	16,411	(723)		(3,897)	268,100
Total	**1,185,337**	**73,031**	**(6,820)**	**0**	**(354)**	**1,251,194**

NET VALUE	31/12/2006	Additions	(Disposals)	(Depreciation)	Other changes & revaluations (write-downs)	31/12/2007
Land and buildings	56,404	0	(1)	(2,943)	14,555	68,015
Plant and equipment	225,071	15,375	(10)	(51,782)	21,774	210,428
Industrial and commercial equipment	4,512	0	0	(1,895)	905	3,522
Other assets	103,784	170	0	(16,411)	12,801	100,344
Assets under construction and payments on account	54,126	152,037	0		(49,993)	156,170
Total	**443,897**	**167,582**	**(11)**	**(73,031)**	**42**	**538,479**

COST	31/12/2007	Additions	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2008
Land and buildings	99,888	796	(4)		1,115	101,795
Plant and machinery	1,152,051	11,864	(1,901)		182,401	1,344,415
Industrial and commercial equipment	13,120				1,174	14,294
Other assets	368,444	650	(431)		24,245	392,908
Assets under construction and payments on account	156,170	165,983			(208,748)	113,405
Total	**1,789,673**	**179,293**	**(2,336)**	**0**	**187**	**1,966,817**

ACCUMULATED DEPRECIATION	31/12/2007	Depreciation	(Disposals)	Revaluations (write-downs)	Other changes	31/12/2008
Land and buildings	31,873	3,215	(4)			35,084
Plant and equipment	941,623	56,762	(1,901)			996,484
Industrial and commercial equipment	9,598	1,829				11,427
Other assets	268,100	16,881	(431)			284,550
Total	**1,251,194**	**78,687**	**(2,336)**	**0**	**0**	**1,327,545**

NET VALUE	31/12/2007	Additions	(Disposals)	(Depreciation)	Other changes & revaluations (write-downs)	31/12/2008
Land and buildings	68,015	796	0	(3,215)	1,115	66,711
Plant and equipment	210,428	11,864	0	(56,762)	182,401	347,931
Industrial and commercial equipment	3,522	0	0	(1,829)	1,174	2,867
Other assets	100,344	650	0	(16,881)	24,245	108,358
Assets under construction and payments on account	156,170	165,983	0		(208,748)	113,405
Total	**538,479**	**179,293**	**0**	**(78,687)**	**187**	**639,272**

Costs are shown net of grants received for investments.

The gross value of grants deducted from fixed assets on the balance sheet was EUR 160,963 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997.

At 31st December 2008 the remaining value of these grants was EUR 15,128 thousand (EUR 26,894 thousand at 31st December 2007).

The item "Land and buildings" includes industrial buildings used as offices and warehouses (net value: EUR 33,322 thousand), civic buildings in Cagliari and Rome used as offices (net value: EUR 2,536 thousand) and land largely relating to the Sarroch site (net value: EUR 30,853 thousand).

The item "Plant and machinery" mainly relates to the refining plants in Sarroch.
The item "Industrial and commercial equipment" includes equipment for the chemical laboratory and control room.

The item “Other assets” mainly includes tanks and pipelines used to carry products and crude.

The item “Work in progress and advances” reflects costs mainly relating to investments in tanks, and work to adapt and upgrade existing plants, particularly for environmental, safety and reliability purposes. The decrease of EUR 208.7 million recorded under “Other changes” refers to work finished during the period and consequently recorded under the related asset class.

Increases in the period totalled EUR 179,293 thousand and mainly referred to work on the FCC, gasoline desulphurisation (U800) and tail gas treatment (TGTU) plants and tanks.

The most significant depreciation rates used are as follows:

Industrial buildings (land and buildings)	5.50%
Generic plant (plant and equipment)	8.38%
Highly corrosive plant (plant and equipment)	11.73%
Pipelines and tanks (other assets)	8.38%
Equipment (industrial and commercial equipment)	25.00%
Electronic office equipment (other assets)	20.00%
Office furniture and machinery (other assets)	12.00%
Transport vehicles (other assets)	25.00%

No fixed assets are held for sale.

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

Leased assets, booked as “Transport vehicles”, totalled EUR 14,663 thousand, with a residual net value of zero.

No financial charges were capitalised during 2008, while were capitalised internal costs for total ammount of EUR 4,824 thousands.

5.2.2 Intangible assets

The following table shows the changes in intangible assets:

CATEGORY	31/12/2006	Additions	Disposals	Other changes	(Amortisation)	31/12/2007
Industrial and other patent rights	531	930		31	(656)	836
Intangible assets in progress and payments on account	0	8,719				8,719
Other intangible assets	706			(31)	(415)	260
Total	**1,237**	**9,649**	**0**	**0**	**(1,071)**	**9,815**

CATEGORY	31/12/2007	Additions	Disposals	Other changes	(Amortisation)	31/12/2008
Industrial and other patent rights	836	961		42	(733)	1,106
Intangible assets in progress and payments on account	8,719	1,879		(230)		10,368
Other intangible assets	260				(130)	130
Total	**9,815**	**2,840**	**0**	**(188)**	**(863)**	**11,604**

The increase in the item "Concessions, licences, trademarks and similar rights" relates to the acquisition of new software licences.

The increase in the item "Intangible assets in progress and payments on account" is mainly due to gas exploration activities in Sardinia.

Amortisation of intangible assets totalled EUR 863 thousand, and was calculated using the annual rates shown below:

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

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

5.2.3 Equity investments

The following table lists equity investments held directly or indirectly at 31st December 2008. Figures are shown in euro and in accordance with local accounting principles.

Name	HQ	Currency	Share Capital	Portion owned	Business Relationship	Total assets	Total liabilities	Shareholders' Equity	Net profit/(loss) last FY	Book value Saras S.p.A.
Arcola Petrolifera S.p.A.	Sarroch (CA)	€	7,755,000	100.00%	subsidiary	130,523,416	83,214,862	47,308,554	10,858,138	11,497,213
Sarlux S.r.l.	Sarroch (CA)	€	27,730,467	100.00%	subsidiary	1,014,516,187	393,942,913	620,573,274	133,863,635	211,806,086
Sarint S.A.	Luxembourg	€	50,705,314	99.9% (*)	subsidiary	71,063,471	238,729	70,824,742	(21,655,658)	37,750,614
Sartec - Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	€	3,600,000	100.00%	subsidiary	26,749,850	22,234,853	4,514,997	479,028	1,661,434
Ensar S.r.l.	Cagliari	€	100,000	100.00%	subsidiary	2,835,659	1,924,309	911,350	(1,685,926)	0
Parchi Eolici Ulassai S.r.l.	Cagliari	€	500,000	100.00%	subsidiary	17,633,849	45,020	17,588,829	(2,281,000)	32,815,696
Akhela S.r.l.	Cagliari	€	3,000,000	100.00%	subsidiary	22,641,833	14,935,189	7,706,644	(2,573,176)	6,256,063
										301,787,106

(*) The remaining 0.1% stake in Sarint S.A. is owned by subsidiary Arcola Petrolifera S.p.A.

5.2.3.1 Equity investments valued at cost

A breakdown of equity investments valued at cost is shown below:

	Legal HQ	% owned	31/12/2008	31/12/2007
Akhela S.r.l.	Cagliari	100%	6,255	6,255
Arcola Petrolifera S.p.A.	Sarroch (CA)	100%	11,497	11,497
Ensar S.r.l.	Cagliari	100%	0	0
Parchi Eolici Ulassai S.r.l.	Cagliari	100%	32,816	816
Sarint S.A.	Luxembourg	99.9%	37,750	37,750
Sarlux S.r.l.	Sarroch (CA)	100%	211,808	211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	100%	1,661	1,661
Total			**301,787**	**269,787**

The changes in book value are shown below:

	31/12/2006	Acquisitions and subscriptions	Revaluations (write-downs)	Other changes	31/12/2007
Akhela S.r.l.	883			5,372	6,255
Arcola Petrolifera S.p.A.	11,497				11,497
Consorzio Ricerche Associate	2,597			(2,597)	0
Ensar S.r.l.	0	500	(500)		0
Parchi Eolici Ulassai S.r.l.	816				816
Sarint S.A.	37,750				37,750
Sarlux S.r.l.	211,808				211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	2,656		(995)		1,661
Total	**268,007**	**500**	**(1,495)**	**2,775**	**269,787**

	31/12/2007	Acquisitions and subscriptions	Revaluations (write-downs)	Other changes	31/12/2008
Akhela S.r.l.	6,255				6,255
Arcola Petrolifera S.p.A.	11,497				11,497
Ensar S.r.l.	0	2,400	(2,400)		0
Parchi Eolici Ulassai S.r.l.	816	32,000			32,816
Sarint S.A.	37,750				37,750
Sarlux S.r.l.	211,808				211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	1,661				1,661
Total	**269,787**	**34,400**	**(2,400)**	**0**	**301,787**

The increase in the value of the investment in Ensar S.r.l. refers to payments by Saras into the capital account; the investment was written down by EUR 2,400 thousand owing to an impairment.

The increase in the value of the investment in Parchi Eolici Ulassai S.r.l. relates to the acquisition of the remaining 30% of the company on 30th June 2008 for EUR 32 million. For further details on this acquisition, please see the notes to the consolidated accounts of the Saras Group.

Sarlux S.r.l. must meet certain conditions with regard to existing loans before paying dividends. These are as follows:

- the following current accounts held by Sarlux at Banca Intesa in London must be sufficiently in credit to fulfil the purposes for which the accounts were opened:
  [1] debt service reserve account: includes repayments to be made to banks (capital plus interest) on loans due in the next half-year;
  [2] Air Liquide account: includes amounts guaranteeing oxygen supplies to be provided by Air Liquide Italia in the next half-year;

- the following ratios, taken from Sarlux's annual accounts figures and projections, must be achieved:
  [1] annual debt service coverage ratio: the ratio of available post-tax cash flow for the next 12 months to total debt to be repaid in the same period must be more than 1.15;
  [2] loan life coverage ratio: the ratio of the net present value of post-tax cash flow expected over the remaining life of the contract to total remaining debt to be repaid must be more than 1.2.

All of the loans granted to Sarlux S.r.l. must be repaid on request of the Facilities Agent in the event that: (i) the loan life coverage ratio falls below 1.05; (ii) the annual debt service coverage ratio falls below 1; (iii) the forecast annual debt service coverage ratio falls below 1.

In the period under review, these ratios, set contractually using an appropriate financial model, were complied with.

In addition, to guarantee the loans taken out by Sarlux S.r.l., all of the shares in the company were pledged as collateral to the financing banks.

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

This facility imposes certain restrictions on the subsidiary:

- financial (mainly liquidity parameters set in the contract and a prohibition on carrying out derivatives transactions unless authorised by the pool of banks);
- operational, as regards the management of the wind farm and the obligation to provide insurance cover;
- in relation to the corporate structure, specifically a prohibition on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the company needs to carry out the project.

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

In the period under review, these conditions, set contractually using an appropriate financial model, were 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.

At 31st December 2008 no subsidiary was listed on a regulated market.

5.2.3.2 Other investments

This item includes the 5.95% stake in Sarda Factoring S.p.A. (EUR 495 thousand).

