Saras Group

Draft Saras Group Consolidated Financial Statements and Separate Financial Statements of Saras S.p.A. for the year ending 31st December 2009

SARAS

Index

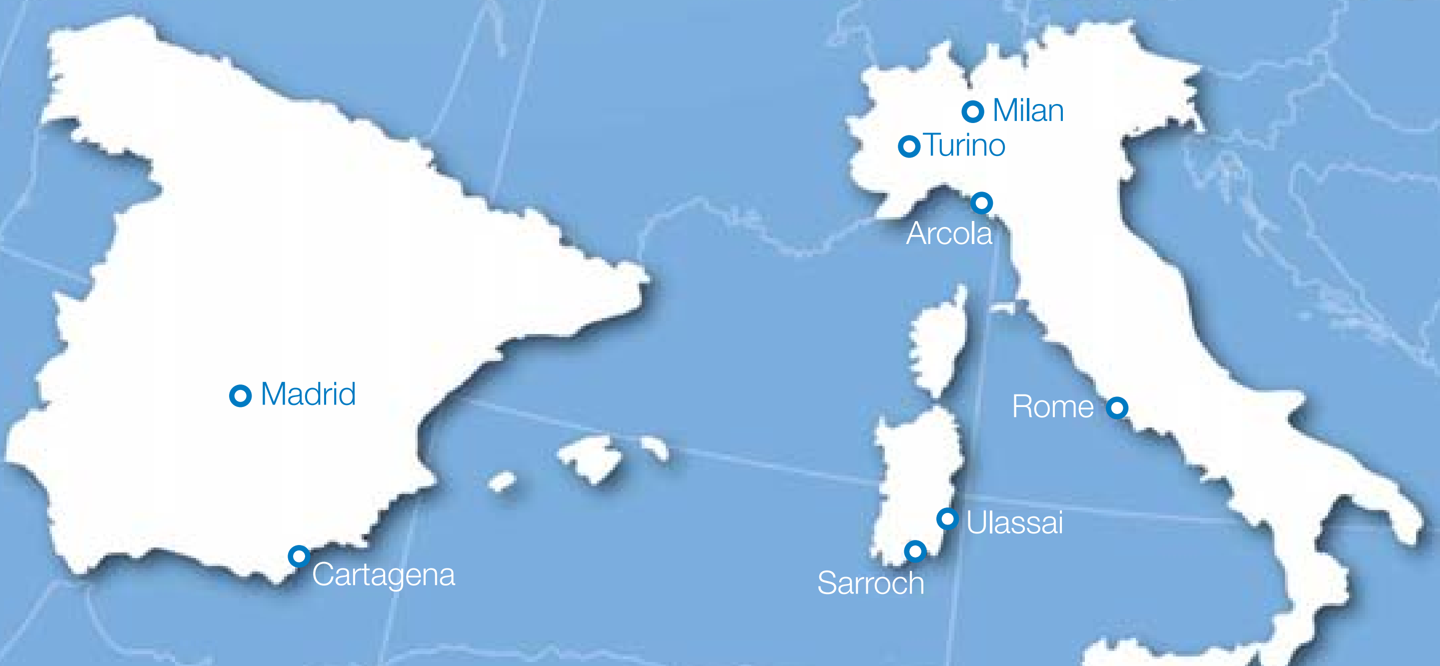
The Saras Group

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

Both directly and through our subsidiaries Arcola Petrolifera S.p.A. (Italy) and Saras Energia S.A. (Spain), the Saras Group sells and distributes oil products including diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel on the Italian, European (mainly Spain) and international markets. In particular, in 2009 approximately 1.2 million tons of oil products were sold in Italy, through our subsidiary Arcola, which operates solely in the wholesale market. A further 2.7 million tons were sold in the Spanish market, through Saras Energia, which is active both in the wholesale and in the retail market. More in details, Saras Energia manages a retail network made by 124 service stations, of which 88 fully owned and 36 on long term lease, mainly located on the Spanish Mediterranean Coast. Furthermore, Saras Energia manages also a biodiesel plant, with a capacity of 200.000 tons per year, which was built in Cartagena (Spain) at the end of 2008, and it has reached stable full scale production during the second half of 2009. The location of the biodiesel plant in the proximity of the oil products tank farm, already owned and operated by Saras, allows us to generate important synergies.

In recent years the Saras Group expanded from oil refining and marketing into other areas, and in particular, in the energy sector with the subsidiary Sarlux S.r.l., which specialises in the generation of electricity through an IGCC (Integrated Gasification Combined Cycle) plant. The IGCC feedstock is the heavy residue of the refinery, and the plant produces over 4 billion KWh of electricity each year, which corresponds to more than 30% of the electricity requirements in Sardinia. Moreover, in the island of Sardinia, the Group is also involved in the production of power from renewable sources, through a 72MW wind farm situated in Ulassai.

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



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 waste water treatment plant

1980

Increase in conversion capacity

- 1983: completion of the Visbreaking unit (VSB: 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
- Completion of the Continuous Catalytic Reforming plant (CCR: 30,000 bl/day)

1990

Environment, new technologies, and expansion into the wholesale market

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

2000

IPO and further investments in technology and environment

- 2001: Construction of the Integrated Gasification Combined Cycle (IGCC) plant
- 2001: Completion of a second Mildhydrocracking plant (MHC2)
- 2001: Completion of an Etherification plant (TAME)
- 2005: The Ulassai wind farm starts operations, with an installed capacity of 72MW
- 2006: IPO to grow the business and explore new opportunities
- 2007: Increased conversion capacity, upgrades of the conversion plants, leading to significant improvements in the production of diesel
- 2008: Achievement of environmental registration EMAS (Eco Management Audit Schemes)
- 2008: Start of the TGTU plant (Tail Gas Treatment Unit) allowing a reduction of 30 – 35% of the sulphur dioxide global emissions
- 2008: Start of the gasoline desulphurisation unit (U800)

2009

A difficult year, focused on environment, safety and growth investments

- Start sales of gasoline and diesel with 10ppm (parts per million) sulphur content, contributing to the reduction of the indirect emissions of SO_2
- On the 9th of April the AIA authorization becomes effective (Integrated Environmental Authorization), setting more challenging targets for atmospheric emissions. Saras is the first refinery in Italy to obtain AIA
- Extension of the retail network in the South of Spain, through the integration of 71 service stations acquired by ERG.
- On the 22nd of May there was the inauguration of the artwork “La cattura dell’Ala del Vento”, dedicated from the artist Maria Lai to the wind park of Ulassai
- On the 26th of May, during the maintenance of the MHC1 plant, a tragic event took place at Sarroch refinery, causing the death of three workers, belonging to the contracting company CO.ME.SA.
- Important maintenance cycle and investments on some of the main units: Topping 1, FCC, ALKY, TAME, MHC1, MHC2, and VSB. Such investments are critical for future growth

Letter to Shareholders

2009 has been a difficult year for Saras Group, not only because of the disappointing financial results, but also because of a tragic event occurred on the 26th of May in our Sarroch refinery. At that time, three workers of the contracting company CO.ME.SA. lost their lives, while scheduled maintenance activities were being carried out on the Mildhydrocracking1 Unit. This enormous tragedy profoundly touched the families of the three unfortunate workers, the Saras Group and the entire community surrounding the refinery. It also represented the occasion to reaffirm, with even greater determination, the deep social and ethic spirit which has always guided our Group.

In almost 50 years of history, Saras has devoted daily efforts to put in place the most effective means to protect health and safety, both for our own workers and for third party contractors, with the objective of preventing any form of accident or injury. This work culminated in December 2007 with the certification of our "Health and Safety System in Working Places" according to OHSAS 18001 standards. Our commitment for the future is to continue to progress in a sustainable manner, fully respecting health, safety and the environment.

Moving on to the financial analysis, after a period between 2003 and 2008 when crude oil prices were closely linked to global demand for oil products, 2009 has been characterised by a harsh crisis for the entire refining industry. The global recession caused a steep contraction in oil products' demand, with a consequent reduction of the margins in all the main refining hubs across the globe. This also caused important losses for all the companies exposed to the downstream sector. Notwithstanding the difficult context, Saras started and completed a large cycle of investments and scheduled maintenance activities in the Sarroch refinery, in order to continue pursuing future growth opportunities. Obviously, the execution of such activities caused a temporary reduction of refinery runs and conversion capacity of our plants, with unavoidable penalisations on our Group results.

More specifically, Group *comparable* EBITDA for FY2009 stood at EUR 141.2 ml, down by 79% versus EUR 673.3 ml in FY2008. This can be almost entirely explained with the weak performance of the Refining segment (negative for EUR 103.3 ml in FY2009, versus a positive of EUR 433.6 ml in FY2008), and also of the Power Generation segment, albeit with a more limited effect (*comparable* EBITDA at EUR 184.5 ml in FY2009, down by 8% versus FY2008), because of some operational problems occurred during third quarter 2009.

The Marketing segment instead was capable of consolidating the good results achieved in the previous year (with *comparable* EBITDA reaching EUR 35.1 ml in FY2009, up 1% versus FY2008), notwithstanding the general reduction of oil

“By all means 2009 has been a difficult year. Nonetheless, Saras continued its investment plan in order to support future growth, while still retaining a strong financial position.”

products’ consumption in our reference markets (Spain and Italy). This positive result comes from a strategy centred on the optimisation of the sales channels, and also thanks to the contributions received from the Biodiesel plant and from the new retail stations acquired in Spain. Finally, an excellent result was achieved in FY2009 by the Wind segment (*comparable* EBITDA at EUR 21 ml, up 49% versus FY2008), thanks to a fourth quarter particularly windy, during which the electricity production exceeded 55 GWh, more than offsetting the sharp drop of the power tariff, caused by the economic recession.

Adjusted Net (Loss) for the Group in 2009 was EUR (54.5) ml, down 117% versus 2008, essentially for the same reasons discussed at *comparable* EBITDA level, and also because of higher depreciation and amortization (EUR 193.1 ml in FY2009 versus EUR 167.9 ml in FY2008), as well as higher financial charges (negative for EUR 33.7 ml in FY2009, versus positive EUR 1.4 ml in FY2008). Being the Group *Adjusted* result negative, the Board of Directors proposed zero dividend distribution for FY2009, in line with company policy.

Despite the very difficult macro scenario described above, Net Financial Position has been firmly kept under control and, on 31st December 2009 it was negative by EUR 533 ml, as a consequence of the important cycle of maintenance and investments (with CAPEX for approx. EUR 320 ml), the acquisition of 71 retail stations in Spain (for approx. EUR 40 ml), and the payment of dividends pertaining to FY2008 (for approx. EUR 157,7 ml). This financial position corresponds to a 30% leverage, which is considered an absolutely safe level, especially in the current context of slow economic growth and reduced credit availability.

Looking to the future, the highly capital intensive nature of the refining business suggests that investments should be always considered with a mid/long term time horizon. As such, the improvements and upgrades completed by Saras in 2009 have the objective of further enhancing the performance of our Sarroch refinery, in a timeframe aligned with the economical recovery and with the return of robust oil products’ consumption. In particular, consistent signals of sustainable economic growth are expected in the second half of 2010, primarily in developing countries. Moreover, the experts are predicting a gradual recovery in refinery margins. Coherently, Saras investment projects for 2010 and beyond have been pushed forward by 12 ÷ 18 months, with the purpose of achieving a better synchronisation with the economic cycle, and producing higher returns for our shareholders.

The Chief Executive Officer
Massimo Moratti

The Chairman
Gian Marco Moratti

Saras Group Report on Operations

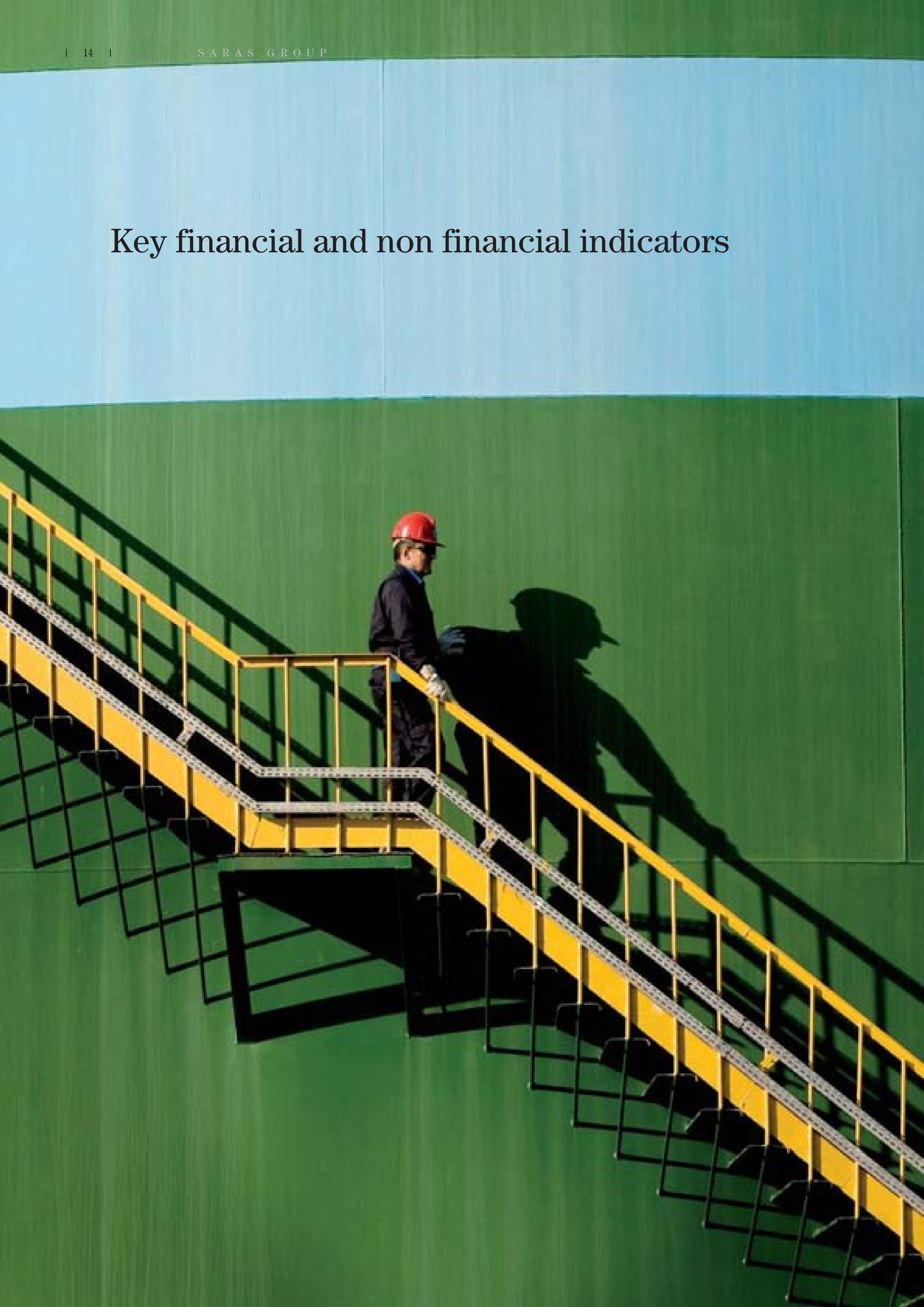
Table of contents of Saras Group Report on Operations

Main financial and operational figures

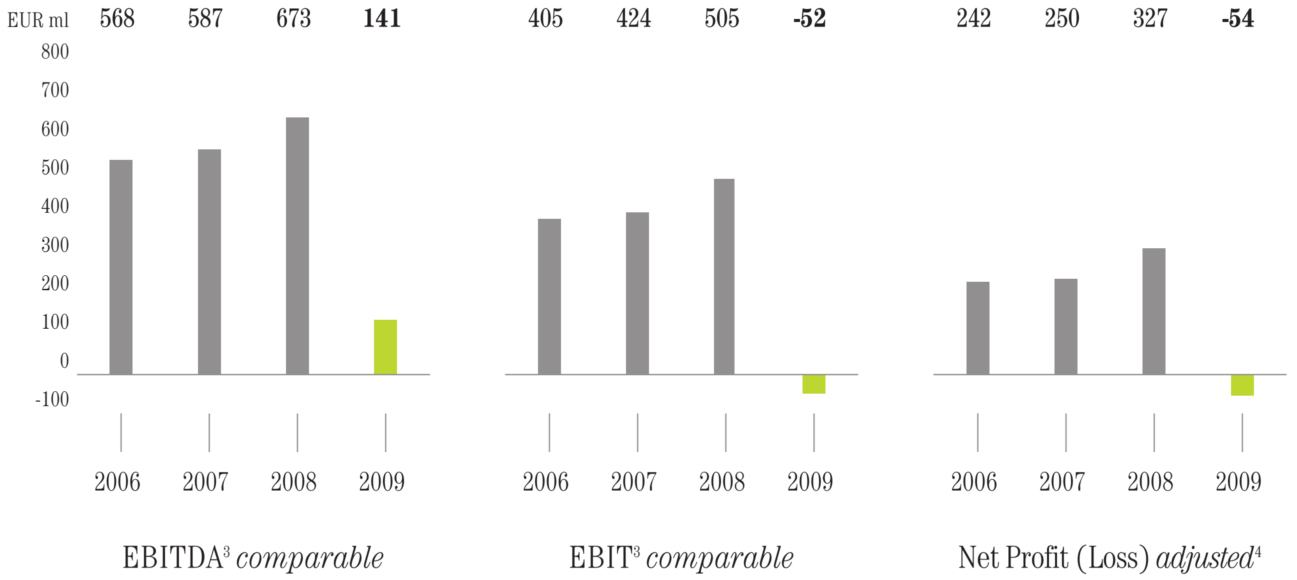
EUR Million		**2009**	**2008**	**2007**
REVENUES		5,317	8,673	-39%
EBITDA		345.5	256.6	35%
***Comparable* EBITDA[1]**		**141.2**	**673.3**	**-79%**
EBIT		152.4	88.7	72%
***Comparable* EBIT[1]**		**(51.9)**	**505.4**	**-110%**
NET INCOME		72.6	61.8	17%
***Adjusted* NET INCOME[1]**		**(54.5)**	**327.2**	**-117%**
Outstanding shares, ‘000,000 (avg. nr.)		927.5	942.2	950.5
***Adjusted* EPS, (EUR)**		**(0.06)**	**0.35**	**0.26**
NET FINANCIAL POSITION		**(533)**	**(333)**	**(27)**
CAPEX		**317**	**257**	**210**
OPERATING CASH FLOW[2]		**274**	**275**	**610**
ELECTRICITY PRODUCTION	MWh/1000	**4,066**	**4,318**	**4,414**
POWER TARIFF	Eurocent/kWh	10.1	14.2	12.4
REFINERY RUNS	Thousand tons	**13,305**	**15,517**	**14,593**
	Million bl	97.1	113.3	106.5
	Thousand bl/day	266	310	292
of which:				
Processing for own account	Thousand tons	9,312	10,064	9,100
Processing on behalf of third parties	Thousand tons	3,994	5,453	5,493
EXCHANGE RATE	EUR/USD	**1.395**	**1.471**	**1.370**
EMC BENCHMARK MARGIN	$/bl	**0.7**	**3.2**	**3.3**
SARAS REFINERY MARGIN	$/bl	**1.8**	**8.7**	**7.3**
TOTAL MARKETING SALES	Thousand tons	3,972	4,030	3,905
of which in Italy	thousand tons	1,239	1,176	1,102
of which in Spain	thousand tons	2,733	2,854	2,804

1. Comparable and **Adjusted** figures are unaudited. **2. Cash Flow** reclassified to highlight change in net financial position .

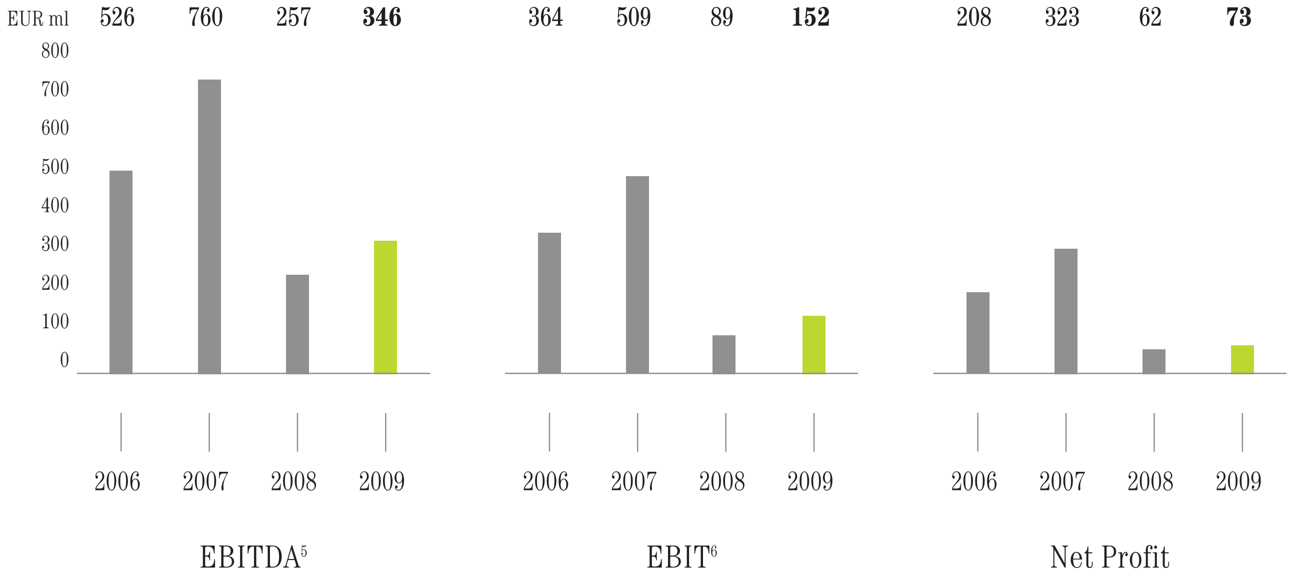
Key financial and non financial indicators



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



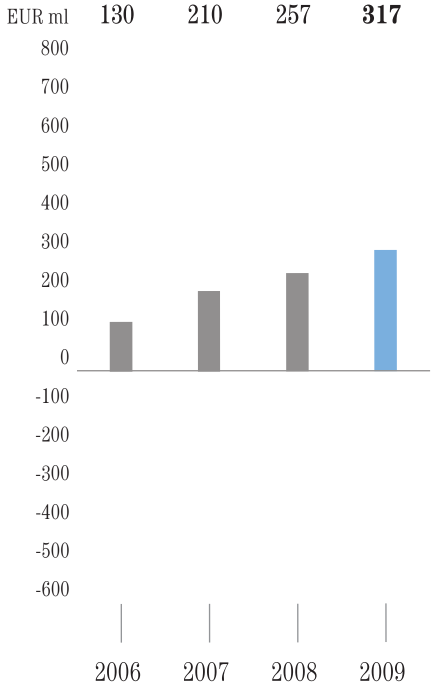
Main Income Statements figures



In order to allow a better understanding of the economic and financial performance, the graphs showed in the section represent alternative performance indicators non defined by IFRS.
Below description of the methodology.

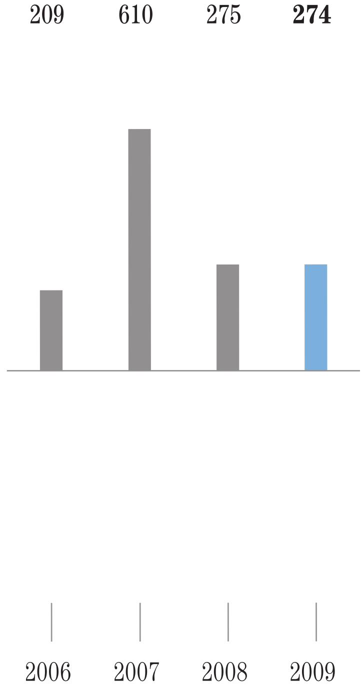
3. *Comparable* EBITDA/EBIT calculated with inventories evaluated according to the LIFO methodology and adjusted for non-recurring items. **4. *Adjusted* net profit:** adjusted for differences between LIFO and FIFO inventory calculations after tax, non-recurring items after tax and changes in the fair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

Financial Position and Cash Flow figures



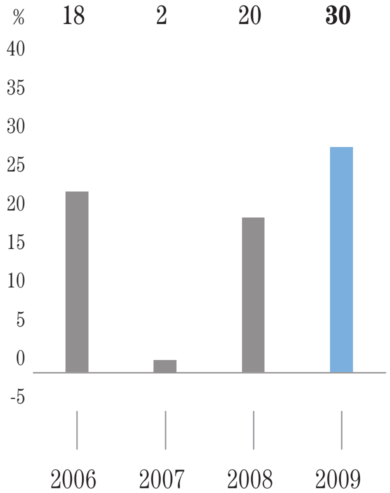
Capex

Net Financial Position

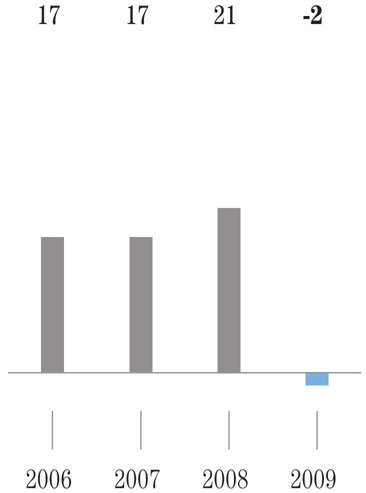


Operating Cash Flow

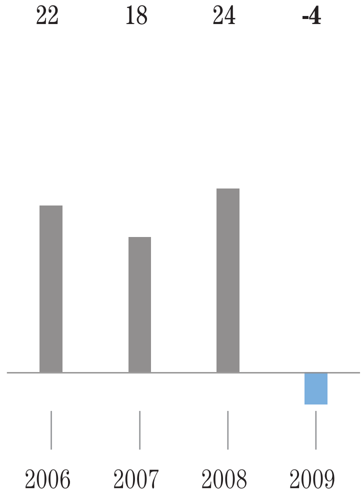
Key financial indicators



Leverage[7]



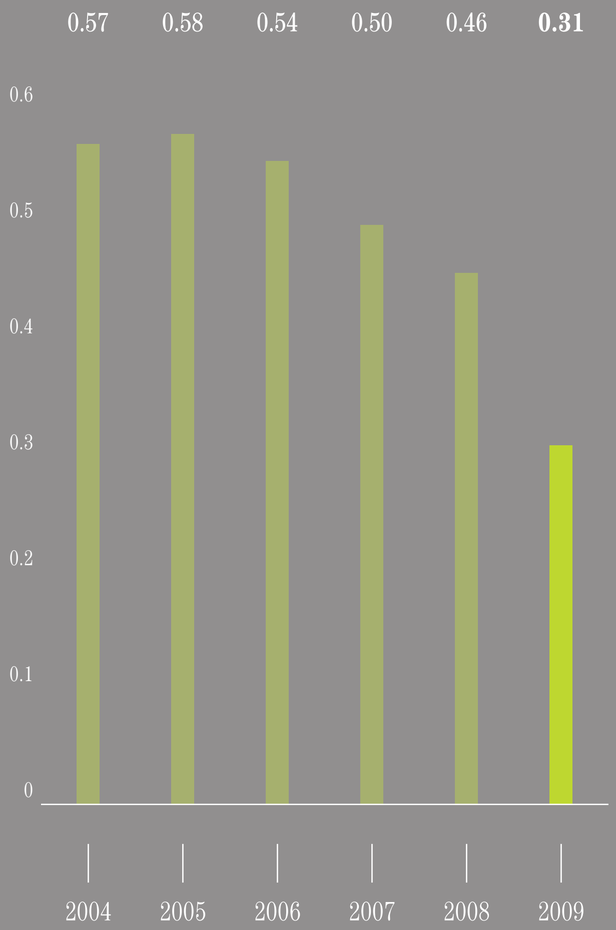
ROACE[8]



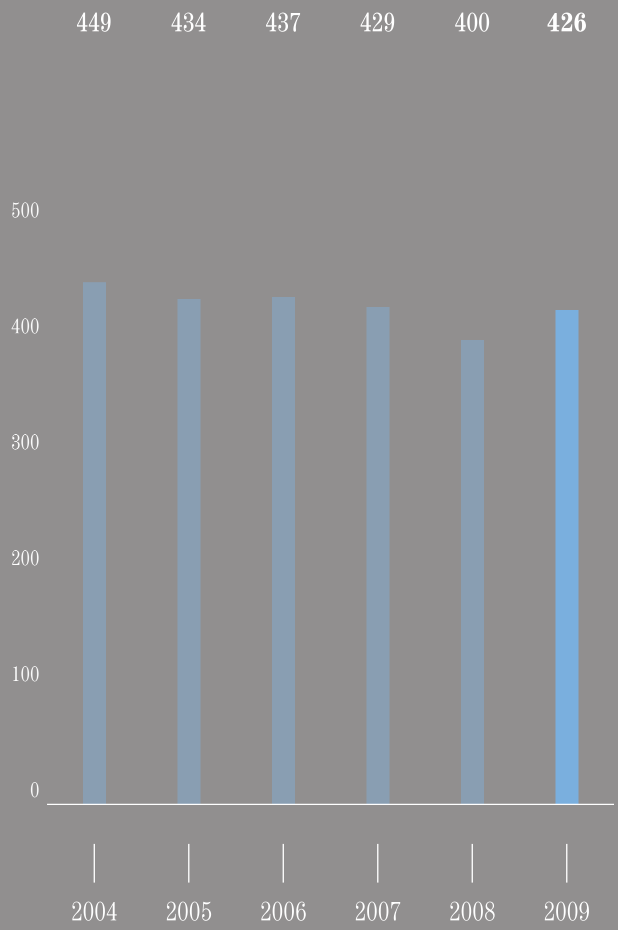
ROAE[9]

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

Environmental indexes



SO_2 Production Index
(tons of SO_2 / thousand tons of refinery runs)



CO_2 Production Index
(tons of CO_2 / thousand tons of refinery runs)

Statutory Bodies

Board of Directors

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

Board of Statutory Auditors

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

Executive Director responsible for all financials

CORRADO COSTANZO

Independent Auditing Firm

PRICEWATERHOUSECOOPERS S.p.A.

Board of Directors and Top Management

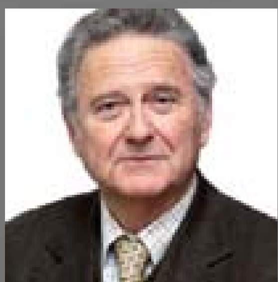
Gian Marco Moratti
Chairman

Massimo Moratti
CEO

Angelo Moratti
Vice Chairman

Angelomario Moratti
Director

Gabriele Previati
Director

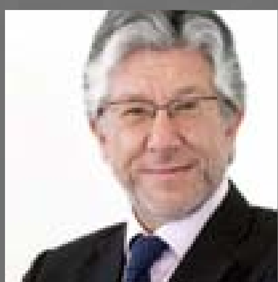


Gilberto Callera
Independent Director

Mario Greco
Independent Director

Giancarlo Cerutti
Independent Director

Dario Scaffardi
Genaral Manager



Corrado Costanzo
Chief Financial Officer

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 2009 financial statements.

This report describes the main characteristics of Saras' corporate governance system and the specific functions of its different components, referring specifically to its compliance with the recommendations contained in the Code of Conduct.

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

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

The report describes in detail the role and tasks of the Board of Directors, listing the functions that have been delegated and those that are not delegated, and provides precise information regarding its composition and the meetings held in 2009 and 2010.

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

The two Committees act as a consulting and proposal-making body as set forth in the Code of Conduct and met regularly in 2009 and the first quarter of 2010, as illustrated in the report corporate governance.

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

The Company has also appointed the Chief Financial Officer, Mr Corrado Costanzo, as the manager in charge of preparing the Compnay's accounts in accordance with Article 154-bis of the TUF. It has also appointed Mr Massimo Vacca as the Head of Investor Relations 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 or dealings 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 on 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

Summarised below are the measures and key events of most relevance to the energy sector in 2009:

- Law no. 99 of 23rd July 2009 contains a number of energy-related provisions. Among other things, the law envisages (i) the delegation of tasks to the Government for the adoption of rules concerning nuclear power (ii) the introduction of rules on the construction and launch of re-gasification terminals and (iii) the introduction of minor amendments to rules applicable to renewable energy facilities.

- Law no. 99 of 23rd July 2009 also provides for an additional percentage increase in the corporate income tax rate (IRES) set forth by Law Decree no. 112 of 25th June 2008 (paragraphs 16 to 18, Article 81) converted, with modifications, into Law no. 133 of 6th August 2008 (the so-called "Robin Hood Tax") was increased from 5.5% to 6.5%. It should be noted that the increase applies only to operators in certain sectors. 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 Law Decree no. 112 of 25th June 2008 also prohibits 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 ("AEEG") powers to monitor the observance of this provision. To implement this monitoring power, the Authority adopted Deliberation no. 91 of 4th July 2008 ARG/com, subsequently replaced by Deliberation no. 109 of 11th 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." The Regional Administrative Tribunal of Lombardy partially annulled Deliberation no. 109 of 11th December 2008 VIS following an appeal lodged by various operators. Litigation on the aforementioned resolution is currently pending before the Council of State.

- Following the partial annulment of AEEG Deliberation no. 154 of 21st October 2008 by the Regional Administrative Tribunal of Lombardy, which has bearing on CIP 6/92 plants, the AEEG adopted Deliberation no. 50 of 28th April 2009. The deliberation established the value of the adjustment for the avoided cost component of fuel pursuant to title II, point 7, letter b) of the CIP 6/92 provision, determined by the method specified by the previous Deliberation no. 249/06. However, Deliberation no. 50 of 28th April 2009 was also annulled by the Regional Administrative Tribunal of Lombardy. Since the AEEG has not yet adopted a new deliberation, to date, the avoided cost component of fuel for 2008 remains undetermined.

- The Decree of the Minister for Economic Development of 3rd December 2009 sets out the methods for operators to submit a non-binding request for the early and voluntary termination of CIP 6/92 provision. The Decree states that the necessary parameters for correctly determining the amounts due to producers for early termination will be established with a subsequent decree.

Performance of the main Equity Markets

The economic recession started in the last months of 2008 reached the apex of its intensity during the first quarter of 2009. Drastic intervention from the Central Banks of the main developed countries avoided the complete collapse of the global financial system. Massive liquidity injections, bridge loans, and interest rates virtually reduced to zero, have all been adopted in order to save several financial and insurance institutions, which were deemed too large to fail in consideration of the high systemic risk connected with their dimensions.

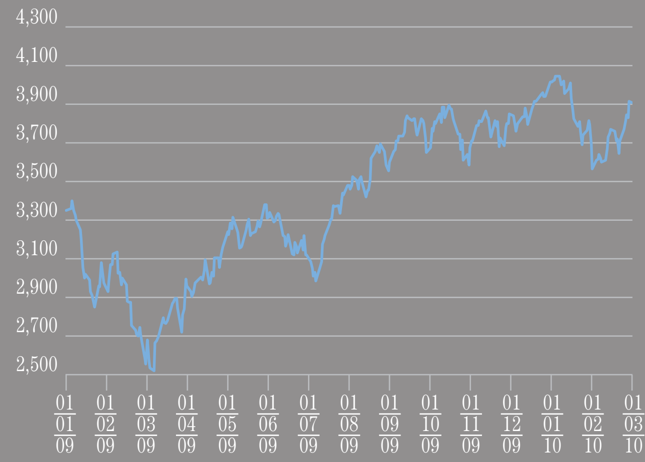
However, once the worst appeared to be behind us, the economic recovery started to materialize during the second quarter 2009, primarily in the emerging economies (China, India and Middle East). On the contrary, in the Eurozone and in the United States of America, the recovery has been rather sluggish, because the industrial activity struggled to restart in a sustainable manner, and the high unemployment levels caused a restrain for personal consumption expenditure.

Nonetheless, financial markets traditionally move ahead of the actual economic cycle. Therefore, the positive signals previously mentioned translated in a strong rebound of the equity markets in all the main financial hubs across the world, in the period comprised between April and December 2009. During this period, the main reference indexes for European and American stock markets, posted an excellent recovery (please refer to the following graphs), ending FY2009 very close to the pre-crisis levels.

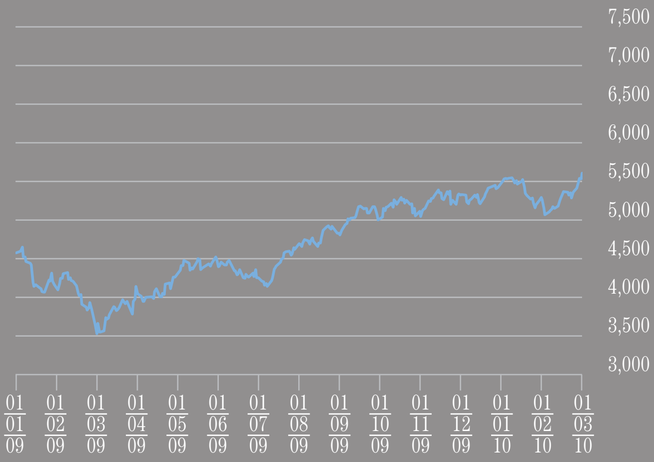
For sake of example, the American S&P500 index touched its lowest point on the 9th of March 2009. As of 31st December 2009, it posted a 65% recovery. Similarly, the Dow Jones index rebounded in the same period of approximately 59%.

Moving to Europe, the German DAX100 index, which touched its low point on the 6th of March 2009, was capable of posting a 63% recovery as of 31st December 2009; the French CAC40 index rebounded 56% from the bottom level of the 9th of March; the British FTSE100 index recovered by 54%; and finally, the reference index of the Italian Stock Exchange, called FTSE MIB following the acquisition of the Italian Stock Exchange by the London Stock Exchange Group in June 2009, was capable of posting the strongest rebound, recovering 84% since its low levels at the beginning of March.

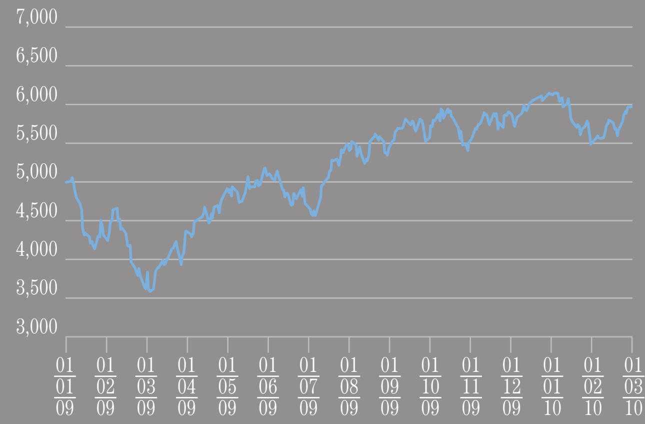
Paris - CAC40



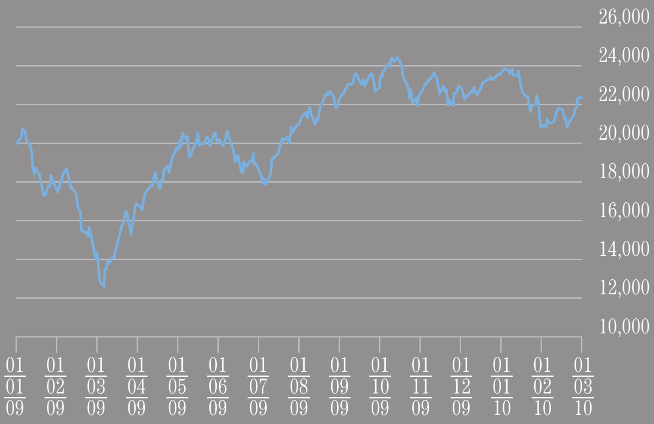
London - FTSE100



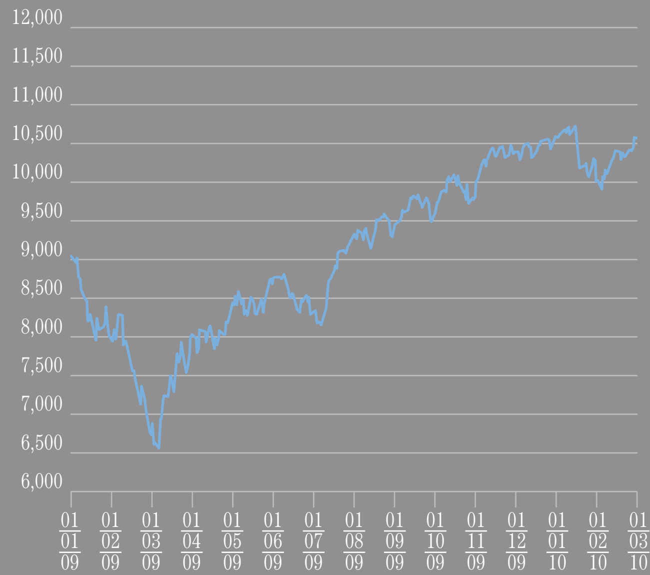
Frankfurt - DAX



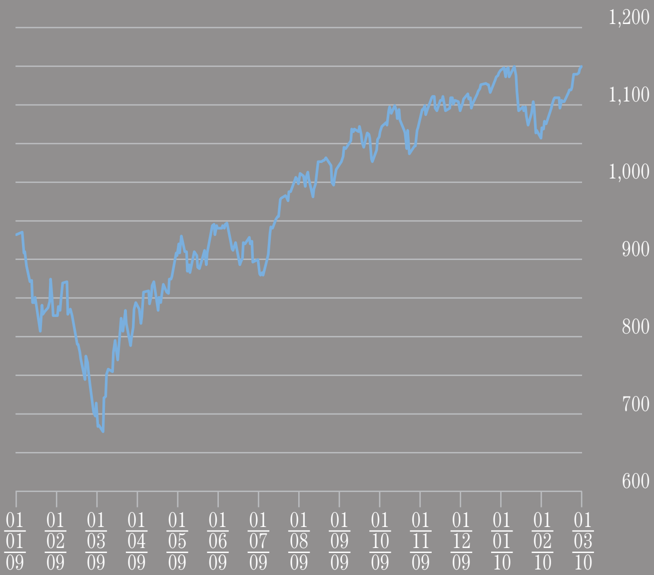
Milan - FTSEMIB



New York - Dow Jones Industrial



New York - S&P500



Source Bloomberg

Saras share performance

Below are some data concerning prices and daily volumes relating to the Saras share, for the period from 1st January 2009 to 30th December 2009 (the Italian Stock Exchange was closed for holidays on the 31st December 2009).

Share Price (EUR)

1.865
Minimum price (19/03/2009) *

2.870
Maximum price (07/01/2009) *

2.230
Average price

2.188
Closing price as of 30/12/2009

Daily Trading Volumes (EUR ml)

46.0
Maximum volume (30/11/2009)

1.1
Minimum volume (12/02/2009)

6.8
Average volume

Number of shares (ml)

22.6
Maximum number of shares (30/11/2009)

0.4
Minimum number of shares (12/02/2009)

3.1
Average number of shares

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

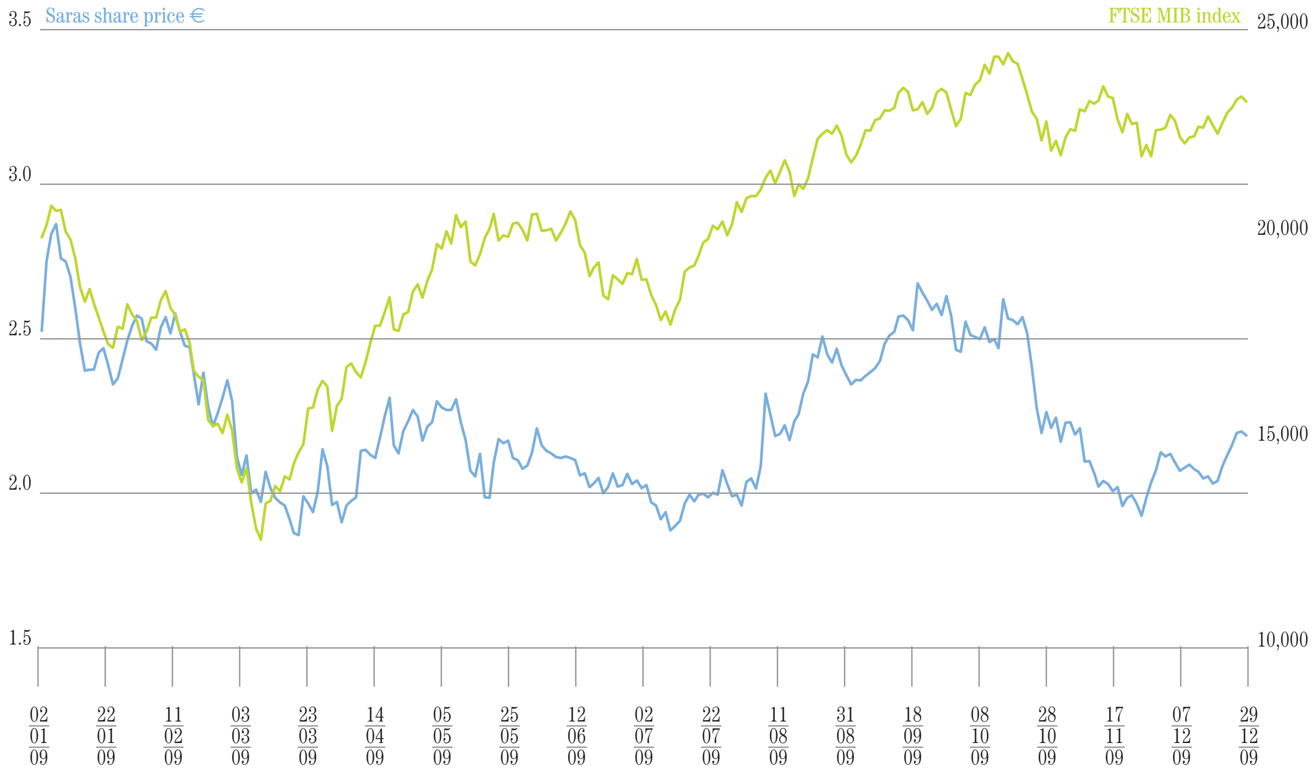
As of 31st December 2009 market capitalisation was EUR 2,080 million.

In the following graph we compare the daily performance of Saras share price with the FTSE MIB index of the Italian Stock Exchange in Milan. It is possible to note that the maximum price of EUR 2.870 was reached by Saras share at the beginning of the year, on the 7th of January 2009. Subsequently, Saras share performance progressively deteriorated, reaching the minimum value of EUR 1.865 on the 19th of March, dragged down by the prevailing trends of the broader equity markets across the world, as described in the previous chapter.

In the remaining part of the year, Saras rebounded from its low levels, but its movements have been weaker than the recovery posted by the FTSE MIB index. Indeed, on 30th December 2009 Saras closed at EUR 2.1875, recovering only 17% since the minimum price reached in March, and still 13% below the opening price at the beginning of the year (EUR 2.525 as of 2nd January 2009).

The Saras share performance reflects the disappointing economic results of the Group, which have been penalised

2009: Saras share performance vs. FTSEMIB index (Source: Bloomberg)



by an heavy cycle of investments and scheduled maintenance, carried out during the second and third quarter of 2009. This compounded with an already weak macroeconomic context, which was responsible for a significant contraction in refining margins.

Finally, on the 29th October 2009 the Buyback plan approved by the AGM in April 2008 has expired. The plan authorised to purchase up to a maximum of 10% of the ordinary shares, during a period of 18 months, starting from the AGM authorisation date (29th April 2008). During the above mentioned period, Saras acquired on the market 18,387,703 ordinary shares, corresponding approximately to 1.9% of the share capital, at an average price of EUR 3.0 per share, net of commissions, for a total amount of approximately EUR 55 ml. In 2009 there was no buyback.

Therefore, as of 31st December 2009, considering the shares used to service the Share plan for the employees and also the shares bought under previous Buyback plans, the total number of shares held in treasury by Saras is 23,188,674, which corresponds to 2.4% of the share capital.

Reference Market

2009 was a difficult year, characterised by the global crisis, but also by a series of events which exerted a strong influence on the oil market:

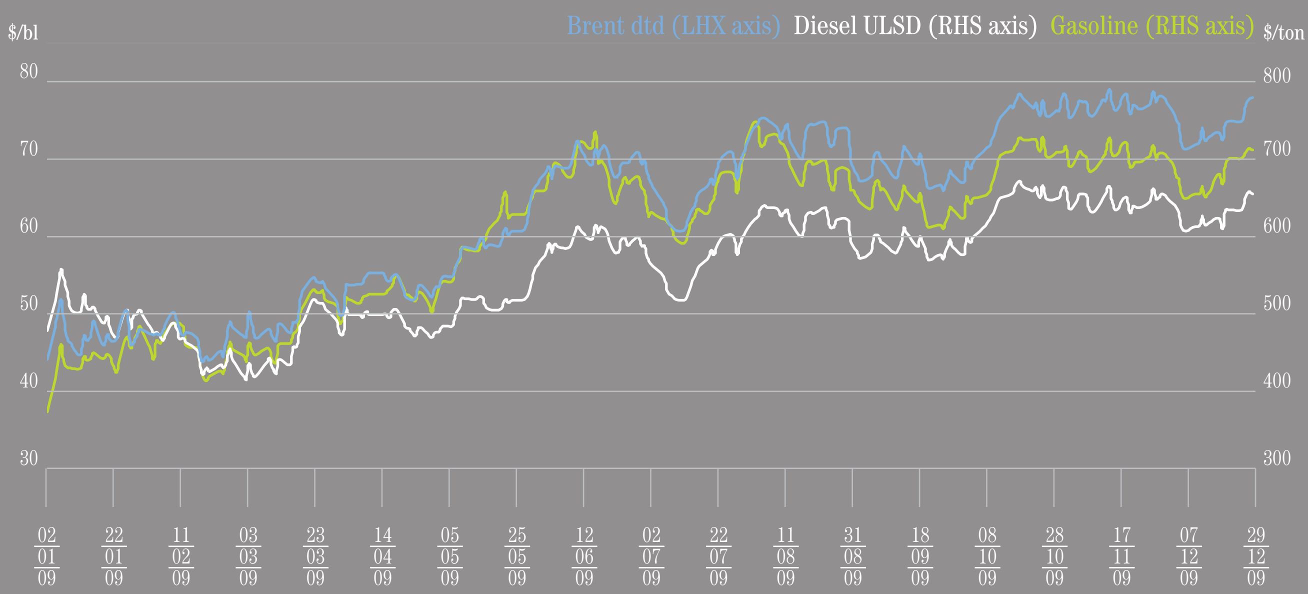
- The most evident aspect of the crisis was the contraction in global demand for oil products which, according to the latest statistics, went down to 84.9 mbd (million barrels per day) in 2009, down 1.5% (or 1.3 mbd) versus 2008. However, it should be noted that demand trends were different depending on the level of development of the various countries. In particular, in the developed economies (OECD) demand contracted by 4.4% (equivalent to -2.1 mbd), while in developing economies (Non-OECD) demand continued on a growing path, with a yearly increase of 2% (equal to +0.8 mbd). In the future, demand growth will continue to come from emerging economies, and more specifically from China, India, Middle East and Latin America. This will possibly cause changes in the mid-term, both for the direction and for the quantity of international flows of oil products.

- As a consequence of the contraction in oil products demand, 2009 also witnessed a reduction of the production of crude oil, on behalf of OPEC countries. Indeed, the Organisation of Petroleum Exporting Countries sought to put a floor under falling oil prices, by drastically reducing supply. It is worth to remember that, from the historical highs at 147 $/bl at the beginning of July 2008, crude oil fell down to 35 $/bl at the end of December 2008. Therefore, with three consecutive production cuts decided during the last quarter of 2008, OPEC reduced its crude output by 4.2 mbd as of January 2009, with the cuts affecting almost entirely "heavy" grades of crude oil. Subsequently, the good compliance with the self-imposed production quotas, especially during the first months of the year, managed to achieve the desired effect, with crude oil rapidly appreciating. More specifically, "Brent DTD" moved from 40 $/bl on 02nd January 2009, up to 68 $/bl on 30th June. It remained stable thereafter, for the entire third quarter, closing trades on the 30th of September at 66 $/bl. Finally, Brent DTD started climbing again during fourth quarter, and it closed the year at 78 $/bl (please refer to the specific graph).