5.2.4 Deferred tax assets

	31/12/2008	31/12/2007	Change
Deferred tax assets	21,793	0	21,793
Total	**21,793**	**0**	**21,793**

Deferred tax assets are shown net of deferred tax liabilities, and break down as follows:

				Other changes			
	Balance at 31/12/2007	Additions	Deductions	Change in nominal rates on opening balances (P&L) IRES 5,5%	Change in nominal rates on opening balances (B&S)	Other changes	Balance at 31/12/2008
Deferred tax liabilities							
Excess and accelerated depreciation	(59,135)		59,135				0
Adjustment to value of land to reflect fair value (as deemed cost)	(8,998)			(1,576)			(10,574)
Measurement of inventory at end of period at F.I.F.O. cost	(74,669)		74,669			0	0
Adjustment for scheduled plant and equipment maintenance	(6,118)	(2,676)	3,779	(411)			(5,426)
Employee benefits and bonuses	(268)		268				0
Unrealised currency losses	(750)	(2,424)	854	20			(2,300)
Other	0	25		(41)		(256)	(272)
Total deferred tax liabilities	**(149,938)**	**(5,075)**	**138,705**	**(2,008)**	**0**	**(256)**	**(18,572)**
Deferred tax assets							
Excess and accelerated depreciation related to grants	4,289		(4,289)				0
Higher fiscal costs on inventories		10,105					10,105
Provisions for risks and write-downs	0	4,924	0				4,924
Derecognition of intangible assets	33		(14)	3			22
Reclassification of grants previously carried as equity	1,360		(514)	148			994
Costs for the dismantling and removal of tangible assets	3,912	258		685			4,855
Employee benefits and bonuses	1,969	3,360	(1,897)	14			3,446
Asset maintenance costs deductible in future years	6,339	532	(1,487)	849			6,233
I.P.O costs charged directly to shareholders' equity	5,275		(1,758)		616		4,133
Fair value derivatives	258		(258)				0
Other	5,134	231	(776)	808		256	5,653
Total deferred assets	**28,569**	**19,410**	**(10,993)**	**2,507**	**616**	**256**	**40,365**
Net total	**(121,369)**	**14,335**	**127,712**	**499**	**616**	**0**	**21,793**

The most significant changes (which caused the item to change from "Deferred tax liabilities" – EUR 121.4 million in 2007 – to "Deferred tax assets" – EUR 21.8 million in 2008) were due to:

- the decision to make tax deductible the off-balance sheet deductions existing at 31st December 2007 (mainly for excess and accelerated depreciation) as per article 1 paragraph 48 of the 2008 budget law and the related ministerial decree of 3rd March 2008. This deduction led to a total substitute tax cost of EUR 31.9 million, to be paid in three instalments from the 2008 financial year;
- the change in the tax assessment criteria for inventories of crude and oil products from LIFO to FIFO, pursuant to article 81 of Legislative Decree 112/2008.

The 2008 budget law (244/2007) reduced the nominal IRES rate from 33% to 27.5%; this change was taken into account when calculating deferred tax assets/liabilities for the year ending 31st December 2007. However, Legislative Decree 112/2008 establishes an extra IRES rate of 5.5% for oil and gas companies, bringing the nominal rate back up to 33%. Deferred tax assets/liabilities were therefore adjusted.
The changes stated above led to the reversal of around EUR 130 million in deferred taxes recorded at 31st December 2007.
The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2008 and 2007:

	2008 Short term	2008 Medium-long term	2007 Short term	2007 Medium-long term
Deferred tax liabilities				
Excess and accelerated depreciation			(9,046)	(50,089)
Adjustment to value of land to reflect fair value (as deemed cost)		(10,574)		(8,998)
Measurement of inventory at end of period at F.I.F.O. cost			(74,669)	
Adjustments for scheduled plant and equipment maintenance	(3,352)	(2,074)	(3,486)	(2,632)
Employee benefits and bonuses				(268)
Unrealised currency losses	(2,444)		(870)	
Other	(272)			
Total deferred tax liabilities	**(6,068)**	**(12,648)**	**(88,071)**	**(61,987)**
Deferred tax assets				
Excess and accelerated depreciation related to grants			2,282	2,007
Higher fiscal costs on inventories	10,105			
Provisions for risks and write-downs	1,188	3,736		
Derecognition of intangibile assets	22		33	
Reclassification of grants previously carried as equity	599	395	515	845
Costs for the dismantling and removal cost of tangible assets	137	4,718	219	3,693
Employee benefits and bonuses	3,177	269	1,898	71
Maintenance exceeding cost	1,854	4,379	1,487	4,852
I.P.O. costs charged directly to shareholders' equity	2,066	2,067	1,758	3,517
Fair value derivatives			258	
Other	31	5,622	43	5,090
Total deferred tax assets	**19,179**	**21,186**	**8,494**	**20,075**

5.2.5 Other financial assets

The figure at 31st December 2008 was EUR 404 thousand (EUR 447 thousand at 31st December 2007), and referred to miscellaneous security deposits.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The following table shows short-term financial liabilities:

	31/12/2008	31/12/2007	Change
Loans from bank	10,000	10,000	0
Bank overdrafts	137,151	52,143	85,008
Loans from Group companies	58,596	23,604	34,992
Other loans	0	940	(940)
Total short-term financial liabilities	**205,747**	**86,687**	**119,060**
Bank loans	0	10,000	(10,000)
Total long-term financial liabilities	**205,747**	**96,687**	**109,060**

The overall increase in financial liabilities is due mainly to lower operating cash flows and dividends received. For further details, please see the cash flow statement.

The item "Loans from Group companies" includes loans from Sarint S.A. (EUR 15,100 thousand), Reasar S.A. (EUR 5,470 thousand), Eolica Italiana S.r.l. (EUR 493 thousand), Parchi Eolici Ulassai S.r.l. (EUR 45 thousand), Sardeolica S.r.l. (EUR 4,320 thousand), Ensar S.r.l. (EUR 235 thousand), Akhela S.r.l. (EUR 463 thousand) and Sarlux S.r.l. (EUR 32,470 thousand).

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

EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding at 31/12/2007	Outstanding at 31/12/2008	Maturity 1 year	Maturity from 1 to 5 years	Maturity over 5 years	Security
Unicredit	20-Dec-04	50.0	Euribor 6M	20.0	10.0	10.0	-	-	10.0
Total				**20.0**	**10.0**	**10.0**	**-**	**-**	

The weighted average interest rate for 2008 was 4.81% (4.8% in the previous year).

The company's debt position is shown below:

	31/12/2008	31/12/2007
Medium/long term bank loans	0	(10,000)
Medium/long term Net financial position	**0**	**(10,000)**
Short-term bank loans	(10,000)	(10,000)
Payables to banks for overdrafts on current accounts	(137,151)	(52,143)
Loans from Group companies	(58,596)	(23,604)
Loans to Group companies	98,599	81,752
Other financial assets held for trading	15,844	15,203
Cash and cash equivalents	3,316	154,419
Short term Net financial position	**(87,988)**	**165,627**
Net financial position	**(87,988)**	**155,627**

The change was mainly due to higher operating and mandatory stocks, the acquisition of 30% of Parchi Eolici Ulassai S.r.l. (PEU) and the share buy-back plan.

5.3.2 Trade and other payables

The table below shows a breakdown of this item:

	31/12/2008	31/12/2007	Change
Amounts payable to suppliers: portion due within the year	453,819	555,792	(101,973)
Trade payables to Group companies	39,754	19,719	20,035
Total	**493,573**	**575,511**	**(81,938)**

The decrease in trade payables largely relates to the fall in oil prices, as mentioned earlier.

The item "Payables to Group companies" chiefly comprises payables to Sarlux S.r.l. (EUR 25,891 thousand), Sartec S.p.A. (EUR 8,515 thousand), Saras Energia S.A. (EUR 901 thousand) and Akhela S.r.l. (EUR 3,807 thousand).

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

	31/12/2008	31/12/2007	Change
Italy	234,186	160,771	73,415
Spain	7	0	7
Other EU countries	13,677	11,841	1,836
Non-EU countries	205,939	383,180	(177,241)
US	10	0	10
Total	**453,819**	**555,792**	**(101,973)**

5.3.3 Current tax liabilities

This item is broken down below:

	31/12/2008	31/12/2007	Change
VAT	0	37,508	(37,508)
IRES (corporation tax payable)	22,850	24,041	(1,191)
IRAP (regional tax payable)	905	3,606	(2,701)
Other liabilities	20,512	8,429	12,083
Total	**44,267**	**73,584**	**(29,317)**

Following a VAT payment on account for December, calculated using the historical cost method against a backdrop of falling prices, the company's VAT position at the end of the year moved into credit from a debit balance previously.

The decrease in IRES and IRAP payables was due mainly to a fall in taxable income versus the previous year.

The item "Other tax payables" mainly includes the second instalment of the substitute tax deductible for tax purposes in order to make the of off-balance sheet deductions (EUR 12.8 million; see section 5.2.4) and the substitute tax on the realignment of the value of crude and oil product stocks for statutory and tax purposes ("Robin Hood Tax"; EUR 5 million).

5.3.4 Other current liabilities

A breakdown of other current liabilities is shown below:

	31/12/2008	31/12/2007	Change
Amounts payable to welfare and soc. sec.: portion due within the year	9,215	7,105	2,110
Due to personnel	15,585	13,025	2,560
Payable to Ministry for grants	13,848	13,848	0
Other payables	15,819	18,184	(2,365)
Other accrued liabilities	469	27	442
Other deferred income	93	1,094	(1,001)
Total	**55,029**	**53,283**	**1,746**

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

The item "Payables to ministry for grants" includes advances received from the ministry in connection with the programme agreement signed on 10th June 2002, for which the final concession decree has yet to be granted.

The item “Other payables” mainly relates to port duties as determined by the customs authority; please note that the initial phase of the company’s long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.

A second phase of the dispute is now under way, and despite a favourable decision by the court of Cagliari, an unfavourable ruling was handed down by the Cagliari Court of Appeal. The company has now lodged an appeal with the Court of Cassation, which has yet to announce its ruling.

In addition, during 2007, the tax authority asked the company to pay the tax assessed and put on hold. The company appealed against this measure to the Regional Tax Court, while the tax authority refused to grant a suspension for further assessments.

As a result of this dispute, the entire amount relating to port duties for 2008, as well as for previous years, has been booked on an accruals basis under “Service costs”.

5.4 Non-current liabilities

5.4.1. Long-term financial liabilities

The terms and conditions of the company’s loans are shown in the table in section 5.3.1 above (Short-term financial liabilities).

5.4.2 Provisions for risks and future liabilities

Provisions for risks totalled EUR 18,661 thousand, and comprised

- provisions for dismantling of plants (EUR 13,526 thousand) related to future costs for the dismantling of plants and machinery, which is considered appropriate wherever there is a legal or constructive obligation to be met in this regard. The provision has not been discounted given its negligible effect on the financial statements. There was no change in the figure versus the previous year;
- provisions for CO_2 allowances (EUR 5,135 thousand). Legislative Decree 216 of 4th April 2006 introduced limits on CO_2 emissions from plants. If these limits are exceeded a company must purchase credits covering the excess amount of CO_2 on the market. The provision in question represents credits due and not yet purchased.

Under Italy’s National Allocation Plan, Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.

The CO_2 allowances assigned under National Allocation Plan for 2008 were:

- 2,137,383 tonnes for refining plants owned by Saras S.p.A, which emitted 2,485,264 tonnes of CO_2. The difference (347,881 tonnes) was partly made up by the purchase of credits covering 120,000 tonnes at a total cost of EUR 2,095 thousand, and partly accounted for in a provision of EUR 3,219 thousand, which was the market price at 31st December 2008 of credits for 227,881 tonnes.

- 444,404 tonnes for cogeneration plants owned by Sarlux S.r.l, which emitted 3,728,852 tonnes of CO_2. The difference (3,284,448 tonnes) was partly made up by the purchase of credits covering 3,150,000 tonnes at a total cost of EUR 69,993 thousand, and partly accounted for in a provision of EUR 1,916 thousand, which was the market price at 31st December 2008 of credits for 134,448 tonnes. Saras charged Sarlux S.r.l. the total cost pertaining to the latter (EUR 71,909 thousand).

5.4.3 Provisions for employee benefits

The balance of this item is detailed below:

	31/12/2008	31/12/2007	Change
Employee end-of-service payments	15,050	15,872	(822)
Other indemnities	20,014	17,958	2,056
Total	**35,064**	**33,830**	**1,234**

Employee end-of-service payments are governed by article 2120 of the Italian civil code and reflect the estimated amount, based on actuarial estimates, that the company will be required to pay employees when they leave their employment. The item “Other funds” mainly comprises the CPAS fund, which is the company’s supplementary employee pension fund. This obligation is also measured using actuarial techniques.