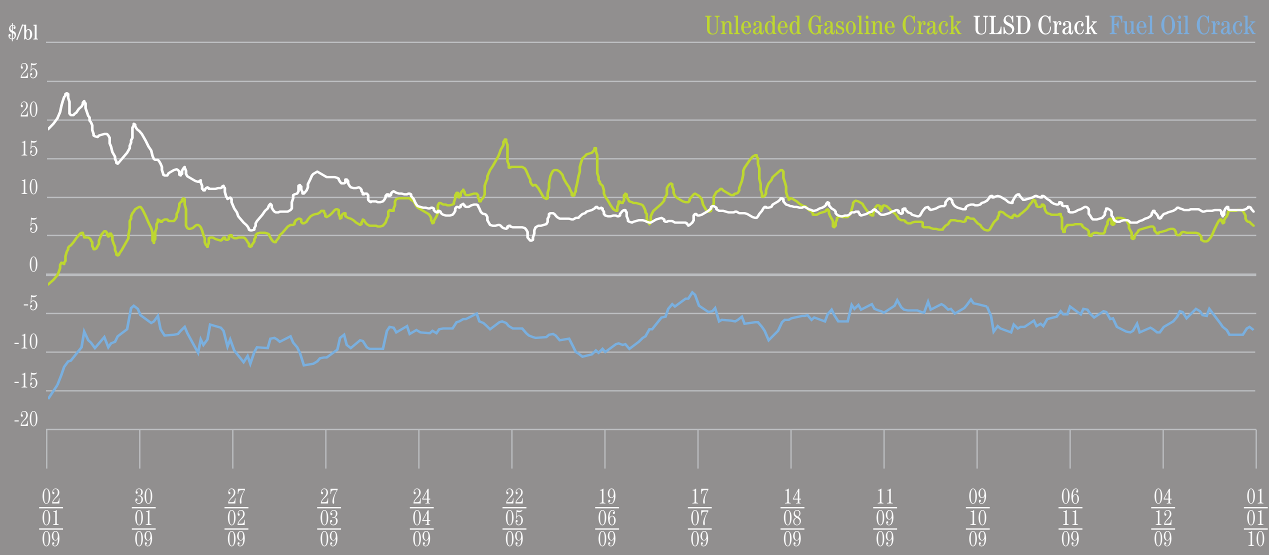
- OPEC countries repeated several times, during the course of 2009, that the range between 70 and 80 $/bl represents a fair and adequate price level for crude oil, which would guarantee sufficient incentives for investments in research of new oil fields, without actually damaging the global economic recovery. This sort of indications is leading the experts to believe that crude oil prices could remain broadly stable around current levels during 2010, also thanks to the further production decisions which OPEC will enact, depending on the future evolution of demand recovery trends.

- New refining capacity was brought on stream during 2009, primarily in Asia, for a total of approximately 1.4 mbd. The new complex and efficient refineries can also count on several incentives such as, for example, tax breaks in India and guaranteed margins in China. Additionally, these refineries do not have to comply with the same environmental regulations. Therefore, this unlevelled competitive scenario, together with the previously described contraction in global oil demand, forced an almost equivalent volume of simple and inefficient refineries to shut down during 2009. In the mid-term, the rationalisation will continue in

2009: Crude Oil/Gasoline/Diesel (USLD) Fob Med Prices (Source: Platt's)



2009: Gasoline/Ultra Low Sulphur Diesel (ULSD)/Fuel Oil (HSFO) (Source: Platt's)



the refining sector, with more closures of inefficient refineries, and the arrival of new large and efficient refining complexes, built by National Oil Companies (NOC) in emerging countries, with China, India and Saudi Arabia among the most active ones.

- Finally, 2009 will be remembered as the year during which inventories of crude oil and refined products reached record-high levels. Indeed, the contraction in demand rapidly made the physical market very long, leading to a strong "contango" in the futures market (this means that prices for sales in future months were significantly higher than prices for prompt cargoes). For sake of example, the differential between "Brent DTD" and "third month futures Brent" touched a record of -6,70 $/bl at the beginning of the year. When the prices for sales in the future are higher than prices of prompt cargoes, it becomes attractive to store oil and sell it in the future, rather than try to sell it immediately in the prompt market. Therefore, volumes of oil put into inventories grew very rapidly throughout 2009, in ground storage facilities but also in "floating storage". The latter storage opportunity was encouraged by a depressed chartering market for tankers of mid and large size. In this context, "floating storage" inventories reached 50 million barrels for crude oil, and approx. 90 million barrels for refined oil products (primarily middle distillates). Although inventories have now started to come down with a good pace, the current availability of large supply volumes, ready to be dumped onshore, is altering the traditional elasticity of the equilibrium between supply and demand, hence limiting the possibility of a significant rebound in refining margins in the short term.

Refined oil products

Looking at refined oil products, 2009 was characterized by the weakness of middle distillates, as a consequence of the economic crisis, and in particular of the contraction in industrial activity. Indeed, as it is well known, the transportation of finished goods along the logistic chain, from the manufacturing sites to the large distribution centres, all the way down to the final retail points, is primarily done using trucks powered by diesel engines. Therefore, the drop in industrial production across all sectors drastically cut the number of kilometres travelled by truck fleets, thus reducing significantly also the consumption of middle distillates. In this context, the production of middle distillates not consumed by the markets went into storage, pushing gasoil inventories to their highest levels in the past 20 years. In a similar way to the one previously described for crude oil, storage of middle distillates was encouraged by the availability of a large number of oil tankers, under-utilized for regular freights and, consequently, interested to offer "floating storage" services. An important role was played also by the persistent "contango" structure in the futures market.

Gasoline instead had a respectable performance in 2009, thanks to retail prices remarkably lower than in 2008. Such a situation stimulated the return of demand for private transportation, primarily in the USA, which remains the main market for this product.

However, the true protagonist of 2009 was fuel oil, thanks to a combination of factors which supported its price. Among the most relevant, it should be mentioned firstly the production cuts decided by OPEC for heavy grade crude oils, which reduced availability of crude oil rich in heavy fractions. Additionally, strong support came from the voluntary run cuts decided by simple refineries (high fuel oil yields), which were the most affected by the difficult macroeconomic scenario, with refining margins almost permanently in negative territory during 2009. Finally, further support to fuel oil came from the start-up of new complex refineries in the Far East (China, India, Vietnam, etc.) whose characteristic is to destroy fuel oil by converting it into middle and light distillates. The combination of the above mentioned factors reduced availability of fuel oil by a greater quantity than the drop in demand caused by the economic crisis.

Demand trends for each product are clearly reflected in the following graph which reports the *"crack spreads"*[10] of gasoline, ultra low sulphur diesel for road transportation (ULSD), and high sulphur fuel oil (HSFO):

- Gasoline crack spread started from negative values at the end of 2008, and quickly came into positive territory in the first quarter of 2009, reaching a peak above 17 $/bl in the middle of May, thanks to the support of the American *"driving season"*[11], which sustained it above the 10 $/bl mark for almost the entire summer period. From the second half of August onwards, the crack came back in line with the average of its historical range, remaining steadily within 5 and 10 $/bl;

- Ultra Low Sulphur Diesel (ULSD) crack spread, for the reasons described above, in the first 3 months of 2009 had a sharp downward correction, declining from the high levels at the end of 2008, down towards a very narrow range comprised between 8 and 10 $/bl, where it then stayed from late March until the end of the year;

- On the contrary, High Sulphur Fuel Oil (HSFO) crack spread made a quick raise from -16 $/bl at the beginning of January, up to -5 $/bl at the end of January, and it subsequently remained between -10 $/bl and -3 $/bl for the remaining part of the year, for the reasons already discussed (i.e. OPEC production cuts of heavy crude oil, run cuts in simple refineries, and start-up of new complex refineries in the Far East).

EMC Benchmark and refining margins

The negative effects of the global recession on the refining sector can be immediately observed on the benchmark refining margin calculated by EMC, which represents the profitability of an average complexity coastal refinery, located in the Mediterranean Sea, which uses a feedstock made of 50% Brent crude oil, and 50% Ural crude oil.

In fact, the EMC margin averaged at 0.7 $/bl in FY2009 (down 78% vs. 3.2 $/bl in FY2008). The sharp drop in refining margins can be explained when comparing 2008 crack spreads for the main oil products, with the corresponding crack spreads in 2009.

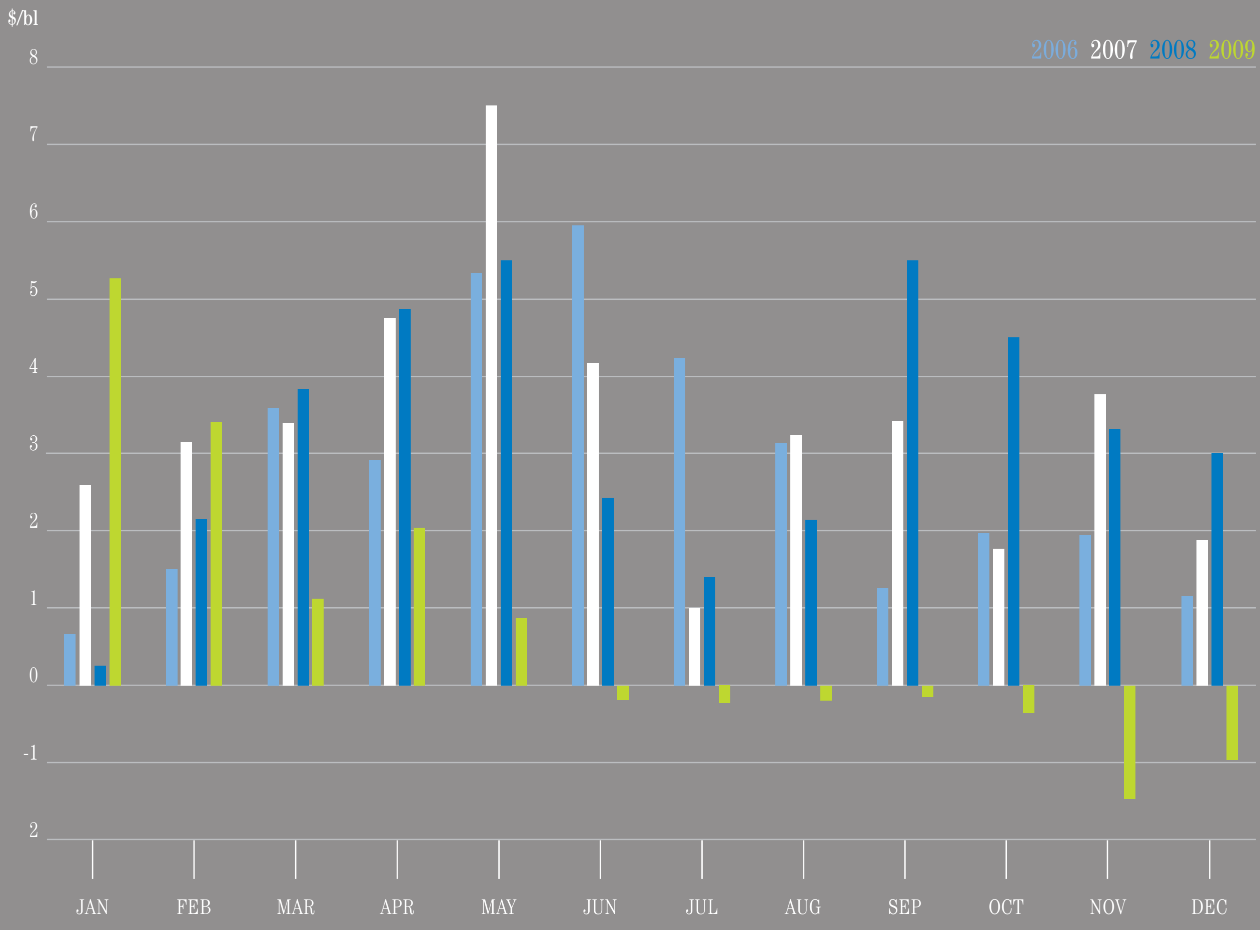
More specifically, we can recall that 2008 was a record year for the diesel crack spread (with a yearly average at 27.7 $/bl), while it was a very weak period for gasoline (the yearly average for the crack spread stood at a meagre 2.0 $/bl), because gasoline demand suffered from the depressed state of the American economy and the extremely high retail prices. Finally, we can recall that High Sulphur Fuel Oil was also very weak in 2008, with a crack spread yearly average at -24.7 $/bl.

However, markets changed radically in 2009, for the reasons discussed in the previous chapters. The severe recession caused a very steep drop of demand for middle distillates, given their tight connection with the intensity of industrial activity. Dismal demand caused diesel inventories to reach record high levels, and diesel crack spread in the Mediterranean Sea averaged at 9.7 $/bl in 2009 with a decrease of 65%.
On the contrary, gasoline posted a comparatively robust performance in 2009 (especially in the first 9 months of the year), with crack spread averaging at 8.0 $/bl in the Mediterranean Sea. This result came on the back of sensibly lower retail prices, which encouraged Americans to drive more during summer.

Finally, both High and Low Sulphur Fuel Oils showed remarkable strength throughout the entire 2009, for the reasons explained before. This performance establishes a striking difference with the previous year. In particular, High Sulphur Fuel Oil (HSFO) crack spread stood at an average of -6.9 $/bl in FY2009, which is almost 20 $/bl stronger than previous year. This situation clearly contributed to produce a contraction in refinery's "complexity advantage", which is the margin premium added by complex refiners above simpler refineries. This advantage traditionally derives from the capability of converting fuel oil (with low market value), into diesel and gasoil (which usually have significantly higher market values).

10. Crack spread: price differential between a refined oil product (gasoline, diesel, or fuel oil) and the reference crude oil (usually Brent DTD)
11. Driving season: common terminology used in the US oil markets to indicate the beginning of the season when private road transportation has a significant increase, due to warm weather conditions.

EMC Fob Med Benchmark (50% Brent - 50% Urals) (Source: EMC-Energy Market Consultance)



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.

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.
Artemide S.r.l.
Sartec S.p.A.
Sarint S.A.
Reasar S.A.
Ensar S.r.l.

Saras S.p.A.
Head office and
administrative office
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20122 – Milan

Public Affairs and Communication
(Rome)
Salita S. Nicola da Tolentino 1/b
00187 – Rome

Public Affairs and Communication
(Sardegna)
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			
0,1% Reasar S.A.	0,01% Sarint S.A.	5% Consorzio La Spezia Energia	
100% Saras Energia S.A.	99,9% Reasar S.A.		
3,379% ITSME S.r.l.	0,5% Centro di Competenza I.C.T.	51% Artemide S.r.l.	
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.
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28046 Madrid
Spain

Arcola Petrolifera S.p.A
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19021 Arcola - La Spezia

Sarlux S.r.l.
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09018 Sarroch - Cagliari

Health, Safety and Environment

A continually improving scene

Producing energy in a safe and reliable manner belongs to the principles which guide our strategic choices. For years we have invested in research and technology with the goal of improving operation reliability and protecting the territory and the environment. Activities aimed at preserving safety and health of all those who work directly and indirectly for the Saras Group also fit into this scene. Our commitment over recent years, which also involves technological improvements of systems, has allowed us to significantly reduce the impact of our activities on the environment and in particular in this last year, to improve energy efficiency.

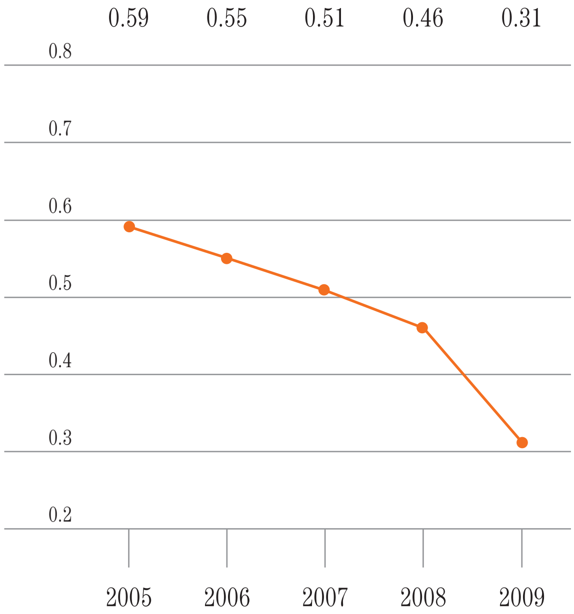
2009 was a very difficult year. In spite of significant improvement of all environmental data, resulting from important investments, the serious event which took place last May leading to the death of three labourers in our contracting companies demonstrated the need for further improvements. This year once again a detailed and punctual scenario of environmental aspects which, directly or indirectly, involve the environment inside and outside the Sarroch plant is presented in the Environment and Safety Report.

The monitoring is strengthened by years of findings, and shows improvement in all environmental indexes, particularly those relating to emissions into the atmosphere. These, together with waste water, are immediately evident in that they are tied to the environment in which people live and work daily. Others, such as energy and water consumption or Carbon dioxide (CO_2) emissions, refer to more general themes of interest and are regulated by standards or agreements on an international level, since their impact can be evaluated on a global scale, while direct effects on the local environment are less evident.

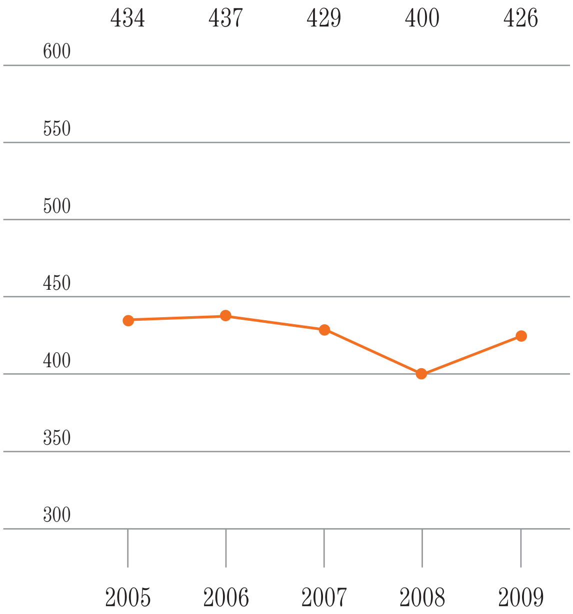
In 2009 emissions trends show a general improvement, carrying on the trend of the last five years, except for small fluctuations which may occur from year to year and which are related to with systems operations and extraordinary maintenance. The data improvement with regard to the environment is derived from a series of technical and management operations which progressively provided the refinery with more efficient technologies and means both in the production and the environmental protection. The improvements relating to sulphur dioxide (SO2) emissions are significant. In particular, the emissions over the last year, if compared with the average trend of the last four years, show an important reduction: in one year the emissions decreased by about 46% (as shown in the chart which represents the SO_2 production index). Obtaining this result was possible above all thanks to the entry into service of the TGTU (Tail Gas Treatment Unit) system, a unit for tail gas treatment and sulphur recovery which allows a reduction in sulphurous emissions. The result is even more surprising if we compare 2009, the first year of obtaining Environmental Integrated Authorisation with the average of the first 5 years of the decade (2001 - 2005). This comparison shows a particularly significant tendency for improvement with a reduction in SO_2 emissions of about 62%.

Investments dedicated to environment and safety also fit into the Saras Group growth strategy scenario. In this context, themes like energy savings culture and environmental sustainability - which are not new to the compa-

SO_2 Production Index
(tons of SO_2 / thousand tons of refinery runs)



CO_2 Production Index
(tons of CO_2 / thousand tons of refinery runs)



CO_2 Emissions Refinery (ton / year)

CO_2 Emissions IGCC (ton / year)

* please refer to paragraph “greenhouse gas emissions” at page 41

Certification process

2008 - 2009
AIA - Environmental Integrated Authorisation

2006 - 2008
Eco-Management and Audit Scheme

2004 - 2005
ISO 14001 Certification

2002 - 2003
SGA (Sistemi di Gestione Ambientale)
1st Environment Report

2000 - 2001
Definition of the Environmental Policy

ny and the Group - have become even more topical during the course of recent years.

In particular, in 2009 an important slice of investments had to do with the Refinement segment with 244.4 EUR ml. Of this amount, about 50 EUR ml refers to investments made in the Health, Safety and Environment (HSE) area. More specifically, environmental protection operations and energy efficiency operations with consequential reduction of burned fuel (and therefore less atmospheric emissions) were performed, as well as completion of the TGTU system and finally, investments for FCC system energy recovery.

Thanks to an environmental protection policy which is also part of the 2009 investments, no situations arose for which the company was found guilty of damages caused to the environment and no fines or penalties were levied against the company for environmental crimes or damages.

The environmental protection policies also provide for continuous investments in personnel training through a process which involves all of the refinery employees (including contractor personnel) as well as the other Group companies with a goal of creating a high sensitivity toward the environmental theme. In fact, even an advanced technological system absolutely must be supported by careful management by all personnel operating within the production cycle.

AIA: Environmental Integrated Authorisation

AIA is the fruit of a path which began in the first months of 2007 and which, as of April 2009, led us to obtaining Environmental Integrated Authorisation. Saras was the first refinery in Italy to obtain AIA, which represents a path of improvement of technical and structural characteristics of the systems and the production site which allowed us to minimise the impact of production activities on all environmental areas. AIA, issued by the Ministry of the Environment, replaces all other authorisations, lasts eight years, and is contingent on maintaining EMAS membership. This further recognition includes the basic concepts of the Environmental Code where all elements (air, water, soil, visible impact, etc.) are seen as a whole, and is the result of a path which led the company to obtaining ISO 14001 Environmental Certification in 2004.

AIA utilises the European Union BREF (*Best Available Techniques Reference Document*) on oil and gas refineries. In other words, those reference documents on the best techniques available which allow us to have a fundamental point of reference and even take into consideration some aspects which could become sensitive in the future.

The procedure was coordinated by the Preliminary Investigation Committee, appointed by the Ministry of the Environment and Protection of the Territory and the Sea, which involved the relevant local Administrations. Following specific meetings between the Committee and the local Agencies in which company representatives were also involved, the procedure was positively concluded and the Preliminary Investigation Committee provided the Ministry of the Environment and Protection of the Territory and the Sea with its conclusive opinion before the 15th January 2009 session.

Emas Certification

In June 2009 the diligence for maintaining EMAS registration was performed, aimed at evaluating the activities performed to guarantee environmental sustainability in the territory.

In the area of the program of EMAS maintenance, numerous activities and commitments which involve many corporate functions on various levels are necessary. In particular, in the area of transparency toward the territory and full and quick observance of all legislative indications, preparation and publication of both the Environment and Safety Report as well as the Environmental Statement is necessary.
The Environment and Safety Report provides a detailed and precise picture of all the environmental aspects which involve the environment within and without the production plant. The Environmental Statement illustrates to the public and all involved subjects the activities performed by the company, the environmental aspects (directly and indirectly connected with it) and, even more important for maintaining EMAS membership, the environmental improvement goals which the Company has set.

Again from a viewpoint of transparency, during the year periodic NIES (National Inventory of Emissions and their Sources) communications were performed relating to the site's main environmental data. These communications are transmitted to the Ministry of the Environment and Protection of the Territory and the Sea to be forwarded to the European Commission and will go to constituting the EPER, the European Pollution Emissions Registry. The Statement dealt with the emission values into water and the air relative to various characteristic parameters of the activities performed.

Health and Safety in the Workplace Management System

Safety is our energy

Safeguarding health and preventing any form of accident or injury (both for our own employees and third parties who operate at our site) are primary values for Saras. These are also promoted through the adoption of a "Health and Safety in the Workplace Policy". The Health and Safety in the Workplace Management System introduced the "Performance Measurement" which consists in setting objectives and goals, determined bearing in mind the corporate performance in conformity with the adopted policy. In the spirit of promoting the safety culture in recent years a path has been followed which has allowed the company to obtain some important certifications. In 2007 Saras obtained certification of its own Health and Safety in the Workplace Management System in reference to the OHSAS 18001:2007 standard.

In 2008 the "Organisation, Management and Control Model" was upgraded in accordance with Legislative Decree No. 231/01 in order to comply with Law No. 123/07 and subsequent Legislative Decree No. 81/08 with regard to protection of health and safety in the workplace. Saras also actively participated in preparation of the "Address Lines of an

Safety is our energy

We want to recognise ourselves and be recognised as an industrial presence made up of **people** who live and spread the **safety culture** through their daily actions.

In 2009, within the project for improvement of safety management, the work on spreading the safety culture was strengthened even through new projects of internal communication.

The most significant activities were:

- Definition and distribution of the Safety Vision, that is, the middle-term scenario which expresses our values and our aspirations with regard to safety through various classic communication tools and discussion in the area of training activities on safe behaviour themes;
- Creation of simple and effective flyers called Basic Safe Actions (BSA) which summarise the safe behaviour to be adopted, verified and enforced in the performance of some types of work. These simple, immediately useful guides were distributed to all Saras employees and the contractor companies which operate in our Sarroch plant;
- The preparation of support tools for distribution of the safety procedure revisions, specifically having to do with Work permits and Individual Protection Devices.

Furthermore, during 2009, HSE meetings were held - open both to Saras employees and external company employees - which contributed to the comparison and fostered the growth of sensitivity in everyone with regard to safe behaviour, housekeeping and lack of injuries.

Integrated Health, Safety and Environment Management System" based on the agreement signed on 28th June 2007 by INAIL, ASEIP (today Confindustria Energia – Italian Energy Industry Association) and Union Organisations which make up a reference model on the national scene for implementation of the Integrated Health, Safety and Environment Management Systems. It is in this scenario that the Saras Group promotes the safety culture on all corporate levels through training, sharing and verification of the level of effectiveness of the activities performed.

Spreading the safety culture translates, in fact, into a continuous training action and creation of work conditions aimed at progressively reduction cases of emergency and injury for Saras and Contractor employees. The latter, about 4,000 employees, over the course of 2009, were dedicated 20,000 hours of training which dealt chiefly with the area of role training and the continuous position and updating in the "Safety and Environment" theme. This data also reflects the 2,000 hours of newly hired personnel training, both operational and technical. Furthermore, over the course of the year 8,975 hours of training was conducted by the "Prevention and Protection Service" aimed at Safety. Included in this are 2,100 hours of fire prevention training and 6,875 hours dedicated to operators in the "Alkylation" department and coursed dedicated to "Work Permits".

In the first months of 2009 a project was launched in cooperation with Du Pont, world leader in the Safety field, aimed at promoting safe behaviour during work activities. During the year an evaluation of daily activity safety levels was conducted and a plan of action was defined aimed toward:

- improving the safety culture level, creating awareness and commitment on all levels;
- making the safety system consistent and sustainable.

This project, initially conceived for refinery activities, will also be extended to other divisions within the Group in the future.

Between 2005 and 2009 the investments aimed at increasing safety in our production site were about 30 EUR ml, of which more than 6.6 EUR ml in 2009. Furthermore, in November 2009 the planning phase for training operations was begun for contractor personnel with specific courses which were launched in the months of November and December, and will become compulsory beginning in January 2010.

Over the course of 2009:

- no cases of deaths in the workplaces of personnel registered in our registration book were recorded;
- no cases of severe injury or very severe injury of personnel registered in our registration book were recorded;
- no cases of debits regarding professional illnesses for employees or ex-employees and cause for mobbing were recorded.

Finally, we would like to remind you that last May during the schedule maintenance activities, a tragic event took place which led to the death of three contractor employees. A loss which shook the company at all levels and which left an indelible sign, opening up the way for reflection, specifically on safety. Therefore, we continue to promote safe behaviour because only by changing old habits can we reach new levels of safety in the workplace which will truly place our personnel and plants in safety.

Greenhouse gas emissions

The Saras Group falls into the field of application of the European "Emission Trading" Directive with the two activities conducted in the Sarroch site, that is the refinery (Refining sector) and the IGCC system (Generation of Electrical Energy). The Directive was implemented all over Europe to control and reduce carbon dioxide emissions for the purpose of combating the threat of the "greenhouse effect" and consequential climactic changes. In fact, the carbon dioxide emissions do not have a direct effect on a local scale, specifically on the quality of the ambient air around the site, but they are connected with phenomena on a global level.

The "Emission Trading" scheme was introduced in 2005 to help the member states observe the requirements of the Kyoto Protocol. The functional principle is based on the allocation, for each single installation which falls into the field of application of the Directive, of an emissions ceiling established by the member state through a National Allocation Plan.

The mechanism anticipates that the surplus of the ceilings may be negotiated and/or accumulated, and any deficit may be covered by purchasing emission levels from the market. The allocation decision is processed for each of the reference periods provided for by the Directive: the first reference period refers to the 2005-2007 three year period, while the subsequent reference periods refer to the five year period of 2008-2012 and the period of 2013-2020, etc. In 2008 the second application period of the Directive began which provides for more restrictive allocations based on objectives dictate by the Kyoto Protocol. Saras has a CO_2 emissions reading, calculation and control Protocol. The calculation system is certified by accredited third party agencies in accordance with the requirements of European guidelines.

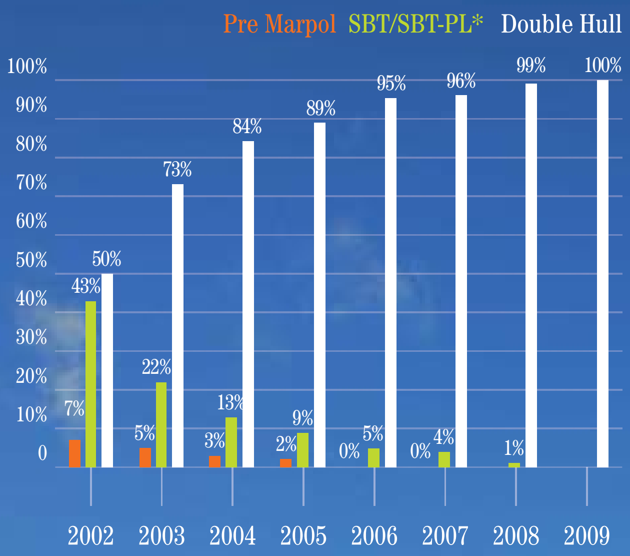
We feel that the control and reduction of emissions must necessarily pass through a reasonable use of the energy and the adoption of efficient production systems. Saras has always been strongly committed in these areas. In the National "Emission Trading" Register, which can be consulted freely, both the allocated ceilings and the annual emissions of the CO_2 levels are documented on a nationwide Italian level. A unique position was assigned to Saras which corresponds the totality of the emissions derived from the activities conducted at the Sarroch site. Further details on the subject can be found in the 2009 Environment and Safety Report.

Respect for the sea

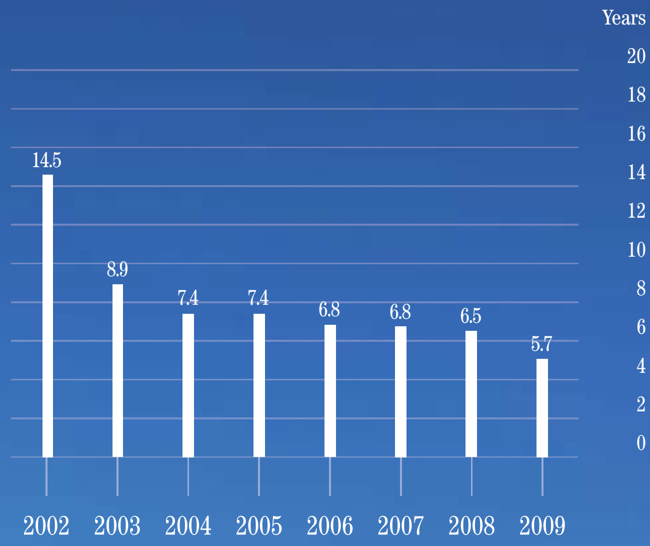
We are aware that we must conserve and limit any type of alteration of the environment and with regard to oil and refined product transportation over sea, we have introduced severe criteria for years. In 2009 only latest generation ships were utilised. In fact, 100% of the ships are double hull, in anticipation of the regulation for maritime traffic which went into force in 2010. The marine environment protection activities also include minute by minute monitoring both incoming and outgoing of the oil tankers headed toward the Sarroch terminals.

In this scenario, Saras entrusted personnel carries out inspections in other ports (*Vetting*), in accordance with international criteria as well as spot "Pre-mooring Inspections" on the sea prior to mooring manoeuvres.

Type of ships



Average age of tankers



*SBT: Segregated Ballast Tanks / PL: Protective Locations

Social Responsibility

Activities with the territory

Over 2009 activities aimed at involving the relevant territory and the relevant citizens were conducted, an indispensable element for corporate growth marked by the rationale of sustainable development.
This action was also in line and consistent with the commitments set forth by the EMAS (Eco Management Audit Schemes) membership which Saras obtained in October 2008 and which requires constant efforts in the spirit of continuous improvement toward safeguarding and protecting the environment.

EMAS represents the most advanced tool available to attest to the commitment of a company to environmental sustainability, to which the direct employees and contractor employees are called to contribute, but above all, all of the external contact points present on the territory.
Therefore, Saras continues on this path with the goal of strengthening a relationship and continuous dialogue, marked with maximum transparency in a shared and participative dimension, through a plan of external relationships and communication even through the media and specialised periodicals on the chief issues connected with sustainable development in the territory.

In particular in 2009 numerous initiatives were launched such as meetings with representatives from the Sarroch and bordering Municipalities, from the Province and the Region and with technicians from the controlling authorities (ARPAS, ASL 8).
The subject of the meetings had to do generally with the exchange of information and communication on common interest issues such as environmental protection and safety and development in the territory, but also the disclosure of improvements to Saras emissions monitoring programmes.

As for the other communication actions aimed toward the territory in 2009, the following are worth mentioning:
- the meeting with the Sarroch Environmental Committee to share environmental objectives contained in the Environmental Statement;
- the publication in local periodicals of information regarding current and planned environmental improvement programmes;
- the organisation of the "Saras for the School" project throughout the entire school year aimed at 5 elementary classes in bordering municipalities. A path for the awareness regarding the conscious use of natural resources and the importance of energy savings beginning with the calculation of the ecological footprint, a concept which is by now widespread and consolidated as an indicator of sustainability which tells us how much nature we utilise to sustain our lifestyle.

A website is dedicated to the activities directed toward the school, **www.sarasperlascuola.it**, a useful communication tool both for students and all those who would like to get closer to one of the most important industrial presences in Sardinia and internationally.

Saras for the School: School Project on the Ecological Footprint

The School Project is a tradition which has gone on for some time now and which places itself in the general

choice of transparency toward the public. It began in 1999 with the cooperation between the Sarroch Municipality, the Villa San Pietro Municipality, Coni and Unicef with the goal of spreading the energy culture among children in the fifth class of primary school. Over the years the project has evolved, becoming a precious opportunity of comparison and meeting with the local institutions as well as with scholastic institutions. Since 2006 the School Project has concentrated on the Ecological Footprint, a concept which is by now widespread and consolidated as an indicator of sustainability which tells us how much nature we utilise to sustain our lifestyle. In other words, the effect each one of us has on the planet in terms of hectares and land occupied each day, each year. It is a path which throughout the entire school year accompanies the activities of about 300 children in the bordering primary schools in increasing their awareness regarding the conscious use of natural resources and the importance of energy savings beginning with the calculation of the ecological footprint of their own school.

In this phase, experts in the energy sector and external teachers support the students in reflection and preparation of 10 eco-suggestions in order to help their school to have a "lighter" footprint. The project ends in June with a closing festival during which the best work performed is awarded, evaluated based on originality of the eco-suggestions identified during the school year.

Part of the project consists in a visit to the Sarroch refinery, which represents another important moment of meeting with the territory, above all from a point of view of transparency and openness towards the outside. A website is dedicated to the school project, **www.sarasperlascuola.it**. This is a useful communication tool both for students and all those who would like to get closer to one of the most important industrial presences in Sardinia and internationally.

Main events during the year

1/1/09

Production of gasoline and diesel with a low content of sulphur (10ppm)

Starts the production of fuel (gasoline and diesel) with a low content of sulphur (10 ppm=parts per million), in compliance to the European rules, in order to decrease indirect emissions of SO_2.

Jan09

Safety

In collaboration with the company Du Pont, leader worldwide in safety, Saras started the "Progetto Sicurezza".

Born in 2008, the three years project has the objective to improve the management of the Safety, through the promotion of a safe behaviour during the working activities.

In particular, during the year we evaluated the safety level in the daily working activities, and we defined an action plan aimed at:

- improving the level of culture of the safety creating awareness and commitment at all levels;
- make safety system continuative and sustainable.

The project has been initially thought for the refining activities, and in the future will be extended also to the other business segments of the Group.

9/4/09

AIA (Environmental Integrated Authorization)

Saras is the first refinery in Italy to obtain the AIA (Environmental Integrated Authorization), as a result of a path of improvement of technical and structural characteristics that allow to minimize the impact of the operational activities on all the environmental matrix. AIA is granted by the Environment Ministry, replaces the other authorizations, has a duration of eight years, and is conditioned to maintaining EMAS registration. AIA is the result of the path that brought the Company to obtain ISO 14001 Environmental Certification already in 2004.

28/4/09

Appointment of the Board of Directors and of the Board of Statutory Auditors

The AGM of Saras has appointed the new Board of Directors, which will remain in charge for the next three–years, until the date of the AGM called for the approval of the Annual Financial Statements for the year 2011. The new Board of Directors is composed by nine members, including the newly appointed Independent Director Giancarlo Cerutti.

The AGM of Saras has also appointed the new members of the Statutory Auditors, which will remain in charge for the next three–years, until the date of the AGM called for the approval of the Annual Financial Statements for the year 2011. The new Chairman of the Board of Statutory Auditors is Professor Ferdinando Superti Furga.

19/5/09

Akhela acquired Artemide

Akhela, Saras subsidiary active in the ICT (Information & Communication Technology) signed an agreement for the acquisition of the 51% of the Company Artemide TecnologieInformatiche Srl, active in the ICT and software development market. Artemide, established in 2006, has around 50 employees and a yearly turnover of around EUR 3 million.

22/5/09

Inauguration of the artwork at Wind Park

With the participation of the local population and at the presence of the top management of the Company and of the main representatives of the Regional Institutions, was inaugurated the artwork "La cattura dell'Ala del Vento" made by the artist of Ulassai, Maria Lai. The metal sculpture was realised with the funding of Sardeolica, and it is a tribute to the wind park.

26/5/09

A tragic event took place during scheduled maintenance activities

A tragic event took place at the MHC1 unit, which was idle for scheduled maintenance activities, causing the death of three workers from the contracting company CO.ME.SA..

29/10/09

Expiry of the Buyback programme

Expiry date of the period authorized for Saras own shares buyback programme, for a maximum amount of up to 10% of the ordinary shares, and a duration of 18 months from the authorizing resolution of the AGM held on the 29th April 2008. In the period Saras has acquired on the market no. 18,387,703 ordinary shares (around 1.9% of share capital), at an average price per share of EUR 3.000, net of commissions, for a total amount of around EUR 55 million.

2009

Acquisition of service stations from ERG Petroleos

During the year, we have fully consolidated the 71 Spanish service stations acquired by ERG Petroleos, for a total consideration of around EUR 40 million.

Comment to 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 and EBIT) and Net Income are reported also with inventories evaluated according to LIFO methodology (and not only according to FIFO methodology as requested by IFRS accounting principles) because this method combines the most recent costs with the most recent revenues, thus providing a clearer picture of current profitability. Furthermore, for the same reason, non recurring items are deducted both from the operating results and from Net Income. *Comparable* and *adjusted* figures are not subject to audit. Below detailed definitions of *comparable* and *adjusted* figures:

***Comparable* EBITDA:** calculated evaluating inventories besed on LIFO methodology and deducting non recurring items.

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

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

Saras Group – Key Income Statement Figures

EUR Million	2009	2008	change %
REVENUES	5,317	8,673	-39%
EBITDA	345.5	256.6	35%
***Comparable* EBITDA**	**141.2**	**673.3**	**-79%**
EBIT	152.4	88.7	72%
***Comparable* EBIT**	**(51.9)**	**505.4**	**-110%**
NET INCOME	72.6	61.8	17%
***Adjusted* NET INCOME**	**(54.5)**	**327.2**	**-117%**
Outstanding shares, Million (avg. nr.)	927.8	942.2	-1%
Adjusted EPS, (EUR)	**(0.06)**	**0.35**	**-117%**

Saras Group – Key Balance Sheet Figures

EUR Million	2009	2008
NET FINANCIAL POSITION	**(533)**	**(333)**
CAPEX	**317**	**257**
OPERATING CASH FLOW	**274**	**275**

During 2009, the global economic recession brought a sharp reduction in industrial activity as well as private consumption worldwide. As a consequence, oil products demand dropped remarkably, and also refining margins followed a progressively deteriorating pattern, hitting the bottom during the fourth quarter. Notwithstanding the above scenario, Saras carried out, an important cycle of investments and scheduled maintenance activities in the Sarroch refinery, with unavoidable impacts on the results of the Refining segment. In the last part of the year all units resumed regular operations, although the weak margin environment still did not allow us to post satisfactory results.

Owing to the IFRS linearisation procedure, the Power Generation segment achieved FY2009 results in line with expectations, despite some operational problems which limited availability in the third quarter. This operational slowdown was recovered in the last part of the year, and Sarlux posted again a strong operational performance, with full electricity production and conspicuous sales of hydrogen and steam to the refinery.

Notwithstanding the generalised reduction of consumption for oil products, especially in Spain, our Marketing segment posted very strong results in FY2009, thanks to a successful strategy aimed at optimising sales channels, and also because of positive contributions from the biodiesel plant, which reached full scale production in the second part of the year. Such result was also due to the consolidation of the 71 retail stations acquired in Spain, mainly during the second half of 2009.

Finally, also the Wind segment had a very positive performance in 2009, boosted by a terrific fourth quarter, which took the production of full year to 156 GWh, more than offsetting a steep drop in electricity tariff, related to the economic recession.
Group Revenues in FY2009 were EUR 5,317 ml, down 39% compared to FY2008, mainly in the light of significantly lower oil product prices (as a point of reference, diesel traded at an average of 533 $/ton in FY2009, versus a record average of 938 $/ton in FY2008, and gasoline stood at 583 $/ton in FY2009 versus 835 $/ton in FY2008), and lower sales in the Refining, Power Generation and Marketing segments.

Group *comparable* EBITDA in FY2009 amounted to EUR 141.2 ml, down 79% vs. EUR 673.3 ml posted in FY2008, due almost entirely to the weak performance of the Refining segment (EUR -103 ml in FY2009 vs. EUR 433.6 ml in FY2008), which suffered from the depressed macroeconomic environment, as well as from the penalisations related to the important investment and scheduled maintenance programme carried out in the second half of 2009. In the last part of the year all the others segment registered very good results, only partially offsetting the poor performance of the refining segment

Group *reported* EBITDA in FY2009 was EUR 345.5 ml, 35% higher than EUR 256.6 ml in FY2008. This result can be almost entirely explained with the combination of three factors, which acted in opposite directions: on one hand, there were lower refining margins and lower refinery runs in FY2009, which reduced Group *reported* EBITDA versus the year before; on the other hand, there was a pre-tax inventory gain, due to the opposite trends in oil prices in the two comparison years (i.e. in the second half of 2008 oil prices had a dramatic drop, while in 2009 oil prices progressed steadily upwards).

Adjusted Net Income in FY2009 was EUR -54.5 ml, down 117% vs. FY2008. This result can be explained primarily by the lower *comparable* EBITDA, and also by the higher depreciation and amortization (EUR 193.1 ml in FY2009 vs. EUR 167.9 ml in FY2008).

Moving to Group *reported* Net Income, FY2009 stood at EUR 72.6 ml, up 17% versus FY2008, for the same reasons explained at *reported* EBITDA level. However, the smaller percentage difference at bottom line level depends mainly on the higher financial charges, which in FY2009 were EUR -33.7 ml, while in FY2008 were positive for EUR 1.4 ml.

Detail of Consolidated Net Income (Loss) *Adjustments*

EUR Million	2009	2008
Group *reported* NET INCOME	**72.6**	**61.8**
(inventories at LIFO - inventories at FIFO) net of taxes	(128.6)	269.3
non recurring items net of taxes	0,0	(3.5)
change of derivatives fair value net of taxes	1.5	(0.4)
Group *adjusted* NET INCOME	**(54.5)**	**327.1**

Detail of Consolidated *Comparable* EBITDA

EUR Million	2009	2008
***Reported* EBITDA**	**345.5**	**256.6**
inventories at LIFO - inventories at FIFO	(204.3)	416.7
non recurring items	0.0	0.0
***Comparable* EBITDA**	**141.2**	**673.3**

As it can be observed in the previous tables, the difference in 2009 between *comparable* and *reported* figures is almost entirely justified by the different methodologies used to evaluate the oil inventories. Indeed, as it has been explained in previous occasions, the *reported* (IFRS) figures evaluate oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology.

In FY2009, the above mentioned LIFO/FIFO difference after-tax was equal to EUR -128.6 ml, due to a robust increase in crude oil and products prices, which happened essentially during the first 6 months of 2009, and then again in the last quarter of the year.

Such inventory appreciation is reflected only in the FIFO evaluation, while it is not included in the inventory evaluation based on LIFO methodology. More specifically, Brent DTD moved from 40 \$/bl on January 2nd 2009, up to 68 \$/bl on the 30th of June. It then stayed levelled in Q3/09, closing at 66 \$/bl on 30th September. Finally Brent DTD started to climb again in Q4/09, closing the year at 78 \$/bl.

Similar trends could be observed for product prices. More specifically, Diesel strengthened from 442 \$/ton on January 2nd up to 563 \$/ton on June 30th, and Gasoline climbed from 326 \$/ton on Jan 2nd up to 647 \$/ton on 30th June. Subsequently, Diesel remained flat, from 564 \$/ton on July 1st to 561 \$/ton on September 30th, while Gasoline dropped from 643 \$/ton on July 1st down to 603 \$/ton on 30th September.

Finally, in fourth quarter 2009, product prices resumed their rising trends again, just like previously described for Brent DTD crude oil. Indeed, Diesel closed the year at 639 \$/ton, and Gasoline settled at 702 \$/ton on December 31st. Consequently, LIFO/FIFO differences after-tax came negative.

CAPEX in FY2009, amounted to EUR 317 ml, in line with the previously announced investment programme to be carried out during 2009. This figure includes approx. EUR 40 ml related to the acquisition of the Spanish service stations from ERG Petroleos, which was split almost equally between Q2 and Q3/09.

Net Financial Position on 31st December 2009 was negative by EUR 533 ml, compared to a negative figure of EUR 333 ml at the end of 2008, due to payment of dividends (EUR 158 ml), capital expenditures (EUR 317 ml), and small negative working capital effects. Despite the very difficult macro scenario and the aforementioned weakness in refining margins, Saras was capable of retaining a very tight control on debt levels, keeping leverage within a safe range.

Segment review

300k bl/d
A leading operator in the refining sector

575MW
Integrated with power generation

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

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

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

Close integration with its neighbouring petrochemical plant

The largest liquid heavy fuel gasification plant in the world

575 MW of installed electric capacity

200k t/y

Presence in the wholesale market in Italy and Spain

Company-owned
storage facilities
in Italy and in Spain

124 service stations
in Spain

200.000 tons/year
biodiesel plant

72MW

Investments in renewable energy sources

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

Other activities and industrial services

Sartec: engineering
services

Akhela: IT sector

Details of the business activities in each reference market is detailed in the Notes to the consolidated financial statements in the section 4.

Refining

1.8 $ per barrel
Refining margin

97.1 million barrels
Total crude runs

“2009 was a very tough year for the global economy. The sharp contraction of industrial activity reduced demand for refined oil products and electricity. In turn, this lead to a drop in refining margins. In this context, Saras carried out an important cycle of investments and scheduled maintenance activities at the Sarroch refinery, which brought a further, albeit temporary, reduction in profits.”

Refining margins have always been dependent on a combination of structural and transitory factors, which together combine to determine the prevailing market trends.

Structural factors are clearly linked to the mid and long term expectations. They do not depend on short term trends, such as for example the economic crisis at the end of 2008 and during 2009, which brought a temporary reduction in consumption of refined oil products. More specifically, basing the analysis on structural factors, the experts agree that, in the next decade, demand growth will be driven by transportation fuels.

Diesel will be the leading fuel of the future, thanks to the superior efficiency of this kind of engines. However, also demand for gasoline will benefit from strong sales of new models of urban vehicles, especially in India and China, powered by small gasoline engines. Finally, also jet fuel for the aviation industry will experience growing demand related to more frequent access to air transportation by larger groups of population. The high degree of certainty for the above forecasts derives from the observation that, in the aforementioned application fields, there are no other economically viable alternatives to mineral oil fuels, in the time horizon taken under consideration.

Moreover, from now until 2020 the power generation sector will progressively replace fuel oil with other sources, either more economical (coal) or cleaner (natural gas), and also with renewable sources and nuclear power generation.

In a similar way, fuel oil will also be replaced in its other major application, which is the use as bunker fuel for large marine engines. Indeed, on this front, the new specifications “MARPOL VI” promulgated by the International Maritime Organization (IMO) require a reduction of sulphur content in the exhaust gases released by marine engines, when sailing inside specific Emission Control Areas (ECAs)[12]. In practical terms, the new regulation will require than marine engines be converted to use gasoil, instead of the current fuel oil.

Overall, the structural factors discussed above will continue to increase the difference in prices between middle and light distillates versus fuel oil. This tendency is already ongoing since a decade, as it can be observed in the graph of crack spreads in the following page.

Transitory factors instead are related to short term trends and they can have several different origins. For example, in recent years the most common causes of transitory factors were related to extreme meteorological conditions, geopolitical tensions, fluctuations in economic and financial markets, and also speculation. In every occasion, their influence was very difficult to predict, and in any case only temporary.

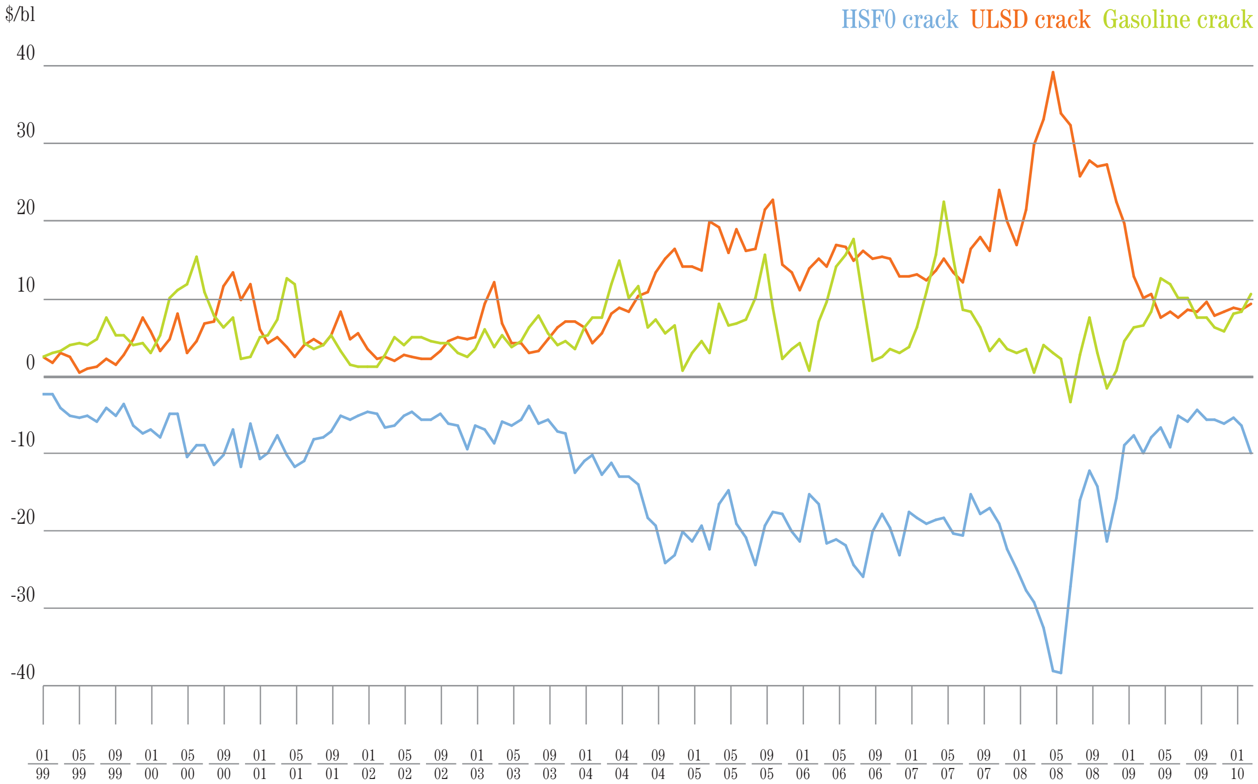
As discussed in the previous chapters, the last quarter of 2008 and the entire 2009 were deeply influenced by a financial and economic crisis without precedents in the past 50 years. The contraction in industrial activity reduced consumption of diesel and gasoil, and the crack spreads of these products dropped. At the same time, OPEC production cuts for “heavy” grade crude oils brought an unusual contraction in the “heavy – light” price differential, and they also provided strong support to fuel oil, whose crack spread strengthened to record values. This scenario caused

12. In the coming years the ECA areas are due to increase, including also Mediterranean Sea and North American coasts

Over 6.7 million tons
Production of middle distillates

77.7%
Overall yield of light and medium distillates

1999 – 2009: Crack Spreads for the main oil products (Source: Platt's)



an erosion of part of the competitive advantage of complex refineries versus simpler ones.

However, the events observed in 2009 were related to transitory factors and, as such, due to disappear probably already during the course of 2010. Indeed, when world economies will start to benefit from a stable recovery, industrial production will re-start at sustained pace, and consumption of middle distillates will pick up at the usual growth rates. This will lead to a rebound of diesel crack spread, as soon as the inventories will be back to normal levels. Moreover, global demand growth will require the production of higher quantities of crude oil, and OPEC countries will put back in the markets the heavy grade crude oils which they previously halted. This will contribute to re-open the "heavy – light" differential, and simultaneously it will cause fuel oil crack spread to bend downwards.

Reinstating of the aforementioned conditions will favour again complex refineries. In particular, the various improvement projects completed by the Saras Group in recent years, all aimed at increasing complexity and conversion capacity of the Sarroch refinery, will certainly yield the expected results in terms of increased profitability.

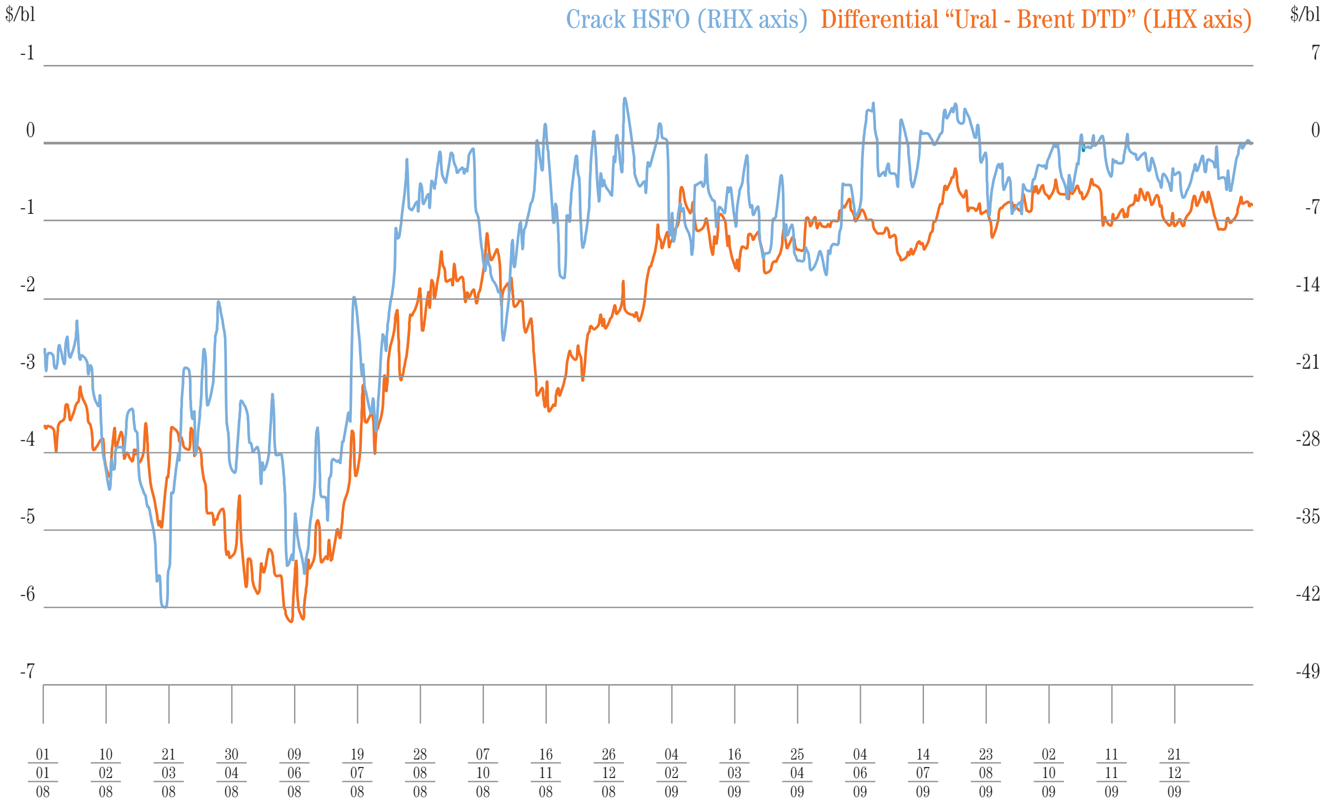
Crude oil slate

2009 was a very peculiar year, due to the heavy cycle of investment and scheduled maintenance, which affected both conversion and primary distillation units, with unavoidable impacts.

More specifically, total refinery runs were 13.3 million tons (approx. 97.1 million barrels) in FY2009, down by 14% versus FY2008. Given that maintenance and investment activ-

EUR 244.4 million
Investments in the Refining segment

2008 – 2009: "Ural – Brent DTD" price differential and High Sulphur Fuel Oil crack spread (HSFO) (Source: Platt's)



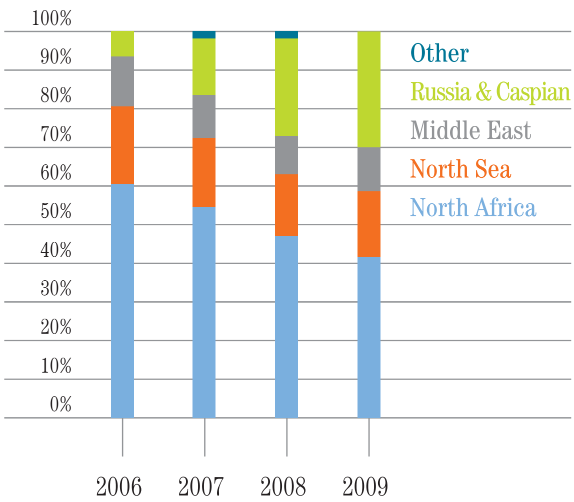
ities involved primarily the Fluid Catalytic Cracker unit (FCC) and the Topping1 unit (T1), the consequences were quite noticeable in terms of both quantity and quality of the feedstock used by the refinery. Indeed, more than half of the reduction in crude runs regarded "light extra sweet" crude oil of Nord African origin (down 1.4 million tons versus 2008). Nonetheless, Libya still remained the main supplier of crude oil for the Sarroch refinery.

Average density of the crude oil mix in 2009 remained substantially in line with the previous year (average API° was 32.4, versus 32.7 in FY2008), and also the percentage of crude processed on behalf of third parties did not significantly change versus 2008, standing at 31.5% in line with Group strategy.

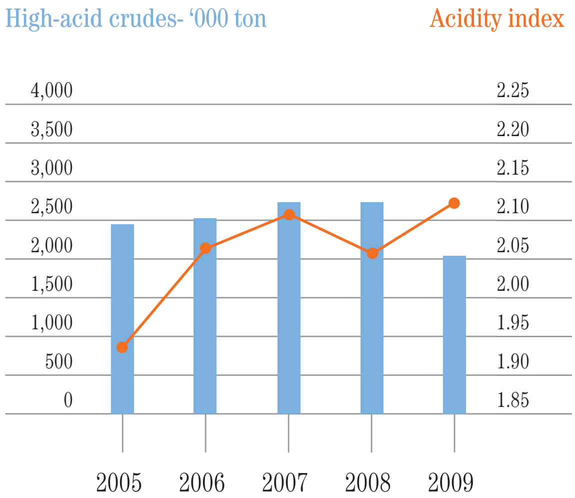
Margin and refinery runs

		2009	2008	Change %
REFINERY RUNS	Thousand tons	13,305	15,517	-14%
	Million barrels	97.1	113.3	-14%
	Thousand barrels/day	266	310	-14%
Of which:				
Processing for own account	Thousand tons	9,312	10,064	-7%
Processing on behalf of third parties	Thousand tons	3,994	5,453	-27%

Crude oil feedstock by origin



Acidic crude oil details



Crude oil by grade

According to the progressive reduction in availability of crude oil from the North Sea and with the lower profitability of this grade of crude oil for the reason discussed before (OPEC cuts, high value of fuel oil crack spread, etc.), Saras decided to limit its imports of acidic crude coming from that area.

Moving to "medium/heavy sour" crude oil, it can be observed that the total quantity is the same as in FY2008. However, there have been some changes in the mix, dictated by opportunistic decisions (increase of Iraqi crude oil at the expense of Iranian crude oil).

Crude slate

		2009	2008
Light extra sweet		48%	51%
Light sweet		0%	0%
Medium sweet		0%	0%
Light sour		0%	0%
Medium sour		28%	22%
Heavy Sour		24%	27%
Average Density	°API	32.4	32.7

Production

The consequences of the long turnaround of the FCC unit, the accident at the MHC1 unit, the delays in the completion of the maintenance activities, and the technical problems which occurred during start up of some critical units (such as the new "CO-Boiler") all had an impact on the production yields.

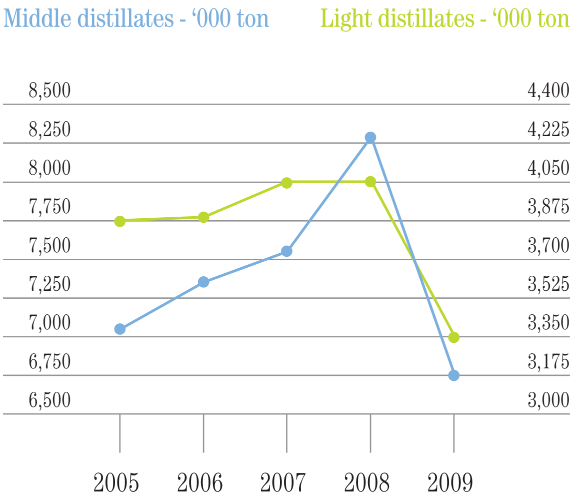
Production

		2009	2008
GPL	ktons	221	337
	Yield (%)	1.7%	2.2%
Naphtha + Gasoline	ktons	3,343	4,056
	Yield (%)	25.1%	26.1%
Middle Distillates	ktons	6,769	8,275
	Yield (%)	50.9%	53.3%
Fuel Oil & Others	ktons	1,119	825
	Yield (%)	8.4%	5.3%
TAR	ktons	1,077	1,121
	Yield (%)	8.1%	7.2%

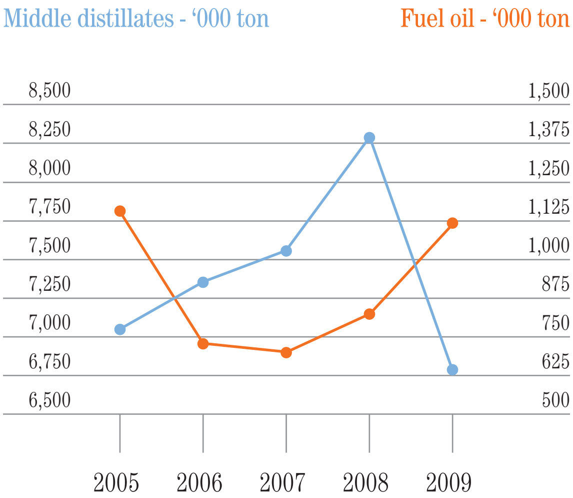
Complement to 100% is represented by "Consumption & Losses"

In particular, the largest penalisation came to the middle distillates yield, which went down to 50.9% in FY2009, versus 53.3% in FY2008 (corresponding to a reduction of

Middle distillates vs. Light distillates



Middle distillates vs. Fuel oil



approximately 1.5 million tons). However, also light distillates yield was affected, and it went down by 1 percentage point (from 26.1% in FY2008, to 25.1% in FY2009, which corresponds to 0.7 million tons).

While the production of middle and light distillates decreased, fuel oil and FCC feedstock on the contrary had a significant increase in production. The sale of the FCC feedstock as a semi-finite product was an opportunistic decision which allowed to avoid negative impacts in terms of further reduction of refinery runs, which were already penalised by the previously mentioned maintenance activities.

Refining Margin

The following graph contains important information related to Saras refining margin and the premium achieved by Sarroch refinery on top of the EMC benchmark. More specifically, it can be observed that in FY2009 Saras premium was 1.1 $/bl, significantly lower than the 5.5 $/bl premium posted in FY2008.

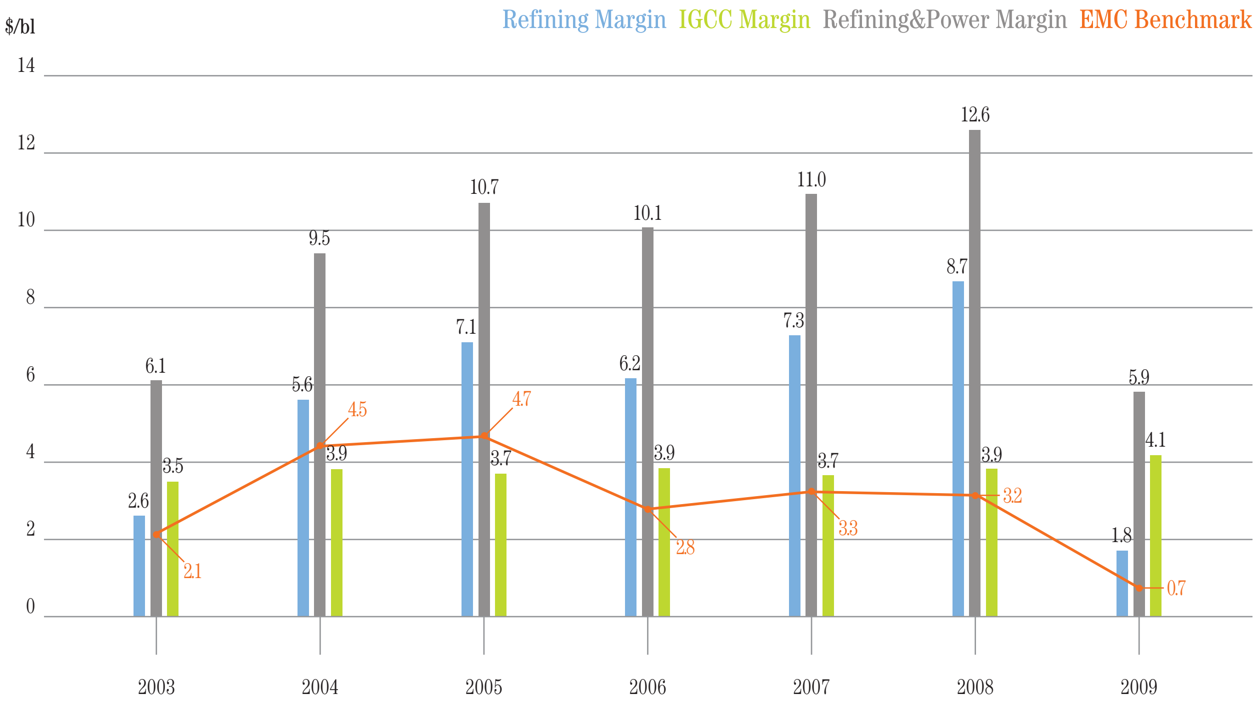
The unusually narrow premium added by Saras on top of the EMC benchmark is the consequence of various combined effects. Firstly, the price differential between diesel and fuel oil (the so called "conversion spread") has been extremely tight, suffering from the weakness in middle distillates and the contextual strength in fuel oil. To be more specific, in FY2009, the average of the conversion spread was 179 $/ton vs. 452 $/ton in FY2008.

Secondly, Saras premium was influenced by heavy conversion losses (approx. USD 145 ml in FY2009) caused by an important cycle of maintenance and investment activities, which was originally scheduled to end in the first half of 2009. However, due to a tragic accident in the refinery on May 26th, turnaround activities were delayed until the end of July.

Moreover, technical problems occurred during third quarter of 2009, at the time of restarting some critical units, which caused some delays in the achievement of standard operating conditions. A further penalisation came in the third quarter because of reduced availability of hydrogen for operational problems at the IGCC plant.

Finally, in the fourth quarter 2009, when all refinery units resumed regular operations, the exceptional strength of fuel oil and the narrow differential between heavy and light crude oils, caused the "complexity advantage" to decrease for all top class refineries, including Saras.

Saras: refining margin 2003 - 2009



Financials

Comparable EBITDA in FY2009 stood at EUR -103.3 ml, down by 124% versus EUR 433.6 ml in FY2008, driven by the above mentioned lower refinery runs, as well as a narrower refining margin for the reasons previously detailed.

The stronger USD versus the EUR during FY2009 was a supportive factor for the Refining segment, because of the well known exposure of the refining gross margin to the USD dollar. However, the favourable foreign exchange rate could provide only partial relief to the financial result, which was heavily affected by the negative operational factors and market conditions discussed above. More specifically, the USD/EUR exchange rate averaged at 1.395 in 2009, up 5% versus the 1.471 average in FY2008.
Finally, in FY2009 the capital expenditure in the Refining segment stood at EUR 244.4 ml, in line with the investment plan for the year, with all detailed explanations available in the chapter specifically dedicated to investments.

Financial Data

EUR million	2009	2008	Change %
EBITDA	78.5	109.6	-28%
***Comparable* EBITDA**	**(103.3)**	**433.6**	**-124%**
EBIT	(17.4)	30.0	-158%
***Comparable* EBIT**	**(199.2)**	**354.0**	**-156%**
CAPEX	**244.4**	**182.3**	**34%**

Refining Margin: (Refinig *comparable* EBITDA + Fixed costs) / Refinery runs of the period.
IGCC Margin: (Power Generation EBITDA + Fixed costs) / Refinery runs of the period.
EMC Benchmark: margin calculated from EMC (Energy Market Consultants) for a refinery of medium complexity running 50% Ural and 50% Brent.


Impianto U800
Impianto U800
Impianto U800

Power Generation

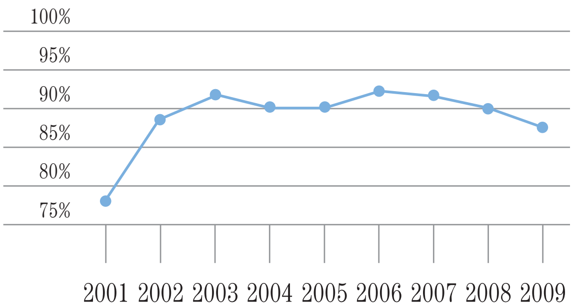
4.07 billion of KWh
Electricity produced

The gasification and power generation plant operated by our Sarlux subsidiary is perfectly integrated with the Sarroch refinery. Indeed, besides being a very large producer of electricity, the Sarlux plant is also one of the fundamental conversion units of the refinery and, at the same time, it is also the most important utility of our industrial site, because it provides high volumes of hydrogen to the hydrocracking and hydrotreating units of the refinery, and also high quantities of steam, later used by several other units in the refinery.

The process of gasification of the heavy refining residue, and the subsequent generation of electricity using trains of combined cycle steam and gas turbines (IGCC[13]) has great stability and efficiency. In particular, after the initial start-up and consolidation phases, which took place in 2001 and 2002, the service factor remained stable above 90% - an excellent value for this kind of plants.

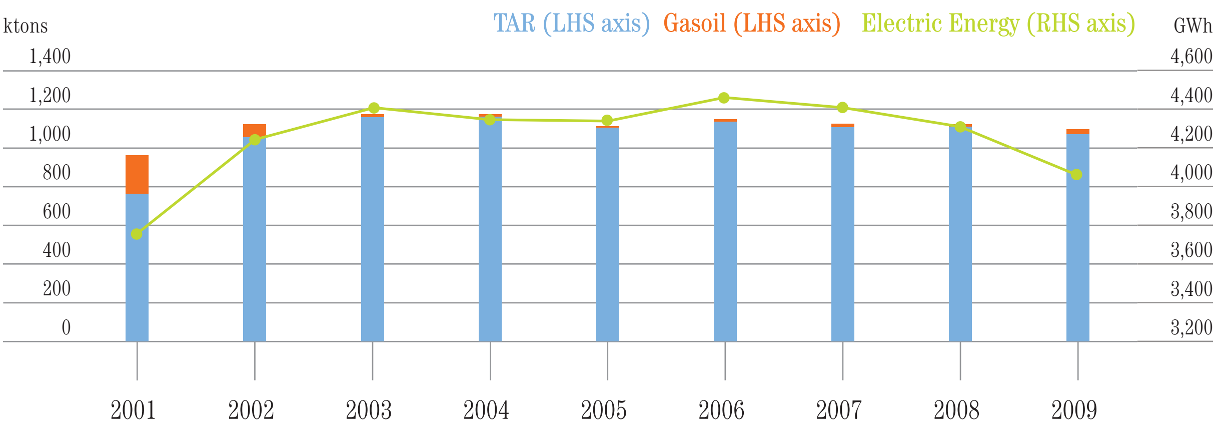
However, in 2009 the service factor came down to 87.5%, primarily because of the scheduled maintenance activities carried out in the first quarter 2009, on one of the three parallel trains of "Gasifier - Turbine", which turned out to be heavier than originally planned. Moreover, in the third quarter the plant had some operational problems on the desalinization units, which caused a shortage of distilled water, needed for steam production and power generation, hence reducing further the availability of the plant.

Service Factor of Power Generation



Looking at the feedstock used for the production of electricity, it can be observed in the following graph that the use of gasoil in the turbines was strictly limited to the transition phases related to the planned maintenance and to the downtime for the operational issues described above. On the contrary, power generation under standard operating conditions was achieved using solely synthetic gas (syngas), obtained from the gasification of the heavy hydrocarbons coming from the refinery. This is a further confirmation of the stability and efficiency of the process.

Power production & IGCC feedstock



13. IGCC: Integrated Gasification Combined Cycle

Financial Data

EUR million	2009	2008	Change %
EBITDA	184.5	200.0	-8%
***Comparable* EBITDA**	**184.5**	**200.0**	**-8%**
EBIT	107.7	124.0	-13%
***Comparable* EBIT**	**107.7**	**124.0**	**-13%**
EBITDA ITALIAN GAAP	**152.5**	**294.6**	**-48%**
EBIT ITALIAN GAAP	**95.9**	**239.5**	**-60%**
NET INCOME ITALIAN GAAP	**54.2**	**133.9**	**-59%**
CAPEX	**12.4**	**26.5**	

Other information

		2009	2008	Change %
ELECTRICITY PRODUCTION	Thousand MWh	4,066	4,318	-6%
ELECTRIC TARIFF	**EURcent/kWh**	**10.1**	**14.2**	**-28%**
IGCC MARGIN	$/bl	4.1	3.9	4%

Results of the Power Generation segment in FY2009 were in line with guidance, with power production at 4.066 TWh, down 6% when compared to FY2008. The reasons for the lower performance, as explained before, are related primarily to the scheduled maintenance activities carried out during first quarter, and to the operational problems on the desalinization units in the third quarter.

Italian GAAP EBITDA in FY2009 was EUR 152.5 ml, down 48% versus FY2008, primarily because of the expiry in April 2009 of the "incentive" component of the CIP6/92 tariff, which led to a reduction of the EBITDA equal to approx. EUR 110 ml. Indeed, the average value of the total CIP6/92 power tariff in FY2009 stood at 10.1 EURcent/kWh, down 28% versus FY2008. Another difference of approximately EUR 16 ml can be explained with the lower sales of hydrogen and steam. The rest depends on the minor production of electricity (-6% vs. FY2008).

Comparable EBITDA in FY2009 was EUR 184.5 ml, down 8% vs. same period last year, due to lower sales of Hydrogen and Steam (down by approx. EUR 16 ml), whose revenues are not subject to the IFRS linearization procedure. More specifically, the lower sales are related to a combination of lower requirements from the refinery (while it was undergoing a heavy maintenance cycle in the second and third quarter 2009), as well as a reduced production from the IGCC (due to the aforementioned operational problems occurred in the third quarter 2009).

Finally, CAPEX in FY2009 were EUR 12.4 ml, in line with our investment plan.

Marketing

Our Marketing segment is primarily focused on the wholesale business, through our subsidiaries Arcola Petrolifera S.p.A. in Italy and Saras Energia S.A. in Spain. More specifically, the Italian subsidiary manages a coastal depot for oil products owned by the Group and located in Arcola (La Spezia), with a total capacity of 200.000 cubic metres. Moreover, Arcola has some long term rental contracts for storage space in other depots owned by third parties, and located in the central and northern part of the Italian peninsula (Livorno, Ravenna, Sannazzaro, Fiorenzuola, Marghera, etc.).

Similarly, our Spanish subsidiary, Saras Energia, manages a depot owned by the Group and located in Cartagena (Spain), with total capacity of 112.000 cubic metres. Saras Energia also uses oil terminals in other Spanish provinces (owned by operators like Decal, Tepsa and CLH), which allow us to distribute our products in the entire Iberia. Saras Energia manages also a retail network composed of 124 service stations (of which 88 fully owned and other 36 on a long term lease), located primarily along the Spanish Mediterranean coast.

Finally, operated and managed by Saras Energia, there is also a first generation Biodiesel plant, which was completed towards the end of 2008, with a capacity of 200.000 tons/year. After the initial test runs, aimed at experimenting the operational differences related to the various possible kind of feedstock (palm and soy mainly, but also rapeseed on an opportunistic base), the plant reached stable full scale production at the beginning of third quarter 2009. The location of the Biodiesel plant in Cartagena, near the coastal depot already owned and operated by the Group, allows us to perfectly integrate the new plant with the existing logistic, and to generate important synergies.

Sales

		2009	2008	Change %
Italy	Thousand tons	1,239	1,176	5%
Spain	Thousand tons	2,733	2,854	-4%
Total Sales	Thousand tons	3,972	4,030	-1%

The year 2009 was characterized by a deep contraction in demand for oil products, deriving from the global recession, with a more severe impact on developed economies (OECD), including Spain and Italy, where our sales are concentrated. Nonetheless, our Marketing segment posted very strong results, thanks to a winning strategy aimed at optimising the mix of sales channels, and also thanks to the contribution from our new Biodiesel plant (which reached stable full scale production during third quarter 2009) and from the 71 service stations acquired during second and third quarter 2009.

From a macro perspective, in FY2009 the Spanish market posted a 4.8% decrease in gasoline demand vs. FY2008, and the contraction was even steeper for middle distillates (-6.3% versus FY2008), with a split of -5.8% for diesel, and -8.5% for heating and agricultural gasoil. In this difficult context, Saras Energia had an overall contraction

3.97 million tons
Sales

in sale volumes of 4% versus FY2008, due to the strategic decision to reduce opportunity sales of gasoline and diesel towards other oil companies. On the contrary, Saras Energia increased sales towards more profitable channels. As a net effect, our Spanish subsidiary retained substantial stability in gasoil (volumes down 0.5% versus FY2008), while total sales of gasoline decreased by 22%.
Moving to the analysis of the Italian market, in FY2009 demand for oil products decreased overall by 5.3% versus FY2008. Gasoline was down by 4.4%, while middle distillates were down by 6.9% (mostly related to diesel which lost 9.8%, while heating oil lost 3.5%, and agricultural gasoil was up by 0.9%). Notwithstanding the above scenario, in FY2009 Arcola Petrolifera was capable of growing sales by 5%, hence providing effective compensation

for the lower sales volumes from the Spanish subsidiary. In detail, sales for gasoline were up 27.5%, diesel was up by 8.7%, while sales of other gasoil were down by 11.0%, versus same period last year.

Financial Data

EUR million	2009	2008	Change %
EBITDA	57.6	-57.8	200%
***Comparable* EBITDA**	**35.1**	**34.9**	**1%**
EBIT	48.5	-63.2	177%
***Comparable* EBIT**	**26.0**	**29.5**	**-12%**
CAPEX	**56.6**	**45.9**	

In FY2009 *comparable* EBITDA from the Marketing segment stood at EUR 35.1 ml, up 1% compared to the same period last year. Such strong performance came as a consequence of our strategic decision to push sales of oil products with higher margins, and to shift the mix of sales channels towards a more profitable base (e.g. increasing volumes towards retail operators, unbranded gas stations, and small & mid-sized dealers, whilst decreasing opportunity sales to other commercial operators). The above factors more than offset the marginal decrease in sales.

Finally, CAPEX in FY2009 were EUR 56.6 ml mainly due to the acquisition of 71 service stations from ERG Petroleos, which was completed during second and third quarter 2009, and also because of some other investments related to the completion of the Biodiesel plant in Cartagena.

Wind Power

155,970 MWh
Wind energy generated in 2009

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

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

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

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

The wind farm is authorised for 48 "Vestas V80" aerogenerators and has a total installed power of 72 MW although technically it is expandable to 96 MW. In this scenario, over the course of 2010 we expect it to be repowered with an increase in power from 72 to 96 MW.

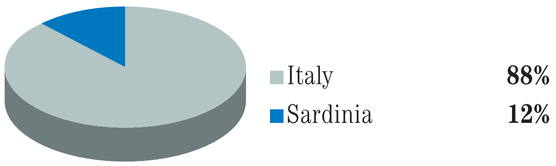
The system also includes a MV/HV (medium voltage/high voltage) electrical substation and a connection to the existing National Transmission Grid (NTG) at a voltage of 150 kV. The production of the 42 aerogenerators is estimated at about 155 GWh per year.

The electrical energy that the wind farm produces is introduced directly into the National Transmission Grid and sold to the Power Supply Company under the terms and conditions set forth in the agreement drafted by the Italian Electricity and Gas Authority. This agreement has a duration of one year and can be renewed from year to year.
The wind power installed in the Ulassai farm equals about 12% of the wind power installed in Sardinia (586 MW) and 1.5% of the total wind power installed in Italy (4,850 MW).

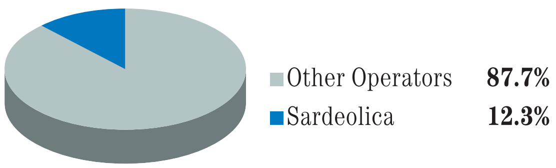
The Ulassai wind farm is located in one of the windiest areas of the region. These conditions allow for energy production during most of the year at an average higher than the national average.

In 2009 production was 155,970 MWh, bringing the total production to 678,000 MWh since the wind farm entered service, confirming the expected production estimates.
To have a better idea, the electrical energy produced over the course of 2009 by the Ulassai Wind Farm corresponds to the annual energy requirements of almost 52 thousand families.
The production of wind energy in the 2005-2009 period can be translated into savings equal to 423,080 barrels of oil and corresponds to 561,457 tons of CO_2 emissions which were avoided.

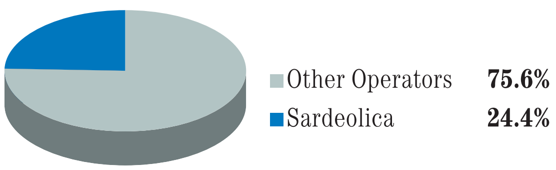
Installed Wind Power in Italy: 4,850 MW



Installed Wind Power in Sardinia: 586 MW



Wind Energy Production in Sardinia - January 2006 / January 2010



Production August 2005 - December 2009 [MWh]	Equivalent families[14]	TEP[15] "saved"	Barrels of oil "saved"
678,088	226,029	57,956	423,080

Polluting agents	Specific emissions[16] [kg/MWh]	Emissions avoided [t]
CO_2	828	561.457
SO_2	3.8	2,577
NO_X	1.9	1,288

Thanks to the low environmental impact, the wind farm - in its more than four years of activity - has allowed us to save about 1,100 Mt of water, an extremely precious resource for a region like Sardinia where water sources are lacking.

The Ulassai site contributes significantly to the production of wind energy in Sardinia with about 25% of the production realised in the region during our Wind Farm's period of activity.

Maintaining of environmental ISO 14001:2004 certification

From the beginning of production in 2006, Sardeolica has been ISO 14001:2004 certified with regards to its Environmental Management System (EMS), the most recent renewal being dated July 2009. As required by the audit activities carried out by the certification agency, Lloyd's Register Quality Assurance, special surveillance visits are made annually by the Agency itself.

Over the course of 2009, in the spirit of a more and more careful environmental management of the system and to comply with the commitments for continuous improvement set forth by the ISO standard, studies were launched for the installation of a 20 kW mini wind turbine and the realisation of a deep water well, in order to obtain hydro independence. Activities are expected to be completed by the first half of 2010.

Environmental Improvement

During operations, numerous activities aimed at improving and protecting our environment have been launched. One of these in particular was the realisation of a photovoltaic system installed on the roof of the multi-functional building for a power of 18.9 kW, put into service in May 2009. The photovoltaic energy produced from May to December 2009 was 21,186.4 kWh, more than 13% higher than the expected amount.

IT security

In the spirit of IT security, in 2009 activities aimed at improving and increasing efficiency of the IT systems were also conducted. Work for physical and logical security of the IT infrastructure on the wind farm was completed, as well as work for the creation of a backup server to be utilised to store all work documents.

During 2010 completion of the usual IT Systems assessment is anticipated.

Relationship with the territory

Again in 2009 the wind farm was the subject of numerous visits by school groups, organised groups and occasional tourists. Publication of the monitoring study of the fauna realised by zoologist Helmar Schenk during the construction, start up and operation period of the

14. Estimated consumption of an average Italian family: 3,000 kWh/year (http://www.scienzagiovane.unibo.it/pannelli/8-domande-risposte.html)
15. TEP = 7.3 barrels = 11,700 kWh (http://www.galileo2001.it/materiali/documenti/energia/energia_ambiente_01.php)
16. Official Regional Gazette of the Sardinian Autonomous Regions, Parts I and II, No. 26, page 31 (30 Aug 2003)

system is underway.
In a context of great cooperation and growth with the territory, on 22nd May 2009 the work of Ulassai artist Maria Lai entitled "La cattura dell'Ala del Vento" (The capture of the wing of Wind) was unveiled in the presence of corporate top management and the main regional and local authorities. The work, realised with the contribution of Sardeolica, is a homage which the artist from Ulassai wanted to give to the Wind Farm, whose clean energy production turbines have been associated with the wings of the dragonflies.

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 comprehend the results, the following tables show the data for the Wind Power segment at 100%.

The Ulassai wind farm posted very strong results in FY2009, with *comparable* EBITDA at EUR 21.0 ml (up 49% vs. FY2008), boosted by profits of approx. EUR 1.3 ml, deriving from the sales of Green Certificates related to the year 2008. By contrast, FY2008 was negatively impacted by losses for approximately EUR 3.5 ml, generated by the sale of Green Certificates pertaining to the year 2007. Given that electricity production was basically flat year on year (+1%), the rest of the gap at EBITDA level can be explained with the higher value of green certificates pertaining to 2009, which more than offset the lower power tariff.

More specifically, Green Certificates in FY2009 had an average price of 8.7 EURcent/kWh, up 26% vs. FY2008, while the power tariff went down to 7.0 EURcent/kWh (from 8.6 EURcent/kWh in FY2008), as a consequence of the economic downturn, which caused lower industrial activity and reduced demand for electricity.

Finally, electricity production in FY2009 was equal to 155,970 MWh, up 1% vs. FY2008. This came as a combination of very poor wind conditions in Q2 and Q3/09, offset by extremely favourable wind conditions in Q4/09, with December setting a record high production.

Financial Data

EUR million	2009	2008	Change %
EBITDA	21.0	11.5	82%
***Comparable* EBITDA**	**21.0**	**14.1**	**49%**
EBIT	12.1	2.4	395%
***Comparable* EBIT**	**12.1**	**5.0**	**140%**

Other Figures

		2009	2008	Change %
ELECTRICITY PRODUCTION	MWh	**155,970**	153,735	1%
POWER TARIFF	EURcent/KWh	**7.0**	8.6	-19%
GREEN CERTIFICATES	EURcent/KWh	**8.7**	6.9	26%

Other activities: Akhela, Sartech

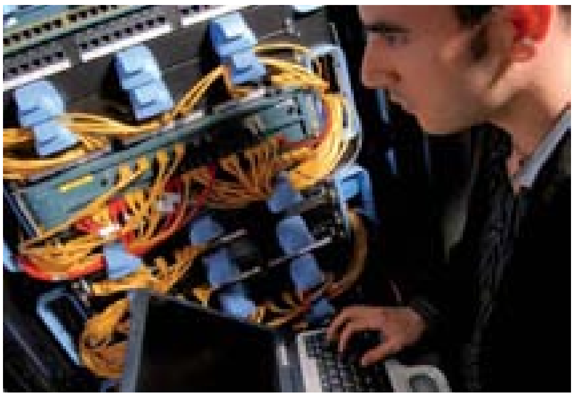
Akhela: 2009, another year of growth

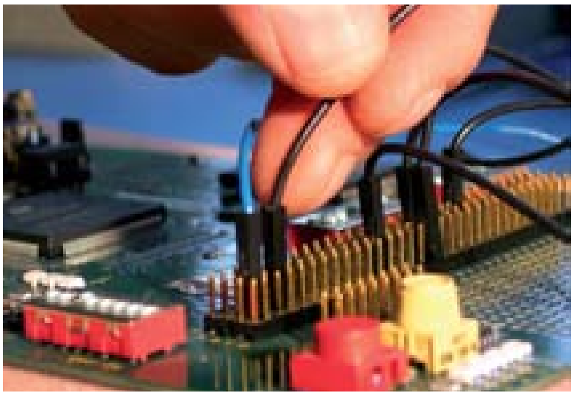
Akhela is an ICT (Information & Communication Technology) company that has always stood apart for its provision of high-quality services, combined with the most cutting-edge technologies, such as:

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

The global economic crisis had an impact on Italy's IT market in 2009. According to estimates, the industry contracted by roughly 8.1% (source: Assinform) compared to 2008. Akhela's strong results are even more significant considering this downturn and confirm its now long-term positive trend, showing improvement in all main financial and operating ratios. In particular, turnover rose by 8.5% on 2008 to over EUR 20 million. The strategic decisions the company has made in recent years are proving to be effective and have led to a significant improvement in profitability, with positive year-on-year EBITDA.

The company launched a number of partnerships with new clients during the year, involving, in particular, safety projects in the big industry and transport segment. Akhela has successfully proposed ultra-wideband RFID technology (systems that contain information to identify people and objects in real time and use radio frequen-





cies to communicate with a system that can check the information and trigger any alarms, action or other) to monitor and track people and materials in sensitive areas.

In line with its strategic growth targets, in 2009, the company expanded on markets it already covers that are complementary to the services it offers. In May, Akhela acquired 51% of Artemide Tecnologie Informatiche, a Rome-based company with extensive expertise in the business intelligence field. Artemide has 50 employees with revenues on a yearly basis amounting to around EUR 3 ml.

In 2009, Akhela also focused on another strategic area, international expansion. In this respect, during the first half of the year, it began partnering with a leading Middle Eastern bank on an initial survey project to provide support in the resolution of issues with the bank's IT infrastructure. Following this project, the company is offering continuous, closer-contact collaboration and exchanges on datacenter automation and security issues.

Akhela was also awarded the tender for the development of a CRM (Customer Relation Management) application for the Ukrainian branch of a major European bank.

In line with the growth trend seen in the company's other business divisions, Akhela's Embedded Systems division remains a qualified player on the Italian automotive software market, and has expanded to the international market as well, in addition to the German and French markets. The company's international expansion strategy is a crucial step in ensuring its future sustainability, particular-

ly given the Italian market's sharp decline in terms of volumes and rates. Akhela is carefully exploring the entire Mediterranean area, currently the most attractive area to the company, through both direct initiatives and indirectly through the partnership network with which it has collaborated for years.

Saras Ricerche e Tecnologie – SARTEC, innovation for improvement

SARTEC, a 100% controlled subsidiary of Saras, is a Group company that offers support and consultancy for improving industrial performance.
SARTEC provides a wide range of products and solutions for the oil, petrochemical, energy and environmental industries in the sectors of:

- environmental protection (environmental engineering, environmental analysis and measurement systems, analytical and environmental monitoring services);
- industrial efficiency and energy savings (plant engineering and automation solutions to improve technologies, process controls, consultancy in the refinery sector, energy management and energy efficiency solutions);
- industrial safety and reliability (safety systems engineering, rationalization of plant alarms, assessment of compliance with the PED, ATEX, Machines Directives, etc.).

In 2009, the Company became accredited as an Energy Service Company (ESCO) by the Italian Authority for Electricity and Gas ("AEEG"), undertaking energy management consultancy activities and strategies for achieving energy efficiency.

The Company's core activities are mainly aimed at a "captive" market, i.e. Saras Group companies, in relation to which over the years SARTEC has gained a strategic position geared toward ensuring in-depth knowledge, support and technological know-how in relation to its core business.

Drawing on its experience in the captive market, in recent years the Company has applied its skills to the external market, which has led to the achievement of good operational and financial results.

Within this context, during the last three years, SARTEC has undertaken intense internal restructuring activity aimed at maximizing its multi-disciplinary skills and boosting efficiency. In line with the 2009-2011 Business Plan and through the leverage of innovation, these efforts have enabled the Company to secure a competitive edge that we believe will endure over time and will lead to the continuous improvement of its economic and financial situation.

The results obtained in this past year underscore the Company's higher profitability with respect to 2008, despite the fall in production volume. This increase is partly due to a different mix of production value (in which low added value activities - services/retail - were replaced with higher added value activities - innovative and turnkey services - and greater selectivity in terms of public-sector customers, which notoriously yield low margins and entail a very long payment wait). In addition, careful financial management (the strong reduction of short-term debt was made possible thanks to the recovery of certain long-term situations of financial exposure and to lower interest rates) was also a strongly contributing factor.

In 2009, around 80% of the value of production came from work carried out for the parent company, to which SARTEC provides engineering and support services for improvement in the areas of 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 AIA (Environmental Integrated Authorisation) authorisation process.

In the oil sector, specialist activity continued on chemiometric models and refinement process modelling, compositional characteristics of crude, semi-finished products and finished refinery products, and tests of catalysts on pilot plants.

Over the year, the engineering activities offered (plant and automation), as well as the traditional services of project management, basic/detailed multidisciplinary engineering and certification of pipes under pressure (PED), piping re-qualification (i.e. audit and classification of the refinery plant lines) pursuant to Ministerial Decree no. 329/04, were mainly concentrated on the needs expressed by the Group's refinery during the plant standstills that took place in 2009.

Also in 2009, a number of scientific cooperative relations with universities enabled 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 scholarships for PhD students.

Financial Data

EUR million	2009	2008	Change %
EBITDA	3.9	2.8	39%
***Comparable* EBITDA**	**3.9**	**0.2**	**1.757%**
EBIT	1.5	0.6	150%
***Comparable* EBIT**	**1.5**	**(2.0)**	**175%**

In FY2009 *comparable* EBITDA was positive for EUR 3.9 ml, largely exceeding expectations and confirming a positive trend started at the beginning of the year. More specifically, the strong performance came primarily in the fourth quarter.

The accountability for this good result can be primarily assigned to our SARTEC subsidiary, which successfully managed to complete a high number of contracts in Q4/09.

Net Financial Position

Net Financial Position on 31st December 2009 was negative by EUR 533 ml, compared to a negative figure of EUR 333 ml at the end of 2008, due to payment of dividends (EUR 158 ml), capital expenditures (EUR 317 ml), and small negative working capital effects.

Despite the very difficult macro scenario and the aforementioned weakness in refining margins, Saras was capable of retaining a very tight control on debt levels, keeping leverage within a safe range.

Net Financial Position

EUR million	31/12/2009	31/12/2008
Medium/long term bank loans	(290)	(174)
Total long term net financial position	**(290)**	**(174)**
Short term bank loans	(70)	(81)
Bank overdrafts	(276)	(163)
Other short term financial liabilities	(31)	-
Loans made to unconsolidated subsidiaries	-	-
Change in derivates fair value	1	-
Other financial assets held for trading	21	20
Cash and cash equivalents	111	65
Total short term net financial position	**(244)**	**(158)**
Total net financial position	**(533)**	**(333)**

Human Resources

40 years
The average age of Group employees

2009: a new management system

During 2009 Saras Human Resources managed to achieve optimal planning.
The first result achieved during the year was the launch of a restructuring process. In fact, during the first part of the year, the Human Resources department developed according to a matrix organisation where two functions were dedicated to the development of new projects, the first in the organisation field and the second in the human resources field. Both were therefore specifically dedicated to the development and control of two main processes in corporate "assets" management. On the other hand, the direct staff management was entrusted to the HR Business Partners, i.e. a tutor system supporting the various corporate functions which, close to the line, have the objective of best interpreting the needs of each function. The main project born within this context was that of building a staff management model aimed at making the activities performed in this field systematic.
The project was called "People" because its main objective is to focus on human resources and their satisfaction at work.

The objectives which we set for ourselves through the "People" project are:

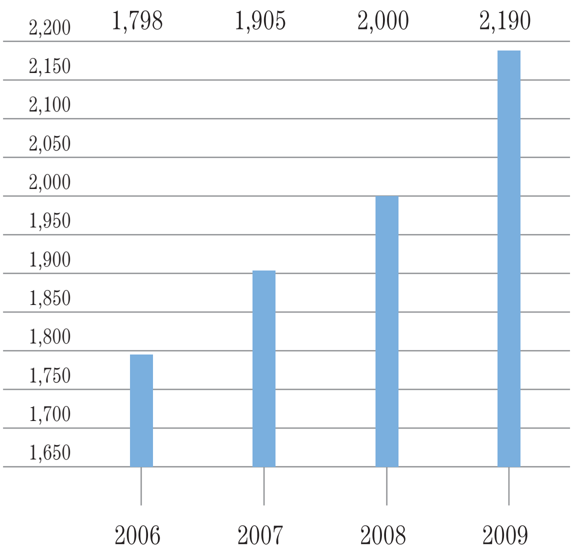
- Placing people in the right role in order to achieve successful results;
- Identifying the training needs of the staff in order to schedule effective training;
- Identifying the needs for development of the resources in order to identify the most suitable management tools;
- Planning and scheduling the transfer of staff members to the various roles, so as to reach the best person-position match with respect to effectiveness and efficiency requirements.

These macro objectives are supported by the sub-projects launched during the second half of 2009:

- Mapping of roles in terms of behavioural and technical expertise to identify their distinctive features;
- Mapping of human resources available in the Group.

Therefore, an expertise-based approach determines the type of training implemented, which is also aimed at putting staff in a position to be able to best perform their roles. These roles, when carried out fully, will be analysed in order to be transformed into expertise profiles (technical and behavioural), which will then be matched with the technical and behavioural expertise of each staff member. The resulting gap will be filled through specific staff-based training.

Employees (data as at 31st December)

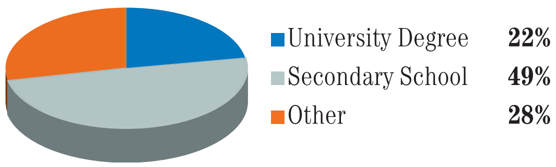


The repetitiveness of the training programmes will allow us to bear in mind the single training moments which will then be organised in training modules used to develop the corresponding expertise. Nonetheless, the strong planning activity carried out in 2009, did not interrupt the normal activities which characterise the company's daily life.

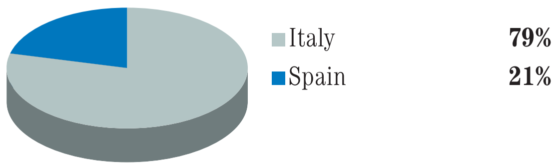
Personnel selections were mainly aimed at searching for system operators to cover the staff turnover caused by retirement. The training activities were focused on two levels: the development of specific staff expertise through individual-oriented initiatives, and - among the most significant ones - the development of transversal training aimed at encouraging safe behaviour among the personnel working on the site. In order to increase efficacy and penetration of the project, the plan was structured into three main phases:

EUR 1 Million
Training expenses for 2009

Accademic background



Human resources by geographical area



- the first directed towards managers, is intended to develop the training project for the Management Teams, which are a connection point with operators;
- the second, springing from the first, is directed towards management teams and is aimed at developing and finalising the training project for the Shift Managers and Work Assistants;
- the third is directed towards Shift Managers and Work Assistants in order to encourage safe behaviour.

This initiative will affect all personnel operating on the site in the first months of 2010.
Finally we highlight that the Company was not subject to any legal action in respect to litigation with employees and /or ex-employees.

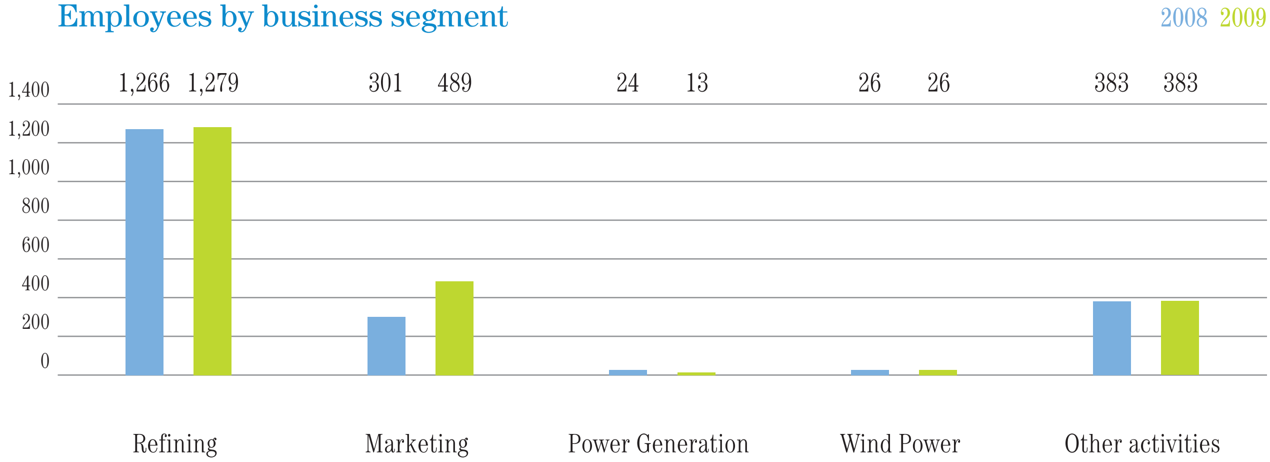
Saras remuneration policies

Executives remuneration components
Annual fixed gross remuneration refers to the industry executives national contract. This remuneration can be integrated by benefits and a variable component.

The variable part of the remuneration is established with reference to strategic objectives and management results according to an MBO (Management By Objectives) system.
In 2009 the Stock Plan and Stock Grant Plan continued in accordance with the approval of the Shareholders' Meeting in 2007. This plan will expire in 2010.

Non-executive remuneration components
Annual fixed gross remuneration refers to the applicable CNLC (National Collective Labour Contract). This remuneration can be integrated by benefits and a variable component. The variable remuneration of managers is established with reference to strategic objectives and management results according to an MBO system.
Moreover, again in 2009 the three-year Stock Plan continued and was directed to the all company employees, in accordance with the determinations of the Shareholders' Meeting in 2007. This plan will expire in 2010.
During 2009 Saras Group human resources grew by about two hundred units. This increase is mainly due to the recent acquisition of the service stations in Spain, previously owned by Erg Petroleos.

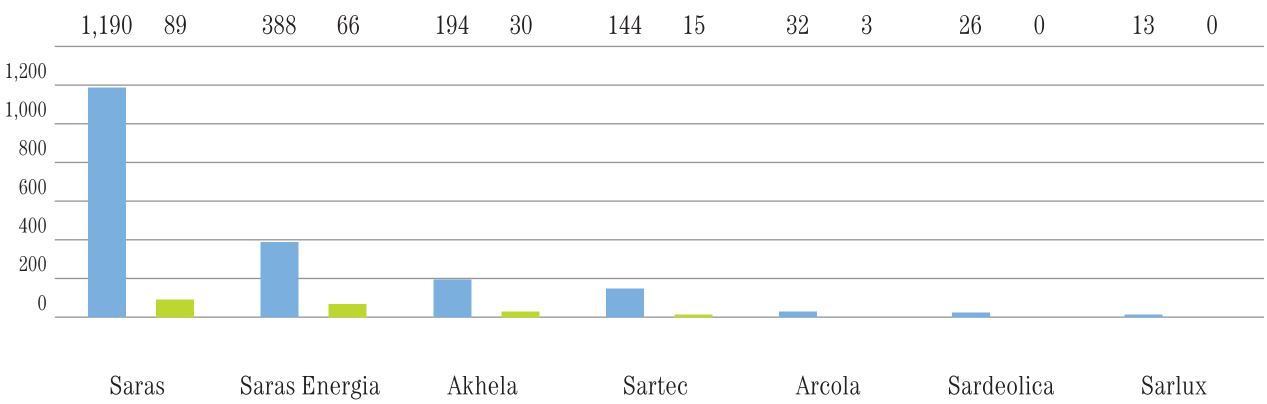
Employees by business segment



39.000
training hours

Employment Contracts

Permanent contracts Fixed term contracts



Strategy and CAPEX

"Our strategy, traditionally centred on continuous technological development of the Sarroch industrial site, in 2009 has been integrated with an "asset management" programme, aimed at cost reduction as well as increases in productivity and operational efficiency."