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

Balance at 31/12/2006	**23,577**
Accrual for the year	3,613
Reduction by law ("curtailment")	(5,156)
Utilisations for the year	(6,162)
Balance at 31/12/2007	**15,872**
Accrual for the year	5,869
Utilisations for the year	(6,691)
Balance at 31/12/2008	**15,050**

Changes in “Other funds” are as follows:

Balance at 31/12/2006	**18,448**
Accrual for the year	761
Utilisations for the year	(1,251)
Balance at 31/12/2007	**17,958**
Accrual for the year	2,874
Utilisations for the year	(818)
Balance at 31/12/2008	**20,014**

At 31st December 2007 the discount rate used was that of the iBOXX Eurozone AA with a maturity of over 10 years (5.50%). In view of the financial market crisis, it was considered more appropriate to use the iBOXX EUR Italy 10+ rate (comprising a basket of long-term Italian government bonds) for 2008, as it better represents the time value of money. The discount rate used in 2008 therefore referred to the iBOXX EUR Italy 10+ with maturity correlated to the average residual length of employment of the staff (5%).

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

	31/12/2008	31/12/2007
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	5.00%	5.50%
Pay increase:	3.00%	3.00%
Annual increase in CPAS rate:	11.00%	11.00%

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

Given the accounting method used (please see section 3.1 "Summary of accounting principles and policies" under point Q "Provisions for employee benefits"), at 31st December 2008 there were no actuarial gains or losses not recognised in the financial statements.

5.4.4 Deferred tax liabilities

	31/12/2008	31/12/2007	Change
Deferred tax liabilities	0	121,369	(121,369)
Total	**0**	**121,369**	**(121,369)**

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

5.4.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/12/2008	31/12/2007	Change
Advances from Group liabilities	49,976	54,947	(4,971)
Liabilities to insurance companies and social security; portions for following financial year	350	280	70
Other	13,320	3,259	10,061
Total	**63,646**	**58,486**	**5,160**

Advances from Group companies refer to the long-term portion of the payable to Sarlux S.r.l. relating to the contracts "Feedstock Supply Agreement" and "Key Facilities Agreement". The change compared with 31st December 2007 is due to the reclassification of the portion for 2008 from long- to short-term.

The increase in the item "Other" refers to the recording of the last instalment (EUR 9.6 million, due in 2010) of the substitute tax for the deduction for tax purposes of the off-balance sheet deductions described in section 5.2.4 above.

5.5 Shareholders' Equity

Shareholders' equity comprises the following:

	31/12/2008	31/12/2007	Change
Share Capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	860,223	659,106	201,117
Profit for the year	60,834	429,191	(368,357)
Total	**986,613**	**1,153,853**	**(167,240)**

Share capital

At 31st December 2008, the share capital of EUR 54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no face value; the figure was unchanged versus 31st December 2007.

Legal reserves

Legal reserves totalled EUR 10,926 thousand, or one-fifth of the share capital.

Other reserves

This item totalled EUR 860,223 thousand, a net increase of EUR 201,117 thousand versus the previous period. The net increase was the combined result of:

- an increase of EUR 268,348 thousand due to the allocation of profit from the previous year;
- a decrease of EUR 70,307 thousand due to the purchase of 22,787,703 company shares at an average price of EUR 3,089;
- an increase of EUR 2,461 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under stock grant plans;
- the change to the new tax rates relating to the IPO charges originally allocated to reserves (EUR 615 thousand).

The item is net of an amount of EUR 17,937 thousand (including a tax effect) related to the charges resulting from the IPO carried out during 2006.

Profit for the previous year

Net profit for 2007 (EUR 429,191 thousand) was allocated by shareholders on 29th April 2008 as follows:

- EUR 268,348 thousand to "Other reserves";
- EUR 160,843 thousand (EUR 0.17 per share) as a dividend to shareholders.

Pursuant to IAS 1, paragraphs 1 and 97, please note that changes in shareholders' equity relating to owners of the company's shares refer to dividends paid and purchases of own shares.

Net profit for the year

Net profit stood at EUR 60,834 thousand.

Restrictions on the distribution of equity reserves

The table below breaks down equity reserves at 31st December 2008 into the available portion, the non-distributable portion and the distributable portion.

Items in Shareholders' Equity	Amount	Utilisation potential	Portion available	Summary of utilisations made in the past three financial year: For loss coverage	Summary of utilisations made in the past three financial year: For other reasons
Share Capital	**54,629,667**				
Reserves of capital:					
Share premium reserve	338,616,775	A - B - C	338,616,775		
Reserves of profits:					
Revaluation reserve	64,037,748	A - B - C	64,037,748		(2,668,240)
Legal reserves	10,925,934	B			
Other reserves :					
Extraordinary reserve	473,934,981				(60,295,386)
Own shares	(72,281,471)				41,683,576 (***)
IFRS transition effects on combined profits	(72,653,587)				
	328,999,923	A - B - C	328,999,923 (*)		
Employee share grant reserve	4,564,790				
Locked-in reserves as per art. 7, para. 6 of Leg. Dec. 38/05	19,658,569	A - B	19,658,569		
Other reserves	104,345,440	A - B - C	104,345,440		
TOTAL	**925,778,846**		**855,658,455**		
Non-distributable portion			29,902,851 (**)		
Residual distributable portion			825,755,604		

Legend : A – for capital increase / B – to cover losses / C - for distribution to shareholders

(*) : of which relevant to taxation is equal to zero - (**) : includes EUR 19.6 million for "Locked-in reserves as per art. 7, para. 6 of Leg. Dec. 38/05" and EUR 10.2 million from Art. 2426 c.1 n.5 of the Italian Civil Code. - (***) due to previous cancellation of own shares done in the year 2005.

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

- the legal reserve, totalling EUR 10.9 million, may only be used to cover losses;
- the item "Locked-in reserves as per article 7, paragraph 6 of Legislative Decree 38/05" is distributable solely to cover losses or to increase share capital;
- pursuant to article 2426, paragraph 1, point 5 of the Italian civil code, an amount of EUR 10.2 million earmarked for research costs, is recorded under assets.

Dividends

On 29th April 2008, the ordinary shareholders' meeting approved the distribution of an ordinary dividend of EUR 0.17 per share; the total dividend payout was EUR 160,843 thousand.

For 2008, the Board of Directors has proposed to the shareholders' meeting scheduled for 28th April 2009 the distribution of an ordinary dividend of EUR 0.17 per share. This dividend is subject to the approval of the shareholders' meeting and consequently has not been included in liabilities.

The dividend for 2008 will be payable to all shareholders registered as at 21st May 2009.

6. Notes to the Income Statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

Revenues from ordinary operations stood at EUR 7,820,135 thousand (EUR 6,005,379 thousand in 2007), an increase of EUR 1,814,756 thousand. The change was largely due to price trends during the year.

Revenues from ordinary operations are shown geographically in section 4.2 above (Breakdown by geographical area).

6.1.2 Other income

The following table shows a breakdown of other income:

	31/12/2008	31/12/2007	Change
Revenues for stocking of mandatory supplies	12,872	7,711	5,161
Tanker ship rentals	1,991	166	1,825
Sale of sundry materials	2,752	4,826	(2,074)
Other revenues	104,056	35,460	68,596
Total	**121,671**	**48,163**	**73,508**

The increase in the item “Revenues for stocking of mandatory supplies” is due essentially to price trends over the period.

Sales of sundry materials mainly comprised sales of steam (EUR 787 thousand, versus EUR 2,193 thousand in 2007) and other materials (EUR 1,284 thousand, from EUR 2,063 thousand in 2007).

The item “Other revenues” largely consists of charges to Sarlux S.r.l. for the purchase of CO_2 credits pertaining to that company (EUR 71,909 thousand) and for services under contracts that expire in 2020 (services rendered by Saras staff: EUR 8,586 thousand, and services rendered: EUR 11,600 thousand (EUR 7,964 thousand and EUR 10,970 thousand respectively in 2007). The item also includes shipping costs charged to Arcola Petrolifera S.p.A. (EUR 5,381 thousand, versus EUR 4,556 thousand in 2007).

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/12/2008	31/12/2007	Changes
Purchases of raw materials, replacement parts and consumables	7,292,721	5,143,977	2,148,744
Total	**7,292,721**	**5,143,977**	**2,148,744**

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

6.2.2 Cost of services and other costs

	31/12/2008	31/12/2007	Changes
Service costs	342,403	290,084	52,319
Rent, leasing and similar costs	10,128	6,847	3,281
Various management costs	83,983	6,790	77,193
Total	**436,514**	**303,721**	**132,793**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities. The increase in the item versus the previous year was due mainly to higher utilities charges.

The item "use of third-party assets" includes Parent company costs, amounting to EUR 2,075 thousands, related to the rent of the building of the new headquarter in Milan, which cost has been linearised according to IAS 17 – Leasing, integrated by IAS 1, IAS 8 and by the interpretation of SIC 15, for a period of eight years equal to the total duration of the contract; the minimal future payments due according to the contract amount to EUR 1,700 thousand for the following years, EUR 8,750 thousands for the following year and within 5 years, EUR 4,025 thousands over 5 years. The annual rental fees are rated at the ISTAT index of the consumer prices for workers' families; there are no options for renewal or acquisition.

Other operating charges mainly consist of the costs of purchasing CO_2 credits (EUR 77,222 thousand; for further information please see section 5.4.2 above), non-income taxes (property tax, greenhouse gas emissions tax) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	31/12/2008	31/12/2007	Changes
Wages and salaries	70.533	63.832	6.701
Social security	21.390	19.648	1.742
Employee end-of-employment payments	5.869	(1.543)	7.412
Pensions and similar obligations	2.874	675	2.199
Other costs	3.578	3.027	551
Board of Directors' remuneration	5.588	5.588	0
Total	**109.832**	**91.227**	**18.605**

The rise in personnel costs is chiefly due to an increase in the number of employees, the booking during the previous year of the curtailment owing to the provisions introduced by the 2007 budget, and additional performance-related payments and bonuses for staff.

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

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

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

- of 25 shares for the 2007 financial year plus one share for every six shares held on 31st December 2006;
- for 2008 and 2009, of one share per every six additional shares purchased in 2007 and 2008 respectively.

  Under the employee share plan, the total value of the shares allocated to each beneficiary cannot exceed EUR 2,065 each year.

The stock grant plan 2007/2009 (for the senior management of the company, and directors and senior managers of the subsidiaries individually specified by the Board of Directors) sets out the allocation of a "base number of shares" for each beneficiary, which is amended according to:

- the ratio between the change in value of the company's shares and that of the shares of a Group of comparable companies;
- the ratio between the Group's actual and budgeted EBITDA.

Furthermore, 330,341 shares are to be allocated through the employee share plan for the three-year period 2007-2009, and 1,338,230 shares through the stock grant plan (457,480 for 2007 and 880,750 for 2008). The cost of the two plans for 2008 was EUR 0.2 million and EUR 2.4 million respectively.

Refering to the "Stock Grant Plan" the shares assignment will be finalised at the end of the 3 years period 2007-2009, while for the assignment of the "Stock Plan" refer to the table "acquisition/transfer of own shares" in the Saras S.p.A. Report.

The increase in the provisions for employee end-of-service payments was chiefly due to the effects in 2007 of legislative changes made in that year, which involved a review of actuarial calculations and a consequent reduction in the payable for employee end-of-service payments of around EUR 5 million. In addition, changes in the items "Employee end-of-service benefits" and "Pensions and similar obligations" are partly due to the changes in the actuarial assumptions used (these are shown in section 5.4.3 above), in accordance with paragraphs 78 and 79 of IAS 19.

6.2.4 Depreciation and amortisation

Depreciation and amortisation figures are shown below.

	31/12/2008	31/12/2007	Change
Amortisation - intangible assets	863	1,071	(208)
Depreciation - tangible assets	78,687	73,031	5,656
Total	**79,550**	**74,102**	**5,448**

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below:

Net income (charges) from equity investments	31/12/2008	31/12/2007	Change
Dividends :			
- Sarlux S.r.l.	24,600	149,071	(124,471)
	24,600	149,071	(124,471)
Capital gains from sale of holdings:			
- Consorzio Ricerche Associate a r.l.	0	10	(10)
	0	10	(10)
Write-downs due to a permanent decrease in value:			
- Ensar S.r.l.	(2,400)	(500)	(1,900)
- Sartec S.p.A.	0	(995)	995
	(2,400)	(1,495)	(905)
Total	**22,200**	**147,586**	**(125,386)**

The dividends received in 2008 were approved by Sarlux S.r.l. on 5th November 2008.