Saras Group strategy has been always oriented to organic growth and continuous technological development. Indeed, the remarkable size and complexity of the Sarroch industrial site have traditionally offered numerous opportunities in terms of optimisations, energy integration and operational synergies. Limiting our analysis only to the last decade, it can be immediately noticed the relevance of the investments which have been carried out:

- **2001: Gasification and Power Generation Plant (IGCC)** to convert the heavy residue of the refining process in clean synthetic gas, which is subsequently used to produce electricity with a system of combined cycle steam and gas turbines;
- **2001: MildHydroCracking2 Unit (MHC2)** to convert heavy distillates in diesel and low sulphur gasoil;
- **2001: Etherification Unit (TAME)**, used to improve gasoline octane number and reduce volatility and content of unsaturated hydrocarbons, to meet European Union specifications;
- **2005: Revamping of the MildHydroCracking1 Unit (MHC1)**, to enhance its capacity to produce high quality, low sulphur diesel;
- **2006 ÷ 2008: construction of the "Prime G+"® and U800 Units**, dedicated to hydrogenation and desulphurization of gasoline, in order to meet the evolution of the European environmental regulations;
- **2006: Upgrading of the Continuous Catalytic Reforming Unit (CCR)** which, together with the **2008 revamping of the H_2 separation unit of the IGCC plant**, increased the production of hydrogen necessary for refinery desulphurization processes;
- **2008: Tail Gas Treatment Unit (TGTU)** to remove sulphur from tail gas and meet the most stringent environmental requirements;
- **2009: Revamping of the Alkylation Unit**, which produces premium gasoline blending stock, with high antiknock and clean burning properties;
- **2009: Upgrading of the Fluid Catalytic Cracking Unit (FCC)** to include a catalyst cooling section. This allows the processing of lower cost residual feedstock, obtained from crude oils with high carbon residue, and enhances the profitability of the catalytic cracking process.

The above mentioned investment projects allowed Saras to become one of the leading operators in the Mediterranean Sea, with highly flexible, efficient and complex units. Nonetheless, opportunities for further improvements still exist, and our Group intends to actively pursue them, although with a different timing from the one originally presented in our June 2008 industrial plan.

As a matter of fact, 2009 global economic recession has undoubtedly reduced demand for oil products, posing a serious threat to short term profitability for the entire refining industry across the world. However, the highly capital intensive nature of our business requires that strategic investment decisions are evaluated on long term horizons, considering in details the fundamental factors which will drive the future evolution of oil products demand. In this respect, there are no doubts that refining profitability will be progressively more and more dependent on operational efficiency, asset productivity, conversion capacity, as well as the achievement of a constantly higher degree of energy efficiency.

Coherently, Saras investment plan announced in 2008 has been realigned with the actual market scenario, and the main "growth" projects initially planned for 2010 and 2011 have been pushed forward by approximately 12 ÷ 18 months. More specifically, for the Refining segment, the programme has been modified as follows:

- Capital expenditures for "Maintain capacity" and "Health, Safety and Environment" will be carried out according to the original plan;
- Delays will instead occur on the projects related to the revamping of the MildHydrocracking2 unit (MHC2) and of the Visbreaking unit (VSB), the construction of the new Steam Reforming unit, and also the expansion of the Sarroch tank farm.

Moreover, considering the market scenario, we decided to integrate our traditional strategy based on investments for technological development, with an "asset management" programme, supported by world class consultants, which is aimed at enhancing asset integrity (thanks to appropriate maintenance policies both for ordinary activities and also for turnaround schedules), increasing asset efficiency (by minimising consumption and losses), and achieving higher asset effectiveness (i.e. productivity).

Looking beyond the Refining segment, the Group strategy in 2010 will focus on consolidating the good performance achieved by the Marketing segment in the previous years. This will be achieved with the complete integration of the new retail stations acquired in Spain during 2009, and also of the 200,000 tons/year Biodiesel plant built in Cartagena at the end of 2008, and operating at stable full scale production since the second half of 2009. Moreover, we confirm our interest to grow further in the Spanish retail sector, by pursuing opportunity investments, which will be evaluated on a case by case basis. On the contrary, we will postpone capital expenditures related to the construction of a new tank farm for oil products in Sagunto (Spain).

In the Wind segment, the Group intends to carry out a repowering project for the Ulassai wind park, which consists in the construction of another 6 "Vestas V80" aerogenerators, following the authorisation from the Industrial Development committee to increase the total installed capacity up to 96MW. We will also continue developing other projects which are present in our pipeline, especially in southern Italy and also abroad.

Finally, regarding gas exploration activities, during the second half of 2009 we completed the study of the rocks which could potentially contain gas, and also the analysis of gas dissolved in deep waters and in the soil. Results so far are encouraging and they show the presence of thermogenic methane. Therefore, based on the available data, we will carry out campaigns of geophysical infilling, as well as approx. 170 kilometres of deep drilling lines, during the first half of 2010. This will have the objective of establishing the optimal location for the exploration well.

Investments completed in 2009

CAPEX by segment

EUR million	2009	2008	2007	2006
Refining	244.4	182.3	177.2	107.7
Power Generation	12.4	26.5	20.0	12.0
Marketing	56.6	45.9	10.6	8.6
Wind	0.3	-	-	-
Other	3.3	1.8	2.0	1.4
Total	**317.0**	**256.5**	**209.8**	**129.7**

In 2009 capital expenditures totalled EUR 317 ml, with the split detailed in the table here below. This represents a further step towards the accomplishment of our strategic plan, which is focused on organic growth in the Sarroch industrial site, as previously discussed, and also on the expansion in the Marketing segment.

In particular, during 2009 the following projects have been completed in the Refining segment:

- **Upgrading of the Fluid Catalytic Cracking Unit (FCC).** A new section, called "Catalyst Cooler", has been added to the unit, in order to allow the processing of lower cost residual feedstock, which is obtained from crude oils with high "Conradson" carbon residue. The conversion of this kind of feedstock into light valuable products generates significantly higher temperatures inside the regeneration section of the unit. Therefore, the removal of the excess heat is necessary, not only to preserve the efficiency of the catalyst, but also to increase the "catalyst-to-oil" ratio, which in turn translates into higher yields and profitability. Moreover, it is important to mention that the heat removed from the "Catalyst Cooler" is not wasted, but it is actually used to produce steam for subsequent use in several refinery processes. Therefore, we achieve substantial savings in terms of fuel oil.
- **Revamping of the "CO-Boiler".** The old energy recovery system, called "CO-Boiler", has been replaced with a new unit capable of increasing the quantity of energy recovered by 10% versus the old system. This efficiency improvement corresponds to a saving of approximately 9,000 tons/year of fuel oil. Additionally, the new design of the unit is capable of achieving a longer life-cycle between two consecutive maintenance turnarounds.
- **Revamping of the Alkylation unit (ALKY).** A technological upgrade to the reaction system of the Alkylation unit has been introduced in order to raise the production capacity by approximately 150 tons/day, increase the octane number by 0.5 points, while consuming a lower quantity of catalyst (hydrofluoric acid).
- **Enhancements to the Topping1 unit (T1).** With the objective of allowing processing of acidic crude oils also in the T1 crude distillation unit, we built a preparation unit for neutralising additives, an injection system of those additives directly inside the

head of the distillation column, and further modifications to the piping system which brings the feedstock to the unit. Moreover, the furnace of the unit has been almost entirely replaced, in order to increase reliability and efficiency of the process.

- **Other energy recovery projects.** A series of thermal integration projects aimed at energy recovery inside the FCC unit were also completed in 2009. The relevance of this work can be appreciated when considering that it will generate savings for approximately 40,000 tons/year of fuel oil. More in details, among the most significant actions there is the addition of a new unit on the "tempered water" system, which provides thermal integration between the main column of the FCC and the sea water desalters; also there is a new thermal integration between the gasoline splitter column and the water feeding system of the boilers.

In the Marketing segment, investments during FY2009 summed up to EUR 56.6 ml, primarily related to the acquisition of 71 service stations from ERG Petroleos, which were paid for during the second and the third quarter of the year, and also some other expense related to the completion of the Biodiesel plant.
Finally, there were further EUR 12 ml of capital expenditures in the Power Generation segment, related mainly to the maintenance operations undertaken on the sea water filtering system, and also to technological enhancements to the cooling water tower, and the replacement of a column dedicated to the regeneration of the solvent which removes the H_2S from the syngas.

Units under construction

In line with the previously mentioned rescheduling of our industrial plan, we can summarise here below the current status of the main projects regarding the construction of new units and the revamping of some existing units.

Revamping of the Visbreaking unit (VSB):

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

Revamping of the MildHydroCracking2 unit (MHC2):

At the end of 2009 we received delivery of the critical items required for the revamping of this unit, including the “third reactor” which has been assembled directly in the field during March 2010. The latter equipment represents the heart of the revamping activities of the MHC2 and, as soon as it will become operational, it will deliver a significant increment of both capacity and conversion. Furthermore, all engineering activities are essentially completed, and we are currently progressing with the remediation of the area and the construction of the foundations for the new units.

Construction of the new Steam Reforming unit:

Detail engineering activities are under way, as well as the remediation work in the area where the new unit will be erected. Moreover, it has been completed the construction of the elements of the reaction furnace, while the gas purification section is awaited for delivery in the refinery in the second half of 2010.

Logistic improvements of the refinery to enhance transfer of Biodiesel:

In 2009 we completed the logistic facilities required to receive ships dedicated to the transport of Biodiesel, with maximum deadweight of 10,000 tons. In the first quarter of 2010 we started the engineering work related to the logistic facilities required to receive Biodiesel tankers of larger size, up to a maximum deadweight of 40,000 tons. Furthermore, we allocated specific tanks and piping for the transfer and stocking of Biodiesel produced from palm oil.

The projects mentioned here above represent an integral part of our growth strategy, and their completion within the timeframe specified in the updated investment plan, is fundamental for the achievement of the objectives of our Group

Outlook for 2010

Refining

- The International Energy Agency (IEA) expects 2010 to be a recovery year, on the back of a significant upgrade to GDP projections, as detailed in the recent International Monetary Fund (IMF) publication on the global economic outlook. Accordingly, world demand for oil products in 2010 is expected to climb back to pre-crisis levels, at an estimated average of 86.5 mb/d (+1.6 mb/d year-on-year).

- As a matter of fact, the geographic distribution of oil consumption will be different from previous years: growth will essentially come from non-OECD countries, where industrial activity has already re-started at a fast pace. By contrast, the high unemployment levels in the OECD economies, created a serious damage in consumer confidence, and reduced personal consumer expenditures. These factors lead the experts to believe that, also in 2010, OECD consumption will be somewhat restrained.

- The aforementioned demand recovery, expected during 2010, will produce an improvement for the refining margins, albeit gradual. Indeed, a robust rebound for products' crack spreads in the first half of the year seems quite unlikely, due to the existence of high inventories of refined oil products being held both onshore and in floating storage, and ready to be released onto the markets to satisfy any raise in consumption.

- Nonetheless, based on reports from shipbrokers and newswire sources, 22 oil tankers previously being used for floating storage unloaded in January, releasing onshore more than 12 million barrels of crude and 15 million barrels of petroleum products, mostly gasoil. If such de-stocking trends were to continue at the same pace, inventories could normalize within the next six months. Such an event would allow crack spreads and margins to rebound accordingly, during the second half of 2010.

- At this stage, the experts prefer to maintain a cautious approach, because it is still too early to confirm if the recent upturn in industrial activity worldwide is sustainable, and to determine accurately the speed of the economic recovery. Coherently, forecasts for the average value of the EMC benchmark in 2010 are currently comprised between 1.5 ÷ 2.5 $/bl, and the price differential of diesel versus fuel oil (the so called "conversion spread") is expected at an average between 200 ÷ 300 $/ton.

- In the above described scenario, Sarroch refinery will operate at full capacity, with crude oil runs expected between 107 ÷ 111 million barrels in the full year. Ordinary scheduled maintenance will involve the following units: RT2, MHC2, Vacuum2, Visbreaking, MHC1 and U700, and it will be all concentrated during the first half of the year. Moreover, 2010 maintenance programme will be much lighter than the one carried out in 2009, and the penalisations expected at EBITDA level will be approximately USD 20 ml (due to the temporary reductions in conversion capacity, for the duration of the maintenance activities).

Power Generation

- Standard maintenance activities on 2 trains of "Gasifier – Turbine" will be carried out during the first half of 2010 in our Sarlux IGCC plant.

- The 9-month delay in the formula used to calculate the "fuel component", will progressively increase the CIP6/92 power tariff in 2010, in line with the trend of crude oil prices during 2009 (in January 2009 Brent DTD started off at 40 $/bl, and rapidly increased during the first half of 2009, reaching a stable range between 65 ÷ 75 $/bl, where it remained for the rest of the year).

- Due to IFRS linearisation procedure, *comparable* EBITDA is expected at EUR 175÷185 ml per year, stable until the year 2021. On the contrary, Italian GAAP EBITDA will reflect oil price volatility, due to the formulas used to calculate CIP6/92 tariff.

Marketing

- Just like it has been discussed for the Refining segment, the economic recovery expected to materialize in 2010 will have positive effects on the demand for refined oil products, both for personal and industrial consumption. However, probably, such positive effects will be more limited in developed countries (OECD), there including also Spain and Italy, where the Marketing segment of Saras Group is actively operating.

- Therefore, 2010 is expected to be a consolidation year for our Marketing segment, with moderate growth in terms of volumes of oil products sold (which will hopefully return above the important threshold of 4 million tons). We will also continue with the strategic optimisation in the mix of sales channels, which already in 2009 brought significant improvements in terms of wholesale margins.

- Moreover, our focus will remain on the complete integration of the retail stations acquired in Spain during 2009, and of the 200.000 tons/year Biodiesel plant build in Cartagena (Spain) at the end of 2008. Finally, Saras Group confirms its interest to grow further in the Spanish retail channel, with opportunistic acquisitions, which will be evaluated on a case by case basis.

Wind Power

- Following changes in the Sardinian Government, which happened in the first quarter of 2009, there is now the opportunity to increase the installed capacity of the Ulassai wind park up to 96MW.

- Indeed, the existing park has a total authorised capacity of 72MW, to be reached via the installation of several aero-generators, up to a maximum number of 48. At present however, our subsidiary Sardaeolica chose to install only 42 aero-generators, model "Vestas V80", which are capable of producing in a range comprised between 1 and 2MW each, and therefore were sufficient to achieve the authorised power.

- However, it has been recently completed a detailed study which demonstrates that, with appropriate changes to the controlling software and to the cooling system, the 42 turbines "Vestas V80" are capable of operating steadily at their highest levels of production, hence providing a total installed capacity of 84MW, without any operational or environmental drawback.

- On the basis of the above study, the Saras Group is planning to install in 2010 the remaining 6 aero-generators "Vestas V80", as per original authorisation. Such operation does not require any further procedure to evaluate environmental impacts (VIA), because there will not be any structural change to the existing machines, and there will not be any change in the configuration of the overall system.

- Therefore, pending reception of the relevant permission ("nulla osta") already requested to the Authorisation Board for Industrial activities, the installed capacity of the Ulassai wind park will be elevated during 2010 up to 96MW, but the investment required for this expansion will be limited to the construction of only 6 aero-generators.

- Finally, the Group intends to continue the development of some interesting projects in our pipeline, primarily in Southern Italy and also abroad (Bulgaria and Romania).

Gas exploration

- The encouraging results obtained from the study of the rocks which could potentially contain gas, and also from the analysis of gas dissolved in deep waters and in the soil, convinced Saras Group to continue our campaigns of geophysical infilling, and also to proceed with approximately 170 kilometres of deep drilling lines, during the first half of 2010. The above operations will have the objective of establishing the optimal location for the exploration well.

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, principally crude oil). In addition, to carry out production, the Saras Group is required to maintain adequate stores of crude oil and finished products, and the value of the stores 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 principal 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 guaranteed by primary credit institutions.

Retail and wholesale sales are particularly small, and these are often also guaranteed or insured.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the use of externally-sourced financing, and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit as well as 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 to 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 accident or interruption to production.

Environmental risks

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 Sarlux S.r.l. subsidiary 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 Sarlux S.r.l. subsidiary, 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 source, or source at similar economic conditions.

Other information

Transactions with related parties

Details in the Notes to the Consolidated Financial Statements, chapter 7.4 "Transactions with related parties"

Use of financial instruments

Details in the Notes to the Consolidated Financial Statements, chapter 7.5.3 "Additional information".

Research and Development

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

Reconciliation between Group consolidated net 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 7.7 "Remuneration of senior personnel with strategic responsibilities".

Non recurring and unusual transactions

We highlight that during the year there were no activities originated from non-recurring and unusual transactions. More details are available in the Notes to the Consolidated Financial Statements chapter 7.4 "Transactions with related parties".

Adoption of the fiscal consolidated

Details are available in the in the chapter 3.2 W "Taxes" in the Notes to the Consolidated Financial Statements.

EUR Million	Net Income for the year	Shareholders' equity
As in Saras S.p.A. Financial Statements as of 31st December 2009	**78,041**	**909,040**
Differences between the book value and the shareholders' equity as of 31st December 2009 of shareholdings valued in the financial statements of Saras S.p.A.	95,319	318,952
Elimination of dividends from Sarlux S.r.l.	(100,000)	0
Intragroup Margin eliminations on inventories	185	0
Other	(993)	0
As in the Consolidated Financial Statements as of 31st December 2009	**72,552**	**1,227.992**

Main events after the end of the year

No significant event took place after the end of the year 2009.

For the Board of Directors
The Chairman
Gian Marco Moratti

Saras Group Consolidated Financial Statements as of 31st December 2009

Consolidated Statement of Financial Position as of 31st December 2009 and as of 31st December 2008

EUR thousand	(1)	(2)	31/12/2009	31/12/2008
ASSETS				
current assets	5.1		1,405,678	1,310,954
Cash and cash equivalents	5.1.1	A	111,372	65,180
Other financial assets held for trading	5.1.2	B	21,301	20,464
Trade receivables	5.1.3	C	396,954	639,326
of which with related parties:			*90*	*273*
Inventories	5.1.4	D	732,077	469,298
Current tax assets	5.1.5	E	39,983	7,770
Other assets	5.1.6	F	103,991	108,916
Non-current assets	5.2		2,019,986	1,925,304
Property, plant and equipment	5.2.1	H,I	1,525,547	1,377,018
Intangible assets	5.2.2	J	445,549	484,575
Other equity interests	5.2.3.2	K	571	1,103
Deferred tax assets	5.2.4	W	46,932	58,953
Other financial assets	5.2.5	M	1,387	3,655
Total assets			3,425,664	3,236,258
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		1,181,771	988,757
Short-term financial liabilities	5.3.1	R	379,562	243,980
Trade and other payables	5.3.2	R	646,992	560,867
of which with related parties:			*30*	*241*
Current tax liabilities	5.3.3	W	67,955	107,746
Other liabilities	5.3.4	R	87,262	76,164
Non-current liabilities	5.4		1,015,853	936,448
Long-term financial liabilities	5.4.1	R	289,552	174,211
Provisions for risks	5.4.2	P, Z	41,118	29,195
Provisions for employee benefits	5.4.3	Q	35,420	37,494
Other liabilities	5.4.5	R	649,763	695,548
Total liabilities			2,197,624	1,925,205
EQUITY	5.5	N, O, V		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			1,089,884	1,183,675
Profit/(loss) for the year			72,552	61,822
Total equity attributable to owners of the company			1,227,992	1,311,053
Minority interest			48	0
Total Equity			1,228,040	1,311,053
Total liabilities and equity			3,425,664	3,236,258

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

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

Consolidated Income Statement for the years 1st January - 31st December 2009 and 2008

EUR thousand	(1)	(2)	01/01/2009 31/12/2009	of which non recurring	01/01/2008 31/12/2008	of which non recurring
Revenues from ordinary operations	6.1.1	S	5,229,506		8,555,842	
of which with related parties:			*0*		*48*	
Other income	6.1.2	S	87,083		116,927	
of which with related parties:			*91*		*148*	
Total revenues			5,316,589	0	8,672,769	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(4,293,713)		(7,677,346)	
Cost of services and sundry costs	6.2.2	T, Z	(534,844)		(592,948)	
of which with related parties:			*(1,650)*		*(2,002)*	
Personnel costs	6.2.3	Q, T	(142,499)		(145,840)	
Depreciation, amortization and write-downs	6.2.4	H, J	(193,130)		(167,916)	
Total costs			(5,164,186)	0	(8,584,050)	0
Operating results			152,403	0	88,719	0
Net income (charges) from equity interests	6.3	K, V	(3)		421	
of which with related parties:			*(3)*		*421*	
Financial income	6.4	X	16,623		43,494	
of which with related parties:			*0*		*130*	
Financial charges	6.4	X	(50,343)		(42,092)	
of which with related parties:			*0*		*0*	
Profit before taxes			118,680	0	90,542	0
Income tax	6.5	W	(46,122)		(28,720)	*18,621*
Net profit/(loss) for the year			72,558	0	61,822	*18,621*
Net profit/(loss) for the year attributable to:						
Equity Holders of the company			72,552		61,822	
Minority interest			6		0	
Earnings per share - basic (Euro cent)		Y	7.82		6.56	
Earnings per share - diluited (Euro cent)		Y	7.82		6.56	

Statement of Comprehensive Income for the years 1st January - 31st December 2009 and 2008

	2009	2008
Result of the year (A)	72,558	61,822
Income / (loss), net of fiscal effect (B)	0	0
Consolidated Comprehensive Result (A + B)	72,558	61,822
Consolidated Comprehensive Result perteining to:		
Parent Company shareholding	72,552	61,822
Minority Interest	6	0

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

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

Consolidated Statement of Changes in Shareholders' Equity for the period from 31st December 2007 to 31st December 2009

EUR thousand	Share Capital	Legal Reserve	Other Reserves	Profit (Loss)	Total equity attributable to owners of the company	Minority interest	Total Equity
Balance as of 31/12/2007	54,630	10,926	1,078,000	322,903	1,466,459	0	1,466,459
Allocation of previous year profit			162,060	(162,060)	0		0
Dividends				(160,843)	(160,843)		(160,843)
Reserve for employees stock plan			2,460		2,460		2,460
Share buyback			(70,307)		(70,307)		(70,307)
Share premium reserve adjustment			615		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		10,373
Waiver of receivable from minority shareholder of the subsidiary Parchi Eolici Ulassai S.r.l.			474		474		474
Profit (loss) for the year				61,822	61,822		61,822
Balance as of 31/12/2008	54,630	10,926	1,183,675	61,822	1,311,053	0	1,311,053
Allocation of previous year profit			61,822	(61,822)	0		0
Reserve for employees stock plan			2,051		2,051		2,051
Dividends			(157,721)		(157,721)		(157,721)
Effect of Corporate tax rate reduction (IRES)			55		55		55
Minority on Artemide Srl acquisition					0	42	42
Effect of exchange rate on financial accounts			2		2		2
Profit (loss) for the year				72,552	72,552	6	72,558
Balance as of 31/12/2009	54,630	10,926	1,089,884	72,552	1,227,992	48	1,228,040

Consolidated Cashflow Statement as of 31st December 2009 and 31st December 2008

EUR thousand	(1)	01/01/2009 31/12/2009	01/01/2008 31/12/2008
A - Cash and cash equivalents at the beginning of year		65,180	308,108
B - Cash generated from/(used in) operating activities			
Profit/ (Loss) of the Group	5.5	72,558	61,822
Amortization, depreciation and write-down of fixed assets	6.2.4	193,130	167,916
Net (income)/charges from equity interests	6.3	3	(421)
of which with related parties:		*3*	*(421)*
Net change in provisions for risks and charges	5.4.2	11,923	5,899
Net change in employee benefits	5.4.3	(2,074)	801
Net Change in tax liabilities and tax assets	5.2.4	12,021	(193,462)
Income tax	6.5	46,122	28,720
Other non cash items		2,150	3,075
Profit (Loss) from operating activities before changes in working capital		335,833	74,350
(Increase)/Decrease in trade receivables	5.1.3	242,372	56,147
of which with related parties:		*183*	*203*
(Increase)/Decrease in inventory	5.1.4	(254,987)	256,067
Increase/(Decrease) in trade and other payables	5.3.2	86,125	(99,006)
of which with related parties:		*(211)*	*(242)*
Change in other current assets	5.1.5 - 5.1.6	(27,288)	(78,914)
of which with related parties:		*0*	*8,528*
Change in other current liabilities	5.3.3 - 5.3.4	69,570	167,072
Income tax paid		(130,250)	(191,463)
Change in other non-current liabilities	5.4.4	(45,785)	108,165
Total (B)		275,590	292,418
C - Cash flow from (to) investment activities			
(Investments) in tangible and intangible assets	5.2.1 - 5.2.2	(316,972)	(275,685)
(Investments) disinvestments in other holdings	5.2.3.1	529	(1,420)
Change in equity interests valued under the equity method		0	773
Acquisition of 30% PEU		0	(32,000)
Change in financial assets	5.1.2 - 5.2.5	1,431	10,891
Interest received		777	11,083
of which with related parties:		*0*	*130*
Other non cash items		1,195	10,847
Total (C)		(313,040)	(275,511)
D - Cash generated from/(used in) financing activities			
Increase/(Decrease) in medium/long term borrowings	5.4.1	120,693	(76,807)
Increase/(Decrease) in short term borrowings	5.3.1	135,582	62,389
Buyback own shares	5.5	0	(70,307)
Dividend distribution to shareholders	5.5	(157,721)	(160,843)
Interest paid		(14,912)	(25,568)
Total (D)		83,642	(271,136)
E - Cashflow for the year (B+C+D)		46,192	(254,229)
F - Cash from newly consolidated subsidiaries		0	11,301
PEU S.r.l.		0	11,301
G - Cash and cash equivalents at the end of year		111,372	65,180

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

For the Board of Directors
The Chairman - Gian Marco Moratti

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5. Notes to the Statement of Financial Position

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Notes to the Consolidated Financial Statements for the year ending 31st December 2009

1. Preliminary remarks

Saras S.p.A. (the "parent company") is a company limited by shares listed at the Stock Exchange in Milan with registered office is at S.S. 195 Sulcitana, km 19, Sarroch (CA - Italy) and it is 62.46% owned (excluding own shares) by Angelo Moratti S.A.P.A. (registered office: Foro Bonaparte 69, Milan). The company is established, as stated in its incorporation documents, until 31st December 2056.

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

This consolidated financial statements for the year ending 31st December 2009 is presented in euro, since this is the currency of the economy in which the group operates. It consists of a statement of financial position a statement of, comprehensive income, cash flow statement, statement of changes in shareholders' equity and these notes to the accounts. All amounts shown in these notes are expressed in 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 2009 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, 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:

- statement of financial position: assets and liabilities are divided into current and non-current items, according to liquidity;
- statement of comprehensive income: income statement items are presented according to their nature;
- cash flow statement: presented using the indirect method, which differentiates between financial flows deriving from operating, investment and financial activities.

It is worth saying that the statement of financial position, statement of comprehensive income and cash flow statement have been adjusted to take account of new additions under IAS 1 (revised in 2007); in particular "Financial income" and "Financial charges" are now shown on two different lines.

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 2009. They have also approved some changes in interpretations already issued but applicable to financial statements referring to periods beginning after 1st January 2009.

The group has applied the following standards since 1st January 2009:

- IAS 1 – Presentation of Financial Statements (amendment): the revised version of IAS 1 – Presentation of Financial Statements – no longer allows the presentation of revenue components such as income and expenses to be taken directly to shareholders' equity (defined as changes generated by "transactions with non-owners") in the statement of changes in shareholders' equity, and instead requires that they are shown separately from changes generated by "transactions with owners". According to the new version of the standard, all changes generated by transactions with non-owners must be shown in a separate statement (statement of comprehensive income) or in two separate statements (income statement and statement of comprehensive income). These changes must also be shown separately in the statement of changes in shareholders' equity. The group has applied the revised version of the standard retrospectively since 1st January 2009, opting to identify all changes generated by transactions with non-owners in two statements "Income Statement" and "Statement of Comprehensive Income".
- IFRS 2 – Share-based Payments (amendment): clarification of the definition of the vesting conditions and the accounting treatment relating to cancellation where non-vesting conditions have not been met. The standard was applied retrospectively from 1st January 2009; however, no accounting effects have arisen from its application as the stock grant plan maturing in the period does not have vesting

conditions other than the performance and service conditions described in the amendment, and in the periods under review there were no plan cancellations.

- IFRS 4, IAS 39 and IFRS 7 – "Financial Instruments: Disclosures" (amendment): this amendment, which has to be applied from 1st January 2009, was issued to increase the level of disclosure required for the fair value measurement of financial instruments and to strengthen the existing principles for the disclosure of the liquidity risk attached to such instruments. In particular, the amendment requires all information on the determination of the fair value of financial instruments to be provided for hierarchical valuation levels. This principle, which was adopted from the previous year, did not have any effect on the valuation or measurement of any accounting items, but only on the type of information provided.
- IFRS 8 – Operating Segments (amendment): this amendment requires companies to provide the total value of assets for each segment subject to disclosure, if the value is provided periodically at the highest level of operational decision-making. This information was required previously, although without the above-mentioned condition.
- IAS 23 – Borrowing Costs (amendment) made the capitalisation of borrowing costs attributable to the acquisition, construction or production of qualifying assets obligatory, whereas previously it was optional. The group has always used the method that is now obligatory.
- IAS 36 – Impairment of Assets (amendment): this amendment sets out the disclosures to be made when impairment tests are carried out on the basis of the present value of future cash flows.
- IAS 38 – Intangible Assets (amendment): the amendment makes obligatory the recognition of promotional and advertising costs in the income statement. The group adopted this method retrospectively from 1st January 2009, although it did not have any accounting effects as these expenses were already recorded in the income statement.

The following amendments, supplements and interpretations, effective from 1st January 2009, refer to cases and situations that were not relevant to the group as of the date of these financial statements, but may have accounting effects on future transactions or agreements:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (amendment): the amendment requires that if a company is committed to a sale that would involve the loss of control of a subsidiary, all the assets and liabilities of the subsidiary must be reclassified under assets held for sale, even if the company continues to hold a minority stake in the subsidiary after the sale.
- IAS 18 – Transfers of Assets from Customers (amendment): the amendment clarifies the accounting treatment to be adopted if the company signs an agreement under which it receives a tangible asset from a customer that must be used to connect the customer to a network or to provide it with specific access to the provision of goods and services. In certain cases, the company receives cash from customers for the construction or acquisition of such assets that will be used in fulfilment of the agreement.
- IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance (amendment). This refers to government loans at subsidised rates.
- IAS 28 – Investments in Associates (amendment): the amendment establishes that in the case of equity investments valued using the equity method, any impairment must not be allocated to individual assets (and in particular, any goodwill) that comprise the carrying value of the investment, but to the

overall value of the investment, and therefore, if the conditions exist for a write-down to be reversed following impairment, the reversal must be recognised in full.
- IAS 29 – Financial Reporting in Hyperinflationary Economies (amendment).
- IAS 32 – Financial Instruments: Presentation (amendment) / IAS 1 – Presentation of Financial Statements - Financial instruments: Puttable Instruments and Instruments with Obligations Arising on Liquidation (amendment).
- IAS 40 – Investment property (amendment).
- IFRIC 13 – Customer Loyalty Programmes (amendment): free or discounted goods or services ("credits" or "points") allocated in customer loyalty programmes must be recorded separately from the related sale transaction in which credits or points are awarded. A portion of the fair value of the sale amount must therefore be allocated to the credits/points and deferred. This component is then recognised as a revenue item in the period in which the credits/points are redeemed, with the consequent recording of the related costs.
- IFRIC 15 – Agreements for the construction of real estate (amendment).
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (amendment).

The following amendments, additions and interpretations are effective from 1st January 2010, and have not been applied in advance:
- IFRS 3 – Business Combination / IAS 27 Consolidated and Separate Financial Statements (amendment): the main changes made to IFRS 3 concern the removal of the obligation to value individual assets and liabilities of subsidiaries at fair value at each successive acquisition, where the acquisition takes place in stages. Goodwill will only be determined at the acquisition stage, and will be calculated as the difference between the value of shareholdings immediately prior to acquisition, the cost of the transaction and the value of the net assets acquired. In addition, if the group does not acquire 100% of the shares, the minority interests may be valued either at fair value, or using the method set

out previously in IFRS 3. The revised version of the standard also requires the allocation to the income statement of all costs related to business aggregations and the recording as of the date of acquisition of liabilities for payments subject to conditions. In the amendment to IAS 27, however, the IASB established that changes in shareholdings that do not constitute a loss of control must be treated as equity transactions and therefore require an offsetting entry under shareholders' equity. Furthermore, it establishes that when a parent company transfers control of one of its subsidiaries but continues to hold a stake in the company, it must value this holding at fair value and record any gains or losses arising from the loss of control in the income statement. Lastly, the amendment to IAS 27 requires that all losses attributable to minority shareholders are allocated to minority interests, even if these exceed their portion of the subsidiary's equity.

Lastly, the following international accounting standards and interpretations not yet approved by the EU as of the date of these financial statements will be applicable in subsequent years:

IFRIC 14 – *"Prepayments of a Minimum Funding Requirement"*: allows the recognition of assets in the event of prepayments of minimum funding contributions.
IFRIC 19 – *"Extinguishing Financial Liabilities with Equity Instruments"*: defines the accounting treatment to be adopted in the event of settlement of a financial liability via the issue of equity instruments.
IFRS 2 – *"Group Cash-settled Share-based Payment Transactions"*: an extension to the areas in which IFRIC 11 is applicable.
IAS 24 – *"Related Party Disclosures"*: integrates the definition of related parties providing new detail.
IFRS 9 – *"Financial Instruments"*: amends the reporting and measurement criteria for financial assets and their classification in the financial statements.

The impact of these changes for the group is currently being evaluated.

3.1 Consolidation method

The consolidated financial statements include the statements of the parent company and those companies over which it directly or indirectly exercises control, from the date on which control was acquired and until the date on which said control ceases to exist. In particular, control is exercised by virtue of the parent company directly or indirectly owning the majority of shares carrying voting rights and due to the exercise of a dominant influence that is expressed in the power to determine, including indirectly and by virtue of any existing contractual or legal agreements, the financial and operating policies of the entities involved, thereby obtaining benefits from their activities, regardless of shareholding relationships. The existence of any potential voting rights that may be exercised at the reporting date is taken into consideration in determining whether control exists.

The financial statements included in the consolidation have been drawn up at 31st December and are generally those specifically prepared and approved by the respective Boards of Directors of the individual companies concerned, which are adjusted where necessary for the purposes of consistency with the accounting standards adopted by the parent company.

Subsidiaries that are consolidated on a line-by-line basis and non-consolidated subsidiaries that are included in the group's basis of consolidation are listed below.

Consolidated on a line-by-line basis	**% owned**
Arcola Petrolifera S.p.A.	100%
Sarlux S.r.l.	100%
Saras Ricerche e Tecnologie S.p.A.	100%
Ensar S.r.l. and subsidiary:	100%
Nova Eolica S.r.l.	100%
Eolica Italiana S.r.l.	100%
Labor Eolica S.r.l.	100%
Alpha Eolica S.r.l.	100%
Akhela S.r.l. and subsidiary:	100%
Artemide S.r.l.	51%
Sarint S.A. and subsidiary:	100%
Saras Energia S.A.	100%
Reasar S.A.	100%
Parchi Eolici Ulassai S.r.l. and subsidiary:	100%
Sardeolica S.r.l.	100%
Other investments of insignificant value (valued at cost)	
ITSME S.r.l.	3,379%
Consorzio Cesma	5%
Consorzio La Spezia Energia	5%
Sarda Factoring	5,95%
Centro di Competenza I.C.T.	0,5 %

The following changes, compared with 31st December 2008, took place during the year:

1. the acquisition by Akhela S.r.l of 51% of Artemide S.r.l., which has its registered office in Rome (see note 5.2.3.1.1 "Acquisitions and company mergers" for further information) and 3.379% of ITSME S.r.l., which has its registered office in Milan. Both companies operate in the information technology industry;
2. the voluntary withdrawal of Saras Ricerche e Tecnologie S.p.A. from the Techno Mobility consortium, generating a capital loss of €5 thousand;
3. the sale of the shares held by Saras Ricerche e Tecnologie S.p.A. in Hangzhou Dadi Encon Environmental Equipment Co., generating a capital loss of €26 thousand;
4. the sale of the shares held by Saras Ricerche e Tecnologie S.p.A. in Dynergy S.r.l., generating a capital gain of €5 thousand.

The subsidiaries Parchi Eolici Ulassai S.r.l. and Sardeolica S.r.l. have been fully consolidated since 30th June 2008, the date on which Saras S.p.A. acquired the remaining 30% of Parchi Eolici Ulassai S.r.l.

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

[I] assets and liabilities, and income and expense items are reported line-by-line and a portion of the shareholders' equity and net profit is allocated, where applicable, to minority shareholders; these items are shown separately under the relevant headings under consolidated shareholders' equity and in the consolidated comprehensive 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 intragroup payables and receivables, costs and revenues, and financial income and charges;

[IV] gains and losses arising from the transfer of equity interests in consolidated companies are charged to 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 "associated"), 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 carrying value of the investment concerned is written down and any surplus attributable to the group allocated to the relevant provision, only where the group has undertaken to meet the investee's legal or constructive obligations or in any event to cover its losses. Changes in the equity of investee companies that are not allocated to the result posted in the income statement are directly added to or deducted from equity reserves;

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

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

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

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

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

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

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

3.2 Summary of accounting principles and valuations policies

The consolidated financial 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 allocated in respect of the generation of energy from renewable sources; they are booked when the energy is produced under financial assets held for trading with an offsetting entry under "Other revenues". 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 those in which they were allocated are recorded respectively under other revenue or cost of services and sundry 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 carrying value equal to the discounted value of its future cash flows. Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

D Inventories

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

E Current tax assets

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

F Other assets

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

G Derecognition of financial assets and liabilities

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

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

H Property, plant and equipment

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

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

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

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

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

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

Land is not depreciated.

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

I Leased assets

Assets held under finance leases, under which all risks and benefits associated with ownership are substantially transferred to the group, are recognised as group assets and recorded at their current value or, where lower, at the present value of the minimum lease payments still due. The corresponding liability to the lessor is recognised on the 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 lower than its carrying amount (the recoverable amount is the higher of the fair value of the cash generating unit, less disposal costs, and its value in use, which is the present value of the cash flows expected to be generated in the years during which the cash generating unit is operating and from its disposal at the end of its useful life).

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

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

In the event of a previous impairment, the value of goodwill is not written back.

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

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

[III] Research and development costs

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

[IV] Exploration and valuation of mineral resources

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

[A] acquisition of exploration rights;
[B] photographic, geological, geochemical and geophysical studies;
[C] explorative drilling;
[D] digging;
[E] sampling;
[F] activities related to the evaluation of the technical and commercial feasibility of mineral resource extraction;

are recorded under tangible or intangible assets according to their nature, as required by IFRS 6. These costs are reassessed from time to time to identify the possible emergence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

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 and the effects related to the change to this item are recorded directly under shareholders' equity. Where fair value cannot be determined reliably or is insignificant, they are measured at cost less any impairment losses, in compliance with IAS 36. These costs are reassessed from time to time to identify the possible emergence of any impairment indicators that may suggest that their recoverable value is lower than their carrying value.

L Impairment of assets

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

M Other financial assets

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

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

N Own shares

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

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, 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 law governing employee end-of-service payments (TFR) was amended, introducing the option for employees to decide where their payments are held. Specifically, new end-of-service payments may be allocated to pension funds or held at the company (where the number of employees is lower than 50, or held by the Italian social security agency INPS if not). The introduction of these regulations has resulted in the following accounting changes:

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

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

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

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 recorded on the date of the resolution passed by the subsidiary’s shareholders’ meeting.

[B] Dividends paid out

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

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 chiefly introduced; the relative effect is recorded in the income statement or under shareholders' equity, in relation to the transaction that generated the underlying deferred tax.

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 "Cost of services and sundry costs".

The parent company allows its Italian subsidiaries to participate in the tax consolidation scheme for the purposes of calculating corporate income tax (IRES), 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.

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

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

Y Earnings per share (EPS)

[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, net of those sold, are insufficient, the market value of the shortfall is recorded under "Provisions for risks"; or if the credits allocated and purchased, net of those sold, exceed requirements, the market value of the surplus 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, i.e. the statement of financial position, comprehensive 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 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 is provided below.

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

4. Information by business segment and geographical area

4.1 Preliminary remarks

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

1. Refining activities refer to:

[A] the sale of oil products obtained:

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

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

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

2. Marketing activities concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:

- in Italy, by Arcola Petrolifera S.p.A. for off-network customers (wholesalers, buying consortia, local authority-owned utility companies and resellers) and oil companies (ENI, Tamoil, Total, etc.) through a logistics network comprising both its own bases (at Arcola and Sarroch) and those of third-party operators via transit agreements (Livorno, Civitavecchia, Fiorenzuola, Marghera, Ravenna);
- in Spain, by Saras Energia S.A. for third-party and group-owned service stations, supermarkets and resellers via an extensive network of depots located throughout the Iberian peninsula, the most important of which, the Cartagena depot, is owned by the company itself. In addition, the Cartagena site also produces biodiesel; this activity has been merged with the group's marketing business as the management considers it to be an integral part of the marketing business (analysing its performance within the business), and in view of its minor significance in terms of resources used and volumes produced.

3. The generation of power by the combined-cycle plant relates to:

- the sale of electricity produced at the Sarroch power plant owned by Sarlux S.r.l., 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 tariffs included in the CIP 6/92 agreement.

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

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

4.2 Segment information

31st December 2008	Refining	Marketing	Power generation	Wind power	Other	Total
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**
Amortisation and Depreciation	**(79,550)**	**(5,379)**	**(75,946)**	**(4,815)**	**(2,226)**	**(167,916)**
Operating profit (a)	**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)
- Others					6	6
Total				**1,367**	**(946)**	**421**
Financial Income	35,170	990	5,495	1,760	79	43,494
Financial Charges	(18,830)	(2,513)	(15,256)	(5,407)	(86)	(42,092)
Income taxes	(6,454)	21,075	(44,740)	2,136	(737)	(28,720)
Net Profit	**43,526**	**(47,116)**	**70,608**	**(4,264)**	**(932)**	**61,822**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,325,686**	**441,468**	**1,315,863**	**112,809**	**40,432**	**3,236,258**
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

31st December 2009	Refining	Marketing	Power generation	Wind power	Other	Total
Revenues from ordinary operations	4,478,655	1,735,831	478,647	10,927	48,532	6,752,592
deduction: revenues infrasector	(1,398,720)	(66,666)	(35,148)	0	(22,552)	(1,523,086)
Revenues from third parties	**3,079,935**	**1,669,165**	**443,499**	**10,927**	**25,980**	**5,229,506**
Other revenues	100,374	4,096	54,346	14,968	1,310	175,094
deduction: revenues infrasector	(74,288)	(251)	(12,671)	0	(801)	(88,011)
Other revenues from third parties	**26,086**	**3,845**	**41,675**	**14,968**	**509**	**87,083**
Amortisation and Depreciation	**(95,887)**	**(9,183)**	**(76,784)**	**(8,958)**	**(2,318)**	**(193,130)**
Operating profit (a)	**(17,364)**	**48,460**	**107,742**	**12,074**	**1,491**	**152,403**
Net income from non-consolidated equity investments						
- Hangzhou Dadi Encon Env. Equipment Co.					(26)	(26)
- Consorzio Techno Mobility					(5)	(5)
- Dynergy S.r.l.					28	28
Total				**0**	**(3)**	**(3)**
Financial Income	15,962	175	324	96	66	16,623
Financial Charges	(37,601)	(1,704)	(6,319)	(4,629)	(90)	(50,343)
Income taxes	11,422	(15,466)	(38,415)	(2,527)	(1,136)	(46,122)
Net Income	**(26,313)**	**29,849**	**63,794**	**5,076**	**152**	**72,558**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**1,592,198**	**535,739**	**1,158,351**	**100,951**	**38,425**	**3,425,664**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,100,357**	**201,549**	**799,869**	**75,030**	**20,819**	**2,197,624**
Investments in tangible assets	243,489	54,030	12,402	287	1,114	**311,322**
Investments in intangible assets	932	2,556	0	5	2,157	**5,650**

(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

4.3 Breakdown by geographical area

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

Directly attributable assets and investments by geographical area

	31/12/2009	31/12/2008	Change
Directly attributable assets			
Italy	3,019,762	2,914,535	105,227
Rest of EU	405,902	321,723	84,179
Total	**3,425,664**	**3,236,258**	**189,406**
Investments in tangible and intangible assets			
Italy	261,376	231,921	29,455
Rest of EU	55,596	45,561	10,035
Total	**316,972**	**277,482**	**39,490**

Revenue from ordinary operations by geographical area.

	31/12/2009	31/12/2008	Change
Sales in Italy	2,476,659	3,774,301	(1,297,642)
Sales in Spain	1,228,778	2,044,875	(816,097)
Sales in other EU countries	581,970	868,699	(286,729)
Sales in non-EU countries	889,847	1,858,233	(968,386)
Sales in US	52,252	9,734	42,518
Total	**5,229,506**	**8,555,842**	**(3,326,336)**

Amounts are shown net of intragroup eliminations.

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

	31/12/2009	31/12/2008	Change
Italy	247,780	476,288	(228,508)
Spain	113,237	91,269	21,968
Other EU countries	22,257	21,283	974
Non-EU countries	22,818	59,286	(36,468)
US	244	322	(78)
Allowances for doubtful accounts	(9,382)	(9,122)	(260)
Total	**396,954**	**639,326**	**(242,372)**

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

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

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

	31/12/2009	31/12/2008	Change
Bank and postal deposits	110,044	65,064	44,980
Cash	1,328	116	1,212
Total	**111,372**	**65,180**	**46,192**

Bank deposits were mainly attributable to Sarlux S.r.l. (€57,626 thousand, including cash contractually due for future loan repayments), Saras S.p.A. (€22,045 thousand), Sardeolica S.r.l. (€13,891 thousand) and Arcola Petrolifera S.p.A. (€11,061 thousand). The increase of €44,980 thousand versus the previous year is largely due to the refund of expenses under the Emissions Trading Directive obtained in December by Sarlux S.r.l..
For further details about the net financial position, please refer to section 5.4.1 "Long-term financial liabilities" and the cash flow statement.

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 (€21,301 thousand) mainly includes Italian and foreign equities and government bonds held by the parent company (€17,549 thousand) and green certificates (€3,752 thousand) obtained by Sardeolica S.r.l. for the generation of energy from renewable sources during the year and still held as of December 31th, 2009.

Gains and losses for the period, together with changes in fair value, are recorded in the consolidated income statement under "Financial income" or "Financial charges".

Changes in the item are as follows:

Investments	
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**
Increase for financial year	10,761
Decrease for financial year	(9,064)
Balance at 31/12/2009	**17,549**

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**
Increase for financial year	13,557
Decrease for financial year	(14,417)
Balance at 31/12/2009	**3,752**

Green certificates obtained by Sardeolica S.r.l. were sold on an appropriate regulated market or via bilateral agreements between market operators; the certificates held at 31st December were valued at the average annual market price of €86.30/MWh for 2009 (€75.93/MWh for 2008).
The decreases due to the sale of green certificates allocated in the period or in previous years are valued at the sale price.

The green certificates pertaining to 2008 that were still held at the beginning of 2009 were sold during the year, according to the option provided for in the Ministerial Decree of 18th December 2008, whereby holders of green certificates may sell them to GSE at an average price established annually: this sale generated a capital gain of €1,341 thousand, recorded under "Other income". Sardeolica S.r.l. also intends to sell certificates obtained in 2009 and still held at the reporting date to GSE.

5.1.3 Trade receivables

This item totalled €396,954 thousand, a decrease of €242,372 thousand versus the previous year, mainly due to:

- lower quantities of products sold at the end of the year by the parent company Saras S.p.A.;
- a lower selling price for energy sold by Sarlux S.r.l.;
- the inclusion, under the receivables of Sarlux S.r.l. at 31st December 2008 of the "incentive" component, which was no longer applicable from April 2009.

For a breakdown of maturities, please see point 7.5.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during 2009.

	31/12/2009	31/12/2008	Change
Inventories:			
Raw materials, replacements parts and consumables	213,437	168,235	45,202
Semi-finished products and work in progress	54,647	26,581	28,066
Finished products and good held for resale	453,555	263,444	190,111
Advance payments	10,438	11,038	(600)
Total	**732,077**	**469,298**	**262,779**

The increase in the value of inventories is attributable to the general increase in the price of crude and oil products.
The recording of inventories at net realisable value did not lead to any significant write-downs (write-downs totalled approximately €108.8 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 484,000 tons of oil products (valued at around €200 million) held by the Italian companies in accordance with the obligations laid down in Legislative Decree 22 of 31st January 2001; in addition, Saras Energia S.A. holds mandatory stocks pursuant to Spanish legislation of around 269,000 cubic metres of oil products (valued at around €104 million).

The Sarroch refinery held crude and oil products belonging to third parties worth a total of €134 million at 31st December 2009 (€88 million at 31st December 2008).

5.1.5 Current tax assets

Current tax assets amounting to €39,983 thousand (€7,770 thousand at 31st December 2008) are detailed below.

	31/12/2009	31/12/2008	Change
VAT	150	3,939	(3,789)
IRES	32,051	0	32,051
IRAP (regional income tax)	5,896	500	5,396
Other tax credits	1,886	3,331	(1,445)
Total	**39,983**	**7,770**	**32,213**

The higher credit balance largely relates to the Italian companies, for which payments on account exceeded the amounts applicable in the period, which take into account the reduction in the related taxable amounts.

5.1.6 Other assets

The balance is detailed below.

	31/12/2009	31/12/2008	change
Accrued Income	991	2,106	(1,115)
Prepaid expenses	12,787	11,064	1,723
Other receivables	90,213	95,746	(5,533)
Totale	**103,991**	**108,916**	**(4,925)**

Prepayments mainly refer to insurance premiums (€8,490 thousand).
"Other receivables" mainly comprise:

- the receivable of €40,953 thousand due to the subsidiary Sarlux S.r.l. arising from the recognition pursuant to section II, point 7-bis of CIP Provision 6/92 of the refund of charges applicable to 2009 relating

to the application of EC Directive 2003/87 (Emissions Trading), as per AEEG Resolution 77/08;
- the recovery of the amount paid by Sarlux S.r.l. to GSE of €31,937 thousand, as described in point 7.1;
- the fair value of derivatives at 31st December 2009 amounting to €3,231 thousand.

The table below shows the fair value of derivatives recorded under "Other current assets" and "Short-term financial liabilities" (for more information see section 5.3.1).

	Assets 2009	Liabilities 2009	Assets 2008	Liabilities 2008
Interest rate swaps		(2,540)		(541)
Fair value of forward purchases and sales of commodities	2,986		3,015	0
(oil & other oil products)				
Fair value of interest rate options	245			
Total	**3,231**	**(2,540)**	**3,015**	**(541)**

The valuation at fair value of the derivatives outstanding at 31st December 2009 had a negative net impact on the income statement of €2,233 thousand (compared with a positive net impact of €830 thousand the previous year), as shown in section 6.4 below.
The following tables show notional values and relative fair values for derivatives outstanding at 31st December 2009 and 31st December 2008.

Type of transaction	**Interest rate**			**Other**		
Figures at 31/12/2009	**Notional value**	**fair value Pos.**	**fair value Neg.**	**Notional value**	**fair value Pos.**	**fair value Neg.**
Financial derivatives						
Futures						
purchases				(318,841)	220	
sales				250,892	2,766	
Swap						
Interest rates	182,843		(2,540)			
Options						
Interest rates	50,000	245				
Total	**232,843**	**245**	**(2,540)**	**(67,949)**	**2,986**	**0**

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)**

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

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

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

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was €167,090 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The residual value of these grants was €9,728 thousand at 31st December 2009, compared with €16,144 thousand at 31st December 2008.

The item "Land and buildings" mainly includes industrial buildings, offices and warehouses (net value: €113,957 thousand), civic buildings in Milan, Cagliari and Rome used as offices (net value: €15,523 thousand) and land largely relating to the Sarroch and Arcola sites belonging to the parent company and subsidiary Arcola Petrolifera S.p.A. respectively (€37,175 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 includes tanks and pipelines used to carry the products and crude oil of both the parent company and the group's trading companies (Saras Energia S.A. and Arcola Petrolifera S.p.A.).

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

The increases in the period totalled €311,322 thousand, and mainly relate to technical work on the parent company's plants, in particular the mild hydrocracking, FCC and topping 1 plants, as well as the acquisition by Saras Energia S.A. of service stations in Spain.

The net balance of "Other changes" mainly relates to the raw materials used to start up the biodiesel production plant of subsidiary Saras Energia S.A., initially capitalised as work in progress and subsequently, for the portion not used during the start up phase, reclassified as warehouse inventories. The decrease of €233.2 million recorded under "Other changes" refers to work finished during the year and consequently recorded under the related asset class.

At 31st December 2008 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 €75.4 million.

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 €14,663 thousand, with a residual net value of zero.

Financial charges of €3,856 thousand and internal costs of €20,256 thousand were capitalised in 2009.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

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

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**

The main items are set out in detail below..

Concessions, licences, trademarks and similar rights

The balance of the item mainly refers to the concessions relating to Estaciones de Servicio Caprabo S.A. (merged with Saras Energia S.A.) for the operation of the service stations in Spain, and to Sardeolica S.r.l. for the operation of the Ulassai wind farm.

Goodwill

This item mainly refers to goodwill paid for the purchase of 30% of Parchi Eolici Ulassai S.r.l. (€20,946 thousand): the goodwill was calculated using a projection of future cash flows by Sardeolica until 2035 when the concessions expire.
In accordance with the accounting standards applied by the group, particularly IAS 36, this goodwill was subject to an evaluation as of the date of these financial statements to ascertain whether impairment had occurred. The analysis showed that no impairment had taken place, and it was therefore unnecessary to make any write-downs.

The impairment testing process was organised into the following phases:

a) **Definition of the cash-generating units (CGUs)**: the subsidiary Parchi Eolici Ulassai S.r.l. (and its subsidiary Sardeolica S.r.l.) is identified as a single CGU, i.e. as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The analysis was therefore carried out on the consolidated figures of Parchi Eolici Ulassai S.r.l. at 31st December 2009.

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

c) **Determination of the recoverable value of goodwill based on value in use**: in the absence of a binding agreement to sell the asset and an active reference market based on which the fair value can be determined, the recoverable value of the goodwill in question was determined according to value in use, i.e. the present value of future cash flows expected to be derived from the CGU. In particular, the main assumptions were:
   - cash flows were projected for the period until the end of 2035, coinciding with the expiry of the concession obtained from the Ulassai municipality for the area in which the wind farm is located
   - a discount rate (WACC) of 9%
   - the selling prices of the energy produced by the CGU and of its green certificates were projected using a ratio commonly used in the sector and by the group in its own analyses
   - inflation rate of 2.5% for the entire period
   - the tax rate was held constant at the current level for the entire period
   - a terminal value of zero

   The value in use thus derived, at 31st December 2009, exceeds the carrying value of the CGU by around €58 million.

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

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

The €926 thousand increase relates to goodwill generated in the acquisition by the subsidiary Akhela S.r.l. of Artemide S.r.l., and accounts for the company's know-how.
Intangible assets with a non-finite useful life are not amortised, but are subject to annual impairment tests at the end of every financial year, or whenever there are indications of losses in value. For the year ended 31st December 2009, there were no such indications.

Other intangible assets

This item largely refers to the booking at fair value of the existing agreement between Sarlux S.r.l. and GSE (Gestore dei Servizi Elettrici S.p.A.), which stood at €341 million at 31st December 2009.
During the year, the multi-year charges incurred by Sardeolica S.r.l. to obtain loans, which were previously classified under intangible assets, have now been reclassified as a decrease recorded under these loans: the effect of the reclassification (approximately €5 million) is shown in the column "Other changes".

Intangible assets in progress and payments on account

This item mainly includes the cost of natural gas exploration in Sardinia (€10,204 thousand).

Financial charges capitalised in 2009 totalled €221 thousand.

Amortisation of intangible assets totalled €37,279 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 Partecipazioni

The table below shows a list of equity investments held at 31st December 2009, with the main figures relating to each subsidiary.

Company name	Registered office	Currency	share Capital	% owned by Group as of 12-09	% owned by Group as of 12-08	% share Capital	Shareholder	% of voting rights	Category
Arcola Petrolifera S.p.A.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiary:	Milano	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Eolica Italiana S.r.l.	Cagliari	EUR	100,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Nova Eolica S.r.l.	Cagliari	EUR	10,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	Leu	251	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect Subsidiary
Akhela S.r.l. and subsidiary:	Uta (CA)	EUR	3,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Artemide S.r.l.	Rome	EUR	20,000	51.00%	0.00%	51.00%	Akhela S.r.l.	51.00%	Subsidiary
ITSME S.r.l.	Milan	EUR	39,632	3.38%	0.00%	3.38%	Akhela S.r.l.	3.38%	Other Interests
Sarint S.A. and subsidiary:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect Subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	27,730,467	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	Euro	56.696	100,00%	100,00%	100,00%	Parchi Eolici Ulassai S.r.l.	100,00%	Controllata Indiretta
Dynergy S.r.l.	Genoa	EUR	179,000	0.00%	37.50%	0.00%	Saras Ricerche e Tecnologie S.p.A.	0.00%	Associated Company
Hangzhou Dadi Encon Environmental Equipment Co.	Hangzhou	RMB	14,050,200	0.00%	37.50%	0.00%	Saras Ricerche e Tecnologie S.p.A.	0.00%	Associated Company
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Other Interests
Consorzio La Spezia Energia	La Spezia	EUR	50,000	5.00%	5.00%	5.00%	Arcola Petrolifera S.p.A.	5.00%	Other Interests
Consorzio Techno Mobility	Cagliari	EUR	57,500	0.00%	17.40%	0.00%	Saras Ricerche e Tecnologie S.p.A.	0.00%	Other Interests
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other Interests
Centro di Competenza I.C.T.	Cagliari	EUR	20,000	0.50%	0.50%	0.50%	Akhela S.r.l.	0.50%	Other Interests

* Ren Min Bi (Chinese currency)

5.2.3.1 Acquisitions and company mergers

Acquisition of 51% of Artemide S.r.l.

General note

In 2009 Akhela S.r.l. (100%-owned by Saras S.p.A.) acquired 51% of Artemide S.r.l.

The Artemide shares and related rights are not transferable for a period of three years following the acquisition by Akhela. Akhela has undertaken, by the end of the third calendar year following the date of the acquisition, at its sole discretion:

- to acquire from the sellers the remaining 49% of the company's capital at a price based on average forecast sales; or
- to sell 51% of the company's capital to the sellers at a price equivalent to 40% of the acquisition cost.

This acquisition was booked on a provisional basis at the time of the acquisition, and finalised, as required by IFRS 3, when these financial statements were drafted.

Acquisition date and cost breakdown

The cost of the acquisition of 51% of Artemide S.r.l., which took place on 19th May 2009, totalled approximately €970 thousand. No shares or other equity instruments were issued in order to cover the cost of this acquisition.

The percentage of voting rights acquired also represents 51% of the share capital of Artemide 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 their carrying values determined in accordance with IFRS immediately prior to the acquisition date (figures in € thousand).

	Previous accounting value	Current value	Change
Cash and cash equivalents	15	15	0
Current assets	1,676	1,676	0
Tangible assets	15	15	0
Intangible assets	94	94	0
Other financial assets	7	7	0
Current liabilities	(1,294)	(1,294)	0
Non current liabilities	(498)	(401)	97
Current tax liabilities	0	(27)	(27)
Shareholders equity	(15)	(85)	(70)

In accordance with IFRS 3, all assets, liabilities and potential liabilities were valued at fair value at the time of the acquisition.

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 €926 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 by the company's know-how.

5.2.3.2 Other equity interest

Other equity interests break down as follows:

	31/12/2009	31/12/2008
ITSME S.r.l.	50	0
Dynergy S.r.l.	0	91
Hangzhou Dadi Encon Environmental Equipment Co.	0	481
Consorzio Cesma	3	3
Consorzio La Spezia Energia	2	2
Consorzio Techno Mobility	0	10
Sarda Factoring	495	495
Centro di Competenza I.C.T.	21	21
Total	**571**	**1,103**

The change between 31st December 2008 and 31st December 2009 is due to:

1. the acquisition by Akhela S.r.l. of 3.379% of ITSME S.r.l., which has its registered office in Milan
2. the sale of the stake held by Saras Ricerche e Tecnologie S.p.A. in Hangzhou Dadi Encon Environmental Equipment Co.
3. the voluntary withdrawal of Saras Ricerche e Tecnologie S.p.A. from the Techno Mobility consortium
4. the sale of the shares held by Saras Ricerche e Tecnologie S.p.A. in Dinergy S.r.l..

5.2.4 Deferred tax assets

Deferred tax assets (€46,932 thousand at 31st December 2009 and €58,953 thousand at 31st December 2008) are shown net of deferred tax liabilities, and break down as follows:

				Other changes			
(Figures in EUR '000)	Amounts at 31/12/2008	Additions	Deductions	Change in nominal tax rates on previous balances - IS*	Change in nominal tax rates on previous balances - BS*	Other Changes	Amounts at 31/12/2009
Deferred tax liabilities							
Excess and accelerated depreciation	(76,795)		3,106	(2,066)			(75,755)
Adjustment to value of land to reflect fair value (as deemed cost)	(10,574)			(287)			(10,861)
Measurement of inventory at end of period at FIFO cost.	(15,215)	(4,195)	5,082	(6)		4,914	(9,420)
Adjustments for scheduled plant and equipment maintenance	(5,426)		3,352	(56)			(2,130)
Derecognition of intangible assets	(405)	(4,007)	341	(10)			(4,081)
Fair value of Sarlux contract with GSE	(137,241)		11,436	(3,409)			(129,214)
Sardeolica valuations (IFRS 3 on 30% PEU)	(6,653)		256				(6,397)
Other	(2,615)	(502)	1,213			(17)	(1,921)
Total deferred tax liabilities	**(254,924)**	**(8,704)**	**24,786**	**(5,834)**	**0**	**4,897**	**(239,779)**
Deferred tax assets							
Provisions for risks and write-downs	6,872	5,500	(2,095)	171			10,448
Fair value of derivatives	(919)	242	1,089				412
Reclassification of grants previously carried as equity	992		(599)	11			404
Cost of dismantling and removing tangible assets	5,385	199		150			5,734
Employee benefits and bonuses	3,518	3,064	(2,648)	27			3,961
Unrealised currency gains/losses	265	1,158	(16)	8			1,415
Linearisation of Sarlux (as per IAS 17 and IFRIC 4)	248,404		(11,951)	6,408			242,861
IPO costs charged directly to shareholders' equity	4,133		(2,066)		55		2,122
Exceeding maintenance costs	6,233		(1,854)	120			4,499
Deferred tax asset on tax loss of Saras S.p.A. (for the additional 6.5%)	0	3,644					3,644
Deferred tax asset on tax loss of Saras Energia	24,578		(13,631)			(4,914)	6,033
Change of taxation in Spain	(746)		746				0
Higher fiscal costs on inventories	10,105		(10,105)				0
Other	5,057	136	(317)	123		179	5,178
Total deferred tax assets	**313,877**	**13,943**	**(43,447)**	**7,018**	**55**	**(4,735)**	**286,711**
Net total	**58,953**	**5,239**	**(18,661)**	**1,184**	**55**	**162**	**46,932**

*IS = Income Statement / BS = Statement of Financial Position

The most significant changes were due to:

- the different method used to write down a portion of the crude and oil product inventories (average value of the last month rather than the exact value at 31st December previously adopted);
- recording of tax assets on the tax losses of the parent company Saras S.p.A., not transferable to con-

solidated IRES (additional 6.5% tax), which should be applicable in respect of future taxable income under the terms of the law;

- the use of a tax asset on tax losses by Saras Energia S.A.;
- elimination of amortisation of the intangible assets of Sarlux S.r.l. non-capitalised for IFRS purposes;
- increase of provisions for costs relating to the obligation to purchase CO_2 allowances.

Further to Decree Law 112/2008, which in the previous year established an additional IRES rate of 5.5% for Italian oil and gas companies, Law 99 of 2009 increased this rate by 1%, taking the nominal rate to 34%. Deferred tax assets/liabilities were therefore adjusted.

The table below shows deferred tax assets/liabilities broken down into the current and non-current portions for 2009 and 2008.

(figures in EUR '000)	2009	2009	2008	2008
	Short Term	Long Term	Short Term	LongTerm
Deferred tax liabilities				
Excess and accelerated depreciation	(3,197)	(72,558)	(2,988)	(73,807)
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,574)
Measurement of inventory at end of period at FIFO cost	(9,420)		(15,215)	
Adjustment for scheduled plant and equipment maintenance	(1,599)	(531)	(3,352)	(2,073)
Derecognition of intangible assets	(65)	(4,016)		(405)
Fair value of Sarlux contract with GSE	(11,747)	(117,468)	(9,732)	(127,509)
Sardeolica valuations (IFRS 3 on acquisition of 30% PEU)	(258)	(6,139)	(259)	(6,395)
Other		(1,921)	(2,954)	339
Total deferred tax liabilities	**(26,286)**	**(213,494)**	**(34,500)**	**(220,424)**
Deferred tax assets				
Provisions for risks and write-downs	5,519	4,929	1,188	5,684
Fair value of derivatives	412		(919)	
Reclassification of grants previously carried as equity	224	179	599	393
Costs for the dismantling and removal of tangible assets		5,734	137	5,248
Employee benefits and bonuses	3,961		2,590	928
Unrealised currency losses	1,415		265	
Linearisation Sarlux (as per IAS 17 and IFRIC 4)	28,411	214,450	15,109	233,295
IPO costs charged directly to shareholders' equity	2,123		2,066	2,067
Exceeding maintenance costs	1,905	2,594	1,854	4,379
Deferred tax asset on tax loss of Saras S.p.A. (on additional tax 6.5%)	3,644			
Deferred tax asset on tax loss of Saras Energia	6,033		24,578	
Change of taxation in Spain			(746)	
Higher fiscal xosts on invetories			10,105	
Other	152	5,026	31	5,026
Total deferred tax assets	**53,799**	**232,912**	**56,857**	**257,020**

5.2.5 Other financial assets

The balance at 31st December 2009 was €1,387 thousand (€3,655 thousand in the previous year) and is chiefly represented by deposits paid by Saras S.p.A. and advances paid by 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.

	31/12/2009	31/12/2008	Change
Bank loans	69,598	80,693	(11,095)
Bank accounts	276,038	163,287	112,751
Financial Derivatives	2,540	0	2,540
Other short term financial liabilities	31,386	0	31,386
Total short-term financial liabilities	**379,562**	**243,980**	**135,582**
Total long-term financial liabilities	**289,552**	**174,211**	**115,34**
Total fiancial liabilities	**669,114**	**418,191**	**250,923**

The terms and conditions of the company's loans are explained in the note on the item "Long-term financial liabilities".
The overall increase in financial liabilities is due mainly to lower operating cash flows. For further details, please see the consolidated cash flow statement.
The €11,095 thousand decrease in the item "Bank loans" is chiefly due to the reduction in the loans of the parent company and of Sarlux S.r.l.

The item "Other short-term financial liabilities" chiefly refers to sales transactions with the obligation to purchase CO_2 allowances.

5.3.2 Trade and other payables

The table below shows a breakdown of this item.

	31/12/2009	31/12/2008	Change
Advances from clients: portion due within the year	16,661	156	16,505
Payables to suppliers: portion due within the year	630,331	560,523	69,808
Trade payables to associated companies	0	188	(188)
Total	**646,992**	**560,867**	**86,125**

The item "Advance from clients" refers to payments on account received from the parent company's foreign clients for the supply of oil products in January 2010.

The increase in trade payables is mainly due to the general rise in oil prices, together with the growth in business volumes in the marketing segment in Spain and Sardinia, which made it necessary to obtain greater supplies, including from third parties.
The table below shows a geographical breakdown of payables to suppliers.

	31/12/2009	31/12/2008	Change
Payables to Italian suppliers	230,682	278,383	(47,701)
Payables to Spanish suppliers	84,959	61,305	23,654
Payables to other EU country suppliers	71,704	14,633	57,071
Payables to non-EU country suppliers	242,381	206,182	36,199
Payables to US suppliers	605	20	585
Total	**630,331**	**560,523**	**69,808**

5.3.3 Current tax liabilities

This item is broken down below.

	31/12/2009	31/12/2008	Change
VAT payables	40,890	17,235	23,655
IRES (Corporate Tax)	218	37,085	(36,867)
IRAP (Regional Tax)	191	4,923	(4,732)
Other tax payables	26,656	48,503	(21,847)
Total	**67,955**	**107,746**	**(39,791)**

The increase in the item "VAT payables" is chiefly attributable to the payable to the Spanish tax authorities of Saras Energia S.A. on higher retail sales following the acquisition of the ERG service station network.

The decrease in IRES and IRAP payables was due to a fall in taxable income versus the previous year.

The item "Other tax payables" mainly includes the third and final instalment of the substitute tax on the elimination of off-balance sheet deductions (€9.6 million), 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 personnel income tax (IRPEF). The change compared with the previous year is mainly due to the reduction in the above-mentioned tax rate (from 40% to 30%) and the substitute tax on the realignment of the value of crude and oil product stocks for statutory and tax purposes (€5 million) for 2008 only; both these factors refer to the parent company.

5.3.4 Other liabilities

A breakdown of other current liabilities is shown below.

	31/12/2009	31/12/2008	Change
Amount payable to welfare and social security bodies: portions due within the year	9,936	11,191	(1,255)
Due to personnel	16,598	19,353	(2,755)
Payables to Ministry for grants	42,197	29,832	12,365
Other payables	16,714	14,875	1,839
Other accrued liabilities	1,226	661	565
Other deferred income	591	252	339
Total	**87,262**	**76,164**	**11,098**

The item “Due to personnel” includes salaries not yet paid for December and the portion of additional month payments accrued.

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

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

The increase compared with the previous year mainly relates to the payment on account received by the parent company (€10,888 thousand) in connection with the above-mentioned programme agreement.

The item “Other payables” mainly relates to port duties as determined by the customs authority in respect of the parent company (€13,153 thousand); please note that the initial phase of the company’s long-standing dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the company and issued a definitive ruling declaring that the taxes were not due.

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

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

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

5.4 Non-current liabilities

5.4.1 Long-term financial liabilities

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 31/12/08	Outstanding 31/12/09	Maturity 1 years	from 1 to 5 years	beyond 5 years	Collateral
Saras S.p.A.									
Unicredit	20-Dec-04	50.0	Euribor 6M	10.0	-				
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	-	99.4		99.4		
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	-	89.4		89.4		
				10.0	**188.8**	**-**	**188.8**	**-**	
Sartec S.p.A.									
San Paolo Imi	30-Jun-01	1.7	2.35%	0.3	0.1	0.1			
				0.3	**0.1**	**0.1**	**-**	**-**	
Akhela S.r.l.									
Banco di Sardegna	24-Apr-02	3.1	Euribor 6M	0.3	-				
Unicredit	6-Aug-08	0.2	0.74%	0.2	0.2	0.1	0.1		
				0.5	**0.2**	**0.1**	**0.1**	**-**	
Artemide S.r.l.									
Banca Intesa	11-Apr-07	0.3	Euribor 3M	-	0.2	0.1	0.1		
				-	**0.2**	**0.1**	**0.1**	**-**	
Saras Energia S.A.									
Banca Esp. De Credito	11-Sep-02	10.0	Euribor 6M	4.4	3.3	1.1	2.2		
				4.4	**3.3**	**1.1**	**2.2**	**-**	
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	68.3	56.7	7.3	26.8	22.6	57
				68.3	**56.7**	**7.3**	**26.8**	**22.6**	
Sarlux S.r.l.									
Banca Intesa	29-Nov-96	572.0	Libor 3M	102.0	65.5	36.3	29.2		65.5
BEI	29-Nov-96	180.0	7.35%	34.8	22.3	12.3	10.0		22.3
BEI	29-Nov-96	208.0	Euribor 3M	34.6	22.1	12.3	9.8		22.1
				171.4	**109.9**	**60.9**	**49.0**	**-**	
Total payables to banks for loans				**254.9**	**359.2**	**69.6**	**267.0**	**22.6**	

The weighted average interest rate at 31st December 2009 was 3.17% (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 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.

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

This loan agreement imposes certain restrictions on the subsidiary:

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

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

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

The loan agreement imposes certain restrictions on the company:

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

If the company fails to comply with these restrictions, the pool of lending banks has the right to demand early repayment of the loan.
At the last contractual date for assessing compliance with the restrictions relating to the above-mentioned loans, the conditions had been met.
On 3rd June 2009, €100 million of the loan was drawn down and the remaining €90 million was used on 16th June 2009.

The table below shows the composition of the group's net financial position at 31st December 2009 and 31st December 2008.

	31/12/2009	31/12/2008
Medium-/long-term bank loans	(289,552)	(174,211)
Short-term bank loans	(69,598)	(80,693)
Bank overdrafts	(276,038)	(163,287)
Other financial debts	(31,386)	0
Fair value net derivatives	691	0
Other held for trading financial assets	21,301	20,464
Cash and equivalents	111,372	65,180
Total net debt	**(533,210)**	**(332,547)**

The change was chiefly attributable to the higher value (although volumes were broadly the same) of operating and mandatory stocks, due to an increase in oil prices, investments made during the year and the distribution of the 2008 dividend. For further details, please see the cash flow statement.

5.4.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2007	Additions	Decrease for use	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)**	**29,195**

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

The provisions for dismantling plants relate 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 (€18,713 thousand in respect of the parent company) was made pursuant to Legislative Decree 216 of 4th April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.
Under Italy's National Allocation Plan, the parent company Saras S.p.A. receives CO_2 allowances from the government, and is responsible for CO_2 emissions at the whole Sarroch site, including the IGCC plant owned by its subsidiary Sarlux S.r.l.

The CO_2 allowances assigned under the National Allocation Plan for the full-year 2009 were:

- 2,159,696 tonnes of CO_2 for refining plants owned by the parent company (revised by the Ministry for the Environment from the 2,137,383 initially allocated), which had emitted 2,136,367 tonnes of CO2 as of 31st December. A provision was made for the shortfall for the year, of 1,204,543 tonnes, worth €14,513 thousand;
- 444,404 tonnes of CO_2 for the cogeneration plants owned by the Sarlux S.r.l., which had emitted 3,542,181 tonnes of CO_2 as of 31st December. A provision was made for the shortfall for the year, of 347,777 tonnes, worth €4,200 thousand.

In order to cover the shortfall existing at 31st December 2009, allowances for 2,750,000 tonnes were purchased by Sarlux, using €5,135 thousand of the provision (€1,916 thousand for Sarlux and €3,219 thousand for Saras). It is worth mentioning that CO_2 allowances already held by the group are taken into account in determining the provision.

The item "Other risk provisions" mainly relates to provisions made by the subsidiary Saras Energia S.A. for possible legal and tax liabilities.

5.4.3 Provisions for employee benefits

A breakdown of this item is shown below.

	31/12/2009	31/12/2008	Change
Employee end-of-service payments	15,412	17,480	(2,068)
Other complementary provisions	20,008	20,014	(6)
Total	**35,420**	**37,494**	**(2,074)**

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

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

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**
Accrual for the year	6,722
Amount used during the year	(8,790)
Balance at 31.12.2009	**15,412**

The table below shows changes in the CPAS fund.

Balance at 31.12.2007	**17,958**
Accrual for the year	2,874
Amount used during the year	(818)
Balance at 31.12.2008	**20,014**
Accrual for the year	2,077
Amount used during the year	(2,083)
Balance at 31.12.2009	**20,008**

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

ECONOMIC ASSUMPTIONS	31/12/2009	31/12/2008
Cost of living increases	2.00%	2.00%
Discount rate	5.10%	5.00%
Salary increases	3.00%	3.00%
Annual increase in CPAS fund	11.00%	11.00%

DEMOGRAPHIC ASSUMPTIONS	
Probability of death:	ISTAT index for 2002, by gender
Probability of invalidity:	INPS model for projections to 2010
Probability of resignations:	annual staff turnover of 0,5% for all Group companies
Probability of retirement:	first level of pensionable requirements valid for the mandatory general insurance scheme
Probability of early retirement:	3% per annum for all Group companies

At 31st December 2009 the discount rate used was the IBOXX Eurozone AA 10+ (5.10%).

In the previous year, the actuarial valuation used the IBOXX Eur Italy 10+ as its reference index. In 2009 the easing of the financial crisis meant that corporate bond yields were at higher levels than indicated by their ratings; therefore a decision was made to return to the IBOXX Eurozone AA 10+ index for the discount rate.

Given the accounting method used (see the paragraph entitled "Summary of accounting principles and policies" and point Q "Provisions for employee benefits"), at 31st December 2009 there were no actuarial gains or losses not recognized in the financial statements.

5.4.4 Deferred tax liabilities

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

5.4.5 Other non current liabilities

Other non-current liabilities break down as follows:

	31/12/2009	31/12/2008	Change
Advances from clients: portion due in future years	5,822	5,134	688
Payables to welfare and social security bodies	347	350	(3)
Deferred income	640,876	673,180	(32,304)
Other	2,718	16,884	(14,166)
Total	**649,763**	**695,548**	**(45,785)**


D4
D2

The change compared with 31st December 2008 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux S.r.l. The item in question relates to the agreement for the sale of energy between Sarlux S.r.l. and GSE (Gestore dei Servizi Elettrici S.p.A.), which was accounted for according to IFRIC 4. Revenues from the sale of energy are calculated on a linear basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux S.r.l., meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a linear basis in accordance with both the duration of the contract (20 years) and forecasts for the price of crude oil, which constitute a determining factor for electricity tariffs and electricity production costs.

The other item included, at 31st December 2008, the instalment of the substitute tax on the elimination of off-balance sheet deductions (EC form) due in June 2010, which is now classified as a current item.

5.5 Shareholders' equity

Shareholders' equity comprises the following:

	31/12/2009	31/12/2008	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	1,089,884	1,183,675	(93,791)
Profit for the year	72,552	61,822	10,730
	1,227,992	**1,311,053**	**(83,061)**
Share capital and reserves attributable to minority interests	42	0	0
Profit (loss) for year attributable to minority interests	6	0	0
Total minority interests	**48**	**0**	**0**
Totale PatriTotal Shareholders Equity	**1,228,040**	**1,311,053**	**(83,061)**

Share capital

At 31st December 2009, the share capital of €54,630 thousand, fully subscribed and paid up, comprised 951,000,000 ordinary shares with no nominal value.

Legal reserve

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

Other reserves

This item totalled €1,089,884 thousand, a net decrease of €93,791 thousand compared with the previous period. The net decrease was the combined result of:

- an increase of €61,822 thousand due to the allocation of profit from the previous year;
- an increase of €2,051 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 due to the distribution to shareholders of a dividend totalling €157,721 thousand, as

approved at the shareholders' meeting of 28th April 2009;
- an increase due to the new tax rates (Robin Hood tax) relating to the IPO expenses originally allocated to reserves (€55 thousand);
- an increase owing to the translation of the financial statements of subsidiaries in foreign currency (€2 thousand).

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

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

Profit for the year
Profit for the year stood at €72,552 thousand.

Restrictions on the distribution of equity reserves
The main restrictions on the distribution of equity reserves are as follows:
- the legal reserve, totalling €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 28th April 2009, the ordinary shareholders' meeting of Saras S.p.A. approved the payment of an ordinary dividend of €0.17 per share. The dividend totalled €157,721 thousand comprising €60,834 thousand from 2008 profits and €96,887 from the extraordinary reserve.

The Board of Directors of the parent company has made a proposal to the shareholders' meeting scheduled for 27th April 2010 not to pay a dividend for 2009.

No own shares were acquired or sold during the period.

The table below provides the net profit and shareholders' equity figures for Saras S.p.A. and the group as of 31st December 2009.

	Profit for the year	Shareholders' equity
As in Saras S.p.A. Financial Statements as of 31st December 2009	**78,041**	**909,040**
Difference between carrying value and shareholders' equity of subsidiaries valued at cost in Saras S.p.A. accounts at 31st December 2009	95,319	318,952
Sarlux S.r.l. dividend eliminations	(100,000)	0
Elimination of inter-company profits on inventories	185	0
Other	(993)	0
Saras Group Consolidated Annual Report as of 31st December 2009	**72,552**	**1,227,992**

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item “Revenues from ordinary operations” breaks down as follows:

	2009	2008	Changes
Sales and services revenues	4,682,725	7,861,803	(3,179,078)
Processing fee from third parties	53,557	107,504	(53,947)
Sale of electricity	454,035	522,310	(68,275)
Other revenues	39,021	64,814	(25,793)
Change in construction contracts	168	(589)	757
Total	**5,229,506**	**8,555,842**	**(3,326,336)**

Sales and services revenues fell by €3,326,336 thousand compared with the previous year. The change was largely due to price trends over the period and lower volumes sold by the parent company.

Processing fee from third parties totalled €53,557 thousand and relates to refining services provided by the parent company to third parties; other payments include additional charges connected with processing for quality adjustments and logistical changes. The change in these items, compared with the previous year, is due to the lower quantities processed.

Revenues from the sale of electricity include €443,108 thousand relating to the gasification plant of subsidiary Sarlux S.r.l. and €10,927 thousand relating to the wind farm owned by subsidiary Sardeolica S.r.l.. Revenues from the sale of electricity by Sarlux S.r.l. reflect the reporting of figures on a linear basis, calculated on the basis of the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and projections of the EUR/USD exchange rate until the contract expires.

In general terms, during the year, the global economic recession led to a reduction in demand for oil products, squeezing refining margins, which were particularly narrow throughout the period. Against this backdrop, the parent company implemented a major cycle of investment and planned maintenance, which had an unavoidable impact on results. A serious incident in May led to delays in completing the maintenance programmes, and some major technical problems encountered in restarting the plants in the third quarter of 2009 contributed to a further deterioration in results.

Revenues for the subsidiary Sarlux, although reported on a linear basis, fell compared with the previous year because of lower sales of hydrogen and steam, as operating problems reduced production volumes.

The marketing business, despite the general fall in consumption, particularly in Spain, produced better results thanks to optimisation of the sales channels.

The wind business recorded a positive performance, improving on the previous year's results, mainly because of the higher market value of the green certificates obtained, although lower wind strength resulted in a smaller volume of electricity being generated.

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

In accordance with IFRS 8, the group has specified that Eni Group accounted for more than 10% of its revenues.

6.1.2 Other income

The following table shows a breakdown of other income.

	2009	2008	Change
Revenues for stocking of mandatory supplies	2,707	12,570	(9,863)
Sales of sundry materials	577	2,338	(1,761)
Grants	14,905	7,009	7,896
Chartering of tanker	4,466	1,991	2,475
Recover for demages and compensation	834	1,257	(423)
Reimbursment of emission trading charges	40,953	73,906	(32,953)
Other income	22,641	17,856	4,785
Total	**87,083**	**116,927**	**(29,844)**

Revenues for stocking of mandatory supplies fell compared with 2008, mainly due to changes in the regulatory framework (the introduction of the possibility of holding mandatory stocks outside national borders, within the EU) and to trends in the average price of oil products, as these were higher in the previous year.

The item "Reimbursement of emission trading charges" comprises income posted by the subsidiary Sarlux S.r.l.; the change compared with the previous year was due to consolidation of this subsidiary from the second half of 2008.

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

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, spare parts and consumables

	2009	2008	Change
Purchases of raw materials	3,051,063	5,022,527	(1,971,464)
Purchases of semifinished materials	22,881	53,305	(30,424)
Purchases of replacement parts and consumables	70,983	69,133	1,850
Purchases of finished products	1,404,684	2,273,871	(869,187)
Other purchases	154	1,255	(1,101)
Inventory's change	(256,052)	257,255	(513,307)
Total	**4,293,713**	**7,677,346**	**(3,383,633)**

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

6.2.2 Cost of services and sundry costs

	2009	2008	Change
Service costs	437,807	478,747	(40,940)
Use of third-party assets	14,297	14,139	158
Provisions for risks	19,385	6,380	13,005
Other operating charges	63,355	93,682	(30,327)
Total	**534,844**	**592,948**	**(58,104)**

Service costs mainly comprise maintenance, rentals, freight, electricity, steam, hydrogen and other utilities. The decrease versus the previous year was due to the lower consumption of utilities because of the smaller volumes processed (owing to the significant stoppage for the turnaround of the various production facilities at the Sarroch site) and to the cost cutting policy implemented by the group.

The item "Use of third-party assets" includes €2,075 thousand in parent company costs relating to rental of the building that houses the new offices in Milan. The cost has been reported on a linear basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract. Minimum future payments under the terms of the contract are €1,850 thousand in the subsequent year, €9,200 thousand for the following years up to five years, and €1,725 thousand after five years. The yearly rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees. There are no options for contract renewal or acquisition.

"Provisions for risks" mainly consist of a provision relating to CO_2 allowances applicable to 2009 that had not yet been purchased as of 31st December 2009.

The item “Other operating charges” chiefly comprises the costs of purchasing CO_2 allowances (€36,033 thousand for 2009 versus €72,087 thousand in 2008; the change was largely attributable to the fall in value of these allowances – for more information see point 5.4.2 above), non-income taxes (property tax, emissions tax) and membership fees.

6.2.3 Personnel costs

Personnel costs are broken down as follows:

	2009	2008	Change
Wages and salaries	94,191	95,430	(1,239)
Social security	27,995	28,604	(609)
Staff several indemnity	6,722	7,216	(494)
Pensions and similar	2,077	2,979	(902)
Other costs	5,705	5,604	101
Directors' remuneration	5,809	6,007	(198)
Total	**142,499**	**145,840**	**(3,341)**

Personnel costs decreased in 2009, mainly as no provision was made for performance-related bonuses for staff, and despite the increase in employee numbers, principally at the subsidiary Saras Energia S.A., following the acquisition of the ERG service station network in Spain.

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 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 €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, 244,029 shares were to be allocated through the employee share plan for the three-year period 2007-2009, and 1,765,480 shares through the stock grant plan (457,480 for 2007 and 1,308,000 for 2008). No shares are expected to be allocated for the last year (April 2009-March 2010).

As regards the stock grant plan, the costs applicable to 2009 relating to the last quarter of the plan (January-March 2009) totalled €2.6 million, while the costs applicable to the employee share plan for the year were €35 thousand.

The delivery of the shares previously allocated under the stock grant plan will take place in May-June 2010.

6.2.4 Depreciation, amortisation and write-downs

Depreciation and amortisation figures are shown below.

	2009	2008	Change
Amortisation of intangible assets	37,279	37,176	103
Depreciation of tangible assets	155,851	130,740	25,111
Total	**193,130**	**167,916**	**25,214**

The increase in depreciation and amortisation is mainly due to the entry into service of the TGTU and U800 plants at the end of 2008, as well as the biodiesel plant and service stations acquired by Saras Energia S.A..

6.3 Net income (charges) from equity investments

This item is shown in detail in the table below.

	2009	2008	Change
Valuation of non-consolidated subsidiaries at equity:			
Parchi Eolici Ulassai S.r.l.	0	1,367	(1,367)
	0	**1,367**	**(1,367)**
Income and Write-downs:			
Hangzhou Dadi Encon Environmental Equipment Co.	(26)	0	(26)
Consorzio Techno Mobility	(5)	0	(5)
Dynergy S.r.l. (for dividends distribution)	23	19	4
Dynergy S.r.l. (capital gains from disposal of equity investments)	5	0	5
	(3)	**19**	**(22)**
Impairment:			
Apha Eolica S.r.l.	0	(5)	5
Labor Eolica S.r.l.	0	(8)	8
Nova Eolica S.r.l.	0	(952)	952
	0	**(965)**	**965**
Total	**(3)**	**421**	**(424)**

The change in the item compared with the previous year was due mainly to the full consolidation of Parchi Eolici Ulassai S.r.l. from the second half of 2008.

6.4 Financial income and charges

A breakdown of financial income and charges is shown below.

	2009	2008	Change
Other financial income:			
from financial assets recorded under current assets	191	525	(334)
Other income			
- from non-consolidated subsidiaries		223	(223)
- interest on bank and post office accounts	595	10,493	(9,898)
- fair value of derivatives outstanding on reporting date	0	3,954	(3,954)
- fair value of held for trading financial assets	1,200	49	1,151
- positive differences on derivatives	9,835	10,643	(808)
- other income	70	1,526	(1,456)
Exchange rate gains on non-commercial transactions	4,732	16,081	(11,349)
Total Financial Income	**16,623**	**43,494**	**(26,871)**
Financial charges:			
- fair value of derivatives outstanding on reporting date	(2,223)	(3,124)	901
- fair value of held for trading financial assets	(66)	(578)	512
- negative differences on derivatives	(17,682)	(7,131)	(10,551)
- other (interest on loans, arrears, etc.)	(18,237)	(25,224)	6,987
Exchange rate losses on non-commercial transactions	(12,135)	(6,035)	(6,100)
Total Financial Charges	**(50,343)**	**(42,092)**	**(8,251)**
Total	**(33,720)**	**1,402**	**(35,122)**

The main changes are attributable to the differences in valuation recorded 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.

The change in the item is mainly due to the higher charges attributable to the result realized during the year on derivatives used as hedges in operations where hedge accounting has not been adopted and the change in the fair value of these derivatives (€14,412 thousand), and to net exchange rate losses (€17,449 thousand).

6.5 Income tax

Income tax can be shown as follows:

	2009	2008	Change
Current taxes	58,360	226,550	(168,190)
Net deferred taxes	(12,238)	(197,830)	185,592
Total	**46,122**	**28,720**	**17,402**

Current taxes largely consist of taxes calculated on the taxable income of the Italian companies, including the additional IRES applicable in the energy segment (€7,370 thousand), which increased from 5.5% to 6.5% in 2009.

Deferred tax assets/liabilities refers to changes during the year in the temporary differences between values recorded in the financial statements and those recognised for tax purposes; the most significant change relates to the use of tax assets in respect of tax losses posted in 2008 by Saras Energia S.A. (€13,631 thousand), which recorded taxable income in 2009.

Temporary differences in the Income Statement :	2009	2009	2008	2008
	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	3,106	(2,066)	58,161	(11,631)
Adjustment of land value at fair value (as deemed cost)		(287)		(1,576)
Measurement of inventory at end of period (FIFO method)	887	(6)	72,609	1,950
Adjustments for cycle plant and equipment maintenance	3,352	(56)	1,103	(411)
Reclassification of grants previously carried as equity	(599)	11	(516)	148
Employee benefits and bonuses	488	27	1,896	14
Fair value of derivative contracts	1,089	242	764	
Unrealised currency losses	3,516	8	(1,571)	52
Fair value of Sarlux contracts with GSE	11,436	(3,409)	9,732	(20,456)
Linearisation - Sarlux (as per IAS 17 and IFRIC 4)	(11,951)	6,408	34,461	31,888
IPO cost charged directly to shareholders' equity	(2,066)		(1,758)	
Asset maintenance costs deductible in future years	(1,854)	120	(956)	850
Fair value of intangible assets - Saras Energia			138	
Valuation licences Sardeolica (IFRS 3 on acquisition of 30% PEU)	256		129	
Deferred tax asset on tax loss of Saras S.p.A. (additional 6.5%)	3,644			
Deferred tax asset on tax loss of Saras Energia	(13,631)		24,578	
Taxation change in Spain	746			(746)
Higher fiscal value on inventories	(10,105)		10,105	
Other temporary differences	(1,978)	434	(12,731)	1,605
Total	**(13,664)**	**1,426**	**196,144**	**1,687**

In the table above, the item "Deferred tax assets (liabilities)" for 2009 includes the positive effect of changes in tax rates (€278 thousand) relating to temporary differences generated during the year.

The effective tax rate was 38.8%, while the theoretical tax rate was 43.7%, obtained by applying a tax rate of 34% (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 rates for the two periods under review are reported below (figures in € million).

	2009	2008
PRE-TAX PROFIT [A]	**118.7**	**90.5**
OPERATING PROFIT	152.4	88.7
TOTAL PERSONNEL COSTS	142.5	145.8
ADJUSTED OPERATING PROFIT (B)	**294.9**	**234.5**
THEORETICAL CORPORATION TAX IRES [A*34% 2009 or A*33% 2008]	40.4	29.9
THEORETICAL REGIONAL TAX IRAP [B*3.9%]	11.5	9.1
TOTAL THEORETICAL TAXES [C]	**51.9**	**39.0**
THEORETICAL TAX RATE [C/A]	**43.7%**	**43.1%**
EFFECTIVE INCOME TAXES [D]	**46.1**	**28.7**
EFFECTIVE TAX RATE [D/A]	**38.8%**	**31.7%**

DIFFERENCES BETWEEN THE THEORETICAL AND EFFECTIVE TAX RATE FOR THE TWO PERIODS	2009 TAXES	2009 TAX RATE	2008 TAXES	2008 TAX RATE
Theoretical taxes	**51.9**	**43.7%**	**39.0**	**43.1%**
Tax effect - foreign companies (difference between tax rate and IRAP)	(1.3)	-1.1%	5.4	6.0%
Valuation effect - non-consolidated companies	0.0	0.0%	(0.1)	-0.2%
IRAP effect on IFRS adjustments	0.5	0.4%	1.3	1.4%
Effect on restatements of capital grants	(0.6)	-0.5%	(0.5)	-0.6%
Effect of reduction in nominal tax rates on deferred tax	(1.2)	-1.0%	(0.3)	-0.3%
Effect realignment deduction made for tax purposes	0.0	0.0%	(23.7)	-26.2%
Benefit from Tremonti-ter (art. 5 D.L. 78/09)	(3.9)	-3.3%	0.0	0.0%
Effect restatements (2009) and realignment (2008) inventories ("Robin Hood Tax")	0.9	0.8%	8.1	9.0%
Effect of reduction in IRAP tax base	(1.5)	-1.3%	(1.6)	-1.8%
Deduction 55% energy savings	0.0	0.0%	(0.4)	-0.4%
Taxes previous year (Sarlux)	0.0	0.0%	1.7	1.9%
Other permanent differences-Italy	1.3	1.1%	(0.2)	-0.2%
Effective taxes	**46.1**	**38.8%**	**28.7**	**31.7%**

7. Other information

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

7.1 Main legal actions pending

The parent company Saras S.p.A. and subsidiaries Arcola Petrolifera S.p.A., Sarlux S.r.l., Eolica Italiana 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 coming subsequently to a different interpretation of the resolution deemed the subsidiary subject to this obligation for the years 2002-2006. Sarlux appealed against this interpretation, based on the opinion of its advisers, and believes that its appeal will be successful. As a result, no provision was made in the accounts for this case. Potential liabilities arising from this dispute are estimated at about €32 million. If the interpretation of the above-mentioned committee is confirmed, the obligation in question would be extended to 2009, adding a further amount of around €17 million. The liabilities in this case would, however, qualify for partial relief pursuant to section II, point 7-bis of CIP Provision 6/92 in respect of the costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by Resolution ARG/elt 80/08, which can be quantified at around €23 million.

7.2 Early withdrawal from the CIP6 agreement

As provided for in article 3, paragraph 1 of the Ministry of Economic Development Decree of 2nd December 2009, Sarlux S.r.l., as a party to an agreement signed under the CIP6/92 programme valid as of 1st January 2010 for the plants that use process fuels from residues expressed its interest in an early withdrawal from the agreement to GSE S.p.A., on a non-binding basis.

A subsequent decree from the Ministry of Economic Development will determine the payments with which early withdrawal may be settled; Sarlux S.r.l. will have the option to present a binding application in this regard to the GSE.

7.3 Earnings per share

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

Earnings per share totalled 7.82 euro cents in 2009, and 6.56 euro cents in 2008.
The average number of shares outstanding was 927,788,536 in 2009 and 942,164,173 in 2008. At 31st December 2009, Saras S.p.A held 23,188,674 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.

7.4 Transactions with related parties

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

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

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (€/000) and % of item in statements				Item	Business reason
	31/12/2009		31/12/2008			
NOVA EOLICA S.r.l. (consolidated from 1/1/2009)						
Rendered services	0	0.00%	(100)	0.02%	Service and miscellaneous costs	Waived financial receivables
Financial income	0	0.00%	31	0.15%	Other net financial income (charges)	Interest on inter-company line of credit
Receivables for supply of goods and services	0	0.00%	201	0.03%	Current trade receivables	Trade receivables
SARDEOLICA S.r.l. (consolidated from 1/7/2008)						
Rendered services	0	0.00%	48	0.00%	Revenues from ordinary operations	Supply of ICT services
Rendered services	0	0.00%	40	0.03%	Other income	Services outsourcing
Services rendered by staff	0	0.00%	25	0.02%	Other income	Personnel on secondment
Financial income	0	0.00%	47	0.00%	Other net financial income (charges)	Interest on inter-company line of credit
ENSAR S.r.l. (valuation of consolidated equity investments from 1/1/2009)						
NOVA EOLICA (valued under the equity method)	0	0.00%	(952)	226.13%	Net income (charges) from equity interests	Valuation of non consolidated equity investments
LABOR EOLICA (valued under the equity method)	0	0.00%	(8)	1.90%	Net income (charges) from equity interests	Valuation of non consolidated equity investments
ALPA EOLICA (valued under the equity method)	0	0.00%	(5)	1.19%	Net income (charges) from equity interests	Valuation of non consolidated equity investments
PARCHI EOLICI ULASSAI S.r.l. (consolidated from 1/7/2008)						
Rendered services	0	0.00%	3	0.00%	Other income	Services outsourcing
Measurement of investment at equity	0	0.00%	1,367	324.70%	Net income (charges) from equity interests	Valuation of non consolidated equity investments
Financial income	0	0.00%	52	3.71%	Other net financial income (charges)	Interest on inter-company line of credit
IMMOBILIARE ELLECI S.p.A.						
Rent	(234)	0.04%	(450)	0.08%	Service and miscellaneous costs	Rental of buiding
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	17	0.02%	26	0.02%	Other income	Personnel on secondment
Rent	(640)	0.12%	(605)	0.10%	Service and miscellaneous costs	Rental of buiding + parking space in Milan
Receivables for supply of goods and services	17	0.00%	26	0.00%	Current trade receivables	Trade receivables

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (€/000) and % of item in statements				Item	Business reason
	31/12/2009		31/12/2008			
F.C. INTERNAZIONALE S.p.A.						
Services rendered by staff	4	0.00%	0	0.00%	Other Income	Personnel on secondment
Receivables for supply of goods and services	4	0.00%	0	0.00%	Current trade receivables	Trade receivables
Received services	(53)	0.01%	(41)	0.01%	Service and miscellaneous costs	Purchase of tickets for sports matches
ANGELO MORATTI S.A.p.A.						
Services rendered by our employees	28	0.03%	44	0.04%	Other income	Personnel on secondment
Receivables for supply of goods and services	28	0.01%	44	0.01%	Current trade receivables	Trade receivables
DYNERGY S.r.l.						
Services rendered by staff	0	0.00%	2	0.00%	Other income	Management fee
Rendered services	1	0.00%	8	0.01%	Other income	Exchange rate gains
Received services	(531)	0.10%	(806)	0.14%	Service and miscellaneous costs	Support for refining activities
Dividends	23	766.67%	19	4.51%	Net income (charges) from equity interests	Dividend distribution
Capital gains on equity investments disposal	5	166.67%	0	0.00%	Net income (charges) from equity interests	Equity investment disposal
Receivables for supply of goods and services	0	0.00%	1	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	0	0.00%	(188)	0.03%	Trade payables and other current payables	Trade payables
MANTA S.r.l.						
Services rendered by staff	41	0.05%	0	0.00%	Other income	Personnel on secondment
Received services	(192)	0.04%	0	0.00%	Service and miscellaneous costs	Security services
Receivables for supply of goods and services	41	0.01%	0	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(30)	0.00%	0	0.00%	Trade payables and other current payables	Trade payables
CONSORZIO TECHNO MOBILITY						
equity investment disposal	(5)	166.67%	0	0.00%	Net income (charges) from equity interests	Equity investment disposal
HANGZHOU DADI ENCON ENVIRONMENTAL EQUIPMENT CO. LTD - Cina						
	(26)	0.00%	0	0.00%	Net income (charges) from equity interests	
Trade receivables	0	0.00%	1	0.00%	Current trade receivables	Trade receivables
Prepayments for supply of goods	0	0.00%	(53)	0.01%	Trade payables and other current payables	Prepayments for supply of demo

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.

With regard to the above-mentioned transactions, the agreements governing sales of oil and oil products reflect market conditions; where a market price is not available the price is established using market prices for similar materials or products. Where services are provided, the prices are aligned as far as possible with market conditions; expenses passed on in relation to seconded personnel are charged at cost, and interest on loans is charged at market rates.

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

	31/12/2009			31/12/2008		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Current trade receivables	396,954	90	0.0%	639,326	273	0.0%
Trade and other current payables	646,992	30	0.0%	560,867	241	0.0%

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

	2009			2008		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	5,229,506	0	0.0%	8,555,842	48	0.0%
Other income	87,083	91	0.1%	116,927	148	0.1%
Purchases of raw materials, supplies and consumables	534,844	1,650	0.3%	592,948	2,002	0.3%
Net income (charges) from equity investment	(3)	(3)	100.0%	421	421	100.0%
Financial income	16,623	0	0.0%	43,494	130	0.0%

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

Flows with related parties	**2009**	**2008**
(Income) and net charges on equity investments	3	(421)
(Increase) Decrease of trade receivables	183	203
Increase (Decrease) of trade payables and other payables	(211)	(242)
Changes of other current assets	0	8,528
Changes other non current liabilities	0	0
Monetary flows from (to) assets of the year	**(25)**	**8,068**
Interest received \ (paid)	0	130
Monetary flows from (to) investments	**0**	**130**
Increase / (decrease) short term financial debts	0	(1,198)
Monetary flows from (to) financial assets	**0**	**(1,198)**
Total financial flows vs related parties	(25)	7,000

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

	31/12/2009			31/12/2008		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Monetary flows from (to) assets in the year	275,590	(25)	n.a.	292,418	8,068	2.76%
Monetary Flows from (to) investments	(313,040)	0	n.a.	(275,511)	130	n.a.
Monetary flows from (to) financial assets	83,642	0	n.a.	(271,136)	(1,198)	0.44%

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

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

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

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

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

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

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

7.5.1 Consolidated statement of financial position information

Paragraphs 8-19 of IFRS 7 state that the carrying value of all financial instruments belonging to the categories set out in IAS 39 must be provided, as well as detailed information where the group has opted to record financial assets or liabilities at fair value through profit and loss, or where it has reclassified financial assets or eliminated them from the accounts. The statement of financial position of the Saras Group at 31st December 2009 and 31st December 2008 is shown below, with details of the group's financial instruments.

31/12/2009	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans	Available	Other liabilities	OTHER	Balance at
	Designate	Held for	held	and	for sale	recognised at		31/12/2009
	at Fair Value	trading	to maturity	receivable		amortised cost		
ASSETS								
Current assets	**0**	**20,780**	**0**	**609,086**	**3,752**	**0**	**772,060**	**1,405,678**
Cash and cash equivalents				111,372				111,372
Other financial assets held for trading		17,549			3,752			21,301
Securities held for trading		*17,549*						
Green Certificates					*3,752*			
Trade receivables				396,954				396,954
Inventories							732,077	732,077
Current tax assets							39,983	39,983
Other assets		3,231		100,760				103,991
Derivative instruments		*3,231*						
Emission Trading credits				*72,890*				
Other receivables				*27,870*				
Non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**2,019,986**	**2,019,986**
Property, plant and equipment							1,525,547	1,525,547
Intangible assets							445,549	445,549
Other equity interests							571	571
Deferred tax assets							46,932	46,932
Other financial assets				0			1,387	1,387
Other receivables								
Total financial assets	**0**	**20,780**	**0**	**609,086**	**3,752**	**0**	**2,792,046**	**3,425,664**
LIABILITIES								
Current liabilities	**0**	**2,540**	**0**	**0**	**0**	**1,111,276**	**67,955**	**1,181,771**
Short-term financial liabilities		2,540				377,022		379,562
Bank loans (guaranteed)						*69,598*		
Overdrafts						*276,038*		
Payables to non-consolidated companies and other payables						*31,386*		
Derivative instruments		*2,540*						
Trade and other payables						646,992		646,992
Current tax liabilities							67,955	67,955
Other liabilities						87,262		87,262
Other payables						*87,262*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**292,270**	**723,583**	**1,015,853**
Long-term financial liabilities						289,552		289,552
Bank loans (guaranteed)						*289,552*		
Provisions for risks							41,118	41,118
Provisions for employee benefits							35,420	35,420
Other liabilities						2,718	647,045	649,763
Other payables						*2,718*		
Total financial liabilities	**0**	**2,540**	**0**	**0**	**0**	**1,403,546**	**791,538**	**2,197,624**

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	Held for	held	and	for sale	recognised at		31/12/2008
	at Fair Value	trading	to maturity	receivable		amortised cost		
ASSETS								
Current assets	**0**	**18,326**	**0**	**797,778**	**4,612**	**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
Other equity interests							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**	**799,328**	**4,612**	**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
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**

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

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

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

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

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

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

All financial assets are booked by trading date.