6.4 Other net financial income (charges)

Net financial income and charges are broken down below:

	31/12/2008	31/12/2007	Change
Other financial income			
- from non-current financial assets	0	1	(1)
- from current finacial assets	525	171	354
Other sundry financial income			
- from subsidiaries	4,717	2,726	1,991
- interest on current accounts held with bank and post offices	3,944	4,367	(423)
- *fair value* of derivatives recorded at period-end	3,954	1,392	2,562
- *fair value* of financial assets held for trading	49	219	(170)
- positive difference on derivatives	10,164	8,883	1,281
- other income	307	420	(113)
Interest and other financial charges			
- to subsidiaries	(2,244)	(1,068)	(1,176)
- to associated companies	0	0	0
- *fair value* of derivatives recorded at period-end	0	(13,141)	13,141
- *fair value* of financial assets held for trading	(578)	(755)	177
- positive difference of derivatives	(7,131)	(25,705)	18,574
- other (interest on loans, interest on arrears, etc,)	(3,952)	(2,781)	(1,171)
Profit/(loss) on exchange rate gains on non-commercial transactions	**10,408**	**4,699**	**5,709**
Total	**20,163**	**(20,572)**	**40,735**

The main changes are attributable to the differences in value realised during the year on derivatives used as hedges in operations where hedge accounting was not adopted, and to the changes in fair value of the contracts in place.

6.5 Income tax

Income taxes are as follows:

	31/12/2008	31/12/2007	Change
Current taxes	147,252	103,721	43,531
Effect of group tax consolidation	0	(2,460)	2,460
Deferred tax assets/liabilities	(142,534)	37,077	(179,611)
Total	**4,718**	**138,338**	**(133,620)**

Current taxes include the following extraordinary items:

- substitute tax of EUR 31,926 thousand on the deduction for tax purposes of the off-balance sheet deductions (see section 5.2.4);

- substitute tax of EUR 5,028 thousand on the realignment of the value of crude and oil product stocks for statutory and tax purposes ("Robin Hood Tax");
- the effect on IRES and IRAP of the changes in the tax assessment criteria for inventories of crude and oil products from LIFO to FIFO, pursuant to article 81 of Legislative Decree 112/2008 (EUR 87,748 thousand).

Deferred tax income/expenses refers to changes during the year in the temporary differences between values recorded in the accounts and those recognised for tax purposes; the most significant changes regard the reversal of deferred taxes allocated at 31st December 2007, relating to the current taxes described in the paragraph above.

The positive impact of the substitute tax on the deduction for tax purposes of the off-balance sheet deductions (EUR 23,188 thousand), net of the "Robin Hood Tax" (EUR 5,028 thousand), has been recorded as non-recurring income in the income statement.

Changes introduced with the 2008 budget law abolished the exemption from tax of dividends paid by companies joining the IRES tax consolidation scheme.

Temporary differences in the profit and loss account:	2008	2008	2008	2007	2007	2007
	Temporary differences	Deferred tax assets / (liabilities)	Effect of tax rate changes	Temporary differences	Deferred tax assets / (liabilities)	Effect of tax rate changes
EUR thousand						
Excess and accelerated depreciation	(188,326)	59,135	0	12,385	(2,397)	8,801
Excess and accelerated depreciation on grants	13,657	(4,289)	0	6,526	(2,430)	(799)
Adjustment land value at fair value (as deemed cost)			(1,576)			
Write-downs of equity investments prior to 2004	0	0		1,513	(499)	
Measurement of inventory at end of period at F.I.F.O. cost	(237,800)	74,669	0	132,393	(41,571)	6,166
Provision for risk and charges	(13,219)	4,924				
Higher fiscal costs on inventories	(27,385)	10,105				
Adjustments for scheduled plant and equipment maintenance	(4,783)	1,103	(411)	(733)	855	558
Fair value of derivatives	939	(258)		(11,750)	3,825	
Derecognition of intangible assets	46	(14)	3	192	(72)	(6)
Elimination of monetary revaluation of tangible assets	0	0		2,582	(962)	
Reclassification of grants previously carried as equity	1,641	(514)	148	1,690	(629)	(253)
Costs for dismantling and removing tangible assets	(697)	258	685	(697)	218	(688)
Maintnance exceeding costs	3,125	(955)	849	(2,705)	645	(818)
I.P.O. costs charged directly to Shareholders' Equity	5,600	(1,758)		5,600	(2,086)	
Employee benefits and bonuses	(4,255)	1,731	14	6,994	(2,649)	
Unrealised currency losses	4,242	(1,570)	20	3,259	(914)	(13)
Other temporary differences	(54)	(520)	767	1,786	(588)	(771)
TOTAL	**(447,269)**	**142,047**	**499**	**159,036**	**(49,254)**	**12,177**

In the table above, the item "Deferred tax income (expenses)" for 2008 includes the positive effect of changes in tax rates (EUR 2,156 thousand) relating to temporary differences generated during the year.

The effective tax rate was 7.3% while the theoretical tax rate was 40.9%, obtained by applying a tax rate of 33% (IRES) to pre-tax profit and 3.9% (IRAP) to the net value of production as per Italian legislation in force.

TAX RATE	31/12/2008	31/12/2007
PRE-TAX PROFIT [A]	**65.6**	**567.5**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	23.2	440.5
TOTAL PERSONNEL COSTS	109.8	91.3
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (B)	**133.0**	**531.8**
THEORETICAL CORPORATION TAX IRES [A*33%]	21.6	187.3
THEORETICAL REGIONAL INCOME TAX IRAP [B*3,9%] e [B*4,25%]	5.2	22.6
TOTAL THEORETICAL TAXES [C]	**26.8**	**209.9**
THEORETICAL TAX RATE [C/A*100] %	**40.9 %**	**37.0 %**
EFFECTIVE INCOME TAXES [D]	**4.8**	**138.3**
EFFECTIVE TAX RATE [D/A*100] %	**7.3 %**	**24.4 %**

Differences between the theoretical and effective tax rate for the two periods are reported below:

Differences between the theoretical and effective tax rate for the two periods	31/12/2008 TAX	31/12/2008 TAX RATE	31/12/2007 TAX	31/12/2007 TAX RATE
Theoretical taxes	**26.8**	**40.9%**	**209.9**	**37.0%**
Dividends	(7.7)	-11.76%	(46.7)	-8.23%
IRES effect on intra-Group dividends due to tax consolidation	0.0	0.00%	(2.5)	-0.44%
Equity investments valuations	0.8	1.21%	0.5	0.09%
Other long-term differences - IRES	1.0	1.48%	0.7	0.12%
Other long-term differences - IRAP	0.0	0.00%	(0.1)	-0.02%
Other IRAP effects for IFRS classifications	1.3	1.98%	(0.7)	-0.12%
Effect return "cuneo fiscale" on IRAP	(1.2)	-1.88%	(0.9)	-0.16%
Effect realignment deductions extra-account	(23.2)	-35.37%		
Effect of reduction in nominal tax rates on deferred tax	0.0	0.00%	(21.9)	-3.86%
Effect realignment inventories ("Robin Hood Tax"; DL 112/08)	8.0	12.15%		
Effect additional IRES 5.5% on deferred tax	(0.5)	-0.76%		
Deduction 55% energy savings	(0.4)	-0.61%		
Effective taxes	**4.8**	**7.3%**	**138.3**	**24.4%**

7. Other information

7.1 Analysis of main litigation outstanding

Saras S.p.A. was subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.

Although the decisions made by the tax courts were not consistent, the company assumes that liabilities, while possible, are not probable.

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.

The table below shows the values of commercial, miscellaneous and financial transactions with related parties and the nature of the most important transactions.

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2008		31/12/2007			
SARLUX S.r.l.						
Supply of goods	206.124	2,64%	158.381	2,64%	Revenues from ordinary operations	Supply of raw material as per Project Financing agreement
Services rendered by staff	8.586	7,06%	7.964	16,54%	Other income	Outsourcing of services as per Project Financing agreement
Rendered services	83.977	69,02%	10.999	22,84%	Other income	Outsourcing of services as per Project Financing agreement
Dividends	24.600		149.071	101,01%	Net income (charges) from equity investment	Dividend distribution
Purchases of goods	(6.208)	0,09%	(1.614)	0,03%	Purchases of raw materials, replacement parts and consumables	Supply of sulfur as per Project Financing agreement
Utilities	(54.781)	12,55%	(42.130)	13,87%	Cost of services and various costs	Supply of steam, hydrogen as per project financing agreement
Received services	(1.025)	0,23%	(540)	0,18%	Cost of services and various costs	Supply of various services
Financial charge	(1.075)	5,33%	(690)	3,35%	Other net financial income (charges)	Interest on intrercompany loans
Receivables for goods & services supply	91.166	19,72%	22.949	4,12%	Current trade receivables	Goods supply
IRES/VAT receivables from tax consolidation			0		Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(25.891)	5,25%	(4.863)	0,84%	Trade and other current payables	Trade payables
Payables for goods & services supply	(49.977)	78,52%	(54.947)	93,95%	Other non current liabilities	Trade payables
Loan	(29.056)	14,12%	(56)	0,11%	Short term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(3.415)	1,66%	(1.956)	2,66%	Short term financial liabilities	IRES/VAT payables from tax consolidation
ARCOLA PETROLIFERA S.p.A.						
Supply of goods	676.797	8,65%	510.108	8,49%	Revenues from ordinary operations	Supply of oil products
Sevices rendered by staff	120	0,10%	91	0,19%	Other income	Staff on secondment
Rendered services	5.352	4,40%	4.464	9,27%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	880	4,36%	530	1,81%	Other net financial income (charges)	Interest on intercompany line of credit
Purchase of goods	(695)		0			Oil products supply
Received services	(597)	0,14%	(745)	0,25%	Received services and various costs	Charges on sales
Financial charge	180	0,89%	(157)	1,81%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	41.444	8,97%	80.413	14,42%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	3.899	3,42%	4.716	5,17%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	3.425	3,00%	23.185	25,41%	Other current assets	Intercompany line of credit
Payables for goods & services supply	(193)	0,04%	83	0,01%	Trade and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Sevices rendered by staff	367	0,30%	346	0,72%	Other income	Staff on secondment
Rendered services	81	0,07%	84	0,17%	Other income	Outsourcing of services
Measurement of equity investments	0	0,00%	(996)	0,67%	Income (charges) on equity investments	Write-downs on equity investments
Financial income	510	2,53%	550	2,67%	Other net financial income (charges)	Interest on intercomany line of credit
Purcheses of goods	(156)	0,00%	(47)	0,00%	Purchases of raw materials, replacement parts and consumables	Consumables supply
Received services	(11.487)	2,63%	(8.744)	2,88%	Cost of services and various costs	Outsourcing of engeneering services
Receivables for goods & services supply	590	0,13%	629	0,11%	Current trade reveivables	Trade receivables
IRES/VAT receivables from tax consolidation	695	0,61%	458	0,50%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	9.685	8,49%	10.490	11,50%	Other current assets	Intercompany line of credit
Payables for goods & services supply	(8.515)	1,73%	(6.524)	1,13%	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				Item	Business reason
	31/12/2008		31/12/2007			
AKHELA S.r.l.						
Sevices rendered by staff	494	0,41%	350	0,73%	Other income	Staff on secondment
Rendered services	12	0,01%	165	0,34%	Other income	Outsourcing of services
Financial income	205	1,02%	42	0,19%	Other net financial income (charges)	Interest on intercompany line of credit
Purcheses of goods	(2)	0,00%	0	0,00%	Purchases of raw materials, replacement parts and consumables	Consumables supply
Received services	(8.053)	1,84%	(6.374)	2,10%	Cost of services and various costs	IT support Outsourcing
Measurement of equity investments	0	0,00%	0	0,00%	Net income (charges) on equity investments	Write-down on equity investments
Financial charges	0	0,00%	(3)	0,19%	Other net financial income (charges)	Interest on intercompany loans
Receivables for goods & services supply	561	0,12%	624	0,11%	Current trade receivables	Trade receivables
Financing	6.728	5,90%	2.053	2,25%	Other current assets	Intercompany line of credit
IRES/VAT receivables from tax consolidation	0	0,00%	468	0,51%	Other current assets	IRES/VAT receivables from tax consolidations
Payables for goods & services supply	(3.807)	0,77%	(2.663)	0,46%	Trade and other current payables	Trade payables
Loan			0	0,00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payable from tax consolidation	(464)	0,84%	0	0,00%	Short-term financial liabilities	IRES/VAT payables from tax consolidations
XANTO S.r.l. (in liquidation)						
Financial charge	0	0,00%	(17)	0,08%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	0	0,00%	0	0,00%	Trade and other current payables	Trade payables
Loan	0	0,00%	0	0,00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payable from tax consolidation	0	0,00%	0	0,00%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
ISOA SUD S.r.l. (in liquidation)						
IRES/VAT payables from tax consolidation	0	0,00%	0	0,00%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
EOLICA ITALIANA S.r.l.						
Sevices rendered by staff	0	0,00%	0	0,00%	Other income	Staff on secondment
Rendered services	31	0,03%	31	0,06%	Other income	Outsourcing of services
Financial income	0	0,00%	0	0,12%	Other net financial income (charges)	Interest on intercompany line of credit
Financial charges	(17)	0,08%	(25)	0,12%	Other net financial income (charges)	Interest on intercompany loans
Receivables for goods & services supply	31	0,01%	32	0,01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0,00%	33	0,04%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(3)	0,00%	(6)	0,00%	Trade and other current payables	Trade payables
Financing	210	0,18%	0	0,00%	Other current assets	Intercompany line of credit
Loan	(411)	0,20%	(458)	0,53%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(82)	0,04%	0	0,00%	Short-term financial liabilities	IRES/VAT payables from tax consolidation