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

7.5.2 Income statement information

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

The following tables show income statement items in detail for 2009 and 2008.

2009	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Available	Other liabilities	Total from	Balance at
	Designated	Held for	held to	receivable	for sale	recognized at	Financial	31/12/2009
	at Fair Value	trading	maturity			amortized cost	Instruments	
Revenues from ordinary operations								5,229,506
Other Income								87,083
Total Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,316,589**
Purchases of raw materials, spare parts and consumables								(4,293,713)
Cost of service and sundry costs				(340)			(340)	(534,844)
Personnel costs								(142,499)
Depreciation, amortization and write-down								(193,130)
Total costs	**0**	**0**	**0**	**(340)**	**0**	**0**	**(340)**	**(5,164,186)**
Operating Profit	**0**	**0**	**0**	**(340)**	**0**	**0**	**(340)**	**152,403**
Net Income (Charges) from equity interest								(3)
Other net fiancial income (Charges)							(33,720)	(33,720)
from securities held for trading		*1,134*					*1,134*	
- of which:								
Realized gains								
Change in Fair Value		*1,134*						
From current account interest				*595*			*595*	
from loans granted to Group Companies							*0*	
from derivative instruments		*(10,070)*					*(10,070)*	
- of which:								
Realized losses		*(7,847)*						
Change in Fair Value		*(2,223)*						
from interest on loans						*(18,237)*	*(18,237)*	
from other receivables /payables				*(7,142)*			*(7,142)*	
Profit (loss) before taxes	**0**	**(8,936)**	**0**	**(6,887)**	**0**	**(18,237)**	**(34,060)**	**118,680**
Income tax								(46,122)
Net Profit (loss)								**72,558**

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	receivable	for sale	recognized at amortized cost	Financial Instruments	31/12/2008
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)
Cost of service and sundry costs				(1,373)			(1,373)	(592,948)
Personnel costs								(145,840)
Depreciation, amortization and write-down								(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 interest								421
Other net fiancial income (Charges)							1,402	1,402
from securities held for trading		*(4)*					*(4)*	\
- of which:								
Realized gains		*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:								
Realized gains		*3,512*						
Change in Fair Value		*830*						
from interest on loans						*(25,224)*	*(25,224)*	
from other receivables /payables				*11,572*			*11,572*	
Profit (loss) before taxes	**0**	**4,338**	**0**	**20,915**	**0**	**(25,224)**	**29**	**90,542**
Income tax								(28,720)
Net Profit (loss)								**61,822**

The financial instruments recorded at fair value in the consolidated income statement generated net losses of €8,936 thousand (gains of €4,338 thousand in 2008), including:

a) net gains of €1,134 thousand (€4 thousand in the previous year), owing to valuation differences and changes in the fair value of securities held for trading;
b) net losses of €10,070 thousand (gains of €4,342 thousand in the previous year), due to valuation differences and changes in the fair value of derivatives.

Financial instruments recorded under "Loans" generated losses of €6,887 thousand (versus gains of €20,915 thousand the previous year), chiefly owing to exchange rate differences on commercial positions.

Other financial liabilities valued at amortised cost generated losses of €18,237 thousand (€25,224 thousand the previous year), mainly due to interest on loans.

7.5.3 Additional information

7.5.3.1 Accounting for derivatives transactions

As stated earlier, the parent company enters into derivative contracts on commodities to mitigate the risks arising from changes in the price of crude oil and oil products, on the EUR/USD exchange rate to hedge against the risks relating to its currency positions, and on interest rates, to hedge against interest rate risk on its loans.

At 31st December 2009, 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 consolidated income statement under "Financial income and charges".

Derivatives contracts recorded at 31st December 2009 consisted of futures on oil products and interest rate swaps.

The futures outstanding as of 31st December 2009 are expected to be closed out by the end of the first quarter of 2010, while the interest rate swaps have the same duration as the loans they are associated with.

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

7.5.3.2 Fair value

Financial assets held by the group are booked at fair value or amortised cost, which, where used, did not significantly differ from the fair value as of 31st December 2009.

Financial liabilities are stated at amortised cost: as these liabilities mainly relate to positions underlying trade agreements due to be settled in the short-term, or, alternatively, are long-term in nature and subject to interest rates in line with current market rates, the amortised cost does not differ significantly from the fair value at 31st December 2009.

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

7.5.4 Risks deriving from financial instruments

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

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

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

7.5.4.1 Credit risk

The group's exposure to credit risk relates mainly to trade receivables, other current and non-current receivables, assets held for trading and cash and cash equivalents.
The information required by paragraphs 36-38 of IFRS 7 is shown in the tables below.

	Book value at 31/12/2009		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	31-60 days	61-90 days	over 90 days	Total	Recognized during the year	Cumulative
Current Assets	**1,405,678**	**633,618**	**633,618**	**36,218**	**595,102**	**23,123**	**5,827**	**4,094**	**14,854**	**633,618**		
Cash &cash equivalents	111,372	111,372	111,372		111,372					111,372		
Other fiancial Assets held for trading	21,301	21,301	21,301		21,301					21,301		
Trade receivables	396,954	406,336	396,954	36,218	358,438	23,123	5,827	4,094	14,854	406,336		
Provisions for doubtful loans		(9,382)								(9,382)		(9,382)
Inventories	732,077											
Current tax assets	39,983											
Other Assets	103,991	103,991	103,991		103,991					103,991		
Non Current assets	**2,019,986**	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**0**		
Property, plant & equipment	1,525,547											
Intangible assets	445,549											
Equity investments valued at equity	0											
Other equity interests	571											
Deferred tax assets	46,932											
Other financial Assets	1,387	0	0							0		
Total Assets	**3,425,664**	**633,618**	**633,618**		**595,102**	**23,123**	**5,827**	**4,094**	**14,854**	**633,618**		

	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 0-30 days	31-60 days	61-90 days	over 90 days	Total	Recognized during the year	Cumulative
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 equity interests	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**		

Guarantees on trade receivables are represented by sureties required by the subsidiary Arcola Petrolifera S.p.A. and obtained from its clients.

7.5.4.2 Liquidity risk

The group's exposure to liquidity risk relates mainly to trade payables and bank loans.
As stated earlier, during the year the Group met all its obligations with respect to the payment of loans in place as of December 31st, 2009. The comparative information required by paragraph 39 of IFRS 7 is shown in the table below.

	Book value 31/12/2009			Liquidity risk	Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guarantees	2010	2011	2012	2013	2014	over 5 years
Liabilities										
Current liabilities	**1,181,771**	**1,113,816**	**1,111,276**		**1,122,233**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	379,562	379,562								
Bank loans (guaranteed)		*69,598*	*69,598*	*69,598*	*69,598*					
Overdrafts		*276,038*	*276,038*		*276,038*					
Interest (weighted average yearly rate = 3,17%)				*10,957*						
Loans from non consolidated Group Companies & other payables	*31,386*	*31,386*		*31,386*						
Derivative instruments		*0*	*0*		*0*					
Trade & other payables	646,992	646,992	646,992		646,992					
Current tax liabilities	67,955									
Other liabilities	87,262	87,262	87,262		87,262					
Non-Current Liabilities	**1,015,853**	**292,270**	**292,270**		**5,985**	**64,458**	**200,738**	**8,208**	**5,988**	**22,330**
Long-Term financial liabilities	289,552	289,552	289,552	289,552		56,677	197,471	7,956	5,804	21,644
Interests (weighted average yearly rate = 3,17%)				*5,985*	*7,781*	*3,267*	*252*	*184*	*686*	
Provisions for risks	41,118									
Provisions for employees benefits	35,420									
Other liabilities	649,763	2,718	2,718							
Total liabilities	**2,197,624**	**1,406,086**	**1,403,546**		**1,128,217**	**64,458**	**200,738**	**8,208**	**5,988**	**22,330**

	Book value 31/12/2008			Liquidity risk	Analysis of maturities of financial assets pursuant to par. 39 a) IFRS 7					
	Total	of which financial instruments	Nominal Value of financial liabilities	Guarantees	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									
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**

7.5.4.3 Market risk

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

- the EUR/USD exchange rate, which affects the value of cash and cash equivalents and the receivables and payables recorded at the reporting date, and which determines the exchange rate gains and losses recorded under "Financial income" or "Financial charges";
- 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 income statement and shareholders' equity; the ranges used for the sensitivity analysis (exchange rates, interest rates and crude prices) are consistent with management forecasts. The results of the analysis are shown in the tables below.

With reference to the EUR/USD exchange rate, at the reporting date the Saras Group had financial instruments denominated in the latter currency recorded mainly under trade receivables and payables (mainly relating to the parent company).
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 31/12/2009**	
Balance sheet items	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-5%**	**+5%**
Cash & cash equivalents	25,020	1.4406	17,368	914	(827)
Trade receivables	49,764	1.4406	34,544	1,818	(1,645)
Other Assets	371	1.4406	258	14	(12)
Trade & other payables	(396,055)	1.4406	(274,924)	(14,470)	13,092
Short-term financial liabilities	0	1.4406	0	0	0
Net Position	**(320,900)**		**(222,754)**		
Effect on profit before taxes				**(11,724)**	**10,607**
Effect on net profit (and Shareholders' Equity)				**(7,855)**	**7,107**

The table below shows the simulation at 31st December 2008.

EUR / US Dollar exchange rate				Change in benchmark 31/12/2008	
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 group is exposed to 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 in rates of +/- 20%.

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

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

The table below shows the simulation at 31st December 2008:

			Change in benchmark 31/12/2008	
VARIABLE INTEREST RATES	Average annual interest rate 2008	Annual interest expence	-20%	+20%
Short-and medium / long - term financial liabilities	5,22%	(25,224)		
Effect on profit before taxis			**5,045**	**(5,045)**
Effect on net profit (and Shareholders' Equity)			**3,380**	**(3,380)**

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

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

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

The simulation as of 31st December 2008 is shown below.

		Change in benchmark	
Derivative on:	**Fair Value as at 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 Shareholders' 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 2009 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 in oil prices of +/-20%.

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

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

The simulation as of 31st December 2008 is shown below.

		Change in benchmark	
Derivative on:	**Fair Value as at 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**

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

7.6 Average staff numbers

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

	31/12/2009	31/12/2008
Managers	95	87
Office staff	1,351	1,238
Specialised workers	16	17
Workers	662	613
Total	**2,124**	**1,955**

The number of employees at the group rose from 2,002 at the end of 2008 to 2,244 at 31st December 2009; the rise was chiefly due to the staff taken on by Saras Energia S.A..

7.7 Remuneration of senior personnel with strategic responsibilities

In 2009 senior personnel with strategic responsibilities received remuneration totalling €4,175 thousand. For further details please see section 7.51 of the notes to the financial statements of Saras S.p.A..

7.8 Commitments

At 31st December 2009 and 31st December 2008 the group had made no irrevocable, multi-year commitments to purchase materials or services.

As part of its normal activities, the parent company Saras S.p.A. has issued sureties, whose value at 31st December 2009 totalled €76,048 thousand, mainly comprising €10,400 thousand to UHDE GmbH as a guarantee for the construction of a hydrogen plant, €44,819 thousand to subsidiaries, €3,162 thousand to the Cagliari port authorities as a guarantee for state maritime concessions and €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.

7.9 Disclosure of external auditor's fees

Pursuant to article 149-duodecies of the Consob Issuer Regulations, the table below provides details of the fees relating to 2009 paid to the external auditor for auditing and other services, and to companies affiliated to the external auditor for services.

Services	Supplier	Recipient	Amount due in 2009
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	385
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	204
	Network PricewaterhouseCoopers	Foreign subsidiaries	155
Total			**744**
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	32
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	32
	Network PricewaterhouseCoopers	Foreign subsidiaries	0
Total			**64**
Other Services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	300
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	20
	Network PricewaterhouseCoopers	Foreign subsidiaries	85
Total			**405**
Total			**1,213**

8. Publication of the consolidated results

At its meeting on 26th March 2010, 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

Table of contents of Saras S.p.A. Report on Operations

Comment on Saras S.p.A. results

Saras S.p.A. is the parent company and is also directly active in the refinery sector, as was already analyzed in detail in the Saras Group Report on Operations which we refer you to for additional information on an up to date analysis of the market, the reference regulatory context, the main events that took place during the year, the significant events that took place after the balance sheet closing date and the outlook.

MAIN DATA OF INCOME STATEMENT (EUR Million)	31/12/2009	31/12/2008	change %
Revenues	**4,579**	**7,942**	**-42%**
EBITDA	**78**	**110**	**-28%**
EBIT	**(17)**	**30**	**-158%**
Net Profit	**78**	**61**	**+28%**

In 2009 the company processed 97.1 million barrels of crude oil (13.3 million tons), which represents a decrease of 14% compared to last year, mainly due to maintenance activities which in 2009 involved a major distilling unit (Topping 1), while in 2008 all the atmospheric distillation units operated normally. Processing for third parties comprised 30% of the total processing, compared to a 35% of the previous year.

The mix of primary materials processed in 2009 was characterized by crude oil that was heavier compared to last year (with an average density of 32.4°API); however, in the last quarter the mix of processed crude oil returned to an average density of 32.7 API, which was the average figure for 2008.

The **revenues** of EUR 4,579 million have decreased by 42% compared to 2008. The decrease in sales is due to the performance of prices during the year and to the lower quantities sold.

EBITDA of EUR 78 million dropped considerably compared to 2008 (-24%); this was the result of a combination of three factors the effects of which were opposing: on the one hand refining margins are down and the refinery processing was reduced in 2009. On the other there was a benefit to inventory from the performance of oil prices in the two reference years (in the second half of 2008, the prices of oil products dropped dramatically, while the trend reversed during 2009).

The average USD/EUR rate of exchange was 1.395 in 2009 compared to the average of 1.471 in 2008.

The year ended with a **net profit** of EUR 78 million, up (28%) compared to the EUR 61 million of the previous year; the increase is essentially due to the higher dividend received from subsidiary Sarlux S.r.l., which more than offset the lower operating margin.

Investments for the period amounted to EUR 244 million (EUR 182 million in 2008), in line with the investment plan for the year under way.

The company's net financial position as at 31st December 2008 was the following:

	31/12/2009	31/12/2008
Medium/long term bank loans	(188,795)	0
Medium/long term financial receivables from Group Consolidated companies	70,000	0
Medium/long term Net financial position	**(118,175)**	**0**
Short-term bank loans	0	(10,000)
Payables to banks for overdrafts on current accounts	(238,748)	(137,151)
Loans from Group companies	(74,040)	(58,596)
Other short-term financial liabilities (net of derivatives Fair value)	(31,317)	0
Net derivatives Fair value	2,001	0
Receivables from Group companies	75,585	98,599
Other financial assets held for trading	17,541	15,844
Cash and cash equivalents	22,104	3,316
Short term Net financial position	**(226,874)**	**(87,988)**
Net financial position	**(345,669)**	**(87,988)**

The **Net Financial position** is **negative by EUR 346 million**, compared to the negative position of EUR 88 million at the end of 2008, due to the payment of dividends (EUR 158 million) and the investments for the period (EUR 244 million), which were partially offset by the generation of cash from the company's operations.

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

- Intangible assets under construction include the research costs relating to gas exploration and research in Sardinia, which amounted to EUR 10,204 million.
- The relations with subsidiaries, associates, parent companies and companies under the control of the latter are indicated in the Notes under par. 7.2 "Transaction with related parties";
- Following are the details and movements of the treasury shares held by the company during the year as at 31st December 2009:

Date	Transaction	N° of shares	Overall nominal value (€)	Consideration (€)
01-01-2009	Initial situation	23,228,286	1,333,327	72,281,472
30-09-2008	Transfert	(39,612)	(2,274)	(123,264)
Total		**23,188,674**	**1,331,053**	**72,158,208**

On 29th October 2009 the authorization period of the treasury share purchase program, which was decided upon by the

Shareholders' Meeting held on 29th April 2008, ended. During the 18 months of the program, the company purchased a total of 18,387,703 ordinary shares (equal to approximately 1.9% of the share capital), at the average unit price of EUR 3.0 net of commissions, against a total counter value of approximately EUR 55 million.

- for information relating to the use of financial instruments by the company, please see the section with the title "Risk Analysis" herein;
- The companies other offices are:
  - General and Administrative Headquarters – Milan, Galleria de Cristoforis 1
  - Public Relations and Administrative Affairs - Rome, Salita San Nicola da Tolentino 1/b.

The information required by Attachment 3C of Consob Regulation 11971 of 14th May 1999 as it is currently applicable is provided in the Notes under paragraph 7.5 "Tables sharing information on the remuneration of the direcotors and control bodies, general managers and managers with strategic positions".

In addition:
- see point 7.1 "Pending litigation" in the notes for an analysis of pending lawsuits'
- please see the appropriate section of the Consolidated Financial Statements of the Saras Group for information on:
  - Corporate Governance;
  - Group Structure;
  - Atypical and/or unusual transactions;
  - Performance indicators and non financial indicators;
  - Information on the personnel;
  - Information on the environment.

Risk Analysis

The main elements of the risk policy are based on the prevention of the main risks which refer to the objectives and which concern the areas of strategy, operations and finance.
The risk management set forth in the individual corporate policies and processes is based on the principle that the operational or financial risk is managed by the process owner.
The main risks are referred to and discussed at top management level in order to create the conditions for their coverage and insurance and to assess of the residual risk.
In addition to the risk management guidelines, there are specific guidelines for financial risks such as interest rate risk and credit risk.

Financial risks

Sustainable growth, productivity, profitability and the quality of financial data are among the company's priorities.
Therefore, the financial structures are aimed at ensuring the maximum efficiency insofar as the implementation and use of credit lines for the development of the commercial side of the business and the maximum possible reduction of the financial risks that are connected to industrial management (adverse risk).
The company operates internationally in the oil sector and is consequently exposed to currency risk and changes in interest rates, borrowing rates and the prices of goods.

Risk of changes in prices and cash flows

The results are affected by the performance of oil prices and the effects that this performance has on the refining margins (which are the difference between the prices of oil products generated by the refining process and the price of the raw materials, mainly crude oil); furthermore, for the carrying out of the production activity, the company must keep appropriate inventories of crude oil and finished products in stock; the value of the inventory is subject to fluctuations in the market prices.

The risk of a change in prices and the relative cash flows is closely connected to the nature of the business itself and can only partially be mitigated through the appropriate use of risk management policies, including the stipulation of contracts for processing on behalf of third parties at prices that are partially fixed in advance.
In order to cover the risks from changes in prices, the company concluded derivate contracts on commodities, which concern the forward purchase and the sale of crude oil and products.

Exchange risk

The oil activity is subject to currency fluctuations as the reference prices for the purchase of oil and part of the product sales are quoted in or connected to the US Dollar.
In order to decrease the currency risk relating to the transactions that are scheduled to take place in the future and the

risk originating from the debits and credits expressed in a currency other than the functional currency of each entity, the company sets up derivative instruments for the forward purchase and sale of foreign currency (US Dollar).
Transactions expressed in foreign currencies other than the US Dollar are of minor significance and can only marginally influence the result for the year.

Interest rate risk

The risks relating to the changes in cash flows from fluctuations in the interest rates are due to loans. Variable rate loans expose the cash flows from interest to interest rate risk. Fixed rate loans are exposed to the risk that the fair value of loans will change.

The main contracts in existence have been concluded at variable rates. The company's policy is to use derivative instruments in order to diminish the risk of changes in the cash flows from interests.

Credit risk

The market in which the company operates is composed mainly of multinational companies that operate in the oil sector. The transactions that take place are generally settled within a very short time and are often guaranteed by major credit institutions. Furthermore, the receivables are monitored daily by the financial department in a systematic way. We consider that such a risk is marginal and does not constitute a significant element in the business that the company is active in.

Liquidity risk

The Group finances its own activities through cash flows generated from its operations and through recourse to external sources of financing and is therefore exposed to the liquidity risk consisting of the ability to fulfill the contractual obligations that derive from the loan contracts concluded.

Exposure to and management of other risks

Risks relating to the interruption of production in the refinery

The company's activity is heavily dependent on its own refinery located in Sardinia, which produces almost all the petroleum products that are refined and sold. This activity is subject to the risks relating to unscheduled interruptions of the facilities and accidents. Saras believes that the complexity of its own refinery makes it possible to limit the negative effects of unscheduled interruptions and the safety plans which have been set up (and which are continually implemented) make it possible to reduce accident risks to the minimum level; furthermore, Saras hold significant insurance coverage for such risks.

Environmental risks

The company's activities are regulated by numerous laws of the European Union as well as national, regional and local environmental laws.
Though the company considers that its activities are carried out in compliance with the environmental legislation, the risk of costs and environmental liabilities is a part of the activity and there is no certainty that significant costs and liabilities relating to the environment will not be incurred in the future.

The company has however incurred and plans to continue to incur operating expenses and investments aimed at complying with the environmental laws; furthermore, Saras has significant insurance coverage for such risks.

Direction and Control

On the date of this report, Angelo Moratti S.a.p.a. holds 62.46% of the share capital of Saras.

Article 2497 sexies of the Italian Civil Code states that *"unless there is proof of the contrary, it is assumed that the activity of direction and coordination of companies is carried out by the company or entity that is responsible for consolidating their financial statements or which exercises control over them pursuant to art. 2359."* The Board of Directors of Saras considers however that Angelo Moratti S.a.p.a. never exercised the activity of direction and control, as, among other things, Angelo Moratti S.a.p.a. does not provide directives to its own subsidiary and there is no significant organizational and functional connection between the two companies. Consequently, Saras considers that is has always operated under conditions of corporate and entrepreneurial autonomy in respect of its parent company Angelo Moratti S.a.p.a.. Indeed, the relations with the latter are limited exclusively to the normal exercise by Angelo Moratti S.a.p.a. of the administrative and equity rights of a shareholder and the receipt by the organs delegated by Angelo Moratti S.a.p.a. of information provided by the Issuer in compliance with the provisions of article 2381, par. 5 of the Italian Civil Code.

Proposals of the Board of Directors

Dear Shareholders,
The financial statements of your company for the year ended 31st December 2009, showed a net profit of EUR 78,040,812. If you are in agreement with the criteria used in drawing up the financial statements and the accounting principles adopted, we invite you to approve the following resolutions:

The Shareholders' Meeting has examined

- the separate financial statements of the company for the year ended 31st December 2009;
- the report of the Board of Statutory Auditors presented to the Shareholders' Meeting pursuant to art. 153 of legislative decree 58/1998 (Consolidated Finance Act);
- and the auditor's report on the separate financial statements for the year that ended on 31st December 2009

and hereby resolves

to approve the separate financial statements of the company for the year ended on 31st December 2009 in their entirety and insofar as the individual items therein and to carry forward the profit for the year of EUR 78,040,812.

for the Board of Directors
The Chairman
Gian Marco Moratti

Saras S.p.A. Financial Statements as of 31st December 2009

Saras S.p.A. - Statement of Financial Position as of 31st December 2009 and as of 31st December 2008

EUR thousand	(1)	(2)	31/12/2009	31/12/2008
ASSETS				
Current Assets	5.1		960,959	927,245
Cash and cash equivalents	5.1.1	A	22,104	3,316
Other financial assets held for trading	5.1.2	B	17,541	15,844
Trade receivables	5.1.3	C	244,975	462,255
of which with related parties:			*130,695*	*195,284*
Inventory	5.1.4	D	552,613	325,836
Current tax assets	5.1.5	E	35,610	5,954
Other assets	5.1.6	F	88,116	114,040
of which with related parties:			*60,999*	*98,598*
Non Current Assets	5.2		1,194,562	975,355
Property, plant and equipment	5.2.1	H, I	787,909	639.272
Intangible assets	5.2.2	J	11,490	11,604
Equity interests carried at cost	5.2.3.1	K	306,336	301,787
Other equity interests	5.2.3.2	K	495	495
Deferred tax assets	5.2.4	W	17,917	21,793
Other financial assets	5.2.5	M	70,415	404
of which with related parties:			*70,000*	*0*
Total assets			2,155,521	1,902,600
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	5.3		947,094	798,616
Short-term financial liabilities	5.3.1	R	345,335	205,747
of which with related parties:			*59,440*	*58,598*
Trade and other payables	5.3.2	R	520,373	493,573
of which with related parties:			*26,991*	*39,756*
Current tax liabilities	5.3.3	W	17,469	44,267
Other liabilities	5.3.4	R	63,917	55,029
Non-current liabilities	5.4		299,387	117,371
Long-term financial liabilities	5.4.1	R	188,795	0
Provisions for risks	5.4.2	P, Z	32,239	18,661
Provisions for employee benefits	5.4.3	Q	32,996	35,064
Other liabilities	5.4.4	R	45,357	63,646
of which with related parties:			*45,005*	*49,977*
Total liabilities			1,246,481	915,987
SHAREHOLDERS' EQUITY	5.5	O, V, N		
Share capital			54,630	54,630
Legal reserve			10,926	10,926
Other reserves			765,443	860,223
Profit/(loss) for the year			78,041	60,834
Total shareholders' equity			909,040	986,613
Total liabilities and shareholders' equity			2,155,521	1,902,600

(1) Please refer to chapter 5 "Notes regarding the statement of financial position"

(2) Please refer to chapter 3.1 "Summary of the main accounting standards and valuation criteria adopted"

Saras S.p.A. - Income Statements for the years ended 31st December 2009 and 2008

EUR Thousand	(1)	(2)	01/01/2009 31/12/2009	of which non recurring	01/01/2008 31/12/2008	of which non recurring
Revenues from ordinary operations	6.1.1	S	4,478,195		7,820,135	
of which with related parties:			*1,398,720*		*2,408,181*	
Other income	6.1.2	S	100,374		121,671	
of which with related parties:			*74,427*		*100,514*	
Total revenues			4,578,569	0	7,941,806	0
Purchases of raw materials, spare parts and consumables	6.2.1	T	(4,006,871)		(7,292,721)	
of which with related parties:			*(55,646)*		*(6,366)*	
Cost of services and sundry costs	6.2.2	T, Z	(390,225)		(436,514)	
of which with related parties:			*(69,725)*		*(79,608)*	
Personnel costs	6.2.3	T, Q	(103,688)		(109,832)	
Amortization	6.2.4	H, J, T	(95,887)		(79,550)	
Total costs			(4,596,671)	0	(7,918,617)	0
Operating Result			(18,102)	0	23,189	0
Net income (charges) from equity interests	6.3	K, V	103,549		22,200	
of which with related parties:			*103,549*		*22,200*	
Financial income	6.4	X	18,547		39,664	
of which with related parties:			*2,093*		*4,803*	
Financial charges	6.4	X	(36,882)		(19,501)	
of which with related parties:			*(865)*		*(2.064)*	
Profit before taxes			67,112	0	65,552	0
Income tax for the year	6.5	W	10,929		(4,718)	*18,160*
Net profit/(loss) for the year			78,041	0	60,834	*18,160*
Earnings per share - basic (Euro cent)		Y	8.41		6.46	
Earnings per share - diluted (Euro cent)		Y	8.41		6.46	

Saras S.p.A. - Statement of Comprehensive Income for the years 1st January - 31st December 2009 and 2008

	2009	2008
Result of the year (A)	78,041	60,834
Income / (loss), net of fiscal effect (B)	0	0
Comprehensive Result (A + B)	78,041	60,834

(1) Please refer to the notes to the Financial Statements chapter 6 "Notes to the income statement"

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

Saras S.p.A. Statement of Changes in Shareholders' Equity for the period from 31st December 2007 to 31st December 2009

EUR thousand	Share Capital	Legal reserve	Other reserves	Profit (loss) for the year	Shareholders' equity
Balance as of 31/12/2007	54,630	10,926	659,106	429,191	1,153,853
Allocation of previous year profit			268,348	(268,348)	0
Dividends				(160,843)	(160,843)
Reserve for employees stock plan			2,461		2,461
Share buyback			(70,307)		(70,307)
Share premium reserve adjustment			615		615
Profit (loss) for the year				60,834	60,834
Balance as of 31/12/2008	54,630	10,926	860,223	60,834	986,613
Allocation of previous year profit			60,834	(60,834)	0
Reserve for employees stock plan			2,052		2,052
Dividends			(157,721)		(157,721)
Effect of Corporate tax rate reduction (IRES)			55		55
Profit (loss) for the year				78,041	78,041
Balance as of 31/12/2009	54,630	10,926	765,443	78,041	909,040

Saras S.p.A. - Cashflow Statements as of 31st December 2009 and 31st December 2008

EUR thousand	(1)	(2)	01/01/2009 31/12/2009	01/01/2008 31/12/2008
A - Cash and cash equivalents at the beginning of year	5.1.1	A	3,316	154,419
B - Cash generated from/(used in) operating activities				
Profit/ (Loss) for the year	5.5		78,041	60,834
Amortization, depreciation and write-down of fixed assets	6.2.4	H, J, T	95,887	79,550
Net (income)/charges from equity interests	6.3	K	(3,549)	2,400
of which with related parties:			*(3,549)*	*2,400*
Net change in provisions for risks and charges	5.4.2	P, Z	13,578	5,135
Net change in employee benefits	5.4.3	Q	(2,068)	1,234
Net Change in tax liabilities and tax assets	5.2.4	W	3,876	(143,162)
Dividends from subsidiaries	6.3	V	(100,000)	(24,600)
of which with related parties:			*(100,000)*	*(24,600)*
Income tax	6.5	W	(10,929)	4,718
Other non cash items			2,107	3,076
Profit (Loss) from operating activities before changes in working capital			76,943	(10,815)
(Increase)/Decrease in trade receivables	5.1.3	C	217,280	95,258
of which with related parties:			*64,589*	*12,759*
(Increase)/Decrease in inventory	5.1.4	D	(226,777)	216,084
Increase/(Decrease) in trade and other payables	5.3.2	R	26,800	(81,938)
of which with related parties:			*(12,765)*	*25,065*
Change in other current assets	5.1.5 - 5.1.6	E, F	(73,732)	(27,943)
of which with related parties:			*(32,401)*	*(16,846)*
Change in other current liabilities	5.3.3 - 5.3.4	W, R	94,101	141,075
Income tax paid		E, W	(94,728)	(176,991)
Change in other non-current liabilities	5.4.4	R	(18,289)	5,160
of which with related parties:			*(4,972)*	*(4,971)*
Total (B)			1,598	159,890
C - Cash flow from (to) investment activities				
(Investments) in tangible and intangible assets	5.2.1 - 5.2.2	H, I	(244,421)	(182,132)
Dividends	6.3	V	100,000	24,600
of which with related parties:			*100,000*	*24,600*
Changes in Equity interests	5.2.3.1	K	(1,000)	(1,300)
Acquisition of 30% PEU			0	(32,000)
(Increase)/Decrease in other financial assets	5.1.2 - 5.2.5	B, M	(1,708)	(598)
of which with related parties:			*0*	*0*
Interest received			2,347	9,242
of which with related parties:			*2,093*	*4,803*
Other non monetary movements			11	0
Total (C)			(144,771)	(182,188)
D - Cash generated from/(used in) financing activities				
Increase/(Decrease) in medium/long term borrowings	5.4.1	R	188,795	(10,000)
Increase/(Decrease) in short term borrowings	5.3.1	R	139,588	117,960
of which with related parties:			*842*	*34,961*
Buyback own shares	5.5	N	0	(70,307)
Dividend distribution to shareholders	5.5	V	(157,721)	(160,843)
Interest paid			(8,701)	(5,615)
of which with related parties:			*(865)*	*(2,064)*
Total (D)			161,961	(128,805)
E - Cashflow for the year (B+C+D)			18,788	(151,103)
Cash and cash equivalents at the end of the year			22,104	3,316

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

(2) Refer to the Notes, chapter 3.1 “Summary of the main accounting standards and valuation criteria adopted”

For the Board of Directors

The Chairman - Gian Marco Moratti

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Notes to the Separate Financial Statements of Saras S.p.A. for the year ended 31st December 2009

1. Introduction

Saras S.p.A. is a joint stock company listed on the Borsa di Milano, with registered offices at Sarroch (Cagliari) (Italy), S.S. 195 "Sulcitana" Km 19, which is 62.46% owned (not taking account of the treasury shares held in its portfolio) by Angelo Moratti S.A.P.A., the registered offices of which are in Milan, Foro Bonaparte 69. The duration of the company is set by the articles of association until 31st December 2056.

Saras S.p.A. operates in the petroleum market in Italy and internationally through the activity of refining crude oil and selling of the products derived from the refining process; it also holds the totality of shares (directly and indirectly) of companies which in turn are active in:
- selling the petroleum products in the network and extra-network channels in Italy (Arcola Petrolifera S.p.A.) and Spain (Saras Energia S.A.);
- the production and sale of electricity through the integrated combined cycle gasification plant (Sarlux S.r.l.) and the wind farm (Parchi Eolici Ulassai S.r.l. and the subsidiary Sardeolica S.r.l.);
- information technology (Akhela S.r.l.), research for environmental sectors (Sartec S.p.A.) and re-insurance (Reasar S.A.).

These financial statements for the year ended 31st December 2009, are presented in Euro, as the Euro is the currency of the economy in which the company operates and consist of the statement of fiancial position, income and comprehensive income statement, cash flow statement, statement of changes in equity and these notes. All the amounts set forth in the notes are expressed in thousands of Euro, unless otherwise indicated.

2. Basis of preparation of the separate financial statements

The separate financial statements of Saras S.p.A. for the year ended on 31st December 2009 were prepared on the basis of the International Financial Reporting Standards (hereinafter IFRS or "international accounting standards)) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in article 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19th July 2002. Following this Regulation, on 20th February 2005 Legislative Decree no. 38 was issued which transposed the obligation to apply the IFRS into Italian law, extending it also to the preparation of the financial statements of companies with capital or debt securities listed on any of the markets regulated by the European Community as from 2006.

IFRS means all the International Financial Reporting Standards, the International Accounting Standards (IAS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which was previously known as the Standing Interpretations Committee (SIC), homologated by the European Commission in the date of the approval of the separate financial statements by the Board of Directors of the company and which are contained in the relative EU Regulations published on that date.

As requested by Consob Resolution no. 15519 of 27th July 2006, we note that the financial statement schedules were prepared according to the following criteria, which were considered as the most appropriate for the provision of complete information on the company's equity, economic and financial position:

- Statement of financial position – profit and loss the assets and liabilities are presented as current and non-current depending on their degree of liquidity;
- Income and comprehensive Income Statement: the income statement items are presented according to their nature;
- Cash flow statement: presented using the indirect method, distinguishing the cash flows deriving from operations, investment and finance.

We note that the schedules of the statement of financial position, income and comprehensive income statement and cash flow statement were adapted in order to reflect the changes introduced by IAS 1 (amended in 2007), particularly the "Financial income" and "Financial expenses" which are now presented on two different lines.

The accounting standards set forth below were applied in a consistent way to all the periods which are presented.

3. Accounting standard adopted

The IASB and IFRIC have approved several changes to the IFRS and some Interpretations, which were in part published by the Official Gazette of the European Communities and which are applicable beginning from 1st January 2009 as well as some changes to Interpretations which were already issued but which apply to financial statements for periods that begin after 1st January 2009.

The company applied the following standards as from 1st January 2009:

- IAS 1 – Presentation of Financial Statements (Amendment): the amended version of IAS 1 – Presentation of Financial Statements – no longer allows presentation of components of income such as income and expenses recognized directly in equity (defined as changes generated by transactions with non-shareholders) in the statement of changes in equity and requires separate indication of the changes generated by "transactions with shareholders". According to the new version of the standard, all the changes generated by transactions other than those carried out with shareholders must be set forth in a separate schedule that shows the performance for the period (comprehensive income statement) or in two separate schedules (income statement and comprehensive income statement). The company applied the amended version of the standard retrospectively from 1st January 2009, selecting to show all changes generated by transactions other than those carried out with shareholders in two schedules measuring the performance for the period called "Income Statement" and "comprehensive income statement."

- IFRS 2 – Share based Payment (Amendment): specifications regarding the definition of the vesting conditions and accounting treatment relating to the cancellation following failure to satisfy a vesting condition. The standard was applied retrospectively from 1st January 2009; however, its application has produced no accounting effects to date as the stock grant plan vesting during the year does not provide for vesting conditions other than the performance and service conditions as these are defined in the amendment and in the periods considered there were no cancellations of plans.
- IFRS 4, IAS 39 e IFRS 7 – Financial Instruments: Disclosures (Amendment): this amendment which is required to be applied as from 1st January 2009, was issued in order to increase the level of disclosure required for the measurement at fair value of financial instruments and to reinforce the existing standards that concern disclosure of the liquidity risks of financial instruments. In particular, the amendment requires that the information on the determination of the fair value of the financial instruments be provided with hierarchical classification. The adoption of this standard, which took place from the previous year, had no effect insofar as the measurement and recognition of financial statement items and only affected the type of disclosure.
- IFRS 8 – Operating Segments (Amendment) this amendment requires that companies provide the total value of the assets for each sector that is presented, if this value is provided periodically to the highest operating decision making level. This information was requested previously even in the absence of this condition.
- IAS 23 – Borrowing Costs (Amendment) made mandatory the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset; previously capitalization was optional. The company had always applied the method that has now become mandatory.
- IAS 38 – Intangible assets (Amendment): the amendment makes mandatory the recognition in profit and loss of promotional and advertising costs. Saras S.p.A. has adopted this method retrospectively from 1st January 2009 without this resulting in any accounting effect as these expenses were already recognized in the income statement.
- IAS 36 – Impairment of Assets - (Amendment) – Includes disclosures required when impairment tests based on the current value of future cash flows are carried out.

The following amendments, additions and interpretations effective from 1st January 2009 refer to situations that did not exist within the company on the date of these financial statements but which could produce accounting effects on future transactions or agreements.

- IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (Amendment): this amendment states that if a company intends to carry out a sale which entails the loss of control of an investee, all the assets and liabilities of the investee must be reclassified among the assets held for sale, even if the company will still hold a minority shareholding in the subsidiary after the sale is concluded.
- IAS 20 – Government Grants (Amendment). This refers to low interest bearing government loans.
- IAS 32 – Financial Instruments: Presentation (Amendment)/ IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment).

- IAS 29 – Financial Reporting in Hyperinflationary Economies (Amendment).
- IAS 40 – Intangible Assets (Amendment).
- IFRIC 13 – Customer Loyalty Programmes (Amendment).
- IFRIC 15 – Agreements for the Construction of Real Estate (Amendment).
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (Amendment).

Finally, the following International Accounting Standards and Interpretations which have not yet been homologated by the EU on the date of these financial statements will be applicable in future years:

IFRIC 14 – *"Prepayments of a Minimum Funding Requirement"*; allows recognition of assets in the case of a minimum prepaid contribution.
IFRIC 19 – *"Extinguishing Financial Liabilities with Equity Instruments"*; addresses the accounting to apply when using equity instruments in order to settle a financial liability.
IFRS 2 – *"Group Cash-settled Share-based Payment Transactions"*; extends the application of IFRIC 11.
IAS 24 – *"Related party Disclosures"* extends the definition of related parties.
IFRS 9 – *"Financial Instruments"*: amends the recognition and measurement criteria for financial instruments and their classification.
The assessment of the impact of these changes on the company is currently underway.

3.1 Summary of the main accounting standards and valuation criteria adopted

The financial statements have been drafted in application of the cost criterion, except in cases that are specifically described in the notes below to which the fair value was applied.

Following are the main valuation criteria used.

A Cash and cash equivalents

The cash and cash equivalents mainly consist of the cash and current bank accounts, other highly liquid investments (that can be converted to cash within ninety days) and the overdraft of the current account; the latter is placed among current liabilities. The elements included in net cash are measured at fair value and the relative changes are recognized in profit and loss.

B Financial assets held for trading

Financial assets held for trading are measured at fair value with the effects recorded in the income statement under financial income and charges.

C Trade receivables

The trade receivables are measured, upon initial recognition, at fair value and then at amortized cost by using the effective interest method. Whenever there is objective evidence of impairment, the asset is reduced so that its value is equal to the discounted value of future cash flows. Impairment is recorded in the income statement. If in subsequent periods the reasons for the aforementioned write-downs cease to apply, the value of the asset is restored up to the value that would result from the application of the amortized cost, if the write down had not been carried out.

D Inventories

The inventories are recorded at the purchase cost or production cost and the net realizable value at the end of the year represents the amount that the company intends to obtain from their sale in the normal course of operations. The cost of crude oil inventories, stock and spare parts is determined using the FIFO method. The cost of inventories consisting of petroleum products is determined using the method of the average weighted cost over the last quarter.

E Current tax assets

Current tax assets are initially recognized at the value expected to be recovered from the tax authorities, and then at amortized cost by using the effective interest method.

F Other assets

The other assets are measured, upon initial recognition, at fair value and then at amortized cost by using the effective interest method. Whenever there is objective evidence of impairment, the asset is reduced so that its value is equal to the discounted value of future cash flows. Impairment is recorded in the income statement. If in subsequent periods the reasons for the aforementioned write-downs cease to apply, the value of the asset is restored up to the value that would result from the application of the amortized cost, if the write down had not been carried out.

G Derecognition of financial assets and liabilities

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

The financial liabilities are derecognised when they are settled and when the company has transferred all risks and charges relating to the instrument itself.

H Property, Plant and Equipment

Property, plant and equipment are measured at purchase or production cost net of accumulated depreciation and any impairments. The cost includes all expenses incurred directly to prepare the asset for use, as well as any charges for removal and restoration. Any interest expense relating to the construction of tangible assets are capitalized until the asset is ready for use.

Costs relating to the maintenance and repairs are attributed to the income statement in the year in which they are incurred. Capitalization of costs relating to the expansion, modernisation or improvement of the facilities that are owned or used by third parties is carried out exclusively to the extent that they fulfill the requirements to be separately classified as assets or parts of an asset through application of the component approach criterion. Similarly, the replacement costs of identifiable components of complex goods are recognised as assets and dereciated according to their useful life; the residual value of the component being replaced is recognized in profit and loss. Government grants provided for investments are recognized against the purchase price or the cost of production of the goods when the conditions for receiving them have been met.

The value of the property, plant and machinery is adjusted through systematic depreciation, calculated at a constant rate from the time the asset is available and ready for use, according to its estimated useful life.

The useful life generally assigned to the various categories of assets by the Group is as follows:

Buildings	18 years
General equipment	12 years
Highly corrosive equipment	9 years
Office furniture and equipment	4 – 8 years
Vehicles	4 years
Other assets	12 years
improvements to third-party goods	The shorter of the duration of the lease and the useful life of the asset

The useful lives of the tangible assets and their net book value are reviewed annually, and adjusted if appropriate, at each balance sheet date.

Land is not depreciated.

If the asset being depreciated is composed of elements that are distinctly identifiable the useful life of which differs significantly from that of other parts comprising the asset, the depreciation is carried out separately for each part comprising the asset in application of the component approach.

I Leased assets

Assets held under finance leases, through which all the risks and rewards incident to ownership are transferred to the company, are recognized at their current value or, if lower, at the present value of minimum payments due for the lease The corresponding liabilities towards the lessor are represented in the statement of financial position among financial debts. The assets are amortized by applying the aforementioned criterion and rates for tangible assets.

Leases in which the lessor essentially maintains all the risks and rewards of ownership are classified as operating leases. The operating lease costs are recognized throughout the duration of the lease in the income statement.

J Intangible Assets

The intangible assets consist of non-monetary elements which do not have a physical consistency and which are clearly identifiable (i.e., they are separable, can be separated or exchanged and derive from other contractual or legal rights), they are controllable and able to generate future economic benefits. These elements are recognized at their purchase and/or production cost, including the expenses directly attributable to preparing the asset for use, net of accrued amortization and any impairment. Any interest expense due during and for the development of the intangible assets is charged to the income statement. The amortization begins when the asset is available for use and is distributed systematically in relation to the residual possibility of its use and therefore based on its estimated useful life.
The intangible assets are recognized, where required, with the consent of the Board of Statutory Auditors.

[I] Patents, licenses, trademarks and software (intangible assets with definite useful lives)

Intangible assets with definite useful lives are depreciated on straight-line basis throughout their useful lives which is considered to be the estimation of the period during which the assets will be used by the company; the recoverability of their book value is verified using the same methodology as that applied for the "Property, Plant and Equipment" item.

[II] Research and development costs

The cost associated with the acquisition of new knowledge or discoveries, the development costs for alternative products and/or processes, new techniques or models, the design and construction of prototypes or any costs incurred for other scientific research and development activities are considered as being current and are recognized in the income statement in the period they are incurred.

[III] Exploration and valuation of mineral resources

Cost incurred for the exploration and valuation of mineral resources, that is:

[A] acquisition of rights to explore;
[B] photographical, geological, geochemical and geophysical studies;
[C] exploratory drilling;
[D] digging;
[E] sampling;
[F] activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource;

are recorded among tangible and intangible assets depending upon their nature, as required by IFRS 6. These costs are periodically reconsidered in order to ascertain the presence of any impairment indicators that would suggest that their recoverable value is lower than their book value.

K Equity interests

Equity investments in subsidiaries, associates, joint ventures and other companies are recorded at their acquisition cost, which may be reduced for losses in compliance with IAS 36.

L Impairment of assets

On each balance sheet date, the tangible and intangible assets with definite useful lives are analyzed in order to identify the existence of any indication of impairment, whether due to reasons within the company or which are external to it. In the event that such indicators are identified, we proceed to estimate the recoverable value of the aforementioned assets and recognize any write downs in the income statement. The recoverable value of the assets is the higher of its fair value less costs to sell and its value in use, where the latter is the present value of the future cash flows estimated for this asset. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs. An impairment loss is recognized in the income statement if an asset's book value or that of the cash-generating unit to which it is allocated is higher than its recoverable amount. If the reasons for the write down above cease to exist, the book value of the assets is restored and recognized in the income statement, up to the book value the asset in question would have had if the write down had not occurred and amortization had been carried out.

M Other financial assets

The receivables and financial assets held to maturity are measured, upon initial recognition, at fair value and then at amortized cost by using the effective interest method. Whenever there is objective evidence of impairment, the asset is reduced so that its value is equal to the discounted value of future cash flows. Impairment is recorded in the income statement. If in subsequent periods the reasons for the aforementioned write-downs cease to apply, the value of the asset is restored up to the value that would result from the application of the amortized cost, if the write down had not been carried out.

The accounting treatment of financial assets that underlie derivative instruments is indicated under par. X "Derivative Instruments."

N Own shares

Own shares are recognized at cost and charged to equity.

O Shareholders' equity

[I] Share capital

The share capital is represented by the capital subscribed and paid-up. Costs which are strictly related to the issuance of new shares are charged to net equity reserves, net of any deferred taxes.

[II] Reserves

These consist of capital reserves to be used for special purposes; they include the economic results of the previous years insofar as the undistributed portion.

[III] Plans for the distribution by the company of free stock to employees and management

The company provides supplementary benefits to employees and management based on specific stock distribution plans. The relative cost, designated pursuant to IFRS 2 – *Share Based Payment* is recognized in profit and loss at constant rates throughout the vesting period with an offsetting entry in equity. Changes in fair value after the assignment date have no effect on the initial measurement.

P Provisions for risks

The provisions for risks are recognized only if there exist a current obligation (legal or constructive) regarding a future outflow of financial resources as a result of past events and it is probable that this outflow will be required for fulfillment of the obligation. Said amount of which must be reliably estimated. This amount represents the best discounted estimate, applied to the cost involved in settling this obligation. The rate used in determining the present value of the liability reflects the current market values and includes any additional effects relating to the specific risk associated with each liability.

Risks for which the related liability is only contingent are disclosed in the notes to the financial statements (in the section on provisions); and no provision is made for such risks.

Q Provisions for employee benefits

The company recognizes various types of pension plans, in line with the terms and practices that are commonly applied locally in the countries in which it carries out its activities.

From 1st January 2007, the law on the *Trattamento di Fine Rapporto* (T.F.R.) or Employee Severance Indemnity Provision was amended by making it possible for employees to indicate their preference among pre-selected forms of pensions or to allow the amounts to be held by the company (if the number of employees is lower than 50) or sent to the I.N.P.S. (Italian Institute of Social Insurance) otherwise. The introduction of these regulations results in the following accounting treatment differences:

- Amounts matured up to 31st December 2006

  The employee severance indemnity due to employees pursuant to article 2120 of the Civil Code is classified under "defined benefit pension plans": these plans are based on the working life of the employees and the remuneration received by them, during the course of a specific period of service. In particular, liabilities concerning the employee severance indemnity provision are shown among the financial statements according to their actuarial value, since they can be defined as a benefit for employees due according to a defined benefit plan. The entry in the financial statements of defined benefit plans requires an estimate, using actuarial techniques, of the amount of employees' contributions against the work carried out during the current and previous years and the discounted value of the said contributions, in order to determine the present value of the company's commitments. The actuarial value of the company's commitments is calculated by an external actuary using the projected unit credit method. This method, which is part of the general techniques relating to the defined benefit plans, takes into account each working period provided by employees at the company as an additional element of their rights: actuarial liability must therefore be quantified exclusively on the basis of the employee's length of service as at the date of measurement. The overall liability is therefore usually recalculated based on the ratio of total years of service provided as at the date of measurement to the total number of years of service accrued at the time the benefit will be paid.

  The amount of termination indemnities accrued in the year and charged to the income statement under personnel costs is equal to the sum of the average present value of entitlements due to current employees in the year, and the annual interest accrued on the present value of the company's commitments at the beginning of the year, calculated using the discount rate applied to expected future payments to estimate the liability at the end of the previous financial year. The annual discount rate adopted for the calculations is assumed to be equal to the market rate at the end of the period for zero coupon bonds, with the average remaining life of the liability taken into consideration.
  The actuarial gains and losses connected to the changes in the actuarial parameters used are recognized in the income statement.

- Amounts due from 1st January 2007

  The amounts in question are recognized using the method for "defined contribution pension plans," as the position of the employee is transferred outside the company in its entirety.
  The amount of the relative debt is determined according to article 2120 of the Civil Code.

These changes have also required a review of the provision up to 31st December 2006; the effect that results (considered as a curtailment) was also recognized under personnel costs for 2007.

R Financial liabilities, trade payables and other liabilities

These are measured, upon initial recognition, at fair value and then at amortized cost by using the effective interest method. Whenever there is a change in the cash flows expected and it is possible to reliably estimate these cash flows, the value of the debts is recalculated in order to reflect this change based on the present value of the new cash flows expected and the internal rate of return that had initially been determined.
Sales transactions that carry a repurchase obligation are shown as a type of loan as the risks connected to ownership (mainly the risk connected to changes in fair value) remain with the company. In this case, the assets are not derecognized, the debt for the repurchase is of a financial nature and the difference is recognized in the income statement as a component having a financial nature.

S Revenues recognition

Revenues from sales and services are disclosed when an actual transfer of the risks and rewards deriving from ownership or the fulfillment of the service has occurred.
Revenues from the rendering of services are recognized on the basis of the completion of the services.
Revenues are recognized net of discounts, rebates, and premiums as well as net of taxes directly connected with the performance of the services.

T Costs recognition

The costs are recognized when they relate to goods and services when sold or consumed during the year or by systematic allocation when the future utility thereof cannot be determined.

U Conversion of items expressed in a currency other than the Euro

Foreign currency transactions are initially recognized using the exchange rate which is applicable on the transaction date. The gains and losses on exchange resulting from settlement of the transactions in question and conversion at end of year exchange rates of income and expenses denominated in a foreign currency are recognized in the income statement.

V Dividends

[A] Dividend received

Dividends collected from subsidiaries, joint ventures, associates and other investees are recognized in the income statement when the right of the shareholders to receive the payment is established.

[B] Distributed dividends

The distribution of dividends to the shareholders results in a liability in the period in which the distribution was approved by the shareholders.

W Taxes

Current income taxes are calculated on the basis of the estimated taxable income according to applicable legislation on the balance sheet date.
Deferred taxes are calculated for all temporary differences arising between the tax value of an asset or

liability and the relating book value.
Deferred tax assets, including those referring to prior tax losses, insofar as the portion that is not offset by deferred tax liabilities are recognized to the event that their future recoverability based on avaiable income is probable.
Deferred taxes are determined using the tax rates which are expected to be applicable in the years in which the temporary differences will be realized or settled.
Current and deferred taxes are recorded in the income statement, with the exception of taxes relating items directly recognised in the shareholders' equity, for which the tax effect is recognized directly in equity. Current and deferred taxes are offset when the income taxes applied by the same tax authority and a legal right to compensation exists.
The changes in the rates due to amendments in the law are recognized in the period in which these changes are enacted or substantially enacted; the relative effect is recorded in the income statement or in equity depending upon the transaction that generated the underlying deferred tax
Other taxes not connected with income, such property and capital taxes, are included under "Cost of services and sundry costs".
The company allows its Italian subsidiaries to participate in the consolidation regime for the determination of the corporate tax (IRES), for the minimum period allowed by the option as set forth in articles 117-128 of the *Testo Unico delle Imposte sui Redditi* (the so-called "Italian Tax Consolidation Act"). Any tax losses incurred (or the part thereof used in the consolidation process) are recognized at an amount that is equivalent to the applicable IRES rate. The financial effects deriving from the calculation of the tax for the period are reflected in intra-group credits and debits.

X Derivative instruments

Derivative instruments are financial assets and liabilities recognized at fair value.

Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) is high. When hedging derivatives hedge the risk of changes in the fair value of the instruments being hedged (fair value hedges; e.g., a hedge of the changes in the fair values of fixed rate assets/liabilities), the derivatives are recognized at fair value and the effects are recognized in the income statement; concurrently, the instruments being hedged are adjusted to reflect the changes in fair value associated with the hedged risk. When derivatives hedge the risk of changes in the cash flow of the instruments being hedged (cash flow hedges; e.g., a hedge of the changes in the cash flows of fixed rate assets/liabilities due to the fluctuations in exchange rates), the changes in the fair value of the derivatives are initially recognized in equity and then allocated to the income statement according to the economic effects produced by the hedged transaction.

All derivative financial instruments, including those on commodities, that do not satisfy the terms set forth in the hedging accounting as set forth in IAS 39 are recognized in fair value with recognition of the change in the fair value of the instrument in the income statement, under "Financial income" or "Financial charges."

The fair value of financial instruments listed on active markets is represented by the related market price (the bid price) on the closing date of the period in question. If no such active market exists for the asset, the fair value is obtained by using measurement models that are mainly based on objective financial variables as well as the prices recorded on recent transactions and market prices for similar financial instruments.

Y Earnings per Share

[I] Basic

Basic earnings per share is calculated by dividing profit or loss adjusted by the portion thereof represented by preference shares by the weighted average number of ordinary shares outstanding during the period, not taking account of treasury shares.

[II] Diluted

The diluted earnings per share is calculated by dividing profit or loss adjusted by the portion thereof represented by preference shares by the weighted average number of ordinary shares outstanding during the period, not taking account of own shares. For the purpose of the calculation of the diluted earnings per share, the weighted average of outstanding shares is modified assuming the conversion of all potential dilutive shares, while the net result is adjusted in order to take account of the effects of the conversion, net of taxes. The result per diluted share is not calculated in the case of losses, since any dilutive effect would result in an improvement of the result per share.

Z Emission Trading

Legislative Decree 216 of 4th April 2006 introduced quantitative limits for CO_2 emissions from plants; exceeding these limits results in an obligation to purchase from the specific market allowances or credits representing the excess quantities of CO_2.
If the credits assigned and purchased, net of those sold during the period are less than the required amount, the counter value of the missing credits, measured at market prices, is recognized in the risk provision; however if the credits assigned and purchased, net of those sold, exceed requirements, the counter value of the excess credits, measured at market prices, is recognized among intangible assets.

AA Segment reporting

A segment is defined as that group of assets and transactions used for the provision of specific services that are subject to risks and benefits that are substantially different from those of other segments.
A geographical segment is defined as that group of assets and transactions used for the provision of specific services in a specific geographical area that are subject to risks and benefits that are substantially different from those of other geographic segments.

3.2 Use of estimates

The preparation of financial statements requires that directors apply accounting principles and methods that, in some circumstances are based on difficult and subjective valuations and estimates that are based on experiences and assumptions that are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions influences the amounts presented in the financial statements , such as the statement of financial position, the comprehensive income statements, the cash flow statement and the disclosures. The actual results of the financial statements items for which the above mentioned estimates and assumptions were used may differ from those presented in the financial statements due to the uncertainty that characterizes the assumptions and the conditions on which those assumptions are based.

3.3 Major accounting principles which require a greater degree of subjectivity

Following is a brief description of the major accounting principles requiring more subjectivity by the directors in the elaboration of the estimates and for which the conditions underlying the assumptions used could have a significant impact on the recalculated aggregate financial data.

[I] Depreciation of fixed assets: the depreciation of fixed assets is a significant cost. The cost of property, plant and equipment is depreciated at a constant rate throughout the estimated useful life of the relative assets. The useful economic life of fixed assets is determined by the directors at the time the fixed asset is acquired; it is based on historical experience with similar fixed assets, market conditions and expectations regarding future events that could impact its useful life, including developments in technology. Therefore, the actual economic life could differ from the estimate economic life. The company periodically evaluates the changes in technology and the sector, the dismantling expenses and the recovery value in order to update the residual useful life. The periodic updating could result in a change in the depreciation period and therefore also the depreciation rate in future years.

[II] Deferred taxes: the recognition of deferred tax assets is carried out on the basis of expectations regarding tax income in future years. The valuation of the income expected for the purposes of recognition of the deferred taxes depends on factors that could fluctuate over time and significantly affect the measurement of the deferred tax assets.

[III] Provisions for risks: the identification of the existence or inexistence of a current obligation (legal or constructive) is not easy to determine in some circumstances. The directors evaluate such situation on a case by case basis, together with the estimate of the amount of economic resources required for fulfillment of the obligation. When directors believe that the risk of the liability is only contingent, the risks are disclosed in the notes to the financial statements in the section on provisions and no provision is made for such risks.

4. Segment information

4.1 Introduction

Saras S.p.A. operates in the petroleum market in Italy and internationally through the activity of refining crude oil, selling of the products derived from the refining process and providing refining services to third parties; it is therefore considered that the company operates in one segment only.

4.2 Disclosure by geographic area

The distribution by geographic area was carried out in consideration of the relevance of the reference market and the countries in which the counterparties have offices.

Net revenues from ordinary operations by geographic area

	31/12/2009	31/12/2008	Change
Sales in Italy	2,061,669	3,363,610	(1,301,941)
Sales in Spain	904,253	1,731,534	(827,281)
Other EU country sales	570,173	857,025	(286,852)
Non-EU country sales	889,847	1,858,231	(968,384)
US Sales	52,253	9,735	42,518
Total	**4,478,195**	**7,820,135**	**(3,341,940)**

Following is a breakdown of the trade receivables by geographic area:

	31/12/2009	31/12/2008	Change
Receivables in Italy	160,085	326,976	(166,891)
Receivables in Spain	46,042	61,522	(15,480)
Other EU county receivables	17,808	16,474	1,334
Non-EU county receivables	22,812	59,285	(36,473)
U.S. receivables	244	14	230
Provision for bad debts	(2,016)	(2,016)	0
Total	**244,975**	**462,255**	**(217,280)**

Following are the major changes in the statement of financial position and consolidated income statements compared to last year.

5. Notes regarding the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	31/12/2009	31/12/2008	Change
Bank and postal deposits	22,045	3,256	18,789
Cash	59	60	(1)
Total	**22,104**	**3,316**	**18,788**

Please see 5.4.1 Long term financial liabilities and the cash flow statement for a comment on the company's net financial position.

5.1.2 Other financial assets held for trading

This item includes securities issued by the Italian and foreign governments.
The profits and losses during the year, as well as the changes in fair value recognized at the beginning of the period, are recognized in the income statement under "Financial income" and "Financial charges."

The movements are shown below:

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**
Increases for financial year	10,761
Decreases for financial year	(9,064)
Balance at 31/12/2009	**17,541**

5.1.3 Trade receivables

The trade receivables are broken down as follows:

	31/12/2009	31/12/2008	Change
From trade debtors	114,364	267,040	(152,676)
From group companies	130,611	195,215	(64,604)
Total	**244,975**	**462,255**	**(217,280)**

Receivables from customers have decreased compared to the previous year, essentially on account of lower quantities of products sold in the last period of the year.

The receivables from group companies essentially refers to the receivables from subsidiaries Saras Energia S.A. (EUR 44,742 thousand) and Arcola Petrolifera S.p.A. (EUR 45,093 thousand) for the provision of petroleum products and Sarlux S.r.l. (EUR 39,432 thousand) for the provision of raw materials and the charges for the purchase of CO_2 units.

5.1.4 Inventories

The inventories and the changes thereto during 2009 are shown in the table below:

	31/12/2009	31/12/2008	Change
Inventory:			
Raw materials, replacement parts and consumables	165,533	126,975	38,558
Semi-finished products	54,077	25,788	28,289
Finished products and goods held for resale	322,564	162,034	160,530
Payments on account for stocks	10,439	11,039	(600)
Total	**552,613**	**325,836**	**226,777**

The change in the value of the inventory is due to the general increase in the prices of crude oil and petroleum products. The valuation of the inventories at their net realizable value did not result in any write-downs (compared to a write-down of approximately EUR 92.4 million in the previous year).

The were no inventories used as collateral for liabilities.

The "Finished products and goods" item includes approximately 484 thousand tons of petroleum products (with a value of approximately EUR 200 million) which fulfill the obligation of holding stocks pursuant to legislative decree no. 22 of 31st January 2001, for Saras S.p.A. and for Arcola Petrolifera S.p.A.

Crude oil and petroleum products belonging to third parties are kept at the Sarroch refinery the value of which amounted, as at 31st December 2009, to EUR 134 million (EUR 88 million as at 31st December 2008).

5.1.5 Current tax assets

Current tax assets break down as follows:

	31/12/2009	31/12/2008	Change
VAT credits	0	3,507	(3,507)
IRES credits	30,724	0	30,724
IRAP credits	4,112	0	4,112
Other tax credits	774	2,447	(1,673)
Total	**35,610**	**5,954**	**29,656**

The increase in the credit position, essentially due to direct taxes, is due to the excess taxes paid compared to the taxed due for the year, which result in the reduction of the relative applicable taxes.

5.1.6 Other assets

This item consists of:

	31/12/2009	31/12/2008	Change
Accrued income	109	792	(683)
Deferred charges	6,903	5,485	1,418
Other receivables	5,519	9,164	(3,645)
Financial receivables from group companies	75,585	98,599	(23,014)
Total	**88,116**	**114,040**	**(25,924)**

Deferred charges mainly refer to the prepayment of insurance premiums of EUR 4,023 thousand.

The "Financial receivables from Group companies" include receivables from Saras Energia S.A. of EUR 40,000 thousand, Saras Ricerche e Tecnologie S.p.A. of EUR 2,763 thousand, Arcola Petrolifera S.p.A. of EUR 8,630 thousand, Akhela S.r.l. of EUR 7,148 thousand, Ensar S.r.l. of EUR 1,439 thousand, Eolica Italiana S.r.l. of EUR 186 thousand, Artemide S.r.l. of EUR 1,050 thousand, Sardeolica S.r.l. of EUR 3,083 thousand, Sarlux S.r.l. of EUR 9.386 thousand and Nova Eolica S.r.l. of EUR 1,900 thousand. The receivables from Group companies bear interest at market rates and are due within next year.
In the month of March 2010, part of the receivable from Akhela S.r.l. (EUR 5 million) was renegotiated and the expiration was set to September 2011.

The "Other receivables" item mainly includes the fair value of derivative instruments as at 31st December 2009, of EUR 3,231 thousand.

The table below shows the fair value of derivative financial instruments and assets (recognized under Other current assets) and liabilities (recognized under short term financial liabilities, as under 5.3.1.):

	2009 Assets	2009 Liabilities	2008 Assets	2008 Liabilities
Interest rate swaps		(1,230)		
Fair value of interest rate options	245			
Fair value of forward purchases and sales of commodities (oil & other oil products)	2,986		3,015	
Total	**3,231**	**(1,230)**	**3,015**	**0**

The measurement at fair value of the derivative instruments existing as at 31st December 2009 resulted in a net negative impact on the income statement for the year of EUR 1,455 thousand (there was a net positive impact of EUR 3,954 thousand in the previous year), as show in par. 6.4 below.

The tables that follow show the notional and the relative fair values of the derivative financial instruments existing as at 31st December 2009 and 31st December 2008:

Type of transaction 2008	Interest rate			Other		
EUR Thousand	Notional value	*fair value* Pos.	*fair value* Neg.	Notional value	*fair value* Pos.	*fair value* Neg.
Financial derivatives						
Futures						
purchases				(56,954)	8,475	
sales				53,594		(5,460)
Swap						
Interest rates						
Total	**0**	**0**	**0**	**(3,360)**	**8,475**	**(5,460)**

Type of transaction 2009	Interest rate			Other		
EUR Thousand	Notional value	*fair value* Pos.	*fair value* Neg.	Notional value	*fair value* Pos.	*fair value* Neg.
Financial derivatives						
Futures						
purchases				(318,841)	220	
sales				250,892	2,766	
Options						
Interest rates				(140,000)		(1,230)
Swaps						
Interest rates				(50,000)	245	
Total	**0**	**0**	**0**	**(257,949)**	**3,231**	**(1,230)**

5.2 Non-current assets

5.2.1 Property, Plant and Equipment

The property, plant and equipment items and the corresponding movements are shown below:

COST	31/12/2007	Addition	(Disposals)	Revaluations (write-down)	Other changes	31/12/2008
Land and buildings	99,888	796	(4)		1,115	101,795
Plant and equipment	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-down)	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 BOOK VALUE	31/12/2007	Addition	(Disposals)	(Depreciation)	Other changes rev. / (w.d.)	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**

COST	31/12/2008	Addition	(Disposals)	Revaluations (write-down)	Other changes	31/12/2009
Land and buildings	101,795				15,108	116,903
Plant and equipment	1,344,415	40,288	(5,610)		127,049	1,506,142
Industrial and commercial equipment	14,294	84	(41)		526	14,863
Other assets	392,908	253	(2,471)		8,403	399,093
Assets under construction and payments on account	113,405	202,864			(151,086)	165,183
Total	**1,966,817**	**243,489**	**(8,122)**	**0**	**0**	**2,202,184**

ACCUMULATED DEPRECIATION	31/12/2008	Depreciation	(Disposals)	Revaluations (write-down)	Other changes	31/12/2009
Land and buildings	35,084	4,869				39,953
Plant and equipment	996,484	71,599	(5,610)			1,062,473
Industrial and commercial equipment	11,427	1,517	(41)			12,903
Other assets	284,550	16,856	(2,460)			298,946
Total	**1,327,545**	**94,841**	**(8,111)**	**0**	**0**	**1,414,275**

NET BOOK VALUE	31/12/2008	Addition	(Disposals)	(Depreciation)	Other changes rev. / (w.d.)	31/12/2009
Land and buildings	66,711	0	0	(4,869)	15,108	76,950
Plant and equipment	347,931	40,288	0	(71,599)	127,049	443,669
Industrial and commercial equipment	2,867	84	0	(1,517)	526	1,960
Other assets	108,358	253	(11)	(16,856)	8,403	100,147
Assets under construction and payments on account	113,405	202,864	0		(151,086)	165,183
Total	**639,272**	**243,489**	**(11)**	**(94,841)**	**0**	**787,909**

The costs are presented net of grants received for the realization of the investments. The original value of the grants charged to fixed assets is EUR 160,963 thousand and relates to the Program Contracts concluded with the Ministry of Industry, Commerce and Crafts on 19th June 1995 and the Ministry of Productive Activities on 10th October 1997. The net book value of these grants amounts to EUR 8,755 thousand as at 31st December 2009 (EUR 15,128 thousand as at 31st December 2008).

The "land and buildings" item includes industrial buildings, offices and warehouses the value of which amounts to EUR 43,561 thousand, office buildings in Milan, Cagliari and Rome the value of which amounts to EUR 2,536 thousand and land which mostly relates to the Sarroch plant the value of which is EUR 30,853 thousand.

The "plants and machinery" item mostly refers to the refining plants located in Sarroch.

The "industrial and commercial equipment" item includes equipment relating to the chemical laboratory and the control room and various stand-by assets required for the productive process.

The "other assets" item mainly includes the tanks and pipelines for the transportation of the products and crude oil.

The “assets under construction and advances” item includes costs incurred for investments that had not yet been made operative as at December 31st, 2009.

The additions for the year amount to EUR 243,489 thousand and mainly relate to investments for the revamping of the Mild Hydrocracking 2 (third reactor), the technological upgrade of the FCC (revamping of the CO Boiler, energy recovery and installation of the catalyst cooler), to allow Topping 1 to process different types of crude oil, together with the investments for the updating of the existing structures, particularly in relation to the environmental and safety laws.

The decrease of EUR 151,086 thousand under “Other movements” refers to work concluded during the year that was therefore recognized in the various asset categories.

The main depreciation rates are shown below on an annual basis:

Industrial buildings (land and buildings)	5.50%
Generic plant (plant and equipment)	8.38%
Highly corrosive plant (plant and equipment)	11.73%
Pipeline and storage (plant and equipment)	8.38%
Supplies (equipment)	25.00%
Electronic office equipment (other assets)	20.00%
Office furniture and machinery (other assets)	12.00%
Vehicles (other assets)	25.00%

There are no tangible assets held for sale.

The license to occupy the public land on which the Sarroch refinery service plants are located (effluent processing, desalinization, blow down, loading wharf and torches), issued by the Cagliari Port Authority is valid to 31st December 2015; currently there are no indications that would lead us to assume that this license will not be renewed upon expiry.

The amount of the leased assets, recognized under “vehicles” is equal to EUR 14,663 thousand with a net book value of zero.

During 2009, financial expenses of EUR 3,856 thousand and internal costs of EUR 11,329 thousand were capitalized.

5.2.2 Intangible Assets

Movements of intangible assets are shown in the following table:

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**

CATEGORY	31/12/2008	Additions	Disposals	Other Changes	(Amortisation)	31/12/2009
Industrial and other patent rights	1,106			783	(916)	973
Intangible assets in progress and payments on account	10,368	932		(783)		10,517
Other intangible assets	130				(130)	0
Total	**11,604**	**932**	**0**	**0**	**(1,046)**	**11,490**

The details of the main items are as follows:

Licenses, trademarks and similar rights

This amount mainly refers to the cost incurred for the acquisition of software licenses.

Intangible assets in progress and payment on account

This item mainly consists of the costs incurred for exploration for natural gas deposits in Sardinia, of EUR 10,204 thousand.

In 2009, financial interest of EUR 221 thousand were capitalized.

The amortization of intangible assets amount to EUR 1,046 thousand and are carried out on the basis of the following annual rates:

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

There are no intangible assets with a definite useful life that are held for sale.

5.2.3 Equity interests

5.2.3.1 Equity interests measured at cost

Following is a list of the equity investments held as at 31st December 2009, with an indication of the main information relating to investee companies:

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	151,200,438	93,753,336	57,447,192	10,138,638	11,497,213
Sarlux S.r.l.	Sarroch (CA)	€	27,730,467	100.00%	subsidiary	856,802,763	282,022,389	574,780,374	54,207,100	211,806,086
Sarint S.A.	Luxembourg	€	50,705,314	99,9% (*)	subsidiary	91,446,736	96,820	91,349,916	20,525,174	37,750,614
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	€	3,600,000	100.00%	subsidiary	17,485,994	11,679,032	5,806,962	1,291,965	5,863,506
Ensar S.r.l.	Cagliari	€	100,000	100.00%	subsidiary	3,330,252	1,782,291	1,547,961	(363,388)	707,198
Parchi Eolici Ulassai S.r.l.	Cagliari	€	500,000	100.00%	subsidiary	23,532,595	22,668	23,509,927	5,921,098	32,815,696
Akhela S.r.l.	Cagliari	€	3,000,000	100.00%	subsidiary	22,840,001	17,212,601	5,627,400	(2,079,245)	5,896,057
										306,336,370

(*) The remaining 0.1% stake in Sarint S.A. is owned by subsidiary Arcola Petrolifera S.p.A.

The comparison with the data for last year follows below:

	Legal HQ	% owned	31/12/2009	31/12/2008
Akhela S.r.l.	Cagliari	100%	5,895	6,255
Arcola Petrolifera S.p.A.	Sarroch (CA)	100%	11,497	11,497
Ensar S.r.l.	Cagliari	100%	707	0
Parchi Eolici Ulassai S.r.l.	Cagliari	100%	32,816	32,816
Sarint S.A.	Luxembourg	99.9%	37,750	37,750
Sarlux S.r.l.	Sarroch (CA)	100%	211,808	211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	100%	5,863	1,661
Total			**306,336**	**301,787**

The changes that occurred in the book values during the year are shown below:

	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**	**0**	**(2,400)**	**0**	**301,787**

	31/12/2008	Acquisitions and subscriptions	Revaluations	Write-downs	Other changes	31/12/2009
Akhela S.r.l.	6,255			(360)		5,895
Arcola Petrolifera S.p.A.	11,497					11,497
Ensar S.r.l.	0	1,000		(293)		707
Parchi Eolici Ulassai S.r.l.	32,816					32,816
Sarint S.A.	37,750					37,750
Sarlux S.r.l.	211,808					211,808
Sartec-Saras Ricerche e Tecnologie S.p.A.	1,661		4,202			5,863
Total	**301,787**	**1,000**	**4,202**	**(653)**	**0**	**306,336**

The decrease in the value of the equity investment in subsidiary Akhela S.r.l. is due to impairment losses (EUR 360 thousand).

The net increase in the value of the equity investment in subsidiary Ensar S.r.l. refers to capital contributions, net of the write-down of EUR 293 thousand due to impairment.

The increase in the value of the equity investment in Sartec S.p.A. is due to the partial reversal of the write-downs carried out in previous years, as indicated in section 3 “Accounting Standards Adopted,” under L. Impairment of Assets.

In July 2009, subsidiary Sarlux S.r.l. distributed dividends amounting to EUR 100 million, an amount higher than the profit recorded for 2008. Though this circumstance is expressly indicated in IAS 36 as an impairment indicator, the measurement of the equity investment as at 31st December 2009 carried out through discounting of the expected cash flows did not indicate a need to account for to a write-down.

We also note that based on existing loans, Sarlux S.r.l. must abide by certain parameters in order to distribute dividends. In particular, in order to distribute cash for this purpose, it is necessary that:

- the following current accounts held by the investee at Banca Intesa of London must be sufficiently in credit to fulfil the purposes for which the accounts were opened:
  [1] *Debt Service Reserve Account*: this includes the amounts destined to banks for repayment of the loan installments (capital plus interest) expiring in the next half year;
  [2] *Air Liquide Account*: this includes the amounts guaranteeing the provision of oxygen that Air LIquide Italia will carry out in the next half year;

- and that the following parameters that refer to the financial amounts deriving from the financial statement and provisional data of Sarlux S.r.l. be covered:
  [1] *Annual Debt Service Cover Ratio* (A.D.S.C.R.): *Available Cash Flow Post Tax* (for the next twelve months) shown under Total debt to repay (over the next twelve months) – must be higher than 1.15;
  [2] *Loan Life Cover Ratio* (L.L.C.R.): *Net Present Value Cash Flow Post Tax (for the residual life of the contract)* shown under Total residual debt to repay – must be lower than 1.2.

We also note that each of the loans granted to Sarlux S.r.l. must be repaid upon the request of the Facilities Agent if: (i) the Loan Life Cover Ratio (Net Present Value Cash Flow Post Tax on the total debt to repay) drops below 1.05; (ii) the Annual Debt Service Cover Ratio (Available Cash Flow Post Tax – for the next 12 months – on the total debt to repay) drops below 1; (iii) the Forecast Annual Debt Service Cover Ratio drops below 1.

In addition, all the shares of the company have been pledged in guarantee of the loans received by Sarlux S.r.l. to the financing credit institutions.

The loan granted to subsidiary Sardeolica S.r.l. (which is indirectly held through Parchi Eolici Ulassai S.r.l.) was concluded on 6th December 2005 with a pool of banks (led by the Banca Nazionale del Lavoro) and consists of 5 lines of credit; this loan is to be repaid in half yearly installments by the end of 2016 and provides for a variable interest rate equal to the Euribor rate increased by a margin which is also variable.
The loan contract provides for certain restrictions:

- of a financial nature (mainly consisting mainly of the liquidity parameters provided in the contract and the prohibition of carrying out transactions involving derivative instruments other than those authorized by the pool of banks);
- of an operational nature regarding the management of the wind farm and the obligation to provide insurance coverage;
- of a corporate nature, connected to the ownership structure of the company and the prohibition to carry out extraordinary finance transactions without the authorization of the lending banks and the modification of the licenses and the permits the company required in order to realize the project.

Failure to abide by these restrictions will entitle the pool of banks granting the loan to request early repayment thereof.
On the last contract expiration date the terms relating to the loans above were fulfilled.
In addition, all the shares of the company have been pledged in guarantee of the loans taken out by Sardeolica to the financing credit institutions.

None of the direct and indirect subsidiaries of Saras S.p.A. is listed on a regulated market.

5.2.3.2 Other investments

This item contains the investment of 5.95% of the share capital of the Sarda Factoring S.p.A. company, amounting to EUR 495 thousand.

5.2.4 Deferred tax assets

The deferred tax assets (EUR 17,917 thousand as at 31st December 2009 and EUR 21,793 thousand as at 31st December 2008) are shown net of deferred tax liabilities and are:

				Other changes			
(Figures in EUR '000)	**Amounts at 31/12/2008**	**Additions**	**Deductions**	**Change in nominal rates on balances (IS)* IRES 6,5%**	**Change in nominal rates on initial balances - (SFP)****	**Other Changes**	**Amounts at 31/12/2009**
Deferred tax liabilities							
Adjustment to value of land to reflect fair value (as deemed cost)	(10,574)			(287)			(10,861)
Adjustment for scheduled plant and equipment maintenance	(5,426)		3,353	(56)			(2,129)
Measurement of inventory at end of period		(4,052)					(4,052)
Unrealised currency losses	(2,300)		2,372			(72)	0
Other	(272)	(21)		(7)			(300)
Total deferred tax liabilities	**(18,572)**	**(4,073)**	**5,725**	**(350)**	**0**	**(72)**	**(17,342)**
Deferred tax assets							
Higher fiscal costs on inventories	10,105		(10,105)				0
Provisions for risks and write-downs	4,924	5,500	(1,869)	83			8,638
Derecognition of intangible assets	22		(16)				6
Reclassification of grants previously carried as equity	994		(599)	10			405
Costs for the dismantling and removal of tangible assets	4,855	140		131			5,126
Employee benefits and bonuses	3,446	3,020	(2,615)	26			3,877
Unrealised currency losses	0	1,143	(16)	2		72	1,201
Exceeding maintenance costs	6,233		(1,854)	120			4,499
I.P.O. costs charged directly to shareholders' equity	4,133		(2,066)		55		2,122
Tax Asset relating tot ax loss (additional IRES 6.5%)		3,644					3,644
Port duties provision	5,373			146			5,519
Other	280	201	(260)	1			222
Total deferred tax assets	**40,365**	**13,648**	**(19,400)**	**519**	**55**	**72**	**35,259**
Net total	**21,793**	**9,575**	**(13,675)**	**169**	**55**	**0**	**17,917**

* Income Statement - ** Statement of Financial Position

The main changes are due to:

- a differing tax write-down criterion for the crude oil and petroleum products inventories (average value in the last month compared to the exact value as at 31st December);
- recognition of tax assets on the non-transferrable tax loss to the IRES [corporate income tax] Consolidation (additional 6.5%) which is considered to be recoverable by future taxable amounts within the time limits of the law.

In addition to Legislative Decree 112/2008 which established last year an additional IRES of 5.5% for companies operating in the petroleum and gas sector, law 99 of 2009 further increased the rate by 1% bringing the nominal IRES rate to 34%. The deferred tax assets and liabilities were consequently updated.

Following is the distribution of deferred tax assets and liabilities in current and non-current portions for 2009 and 2008 respectively:

	2009 Short term	2009 Medium/long term	2008 Short term	2008 Medium/long term
Deferred tax liabilities				
Adjustment to value of land to reflect fair value (as deemed cost)		(10,861)		(10,574)
Adjustments for scheduled plant and equipment maintenance	(1,597)	(532)	(3,352)	(2,074)
Measurement of inventory at end of period at F.I.F.O. cost	(4,052)			
Unrealised currency losses			(2,372)	
Other	(300)		(272)	
Total deferred tax liabilities	**(5,949)**	**(11,393)**	**(5,996)**	**(12,648)**
Deferred tax assets				
Higher fiscal costs on inventories			10,105	
Provisions for risks and write-downs	5,500	3,138	1,188	3,736
Derecognition of intangibile assets	6		22	
Reclassification of grants previously carried as equity	224	181	599	395
Costs for the dismantling and removal cost of tangible assets		5,126	137	4,718
Employee benefiits and bonuses	3,877		3,177	269
Unrealised currency losses	1,201		72	
Exceeding Maintenance costs	1,905	2,594	1,854	4,379
I.P.O. costs charged directly to shareholders' equity	2,122		2,066	2,067
Tax asset relating to tax loss (additional IRES 6,5%)	3,644			
Port dulies provision		5,519		5,373
Other	11	211	31	249
Total deferred tax assets	**18,491**	**16,768**	**19,251**	**21,186**

5.2.5 Other financial assets

The balance as at 31st December 2009 is equal to EUR 70,415 thousand (EUR 404 thousand for the previous year) and mainly consists of the long term portion of the loan to Sara Energia S.A. of EUR 70,000 thousand; this loan bears interest at market rates.

5.3 Current liabilities

5.3.1 Short-term financial liabilities

The short-term financial liabilities are:

	31/12/2009	31/12/2008	Change
Loans from bank	0	10,000	(10,000)
Bank overdrafts	238,748	137,151	101,597
Loans from group companies	74,040	58,596	15,444
Other loans	32,547	0	32,547
Total short-term financial liabilities	**345,335**	**205,747**	**139,588**
Total long-term financial liabilities	**188,795**	**0**	**188,7955**
Total financial liabilities	**534,130**	**205,747**	**328,383**

The breakdowns and terms of the loans are set forth in note 5.4.1 “Long term financial liabilities” below:

The total increase in the short term financial liabilities is mainly due to the lower cash flows from operations; for additional detail please see the cash flow statement.

The “Financial payables to Group companies” include the payables to subsidiaries Sarlux S.r.l. of EUR 29,056 thousand, Sarint S.A. of EUR 15,100 thousand, Sardeolica S.r.l. of EUR 14,600 thousand, Arcola Petrolifera S.p.A. of EUR 8,787 thousand, Reasar S.A. of EUR 5,470 thousand, Eolica Italiana S.r.l. of EUR 411 thousand, Akhela S.r.l. of EUR 347 thousand, Ensar S.r.l. of EUR 250 thousand and Parchi Eolici Ulassai S.r.l. of EUR 19 thousand.

The payables to Group companies bear interest at market rates and are due within next year.
The “Other short term financial liabilities” mainly refer to sales transactions carrying a repurchase obligation for CO_2 units.

5.3.2 Trade payables and other payables

The item breaks down as follows:

	31/12/2009	31/12/2008	Change
Advances from clients: portion due within the year	16,124	0	16,124
Payables to suppliers: portion due within the year	477,258	453,819	23,439
Trade payables to group companies	26,991	39,754	(12,763)
Total	**520,373**	**493,573**	**26,800**

The "Advances from clients" item refers to advances received from foreign customers on supplies of petroleum products delivered in January 2010.

The increase in the trade payables is essentially due to the general increase in the prices of petroleum during the last quarter of the year compared to the last quarter of the previous year.

The "Payables to Group companies" item essentially includes the payables to Sarlux s.r.l. of EUR 12,908 thousand, Sartec S.p.A. of EUR 7,427 thousand, Saras Energia SA of EUR 4,184 thousand and Akhela S.r.l. of EUR 2,333 thousand.

The payables to suppliers by geographic area are shown below:

	31/12/2009	31/12/2008	Change
Payables to Italian suppliers	162,824	234,186	(71,362)
Payables to Spanish suppliers	162	7	155
Payables to other EU country suppliers	39,994	13,677	26,317
Payables to non-EU country suppliers	273,697	205,939	67,758
Payables to US suppliers	581	10	571
Total	**477,258**	**453,819**	**23,439**

5.3.3 Current tax liabilities

The item breaks down as follows:

	31/12/2009	31/12/2008	Change
VAT payables	5,399	0	5,399
IRES (Corporate Tax)	0	22,850	(22,850)
IRAP (Regional Tax)	0	905	(905)
Other tax payables	12,070	20,512	(8,442)
Total	**17,469**	**44,267**	**(26,798)**

The decrease in the IRES and IRAP payables is due to the contraction in the taxable amounts during the year compared to the previous year.

The “VAT Payables” relates to the settlement of the December position.

The “Other tax payables” item mainly includes the third and last installment of the substitute tax for tax differences (EUR 9.6 million) in addition to payments to the inland revenue for IRPEF; the change compared to last year is due to the reduction in the installment of the aforementioned tax (30% instead of 40%) and the substitute tax on the re-alignment of the net book and fiscal values of the crude oil and petroleum products stock (EUR 5 million) for 2008 only.

5.3.4 Other liabilities

The breakdown of the other liabilities is provided in the following table:

	31/12/2009	31/12/2008	Change
Amount payable to welfare and social security bodies: portions due within the year	8,097	9,215	(1,118)
Due to personnel	13,237	15,585	(2,348)
Payables to Ministry for grants	24,736	13,848	10,888
Other payables	16,340	15,819	521
Other accrued liabilities	976	469	507
Other deferred income	531	93	438
Totale	**63,917**	**55,029**	**8,888**

The amounts “due to personnel” item includes December remuneration not yet paid and the amount due of the additional months’ pay.
grants contributions” item includes the advances received by the Ministry of Productive Activities against the Program Contract concluded by it on 10th June 2002 and for which the relating Final License Decree (EUR 24,736 thousand) has not been received yet. The increase compared to the previous year refers to the advance received of EUR 10,888 thousand against the aforementioned Program Contract.

The “Other payables” item refers mainly to the amounts due for port fees (EUR 13,153 thousand) ascertained by the Customs Authority; in this regard we note that the first installment of the long-standing dispute between the latter and the Italian Tax Administration insofar as the port fees owed for the Sarroch landing related to the 1994-1995 period, was settled to the full satisfaction of the company the position of which was accepted by the Court of Cassation which definitively declared that these taxes were not due. Furthermore, a second part of the dispute is underway which involves the Cagliari Court of Appeals taking a decision against a favorable ruling by the Court of Cagliari; the company has appealed to the Court of Cassation and the relating ruling is currently pending.

Furthermore, during 2007, the Italian Tax Administration ruled that the company pay the taxes which had been ascertained but suspended and an appeal against this ruling was submitted to the Tax Commission while furthermore the Italian Tax Administration itself repealed the suspension pending further ascertainment.

Pursuant to the dispute above, the entire amount of the tax fees was recognized under the “Costs for Services and sundry costs” item.

5.4 Non-current liabilities

5.4.1. Long-term financial liabilities

The details and loan terms are shown below:

Figures in EUR million	Date of borrowing	Amount originally borrowed	Base rate	Outstanding 31/12/08	Outstanding 31/12/09	Maturity 1 years	from 1 to 5 years	beyond 5 years	Security
Saras S.p.A.									
Unicredit	20-Dec-04	50.0	Euribor 6M	10.0	-				
IntesaSanPaolo in pool	3-Jun-09	100.0	Euribor 6M	-	99.4		99.4		
IntesaSanPaolo in pool	16-Jun-09	90.0	Euribor 6M	-	89.4		89.4		
				10.0	**188.8**	**-**	**188.8**	**-**	

The average weighted interest as at 31st December 2009 was 2.07% (4.81% in the previous year).

On 25th May 2009 a loan in the form of the opening of a simple line of credit for a nominal amount of EUR 190 million was concluded with a pool of banks (led by Intesa San Paolo), the duration of which was 3 years and repayment in a single installment in June 2012, at the six month Euribor based interest rate.

The loan contract places certain restrictions on the company:

- of a financial nature (requiring compliance with the parameters below): Net debt/EBITDA < 3.5 and Net debt/Equity < 1.5);
- of a corporate nature which mainly involves the ownership structure of the company and the prohibition of changing its activity, its share capital and carrying out extraordinary transactions.

Failure to abide by these restrictions will entitle the pool of banks granting the loan to request early repayment thereof. These restrictions were complied with as at 31st December 2009.
The opened credit line was used for EUR 100 million on 3rd June 2009 and on 16th June 2009 for the remaining EUR 90 million; the loan is recognized in the financial statements net of the expenses incurred to obtain it, according to the effective interest rate method.

The net financial position as at 31st December 2009 and 31st December 2008 is shown in the table below:

	31/12/2009	31/12/2008
Medium/long term bank loans	(188,795)	0
Medium/long term financial receivables from Group companies	70,000	0
Medium/long term Net financial position	**(118,795)**	**0**
Short-term bank loans	0	(10,000)
Payables to banks for overdrafts on current accounts	(238,748)	(137,151)
Loans from group companies	(74,040)	(58,596)
Other short-term financial liabilities (net of derivatives Fair value)	(31,317)	0
Net derivatives Fair value	2,001	0
Receivables from Group Companies	75,585	98,599
Other financial assets held for trading	17,541	15,844
Cash and cash equivalents	22,104	3,316
Short term Net financial position	**(226,874)**	**(87,988)**
Net financial position	**(345,669)**	**(87,988)**

The change is mainly due to the higher value, for essentially equal quantities, of the operating and mandatory inventories due to the increase in oil prices, the investments made during the year and the distribution of the 2008 dividend. For further details, please see the cash flow statement.

5.4.2 Provisions for risks and charges

The provisions for risks and charges are shown below:

	31/12/2007	Additions	Use	Movements	31/12/2008
Provisions for dismantling of plants	13,526				13,526
Provisions for CO_2 quotas	0	5,135			5,135
Totale	**13.526**	**5.135**	**0**	**0**	**18.661**

	31/12/2008	Additions	Use	Movements	31/12/2009
Provisions for dismantling of plants	13,526				13,526
Provisions for charges CO_2 quotas	5,135	18,713	(5,135)		18,713
Total	**18,661**	**18,713**	**(5,135)**	**0**	**32,239**

The plant dismantlement provision of EUR 13,526 thousand is for future dismantlement costs of plants and machinery, where there exists such a legal and implicit obligation; the provision has not been discounted due to the low level of significance of this effect. The amount has not changed compared to last year.

The EUR 18,713 thousand provision for CO_2 units was set up pursuant to Legislative Decree 216 of 4th April 2006 which introduced quantitative limits for CO_2 emissions from plants; exceeding these limits results in an obligation to purchase units representing the excess quantities of CO_2 from the specific market.

The provision in question contains the allocation for units due which have not yet been purchased.
As part of the *Piano Nazionale di Allocazione – PNA* (National Allocation Plan) Saras S.p.A. is the recipient of a government assignment of CO_2 units and liable for the CO_2 emissions of the entire Sarroch plant, including the IGCC plant belonging to subsidiary Sarlux S.r.l.
The National Allocation Plan for all of 2009 provided for:

- 2,159,696 units of CO_2 (as redetermined by the Ministry of the Environment compared to the 2,137,383 units initially attributed);
- 444,404 units of CO_2 for the cogeneration unit belonging to subsidiary Sarlux S.r.l.

The movement of the CO_2 units (where one unit is equal to one ton) is as follows:

(Tons)	Refinery plant Saras S.p.A.	IGCC plant Sarlux S.r.l.	Total
Assigned in 2009	2,159,696	444,404	2,604,100
Deficit coverage previous year	(227,872)	0	(227,872)
Purchase	0	2,750,000	2,750,000
Transfer	(1,000,000)	0	(1,000,000)
Emissions in the year	(2,136,367)	(3,542,181)	(5,678,548)
Deficit as of 31st December 2009	**(1,204,543)**	**(347,777)**	**(1,552,320)**

The deficit for the year has been allocated (1,204,543 units against a EUR 14,513 thousand value for the refining plants and 347,777 units against a EUR 4,200 thousand value for the cogeneration plants).

The cost incurred during the year refers to subsidiary Sarlux S.r.l. (EUR 41,536 thousand) and was charged to the latter.

5.4.3 Provisions for employee benefits

This item consists of:

	31/12/2009	31/12/2008	Change
Employee end-of-service payments	12,988	15,050	(2,062)
Other indemnities	20,008	20,014	(6)
Total	**32,996**	**35,064**	**(2,068)**

The Employee end-of-service payment provision is governed by art. 2120 of the Civil Code and represents an estimate of the obligation, determined on the basis of actuarial techniques, relating to the amount payable to employees upon termination. The CPAS (*Fondo Cassa Previdenza Aziendale Saras* or Saras Corporate Retirement Fund) is a special additional fund for employees; this obligation is also determined using actuarial techniques.

The movements of the employee leaving indemnities are as follows:

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**
Accrual for the year	5,501
Utilisations for the year	(7,563)
Balance at 31.12.2009	**12,988**

The movements of the CPAS fund are provided below:

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**
Accrual for the year	1,955
Utilisations for the year	(1,961)
Balance at 31.12.2009	**20,008**

In application of IAS 19 the method known as "Projected Unit Credit Cost" was employed for measurement of the staff severance indemnity and the CPAS fund, on the following assumptions:

	31/12/2009	**31/12/2008**
ECONOMIC ASSUMPTIONS		
Cost of living increase:	2.00%	2.00%
Discount rate:	5.10%	5.00%
Pay increase:	3.00%	3.00%
Annual increase in CPAS:	11.00%	11.00%

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

At 31st December 2009 the discount rate used was the IBOXX Eurozone AA with duration of over 10 years, of 5.10%.

In the previous year the actuarial valuation had employed the IBOXX Eur Italy 10+ index as a reference index. During 2009, the financial crisis resulted in the yields for corporate securities being more in line with their ratings; therefore, the IBOXX Eurozone AA index with a duration of over 10 years was once again used for the discount rate.

Based on the accounting method adopted (see par. 3.1 "Summary of the main accounting standards and valuation criteria adopted" under Q. "Provision for Employee Benefits" in these Notes), there were no actuarial gains or losses that were not recognized in the financial statements as at 31st December 2009.

5.4.4 Other liabilities

The breakdown of "other liabilities" is as follows:

	31/12/2009	31/12/2008	Change
Advances from group companies	45,005	49,976	(4,971)
Liabilities to insurance companies and social security; portions for future year	347	350	(3)
Other	5	13,320	(13,315)
Total	**45,357**	**63,646**	**(18,289)**

Advances from Group companies refer to the long term portion of loans from subsidiary Sarlux S.r.l. relating to the existing contracts named "Feedstock Supply Agreement" and "Key Facility Agreement." The change compared to last year is due to the change of the amount from long term to short term in the next year.

"Other payables" included as at 31st December 2008 the tax installment for freeing up the off balance sheet tax deductions (EC form) coming due in June 2010, which is now classified among current items.

5.5 Equity

Equity comprises of:

	31/12/2009	31/12/2008	Change
Share Capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	765,443	860,223	(94,780)
Profit for the year	78,041	60,834	17,207
Total	**909,040**	**986,613**	**(77,573)**

Share capital

As at 31st December 2009, the share capital of EUR 54,630 thousand, entirely paid in, amounted to 951,000,000 ordinary shares of no par value.

Legal reserve

The legal reserve is unchanged compared to last year and equals one fifth of the share capital.

Other reserves

The item amounts to a total of EUR 765,443 thousand, which is a net decrease of EUR 94,780 thousand compared to the previous year. This net decrease originates from:

- an increase for distribution of the profit for the previous year of EUR 60,834;
- an increase of EUR 2,052 thousand of the reserve due to stock grants given based on stock distribution plans to employees and management;
- a decrease due to the distribution to shareholders of a dividend of EUR 157,721 thousand as per the resolution of the Ordinary Shareholders' Meeting of 28th April 2009;
- an increase due to the new tax rates (Robin Hood tax) relating to the adjustment of the IPO expenses that were originally allocated to the reserve (EUR 55 thousand).

Pursuant to IAS 1, par. 1 and par. 97, we note that the changes in equity carried out with holders of equity relate to the dividends distributed.
This item is presented net of an amount of EUR 17,881 thousand (after deduction of the tax effect of EUR 10,119 thousand) relating to expenses from the listing that took place in 2006.

Net profit

The net profit amounts to EUR 78,041 thousand.

Restrictions to the distribution of the equity reserves

The following schedule shows the available amount, the non-distributable portion and the distributable portion of the net equity reserve as at 31st December 2009:

Items in Shareholders' equity	Amount	Utilisation potential	Portion available		Summary of utilisations made in the past three financial year:	
					For loss coverage	For other reasons
Share Capital	**54,629,667**					
Reserves of capital:						
Share premium reserve	338,672,775	A - B - C	338,672,775			
Reserves of profits:						
Revaluation reserve	64,037,748	A - B - C				
Legal reserves	10,925,934	B				
Other reserves :						
Extraordinary reserve	377,047,929					(30,485,271)
Own shares	(72,158,207)					
IFRS transition effects	(72,653,587)					
	232,236,135	A - B - C	232,236,135	(*)		
Employee share grant reserve	6,492,891					
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	**830,999,159**		**694,912,919**			
Non-distributable portion			29,862,728	(**)		
Residual distributable portion			665,050,191			

Legend : A – for capital increase / B – to cover losses / C - for distribution to shareholders - (*) : of which relevant to taxation is equal to zero.

(**): includes EUR 19.6 millions for "Locked-in-reserves as per art. 7,c.6 D.Lgs. 38/05" and EUR 10.2 millions from Art. 2426 c.1 n.5 of the Italian Civil Code.

The main restrictions relating to the distribution of the reserves are therefore:

- the legal reserve of EUR 10.9 million, which can be used for coverage of losses;
- the “”Restricted reserve pursuant to art. 7.6 of Legislative Decree 38/05” can be used exclusively for the coverage of losses or an increase in the share capital;
- pursuant to art. 2426 par. 1 subsection 5 of the Civil Code, an amount of EUR 10.2 million for research expenses recognized under assets.

Dividends

The Shareholders’ Meeting of Saras S.p.A. resolved on 28th April 2009 to distribute an ordinary dividend of EUR 0.17 for each of the 927,771,714 outstanding shares; the dividend was equal to EUR 157,721 thousand and EUR 60,834 thousand of this was taken from the profits for 2008 while EUR 96,887 thousand were taken from the Extraordinary Reserve.
In respect of the year 2009, the Board of Directors has proposed to the Shareholders’ Assembly called on 27th April 2010 not to distribute dividends.
The average number of outstanding shares was 927,788,536 in 2009 and 942,164,173 in 2008. As at 31st December 2009 the company held 23,188,674 own shares due to the above mentioned share plans through which employees and management of Group companies received free shares.

During the year no own shares were purchased or sold.

6. Notes to the income statement

6.1 Revenues

6.1.1 Total revenues from ordinary operations

The “Revenues from ordinary operations” break down as follows:

	2009	2008	Change
Sales and services revenues	4,410,294	7,670,726	(3,260,432)
Compensation for processing on behalf of third parties	53,557	107,504	(53,947)
Other revenues	14,344	41,905	(27,561)
Total	**4,478,195**	**7,820,135**	**(3,341,940)**

The revenues from sales and services, compared to last year have dropped by EUR 3,260,432 thousand. This change is essentially due to the performance of prices during the year and the lower volume of quantities sold.

The compensation for processing on behalf of third parties of EUR 53,557 thousand refers to refining services provided to third parties; the other amounts include additional charges for quality adjustments and logistics movements. The change in the items compared to last year is due to the decrease in the quantities processed.

In general terms, during the year the global economic recession resulted in decreased demand for petroleum products and a consequent deterioration of the refining margins, which were particularly low for the entire period. In this context, the company also carried out a significant cycle of investments and scheduled maintenance which inevitably affected the results. A tragic accident in May, the delays in the completion of the maintenance programs and certain technical problems relating to the relaunching of the critical plants during the third quarter of 2009 contributed to a further worsening of the results.

The revenue from the operations is analyzed by geographical area of destination in paragraph 4 above.

As requested by IFRS 8, we note that the company has realized over 10% of its revenues from the following customers:

- Eni Group;
- Saras Energia S.A.;
- Arcola Petrolifera S.p.A.

6.1.2 Other income

The breakdown of the "Other income" item follows below:

	2009	2008	Change
Revenues for stocking of mandatory supplies	4,517	12,872	(8,355)
Tanker ship rentals	4,466	1,991	2,475
Sale of sundry materials	815	2,752	(1,937)
Other revenues	90,576	104,056	(13,480)
Total	**100,374**	**121,671**	**(21,297)**

The compensation for keeping mandatory stocks has decreased compared to last year, mainly on account of the changes in the relative law (introduction of the possibility of keeping mandatory stocks outside the country but within the European Community) and the performance of the average prices of petroleum products throughout the year compared to the higher prices last year.

The "Other revenues" item mainly consists of the amounts charged to subsidiary Sarlux S.r.l., the expenses from the purchase of the CO_2 units for the subsidiary (of EUR 41,536 thousand) and the services charged based on contracts expiring in 2020 (Saras employee services of EUR 7,101 thousand and EUR 14,551 thousand for services). The item also includes the revenues from the charging of expenses relating to the movement of products to subsidiary Arcola Petrolifera of EUR 6,613 thousand.

6.2 Costs

The main costs break down as follows:

6.2.1 Purchases of raw materials, spare parts and consumables

	2009	2008	Change
Purchase of raw materials	2,995,895	5,006,984	(2,011,089)
Purchase of semifinished products	23,749	59,437	(35,688)
Purchases of spare parts and consumables	53,851	50,188	3,663
Purchase of finished products	1,160,572	1,958,804	(798,232)
Other purchases	181	200	(19)
Change of inventories	(227,377)	217,108	(444,485)
Total	**4,006,871**	**7,292,721**	**(3,285,850)**

As already indicated under revenues, this change is essentially due to the performance of prices during the year and the lower volume of quantities sold.

6.2.2 Costs of services and sundry costs

	2009	2008	Change
Service costs	320,789	342,403	(21,614)
Rent, leasing and similar costs	8,488	10,128	(1,640)
Provisions for risck	18,713	5,135	13,578
Other operating costs	42,235	78,848	(36,613)
Total	**390,225**	**436,514**	**(46,289)**

The costs for services mainly comprise of maintenance, charters, transport, electricity, steam, hydrogen and other types of consumption. The decrease compared to the previous year is mainly due to the decrease in utilities consumption due to the lower amount of processing carried out (as a consequence of the Turn-Around stoppages that involved various production units at the Sarroch plant) and the cost reduction policy implemented by the company.
The “Rent, leasing and similar costs” item includes costs of EUR 2,075 thousand relating to the rental of a building that houses the new headquarters in Milan, the cost of which is recognized in a linear fashion as required by IAS 17 Leases and IAS 1, IAS 8 and SIC 15, for a period of eight years which equals the duration of the contract that expires on 30th September 2015; the minimum future payments due for this contract equal EUR 1,850 thousand due next year, EUR 9,200 due after next year but within 5 years and EUR 1,725 thousand due after 5 years. The annual rents are pegged to the ISTAT index of consumer prices for families of workers and employees; the contract is intended as renewed for an additional period of 8 years and so on upon each expiration unless terminated, and this termination must be notified at least 12 months prior to expiration.
The provisions for risks consist essentially of the provision for the CO_2 units for 2009 that had not yet been purchased as at 31st December 2009.

The “Other operating costs” item consists mainly of the purchase costs for the purchase of CO2 units (EUR 34,117 thousand in the year, compared to EUR 72,087 thousand in 2008, the change being mainly due to the decrease in the value of the units: for further information please see point 5.4.2 above); non income taxes (ICI, atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

The “Personnel costs” item breaks down as follows:

	2009	2008	Change
Wages and salaries	67,144	70,533	(3,389)
Social security	19,744	21,390	(1,646)
Employee end-of-employment payments	5,501	5,869	(368)
Pensions and similar obligations	1,955	2,874	(919)
Other costs	3,720	3,578	142
Directors' remuneration	5,624	5,588	36
Total	**103,688**	**109,832**	**(6,144)**

The decrease in the cost of labor is essentially due to the fact that performance bonuses to employees have not been allocated.

On 27th April 2007 the Shareholders’ Meeting approved the plans for the distribution of free ordinary company shares:

- to employees of the company and of the Italian companies controlled by it (the “Stock Plan”)’
- the management of the Saras Group (The 2007/2009 Stock Grant Plan).

The “Stock Plan” provides for the granting of stocks free of charge to employees:

- 25 shares for 2007, as well as one share for every six shares held as at 31st December 2006;
- for 2008 and 2009 one share for every six additional shares held in 2007 and 2008 respectively. The “Stock Plan” furthermore provides that the counter value of all the shares assignable to each beneficiary cannot exceed a total of EUR 2,065 for each reference year.

The “2007/2009 Stock Grant Plan” (for company managers and the individually identified managers and directors of the subsidiaries) provides for the assignment of a “Basic number of shares” for each beneficiary, modified by:

- the relation between the change in the value of the Company share and that of the share of a group of comparable companies;
- the ratio of the EBITDA achieved by the Group and that which had been anticipated.