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2008		31/12/2007			
ENSAR S.r.l.						
Sevices rendered by staff	183	0,15%	106	0,22%	Other income	Staff on secondment
Rendered services	44	0,04%	20	0,04%	Other income	Outsourcing of services
Measurement of equity investment	(2.400)	10,81%	(500)	0,34%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	98	0,49%	59	0,29%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	255	0,06%	151	0,03%	Current trade receivables	Trade receivables
Financing	1.556	1,36%	1.821	2,00%	Other current assets	Intercompany line of credit
IRES/VAT payable from tax consolidation	(235)	0,11%	(249)	0,29%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
NOVA EOLICA S.r.l.						
Received services	(100)	0,02%	0	0,00%	Cost of services and various costs	Receivable renounce
Financial Income	31	0,15%	(8)	0,04%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	201	0,04%	77	0,01%	Current trade receivables	Trade receivables
Payables for goods & services supply		0,00%	0	0,00%	Trade and other current payables	Trade payables
Financing	2.400	2,10%	3.200	3,51%	Other current assets	Intercompany line of credit
Loan			0	0,00%	Short-term financial liabilities	Intercompany loans
SARDEOLICA S.r.l.						
Rendered services	58	0,05%	59	0,12%	Other income	Outsourcing of services
Sevices rendered by staff	46	0,04%	186	0,39%	Other income	Staff on secondment
Financial income	47	0,23%	0	0,00%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	99	0,02%	248	0,04%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	0	0,00%	0	0,00%	Other current assets	IRES/VAT payables from tax consolidation
Financing	0	0,00%	4.000	4,38%	Other current assets	Intercompany line of credit
IRES/VAT payables from tax consolidation	(4.320)	2,10%	(249)	0,29%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
PARCHI EOLICI ULASSAI S.r.l.						
Rendered services	6	0,00%	28	0,06%	Other income	Outsourcing of services
Financial income	65	0,32%	108	0,52%	Other net financial income (charges)	Interest on intercompany line of credit
Financial charges	0	0,00%	0	0,00%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	20	0,00%	57	0,01%	Current trade receivables	Trade receivables
Financing	0	0,00%	1.328	1,46%	Other current assets	Intercompany line of credit
Payables for goods & services supply	0	0,00%	0	0,00%	Trade and other current payables	Trade payables
Loan	0	0,00%	0	0,00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	(45)	0,02%	(949)	1,09%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
Consorzio Ricerche Associate (in liquidation)						
Rendered services	0	0,00%	0	0,00%	Cost of services and various costs	Consortium cost coverage
Final allocation - liquidation	0	0,00%	11	0,01%	Net income (charges) on equity investments	Liquidation proceeds
Payables for goods & services supply	0	0,00%	0	0,00%	Trade and other current payables	Trade payables
Loan	0	0,00%	0	0,00%	Short-term financial liabilities	Intercompany loans

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2008		31/12/2007			
IMMOBILIARE ELLECI S.p.A.						
Rent	(450)	0,10%	(441)	0,15%	Cost of services and various costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Sevices rendered by staff	26	0,02%	21	0,04%	Other income	Staff on secondment
Rent	(605)	0,14%	(667)	0,22%	Cost of services and various costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	26	0,01%	21	0,00%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0,00%	(108)	0,02%	Trade and other current payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Received services	(41)	0,01%	(37)	0,01%	Cost of services and various costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Sevices rendered by staff	44	0,04%	35	0,07%	Other income	Staff on secondment
Receivables for goods & services supply	44	0,01%	35	0,01%	Current trade receivables	Trade receivables
DYNERGY S.r.l.						
Sevices rendered by staff	2	0,00%	2	0,00%	Other income	Management fee
Received services	8	0,01%	9	0,02%	Other income	Positive exchange rate differences
Received services	(806)	0,18%	(1.383)	0,46%	Cost of services and various costs	Support for refining process activities
Receivables for goods & services supply	1	0,00%	1	0,00%	Current trade receivables	Trade receivables
Payables for goods & services supply	(188)	0,04%	(303)	0,05%	Trade and other current payables	Trade payables
SARAS ENERGIA S.A. (Spain)						
Supply of goods	1.525.955	19,51%	1.166.337	19,42%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	197	0,16%	827	1,72%	Other income	Staff on secondment
Rendered services	880	0,72%	1.049	2,18%	Other income	Payment for stocking of mandatory supplies and demurrage
Financial income	2.787	13,82%	1.342	6,52%	Other net financial income (charges)	Interest on intercompany line of credit
Purchases of goods	0	0,00%	0	0,00%	Purchases of raw materials, replacement parts and consumables	Repayment of operational loans on Sarroch
Received services	(130)	0,03%			Cost of services and various costs	Staff on secondment
Received services	(1.533)	0,35%	(107)	0,04%	Cost of services and various costs	Charges on sales and marketing research
Receivables for goods & services supply	60.846	13,16%	102.806	18,44%	Current trade receivables	Supply of oil products
Financing	70.000	61,38%	30.000	32,88%	Other current assets	Intercompany line of credit
Payables for goods & services supply	(901)	0,18%	(71)	0,01%	Trade and other current payables	Trade payables
SARINT S.A. (Luxemburg)						
Financial charges	(749)	3,71%	(661)	3,21%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	(195)	0,04%	(183)	0,03%	Trade and other current payables	Trade payables
Loan	(15.100)	7,34%	(15.250)	17,59%	Short-term financial liabilities	Intercompany loans
REASAR S.A. (Luxemburg)						
Financial charges	(223)	1,11%	(167)	0,81%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	(63)	0,01%	(53)	0,01%	Trade and other current payables	Trade payables
Loan	(5.470)	2,66%	(4.470)	5,16%	Short-term financial liabilities	Intercompany loans

The transactions with the related parties mentioned above have been made at market conditions

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

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

	31/12/2008			31/12/2007		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Current trade receivables	462,255	195,284	42.2%	557,513	208,043	37.3%
Other current assets	114,040	98,598	86.5%	91,232	81,752	89.6%
Short-term financial liabilities	205,747	58,598	28.5%	86,687	23,637	27.3%
Trade and other current payables	493,573	39,756	8.1%	575,511	14,691	2.6%
Other non-current liabilities	63,646	49,977	78.5%	58,486	54,947	93.9%

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

	31/12/2008			31/12/2007		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	7,820,135	2,408,181	30.8%	6,005,379	1,834,826	30.6%
Other income	121,671	100,514	82.6%	48,163	26,836	55.7%
Purchases of raw materials, supplies and consumables	7,292,721	6,366	0.1%	5,143,977	1,661	0.0%
Cost of services and sundry costs	436,514	79,608	18.2%	303,721	61,168	20.1%
Net income (charges) from equity investment	22,200	22,200	100.0%	147,586	147,586	100.0%
Other net financial income (charges)	20,163	2,739	13.6%	(20,572)	903	n.a.

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

Flows with related parties	2008	2007
(Income) and net charges on equity investments	2,400	(1,780)
(Increase) Decrease of trade receivables	12,759	(45,576)
Increase (Decrease) of trade payables and other payables	25,065	(5,296)
Changes of other current assets	(16,846)	(2,913)
Changes other non current liabilities	(4,971)	(4,971)
Monetary flows from (to) assets of the year	**18,407**	**(60,536)**
Interest received \ (paid)	2,739	903
Monetary flows from (to) investments	**2,739**	**903**
Increase / (decrease) short term financial debts	34,961	(4,054)
Monetary flows from (to) financial assets	**34,961**	**(4,054)**
Total financial flows vs related parties	**56,107**	**(63,687)**

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

	31/12/2008			31/12/2007		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Monetary flows from (to) assets in the year	156,814	18,407	11.7%	332,726	(60,536)	n.a.
Monetary flows from (to) investments	(185,905)	2,739	n.a.	(26,329)	903	n.a.
Monetary flows from (to) financial assets	(122,012)	34,961	n.a.	(193,130)	(4,054)	2.1%

No atypical or unusual transactions have been concluded, and there are no positions resulting from any such transactions.

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

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

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

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

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

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

Where the book value of financial assets and liabilities does not correspond to fair value, it nonetheless represents a reasonable approximation; the fair value is determined using methods normally adopted for the classes of instruments mentioned, i.e., with reference to market values or prices on active markets where available, or alternative valuation methods based on discounting future cash flows.

7.3.1 Balance sheet information

Paragraphs 8-19 of IFRS 7 require the company to disclose the book value of all financial instruments belonging to the categories set out in IAS 39, as well as detailed information where the company has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets, or where financial assets have been derecognised. Balance sheet figures for Saras S.p.A. at 31st December 2008 and 31st December 2007 are shown below, with details of the company's financial instruments:

31/12/2008	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at *fair value* through profit and loss		Investments	Loans and	Available	Other liabilities	OTHER	Balance at
	Designated at	Held	held to	receivables	for sale	recognised at		31/12/2008
	fair value	for trading	maturity			amortised cost		
ASSETS								
Current financial assets	**0**	**18,859**	**0**	**567,003**	**3,316**	**0**	**338,067**	**927,245**
Cash and cash equivalents					3,316			3,316
Other financial assets held for trading		15,844						15,844
Securities held for trading		15,844						
Trade receivables				462,255				462,255
Receivables from clients				269,057				
Provisions for doubtful loans				(2,016)				
Financial receivables from Group companies				195,214				
Inventories							325,836	325,836
Current tax assets							5,954	5,954
Other assets		3,015		104,748			6,277	114,040
Derivative instruments		3,015						
Other receivables				104,748				
Non-current assets	**0**	**0**	**0**	**404**	**0**	**0**	**974,951**	**975,355**
Property, plant and equipment							639,272	639,272
Intangible assets							11,604	11,604
Equity investments valued at equity							301,787	301,787
Other equity investments							495	495
Deferred tax assets							21,793	21,793
Other financial assets				404			0	404
Deposits				404				
Total financial assets	**0**	**18,859**	**0**	**567,407**	**3,316**	**0**	**1,313,018**	**1,902,600**
LIABILITIES								
Current liabilities	**0**	**0**	**0**	**0**	**0**	**753,787**	**44,829**	**798,616**
Short-term financial liabilities						205,747		205,747
Bank loans (guaranteed)						10,000		
Overdrafts						137,151		
Loans from Group companies and other payabless						58,596		
Derivative instruments						0		
Trade and other payables						493,573		493,573
Current tax liabilities							44,267	44,267
Other liabilities						54,467	562	55,029
Other payables						54,467		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**63,646**	**53,725**	**117,371**
Long-term financial liabilities						0		0
Bank loans (guaranteed)						0		
Provisions for risks							18,661	18,661
Provisions for employee benefits							35,064	35,064
Deferred tax liabilities							0	0
Other liabilities						63,646	0	63,646
Total financial liabilities	**0**	**0**	**0**	**0**	**0**	**817,433**	**98,554**	**915,987**