The assignment of shares has been set at 244,029 shares for the “Stock Plan” for the three year period from 2007 to 2009 and 1,765,480 shares for the “Stock Grant Plan) (of which 457,480 for 2007, 1,308,000 for 2008 and no assignment of stocks is scheduled for the last year April 2009/March 2010).

As to the Stock Grant Plan, the cost for 2009 relating to the last quarter of the plan (January/March 2009) amounts to EUR 2.3 million, while for the Stock Plan the cost for the year is EUR 35 thousand.

The delivery of the stocks assigned in relation to the "Stock Grant Plan" will take place in May-June 2010.

6.2.4 Depreciation, amortization and write-downs

The "Depreciation, amortization and write-downs" item breaks down as follows:

	2009	2008	Change
Amortisation - intangible assets	1,046	863	183
Depreciation - tangible assets	94,841	78,687	16,154
Total	**95,887**	**79,550**	**16,337**

The increase in amortization and depreciation is essentially due to the deployment of the TGTU and U800 plants at the end of 2008.

6.3 Net income/(charges) from equity interests

The breakdown of this item is provided in the following table:

Net income (charges) from equity interests	2009	2008	Change
Dividends :			
- Sarlux S.r.l.	100,000	24,600	75,400
	100,000	24,600	75,400
Reversal of write-downs :			
- Sartec-Saras Ricerche e Tecnologie S.p.A.	4,202	0	4,202
	4,202	0	4,202
Impairmen:			
- Ensar S.r.l.	(293)	(2,400)	2,107
- Akhela S.r.l.	(360)	0	(360)
	(653)	(2,400)	1,747
Total	**103,549**	**22,200**	**81,349**

The dividends distributed in 2009 were decided upon by the Shareholders' Meeting of subsidiary Sarlux S.r.l. on 16th July 2009.

For the comment on the other items ("Reversal of write-downs" and "Impairment") please see note 5.2.3.1.


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6.4 Financial income and charges

Financial income/charges break down as follows:

	2009	2008	Change
Other financial income:			
- from current financial assets	161	525	(364)
Other sundry financial income			
- from subsidiaries	2,125	4,717	(2,592)
- interest on current accounts held with bank and post offices	61	3,944	(3,883)
- fair value of derivatives recorded at period-end	0	3,954	(3,954)
- fair value of financial assets held for trading	1,200	49	1,151
- realized gains on derivatives	9,835	10,164	(329)
- other income	539	307	232
Exchange rate gains on non-commercial transactions	4,626	16,004	(11,378)
Total financial income	**18,547**	**39,664**	**(21,117)**
Financial charges:			
- to subsidiaries	(857)	(2,244)	1,387
- to associated companies	0	0	0
- fair value of derivatives recorded at period-end	(1,455)	0	(1,455)
- fair value of financial assets held for trading	(66)	(578)	512
- realizes loss on derivatives	(17,090)	(7,131)	(9,959)
- other (interest on loans, interest on arrears, etc,)	(5,618)	(3,952)	(1,666)
Exchange rate loss on non-commercial transactions	(11,796)	(5,596)	(6,200)
Total financial charges	**(36,882)**	**(19,501)**	**(17,381)**
Total	**(18,335)**	**20,163**	**(38,498)**

The change in the financial income and charges is essentially due to the changes in the net negative exchange differences of EUR 17,578 thousand and EUR 15,697 thousand of higher expenses due to the differences realized over the course of the year relating to derivative financial instruments and the changes in their fair values (which are due to hedging transactions to which hedge accounting was not applied).

6.5 Income taxes

Income taxes are broken down below:

	2009	2008	Change
Current taxes	559	147,252	(146,693)
Effect of group tax consolidation	(15,419)	0	(15,419)
Deferred tax assets/liabilities	3,931	(142,534)	146,465
Total	**(10,929)**	**4,718**	**(15,647)**

The current taxes are lower due to the lower taxable amounts in the current year.
The "Effect of Group tax consolidation" consists of the benefit from the tax loss calculated at a rate of 27.5%, which is offset by the taxable amount determined as part of the IRES [corporate income tax] Consolidation regime.
The prepaid/deferred taxes refer to changes during the year in the temporary differences of the values recognized in the financial statements and those recognized for tax purposes; the main changes are mainly generated by the different tax write-down criterion for the crude oil and petroleum products (average value in the last month for tax purposes and the actual value as at 31st December for statutory purposes) and the recognition of a tax asset on the non transferrable tax loss under "IRES Consolidation" (additional 6.5%).

Temporary differences in the Income Statement:	2009 Deferred tax assets/ (liabilities)	2009 Effect of tax rate changes	2008 Deferred tax assets/ (liabilities)	2008 Effect of tax rate changes
Excess and accelerated depreciation			59,135	0
Excess and accelerated depreciation on grants			(4,289)	0
Adjustment land value at fair value (as deemed cost)		(287)		(1,576)
Measurement of inventory at end of period at F.I.F.O. cost			74,669	0
Provision for risk and charges	3,631	83	4,924	
Different fiscal costs on inventories	(14,157)	0	10,105	
Adjustments for scheduled plant and equipment maintenance	3,353	(56)	1,103	(411)
Fair value of derivatives			(258)	
Derecognition of intangible assets	(16)		(14)	3
Reclassification of grants previously carried as equity	(599)	10	(514)	148
Costs for dismantling and removing tangible assets	140	131	258	685
Exceeding maintenance costs	(1,854)	120	(955)	849
I.P.O. costs charged directly to Shareholders' Equity	(2,066)		(1,758)	
Employee benefits and bonuses	405	26	1,731	14
Unrealised currency losses/gains	3,499	2	(1,570)	20
Tax assets on tax loss (additional IRES 6.5%)	3,644			
Port duty provision		146		801
Other temporary differences	(80)	(6)	(520)	(34)
TOTAL	**(4,100)**	**169**	**142,047**	**499**

The change between the deferred tax assets and liabilities compared to last year is mainly due to the different tax criterion applied for valuation (particularly the parameters to follow for write-downs) of the inventories of crude oil and petroleum products, compared to the criterion used for the statutory statements.

The table above shows the positive effect of the changes in the rates (EUR 169 thousand) compared to the temporary differences generated in the year.

The effect of taxes on profits before tax is -16.2% compared to the theoretical tax effect of 39.0% which results from the application of the 34% rate (IRES and relative additional tax) to profits before tax and 3.9% (IRAP or regional business tax) at net production value, as required by the applicable law.

An analysis of the difference between the theoretical tax rate and the actual rate for the two periods compared to each other is the following (amounts expressed in millions of Euro):

DETERMINATION OF THEORETICAL AND EFFECTIVE TAX RATE	2009	2008
PRE-TAX PROFIT [A]	**67.1**	**65.6**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	(18.1)	23.2
TOTAL PERSONNEL COSTS	103.7	109.8
ADJUSTED DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (B)	**85.6**	**133.0**
THEORETICAL CORPORATION TAX IRES [A*34% 2009; A* 33% 2008]	22.8	21.6
THEORETICAL REGIONAL INCOME TAX IRAP [B*3,9%]	3.3	5.2
TOTAL THEORETICAL TAXES [C]	**26.2**	**26.8**
THEORETICAL TAX RATE [C/A*100]	**39.0%**	**40.9%**
EFFECTIVE INCOME TAXES [D]	**-10.9**	**4.8**
EFFECTIVE TAX RATE [D/A*100]	**-16.2%**	**7.3%**

DIFFERENCES BETWEEN THE THEORETICAL AND EFFECTIVE TAX RATE FOR THE TWO PERIODS	2009 TAX	2009 TAX RATE	2008 TAX	2008 TAX RATE
Theoretical taxes	**26.2**	**39.0%**	**26.8**	**40.9%**
Dividend	(32.3)	-48.14%	(7.7)	-11.76%
Equity investments valuations	(1.2)	-1.77%	0.8	1.21%
Permanent differences - IRES	0.4	0.61%	1.0	1.48%
Permanent differences - IRAP	0.1	0.13%	0.0	0.00%
Other IRAP effect on IFRS adjustments	(0.2)	-0.23%	1.3	1.98%
Benefit from on Tremonti-ter (art. 5 D.L. 78/09)	(3.4)	-5.02%	0.0	0.00%
Effect return "cuneo fiscale" on IRAP	(1.2)	-1.77%	(1.2)	-1.88%
Effect realignment deductions extra-account	0.0	0.00%	(23.2)	-35.37%
Effect recalculation (2009) and realignment (2008) of inventories (Robin Hood Tax)	0.9	1.33%	8.0	12.15%
Effect additional IRES on deferred tax	(0.2)	-0.30%	(0.5)	-0.76%
Deduction 55% energy savings	0.0	0.00%	(0.4)	-0.61%
Effective taxes	**(10.9)**	**-16.2%**	**4.8**	**7.3%**

7. Other information

For information relating to the events after the end of the year, please see the appropriate section of the Report on operations.

7.1 Pending litigation

Saras S.p.A. underwent tax audits and assessments by the Financial Authorities which in some cases resulted in litigation that is currently pending.

Though there are ambiguous decisions by the courts in relation to the violations that were alleged, it is considered that any liabilities are possible but not probable.

7.2 Transactions with related parties

The transactions carried out by Saras with related parties essentially involve the exchange of goods, provision of services and relations of a financial nature. Please see 7.6 "Commitments" below for guarantees given to and received from related parties.

Following are the amounts representing relations of a commercial and other nature set up with related parties and the nature of the more significant transactions is indicated.

The incidence of transactions or positions with related parties on equity items is indicated in the summary table below:

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2009		31/12/2008			
SARLUX S.r.l.						
Supply of goods	129,655	2.90%	206,124	2.64%	Revenues from ordinary operations	Supply of raw material as per Project Financing agreement
Services rendered by staff	8,012	7.98%	8,586	7.06%	Other income	Outsourcing of services as per Project Financing agreement
Rendered services	56,444	56.23%	83,977	69.02%	Other income	Outsourcing of services as per Project Financing agreement
Dividends	100,000	96.57%	24,600	110.81%	Net income (charges) from equity investment	Dividend distribution
Purchases of goods	(1,113)	0.03%	(6,208)	0.09%	Purchases of raw materials, spare parts and consumables	Supply of sulfur as per Project Financing agreement
Utilities	(45,370)	11.63%	(54,781)	12.55%	Cost of services and various costs	Supply of steam, hydrogen as per project financing agreement
Received services	(1,337)	0.34%	(1,025)	0.23%	Cost of services and various costs	Supply of various services
Financial charge	(461)	1.25%	(1,075)	5.33%	Other net financial income (charges)	Interest on intrercompany loans
Receivables for goods & services supply	39,431	16.10%	91,166	19.72%	Current trade receivables	Goods supply
IRES/VAT receivables from tax consolidation	9,386	10.65%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(12,908)	2.48%	(25,891)	5.25%	Trade and other current payables	Trade payables
Payables for goods & services supply	(45,005)	99.22%	(49,977)	78.52%	Other non current liabilities	Trade payables
Loan	(29,056)	8.41%	(29,056)	14.12%	Short term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	0	0.00%	(3,415)	1.66%	Short term financial liabilities	IRES/VAT payables from tax consolidation
ARCOLA PETROLIFERA S.p.A.						
Supply of goods	447,835	10.00%	676,797	8.65%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	138	0.14%	120	0.10%	Other income	Staff on secondment
Rendered services	7,737	7.71%	5,352	4.40%	Other income	Charges on oil goods movements and outsuorcing of services
Financial income	14	0.08%	880	4.36%	Other net financial income (charges)	Interest on intercompany line of credit
Purchase of goods	0	0.00%	(695)	0.01%	Purchase of raw materials, replacement parts and consumables	Oil products supply
Received services	(699)	0.18%	(597)	0.14%	Received services and various costs	Charges on sales
Financial charge	(242)	0.66%	180	0.89%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	45,093	18.41%	41,444	8.97%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	8,643	9.81%	3,899	3.42%	Other current assets	IRES/VAT receivables from tax consolidation
Loan	(8,787)	2.54%	3,425	3.00%	Short term financial liabilities	Intercompany loans
Payables for goods & services supply	(83)	0.02%	(193)	0.04%	Trade and other current payables	Trade payables
SARAS RICERCHE E TECNOLOGIE S.p.A.						
Services rendered by staff	410	0.41%	367	0.30%	Other income	Staff on secondment
Rendered services	165	0.16%	81	0.07%	Other income	Outsourcing of services
Measurement of equity investments	4202	4.06%	0	0.00%	Income (charges) on equity investments	Write-downs on equity investments
Financial income	81	0.44%	510	2.53%	Other net financial income (charges)	Interest on intercomany line of credit
Purcheses of goods	(381)	0.01%	(156)	0.00%	Purchases of raw materials, spare parts and consumables	Consumables supply
Received services	(11,669)	2.99%	(11,487)	2.63%	Cost of services and various costs	Outsourcing of engeneering services
Receivables for goods & services supply	618	0.25%	590	0.13%	Current trade reveivables	Trade receivables
IRES/VAT receivables from tax consolidation	854	0.97%	695	0.61%	Other current assets	IRES/VAT receivables from tax consolidation
Financing	1,910	2.17%	9,685	8.49%	Other current assets	Intercompany line of credit
Payables for goods & services supply	(7,427)	1.43%	(8,515)	1.73%	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
	31/12/2009		31/12/2008			
AKHELA S.r.l.						
Services rendered by staff	115	0.11%	494	0.41%	Other income	Staff on secondment
Rendered services	5	0.00%	12	0.01%	Other income	Outsourcing of services
Financial income	116	0.63%	205	1.02%	Other net financial income (charges)	Interest on intercompany line of credit
Purcheses of goods	(2)	0.00%	(2)	0.00%	Purchases of raw materials, spare parts and consumables	Consumables supply
Received services	(8,449)	2.17%	(8,053)	1.84%	Cost of services and various costs	IT support Outsourcing
Measurement of equity investments	(360)	0.35%	0	0.00%	Net income (charges) on equity investments	Write-down on equity investments
Financial charges	(8)	0.02%	0	0.00%	Other net financial income (charges)	Interest on intercompany loans
Receivables for goods & services supply	153	0.06%	561	0.12%	Current trade receivables	Trade receivables
Financing	7,148	8,11%	6,728	5.90%	Other current assets	Intercompany line of credit
IRES/VAT receivables from tax consolidation	0	0.00%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidations
Payables for goods & services supply	(2,333)	0.45%	(3,807)	0.77%	Trade and other current payables	Trade payables
Loan	0		0	0.00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payable from tax consolidation	(347)	0.54%	(464)	0.84%	Short-term financial liabilities	IRES/VAT payables from tax consolidations
EOLICA ITALIANA S.r.l.						
Services rendered by staff	31	0.03%	31	0.03%	Other income	Outsourcing of services
Financial income	0	0.00%	0	0.00%	Other net financial income (charges)	Interest on intercompany line of credit
Financial charges	(3)	0.01%	(17)	0.08%	Other net financial income (charges)	Interest on intercompany loans
Receivables for goods & services supply	31	0.01%	31	0.01%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	6	0.01%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(2)	0.00%	(3)	0.00%	Trade and other current payables	Trade payables
Financing	180	0.20%	210	0.18%	Other current assets	Intercompany line of credit
Loan	(411)	0.12%	(411)	0.20%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	0	0.00%	(82)	0.04%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
ENSAR S.r.l.						
Services rendered by staff	222	0.22%	183	0.15%	Other income	Staff on secondment
Rendered services	61	0.06%	44	0.04%	Other income	Outsourcing of services
Measurement of equity investment	(293)	0.28%	(2,400)	10.81%	Net income (charges) on equity investments	Write-downs on equity investment
Financial income	28	0.15%	98	0.49%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	291	0.12%	255	0.06%	Current trade receivables	Trade receivables
Financing	1,439	1.63%	1,556	1.36%	Other current assets	Intercompany line of credit
IRES/VAT payable from tax consolidation	(250)	0.07%	(235)	0.11%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
NOVA EOLICA S.r.l.						
Received services	(500)	0.13%	(100)	0	Cost of services and various costs	Receivable Waiver
Financial Income	6	0.03%	31	0.15%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	163	0.07%	201	0.04%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	0	0.00%	Trade and other current payables	Trade payables
Financing	1,900	2.16%	2,400	2.10%	Other current assets	Intercompany line of credit

Statement of transactions with related parties and relevant explanatory notes

Description	Absolute value (EUR/000) and % of item in statements				Item	Business reason
	31/12/2009		31/12/2008			
SARDEOLICA S.r.l.						
Rendered services	55	0.05%	58	0.05%	Other income	Outsourcing of services
Services rendered by staff	25	0.02%	46	0.04%	Other income	Staff on secondment
Financial income	0	0.00%	47	0.23%	Other net financial income (charges)	Interest on intercompany line of credit
Financial charges	(63)	0.17%	0	0.00%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	76	0.03%	99	0.02%	Current trade receivables	Trade receivables
IRES/VAT receivables from tax consolidation	3,083	3.50%	0	0.00%	Other current assets	IRES/VAT receivables from tax consolidation
Payables for goods & services supply	(39)	0.01%	0	0.00%	Trade and other current payables	Trade payables
Loan	(14,600)	4.23%	0	0.00%	Short-term financial liabilities	Intercompany loans
IRES/VAT payables from tax consolidation	0	0.00%	(4,320)	2.10%	Short-term financial liabilities	IRES/VAT receivables from tax consolidation
PARCHI EOLICI ULASSAI S.r.l.						
Rendered services	6	0.01%	6	0.00%	Other income	Outsourcing of services
Financial income	0	0.00%	65	0.32%	Other net financial income (charges)	Interest on intercompany line of credit
Receivables for goods & services supply	7	0.00%	20	0.00%	Current trade receivables	Trade receivables
Payables for goods & services supply	(19)	0.01%	(45)	0.02%	Short-term financial liabilities	IRES/VAT payables from tax consolidation
IMMOBILIARE ELLECI S.p.A.						
Rent	(234)	0.06%	(450)	0.10%	Cost of services and various costs	Rent of buildings
SECURFIN HOLDINGS S.p.A.						
Services rendered by staff	17	0.02%	26	0.02%	Other income	Staff on secondment
Rent	(640)	0.16%	(605)	0.14%	Cost of services and various costs	Rental of building and parking spaces in Milan
Receivables for goods & services supply	17	0.01%	26	0.01%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	0	0.00%	Trade and other current payables	Trade payables
F.C. INTERNAZIONALE S.p.A.						
Received services	(41)	0.01%	(41)	0.01%	Cost of services and various costs	Purchase of entrance tickets for sports matches
ANGELO MORATTI S.a.p.A.						
Services rendered by staff	28	0.03%	44	0.04%	Other income	Staff on secondment
Receivables for goods & services supply	28	0.01%	44	0.01%	Current trade receivables	Trade receivables
DYNERGY S.r.l.						
Services rendered by staff	0	0.00%	2	0.00%	Other income	Management fee
Rendered services	1	0.00%	8	0.01%	Other income	Positive exchange rate differences
Received services	(531)	0.14%	(806)	0.18%	Cost of services and various costs	Support for refining process activities
Receivables for goods & services supply	0	0.00%	1	0.00%	Current trade receivables	Trade receivables
Payables for goods & services supply	0	0.00%	(188)	0.04%	Trade and other current payables	Trade payables
ARTEMIDE S.r.l.						
Financial income	4	0.02%	0	0.00%	Other net financial income (charges)	Interests on intercompany financing
Receivables for goods & services supply	4	0.00%	1	0.00%	Current trade receivables	Trade receivables
Financing	1,050	1.19%	0	0.00%	Other current assets	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
	31/12/2009		31/12/2008			
MANTA S.r.l.						
Services rendered by staff	41	0.04%	0	0.00%	Other income	Personnel on secondment
Rendered services	(192)	0.05%	0	0.00%	Service and miscellaneous costs	Security services
Receivables for supply of goods and services	41	0.02%	0	0.00%	Current trade receivables	Trade receivables
Payables for supply of goods and services	(30)	-0.01%	0	0.00%	Trade payables and other current payables	Trade payables
SARAS ENERGIA S.A. (Spain)						
Supply of goods	821,230	18.34%	1,525,955	19.51%	Revenues from ordinary operations	Supply of oil products
Services rendered by staff	245	0.24%	197	0.16%	Other income	Staff on secondment
Rendered services	669	0.67%	880	0.72%	Other income	Payment for stocking of mandatory supplies and demurrage
Financing income	1,844	9.94%	2,787	13.82%	Other net financial income (charges)	Intercompany financing
Purchases of goods	(54,150)	1.35%	0	0.00%	Purchases of raw materials, spare parts and consumables	Repayment of operational loans on Sarroch
Received services	0	0.00%	(130)	0.03%	Cost of services and various costs	Staff on secondment
Received services	(33)	0.01%	(1,533)	0.35%	Cost of services and various costs	Charges on sales and marketing research
Receivables for goods & services supply	44,742	18.26%	60,846	13.16%	Current trade receivables	Supply of oil products
Financing	70,000	99.41%	0	0.00%	Other financial assets	Intercompany financing
Loan	40,000	45.39%	70,000	61.38%	Other Current assets	Intercompany loans
Payables for goods & services supply	(4,184)	0.80%	(901)	0.18%	Trade payables and other current payables	Trade payables
SARINT S.A. (Luxemburg)						
Financial charges	0	0.00%	(749)	3.71%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	0	0.00%	(195)	0.04%	Trade and other current payables	Trade payables
Loan	(15,100)	4.37%	(15,100)	7.34%	Short-term financial liabilities	Intercompany loans
REASAR S.A. (Luxemburg)						
Financial charges	(88)	0.24%	(223)	1.11%	Other net financial income (charges)	Interest on intercompany loans
Payables for goods & services supply	(15)	0.00%	(63)	0.01%	Trade and other current payables	Trade payables
Loan	(5,470)	1.58%	(5,470)	2.66%	Short-term financial liabilities	Intercompany loans

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

In respect of the transactions above, the contracts governing sales of raw materials and products are in line with market practices; where a market price is not directly available, one is established based on market prices for analogous or similar materials or products; services are paid for based on fees that are in line with market conditions to the greatest possible extent; chargebacks for outsourced staff are made at cost, without application of any margins and loans are granted at a rate that is in line with the market rate.

The incidence of transactions or positions with related parties on equity items is indicated in the summary table below:

	31/12/2009			31/12/2008		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Trade receivables	244,975	130,695	53.4%	462,255	195,284	42.2%
Other current assets	88,116	60,999	69.2%	114,040	98,598	86.5%
Other financial income	70,415	70,000	99.4%	404	0	0.0%
Short-term financial liabilities	345,335	59,440	17.2%	205,747	58,598	28.5%
Trade and other current payables	520,373	26,991	5.2%	493,573	39,756	8.1%
Other non-current liabilities	45,357	45,005	99.2%	63,646	49,977	78.5%

The incidence of transactions or positions with related parties on income statement items is indicated in the summary table below:

	2009			2008		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Revenues from ordinary operations	4,478,195	1,398,720	31.2%	7,820,135	2,408,181	30.8%
Other income	100,374	74,427	74.1%	121,671	100,514	82.6%
Purchases of raw materials, supplies and consumables	4,006,871	55,646	1.4%	7,292,721	6,366	0.1%
Cost of services and sundry costs	390,225	69,725	17.9%	436,514	79,608	18.2%
Net income (charges) from equity investment	103,549	103,549	100.0%	22,200	22,200	100.0%
Financial income	18,547	2,093	11.3%	39,664	4,803	12.1%
Financial charges	36,882	865	2.3%	19,501	2,064	10.6%

The main cash flows with related parties are shown below:

Flows with related parties	**2009**	**2008**
(Income) and net charges on equity investments	(3,549)	2,400
Dividends from investments	(100,000)	(24,600)
(Increase) Decrease of trade receivables	64,589	12,759
Increase (Decrease) of trade payables and other payables	(12,765)	25,065
Changes of other current assets	(32,401)	(16,846)
Changes other non current liabilities	(4,972)	(4,971)
Monetary flows from (to) operating activities	**(89,098)**	**(6,193)**
Dividends	100,000	24,600
Interest received	2,093	4,803
Monetary flows from (to) Investment activities	**102,093**	**29,403**
Increase/(decrease) short term financial borrowings	842	34,961
Interest paid	(865)	(2,064)
Monetary flows from (to) financing activities	**(23)**	**32,897**
Total financial flows vs related parties	**12,972**	**56,107**

The incidence of cash flows with related parties is shown below:

	31/12/2009			31/12/2008		
	Total	Related Parties	Proportion %	Total	Related Parties	Proportion %
Monetary flows from (to) operating activities	1,598	(89,098)	n.a.	159,890	(6,193)	n.a.
Monetary flows from (to) Investment activities	(144,771)	102,093	n.a.	(182,188)	29,403	n.a.
Monetary flows from (to) financing activities	161,961	(23)	n.a.	(128,805)	32,897	n.a.

7.3 Information required by 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 portion of disclosures relating to financial instruments within IAS 32.

The purpose of this standard is to require companies to disclose information in their financial statements that will enhance understanding of:

a) the significance of financial instruments to an entity's financial position, performance and cash flows.
a) the nature and size of the risks deriving from financial instruments to which the company is exposed during the year and on the balance sheet date and the way in which the company manages these risks.

The principles in this Standard complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement*.

The scope of application of this standard encompasses all entities and all types of financial instruments except investments in subsidiaries, associates or joint ventures which are accounted for according to IAS 27, 28 or 31 and the rights and obligations of employers deriving from employee benefits programs (IAS 19), contracts relating to a business combination (IFRS 3) and insurance contracts defined within IFRS 4 and financial instruments, contracts and obligations relating to share based payment (IFRS 2).
The book value of the financial assets and liabilities which does not coincide with the fair value does however represent a reasonable approximation thereof; the fair value was determined using the methods that are normally used for the classes of instruments in question, i.e., with reference to market values and prices on active markets where available, or using alternative valuation techniques based on the discounting of the expected cash flows.

7.3.1 Information on our financial position

In respect of the financial position and performance, paragraphs 8-19 of this standard require companies to provide the book value of each of the categories of financial instruments defined in IAS 39 and some additional information where the company has opted for accounting for financial assets and liabilities at fair value recognized in the income statement, or where financial assets have been reclassified or even derecognized. Following is the financial position and operating results of Saras S.p.A. as at 31st December 2009 and 31st December 2008, with a breakdown of the financial instruments:

31/12/2009	Book value of financial instruments belonging to the categories set out in IAS 39							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans	Held	Other liabilities	OTHER	Balance at
	Designate	Held for	held	and	for sale	recognised at		31/12/2009
	at Fair Value	trading	to maturity	receivable		amortised cost		
ASSETS								
Current financial assets	**0**	**20,772**	**0**	**351,964**	**0**	**0**	**588,223**	**960,959**
Cash and cash equivalents				22,104				22,104
Other financial assets held for trading		17,541						17,541
Securities held for trading		*17,541*						
Trade receivables				244,975				244,975
Receivables from clients				*116,380*				
Bad-debt provision				*(2,016)*				
Financial receivables from group companies				*130,611*				
Inventories							552,613	552,613
Current tax assets							35,610	35,610
Other assets		3,231		84,885				88,116
Derivative instruments		*3,231*						
Other receivables				*84,885*				
Non-current assets	**0**	**0**	**0**	**70,415**	**0**	**0**	**1,124,147**	**1,194,562**
Property, plant and equipment							787,909	787,909
Intangible assets							11,490	11,490
Equity Interests carried at cost							306,336	306,336
Other equity interests							495	495
Deferred tax assets							17,917	17,917
Other financial assets				70,415			0	70,415
Financial receivables from group companies				*70,000*				
Deposits				*415*				
Total financial assets	**0**	**20,772**	**0**	**422,379**	**0**	**0**	**1,712,370**	**2,155,521**
LIABILITIES								
Current liabilities	**0**	**1,230**	**0**	**0**	**0**	**928,395**	**17,469**	**947,094**
Short-term financial liabilities		1,230				344,105		345,335
Bank loans (guaranteed)								
Overdrafts						*238,749*		
Loans from group companies and other payables						*74,040*		
Derivative instruments		*1,230*						
Other financial liabilities						*31,316*		
Trade and other payables						520,373		520,373
Current tax liabilities							17,469	17,469
Other liabilities						63,917		63,917
Other payables						*63,917*		
Non-current liabilities	**0**	**0**	**0**	**0**	**0**	**234,152**	**65,235**	**299,387**
Long-term financial liabilities						188,795		188,795
Bank loans (guaranteed)						*188,795*		
Provisions for risks							32,239	32,239
Provisions for employee benefits							32,996	32,996
Deferred tax liabilities								0
Other liabilities						45,357		45,357
Total financial liabilities	**0**	**1,230**	**0**	**0**	**0**	**1,162,547**	**82,704**	**1,246,481**

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	Held	Other liabilities	OTHER	Balance at
	Designate	Held for	held	and	for sale	recognised at		31/12/2008
	at Fair Value	trading	to maturity	receivable		amortised cost		
ASSETS								
Current financial assets	**0**	**18,859**	**0**	**570,319**	**0**	**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*				
Bad-debt provision				*(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**	**953,562**
Property, plant and equipment							639,272	639,272
Intangible assets							11,604	11,604
Equity Interests carried at cost							301,787	301,787
Other equity interests							495	495
Deferred tax assets							21,793	
Other financial assets				404			0	404
Financial receivables from group companies								
Deposits				*404*				
Total financial assets	**0**	**18,859**	**0**	**570,723**	**0**	**0**	**1,313,018**	**1,880,807**
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 payables						*58,596*		
Derivative instruments						*0*		
Other financial liabilities								
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**

The financial instruments measured at fair value through profit and loss consist of:

- Italian and foreign equities and government securities held by the company and measured at fair value since, as provided by IAS 39, they represent financial assets held for sale or repurchased in the short term or are part of a portfolio of identified financial instruments that are managed together and for which there exists evidence of a recent and effective strategy aimed at obtaining a profit in the short term;
- derivative financial instruments set up by the company and described under paragraph 5.1.6. These are derivative contracts on commodities and interest rates entered into by the company in order to cover the risks inherent in the nature of the business in which it operates.

All trade receivables and most other current and non-current receivables are classified under "Loans and receivables" as they consist of non-derivative financial assets with fixed and determinable payments that are not listed in an active market.

All the company's liabilities of a financial and commercial nature that derive from a contractual obligation of the company to deliver cash or another financial asset to another entity are classified under "other financial liabilities measured at amortized cost."

During the year no financial assets were reclassified from being measured at amortized cost to being designated at fair value or vice-versa.

All the financial assets are recognized on the trading date.

During the year, there were no defaults in respect of the contractual repayment dates of the loans in existence at the financial statement closing date.

7.3.2 Information in the aggregate income statement

Paragraph 20 of the standard in question requires disclosure of the amount of gains or losses generated by financial assets and liabilities, divided among the various income statement items. This information can be provided in the financial statement schedules or in the notes: the company opted for the latter alternative in order not to overload the primary financial statement schedules, as recommended in the Appendix of the standard itself. Following therefore are the details of the income statement for the year underway, compared to the previous year:

2009	Net profits and losses, interest income and expense, revenues and expenses generated by:							
	Financial instruments recognised at fair value through profit and loss		Investments	Loans and	Available	Other liabilities	Total from	Balance at
	Designated	Held for	held to	receivable	for sale	recognized at	Financial	31/12/2009
	at Fair Value	trading	maturity			amortized cost	Instruments	
Revenues from ordinary operations								4,478,195
Other Income								100,374
Total Revenues							**0**	**4,578,569**
Purchases of raw materials, spare parts and consumables								(4,006,871)
Cost of services and sundry costs								(390,225)
Personnel costs								(103,688)
Depreciation, amortization and write-downs								(95,887)
Total costs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(4,596,671)**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(18,102)**
Net income (charges) from equity interests								103,549
Other net financial income (charges)							(18,335)	(18,335)
from securities held for trading		1,134					1,134	
- of which								
realized gains								
change in fair value		1,134						
from current account interest				61			61	
from loans granted to group companies				2,125			2,125	
from derivative instruments		(8,710)					(8,710)	
- of which								
realized losses		(7,255)						
change in fair value		(1,455)						
from other financial assets				700			700	
from interest on loans from banks						(5,618)	(5,618)	
from interest on loans from group companies						(857)	(857)	
from other receivables/payables				(7,170)			(7,170)	
Profit/(loss) before taxes	**0**	**(7,576)**	**0**	**(4,284)**	**0**	**(6,475)**	**(18,335)**	**67,112**
Income tax								10,929
Net profit/(loss)								**78,041**

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 held to maturity	Loans and receivable	Available for sale	Other liabilities recognized at amortized cost	Total from Financial Instruments	Balance at 31/12/2008
	Designated at Fair Value	Held for trading						
Revenues from ordinary operations								7,820,135
Other Income								121,671
Total Revenues							**0**	**7,941,806**
Purchases of raw materials, spare parts and consumables								(7,292,721)
Service and miscellaneous costs								(436,514)
Personnel costs								(109,832)
Depreciation, amortization and write-downs								(79,550)
Total costs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(7,918,617))**
Operating Result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23,189**
Net income (charges) from equity interests								22,200
Other net financial income (charges)							20,163	20,163
from securities held for trading		(4)					(4)	
- of which								
realized gains		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								
realized losses		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**	**19,376**	**0**	**(6,196)**	**20,163**	**65,552**
Income tax								(4,718)
Net profit/(loss)								**60,834**

The financial instruments measured at fair value that are recognized in the income statement generated net losses of EUR 7,576 thousand (net gains of EUR 6,983 thousand last year), essentially consisting of realized differences and the change in the fair value of the derivative instruments.

The financial instruments classified as "Loans and receivables" have generates losses of EUR 4,284 thousand (gains of EUR 19,376 thousand in the previous year), essentially on account of unrealized exchange differences on trade positions.

The other financial liabilities measured at amortized cost generated a loss of EUR 6,475 thousand (EUR 6,196 thousand in the previous year): these essentially involve financial expenses on loans.

7.3.3 Disclosure

7.3.3.1 Hedge accounting

As indicated above, the Company enters into derivative contracts on commodities in order to mitigate the risks deriving from the changes in the price of crude oil and petroleum products and also interest rate derivatives to mitigate the interest rate risk on loans that it has been granted.

At 31st December 2009. the derivative contracts in existence were essentially represented by:

- futures on petroleum products, classified as financial instruments held for sale;
- Interest rate swaps and options on interest rates.

The changes in fair value, as the realized differences, are recognized in the income statement among net financial gains and losses.

The fair value of the instruments themselves is determined on the basis of reports that are periodically sent by the counterparties with which these instruments are concluded.

7.3.3.2 Fair value

Financial assets are recognized by the company at fair value or amortized cost which, where used, does not deviate from the fair value as at 31st December 2009. Financial liabilities are recognized at amortized cost: as these are mainly positions underlying trade relations, the settlement of which is expected in the short term, or financial liabilities carrying an interest rate that is in line with current market values, the amortized cost does not deviate from the fair value as at 31st December 2009.

Under the provisions of IFRS 7 which was transposed into European law with (EC) Regulation no. 1165 of 27th November 2009 by the European Commission, it is specified that all financial instruments measured at fair value are measured using valuation techniques that employ parameters that can be observed on the market other than the listed prices of the financial instruments, except for the securities included in "Other assets held for trading" and futures on commodities classified under "Other financial assets," which are measured on the basis of prices listed on an active market; furthermore, during the year there were no changes to the valuation method as compared to the previous year.

7.3.4 Risks associated with financial instruments.

The risks associated with the financial instruments the company is exposed to are:

a) a. credit risk, i.e., the risk that the company will incur a loss in the event that the counterparty to a financial asset held by it defaults;

b) liquidity risk, i.e., the risk that the company will not be able to fulfill the obligations upon the contractual expirations of the financial liabilities it holds;

c) market risk, or the risk deriving from scenarios in the market in which the company operates, i.e., exchange risk, interest rate risk and the risk of changes in the price of crude oil and petroleum products.

In respect of the management policies relating to the above-mentioned risks, please see the appropriate section of the Report on operations.

7.3.4.1 Credit risk

Credit risk exposures are essentially concentrated in trade receivables, other current and non-current receivables, the assets held for trading and cash and cash equivalents.
The comparative quantitative information required by paragraphs 36-38 is provided below:

	Book value at 31/12/2009		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	**960,959**	**372,736**	**372,736**		**321,781**	**51,149**	**526**	**520**	**776**	**372,736**	**0**	**(2,016))**
Cash and cash equivalents	22,104	22,104	22,104		22,104					22,104	0	0
Other Financial assets held for trading	17,541	17,541	17,541		17,541					17,541	0	0
Trade receivables	246,991	246,991	246,991		194,020	51,149	526	520	776	246,991	0	(2,016)
Provisions for doubtful loans	(2,016)	(2,016)	(2,016)						(2,016)			
Inventory	552,613											
Current tax assets	35,610											
Other assets	88,116	88,116	88,116		88,116					88,116	0	0
Non Current assets	**1,194,562**	**70,415**	**70,415**		**70,415**	**0**	**0**	**0**	**0**	**70,415**		
Property, plant and equipment	787,909											
Intangible assets	11,490											
Equity interests carried at cost	306,336											
Other equity interests	495											
Deferred tax assets	17,917											
Other financial assets	70,415	70,415	70,415		70,415					70,415		
Total assets	**2,155,521**	**443,151**	**443,151**		**392,196**	**51,149**	**526**	**520**	**776**	**443,151**		

	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 Financial 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)		
Inventory	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 and equipment	639,272											
Intangible assets	11,604											
Equity interests carried at cost	301,787											
Other equity interests	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**		

7.3.4.2 Liquidity risk

The exposures to liquidity risk are essentially relative to trade payables and bank loans.
It is noted that there were no defaults in regard to the contractual repayment dates of the loans in existence at the financial statement closing date.

The comparative quantitative information required by paragraph 39 of the standard is provided below:

	Book value 31/12/2009		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**	**2010**	**2011**	**2012**	**2013**	**2014**	**over 5 years**
Liabilities										
Current liabilities	**947,094**	**929,625**	**929,625**	**0**	**936,100**	**0**	**0**	**0**	**0**	**0**
Short-term financial liabilities	345,335	345,335								
Bank loans (guaranteed)		0	0		0					
Overdrafts		*238,749*	*238,749*		*238,749*					
Loans from non consolidated Group Companies & other payables		*74,040*	*74,040*		*74,040*					
Interest (weighted average yearly rate: 2,07%)					*6,475*					
Derivatives		*1,230*	*1,230*		*1,230*					
Other financial liabilities		*31,316*	*31,316*		*31,316*					
Trade and other payables	520,373	520,373	520,373		520,373					
Current tax liabilities	17,469									
Other liabilities	63,917	63,917	63,917		63,917					
Non-current liabilities	**299,387**	**234,152**	**234,152**	**188,795**	**3,908**	**9,230**	**195,719**	**4,970**	**4,970**	**25,125**
Long-term financial liabilities	188,795	188,795	188,795	188,795			188,795			
Interest (weighted average yearly rate: 2,07%)					3,908	3,908	1,954			
Provisions for risks	32,239									
Provisions for employees benefits	32,996									
Deferred tax liabilities	0									
Other liabilities	45,357	45,357	45,357			5,322	4,970	4,970	4,970	25,125
Total liabilities	**1,246,481**	**1,163,777**	**1,163,777**	**188,795**	**940,008**	**9,230**	**195,719**	**4,970**	**4,970**	**25,125**

	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	**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*					
Other financial liabilities										
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**

The fair value of the derivative instruments recognized in the financial statements essentially refers to current positions.

7.3.4.3 Market risk

As mentioned above, the market risks to which the company is exposed through the financial instruments it holds relate to:

- the Euro/US Dollar exchange rate, which affects the value of cash and cash equivalents, receivables and payables exposed to this risk on the financial statement reference date and determines the gains and losses recognized among Financial Income or Financial Expenses;
- the Euribor and Libor interest rates, to which the interest expenses that the company pays on existing loans payable are indexed;
- the prices of crude oil and petroleum products, which affect the fair value of derivative financial instruments in existence as at the financial statement reference date.

As required by paragraph 40 of IFRS 7, the appropriate sensitivity analyses have been carried out for each type of risk that the company is exposed to on the financial statement reference date, showing the effects on income statement and equity; the ranges used for the sensitivity analyses (exchange rate, interest rate and the price of crude oil) are in line with forecasts made by management. The results of these analyses are summarized in the tables below.

In respect of the Euro/US Dollar exchange rate, on the financial statement reference date Saras S.p.A. held financial instruments denominated in this currency in cash and cash equivalents (current accounts), trade payables and receivables and advances received in current accounts held in foreign currencies which are classified under short term financial liabilities.

The simulation of the impact of the net profit for the year and consequently the equity of Saras S.p.A., was carried out on the assumption of a +/- 5% change in the Euro/US Dollar exchange rate at the end of the year, used for the conversion of positions in a foreign currency in the preparation of the balance sheet.

EUR / US Dollar exchange rate				Change in benchmark 31/12/2009	
Balance sheet items	**Amount in foreign currency**	**EUR/US Dollar exchange rate**	**Amount in thousand of EUR**	**-5%**	**+5%**
Cash and cash equivalents	25,020	1.4406	17,368	914	(827)
Trade receivables	49,764	1.4406	34,544	1,818	(1,645)
Trade and other payables	(396,055)	1.4406	(274,924)	(14,470)	13,092
Short-term financial liabilities		1.4406	0	0	0
Net position	**(321,271)**		**(223,012)**		
Effect on profit before taxes				**(11,737)**	**10,620**
Effect on net profit (and shareholders' equity)				**(7,864)**	**7,115**

The following table shows the simulation as at 31st December 2008:

EUR / US Dollar exchange rate				Change in benchmark 31/12/2008	
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**

In respect of interest rates, the company is exposed in the mid/long term as well as the short term and a variable interest rate indexed to the Euribor rate corresponds to these positions.
The simulation of the impact of the net profit for the year and consequently the equity of Saras S.p.A., was carried out on the assumption of a +/- 20% change.

The details and outcome of the simulation are summarized in the table below:

			Change in benchmark 31/12/2009	
VARIABLE INTEREST RATES	**Fair Value as of 31/12/2009**	**Annual interest expence**	**-20%**	**+20%**
Short-and medium / long - term financial liabilities	2.07%	(5,618)	1,124	(1,124)
Effect on profit before taxes			**1,124**	**(1,124)**
Effect on net profit (and Shareholders Equity)		**753**	**(753)**	

The following table shows the simulation as at 31st December 2008:

			Change in benchmark 31/12/2008	
VARIABLE INTEREST RATES	**Fair Value as of 31/12/2008**	**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)**

Furthermore, the fair value of Interest Rate Swaps (IRS) and options on interest rates in existence on the balance sheet date is influenced by the performance of the Euribor rate: The simulation of the impact of this variable on the net profit for the year and consequently the equity of the Group, was carried out on the assumption of a change in the parameter of +/- 20 basis points.

The details and outcome of the simulation are summarized in the table below:

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2009**	**-20 bps**	**+20 bps**
Interest rate swaps fair value	(1,230)	(574)	546
Interest Options fair value	245	(57)	65
	(985)	**(631)**	**611**
Effect on profit before taxes		**(631)**	**611**
Effect on net profit (and Shareholders Equity)		**(423)**	**409**

The prices of crude oil and petroleum products affect the fair value of derivative financial instruments in existence as at the financial statement reference date and any differences are recognized in profit and loss: in this case, as at 31st December 2009, this involves futures contracts on petroleum products and the fair value recognized in the financial statements derives from the market prices of the underlying commodities on the same date.
The simulation of the impact of the net profit for the year and consequently the equity of the company, was carried out on the assumption of a +/- 20% change in the reference parameters.

The details and outcome of the simulation are summarized in the table below:

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

As at 31st December 2008 the simulation was as follows:

		Change in benchmark	
Derivatives on:	**Fair Value as of 31/12/2008**	**-20 bps**	**+20 bps**
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**

In light of the what was presented above in respect of the company's exposure to risks from financial instruments, it can be concluded that there are no significant concentrations of risk.

7.4 Average number of employees

The average number of employees by category is:

	31/12/2009	31/12/2008
Managers	58	56
Office staff	806	770
Specialised workers	15	16
Workers	394	402
Total	**1,273**	**1,244**

The number of employees increased from 1,266 persons at the end of 2008 to 1,278 persons as at 31st December 2009.

7.5 Tables sharing information on the remuneration of the direcotors and control bodies, general managers and managers with strategic positions

The following tables provide information on the remuneration and shareholdings of the directors and control bodies, general managers and managers with strategic positions; the managers with strategic responsibilities are the Chief Financial Officers and the Heads of Departments.

7.5.1 Remuneration paid to direcotors and control bodies, general managers and managers with strategic positions

(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	1/1/09	12/31/09	approv. statement FY 2011	2,536,000			
MASSIMO MORATTI	CEO	1/1/09	12/31/09	approv. statement FY 2011	2,536,000			
ANGELO MORATTI	VICE CHAIRMAN	1/1/09	12/31/09	approv. statement FY 2011	336,000		350,000	687,606
DARIO SCAFFARDI	DIRECTOR-GENERAL MANAGER	1/1/09	12/31/09	approv. statement FY 2011	36,000		300,000	597,151
GABRIELE PREVIATI	NON-EXECUTIVE DIRECTOR	1/1/09	12/31/09	approv. statement FY 2011	36,000			
ANGELO MARIO MORATTI	NON-EXECUTIVE DIRECTOR	1/1/09	12/31/09	approv. statement FY 2011	36,000		200,000	204,153
GILBERTO CALLERA	INDEPENDENT DIRECTOR	1/1/09	12/31/09	approv. statement FY 2011	36,000			
MARIO GRECO	INDEPENDENT DIRECTOR	1/1/09	12/31/09	approv. statement FY 2011	36,000			
GIANCARLO CERUTTI	INDEPENDENT DIRECTOR	4/28/09	12/31/09	approv. statement FY 2011	36,000			
(*) remuneration for subordinate work								
Statutory Auditors								(**)
FERDINANDO SUPERTI FURGA	CHAIRMAN	4/28/09	12/31/09	approv. statement FY 2011	62,400			
CLAUDIO MASSIMO FIDANZA	CHAIRMAN	1/1/09	4/27/09	4/27/09	15,600			134,780
MICHELE DI MARTINO	STANDING AUDITOR	1/1/09	12/31/09	approv. statement FY 2011	46,927			8,976
GIOVANNI LUIGI CAMERA	STANDING AUDITOR	1/1/09	12/31/09	approv. statement FY 2011	42,631			86,837
LUIGI BORRÈ	SUBSTITUTE AUDITOR	1/1/09	12/31/09	approv. statement FY 2011				
MASSIMILANO NOVA	SUBSTITUTE AUDITOR	1/1/09	4/27/09	4/27/09				
MARCO VISENTIN	SUBSTITUTE AUDITOR	4/28/09	12/31/09	approv. statement FY 2011				
(**) for auditing services for other group companies								
Supervisory board established pursuant to Legislative Decree 231/01’								(***)
GABRIELE PREVIATI	CHAIRMAN	1/1/09	12/31/09	approv. statement FY 2011	30,000			
CLAUDIO MASSIMO FIDANZA	MEMBER	1/1/09	12/31/09	approv. statement FY 2011	20,800			27,040
CONCETTO SIRACUSA	MEMBER	1/1/09	12/31/09	approv. statement FY 2011	20,800			239,494
(***) including remunerations of other Group Companies								
Internal Audit Committee								
GABRIELE PREVIATI	CHAIRMAN	1/1/09	12/31/09	approv. statement FY 2011	21,000			
MARIO GRECO	MEMBER	1/1/09	12/31/09	approv. statement FY 2011	14,000			
GILBERTO CALLERA	MEMBER	1/1/09	12/31/09	approv. statement FY 2011	14,000			
GIANCARLO CERUTTI	MEMBER	4/28/09	12/31/09	approv. statement FY 2011	14,000			
Remuneration Committee								
GILBERTO CALLERA	CHAIRMAN	1/1/09	12/31/09	approv. statement FY 2011	21,000			
MARIO GRECO	MEMBER	1/1/09	12/31/09	approv. statement FY 2011	14,000			
GABRIELE PREVIATI	MEMBER	1/1/09	12/31/09	approv. statement FY 2011	14,000			
Managers with strategic responsibilities							**1,597,233**	**2,577,608**

On the date of the financial statements the staff severance indemnity (not included in the table above) of EUR 375 thousand had not yet been paid.

7.5.2 Shares held by direcotors and control bodies, general managers and managers with strategic positions

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
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.	-	-	-	-
Giancarlo Cerutti	SARAS S.p.A.	-	-	-	-
Previati Gabriele	SARAS S.p.A.	7,800	10,200	-	18,000
Scaffardi Dario	SARAS S.p.A.	1,425	-	-	1,425
Ferdinando Superti Furga	SARAS S.p.A.	-	-	-	-
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.	-	-	-	-
Marco Visentin	SARAS S.p.A.	-	-	-	-
Managers with strategic responsibilities	SARAS S.p.A.	36,431	-	-	36,431

7.6 Commitments

During the normal course of its operations, Saras issued guarantees the value of which amounted to EUR 76,048 thousand as at 31st December 2009. They consist mainly of EUR 10,400 thousand for UHDE GmbH in guarantee of the construction of the hydrogen plant, EUR 44,819 thousand for subsidiaries, EUR 3,162 thousand to the Cagliari Port Authority in guarantee of a coastal concession and EUR 14,236 thousand to the Ministry of Productive Activities in guarantee of the early granting of the contributions provided by the Program Contract signed on 10 June 2002.

At 31st December 2009 and 2008 there were no irrevocable commitments in existence for the purchase of materials or the provision of services over a period of several years.

8. Other

For information relating to the events after the end of the year, please see the appropriate section of the Report on operations.

Pursuant to art. 2428 of the Italian Civil Code, we hereby specify that the company's other offices are the following:
General and Administrative Headquarters - Milan
Public Relations and Administrative Affairs - Rome

Pursuant to art. 149-duodecies of the Consob Issuers' Regulation, we hereby provide the detail of the payments in 2008 for services provided by the auditors for auditing and other services and entities belonging to the latter's network for services rendered.

Information pursuant to art. 149 - Duodecies of Consob Issuer Regulations.

Services	Supplier	Recipient	Amount due in 2009
Audit	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	385
Attestation	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	32
Other services	PricewaterhouseCoopers S.p.A.	Saras S.p.A.	300
Total			**717**

9. Publication of the financial statements

At the board meeting held on 25th March 2010, the Board of Directors of Saras authorized the publication of the financial statements. At the same meeting, the Board of Directors delegated to the Chairman and Managing Director the power to separately add to the report and/or notes any information providing greater detail should this become necessary or appropriate, in order to provide adequate information to shareholders.

for the Board of Directors
The Chairman
Gian Marco Moratti

Reports to the Financial Statements as of 31st December 2009

Statement by the Executive Manager responsible for the preparation of the Company's Financial Reporting

Report of the Independent Auditors to the Consolidated Financial Statements

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (now article 14 of legislative decree no. 39 dated 27 January 2010)

To the shareholders of
Saras SpA

1. We have audited the consolidated financial statements of Saras SpA and its subsidiaries ("Saras Group") as of 31 December 2009, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholders' equity, cashflow statement and related notes. The directors of Saras SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the consolidated financial statements for the year ended 31 December 2009 was conducted in compliance with the legislation in force during the year then ended.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 10 April 2009.

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** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **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 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 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

3. In our opinion, the consolidated financial statements of Saras Group as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of the Saras Group for the year then ended.

4. The directors of Saras SpA are responsible for the preparation of the report on operations and the corporate governance report in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, presented in the corporate governance report, with the financial statements, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the consolidated financial statements of Saras Group as of 31 December 2009.

Milan, 9 April 2010

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

Report of the Statutory Auditors to the Statements of Saras S.p.A

Report of The Independent Auditors to the Financial Statements of Saras S.p.A.

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (now article 14 of legislative decree no. 39 dated 27 January 2010)

To the shareholders of
Saras SpA

1. We have audited the financial statements of Saras SpA as of 31 December 2009, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholders' equity, cashflow statement and related notes. The directors of Saras SpA are responsible for the preparation of these 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 opinion.

   The audit of the financial statements for the year ended 31 December 2009 was conducted in compliance with the legislation in force during the year then ended.

   For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 10 April 2009.

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3. In our opinion, the financial statements of Saras SpA as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Saras SpA for the year then ended.

4. The directors of Saras SpA are responsible for the preparation of the report on operations and the corporate governance report in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, presented in the corporate governance report, with the financial statements, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the financial statements of Saras SpA as of 31 December 2009.

Milan, 9 April 2010

PricewaterhouseCoopers SpA

Pierangelo Schiavi
(Partner)

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