31/12/2007	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at *fair value* through profit and loss		Investments	Loans and	Available	Other liabilities	OTHER	Balance at
	Designated at	Held	held to	receivables	for sale	recognised at		31/12/2007
	fair value	for trading	maturity			amortised cost		
ASSETS								
Current financial assets	**0**	**15,203**	**0**	**641,737**	**154,419**	**0**	**549,747**	**1.361,106**
Cash and cash equivalents					154,419			154,419
Other financial assets held for trading		15,203						15,203
Securities held for trading		15,203						
Trade receivables				557,513				557,513
Receivables from clients				351,544				
Provisions for doubtful loans				(2,016)				
Financial receivables from Group companies				207,985				
Inventories							541,920	541,920
Current tax assets							819	819
Other assets				84,224	0		7,008	91,232
Derivative instruments					0			
Other receivables				84,224				
Non-current assets	**0**	**0**	**0**	**447**	**0**	**0**	**818,576**	**819,023**
Property, plant and equipment							538,479	538,479
Intangible assets							9,815	9,815
Equity investments valued at equity							269,787	269,787
Other equity investments							495	495
Deferred tax assets								
Other financial assets				447			0	447
Deposits				447				
Total financial assets	**0**	**15,203**	**0**	**642,184**	**154,419**	**0**	**1,368,323**	**2,180,129**
LIABILITIES								
Current liabilities	**0**	**940**	**0**	**0**	**0**	**713,420**	**74,705**	**789,065**
Short-term financial liabilities		940				85,747		86,687
Bank loans (guaranteed)						10,000		
Overdrafts						52,143		
Loans from Group companies and other payabless						23,604		
Derivative instruments		940						
Trade and other payables						575,511		575,511
Current tax liabilities							73,584	73,584
Other liabilities						52,162	1,121	53,283
Other payables						52,162		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**68,486**	**168,725**	**237,211**
Long-term financial liabilities						10,000		10,000
Bank loans (guaranteed)						10,000		
Provisions for risks							13,526	13,526
Provisions for employee benefits							33,830	33,830
Deferred tax liabilities							121,369	121,369
Other liabilities						58,486		58,486
Total financial liabilities	**0**	**940**	**0**	**0**	**0**	**781,906**	**243,430**	**1,026,276**

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

- Italian and foreign equities and government bonds, held by the parent company and valued at fair value since, as required by IAS 39, they are deemed to be financial assets purchased for sale or repurchased in the near term, and part of a portfolio of identified financial assets that are managed together, and for which there is evidence of a recent and effective strategy to generate a profit in the near term;
- derivatives contracts entered into by the company (see 5.1.6 above) on commodities (futures) to hedge the risks inherent in the business in which it operates, which relate to changes in the price of crude and oil products.

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

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

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

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

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

7.3.2 Income statement information

Paragraph 20 of IFRS 7 requires companies to state the amount of net gains or losses generated by financial assets and liabilities, subdivided according to the various income statement items. This information may be provided in either the financial statements or the notes to the accounts. To avoid overburdening the financial statements with information, the company has opted for the second alternative, as recommended in the appendix to the accounting standard. The tables below shows net gains and losses generated by financial instruments on the income statement for 2008 and 2007:

31/12/2008	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at *fair value* through profit and loss		Investments	Loans and	Available	Other liabilities	Total from	Balance at
	Designated at *fair value*	Held for trading	held to maturity	receivables	for sale	recognized at amortized cost	Financial Instruments	31/12/2008
Revenues from ordinary operations								7,820,135
Other Income								121,671
Total Revenues							**0**	**7,941,806**
Purchases of raw materials, replacement parts and consumables								(7,292,721)
Service and miscellaneous costs								(436,514)
Personnel costs								(109,832)
Depreciation & amortization								(79,550)
Total costs							**0**	**(7,918,617)**
Operating Profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23,189**
Net income (charges) from equity investments								22,200
Other net financial income (charges)							20,163	20,163
from securities held for trading		(4)					(4)	
- of which								
realised differences		525						
change in fair value		(529)						
from current account interest					3,944		3,944	
from loans granted to Group companies				4,717			4,717	
from derivative instruments		6,987					6,987	
- of which								
realised differences		3,033						
change in fair value		3,954						
from other financial assets				307			307	
from interest on loans from banks						(3,952)	(3,952)	
from interest on loans from Group companies						(2,244)	(2,244)	
from other receivables/payables				10,408			10,408	
Profit/(loss) before taxes	**0**	**6,983**	**0**	**15,432**	**3,944**	**(6,196)**	**20,163**	**65,552**
Income tax								(4,718)
Net profit/(loss)								**60,834**

31/12/2007	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at *fair value* through profit and loss		Investments held to maturity	Loans and receivables	Available for sale	Other liabilities recognized at amortized cost	Total from Financial Instruments	Balance at 31/12/2007
	Designated at *fair value*	Held for trading						
Revenues from ordinary operations								6,005,379
Other Income								48,163
Total Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,053,542**
Purchases of raw materials, replacement parts and consumables								(5,143,977)
Service and miscellaneous costs								(303,721)
Personnel costs								(91,227)
Depreciation & amortization								(74,102)
Total costs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5,613,027)**
Operating Profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**440,515**
Net income (charges) from equity investments								147,586
Other net financial income (charges)							(20,572)	(20,572)
from securities held for trading		(365)					(365)	
- of which								
realised differences		171						
change in fair value		(536)						
from current account interest					4,367		4,367	
from loans granted to Group companies				2,726			2,726	
from derivative instruments		(28,571)					(28,571)	
- of which								
realised differences		(16,822)						
change in fair value		(11,749)						
from other financial assets				1,232			1,232	
from interest on loans from banks						(2,781)	(2,781)	
from interest on loans from Group companies						(1,068)	(1,068)	
from other receivables/payables				3,888			3,888	
Profit/(loss) before taxes	**0**	**(28,936)**	**0**	**7,846**	**4,367**	**(3,849)**	**(20,572)**	**567,529**
Income tax								(138,338)
Net profit/(loss)								**429,191**

Financial instruments recognised at fair value through profit and loss generated net gains of EUR 6,983 thousand (versus net losses of EUR 28,936 thousand the previous year), mainly due to changes in the fair value of derivatives.

Financial instruments recorded under “Loans” generated gains of EUR 15,432 thousand (versus EUR 7,846 thousand the previous year), chiefly owing to exchange rate differences on commercial positions.

Financial assets available for sale generated net gains of EUR 3,944 thousand (EUR 4,367 thousand in 2007), which consisted of interest received on cash held during the year.

Other financial liabilities valued at amortised cost generated losses of EUR 6,196 thousand (compared with EUR 3,849 thousand the previous year), mainly due to financial charges on loans.

7.3.3 Additional information

7.3.3.1 Hedge accounting

As described above, the company enters into derivative contracts on commodities to hedge risks arising from changes in the price of crude and oil products, and on the EUR/USD exchange rate to hedge risks relating to its currency positions.

At 31st December 2008 the derivatives outstanding were oil product futures, classified as financial instruments held for trading: changes in the fair value during the period are recorded in the income statement under "Net financial income (charges)".

Contracts in both types of instruments in existence at the reporting date were closed out by the end of the first quarter of 2009.

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

7.3.3.2 Fair value

Financial assets held by the company are booked at fair value or amortised cost, and when used the latter, it does not differ from fair value as of 31st December 2008.

Financial liabilities are stated at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short term, or financial liabilities subject to interest rates in line with current market rates, amortised cost does not differ from the fair value at 31st December 2008.

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;
a) liquidity risk, i.e. the risk that the company is not able to service payment obligations arising from the agreed maturities of its financial liabilities;
a) market risk, i.e. the risk relating to the performance of markets in which the company operates, which incorporates foreign exchange risk, interest rate risk and the price risk of crude and oil products.

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

7.3.4.1 Credit risk

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

The quantitative disclosures required by paragraphs 36-38 of IFRS 7 are set out in the table below:

	Book value at 31/12/2008		Credit risk		Breakdown of maturities of financial assets pursuant to para. 37 b) IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risks disregarding guarantee or other similar instruments	Guarantees	Current	Expired				Total	Recognized during the year	Cumulative
						0-30 days	31-60 days	61-90 days	over 90 days			
Current Assets	**927,245**	**589,178**	**589,178**		**536,227**	**53,324**	**1,634**	**9**	**0**	**589,178**	**0**	**(2,016)**
Cash and cash equivalents	3,316	3,316	3,316		3,316					3,316	0	0
Other fiancial Assets held for trading	15,844	15,844	15,844		15,844					15,844	0	0
Trade receivables	464,271	464,271	464,271		409,304	53,324	1,634	9		464,271	0	(2,016)
Provisions for doubtful loans	(2,016)	(2,016)	(2,016)							(2,016)		
Inventories	325,836											
Current tax assets	5,954											
Other Assets	114,040	107,763	107,763		107,763					107,763	0	0
Non Current assets	**975,355**	**404**	**404**		**404**	**0**	**0**	**0**	**0**	**404**		
Property, plant & equipment	639,272											
Intangible assets	11,604											
Equity investments valued at equity	301,787											
Other Investments	495											
Deferred tax assets	21,793											
Other financial Assets	404	404	404		404					404		
Total Assets	**1,902,600**	**589,582**	**589,582**		**536,631**	**53,324**	**1,634**	**9**	**0**	**589,582**		

	Book value at 31/12/2007		Credit risk		Breakdown of maturities of financial assets pursuant to para. 37 b) IFRS 7						Impairment	
	Total	of which financial instruments	Maximum exposure to credit risks disregarding guarantee or other similar instruments	Guarantees	Current	Expired 0-30 days	Expired 31-60 days	Expired 61-90 days	Expired over 90 days	Total	Recognized during the year	Cumulative
Current Assets	**1,361,106**	**811,359**	**813,375**		**730,911**	**73,965**	**4,068**	**2,377**	**2,054**	**813,375**	**0**	**(2,016)**
Cash and cash equivalents	154,419	154,419	154,419		154,419					154,419	0	0
Other fiancial Assets held for trading	15,203	15,203	15,203		15,203					15,203	0	0
Trade receivables	559,529	559,529	559,529		477,065	73,965	4,068	2,377	2,054	559,529	0	(2,016)
Provisions for doubtful loans	(2,016)	(2,016)										
Inventories	541,920											
Current tax assets	819											
Other Assets	91,232	84,224	84,224		84,224					84,224	0	0
Non Current assets	**819,023**	**447**	**447**		**447**	**0**	**0**	**0**	**0**	**447**		
Property, plant & equipment	538,479											
Intangible assets	9,815											
Equity investments valued at equity	269,787											
Other Investments	495											
Deferred tax assets												
Other financial Assets	447	447	447		447					447		
Total Assets	**2,180,129**	**811,806**	**813,822**		**731,358**	**73,965**	**4,068**	**2,377**	**2,054**	**813,822**		

7.3.4.2 Liquidity risk

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

The company complied with all its obligations with respect to scheduled repayments of loans outstanding at the end of the period.

The quantitative disclosures required by paragraph 39 of IFRS 7 are set out in the table below:

	Book value at 31/12/2008			Liquidity risk	Analysis of maturities of financial assets pursuant to para. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guarantees	2009	2010	2011	2012	2013	over 5 years
LIABILITIES										
Current liabilities	**798,616**	**753,787**	**753,787**	**10,000**	**763,683**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	205,747	205,747								
Bank loans (guaranteed)		10,000	10,000	10,000	10,000					
Overdrafts		137,151	137,151		137,151					
Loans from non consolidated Group Companies & other payables		58,596	58,596		58,596					
Interest (weighted average yearly rate: 4.81%)					9,896					
Hedging instruments		0	0		0					
Trade & other payables	493,573	493,573	493,573		493,573					
Current tax liabilities	44,267									
Other liabilities	55,029	54,467	54,467		54,467					
Non-Current Liabilities	**117,371**	**63,646**	**63,646**	**0**	**0**	**4,970**	**4,970**	**4,970**	**4,970**	**43,766**
Long-Term financial liabilities	0	0	0	0		0				
Interest (weighted average yearly rate: 4,81%)						0				
Provisions for risks	18,661									
Provisions for employees benefits	35,064									
Deferred tax liabilities	0									
Other liabilities	63,646	63,646	63,646			4,970	4,970	4,970	4,970	43,766
Total liabilities	**915,987**	**817,433**	**817,433**	**10,000**	**763,683**	**4,970**	**4,970**	**4,970**	**4,970**	**43,766**

	Book value at 31/12/2007		Liquidity risk		Analysis of maturities of financial assets pursuant to para. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guarantees	2008	2009	2010	2011	2012	over 5 years
LIABILITIES										
Current liabilities	**789,065**	**138,849**	**138,849**	**10,000**	**143,822**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	86,687	86,687								
Bank loans (guaranteed)		10,000	10,000	10,000	10,000					
Overdrafts		52,143	52,143		52,143					
Loans from non consolidated Group Companies & other payables		23,604	23,604		23,604					
Interest (weighted average yearly rate: 4.8%)					4,973					
Hedging instruments		940	940		940					
Trade & other payables	575,511	0	0		0					
Current tax liabilities	73,584									
Other liabilities	53,283	52,162	52,162		52,162					
Non-Current Liabilities	**237,211**	**68,486**	**68,486**	**10,000**	**0**	**15,550**	**4,970**	**4,970**	**4,970**	**38,606**
Long-Term financial liabilities	10,000	10,000	10,000	10,000		10,000				
Interest (weighted average yearly rate: 5.8%)						580				
Provisions for risks	13,526									
Provisions for employees benefits	33,830									
Deferred tax liabilities	121,369									
Other liabilities	58,486	58,486	58,486			4,970	4,970	4,970	4,970	38,606
Total liabilities	**1,026,276**	**207,335**	**207,335**	**20,000**	**143,822**	**15,550**	**4,970**	**4,970**	**4,970**	**38,606**

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 "Other net financial income (charges)";
- Euribor and Libor rates, to which the interest rates paid by the Group on its loans are indexed;
- prices of crude oil and oil products, which affect the fair value of the derivative instruments in place at the reporting date.

As required by paragraph 40 of IFRS 7, sensitivity analyses were carried out for each type of risk to which the company was exposed at the reporting date. The analyses showed the effects on the income statement and on shareholders' equity. The results of the sensitivity analyses are summarised in the tables shown below.

With respect to the EUR/USD exchange rate, at the reporting date Saras S.p.A. held financial instruments denominated in USD, which were included in cash and cash equivalents (current accounts), trade receivables and payables, and foreign currency overdrafts classified as short-term financial liabilities.

The simulation of the effect on net profit for the year and, consequently, Saras S.p.A.'s shareholders' equity, was made by assuming a change of +/- 5% in the EUR/USD year-end exchange rate used to translate foreign currency balances when preparing the financial statements.

EUR / US Dollar exchange rate		31/12/2008		Change in benchmark	
Balance sheet items	Amount in foreign currency	EUR / US Dollar exchange rate	Amount in thousand of EUR	-5%	+5%
Cash and cash equivalents	100	1.3917	72	4	(3)
Trade receivables	121,651	1.3917	87,412	4,601	(4,162)
Trade and other payables	(308,970)	1.3917	(222,009)	(11,685)	10,572
Short-term financial liabilities	(9,061)	1.3917	(6,511)	(343)	310
Net position	**(196,280)**		**(141,036)**		
Effect on profit before taxes				**(7,423)**	**6,716**
Effect on net profit (and shareholders' equity)				**(4,973)**	**4,500**

The table below shows the simulation at 31st December 2007:

EUR / US Dollar exchange rate			31/12/2007	Change in benchmark	
Balance sheet items	Amount in foreign currency	EUR / US Dollar exchange rate	Amount in thousand of EUR	-5%	+5%
Cash and cash equivalents	27,945	1.4721	18,983	999	(904)
Trade receivables	222,311	1.4721	151,016	7,948	(7,191)
Trade and other payables	(590,864)	1.4721	(401,375)	(21,125)	19,113
Short-term financial liabilities	(74,517)	1.4721	(50,620)	(2,664)	2,410
Net position	**(415,125)**		**(281,995)**		
Effect on profit before taxes				**(14,842)**	**13,428**
Effect on net profit (and Shareholders' equity)				**(9,276)**	**8,393**

The company has medium/long-term as well as short-term exposure to variable interest rates indexed to Euribor.
The simulation of the effect on net profit for the year, and consequently shareholders' equity, was made by assuming a change in the benchmark of +/- 20%, which appears realistic given interest rate trends over the year.
The results of the simulation are shown in the table below.

			Change in benchmark	
VARIABLE INTEREST RATES	Average annual interest rate 2008	Annual interest expence	-20%	+20%
Short-and medium / long - term financial liabilities	4.81%	(6,196)	1,239	(1,239)
Effect on profit before taxes			**1,239**	**(1,239)**
Effect on net profit (and Shareholders' equity)			**830**	**(830)**

The table below shows the simulation at 31st December 2007:

			Change in benchmark	
VARIABLE INTEREST RATES	Average annual interest rate 2007	Annual interest expence	-20%	+20%
Short-and medium / long - term financial liabilities	4.80%	(4,641)		
Effect on profit before taxes			**928**	**(928)**
Effect on net profit (and Shareholders' equity)			**580**	**(580)**

Oil prices, on the other hand, affect the fair value of derivative financial instruments outstanding at the reporting date and the relevant differences recognised in the income statement: at 31st December 2008 derivatives consisted of oil product futures, and the fair value recorded on the balance sheet was derived from the market prices of the relevant underlying assets at that date.
A simulation was therefore made of the effect on net profit for the year, and consequently shareholders' equity, by assuming a change in the benchmark of +/- 20%, which appears realistic given the price trends during the year.

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

		Change in benchmark	
Derivatives on:	*Fair Value* as of 31/12/2008	-20%	+20%
Oil and Oil products	3,014	(1,275)	1,275
Total	**3,014**	**(1,275)**	**1,275**
Effect on profit before taxes		**(1,275)**	**1,275**
Effect on net profit (and Shareholders Equity)		**(854)**	**854**

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

According to the previous analysis on Group's exposure to financial instruments risk, there isn't any significant concentration of risks.

7.4 Average staff numbers

The average number of employees, by category, is shown below:

	31/12/2008	31/12/2007
Managers	56	51
Office staff	770	725
Specialised workers	16	18
Workers	402	401
Total	**1,244**	**1,195**

The total headcount increased from 1,220 at the end of 2007 to 1,266 at 31st December 2008.

7.5 Tables showing remuneration and shareholdings of directors and auditors, general managers and senior managers with strategic responsibilities

The tables below provide information on remuneration and shareholdings of directors and auditors, the general manager and senior managers with strategic responsibilities, i.e. the Chief Financial Officer and heads of departments.

7.5.1 Remuneration of directors and auditors, general managers and senior managers with strategic responsibilities

(A) Name and Surname	(B) Role	(C) Period in this role	(D) End of term	(1) Remuneration for role in the Group	(2) Non-monetary benefits	(3) Bonuses and other incentives (*)	(4) Other remuneration (*)
Board of Directors							
GIAN MARCO MORATTI	CHAIRMAN	01-01-08 / 31-12-08	approv. statement FY 2008	2,536,000			
MASSIMO MORATTI	CEO	01-01-08 / 31-12-08	approv. statement FY 2008	2,536,000			
ANGELO MORATTI	VICE CHAIRMAN	01-01-08 / 31-12-08	approv. statement FY 2008	336,000		250,000	685,670
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	01-01-08 / 31-12-08	approv. statement FY 2008	36,000		220,000	480,522
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	01-01-08 / 31-12-08	approv. statement FY 2008	36,000			
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	01-01-08 / 31-12-08	approv. statement FY 2008	36,000		150,000	203,006
GILBERTO CALLERA	INDEPENDENT DIRECTOR	01-01-08 / 31-12-08	approv. statement FY 2008	36,000			
MARIO GRECO	INDEPENDENT DIRECTOR	01-01-08 / 31-12-08	approv. statement FY 2008	36,000			
(*) remuneration for subordinate wor							
Statutory Auditors							(**)
CLAUDIO MASSIMO FIDANZA	CHAIRMAN	01-01-08 / 31-12-08	approv. statement FY 2008	72,381			129,843
MICHELE DI MARTINO	STANDING AUDITOR	01-01-08 / 31-12-08	approv. statement FY 2008	51,801			11,202
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	01-01-08 / 31-12-08	approv. statement FY 2008	48,341			75,729
LUIGI BORRÈ	SUBSTITUTE AUDITOR	01-01-08 / 31-12-08	approv. statement FY 2008				
MASSIMILANO NOVA	SUBSTITUTE AUDITOR	01-01-08 / 31-12-08	approv. statement FY 2008				
(**) for auditing services for other Group companies							
Watch Committee							
GABRIELE PREVIATI	CHAIRMAN	01-01-08 / 31-12-08	approv. statement FY 2008	30,000			
CLAUDIO MASSIMO FIDANZA	MEMBER	01-01-08 / 31-12-08	approv. statement FY 2008	20,800			20.280
CONCETTO SIRACUSA	MEMBER	01-01-08 / 31-12-08	approv. statement FY 2008	20,800			203,185
Internal Audit Committee							
GABRIELE PREVIATI	CHAIRMAN	01-01-08 / 31-12-08	approv. statement FY 2008	21,000			
MARIO GRECO	MEMBER	01-01-08 / 31-12-08	approv. statement FY 2008	14,000			
GILBERTO CALLERA	MEMBER	01-01-08 / 31-12-08	approv. statement FY 2008	14,000			
Remuneration Committee							
GILBERTO CALLERA	CHAIRMAN	01-01-08 / 31-12-08	approv. statement FY 2008	21,000			
MARIO GRECO	MEMBER	01-01-08 / 31-12-08	approv. statement FY 2008	14,000			
GABRIELE PREVIATI	MEMBER	01-01-08 / 31-12-08	approv. statement FY 2008	14,000			
Managers with strategic responsibilities						**1,228,300**	**2,501,585**

At the reporting date, end-of-service entitlements (not included in the table above) totalling EUR 533 thousand had not yet been paid.

7.5.2 Shareholdings held by directors and auditors, general managers and senior managers with strategic responsibilities

Surname / Name	Company	N. of shares held at the end of the previous year	N. of shares acquired	N. of shares sold	N. of shares held at the end of the current year
	Holding				
Moratti Gian Marco	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Massimo	SARAS S.p.A.	6,000,000	-	-	6,000,000
Moratti Angelo	SARAS S.p.A.	-	-	-	-
Moratti Angelomario	SARAS S.p.A.	-	-	-	-
Callera Gilberto	SARAS S.p.A.	-	-	-	-
Greco Mario	SARAS S.p.A.	-	-	-	-
Previati Gabriele	SARAS S.p.A.	7,800	-	-	7,800
Scaffardi Dario	SARAS S.p.A.	1,425	-	-	1,425
Fidanza Claudio Massimo	SARAS S.p.A.	2,800	-	-	2,800
Camera Giovanni	SARAS S.p.A.	-	-	-	-
Di Martino Michele	SARAS S.p.A.	-	-	-	-
Nova Massimiliano	SARAS S.p.A.	-	-	-	-
Borrè Luigi	SARAS S.p.A.	-	-	-	-
Managers with strategic responsibilities	SARAS S.p.A.	35,231	1,200	-	36,431

7.6 Commitments

As part of its normal activities, Saras has issued sureties, whose value at 31st December 2008 totalled EUR 37,677 thousand, including EUR 10,400 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant, EUR 6,950 thousand to subsidiaries, EUR 2,508 to the Cagliari port authorities as a guarantee for state maritime concessions and EUR 14,236 thousand to the Ministry of Productive Activities as a guarantee for the advance payment of taxes required by the Programme Agreement signed on 10th June 2002.

At 31st December 2008 and 31st December 2007 the Group had made no irrevocable, multi-year commitments to purchase materials or services.

8. Miscellaneous

Details of the main events happened after the closing of the year are described in the Report on the Operations.

Pursuant to article 2428 of the civil code, please note that the secondary offices of the company are:
Head Office - Milan
Public relations and administrative office - Rome

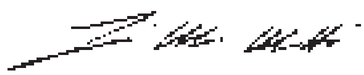
Pursuant to article 149-duodecies of the Consob Issuer Regulations, the table below provides details of the fees relating to 2008 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

Services	Supplier	Recipient	Amount due in 2008 (EUR thousands)
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	298
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	5
Fiscality	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	0
Other services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	0
Total			**303**

9. Publication of the Annual Report

At its meeting on 26st March 2009 the Board of Directors of Saras authorised the publication of the annual results. At the same meeting, the Board vested the Chairman and the CEO with separate powers to include in the Report on operations and/or the Notes to the accounts any further detailed information deemed necessary or appropriate to provide a clearer picture of operations to shareholders.

For the Board of Directors
The Chairman
Gian Marco Moratti



Reports to the Financial Statements as of 31st December 2008

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Saras SpA

General Management
Administrative Office

I-20122 Milan
Galleria de Cristoforis 1
Telephone 02 77371

Certification of the consolidated financial statements pursuant to art. 81-*ter* of the Consob Regulation no. 11971 dated 14 May 1999 and subsequent amendments and integrations.

1. The undersigned Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, Managing Director and Corrado Costanzo, Manager appointed for the drawing up of the company accounting documents for Saras S.p.A., certify, also bearing in mind the provisions of art. 154-*bis*, sub-sections 3 and 4 of the Legislative Decree no. 58 dated 24 February 1998:
   - the adequacy in relation to the characteristics of the business and
   - the effective application

   of the administrative and accounting procedures for the drawing up of the financial statements, from 1 January 2008 – 31 December 2008.

2. It is also certified that:

2.1 the financial statements as at 31 December 2008:

a) is drawn up in compliance with the applicable international accounting principles recognised in the European Community pursuant to the regulation (EC) no. 1606/2002 of the European Parliament and the Board dated 19 July 2002;

b) corresponds to the accounting results of the registers and bookkeeping entries;

c) drawn up in compliance with the Consob resolution no. 15519 dated 27 July 2006, to the regulation implemented by Consob with resolution no. 11971 dated 14 May 1999, as subsequently modified and the Consob Communication no. DEM/6064293 dated 28 July 2006, is fit to provide a truthful and correct representation of the equity, economic and financial situation of Saras S.p.A. together with the companies included in the consolidation.

Refinery
Registered Office
I-09018 Sarroch (Cagliari)
S.S.Sulcitana no. 195 – Km. 19
Telephone 070 90911
Fax 070 900209

Public Relations and Administrative
Affairs Management
I-00187 Rome
Salita S. Nicola da Tolentino 1/b
Telephone 06 4203521
Fax 06 42035222

Share Cap. Euro 54,629,666.67 fully paid in
Cagliari Reg. Comp., Fisc. Code and
VAT no. IT00136440922

Saras SpA

General Management
Administrative Office

I-20122 Milan
Galleria de Cristoforis 1
Telephone 02 77371

2.2 The Management Report includes a reliable analysis of the performance and management result; as well as the situation of Saras S.p.A. and the companies included in the consolidation, together with the description of the primary risks and uncertainties to which they are exposed. The present certification is given pursuant and in compliance with art. 154-*bis*, sub-sections 2 and 5 of the Legislative Decree no. 58 dated 24 February 1998.

Milan 26 March 2009

Signature of appointed administrative bodies

(Mr. Gian Marco Moratti)

(Mr. Massimo Moratti)

Signature of manager appointed for the drawing up of the company accounting documents

(Mr. Corrado Costanzo)

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Report of the Independent Auditors to the Consolidated Financial Statements

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the shareholders of
Saras SpA

1 We have audited the consolidated financial statements of Saras SpA and its subsidiaries (Saras Group) as of 31 December 2008, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

3 In our opinion, the consolidated financial statements of Saras SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Saras Group for the year then ended.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

PRICEWATERHOUSECOOPERS

4 The directors of Saras SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of Saras SpA as of 31 December 2008.

Milan, 10 April 2009

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Saras SpA

General Management
Administrative Office

I-20122 Milan
Galleria de Cristoforis 1
Telephone 02 77371

Certification of the annual financial statements pursuant to art. 81-*ter* of the Consob Regulation no. 11971 dated 14 May 1999 and subsequent amendments and integrations.

1. The undersigned Gian Marco Moratti, Chairman of the Board of Directors, Massimo Moratti, Managing Director and Corrado Costanzo, Manager appointed for the drawing up of the company accounting documents for Saras S.p.A., certify, also bearing in mind the provisions of art. 154-*bis*, sub-sections 3 and 4 of the Legislative Decree no. 58 dated 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application

of the administrative and accounting procedures for the drawing up of the financial statements, from 1 January 2008 – 31 December 2008.

2. It is also certified that:

2.1 the financial statements as at 31 December 2008:

a) is drawn up in compliance with the applicable international accounting principles recognised in the European Community pursuant to the regulation (EC) no. 1606/2002 of the European Parliament and the Board dated 19 July 2002;

b) corresponds to the accounting results of the registers and bookkeeping entries;

c) drawn up in compliance with the Consob resolution no. 15519 dated 27 July 2006, to the regulation implemented by Consob with resolution no. 11971 dated 14 May 1999, as subsequently modified and the Consob Communication no. DEM/6064293 dated 28 July 2006, is fit to provide a truthful and correct representation of the equity, economic and financial situation of Saras S.p.A. together with the companies included in the consolidation.

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Saras SpA

General Management
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I-20122 Milan
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2.2 The Management Report includes a reliable analysis of the performance and management result; as well as the situation of Saras S.p.A. and the companies included in the consolidation, together with the description of the primary risks and uncertainties to which they are exposed. The present certification is given pursuant and in compliance with art. 154-*bis*, sub-sections 2 and 5 of the Legislative Decree no. 58 dated 24 February 1998.

Milan 26 March 2009

Signature of appointed administrative bodies

(Mr. Gian Marco Moratti)

(Mr. Massimo Moratti)

Signature of manager appointed for the drawing up of the company accounting documents

(Mr. Corrado Costanzo)

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Report of the Statutory Auditors to the Statements of Saras S.p.A

SARAS S.p.A.

Registered Office: Sarroch (CA)

Cagliari Registry of Companies – F.C. 00136440922

*** *** ***

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING ON THE FINANCIAL STATEMENTS AS AT 31.12.2008

(pursuant to art. 153 of the Legislative Decree 58/98 and art. 2429, Sub-section 2 of the Italian Civil Code)

Dear Shareholders, art. 153 of the Legislative Decree 242/1998 no. 58 provides for the requirement for the Board of Statutory Auditors to refer to the Shareholders' Meeting, called for the approval of the financial statements, on the supervisory activity carried out and on the omissions and reprehensible facts identified, as well as the faculty to make proposals in reference to the financial statements, for its approval and the subjects of their competence.

The Board of Statutory Auditors complies with such legal provision with the present report, including pursuant to art. 2429, sub-section 2 of the Italian Civil Code.

During the financial year we have observed the duties pursuant to art. 149 of the Legislative Decree no. 58 – 24.2.1998, which consents us to report to you, in particular, in regards to the subjects that follow.

We participated in the Board of Directors' Meetings, during which the Directors informed us about the activity carried out and the most important economic, financial and equity transactions executed or that were in the process of execution by the company and/or its subsidiaries. In this regard we have ascertained and ensured that the transactions resolved and executed were in compliance with the law and the Articles of Association, that they were not in conflict with the resolutions passed by the Shareholders' Meeting or in conflict of interest and based on correct administration principles.

The organisational structure of the company is appropriate for the dimensions of the same. This allowed, also by resorting to meetings with the company function heads and the representatives of the audit company, an exhaustive gathering of information regarding the respect of the principles of a diligent and correct administrative conduct.

The Internal Audit and Compensation Committees were established within the framework of the Board of Directors.

The internal audit system, which is constantly being updated, is also structured at a group level, both in Saras and their subsidiaries.

Our evaluation regarding the internal audit is positive, the latter being intended as the system that has the task of verifying that the internal procedures are effectively respected, both operative and administrative, implemented for the purposes of guaranteeing a correct and efficient management, as well as for the purpose of identifying, preventing and managing as much as possible, financial and operative risks and eventual frauds to the damage of the company. The Chairman of the Board of Statutory Auditors has always participated in the Internal Audit Committee meetings.

We also deem that the administrative accounting system, for that which was ascertained and verified by us, also in the prior financial years, is in a condition to correctly represent the facts concerning the management.

Likewise, the provisions imparted by Saras S.p.A. to the subsidiaries appear to be adequate pursuant to art. 114, sub-section 2 of the Legislative Decree 58/98.

The Board of Directors submitted to us, within the terms of the law, the management report for the first semester of the financial year, rendering the same public in compliance with the methods outlined by Consob and provided, pursuant to the law, for that which concerns the quarterly management reports.

With reference to the Consob communications, for that which is our competence, we ascertain that:

- the information supplied by the Directors in the management reports are to be deemed exhaustive and complete, including the communications regarding the status of implementation of the systems and procedures for the implementation of the international accounting principles, which have become mandatory;
- the Board of Statutory Auditors, in compliance with the Consolidated Financial Act (Legislative Decree no. 58/98), was constantly informed of that which was of their competence;
- the periodical verifications and controls to which we have subjected the company have not highlighted atypical or unusual transactions;
- for that which regards the intra-group transactions, the Directors, in their management report, indicate and illustrate the existence of numerous relations of exchange of goods and services between your companies, group companies and/or related parties, pointing out that the same were set at competitive conditions in respect to those of the market bearing in mind the quality of the goods and services supplied;
- the report does not contain findings or reprimands of the information nor connected comments or proposals;

- during the financial year 2008, the Board of Directors held no. 9 meetings, within which we have always participated, and the Board of Statutory Auditors held no. 5 meetings, representatives of the audit company participated in one of these meetings;
- the Board of Statutory Auditors did not receive any notifications pursuant to ex art. 2408 of the Italian Civil Code;
- during the financial year we issued the opinions requested from the Board of Statutory Auditors pursuant to the law and gave our consent for the entry into the assets, pursuant to art. 2426 no. 5 of the Italian Civil Code, of the research costs for € 10,111,614.64=;
- in compliance to the detailed art. 149 no. 1 lett. c) *bis* of the Legislative Decree no. 58 dated 24.2.1998, we formally acknowledge that the Directors in their Corporate Governance Report specified that:

  "*The Saras group adheres and complies with the Self-Regulatory Code for Italian listed companies with the integrations of the necessary fulfillments in order for the Corporate Governance system implemented to be in line with the mandatory regulations imposed by the quotation*".

  We tangibly verified the compliance with the above Code that formed the subject, in its various aspects, of the Corporate Governance Report that the Board of Directors has submitted to your attention, which we defer for your more adequate and complete informative report.

  We received notification from PriceWaterHouseCoopers S.p.A. that Saras S.p.A. entrusted the task of auditing their financial statements and consolidated financial statements, and an audit of the accounting limited to the bi-yearly report, as resolved by the Shareholders' Meeting with our favourable opinion pursuant to art. 156 of the Consolidated Financial Act.

  We have also expressed our favourable opinion with reference to the requisites of independence of the Directors.

For that which concerns the financial statements, that presents a profit of € 60,834,139.00=, we have verified the compliance with the provisions of the law regulating its set-up and composition, through the controls exercised by us, within the limits of our competence, pursuant to art. 149 of the Legislative Decree no. 58 dated 24.02.1998 and the information supplied to us by the audit company.

Moreover, we deem the financial statements to be susceptible to your approval, together with the proposal of the Board of Statutory Auditors for the allocation of the financial year result.

We thank-your for the trust placed in us and point out that our mandate in office has expired.

Milan 10.04.2009

The Auditors

Mr. Claudio Massimo Fidanza

Mr. Giovanni L. Camera

Mr. Michele Di Martino

Report of The Independent Auditors to the Financial Statements of Saras S.p.A.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the shareholders of
Saras SpA

1 We have audited the financial statements of Saras SpA as of 31 December 2008, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and related notes. The directors of Saras SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

3 In our opinion, the financial statements of Saras SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of Saras SpA for the year then ended.

4 The directors of Saras SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency

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PRICEWATERHOUSECOOPERS

of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98.For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Saras SpA as of 31 December 2008.

Milan, 10 April 2009

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

Design
Michele D’Ambrosio, Milan

Photo
Stefano Dal Pozzolo, Rome
Marco Cauz, Milan
Mauro Rizzo, Cagliari
Valeria Floris, Cagliari

Print
G.T. press&service, Milan

Investor Relations
ir@saras.it

Toll Free for private investors
800 511155

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